

Weekly Market Update

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Latest News

Canada, U.S. not on the same page about border. Pandemic has demonstrated how different approaches unravel years of common practices at the border. The frontier between Canada and the United States used to be known as the world's longest "undefended" border – a misnomer that largely vanished in the chaos of Sept. 11, 2001. Other myths cropped up in its place, however: that al-Qaida's operatives crossed it to mount their brazen attacks on Washington and New York, for instance. Or that the shared management of the Canada-U.S. border was a shining example of bilateral harmony at work. Dispelling the first one took years of relentless effort on the part of countless diplomatic officials. The Covid-19 pandemic made short work of the second. "Clearly, we are not on the same page" when it comes to how the border has been managed during the pandemic, said Laurie Trautman, director of the Border Policy Research Institute at Western Washington University in Bellingham, Wash. "The degree to which we're moving in a tandem fashion on how we're managing the border has completely gone out the window. The difference with 9/11 was the U.S. obviously drove that response, but Canada went along with it in a pretty close relationship." Border slammed shut In fact, Canada had little choice in the matter 20 years ago when the U.S., – suddenly finding itself on a war footing with no idea when the next attack might come – promptly closed ranks, grounded commercial air travel and slammed shut its borders. "Immediately, Alert 1 status," recalled Michael Kergin, who was Canada's ambassador to the U.S. at the time. "Closed the border completely. Sealed it." The consequences were swift and costly: stateside-bound semi-trailer trucks, many carrying Canadian-made auto parts to American factories, began piling up, forming queues dozens of kilometres deep. In Ontario, the spillover soon began to clog the 401, Canada's busiest highway.



Sea Freight

Number of ships waiting for berth space outside LA and Long Beach set to top 50. Ships are being forced to drift outside Los Angeles and Long Beach as all anchorages are chock-a-block with the total number of boxships waiting for berth spaces to open up at America's top two gateways set to hit a new all-time high of 50 ships today. As of last night, the Marine Exchange of Southern California registered a record 49 boxships waiting for berth space in and around San Pedro Bay. More than 15 ships are due to arrive by the end of the weekend. Giving an update on operations last month, Gene Seroka, the executive director of the Port of Los Angeles, said the challenge facing the entire supply chain amounts to "squeezing 10 lanes of freeway traffic into five lanes." The extraordinary congestion seen at America's main two west coast ports is far worse than the port lockout days of 2002 and 2004. When the ports of Los Angeles and Long Beach were locked out for 10 days and eight days in 2002 and 2004 respectively, ship queues never exceeded 30 vessels, and yet the the port lockdowns caused significant economic chaos. "Record backups at the ports of LA/Long Beach are the major driver of delays that are effectively removing an estimated 20-25% of transpac capacity. Combined with still-surging demand for imports, these delays pushed Asia-US West Coast prices up 12% and past the \$20k/FEU mark for the first time this week," Judah Levine, head of research at online box platform Freightos stated in an update yesterday, adding: "As carriers again look to alternate West Coast ports like Oakland and now Portland, volumes have started causing backlogs in East Coast ports such as Philadelphia as well."

Hurricane Larry forces ship to delay departure from OC. Hurricane Larry making waves in Atlantic shipping lanes. Hurricane warning for parts of eastern Canada. As of early Friday morning, Larry was centered about 400 miles northeast of Bermuda, heading toward eastern Canada. Sustained winds were measured at 85 mph, with higher gusts, making it a Category 1 hurricane. Larry is a large storm, with hurricane-force winds (at least 74 mph) extending up to 90 miles from its center. Tropical-storm-force winds (39 to 73 mph range) extend up to 240 miles from the center. The National Hurricane Center expects Larry to gradually weaken over the next day or so but is forecasting it to remain a hurricane until it passes Newfoundland. It should then become an extratropical cyclone Saturday and will likely be absorbed by a larger extratropical low-pressure system near Greenland by the end of the weekend. Larry's forward speed should increase Friday, making landfall Friday night in Newfoundland a good bet. The NHC still has a hurricane warning posted for eastern portions of Newfoundland, including the capital and port city of St. John's. Tropical storm warnings are in effect for areas just inland to the west. Based on the NHC's latest outlook, St. John's would be just to the east of Larry's eye at landfall, placing the city in the region of strongest winds and highest storm surge. However, Larry will be moving rapidly when it crosses Newfoundland, so any flooding and wind damage will not likely be major or widespread. Disruptions to supply chains and shipping should be short term (a day or two) rather than long term in nature. By Sunday, Larry will head toward Greenland, producing coastal rain and inland snow in eastern sections of that country.

US, China, Europe grapple with container shipping bottlenecks. Global summit examines trade disruptions since start of pandemic. The world's largest regulatory agencies overseeing international container trades met remotely to discuss rampant supply chain disruptions as carriers and their customers brace for more turmoil during the fall peak shipping season. The fifth biennial meeting of the Global Regulatory Summit, hosted on Tuesday by the European Commission, also included the U.S. Federal Maritime Commission and China's Ministry of Transportation. According to the FMC, the meeting focused on three areas: Sectoral developments since the start of the COVID pandemic, including an analysis of supply and demand and identification of bottlenecks in the ocean-linked supply chain, as well as the causes of service disruptions. Actions undertaken by relevant jurisdictions and authorities in response and their results. The way forward and possible actions to increase resilience and smooth operations in the sector. The summit "provided key competition authorities responsible for the oversight of the container shipping industry the opportunity to share information about what their respective monitoring and enforcement regimes are observing in the marketplace and compare conclusions about carrier behavior," said FMC Chairman Daniel Maffei. "The performance of ocean carriers in meeting historic demand for their services and the unusually high costs to move ocean containers are of interest and concern to regulators, legislators and the public globally." The three-agency regulatory summit comes as U.S. importers and exporters expect an uptick in shortages of containers and increasing congestion at major container ports with the peak shipping season fully underway.

Peak shipping season in with a roar at Port of Long Beach. Truck Alert text message service rolled out in quest to improve efficiency. The Port of Long Beach reported Thursday that the "peak shipping season started with a roar" and had resulted in its strongest August on record. The port handled 807,704 twenty-foot equivalent units in August, an 11.3% increase from the same month last year. Imports were up 11.7% to 407,426 TEUs, while exports decreased 5.3% to 119,485 TEUs, the port said. The number of empty containers moved through the Port of Long Beach was up 19.7% year-over-year to 280,794 TEUs. "It's peak season now, but we're likely to see continued cargo growth well into 2022," said Port of Long Beach Executive Director Mario Cordero. "In order to stay on top of this cargo, ports will need to adapt. We will need to find the long-term solutions that will satisfy consumer demand, increase efficiency at the ports and reduce costs for our consumers." One way the port is trying to increase efficiency is through the Truck Alert program it announced this week. Through the program, truck drivers delivering cargo to and from the Port of Long Beach can receive text alerts about traffic conditions. "Truck Alert is designed to reduce road congestion by providing truck drivers an opportunity to improve scheduling and enhance turn times during the unprecedented cargo surge we're experiencing," Cordero said. "This new program will enhance our ability to move cargo quickly, safely and efficiently through the port." Users can text the keyword TruckAlert to 79516 to subscribe for notifications about road closures, crashes and other traffic conditions at the port, along with suggested detours. The service is free, but standard text messaging rates may apply.



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'Red tag' inventories grow as truck and trailer makers struggle to meet demand. "We're in catch-up mode and we're going to be in catch-up mode for a while." That's how Don Ake, vice-president – commercial vehicles for industry forecaster FTR characterizes the current truck and trailer markets. He estimates there are 13,000 to 20,000 "red tag units" – Class 8 trucks that are sitting incomplete due to semiconductor and other parts shortages – parked in rented lots and fields as truck makers struggle to keep pace with demand. Trailer OEMs also have red tag units waiting to be completed, indicating it's not just semiconductors that are in short supply. Some OEMs are employing temporary plant shutdowns, while others continue to add to their red tag inventory. This, as freight demand continues to grow. Ake said FTR anticipates the goods transport segment of GDP will grow at 4.5% in the third quarter, and 6.8% in Q4, before moderating next year. Even when it levels off at 3% growth, Ake said "That is still going to generate a tremendous amount of freight." FTR says truck loadings are up about 6% this year, which is driving high demand for new trucks and trailers. Loadings are also expected to grow about 3% next year and 2.2% in 2023, which is still "healthy growth." All this would be excellent news for truck and trailer makers; however, they are currently unable to take advantage due to supply shortages and uncertainty over pricing. Ake said the industry is in the midst of "the worst supply chain shortage since WWII." More than 20 parts are in short supply, and possibly as many as 40, with the most prominent of them being semiconductors. "OEMs are very cautious about booking 2022 orders," Ake said. "They don't know what price to quote. They've had to put in, in some cases, surcharges." Class 8 truck makers collectively have capacity to produce about 1,600 units a day and are running at a deficit of 11,500 units per month. Trailer makers are producing at a deficit of 8,800 units per month. This is causing backlogs to grow to near record levels. The Class 8 backlog is 268,334 units and Ake said that will balloon to record levels once OEMs begin fully opening up the 2022 order boards.

Market Sources

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Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

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