

## Weekly Market Update

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### Latest News

**Canada Post's Gateway facility excluded from provincial Covid inspections.** More than 300 employees at the facility in Mississauga, Ont., have tested positive since the start of the year and one has died. Ontario labour inspectors are homing in on warehouses and distribution centres, but the site of a major workplace Covid-19 outbreak isn't included in the ongoing inspections: Canada Post. More than 300 employees at the postal service's Gateway facility in Mississauga, Ont., have tested positive for Covid-19 since the start of the year and one employee has died. Canada Post advised customers across the country to expect delivery delays as the outbreak impacted operations at the central mail delivery hub. But because Canada Post is a federally regulated Crown corporation, its inspection falls outside provincial jurisdiction. The president of the national union representing postal workers said consistent standards should be applied to all workplaces, noting that the outbreak has had an "enormous impact on all postal workers." "The virus doesn't distinguish between provincial and federal workplaces and neither should inspections," Jan Simpson, president of the Canadian Union of Postal Workers, said in a statement. "Workplaces and workers in the Peel Region have been hit hard by Covid-19. It's in everyone's best interest that all workplaces be inspected to ensure the health and safety of workers." Ontario Labour Minister Monte McNaughton said earlier this month that the ministry chose to focus on warehouses and distribution centres in Peel Region – the hard-hit region of the Greater Toronto Area – noting that such workplaces employ a high number of temporary and precarious workers.

### Air Freight

**Freighters escape B777 suspensions after United Airlines engine failure.** Boeing 777 freighters will remain in the skies despite the recommendation to ground some B777 aircraft following a United Airlines engine failure on Saturday over Denver. Yesterday, Boeing said it "recommended suspending operations of the 69 in-service and 59 in-storage 777s powered by Pratt & Whitney 4000-112 engines, until the FAA identifies the appropriate inspection protocol". Only 777-200s and 777-300s are affected, and not all of those have the P&W engine type under scrutiny. 777 freighters are powered by GE90 engines. Japan's Civil Aviation Bureau issued a directive to temporarily suspend the operations of any 777 powered by PW4000 engines, which affected both Japan Airlines (JAL) and All Nippon Airways. JAL said it had already suspended operations of the aircraft on Sunday, adding: "We were taking the necessary steps to verify if any additional maintenance actions need to be performed on the applicable aircraft." According to the Aviation Herald, a JAL 777-200 suffered engine failure – a P&W 4084 – in December as it left Okinawa. In all, the directive is thought to apply to 13 JAL 777s and 19 ANA aircraft, while Korean Air has 16 and has also grounded the fleet. Other significant operators of 777-200s and 777-300s are American Airlines, British Airways, Air France and United.

### Sea Freight

**Port of Halifax Remains Fluid Despite Weather Challenges.** Many ports throughout North America are experiencing delays and congestion due to extreme weather and increased cargo volumes. The Port of Halifax is addressing these challenges through daily collaboration with its supply chain partners, including the

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terminal operators and CN rail, to keep its North American gateway fluid and reliable. Recent extreme cold weather has forced railways to shorten train lengths, which has an impact on all ports. Despite slightly elevated container dwell times that have impacted railcar supply, Halifax continues to process vessels with no delay and is keeping dwell times low.

**New Montreal port strike would 'really stick a knife in the Canadian economy'**. Shippers are beginning to make alternative routing arrangements in the event of a renewed strike at the port of Montreal. And industry groups are warning that a new round of industrial action would seriously hurt supply chains and the Canadian economy. Stakeholders are worried that a strike at the port could come as soon as late next month, when a truce between Maritime Employers Association and the Canadian Union of Public Employees, representing longshoremen, is due to expire. On 16 February, the union informed its members that contract negotiations were suspended and moved ahead with preparations for a vote on a 60-day strike mandate "as a preventative measure in case working conditions aren't respected". The two sides have been at loggerheads since the labour contract at the port expired at the end of 2018, and last summer the confrontation escalated into industrial action that paralysed most of the port's operations, causing severe disruption to supply chains that took two months to sort out. The union mounted two four-day strikes, followed by an indefinite strike that lasted 12 days into late August when both sides agreed a truce. Shippers and logistics providers are anxious to prevent a new strike. The Canadian International Freight Forwarders Association (CIFFA) warned it would pose a serious threat to Montreal, Quebec, and the overall Canadian economy. "We have still not fully recovered from the strike in the port last August, which according to Statistics Canada cost wholesalers C\$600m (US\$475m) in sales," said CIFFA executive director Bruce Rodgers. "Another interruption will really stick a knife in the Canadian economy."

**CN Rail continues to operate under their winter plan.** CN's mainline network is operating under winter-condition restrictions, and the port railcar supply remains strong. However, the overall velocity has been impacted due to weather challenges, particularly the long stretch between East of the Rockies down to the upper Midwest, with temperatures reaching -30C/-22F, -35C/-31F, -40C/-40F after sundown. Extreme cold temperatures continue to prevail across the CN network, so train length reductions continue in accordance with its winter operating plan. Based on weather forecasts, these tier restrictions will likely remain in effect intermittently across the network during the month of February. Import and export volumes remain at peak levels, applying pressure to the supply chain. Inland terminals are feeling the effects of the volume surge that began in early July and are projected to continue through Q1 2021. CN continues to work tirelessly to keep its network fluid and running safely. Customers are asked to prioritize picking up import containers from CN terminals to help keep the terminals fluid.

#### **Key Terminals UPDATE:**

**Toronto Terminals-** The terminal remains fluid while CN continues to operate under tier restrictions due to severe weather. It expects the velocity to recover as the weather improves towards the end of this week, allowing the terminal to reinstate its regular train length. BIT carter turn time continues to improve (16% improvement compared with Q4 last year).

**CN Mississauga (MISC)-** CN has implemented customer allocations at MISC CY and requests that all customers check their available CY allocation prior to returning empty containers. MISC carter turn time continues to improve (10% improvement compared with Q4 last year).

**Montreal-**The terminal remains fluid and CN has capacity to go west and east.

**U.S. Terminals-** Severe weather across the U.S. midwest has impacted normal operations in Chicago and Memphis. CN has had to strategically make certain adjustments in order to keep the terminals operating safely and efficiently and to maintain fluidity. Customers are encouraged to prioritize pickups of import containers.

**Chicago (Harvey) Terminal-** CN has implemented customer allocations at Chicago CY. Empty returns are currently restricted until mid next week, but the terminal remains open for export loads and import pickups. Once capacity is available, customers are asked to check their available CY allocation prior to returning empty containers.

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## Key Ports:

**Port of Halifax-** Both terminals remain fluid.

**Port of Saint John-**The terminal remains fluid and CN is current with the ground count.

**Port of Montreal-** Operations at the Port of Montreal are fluid. Due to weather in the North Atlantic, there have been some delays in vessel arrivals, forcing CN to adjust the car supply pipeline so terminals remain fluid.

**CN West Coast Ports-** CN continues to see strong demand and is providing consistent railcar supply to meet that demand. The decrease in velocity has created some challenges with the timing of arrival at the ports. On-dock dwells remain at reasonable levels given the high demand.

Based on short- and long-term forecasts, CN is anticipating that this high volume will continue and is well-positioned to continue to meet that demand. It has been focusing on running destination-bound trains coming east with minimum train stops out of the port due to extreme cold weather across the prairies. As a result, there may be a marginal increase in port dwells for cargo destined to Western Canada. With the weather improving, CN is slowly resuming its normal train package to those locations, which will help it catch up and mitigate any additional dwell on this traffic

**260 containers lost, 65 damaged in Maersk Eindhoven at-sea mishap, container ship was en route to the Port of LA.** A.P. Møller – Maersk has confirmed 260 containers were lost overboard and an additional 65 damaged on the deck of the Eindhoven on Wednesday. “As previously reported, the Maersk Eindhoven experienced a loss of engine propulsion for three to four minutes while sailing 45 nautical miles off northern Japan in heavy seas,” a spokesman said Friday. “The loss of maneuverability resulted in severe rolling with 260 containers overboard and 65 containers damaged on deck. “Customers were advised immediately of vessel and cargo status,” he said. The general public has not been informed on what was inside the lost or damaged containers. But Henry Byers, FreightWaves’ maritime market analyst, believes that IKEA, Amazon, Adidas, Williams-Sonoma, Grainger, Wolverine World Wide, Puma and Hasbro likely all had cargo aboard the Maersk Eindhoven, which was sailing from Xiamen, China, to the Port of Los Angeles when the incident occurred. The Eindhoven sails on the TP6 Asia-U.S. service, the same one in which the Maersk Essen operates. The Maersk Essen lost 750 containers Jan. 16 while it too was en route to Los Angeles. The 1,010 containers lost from the two Maersk vessels already this year account for less than a third of the approximately 2,935 twenty-foot equivalent units that have gone overboard at sea since just Nov. 30, when the ONE Apus lost 1,816 TEUs while en route from Yantian, China, to the Port of Long Beach.

## Trucking

**Trucking associations question new Covid-19 requirements at border.** Canadian trucking associations are pushing back against plans to require border-crossing truck drivers to submit contact information and travel details through the ArriveCAN app, as well as any proposal to require drivers to submit recent Covid-19 test results. Non-essential travelers now have to submit proof of a negative Covid-19 test taken within the previous 72 hours, but truck drivers are exempt from such requirements as essential workers. Their screening is currently limited to a series of questions asked at the land crossings. But questions about whether truck drivers should be included in the testing program emerged this weekend, when Public Safety Minister Bill Blair told CBC that the government was exploring the idea. “We’re working very closely with the Public Health Agency of Canada and also with our provincial health authorities to [look] at implementing a system of regular testing to help protect those essential workers and truck drivers that are coming into the country and also to ensure that they’re not the source of any new infection,” he said on Rosemary Barton Live. In a statement released today, the Canadian Trucking Alliance (CTA) stressed that Covid-19 spread among trucking company employees has been “extremely minimal”, and highlighted that longhaul trucking tends to be self-isolating and limits contacts with others.

## 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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