

### Latest News

**Executives better get used to handling political risk no matter who wins the U.S. election.** Much of the Canadian analysis of the Nov. 3 vote in the United States would have made a former editor-in-chief crazy. He had banned the use of the word “but” in all stories, yet for Canada’s pundits, it’s the “yes, but” election. Yes, American voters seem “tantalizingly close” to replacing President Donald Trump, “but Canada will be tested no matter which candidate wins the coming presidential election,” Roland Paris, a former adviser to Prime Minister Justin Trudeau who now teaches international affairs at the University of Ottawa, said in the Globe and Mail on Oct. 24. “Joe Biden’s ties to Canada run deep — but his party’s bent towards protectionism may run deeper,” read the subhead of a CBC analysis on Oct. 28. You get the idea. My old boss loathed “but” because he felt it encouraged fuzzy thinking. He had a point. It’s uninteresting that Biden, who appears poised to end Trump’s unsettling four-year reign, will introduce a new set of irritants. That would make him like every U.S. president — ever. The story of the U.S. election for Canada is that it will complete that country’s descent into chronic instability. That’s new. Biden’s desire to implement an expensive industrial policy focused on green energy, the Democratic Party’s lurch to the left, the partisan hijacking of the Supreme Court on the eve of the election, and the ugly brand of nationalism whipped up by Trump and embraced by a new breed of Republicans can only result in a political condition that will make the U.S. an uncharacteristically difficult place to do business, like so many of the emerging markets Canadian executives avoid because local politics are unfamiliar and messy. “The big risk is if this Trump culture moves forward,” with or without him in the White House, said Andreas Schotter, an associate professor of management and international business at the University of Western Ontario’s Ivey Business School. “I don’t think it will go back to normal. There has always been an ‘America First’ attitude.” That’s a problem. Canadian business investment has been in a rut for years, in part because the tariffs, regulations and tax rates that direct the flow of commerce in North America have been in constant flux for the past four years. There is little reason to think that will change under a Biden presidency. It could even get worse, especially if Republicans manage to hold the Senate.

**As scientists and researchers work feverishly to develop a vaccine that will work against the virus causing the Covid-19 pandemic,** in the background supply chain teams across the pharmaceutical industry and its transport suppliers are working just as fast to ensure those critical medical supplies will be distributed quickly. By all accounts it’s going to be a herculean task. Of the approximately 250 different vaccines being developed around the world, the frontrunners are being designed with differing requirements for temperature control and handling. This means there will not likely be a single uniform methodology across the global temperature-controlled supply chain to handle them. As well, because data about the vaccines’ stability under different environmental conditions will be lacking, they will likely be subject to even stricter controls than normal to ensure the maximum viability and reach. Due to the urgency of the pandemic situation, the bulk of the vaccines produced will likely be carried by air. DHL estimates that ensuring global coverage for the next two years will require some 200,000 movements by pallet on 15,000 flights. “Covid-19 vaccine delivery will be one of the biggest logistical challenges in modern history. No one company can own the end-to-end vaccine supply chain,” said Neel Jones Shah, TIACA board member and global head of airfreight at Flexport. “We need to start working together now to ensure the industry is prepared when the time comes.”

## Air Freight

**Global air cargo capacity declined 20% in the last two weeks compared to last year.** The Transpacific trade lane shows strong air cargo capacity increases in the last two weeks and is now 2% higher compared to last year. Passenger belly capacity continues to recover but is still 61% below 2019 levels. Freight capacity dipped during China's Golden week but shows a strong rebound in the last week with freighter capacity at its highest level this year; freighter capacity is now at +18% compared to last year. An increase of freighter capacity of roughly 30% drives Transpacific capacity growth. The largest increase of freighter capacity on Transpacific is coming from a 68% increase for freighters from Incheon to North America; Transpacific belly capacity is down roughly 50% of 2019 levels. US outbound air cargo capacity increased only for selected US regions in 2020. International cargo capacity has increased strongly compared to last year for large freighter hubs ANC, CVG and ORD; at the same time, some key passenger-focused US airports have decreased by around 50%

**5 air cargo sustainability trends for 2021.** As businesses worldwide shift toward more sustainable practices, air cargo makes progress. Air transport is responsible for 2% of global carbon emissions. As government regulations evolve and public support to fight climate change increases, aviation companies are looking for new strategies to offset the negative impacts of air freight on the environment. Here are ways airlines and freight companies are trying to decarbonize.

- Sustainable aviation fuel
- More efficient aircraft
- The rise of e-freight
- Lightweight unit load devices
- Investments in carbon offsets

## Sea Freight

**'Near-record' import volumes slow BC port flow.** The ports of Vancouver and Prince Rupert are expected to contend with vessel delays and longer rail container dwell times that emerged this month through the end of the year as Canada's supply chain adjusts to an extended peak season. Container shortages and weather problems at Asian load ports have thrown vessels off schedule this summer in the eastbound trans-Pacific. Terminal operations in Vancouver and Prince Rupert have been further complicated by the deployment of extra-loader vessels in the trans-Pacific. Meanwhile, the Canadian National and Canadian Pacific railways have not fully recovered from network disruptions dating back to a dockworker strike at the Port of Montreal in August.

**Shippers should plan for higher ocean freight contract prices.** Sea-Intelligence says the current levels of long-term rates are not high by historical standards and that the low rates enjoyed by customers in recent years are the 'aberration'. Cargo owners should start planning for an upwards correction in long-term ocean freight contract prices, according to container shipping consultancy Sea-Intelligence, which believes the current levels of contract rates are not high by historical standards and that the low rates enjoyed by customers in recent years are the "aberration". Having reviewed price developments over the past 22 years, Sea-Intelligence's latest Sunday Spotlight report concluded that the current level of long-term contract rates "are not high", except in contrast to the weak rates in recent years, which were caused by a severe vessel overcapacity resulting from the last global financial crisis. But it also warned of major uncertainties ahead, with the coronavirus flaring up again in many major economies, and where the lockdown measures being reintroduced in European countries may cause consumers to limit their spending. And on the US side, the likelihood that whichever candidate loses the presidential election will dispute the results may lead to a temporarily dysfunctional federal government and rapid spread of the virus in the country, noted Sea-Intelligence CEO Alan Murphy, adding: "The ramifications are unknown but hardly positive to the economy as a whole, nor to the current US consumer boom."

**Matson offers inside glimpse of trans-Pacific pandemonium.** Matson's China-US volumes jumped 125% in Q3 2020. "To give you a sense of the demand right now, we are turning away — each week — more cargo than we are carrying," revealed Matson CEO Matt Cox, referring to the scramble for slots on his company's two China-U.S. services. During a conference call with analysts Monday after market close, Cox provided a frontline view of the torrid bookings, import drivers and tightening bottlenecks on the trans-Pacific container trade. "This could end in a few weeks or it could continue all the way into February to the [Chinese] Lunar New Year. Nobody really knows exactly how and when this will end," said Cox. Holiday cargoes are still coming. There are rising fears of a so-called "shipageddon" scenario for holiday shipments in which cargoes do not make it across the Pacific on time. Cox didn't say anything to assuage such fears. "What typically happens is that sort of by the end of October, most of what is going to make its way into the holiday-season shopping cycle will have arrived. That's not what we're seeing," he warned. "We're seeing significant congestion in Asia. Although I'm not talking about Matson, we're seeing cargo that wants to get on a ship that's being rolled [pushed back to a subsequent sailing]. And we're seeing the other international ocean carriers put in additional extra loaders [ships not in the normal service rotation]. This is not a typical season."

---

## Trucking

---

**Could autonomous trucks in dedicated lanes someday kill rail?** Revenue adequacy one area that could use an overhaul. Although decades away, the deployment of autonomous trucks in truck-only lanes could potentially be the death knell for the freight railroads should the railroads do nothing to ensure their relevance, an economist said during a recent panel on legacy of the Staggers Rail Act and the Motor Carrier Act. The Surface Transportation Board (STB) "is going to be regulating a graveyard. There's a good chance that rail won't survive once we start moving to autonomous vehicles," said Clifford Winston, senior economic fellow at the Brookings Institution, at a question-and-answer event on the Staggers Act and the Motor Carrier Act sponsored by the George Washington University Regulatory Studies Center. Winston authored a book about the government's role in encouraging autonomous vehicles. This issue of autonomous trucks arose during the Oct. 23 panel because the future of rail regulation and rail rates depends in part on the future of the rail industry overall.

---

## Market Sources

---

<https://www.loydsloadinglist.com/freight-directory/news/Shippers-should-plan-for-higher-ocean-freight-contract-prices/77759.htm#.X6K9Z3ySmUI>

[www.seaburyconsulting.com](http://www.seaburyconsulting.com)

<https://www.insidelogistics.ca/features/vaccine-ready/>

<https://www.freightwaves.com/news/5-air-cargo-sustainability-trends-for-2021>

<https://www.freightwaves.com/news/could-autonomous-trucks-someday-kill-rail>

<https://www.freightwaves.com/news/matson-offers-inside-glimpse-of-trans-pacific-pandemonium>

<https://financialpost.com/news/economy/executives-better-get-used-to-handling-political-risk-no-matter-who-wins-the-u-s-election>

<https://www.joc.com/port-news/international-ports/%E2%80%99near-record%E2%80%99import-volumes-slow-bc-port-flow-20201029.html>

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.

*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.*

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

Thank you, we appreciate your business.

Visit Our Website [www.kwe.ca](http://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.*