



Latest News

The latest industry analysis shows that air freight rates out of China have rapidly increased over the last week, as factories in China continue to ramp up production and passenger airlines slash capacity. It is estimated that flight cancellations have removed more than 5,000 tons of capacity from China per day on average. Global capacity is 13% lower than last year. Other trade lanes, such as the transatlantic, are showing double-digit declines as governments impose strict travel restrictions. Since the US travel bans, the decline in Europe-US cargo capacity is already comparable to most Asian trade lanes. Cathay Pacific (CX) & Cathay Dragon (KA) announced a capacity reduction of 96% across their passenger network in April and May as a result of the severe drop in demand. Their cargo freighters continue to operate as scheduled.

Country Focus

UNITED STATES: Some carriers are converting passenger aircraft for cargo-only use and will resume routes previously suspended due to the outbreak. Rates to and from Europe have nearly doubled according to industry analysts. The current high-demand/low-supply of medical supplies may result in removal of some tariffs on China. Following the decision by Canada to close borders with the US for non-essential travel, the US announced the closure of borders with Mexico for non-essential travel. Trade is stated to be exempt.

BANGLADESH: On March 21, the government suspended flights with ten countries—including India, Singapore, and Saudi Arabia—until March 31 to limit the spread of infection. Space demand to all destinations becomes more critical due to ongoing flight cancellations. The condition is changing daily, and space capacity keeps reducing. Transit time to Asian destinations is longer than normal and continues to remain at 4-5 days for US & EU lanes.

CHINA: China's outbound cargo capacity is still below 2019 levels, though it is slowly recovering thanks to increases in freighter flights. Passenger belly capacity is still mostly constrained, which in turn continues to increase air freight rates for most destinations. Space demand to US keeps increasing and transit time will be a bit longer—rates remain high, especially out of Shanghai. Airlines are currently not accepting standard service bookings.

HONG KONG: Scheduled freighters ex-Hong Kong are full, as existing capacity cannot compensate for the loss of passenger belly capacity. Ad-hoc rates are applicable for expedited shipments, but uplift dates are only prioritized, not guaranteed. Some Intra-Asia charter flights have reached full capacity, especially those to Japan.

INDIA: The government announced shutdowns of 75 districts until March 31 contain the country's rate of infection. New Delhi will seal its land borders Monday, ordering the closure of non-essential businesses for the duration of the shutdown. Current demand to all destinations ex-India has reached critical levels due to flight cancellations. Transit time to Intra-Asia is longer than normal, while transit time remains at 4-5 days for US & EU lanes.

INDONESIA: On March 15 the government called for all Indonesians to practice social distancing and remote working. Through this time, cargo capacity ex Jakarta has decreased 70%, as carriers now accept only express rate bookings. The US sector getting tighter and there is congestion at usual hubs, including Japan, Korea, Taiwan, and Singapore.

KOREA: Korean Air (KE) has announced services cancellations as more than 50 countries have restricted entry of South Korea travelers. Other carriers are adjusting schedules due to declining passenger demand, leading to severe capacity shortages. Massive flight cancellations have severe impacts on capacity via Incheon as a major transit hub.

MALAYSIA: The government continues to enforce a two-week lockdown that began March 20, heavily restricting land transport. Only food items can be exported out of Malaysia via land until the end of March; other commodities may not be shipped via land until the lockdown is released.

SINGAPORE: Effective March 23, the government has prohibited the entry and transit of all short-term travelers to Singapore, with limited exemptions for workers. SQ announced flight cancellations for 96% of its capacity for major transit hubs through April, and will provide chartered services via its freighter subsidiary, Scoot. Trade flow with neighbor country Malaysia is stated to be unaffected.

TAIWAN: Taiwan's quarantine restrictions for all foreign visitors has led to cancellations of flights by major carriers, and capacity via Taipei has been seriously impacted as a result. Airlines are increasing rates to all destinations in the US and Asia.

THAILAND: Due to massive flight cancellations, air freight rates have increased by more than double for many destinations in China, North Asia, and Southeast Asia. Space demand to US and Europe is congested and transit times have extended as a result.

VIETNAM: Most of flights from Vietnam are canceled, decreasing approximately 80% of Vietnam's capacity. There is a heavy backlog at SGN due to insufficient capacity at major transit hubs (ICN, NRT, HKG, SIN). Airlines accept bookings under express rates only. Transit time will be 2-3 days longer than usual

PHILIPPINES: The Philippines Gov't declared Enhance Community Quarantine (ECQ) wherein mass transportation are suspended, checkpoints are being observed in the boundary of all places, there is a curfew. Most shipping lines and forwarders are closed and in their skeletal workforce, some gov't offices are also closed and in skeletal workforce, as well as some companies are also in shutdown mode. Great delays in processing and Customs clearance are being experienced. Significant delay, huge demurrage charges and storage fees for FCL, warehouse storages for LCL and port congestion are expected during this period.

Possible charges will incur if the cases of virus increase and PH (Luzon Wide) won't back to its normal situation in the coming days. PH Gov't declared ECQ starting March 17 12AM and expiring on 12AM of April 13, 2020

SOUTH AFRICA: is also preparing for a 21day lockdown as of March 27th.

Air Freight

Air Canada Cargo: Extended Storage Times for General Cargo to provide its Canadian customers with more flexibility in their supply chains, effective immediately, Air Canada Cargo is extending its free storage period for AC General Cargo import shipments from two to ten days at all Canadian stations.

Air Canada announced the suspension and reduced schedule of flights out of Tokyo:

Tokyo – Toronto – suspended until April 30

Tokyo – Vancouver – 3 days a week

Tokyo – Montreal – suspended until April 30

Tokyo – Calgary – suspended until June

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Reduced flight schedules pertaining to Canadian Cargo stations announced by Air France and KLM.

CANADA TO FRANCE

New Air France schedule as of March 23

Air France will operate flights from Montreal to Paris 3 times weekly (on Wednesday, Friday and Sunday). No service to/from Toronto and Vancouver. This applies until April 19.

CANADA TO AMSTERDAM

New KLM schedule as of March 20

KLM will operate to/from Amsterdam

- * Montreal: one flight on March 20, 23, 25
- * Toronto: two flights on March 20
one flight on March 21, 22, 23, 24, 26, 27
- * Calgary: one daily flight until March 28
- * Vancouver: one flight on March 21, 23, 25, 26
- * No more flight operating to Edmonton.

As of March 28, KLM will operate flights to Toronto and Calgary only with reduced schedule that will be communicated shortly.

Air China announced that due to the emergency measures at Beijing airport, they will not accept the following type of cargo, until further notice and instruction provided from the Chinese authority.

1. Live animals
2. Perishables
3. Shipment contains dry ice
4. Valuable
5. Pharmaceuticals
6. All Dangerous Goods
7. Any time or temperature sensitive item.

Cathay Pacific announced effective March 30 they will have no passenger flights for at least 2 months, only 2 freighters per week on Tuesday and Thursday tender

Market indicated Commercial flight Vs Freighter service:

- Up until March 3, widebody belly capacity decreased 84% in the last two weeks and furthermore; Cathay pacific have cancelled 97 % of their passenger flights for the month of April and May, Lufthansa will only maintain 5 freighters per week from their regular 8 flights per week
- Flight cancellations in the last month have reduced available cargo capacity by 37% compared to last year, amounting to more than 150,000 tonnes decrease each way
- Flight cancellations are removing more than 5,100 tonnes capacity **per day on average**
- Total cargo capacity from mainland China is down 36% last week compared to last year
- China to North America tonnage reductions, freighter (Down 5%) & Commercial belly space (Down 90%) in the same period comparing between 2019 & 2020.

Sea Freight

In the wake of the Quebec government's announcement calling for non-essential businesses to close no later than midnight on March 24, and to stay closed through April 13, the Port of Montreal remains open.

The Port of Montreal provides essential services, especially to food companies and the medical and pharmaceutical sectors. Under federal jurisdiction, the Montreal Port Authority continues to operate, same as all the other Canadian port authorities, to maintain regional and Canada-wide supply chains. The same obviously applies to truck and rail transportation activities that are linked to the agri-food and medical supply chain.

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Port of Halifax - terminal fluidity

Both container terminals are currently offering a full service

- Pilots, tugs, marine traffic control and rail service are unaffected.
- Import container dwell: Normal
- Truck gate wait time average: Normal
- Terminal truck turn time average: Normal

Free Flow of Ocean Cargo at Rising Risk from Coronavirus, Ocean shipping is passing through multiple stages of coronavirus fallout, and the journey appears far from over. Stage one combined a containerized-goods supply shock and bulk-commodity demand shock, both centered in China and driven by temporary closures of factories, mills, plants, land transport and terminals.

Stage two, now underway, features a containerized-goods demand shock centered in developed Western nations, driven by social distancing and quarantines. China's containerized-goods export system is generally back up and running. The question has turned to whether China will receive enough new orders.

What might stage three look like? One plausible scenario entails an extension of the demand shock as the quarantine segues into a global recession, combined with a cargo supply shock driven by coronavirus restrictions on ocean shipping itself.

CN takes essential services role very seriously during these difficult times, including moving customers' goods unimpeded by the latest announcements by the Governments of Quebec and Ontario which implemented states of emergency in their respective provinces.

CN is an essential service and we remain fully open. Our offices will remain open and continue to operate on a full schedule of trains and their yards are running efficiently. The temporary closure of the Canada- U.S. border does not affect rail shipments in any way. The border is open to transportation and the network remains fluid, including the cross-border service.

The network is fluid.

CN has been running very well over the last few weeks. Volumes and speed, as measured by production, car velocity and system train speed, are all up over the same time period of last year. CN is fluid at all their Canadian and U.S. inland intermodal terminals including key terminals in the U.S. such as Chicago and Detroit. In addition, they are fluid at all ocean port terminals in Canada and the U.S Gulf and specifically at key bulk and container terminals at the ports of Vancouver and Prince Rupert in Western Canada that serving the Asia-Pacific trade.

Ground Freight & Logistics

Transport Canada, the Provinces and Territories, through the Canadian Council of Motor Transport Administrators, have approved an hours-of-service exemption for federally regulated carriers related to the fight against COVID-19.

Termed the Essential Freight Transport Exemption, the hours-of-service exemption is designed solely to assist federally regulated motor carriers (known as extra-provincial carriers) and their drivers engaged in the transport of essential supplies and equipment in direct assistance to the emergency relief efforts during the response to COVID-19 in Canada. Exemption proposals for provincially regulated carriers may also be forthcoming from the provinces.

The exemption for federally regulated carriers provides temporary relief from the scheduling provisions contained in the hours-of-service regulations. The exemption will be available until April 30th but may end sooner if it is no longer deemed necessary by Transport Canada.

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Market Sources

[afklcargo.com/flight disruptions](https://afklcargo.com/flight-disruptions)

<https://www.bbc.com/news/world-asia-india-52024239>

<https://theloadstar.com/india-in-lockdown-moving-cargo-through-ports-and-airports-is-a-struggle/>

<https://businesstech.co.za/news/government/384619/why-we-need-clear-guidelines-ahead-of-covid-19-lockdown-in-south-africa-da/>

<http://cantruck.ca/transport-canada-provinces-territories-introduce-potential-supply-chain-flexibility-during-fight-against-covid-19/>

<https://www.freightwaves.com/news/free-flow-of-ocean-cargo-at-rising-risk-from-coronavirus>

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.

Thank you, we appreciate your business.

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