

Weekly Market Update

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Latest News

Winter Storm Slams Northeastern US, Delaying Cargo Flow. A cold winter storm has arrived on the doorsteps of the US East Coast, with city officials bracing for wind, sleet, and up to two feet (0.6 m) of snowfall. The Port Authority of New York & New Jersey have announced a temporary suspension of terminal and depot operations on December 17, and three terminals have already closed inbound truck gates on December 16. Most airports remain open, including John F. Kennedy International, Dulles International, and Logan International Airport, but airlines have pre-emptively cancelled over 1,200 flights for the next two days. KWE local branches in Philadelphia, New York City, and Washington, D.C. will be closed for the remainder of the day and plan to resume operations on December 17 pending weather update.

Canadian vaccine distribution underway, but with many question marks. Distribution of Covid-19 vaccines kicked off in Canada yesterday, with the first doses of the Pfizer-BioNTech vaccine arriving courtesy of FedEx and UPS. The integrators flew the vaccines from Europe via their US hubs, but they won't play a major role in Canadian distribution, as, owing to the extreme temperature control requirements of the vaccine, Pfizer itself is managing it. This still leaves a lot of vaccines for commercial carriers to move, starting with Moderna's, which is expected to be cleared for Canada within the next few days. The Canadian government has ordered 194 million doses of vaccine from seven different producers and signed options for 220m more. Of the firm orders, only 20m are from Pfizer. For a country with a population of 38m, these are huge volumes, which suggests that a large portion will never move. Still, the logistics involved augurs well for FedEx, which was awarded the Canadian distribution contract in partnership with Innomar, a subsidiary of US drug distributor AmerisourceBergen.

Bank of Canada's Macklem says recovery from pandemic at a very difficult stage. Economic recovery is going to be long and choppy, central bank says. Canada's recovery from the pandemic is at a very difficult stage, as rising COVID-19 infections dampen growth in the near term and "could even deepen the economic hole," Bank of Canada governor Tiff Macklem said on Tuesday. Macklem told the Greater Vancouver Board of Trade that household spending had so far led the recovery but for that recovery to be sustainable, Canada would need to boost exports, productivity, and business investment. "The economic recovery from the pandemic is at a very difficult stage. Near term, rising COVID-19 infections will dampen growth and could even deepen our economic hole," he said. "Uncertainty is elevated, and the recovery is going to be long and choppy."

Air Freight

Air Canada completes 4,000 all-cargo flights Airline began all-cargo flights in March 2020. MONTREAL – Air Canada said today that with the flight of AC 7227 from Toronto to Lima it has now operated 4,000 all-cargo flights since launching into the cargo-only-flight business in March of 2020. "Air Canada Cargo has emerged as an outstanding performer during the COVID-19 crisis and was a key player in transporting medical equipment including PPE to Canada early on," Lucie Guillemette, executive vice-president and chief commercial officer. "It is impressive that the cargo team re-engineered its business model and network for cargo-only flights in March and has now successfully operated 4,000 such flights onboard both mainline widebody aircraft, as well as seven transformed widebody aircraft

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enabling cargo transport in the cabin." The 4,000th flight from Toronto to Lima carried an assortment of freight from around the world including pharmaceuticals, water purifying equipment and vehicle parts. Since the start of the pandemic, Air Canada Cargo has transported a wide range of goods on its cargo-only flights, including PPE for frontline healthcare workers. In anticipation of the requirement for air cargo capacity to ship and distribute COVID-19 vaccines in Canada and worldwide, Air Canada Cargo has been working with its freight forwarding customers specialized in handling pharmaceutical shipments. Air Canada Cargo's role will be to provide capacity for vaccine shipments through agreements with international freight forwarders, governments, or international agencies on scheduled or on-demand, cargo-only flights

Air industry eager to put 2020 to bed 2020 an "annus horribilis" for aviation says IATA chief Alexandre de Juniac. GENEVA – Nobody will be nostalgic for 2020, said Alexandre de Juniac, IATA's CEO in the aviation industry organization's final briefing for the year on December 16. "If there ever was an annus horribilis for aviation, it was 2020," he said. But he cautioned, the challenges brought on by the Covid-19 pandemic won't be gone with the date change. "We still have to live with it," he said. The industry is facing four to six million job losses with US\$1.8 trillion in global GDP wiped out, not to mention the enormous associated social and economic costs. De Juniac stressed that the aviation industry cannot wait for a vaccine before reviving international travel if it wants to survive. That's why the organization is working on four principal agenda items, as we move into 2021.

Sea Freight

Asia-North Europe rates pass \$10,000 – wait till it is our turn, say forwarders. Record high spot rates from Asia to North Europe and predictions of huge hikes for annual contract rates could lead to a rush of cancelled orders for next year. Retailers in Europe are already nervous about new partial lockdowns stymieing their sales, and the enormous sea freight rates and surcharges they are being billed is significantly adding to their concerns. "We are certainly starting to see customers cancelling, as the rates are beyond ridiculous," one source told The Loadstar today. It appears carriers are now regularly quoting \$10,000 per 40ft HC for January shipments from China to the UK, and another source reported to The Loadstar today he "had heard of \$13,500 being quoted". He added: "I can't wait for the day certain lines are chasing our business again, and then I will have great pleasure telling them to phone back in 10 years." And The Loadstar continues to receive complaints about the myriad extra charges by carriers on the tradelane, including a ramping-up of cancellation fees. One UK forwarder source said his carrier was looking at charging a \$1,000 per teu booking cancellation fee, two weeks out from 1 January, despite the uncertainty of equipment availability. "That's \$2,000 per feu for doing nothing but reallocating boxes that they don't have," said the irate source. There are also concerns in the forwarding community that customers will either refuse, or be unable, to pay all the extra charges being racked up by the supply chain disruptions.

New container trade review highlights rising costs and declining service. Container shipping lines are making better margins than ever, according to new research, which suggests that while customers face escalating freight rates, carrier operating costs have been declining. The Container Shipping Market Quarterly Review, published by UK consultant MDS Transmodal in conjunction with the Global Shippers Forum (GSF), is a new container market monitor which assesses the state of the market by eight indicators: trade volumes; shipping capacity; capacity utilisation; carrier costs and revenues; market competitiveness; port connectivity; service performance; and CO2 emissions. It found that the three indicators presenting the greatest challenges to shippers and forwarders currently are the sharp increases in trade volumes in the third quarter, the even sharper increases in freight rates and declining service levels as a result of widespread port congestion. "Global trade levels recovered strongly in Q3, but remained below 2019 levels for the quarter, overall. Container shipping demand is weaker than a year ago," it said.

Container ports are booming — and not just on West Coast Volume gains to East and Gulf coasts now rival California gateways. The spotlight is squarely on the avalanche of containerized imports at America's largest gateway ports: Los Angeles and Long Beach. But it's not just California. Volumes are also surging at Gulf Coast and East Coast ports. And it's not just the U.S. "Chinese ports are completely filled with export cargo as carriers cannot cope with high cargo demand," reported Alphaliner. In Europe, "vessels are regularly arriving one to two weeks after their reserved berthing window." Analysts attribute this unexpected spike to

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consumers using money to buy goods that they can't spend on services due to COVID restrictions. Counterintuitively, the coronavirus pandemic has — at least temporarily — has precipitated a box-port boom. The problem for an increasing number of ports is that this is too much of a good thing. On Wednesday, MarineTraffic AIS (vessel positioning) data showed over 20 container ships waiting in San Pedro Bay offshore of Los Angeles and Long Beach. That's the same number of ships at anchorage as last week

Trucking

US-Canada-Mexico border closures extend to Jan. 21. Freight continues to move freely under existing exemptions. The U.S. land borders with Canada and Mexico will remain closed for nonessential travel until at least late January, officials said on Friday, as the coming arrival of COVID-19 vaccines opened the door for the eventual easing to the unprecedented restrictions. The extension was expected as COVID-19 infections surge in all three countries. Trucks will continue to be able to move freight freely across the borders under the terms of the restrictions, in place since March. The border likely will be closed for nonessential travel well past January. However, the arrival of COVID-19 vaccines means the restrictions could start to ease. The closures have hit border communities hard, particularly those that depend on tourism. Businesses have already been pushing to have some restrictions eased. Large drug seizures from tractor-trailers, meanwhile, have become something of a regular occurrence since the borders closed for nonessential travel. U.S. Customs and Border Protection officials recently announced four separate drug seizures involving trucks at South Texas border crossings.

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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