

Weekly Market Update

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Latest News

Unusual, but unsurprising is the overall mood in the container freight market as demand stays high across the world with no intention of changing course. Ocean carriers are reportedly blanking fewer vessels year-on-year for February—and they would be hard-pressed to after the surge of rollovers and last-minute rejections in December, when shipping alliances prioritized container repositioning to leave transshipment cargoes from Busan to Port Klang in the dust. The EU plans to propose a set of reforms to amend the World Trade Organization's judiciary authority in February, but this hasn't stopped the regional bloc from escalating a WTO challenge against Indonesia's 2019 export ban on nickel ore. Now, Malaysia has also filed a complaint against EU member states France and Lithuania over purported trade measures against palm oil exports. But on a brighter side: Qatar suspended its WTO complaint against the United Arab Emirates on January 19—days after the latter joined Saudi Arabia, Egypt, and Bahrain to end a boycott of Qatari goods. New, more infectious strains of the coronavirus have put crew change efforts back to square one, and a production snag will delay one vaccine rollout by about three weeks for Canada and Europe. Just our luck.

Push on vaccine delivery in Canada not expected until April. Deliveries of vaccines from Pfizer-BioNTech and Moderna will hit one million doses per week starting in April. Canada's vaccine deliveries are getting bigger almost every week but there won't be enough doses shipped to provinces and territories to "ramp up" the vaccination program for another few months, Maj. Gen. Dany Fortin outlined on Thursday. Fortin said deliveries of vaccines from Pfizer-BioNTech and Moderna will hit one million doses per week starting in April. The confirmation aligns with plans made public Thursday by the Ontario government that it won't be able to expand its vaccine program beyond the first four priority groups until April. Thursday marked one month since the first Canadians got vaccinated against COVID-19, and more than 443,000 people have now received at least one dose. It's estimated about 21,000 of those have also received their second dose.

Air Freight

Ottawa OKs return of Boeing Max aircraft; Air Canada flights to resume Feb. 1. MONTREAL - The Boeing 737 MAX can return to Canadian airspace beginning Wednesday, Transport Canada says, concluding nearly two years of government review after the aircraft was involved in two deadly crashes that saw the planes grounded worldwide. The planes will be permitted to fly as long as they meet conditions specified by Transport Canada in December, including allowing pilots to disable a faulty warning system that was found to be central to two deadly crashes in 2018 and 2019. "Canadians and the airline industry can rest assured that Transport Canada has diligently addressed all safety issues prior to permitting this aircraft to return to service in Canadian airspace," Transport Minister Omar Alghabry said.

Canadian airlines invest in more freighter capacity as demand for space rises. Canada is upping its freighter capacity, with both Cargojet and Air Canada expanding to take advantage of new opportunities. Cargojet announced this week it had raised C\$350m (US\$275.2m) to help it acquire five 767 and two 777 freighters for delivery from this year into 2023. It will also invest in a new hangar and additional land-based infrastructure and pay off debt, it said. "The

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infrastructure investments will support additional e-commerce volumes driven by the pandemic that are expected to establish a new higher baseline,” said the carrier. While its announcement noted high domestic and e-commerce demand, it also noted growing demand for international services. It said: “Air cargo capacity has been severely constrained due to the reduction of passenger aircraft operating on international routes, and it is uncertain when such capacity will return to pre-pandemic levels. Furthermore, US and international air cargo growth opportunities have emerged as a result of rapidly evolving global supply chains and a lack of air cargo capacity in key markets. “The company intends to use a portion of the net proceeds of the offering to capitalize on potential strategic investments in the US, and the acquisition of two long-range B-777 freighter aircraft for international routes for delivery in 2023.”

Sea Freight

Ontario Container Carriers Letter to CIFFA: On January 19, CIFFA received a copy of a letter and signed petition from a number of Toronto container drayage companies, pertaining to yard congestion and the corresponding waiting times. The letter included the following: “The companies listed below have all confirmed that they will be implementing a Terminal Waiting Time Fee and an Inability to Return Empty Container Fee. The terms and fees charged will be determined by each carrier and negotiated with their respective clients.” CIFFA does not have further details to share on any timelines relating to fees and charges that the carriers indicated they intend to implement.

Port of Halifax launches “Fastlane Phase 2” initiative to help deliver medically-necessary COVID-related cargo. Port of Halifax operators Ceres Halifax, CN, Halifax Port Authority, ILA, and PSA Halifax have launched their “Fastlane Phase 2” initiative to help deliver medically-necessary COVID-related cargo.

The bull run is wreaking havoc with cargo delays in major ports. Ocean Insights’ cargo delay statistics show how the bull run is wreaking havoc on the market, with surging rollover rates across major ports during December and most major carriers seeing increases in delays. Industry analysts are calling it, “one of the strongest bull-markets for container carriers seen in the last few decades.” Triggered by a 30% collapse in demand for container shipments in Europe and the US at the outset of the pandemic, a subsequent 30% increase in demand has created unprecedented negative market conditions. Data released today by Ocean Insights highlights just how extensive delays have been, which ports and carriers are experiencing under capacity and a timeline of market volatility. As the Covid-19 pandemic threw global markets into disarray, consumer behavior changed dramatically, leaving the carriers as well as shippers stranded, either with goods they could not sell, or, in the second half of the year, with goods that cannot be moved. The latter crisis stems in part from a lack of containers, as the pandemic has caused box repositioning problems. Today, even if a beneficial cargo owner (BCO) can get an empty container for their cargo, there is no guarantee that the cargo will make it onto a ship. The latest figures from Ocean Insights show that most major ports are seeing elevated levels of rollover cargo from November to December. Rather than cargo flows diminishing in line with historical seasonal precedent, there are growing levels of demand during a period that usually sees a decrease in volumes. This in turn is forcing further delays to cargo, which is increasingly lying stranded at the quayside.

Riding the rebound, Canada's port of Hamilton positions itself for cargo growth. Canada’s port of Hamilton is preparing for rising cargo traffic with the development of an intermodal satellite hub. A strong rebound in the second half of last year lifted the annual cargo volume at the port to the level of 2019, reversing an earlier sharp drop in throughput. “Around June, we were 30% down and it’s been quite a recovery. December volumes were up over 40%,” said Ian Hamilton, president and VEO of HOPA Ports, which runs the ports of Hamilton and Oshawa. Grain exports, which increased 20% last year, were a massive driver of the surge in volumes, beside steel, traditionally the big engine of Hamilton’s traffic. And additional momentum has come from recent additions to the fold: the city’s economy, built around the steel business, has diversified with the development of the tech, healthcare and life sciences sectors.



Market Sources

<https://theloadstar.com/breakbulk-revival-as-box-shipping-prices-itself-out-of-the-market/>

<https://www.bnnbloomberg.ca/ottawa-oks-return-of-boeing-max-aircraft-to-canadian-skies-1.1550218>

<https://ajot.com/news/the-bull-run-is-wreaking-havoc-with-cargo-delays-in-major-ports>

<https://theloadstar.com/riding-the-rebound-canadas-port-of-hamilton-positions-itself-for-cargo-growth/>

<https://theloadstar.com/canadian-airlines-invest-in-more-freighter-capacity-as-demand-for-space-rises/>

<https://www.insidelogistics.ca/covid-19/push-on-vaccine-delivery-in-canada-not-expected-until-april-174309/>

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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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