KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Latest News

Ottawa ready to force a return to work. (Ottawa) The Trudeau government intends to act quickly if the longshoremen at the Port of Montreal go on strike. A bill to force people back to work is in the cards. And Quebec Premier François Legault also wants Ottawa to make a quick move. According to information obtained by La Presse on Monday, federal Labour Minister Filomena Tassi is quietly working on an emergency plan to prevent a strike from crippling the Port of Montreal for a long period of time. This issue was to be discussed at the Cabinet meeting on Monday. While they welcome the willingness of both sides to resume dialogue, several Trudeau government ministers want to avoid a labour dispute at all costs, which is another blow to the Canadian economy, which has already been battered by the COVID-19 pandemic over the past year. According to our information, this issue was discussed during the meeting between Justin Trudeau and François Legault last week in Montreal, on the sidelines of the joint announcement on investments for the construction of a battery assembly plant for electric vehicles of the Lion Electric Company. And François Legault would have been clear: a strike would hurt the economic recovery. "We can't afford a strike at the Port of Montreal," he was also told backstage in the Liberal ranks in Ottawa. The New Democratic Party (NDP) said on Monday that it would oppose legislation forcing people back to work in the event of a deadlock. "Certainly, the NDP, as a party that represents workers, will oppose any form of back-to-work legislation. If the Liberals do that, it will be a betrayal of what they have shown to be sympathy for the labour movement. But we have to calm down. There is no strike notice that has yet been sent," said NDP Deputy Leader Alexandre Boulerice. On Sunday, the longshore downs down 99.71% of the employer's offer qualified as a final. The longshore union already has a mandate in its pocket to strike. But the union representing the Port of Montreal's approximately 1,125 longshore officers and the Maritime Employers Association said on Monday that they were ready to return to the bargaining table.

Air Freight

As air freight rates start to fall, how long can passenger-freighters stay in the air? Air freight rates have started to fall, triggering a debate on how long the 'new' capacity might stay in the market. According to the latest TAC Index data, rates per kg from China to the US are down some 5%, while to Europe they have edged down– despite fuel prices creeping up. They still, however, remain 'elevated', with 'normal' February rates traditionally below $4 to the US and $3 to Europe. As Emirates celebrated one year of flying passenger-freighters, however, market observers wondered at what freight rate the additional, less-economical capacity would need to be grounded. "If rates go any further into decline, carriers will simply stop flying the passenger-freighters, and pure freighters for that matter, on the routes," said one forwarder. "So I can't see them softening that much. China/Hong Kong is still fairly dynamic." Emirates said today it operated its first cargo-only flight on a passenger aircraft one year ago, carrying 34 tonnes of belly cargo. Since then, the carrier has operated 27,800 cargo-only flights on passenger aircraft. It has removed the economy class seats on 16 777-300ERs for cargo operations.

Sea Freight

Liners begin warning of Montreal diversions. Hapag-Lloyd warns customers of possible effects of labour issues. Container line Hapag-Lloyd this morning has warned customers that it may begin diverting vessels away from call at the Port of Montreal if the labour situation deteriorates. In an email, the company said: "With the risk of potential industrial action at the Port of Montreal, we expect that terminal performance in the port will be severely impacted…. As the situation develops, it may prove necessary to divert vessels…" Hapag-Lloyd also notified shippers of the additional charges for moving containers by rail to or from the alternate ports of call, Saint John, New Brunswick, or Halifax, Nova Scotia in the event of a diversion. On the weekend, the Port of Montreal's longshore union voted almost unanimously to reject the contract offer from the Maritime Employers Association. They stopped short, however, of sending a strike notice. Other liner operators that call at Montreal have not issued warnings about potential disruptions. Maersk has a vessel scheduled to arrive on April 1. MSC also makes regular calls at Montreal and has not made a statement to customers. The labour dispute has been ongoing since workers went on strike for 12 days in August 2020. A truce deal expired March 20, 2021.

Sky-high container spot rates spark emergence of 'dark side' of shipping. Ocean carriers are cracking down on a spike in fraudulent contract bookings being driven by sky-high FAK rates from Asia. Moreover, forwarders are gaining business from shippers based on "speculative" quotations. In their struggle to overcome supply chain disruptions, embattled shippers faced with massive increases in their transport costs have widened the net to source new service providers and indirectly encouraged the emergence of what one contact described as the "dark side of the industry". MSC said it would implement a misdeclaration fee of $1,000 per container for Asian exports worldwide for "any misuse of contract", effective yesterday (20 April to the US). MSC said the charge would apply for "any change of named account, after the booking has been confirmed by MSC and in the event the rate is lower than what was initially booked". The carrier added that its interpretation of a "misuse of contract" included "different commodities and port pairs" to the ones that were filed. Another carrier source said he was "not surprised" about MSC taking a hard line on contract abuse. "It has just got out of control in the past few months, as some forwarders have found ways around the system to book space at high rates and then somehow amend the terms after shipment to a lower rate," he said.

Container shipping's orderbook-to-fleet ratio rockets up to 15%. Container shipping's orderbook-to-fleet ratio, which was in single percentage figures as recently as six months ago, is set to surpass 15% as shipping lines pile on the tonnage with Alphaliner suggesting IMO's 2050 decarbonisation deadline and ship lifespans are beginning to play into the minds of owners. Box shipping's vessel orderbook-to-fleet ratio had steady decreased from 30% in 2010 to 8.8% six months ago. However, according to Alphaliner, low interest rates and strong competition between shipyards have eventually lined up to prompt non-operating owners, lessors, and ocean carriers to get aboard the newbuilding train. The ratio today stands at 14.2% and will likely climb above 15% shortly when mooted orders are confirmed. Orders over the past six months have been predominantly for 12,000 teu, 15,000 teu and 24,000 teu class ships with no interest for mid-sized tonnage. Excluding some 20 orders for ships for the intra-China trade, the current orderbook in the 4,000 to 10,000 teu range stands at a mere three vessels. Canada's Seaspan has been the top owner contracting for tonnage with 31 ships on order. Japan's Shoei Kisen is in second with 16 ships.

Trucking

Driver availability in the trucking sector in February tightened to another new low point for the past three years, a shortage that could constrain any significant additions to freight capacity despite high demand, according to a report today from transportation industry analysis firm ACT Research. Columbus, Indiana-based ACT creates its "For-Hire Trucking Index" by performing a monthly survey of for-hire trucking service providers, then converting their responses into a diffusion index where the neutral or flat activity level is 50. Based on that scale, February's reading of 23.6 sank even lower than its previous low point the previous month, when the January index was 25.0. "As fleets often like to be gearing up for springtime volume growth in February, the tightness in the driver market feels acute. For the third straight month, this was the tightest reading in the three-year history of this index," Tim Denoyer, ACT Research's vice president and senior analyst, said in a release. The record-low driver supply is likely caused by an array of factors, he said. "The latest stimulus is yet another factor on a long list of driver constraints keeping the truckload market tight," Denoyer said. "Demographics and the FMCSA Drug & Alcohol Clearinghouse are also factors inhibiting driver re-engagement, even in response to record spot rates and rising driver pay."

Market Sources

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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.

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