

Weekly Market Update

Version: 2 (week) → Date: 1-11-2021

Latest News

The new year is nigh, and still the container shortage persists. Traces of the new coronavirus strain have been found in a growing list of countries including India, Canada, Denmark, Japan, South Korea, Singapore, and Australia. Consequently, passenger flights to and from the UK (with few exemptions) have been banned in 40 countries including India, Taiwan, Brazil, Canada, and Germany. The future of sea freight sees additions in capacity for carrier Hapag-Lloyd, which announced its order of six ultra-large containerships with a capacity of 23,500 TEUs per vessel. Carrier alliance ONE also announced its intent to charter six 24,000 TEU vessels from a consortium of Japanese shipbuilders—vessel delivery is expected between 2023 and 2024. Global analysts reaffirm predictions of a slow 2021 recovery for air and sea freight, but with so many curveballs thrown this year, it's anyone's guess what the coming quarters will bring to the transport industry and the global economy. One thing is certain: we made it through the chaos of 2020, and the lessons we take may yet come to use in the unseeable, unknowable future.

2021 Transportation Buying Trends: Intermodal Freight. What transportation will cost you in 2021, according to our annual survey. Transportation contract negotiations for 2021 definitely won't be for the faint of heart or those unwilling to entertain more than one possible scenario for an economy still in the grip of Covid-19. This year's annual Transportation Buying Trends Survey was purposely conducted a bit later than normal (it was completed mid-November) to provide the most up-to-the-minute reflection of what to expect in this rapidly shifting scenario. Included on the following pages are highlights for the TL, LTL, rail, intermodal, marine, courier and air modes. Read on to see what shippers across Canada expect for increases in their freight rates, the penetration of surcharges, and their concerns regarding capacity constraints. Sixty-four percent of respondents were based in Central Canada (Ontario and Quebec), with 26 percent residing in Western Canada and nine percent in Eastern Canada. In terms of industry, 34 percent of respondents were from manufacturing, while 22 percent were in distribution, 19 percent were with 3PLs, and eight percent worked for retailers.

Air Freight

Boeing 777 freighters bring relief to tight air cargo market. Qatar Airways, China Airlines and AirBridgeCargo add new-builds to their fleets. A wavelet of Boeing 777 freighters entering commercial service is providing a dose of relief to shippers struggling to find capacity ever since passenger airlines closed down most international flights nine months ago due to the pandemic. Qatar Airways and China Airlines are the latest carriers to add the 777 freighter to their fleets, as they set their sights on expansion in 2021. Qatar Airways' cargo division on Friday took delivery of three production 777 cargo planes built by Boeing, adding to the 21 twin-engine aircraft it already operates. Qatar Airways Cargo now has 30 all-cargo aircraft in its fleet, including two 747-8s and four Airbus A330s. The airline, which serves more than 60 freighter destinations via its Doha hub, has also set aside six 777-300 Extended Range passenger aircraft for dedicated cargo operations, with lightweight boxes often loaded in the upper deck to increase transport amounts. The extra planes enter the market at a time when air cargo capacity is a quarter less than last year and demand keeps growing to move e-commerce orders, perishable foods and, lately, new COVID-19 vaccines. The tight market makes it difficult for shippers to easily book shipments and doing so costs several times more than it did a year ago.

Rates and recovery Ocean carriers surge, seaway to follow. In the ocean freight world, volumes started to decline in April-May, as world economies went into lockdown and volumes decreased accordingly. Ocean rates should have gone down as well, with carriers competing for smaller volumes, but instead, rates stayed at the same level and even increased on some lanes, as carriers worked together to reduce supply. Some carriers used longer routes to save on fuel and on canal tolls, for example sailing from Asia around Africa to Europe, avoiding the Suez Canal and the Mediterranean. However, many laid up ships and the buzzword of the day became “blank sailings”. This was enabled by the fact that ocean carriers routinely work together by operating joint services, vessel-sharing agreements and slot-chartering, managing capacity while still competing commercially, at least in principle.

Canadian shores -Here at home, the marine industry outlook is improving.

The Port of Halifax is expecting to regain lost ground in 2021. “Whether it’s four to six percent, global growth tends to transfer into eight to 12 percent containerized growth, and that plays out on the import trade first,” said the port’s Patrick Bohan at CITT’s Canada Logistics Conference 2020. “On the East Coast gateways, I think you will see people are ready for a better year ahead.”

In Montreal, 2020 was a very tough year, with 33 days lost to a longshoremen’s strike. It took until November 9th to get back to normal, the port’s Tony Boemi said in a CILTNA panel discussion. However, the silver lining is that the need to get back to normal, plus the pressure to move PPE for the pandemic efforts has “pushed forward our knowledge of how to effectively use technology by about 10 years,” Boemi said. The port has implemented a digital twin, a tool to predict wait times for truckers, and is working on an AI tool that will identify critical cargo aboard ships before they arrive, to prioritize unloading.

At the Port of Vancouver, “mid-year cargo volumes remained stable,” said Robin Silvester, president, and CEO of the Vancouver Fraser Port Authority. And the outlook for 2021 is good. “In container trade, we are already seeing monthly volumes recover when compared to the same month in 2019, and the demand for goods shipped in containers continues to be projected to grow going forward.” Silvester noted that the port is positioned for growth with more than \$1 billion in new infrastructure projects underway.

Trans-Pacific shipping rates just popped to new all-time high. Is this the end of the mysterious trans-Pacific rate plateau? The good news for ocean carriers — and bad news for shippers — is that rates are rising yet again. Base spot rates for container shipments from Asia to the U.S. West Coast had been curiously flat since late September. Rates kept to a narrow band at record-high levels. The unnatural flatness of the rate trend line during a period when demand was not flat led to speculation that the trans-Pacific rate level was, in fact, not natural. One theory is that liners declined to charge higher base spot rates after a meeting with Chinese regulators in mid-September. Actual rates continued to increase when including premium charges, with the static base rate meant to assuage regulators — or so the theory goes. Whether that speculation is true or not, something appears to have budged. Over recent days, spot rates have headed higher. No letup in sight. The stage appears set for continued ultra-high rates in January. Flexport warned on Thursday, “A substantial rate increase is expected in the market. Carriers are still identifying their rate levels only days before the start of the new year.” After adding surcharges in mid-December, a number of carriers are scheduled to implement general rate increases (GRIs) starting Friday, according to notices posted through Distribution Publications.

The Icelandic Coast Guard has come to the rescue of a stranded containership which they currently have under tow. The 11,800 DWT Lagarfoss, owned by Iceland’s Eimskip, is expected to reach Reykjavik, Iceland on December 31. The six-year-old vessel, with a carrying capacity of 880 TEU departed Reykjavik on December 25 bound for Halifax, Canada. Two days later, the ship was approximately 230 nautical miles south west of Iceland when there was a malfunction in the main engine that left the ship adrift. The Icelandic Coast Guard received a request for assistance and dispatched one of its patrol boats. The crew aboard the containership attempted to make repairs to the motor and when they were unsuccessful the owner Eimskip requested that the Coast Guard tow the vessel. The

patrol ship Þórs reached the Lagarfoss in the early hours of December 29 and was successful in attaching a tow line. The tow commenced around 4:00 a.m. this morning and is expected to last two days.

Trucking

Bouncing back Trucking optimistic heading into 2021. Few sectors of the economy bounced back from the economic crash caused by Covid-19 faster than trucking. And if new equipment orders are any indication, truckers are expecting the market to remain strong well into 2021. Trailer orders from U.S. and Canadian fleets reached their lowest point in the modern era in April, at just 300 units, according to data from industry analyst FTR. However, they shot up to 54,200 units in October, marking the third-best month ever, according to ACT Research. Trailer orders are seen as a leading indicator of trucking market conditions. "Increases in both freight volumes and rates, along with capacity challenges, have influenced fleets to aggressively enter the market," said Frank Maly, director of commercial vehicle transportation analysis with ACT Research.

Orders surging- Spot market volumes and rates in the U.S. and Canada tell the tale of an economic recovery driven by consumer spending shifts that benefit trucking.

Rates climbing- Capacity is likely to remain tight in 2021, as the pandemic has hastened the retirements of many senior drivers, and licensing and training facility closures have prevented new entrants from obtaining commercial licences and taking their places.

Driver shortage- Trucking HR Canada recently produced a labour market update that indicated transport truck driver unemployment was just 3.9 percent in September, compared to 8.4 percent across the broader population. The organization said the upward trend in employment is even higher than it predicted, signaling that a return to pre-Covid labour shortages could happen sooner than anticipated. "This factor serves as an urgent call to action for industry and government to work together to overcome this labour shortage so as not to hinder the economic recovery," Trucking HR Canada said. Two other factors could keep trucking capacity tight through 2021. Insurance costs are skyrocketing for many carriers, forcing some to abandon the U.S. market, while others are being squeezed from the industry altogether. Trucking insurance rates are on the rise as insurers have exited the market due to increased losses stemming from increasing costs of accidents and claims, and nuclear verdicts against truckers.

Market Sources

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<https://www.maritime-executive.com/article/photos-icelandic-coast-guard-towing-disabled-containership>

<https://www.insidelogistics.ca/features/2021-transportation-buying-trends-intermodal-freight/>

<https://www.insidelogistics.ca/features/bouncing-back/>

<https://www.insidelogistics.ca/features/rates-and-recovery/>

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