

## Weekly Market Update

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### Latest News

**Cargo pilots are increasingly falling ill** to the coronavirus report union representatives. Major demand is pouring in from electronics and retail sectors as global air cargo capacity bounces back from its months-long decline, falling 7% short of 2019 levels for October. Air capacity is projected by analysts to continue their slow recovery, led by electronics, raw materials, automotive, and garment industries. Orders for passenger-to-freighter conversions climbed in October as rollovers continue to rise at major seaports around the world—analysts say the rate of rolled transshipment cargo rose nearly 29% year-over-year in October. Reefer container demand is also soaring to greater heights with several vaccines heading quickly for approval and manufacture.

**Hundreds of thousands of employed Canadians are not working at all.** While unemployment has recovered, under-employment remains more than 50% above pre-pandemic levels. OTTAWA — Canadian service workers are faring even worse during the pandemic than previously thought with hundreds of thousands of those who still have jobs not actually putting in any hours at all, and a grim holiday season could add to the pain. Canada has so far clawed back nearly 80 per cent of the jobs lost to the COVID-19 crisis, official data shows. But a deeper analysis reveals that the ranks of the under-employed — people who are working less than half their usual hours, or none at all — have swelled to well above February levels. There are 391,300 Canadians employed but working zero hours because of the pandemic, data provided to Reuters shows, and another 42,100 working less than half their usual hours. The vast majority of these workers are in the hard-hit service sector. “You take a look at a restaurant or a barber: They’re operating, but they’re nowhere near capacity,” said Royce Mendes, senior economist at CIBC Capital Markets. “So, there is a significant amount of unused labour.”

### Air Freight

**Delta Cargo shuts Chicago airport facility for 9 days.** Half-dozen domestic, international routes are impacted. Delta Air Lines (NYSE: DAL) has shut its cargo facility at Chicago’s O’Hare International Airport through Dec. 2 for what a spokesperson said was due to “an unforeseen staffing issue.” In a message to customers on Monday, Delta Cargo said it is not accepting, delivering, or transferring any shipments. Dispatch of inbound and outbound trucks is also unavailable, effective immediately, it added. Atlanta-based Delta operates one international cargo-only service from Chicago to Frankfurt, Germany, that is affected by the embargo. The airline will reroute shipments to its scheduled New York or Atlanta flights to Frankfurt, spokesperson Debbie Sheehan said in an email. This is the second time in five months Delta Cargo has temporarily closed its O’Hare warehouse. In late June, the facility closed for two days. No reason was given, but the airport was experiencing overall shortages of ground crews to handle cargo after many were furloughed when the coronavirus wiped out most passenger business. Chicago is not one of Delta’s U.S. hubs, so the impact on the overall network from the cargo building’s closure will be muted. But shippers that use Delta to reach Chicago will likely feel the impact.

**Covid panic and delays at Shanghai Airport as cargo workers test positive.** Shanghai's Pudong Airport reportedly descended into chaos on Sunday evening after two cargo handlers tested positive, and went into lockdown as nearly 18,000 other staff were tested. Hundreds of flights were cancelled, according to Reuters, and videos were posted on social media of apparently frightened passengers attempting to flee the airport. Now new Covid regulations are expected to lead to cargo delays. According to local media, Chinese health officials claimed the cargo workers, employees of Fedex and UPS, were "cleaning a cargo container from North America". It was not carrying cold chain cargo, however, as in August, when authorities said traces of the virus were found on imported frozen food. Geodis told customers yesterday: "All cargo terminals have been shut down and all cargo operations were obliged to stop over the weekend. Import handling is progressing, but with expected delays. "Customs inspections have also closed until further notice." Airlines, including Emirates, Qatar Airways, Cabo Verde, Lufthansa, Nippon Airways, Polar Air Cargo and Air China, had flights impacted by the lockdown, Geodis added, noting that local authorities had requested all ULDs to be disinfected upon arrival. However, there are mixed reports on the extent of the disruption to flights, with the Chinese state media claiming Monday's flights were unaffected.

## Sea Freight

**As shipping's 'seasonal lull' remains anything but, rollovers continue to climb.** Container rollovers at the world's leading transshipment ports began to climb again last month, according to new research from tracking data provider Ocean Insights. After a global decline in rollovers during September, there were increasing numbers of shipments missing their scheduled loadings with almost every carrier. "This is supposed to be container shipping's seasonal lull after the summer peak season," said Josh Brazil, chief operations officer at Ocean Insights. "But on some tradelanes, freight rates are near record levels and ships are still departing Asia full. "Container lines are trying their best to cope with critical box shortages in Asia, but this is putting more pressure on operations and freight rates. Carriers also no longer have the option of adding more vessels to boost capacity – almost the entire global fleet is active. "I think what we are seeing is that the cargo pipeline has maxed-out ocean supply chain capacity, and this is being reflected in heightened rollover levels, which translates into more disruption for shippers and forwarders," he added. It will come as little surprise to shippers and forwarders that almost every container line saw rollovers increase, including 2M partners Maersk and MSC.

**India moves to regulate freight charges.** India is updating merchant shipping regulations and has outlined plans to regulate freight charges. The draft Merchant Shipping Bill, posted online for public consultation, contains the following rules. "Every service provider or agent, in respect of any Indian ship or other ship operating in coastal waters, in relation to import, export or domestic transportation, shall specify the all-inclusive freight in the bill of lading or any other transport document, in such mode and manner as may be notified. "No service provider or agent shall levy any freight charges other than the all-inclusive freight specified in the bill of lading or other transport document. The Central government may prescribe the terms and conditions for issuance of the Bill of Lading or any other transport document." In October, the Federation of Indian Export Organizations (FIEO) urged the government to regulate the shipping industry to "protect the EXIM sector from sudden and abrupt changes in freight rates". The move by India is the latest in a series of Asian government interventions to try and rein in soaring freight rates.

**FMC cracks down on alliances after complaints of 'unreasonable practices'.** The US Federal Maritime Commission (FMC) has tightened the screws on the three major ocean carrier alliances, demanding carrier-specific trade data is filed monthly rather than quarterly. The data goes to the FMC's Bureau of Trade Analysis, which, given "recent fluctuations in the markets", wants the information more frequently to help it better evaluate changes in the transpacific and transatlantic trades. One of the FMC's core functions is monitoring alliance agreements, which it does through "exhaustive, commercially sensitive information from regulated entities". It analyses the information so it can determine trends and any illegal behaviour. There are some 300 cooperative agreements currently filed with the FMC, but those related to the 2M, THE and Ocean alliances receive the most scrutiny, it said. "These three agreements have the greatest potential to cause or facilitate adverse market effects based on the agreement's authority and geographic scope in combination with underlying market conditions," said the FMC.

**Transport Canada revises rules on worker fatigue in the rail industry.** Rules modify time allotments for length-of-duty periods, rest periods and total hours worked. Transport Canada has revised the rules governing worker fatigue for the rail industry. The federal agency announced Wednesday that the Duty/Rest Rules for Railway Operating Employees have been updated to better reflect the latest science on fatigue management. The adjustments will also help ensure that Canadians working or living near railways are kept safe, Transport Canada said. The agency said the rules “represent a historic improvement over the existing rules.” The revised rules place new limits on the length of a duty period and they lengthen the minimum rest period between shifts. Other changes include new limits on the total number of hours that can be worked in a week and within a month. Previously, there were no limits for work hours but there were limits for rest periods and length-of-duty periods. Worker fatigue was considered one of the issues that led workers to strike against Canadian railway CN (NYSE: CNI) for eight days in November 2019. Transport Canada said it worked with constituents on the rules, including the railway industry, which had proposed some of the updates. The agency also collaborated with labor groups.

## Trucking

**Alberta supporting truck driver training.** One grant program will cover up to 90 percent of the cost of the Mandatory Entry-Level Training (MELT) for 300 unemployed Albertans. EDMONTON, Alta. – Alberta has announced two programs to make driver training more affordable and less time consuming, thereby improving access to trucking jobs. The \$3-million Driving Back to Work grant program will cover up to 90 percent of the cost of the Mandatory Entry-Level Training (MELT) for 300 unemployed Albertans to earn a Class 1 commercial truck driver licence, the government said Thursday. The Experience and Equivalency Class 1 MELT Training Program will reduce the time it takes for Class 3 drivers to upgrade to a Class 1 licence. “These changes do not affect the high training and safety standards required by MELT in order to keep Alberta’s roads safe,” the government stressed.

## Market Sources

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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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