KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

Version: 38 (week) → Date: 9-23-2021

Air Freight

TIACA warns air industry not ready for Q4. Industry is facing unprecedented challenges to deal with expected fourth quarter demand for air cargo services. The International Air Cargo Association (TIACA) warns that the industry is facing unprecedented challenges to deal with expected fourth quarter demand for air cargo services. The air cargo industry has responded to 18 months of relentless pressure and challenges as the industry was faced with high demand for PPE, e-commerce, vaccines, perishables and other critical cargo as economies and society went into lockdowns, and then reopened. Addressing this demand, supply chain partners dealt with capacity withdrawals, then capacity shortfalls as well as ever changing travel, work and quarantine restrictions forced upon crew, handling staff and other key workers. "TIACA's membership is drawn from all sectors of the supply chain, and we are hearing concerns expressed by each sector," said Steven Polmans, TIACA. "Air cargo has played a vital role these past 18 months and is facing a potentially record fourth quarter, but planning must start now. Resourcing and capacity will be issues, handling and facility space will be an issue, delivery and drivers will be an issue. We should be proud of the innovative, agile and flexible approaches adopted by the industry these past 18 months and now we must equally rise proactively to these new challenges as the weight of customer expectations mount." Meanwhile, the maritime industry is facing its own issues with ever-growing port congestion, hinterland transfer delays, blank sailings and rising costs of shipping. Many shippers, faced with such challenges to traditional supply chains are exploring air cargo to ensure customer demands can be met.

Prepare now for a very challenging air freight peak, urges Tiaca. The air cargo industry has urged governments and stakeholders to prepare for what is expected to be a highly challenging air freight peak season. The International Air Cargo Association (Tiaca) said yesterday that the industry is facing "unprecedented challenges" in the fourth quarter, with demand easily outstripping supply. Noting that port congestion, delays and the rising costs of sea freight are sending desperate shippers to air freight, Tiaca said that combined with online shopping events, as well as the traditional peak, "the stress on the system is expected to grow substantially". It urged the industry to prepare, especially in the face of Covid-related restrictions on workforces, particularly in Asia. "Such restrictions are causing cargo to be disbursed across neighboring countries and airports, causing further challenges. Shippers are therefore encouraged to work with forwarder partners to secure required capacity as early in the cycle as possible." Whether there is any capacity available remains a moot point. Atlas Air, for example, in its latest earnings call said it was reserving 5% of capacity for the spot market. Others said companies would have to be creative to get capacity. Steve Manser, charter expert at Hunt & Palmer, said: "Charter rates are through the roof and capacity at a premium – you need to be resourceful to find solutions for customers including passenger freighter capacity – the team at Hunt & Palmer are pulling rabbits out of hats for our customers." One consultant said rates would be "erratic" over the next two months, with rates out of China to the UK, for example, more than tripling in the past month to more than $9 per kg, while another cited $15 per kg out of Hong Kong. One source said a carrier is charging some $25,000 per hour for a 747 freighter. Tiaca not only urged air cargo's customers to plan as early as possible, but also tasked governments with helping relieve the situation.

Air cargo handlers face staff shortages on both sides of the Atlantic. Fluctuating volumes, pandemic-induced government support schemes and staff shortage woes have left ground handlers facing "very different labour dynamics" across networks. Chief operating officer of Menzies Aviation, Mervyn Walker, told The Loadstar the ongoing impact of Covid-19 differed country to country and was forcing the company to make "tailored" approaches to tackling recruitment challenges, which some claim are worsening. "In the US, volumes have strongly recovered but unemployment benefit schemes have been a disincentive for some staff to return to the workforce," said Mr. Walker. "As such, we have temporarily increased pay at many stations to make sure we have staffing levels required to provide our services safely. While we did furlough staff in the early stages of the crisis all have been recalled and we are now recruiting in many cities." Latest figures from the International Air Transport Association (IATA) note that North American carriers posted a 20.5% increase in demand in July compared to July 2019. In line with June's equally strong figures (19.8% increase), North America was the strongest of all regions as new export orders and demand for faster shipping times underpinned the regional performance.

Loonie tune: Air cargo to O'Hare being routed through Toronto. Air Canada passenger freighters allow shippers to bypass Chicago airport congestion. Logistics companies looking for ways to avoid crushing congestion at Chicago O'Hare airport have resorted to yet another workaround: putting shipments on Air Canada passenger freighters to Toronto and then trucking them to their Windy City facilities. Air Canada (OTCUS: AC) was one of the first airlines to pivot to dedicated cargo flights when COVID-19 decimated passenger flying. It even removed seats from seven twin-aisle Boeing 777s and Airbus A330 planes to create extra space for light cargo in the cabin and is still deploying cargo-only passenger aircraft even though U.S. counterparts have cut back as passenger traffic rebounds faster south of the border. Constrained by staffing shortfalls and older warehouses with limited space, cargo terminals at O'Hare International Airport are unable to keep up with the enormous growth of shipments moving in large, all-cargo aircraft that have become more common during the pandemic. Freight forwarders increasingly are chartering freighter aircraft because of limited, and unreliable, capacity in passenger networks and huge delays associated with ocean shipping. Many complain that it can take a week to 10 days to retrieve consignments that have arrived at the Chicago airport. Several freight management companies say they are avoiding those delays by booking shipments from Asia to Toronto on Air Canada auxiliary freighters. San Francisco-based Flexport, for example, operates full charters with Air Canada several times per week to Toronto, with shipments transloaded to trucks qualified to make cross-border deliveries to the company's bonded warehouse near O'Hare and John F. Kennedy airport in New York. Under the in-bond process, goods skip the sometimes lengthy customs clearance process at the border and are not released until the destination facility files the formal customs entry and it is approved by U.S. Customs and Border Protection. "It's brilliant. It works really well," Neel Jones Shah, Flexport's executive vice president and global head of airfreight, said in an interview. "It's absolute clockwork. We avoid all the congestion. Air Canada has a very good product and we have been very pleased with the solution."

Sea Freight

Los Angeles-Long Beach box volume surge puts port complex above Hong Kong. Surging first-half volumes at the Los Angeles-Long Beach port complex saw the US west coast gateway overtake Hong Kong to become the world's ninth largest container port. According to new data from Alphaliner, throughput at Los Angeles-Long Beach was up 41% on the first half of 2020, reaching 10.18m teu, compared with 7.19m teu last year. Growth at the US's second largest port, New York-New Jersey, was almost as impressive, increasing by 31% year-on year to reach 4.39m teu, and saw it rise from the 20th largest port globally, to the 18th spot, climbing above Hamburg and the Thai gateway of Laem Chabang. In contrast, Hong Kong's throughput for the first half grew by just 1.6% to 8.77m teu, and dropped down to tenth position as its long-term decline continues, Alpahliner explained. "Volumes have fallen every year but one at the port over the last decade as the multi-operator port has battled competitors in southern China. "By contrast its nearest geographic rival, Shenzhen, has increased volumes 11% since H1 2019, while smaller Guangdong Province ports west of the Delta also attracted more traffic. Hong Kong now ranks 10th place globally, versus 5th place as recently as 2017," the analyst said.

Just how many containers of cargo are stuck off California's coast? More cargo on ships waiting offshore than a month of imports to Long Beach. With around 70 container ships loaded with cargo now waiting at anchor or drifting off the ports of Los Angeles and Long Beach, how deep of a hole are the terminals actually in? To answer that question, American Shipper analyzed data from the Marine Exchange of Southern California on exactly which ships are out there and how much cargo they can carry. While the numbers fluctuate from day to day, there were 70 container ships in the queue on Monday with total capacity of 432,909 twenty-foot equivalent units. To put the enormity of that number in perspective, that's more than the inbound container volume the Port of Long Beach handled in the entire month of August. It's roughly what Charleston handles inbound in four months and what Savannah handles in two. The combined import throughput of both Los Angeles and Long Beach in August was 893,118 TEUs. Assuming ships waiting offshore are effectively full and capacity is a good proxy for volume, and that terminals are able to process vessels at the same pace they did in August, the anchorages and drift areas could only be completely cleared if no ships arrived for 14 days straight days. Not only would that never happen, but there is no letup in arrivals in sight. Vessel-positioning data from MarineTraffic confirms that a steady stream of container ships remains en route across the Pacific, destined for Los Angeles.

Trucking

OTA hails Ontario plan to integrate emissions, safety inspections. The Ontario Trucking Association (OTA) has applauded the Ontario government for a proposal the trucking group believes would curtail the use of Driver Inc. by carriers who subscribe to a business model of non-compliance. The proposal tackles the issue of climate change and emissions tampering by modernizing vehicle inspections and integrating emissions testing for commercial vehicles in Ontario. OTA in a news release said the proposal is a victory for the environment and means the noncompliant industry will begin to face consequences for illegally deploying delete kits that pollute the environment to lower operating and maintenance costs of greener equipment. Under changes put forward by the Ministry of Transportation (MTO), the integration of the emissions and annual safety inspection program will create a streamlined "one test, one result" approach, which will digitize the collection of inspection results, allow certificates to be issued in a digital format, and create an efficient process for businesses that will provide sophisticated safety inspection data to the province. The ministry is proposing to enhance diesel emission inspection requirements by introducing tighter opacity standards for 2011 and newer commercial vehicles; an advisory on-board diagnostic inspection for 2016 and newer commercial trucks where universal emissions data is measurable; and visual checks for critical emissions components on all vehicles where required.

Market Sources

https://www.insidelogistics.ca/covid-19/tiaca-warns-air-industry-not-ready-for-q4-177263/

https://theloadstar.com/prepare-now-for-a-very-challenging-air-freight-peak-urges-tiaca/

https://theloadstar.com/air-cargo-handlers-face-staff-shortages-on-both-sides-of-the-atlantic/

https://theloadstar.com/los-angeles-long-beach-box-volume-surge-puts-port-complex-above-hong-kong/

https://www.freightwaves.com/news/loonie-tune-air-cargo-to-ohare-being-routed-through-toronto

https://www.freightwaves.com/news/just-how-many-containers-of-cargo-are-stuck-off-californias-coast

https://www.trucknews.com/regulations/ota-hails-ontario-plan-to-integrate-emissions-safety-inspections/1003153677/

This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics.
Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

If you have any questions, please contact your local KWE representative.

Thank you, we appreciate your business. Visit Our Website *www.kwe.ca*
Kintetsu World Express, Canada Inc.

DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy of the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.