

WEEKLY MARKET *UPDATE*

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LATEST *News*

Manufacturers call for help with supply chain disruptions. Canadian Manufacturers & Exporters (CME) is calling on the federal government to provide temporary financial relief to companies impacted by supply chain disruptions, and work to resolve Buy America and other protectionist measures to mitigate serious challenges faced by manufacturers. Appearing before the Standing Committee on Transport, Infrastructure and Communities, Dennis Darby, CME president and CEO, told committee members the supply chain crisis touches every part of manufacturing and its impacts on Canadian businesses are serious. He said there was no immediate end in sight. “Simply put, these problems are holding back the manufacturing sector’s recovery and, by extension, the recovery of the overall economy” Darby told the committee. “I cannot overstate the severity of the challenges Canadian manufacturers face here. This is why we need bold action to address it now,” Darby said. Darby also told the committee that manufacturers need workers, and called for measures to relieve labour shortages, encouraging the government to increase intake targets to 500,000 per year in the economic stream. Ninety percent affected. A recent CME survey found that nine out of 10 Canadian manufacturers are encountering supply chain issues, with over 60 percent rating the impact of these disruptions as either major or severe. As a result, manufacturers say they have lost about \$10.5 billion in sales and 80 percent of manufacturers have been forced to increase prices and delay fulfilling customer orders.

Supply chains are never returning to ‘normal’. The conventional wisdom at this time is that most of the world has moved on from the pandemic (except for China); therefore, supply chains will return to “normal.” Unfortunately, this is not the case. The world has permanently changed and supply chains are going to face continuing challenges for decades to come. Among those challenges are: Supply chains will remain under constant threat of disruption for the next decade. Supply chains operate best when the world is peaceful and stable. A smoothly running supply chain requires “buffer stock,” which is challenging with declining population demographics. There is a conflict between environmental, social and governance (ESG) goals and supply chains optimized for cost and speed. If we prioritize ESG, we will need to contend with supply chain risks. Supply chain technology will become the big venture capital category winner as companies continue to make investments in technologies that can help them mitigate their supply chain challenges. In a world faced with the prospect of tightening supplies, higher energy costs, heightened geopolitical risk, and strained transportation networks, advanced supply chain technologies will become mission-critical for many more companies.

Russian attacks on Ukraine supply chains a tactical measure to stoke unrest. Weaponised logistics bottlenecks and blockades could precipitate widespread food shortages in countries in Asia and Africa, if food cannot be transported from Ukrainian silos, according to logistics experts in the country. Following Russia’s invasion on 24 February, and the subsequent prolonged and increasingly bitter conflict, the Black Sea ports, particularly Odessa and Mariupol on the Azov Sea coast that handle some 90% of Ukrainian grain shipments, have been

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closed. According to Odessa-based logistics consultancy Informall BG, the largest importers of Ukrainian wheat last year were Turkey, Egypt, Indonesia, Iran, Pakistan, Saudi Arabia, Bangladesh, Yemen, Lebanon and Nigeria. However, Russian invasion forces have sought to stymie exports of food to these and other destinations benefiting from the low-cost grain. The assumption is that Russia is seeking to prevent the flow of income into the Ukrainian economy, while hampering imports of military equipment for Kyiv's war effort.

AIR Freight

Air Canada stops cargo-in-the-cabin freighter flights. Air Canada has operated its final cargo-in-the-cabin freighter flight and will now return its temporarily converted fleet of B777s and A330s to passenger service. Flight AC7272, operated with an Airbus A330-300 aircraft, touched down in Toronto from Bogota on May 14. The A330-300 aircraft will now be reconverted back to passenger service to meet the return of global passenger travel demand. The carrier has also started taking delivery of fully converted freighter aircraft to meet cargo demand. Air Canada said this final flight comes more than two years after it "became the first passenger airline globally to go to market removing seats to double cargo capacity by utilizing the cabin to load additional cargo". That first flight on April 18 2020 was operated with a Boeing 777 that would normally carry more than 400 passengers. Instead, the aircraft cabin was filled with PPE, including face masks, gloves, and gowns for healthcare workers. Air Canada and Air Canada Cargo rapidly converted into freighters a mix of Boeing 777 and Airbus A330-300 aircraft that would otherwise be parked. In total, 11 aircraft were converted into temporary freighters by removing the passenger seats to enable transport of lightweight cargo in the cabins. Now with passenger travel demand recovering but cargo demand remaining high, Air Canada Cargo will also utilize a fleet of converted Boeing 767-300 aircraft, two of which are now in service, with six more to come by the end of 2023. Additionally, Air Canada Cargo continues to utilize belly space on Air Canada's globally scheduled passenger flights.

SEA Freight

Port of Toronto sees revenues build in 2021. The Port of Toronto (PortsToronto) moved more than two million tonnes of cargo in 2021, for the fifth year in a row. The marine portion of the port, which also includes Billy Bishop Airport, reported operating income from all sources of \$5.5 million, up from \$4.4 million the year before. The gains were attributed to cargo handling and dues, port berthage and storage. There were 190 ship visits in 2021, bringing sugar, salt, cement, aggregate and steel directly to the heart of the city. Twenty-five ships brought in steel imports from around the world, representing an 18-year high. The Port of Toronto also saw the arrival of three bridge spans from Nova Scotia via tug/barge for Waterfront Toronto's Port Land Flood Protection project, and was critical in providing berthing for marine equipment in support of the new City of Toronto Ashbridge's Bay Sewer Treatment Plant Outfall Project. "If the year 2020 was characterized by resilience, the year 2021 was the beginning of a recovery for PortsToronto and its business units as our local and national economies resumed and activity in many hard-hit sectors restarted," said CEO Geoffrey Wilson. "While much of the Canadian transportation sector experienced pandemic-related disruptions in 2021, shipping through the Great Lakes and the Port of Toronto continued to provide a reliable trade gateway to fuel our national supply chain." Operations at the Outer Harbour Marina remained strong as recreational boating was in high demand during the pandemic, with the Marina at a 100 percent occupancy level. The Outer Harbour Marina's operating income was \$2.4 million in 2021 on revenues of \$5.4 million. Billy Bishop Airport had another challenging year in 2021 with the cancellation of scheduled carriers continuing up to the restart date for service on September 8, 2021. Operating income for Billy Bishop Airport was \$5.0

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million in 2021, up from \$3.0 million in 2020 and down significantly from the \$22.1 million recorded in 2019. The port authority expects to see a dramatic recovery for the airport in 2022. In April 2022, passenger volumes reached more than 100,000, which is the highest number in a single month since the pandemic began. Further, this represented almost 45 percent of April 2019 volumes. Pent-up demand for travel has also led to the introduction of new routes, including Porter Airlines' new direct service to three Atlantic Canada destinations, which began in spring 2022.

Proposed regs would require railways to share more data. The federal government is proposing amendments to the Transportation Information Regulations to collect new freight rail information intended to increase transparency and competitiveness of the freight rail system. The proposed amendments to the Transportation Information Regulations would require class 1 rail carriers to report to Transport Canada on waybill, traffic, and service and performance information, for the benefit of all rail users. The affected class 1 railways are Canadian National; Canadian Pacific; BNSF Railway Company; CSX Transportation, Inc.; Union Pacific Railroad Company; and Norfolk Southern Railway Company. Canada's freight rail system moves more than 332 million tons of goods each year. The Transportation Modernization Act (TMA) introduced temporary requirements for class 1 rail carriers to report service and performance information (which is reported publicly) and waybill data (which is confidential). These requirements will remain in place until they are replaced by regulations. While these temporary reporting requirements served the purpose of ensuring that data would be available soon after the TMA received royal assent, they also left significant room for improvement. Minor adjustments are being proposed to the waybill-reporting requirement for the largest class 1 rail carriers, while the requirement would be eliminated for smaller class 1 rail carriers. Smaller class 1 rail carriers would instead be required to report a new smaller suite of traffic data. These new reporting requirements would provide rail users and the public with more relevant and precise information relating to rail service and performance, Transport Canada says.

SURFACE *Transportation*

Geotab ELD now certified for Canada. Geotab's electronic logging device (ELD) has been third-party certified, giving it Transport Canada's stamp of approval for use in Canada. The news was welcomed by Canadian Geotab resellers. "Since our inception, Geotab and Attrix have identified a critical need in the industry for an innovative and flexible ELD fleet management solution that can easily adapt to each customer's operations and needs," said Anthony Mainville, president of Attrix Technologies. "Maintaining the highest level of security and data protection in the industry, while continuing to offer exclusive solutions and add-ins valued by our customers, was also a priority. It was therefore out of the question for Geotab to make any concession on its pillars and functionalities in order to accelerate our certification." The company says it is Geotab's largest Canadian reseller partner and actively participated in the certification process. Halifax-based Northern Business Intelligence also cheered the certification. "We're exceptionally excited to provide the Geotab ELD product as an industry leading compliance solution – now fully certified in Canada and in the U.S.," said Dwayne Primeau, president of Northern BI. "Having completed the Canadian third-party certification process, and bearing the seal of approval, drivers and carriers will be equipped with the tools to ensure compliance, improve safety and efficiency of their fleet and operation."

MARKET *Sources*

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