KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Air Freight

Hat-trick of new cargo airlines plan for take-off. The past week has seen three new companies – in the UK, Italy and Vietnam – reveal plans to enter the all-cargo market as prices and availability of capacity make the market an attractive prospect. Last week, Italian firm Aliscargo was preparing for the arrival of its first aircraft – a B777-200ER (n528BC) set up in a preighter configuration – with a second soon to follow. The company is aiming to eventually launch services connecting Italy with Asia Pacific and North America and has two well-known industry names amongst its management team: chief executive Francesco Rebaudo and chief commercial officer Ulrich Ogiermann. Chairman Fulvio Gismondi said the company was hoping to capitlaise on the bouyant air cargo market: "Airfreight transport in the world during the two-year period 2020-2021, with the high need for urgent shipments of medical supplies for the pandemic, recorded a surge in significant volumes and turnover compared to previous years. "A trend that has also been reinforced by the continuous and constant expansion of e-commerce. Today, the need to offer customized cargo services, depending on the product and the destination, is increasingly being verified."

Hong Kong Airlines goes to 'critical survival mode', flying only eight jets. Hong Kong Airlines (HKA) will stand down its fleet of Airbus A320s until mid-2022 and operate a skeletal fleet of just eight A330s on cargo flights, as the embattled carrier enters what it calls "a critical survival mode". The airline confirmed reports of a wide-ranging restructuring — its latest in more than a year — in a statement to Air Cargo News' sister title FlightGlobal. The latest round of restructuring, which HKA said is "imperative to transform…into a leaner and more efficient organization", will also see staff numbers cut further. Detailing the latest measures, HKA said it will ground all A320s for one year from July. Cirium fleets data indicates that the carrier has a fleet of 11 A320s, of which 10 are in storage. "In view of the low travel demand in the foreseeable year, our active fleet will comprise of around eight A330 aircraft to support our belly cargo operation and limited passenger services," the carrier, partially owned by now-bankrupt Chinese conglomerate HNA Group, disclosed. HKA has 19 A330s in its fleet, comprising eight -300s and 11 -200s. The carrier did not disclose the fate of its A350 fleet, which comprise six examples currently in storage. As for job cuts, HKA said it will "downsize our organization" by merging departments and consolidating job responsibilities. "Employee surplus arising from the restructure will be addressed through various actions, including the Voluntary Long Pay Leave Scheme and redundancy," HKA said. It noted that its A320 pilots will be offered furlough, which will see affected pilots paid one month's salary for a six-month leave period, or two months' salary for a nine-month period.

Sea Freight

Box ship orderbook grows fatter, with Evergreen and SITC needing more capacity. The global containership orderbook continues to expand: on Friday, both Taiwanese liner operator Evergreen and Chinese intra-Asia carrier SITC ordered more newbuilding's. Evergreen returned to Hudong-Zhonghua Shipbuilding for two 24,000 teu ships to be delivered late 2023-early 2024, while SITC exercised options for two 1,023 teu vessels at Dae Sun Shipbuilding & Engineering. The Evergreen newbuilding price was not disclosed, but a similar type is now valued at $180m. Hudong-Zhonghua won orders for four 23,000 teu ships from Evergreen in

November 2019, parent China State Shipbuilding Corporation said this showed major liner operators had endorsed the shipbuilder's design and construction of ultra-large containerships. It has also delivered four 2,500 teu ships Evergreen ordered in 2018. Evergreen now expects delivery of 34 new vessels between 2021 and 2026. They include 20, 15,000 teu and five 23,000 teu ships from Samsung Heavy Industries, two 1,800 teu ships from Hyundai Mipo Dockyard, three 23,000 teu ships from Jiangnan Shipyard and two 23,000 teu ships from Hudong-Zhonghua, its current orderbook stands at over 600,000 teu.

Hapag-Lloyd expects extended peak season on strong demand. Container shipping is expected to see an extended peak season this year, with no signs of a slowdown in demand, believes Hapag-Lloyd CEO Rolf Habben Jansen, warning that if demand picked up in the traditional third-quarter peak season it would extend beyond the traditional Golden Week slowdown. "People will start to ship early and it will probably last longer than usual," he said, noting that demand was still strong, and unlikely to change soon. "Inventories are low, which is why people are eager to get stuff shipped; but even once we are beyond the pandemic, it's not unlikely that people will want more inventory." He expects demand "will stay robust for an extended period of time", exacerbating the current delays in the supply chain. "The theme remains congestion," he notes. "The US is improving a little bit, but there are still ships waiting and we have not made the progress we wanted to in the second quarter. We need to have a not too strong peak season there to get out of the difficulties, which is not what we foresee at the moment." On top of the current demand was a "backlog of growth" from the decline in volumes shipped in the past year that still needed to catch up.

Trucking

Supply chain constraints, spot posts push up trucking rates.
Dive Brief:
-The capacity shortage in the trucking market continued into May as spot load posts were up 290% YoY and truck postings were down nearly 15% YoY, according to the latest figures from DAT.
-This dynamic kept the load-to-truck ratio elevated, increasing almost 220% YoY for vans, 674% YoY for flatbeds and 324% YoY for reefers.
-Strong demand resulted in rates continuing to rise MoM and YoY across van, flatbed and reefer, according to DAT.

Dive Insight: The issue of capacity has been hanging over the trucking market for months at this point and executives aren't voicing any confidence about it improving any time soon. "We don't see ... capacity being solved any way, shape or form for the remainder of this year," Schneider National CEO Mark Rourke said early last month. But that doesn't mean there haven't been any encouraging signs. While the reefer load-to-truck ratio remained elevated, the weekly reefer equipment posts were the highest they have been all year earlier this month, according to Dean Croke, DAT principal analyst. This is "normally an indicator that capacity is loosening slightly," Croke said in a market update last week. But the ability for carriers to add capacity is also limited by parts shortages that are holding back truck, trailer and chassis production, according to the most recent Cass freight report. The demand for trucking volume is expected to continue moving forward as retail sales remain high and retailer inventories remain low. But analysts also see demand outside of retail.

Market Sources

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https://www.supplychaindive.com/news/truck-capacity-rates-demand-spot-dat/602122/

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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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