KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Latest News

On November 22, airport workers at the Shanghai-Pudong International Airport were flagged for testing and quarantine after two positive cases were detected in the terminal. The cases have recently been linked via contact-tracing to a cargo container arriving from North America according to Chinese officials, and hundreds of arriving flights have already been cancelled following publication of the incidents. This report is only the latest in a series of troubling discoveries that have led health and logistics experts to investigate potential links among coronavirus transmission, cargo sterilization, and working conditions. Local KWE sources report that cargo congestion may be exacerbated due to the last-minute testing orders as well as general capacity fluctuations related to the upward trend in global infections.

Canada, Britain ink new trade deal Placeholder buys Canada and Britain another year to reach a more comprehensive agreement. OTTAWA – Canada and Britain struck a new trade deal on Saturday, allowing the long-standing partners to trumpet a commercial triumph in the face of the economic devastation wrought by the Covid-19 pandemic. The interim deal beat the looming Dec. 31 Brexit deadline, replacing Canada's current agreement with Britain under the European Union that covers trade between the two countries. Saturday's interim pact, announced amid a virtual gathering of G-20 leaders, is a placeholder that buys Canada and Britain another year to reach a more comprehensive agreement while also warding off a no-deal scenario that would have triggered new tariffs on a range of Canadian exports on Jan. 1 But few details were released about the new interim agreement. Breaking with past practice during trade negotiations, there were no pre-announcement briefings for journalists and no text was released. "This is a good moment," said Prime Minister Justin Trudeau as he announced the deal during a video news conference with his British counterpart, Boris Johnson. "Free trade is an important part of the way we're going to bounce back from Covid," Johnson said. "And using that, this is a moment in which to tackle climate change, but also to create hundreds of thousands of jobs in green technologies."

Air Freight

Air cargo bounce back slackens in early November. Air cargo's steady recovery in recent months showed signs of slackening in the first half of November, a tell-tale sign being that yields/rates from China dropped for the first time in many weeks, the latest data from World ACD shows. Worldwide, the kilograms transported in the period 1-15 November (H-1 Nov) stood at 48% of the total for the whole of October (from Asia Pacific 51%, Europe and North America 47%, Central and South America 46%, Middle East & South Asia (MESA) 44%, and Africa 42%), it noted. "In other words, any month-over-month (MoM) growth in November will have to come from the second half of the month. Weekly volumes in H-1 Nov were more or less the same as in the last week of October." While worldwide yields/rates (per kg) continued their upward movement, here too there was a slowdown in growth - the average going from US$3.13 in the last week of October to US$3.25 in the first week of November, an increase of 3.9% week-on-week (WoW) to US$3.28 in the second week of November (+0.9% WoW). "For the first time in many weeks, yields/rates from China dropped. Whilst they were up by 3.8% WoW in the first week of November, in the second week they were down by 2.5% WoW," World ACD revealed. On the China-Asia Pacific trade lane they decreased by 9.5% (to US$ 2.20/kilo), fell by 0.9% from China to Europe (to US$ 5.08/kilo) and shed 6% on China-North America routes (to US$ 5.93/kilo). "Incoming business into Asia Pacific saw a downward trend: yields/rates dropped by 0.8% WoW on average, whilst this figure was slightly up for all other destination regions.

'Shippers switching to air to escape sea freight hell' With sea freight rates reaching some of the highest levels ever seen, along with equipment shortages, late vessels and still no guarantee of uplift, some shippers are starting to switch to air, driving up rates on a mode that had been enjoying some stability, according to UK-based forwarder, Metro Shipping. "The current lack of container line consistency and reliability, is unparalleled, with some lines seemingly moving to a transactional model, leaving analysts to point out the folly of a business model built on the backs of other market participants and ultimately the shipper," it said. "Given the continuing unpredictability of the container shipping lines, it is increasingly difficult for many forwarders to provide adequate service levels to customers, as the carriers actively manage capacity and yields by exploiting the ad hoc market. The company highlighted comments made in the trade press by one of its forwarder counterparts: "Carriers are failing, neglecting customers, providing a sub-acceptable service and yet increasing rates daily. At least the air freight sector is not being this abusive and customers tired of rising ocean freight rates and falling service levels are electing to switch to air freight, even at $7 a kilo, for a level of security and certainty, that is simply not available on the ocean." Air capacity from Asia to Europe is still constrained and the increase in demand has already led some airlines to reject bookings or demand a higher rate to uplift cargo

Sea Freight

Import surge causing congestion at ports Spike in import volumes clogging up main U.S. ports of entry. Container shipping company Hapag-Lloyd has reported significant delays at U.S. ports. The company shared the details in a customer bulletin on Monday, saying the delays are a result of a "spike in import volumes". As of Friday, November 20th there were 13 ships at anchor awaiting berths in the Port of Los Angeles and Long Beach (LAX/LGB). A shortage of railcars was affecting inland transportation transit time to all main inland ramps. The situation has since improved at the terminals, but they are still congested. On-dock rail performance is lagging, forcing many units to be trucked to/from the off dock rail ramp and the terminals. The off-dock ramp for Union Pacific is also heavily congested. Hapag-Lloyd said it is working with the UP and its house truckers to move these boxes to the terminals as soon as possible in order to load the cargo. Truck driver availability remains an issue, along with a "stressed chassis inventory" in most terminal locations, the carrier said.

Halifax plans to build container inspection facility. HALIFAX, Nova Scotia – The Halifax Port Authority is in the planning stages of a new Marine Container Examination Facility (MCEF) and associated access route to Fairview Cove Container Terminal. The Halifax Port Authority (HPA) envisions building a new MCEF on port land next to the Fairview Cove Container Terminal (FCCT). It would be used to manage container inspections for Canada Border Services Agency (CBSA). The port says the project would reduce container truck movements between the existing facility in Burnside Industrial Park, reduce the current time it takes to get a container from a container terminal to the current facility in Burnside and potentially further reduce truck traffic on municipal roadways given its proximity to FCCT. It is also expected that the project would provide additional employment opportunities for the local community during construction, improve security, reduce truck movements through downtown Halifax and across the A. Murray MacKay Bridge (MacKay Bridge). It would also reduce port congestion and GHG emissions. The port is working with the Halifax Regional Municipality (HRM), Canada Border Services Agency (CBSA), its container terminals, CN, municipal planners and key stakeholders on the development.

Trucking

Reefer capacity tapped out prior to vaccine release. Temperature-controlled truckload tender rejection rates hit an all-time high. The national reefer — industry slang for temperature-controlled trailers — rejection index (ROTRI) topped 48% for the first time since the index's creation this week, which could move even higher once the vaccine for COVID-19 begins being distributed in the coming months. This means that shippers that utilize temperature-controlled equipment should be prepared to continue paying premiums for this service for the foreseeable future. FreightWaves' tender rejection indexes measure the rates at which carriers decline to move a truckload electronically submitted by their customers. The higher this value goes, the odds that shippers will need to pay more for capacity increase. There is also a connection between declining service and increasing rejection rates as well, seeing as it is a measure of carrier compliance.

Currently, about one out of every two reefer loads submitted is being turned down by carriers. Reefer capacity, which tends to cost about 10% more per load on average than its dry van counterpart, has become even more divergent over the past three months. From May 1 until the middle of August, reefer rejection rates increased at a similar pace to dry van tender rejections — climbing an average of 29 basis points (bps) per day compared to van's 22. From Aug. 18 to Sept. 7, the relationship ROTRI averaged a 55 bps-per-day rise compared to dry van slowing to 11 bps per day. Both modes continue to experience historical tightness, but reefer capacity is of increasing importance as pharmaceutical providers Pfizer (NYSE: PFE) and Moderna (NASDQ: MRNA) are closing in on being able to distribute their COVID-19 vaccines.

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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