



## Mid-August 2023 North American Freight Market Outlook

### Top News

#### **Union and Employer Officially Reach a 4 Year Deal Ending the British Columbia Port Strike**

We are pleased to inform you that an agreement has been successfully reached between the International Longshore and Warehouse Union Canada Association and the B.C. Maritime Employers Association, effectively restoring stability. This agreement was formalized on Friday, August 4th.

This was the third agreement to be proposed by the employer and the only one to be ratified. Notably, the previous two proposals were not accepted by the union. The key terms of this agreement are outlined as follows:

- A four-year agreement has been established.
- For the initial two years, an annual wage increase of 5% will be implemented.
- Subsequently, for the last two years of the agreement, an annual wage increase of 4% will apply.
- Provide appropriate training for regular maintenance work on both new and existing equipment.

This agreement carries great importance as this is a crucial step forward to alleviate the present congestion at the British Columbia ports in Canada. Port workers are currently focused on ensuring the secure and timely unloading of containers allowing goods to freely enter Canada from the west coast once again.

## **Canadian Inflation Increases to 3.3% from 2.8%**

In a notable development, Canadian inflation has registered its first increase since April 2023, increasing from 2.8% in June to 3.3% in July. This uptick has created concerns within the Canadian economy, particularly as the imminent interest rate decision by the Bank of Canada is slated for September. Economic analysts had initially projected a July inflation rate of 3%, indicating a variance of 0.3% from the figures reported by the Bank of Canada.

The larger than expected increase in the inflation rate has given rise to uncertainty among economists, businesses, and consumers alike. The looking question revolves around whether the Bank of Canada will proceed with a 25 basis points increase in the overnight lending rate in their September meeting.

Looking forward, the Bank of Canada envisions the inflation rate maintaining its course at approximately 3% throughout 2023 and 2024, subsequently easing back to the 2% to 3% range in the year 2025.

## **United States Inflation Increases for the First Time in One Year**

The recent inflation report for July from the United States has revealed a noteworthy development. After more than a year, the inflation rate has edged up from 3% to 3.2%. While this might initially appear as disappointing news, it's important to recognize that this inflation rate provides only a partial view of the situation. Notably, core inflation stands at 4.7%, marking its lowest point since 2021.

So, what distinguishes the inflation rate from core inflation?

The inflation rate encompasses all sectors of the economy, including the prices of goods and services along with any volatile categories. Volatile categories often involve rapidly fluctuating elements, such as energy prices that can change drastically from day to day. On the other hand, non-volatile goods like tissue boxes are examples of items with relatively stable prices.

Core inflation, on the other hand, relies on the consumer price index (CPI), which factors in all goods and services across the economy except for those that are volatile such as food and energy prices.

The increase in the overall inflation rate can be attributed to the surge in energy prices observed in July, notably due to the rise in gas prices compared to June. Although the inflation rate has risen to 3.2%, it remains uncertain whether the Federal Government will opt to raise interest rates. This decision holds particular significance, given that it would mark the twelfth instance of rate adjustment since March 2022.

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## Canadian Customs Update

### **CARM Client Portal Phase 2 Delayed to May 2024**

As our readers are aware, the Canadian Border Services Agency (CBSA) has informed the importing and customs community that CARM 2 will come into effect in October 2023, where imports would have been required to register and purchase their own customs bond.

In a recent development on Friday August 11, the CBSA informed the community that the CARM 2.0 launch will only be available to select industry partners in October 2023 to test out the system further. Subsequently, it will transition into the official system of record by **May 2024 for all commercial importers**.

All commercial imports will need to register for the CARM Client Portal prior to May 2024 to gain the benefit of Release Prior to Payment (RPP) and to mitigate border delays effectively.

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## North America Freight Update

### Ocean Freight

#### **Canada West Coast Port Delays**

The Vancouver and Prince Rupert ports are experiencing ongoing delays due to terminal congestion in Canada.

- The **Vancouver Port** is currently recovering from the port strike and the current average delay is **5 days**.
- The **Prince Rupert Port** is currently recovering from the port strike and the current average delay is **6 days**.

## **United States Port Delays**

Currently the United States is experiencing port delays, the delays are as follows:

- **Houston** is experiencing an average delay of **1 day**.
- **Los Angeles/ Long Beach** is experiencing an average delay of **4 days**.
- **Oakland** is experiencing an average delay of **5 day**.
- **New York/ New Jersey** is experiencing an average delay of **1 day**.

## **Ocean Freight Rates Hold Steady for August 15-31**

In the transpacific trade lane, steamship lines have consistently introduced successive general rate increases (GRI) since the start of July. However, this pattern has halted as some steamship lines rates remain stable from August 15 to 31.

The decisions for some carriers to hold rates stable stems from lower volume levels than previous traditional peak season. One contributing factor to lower volume levels is the United States' efforts to combat inflation by raising interest rates. This strategy has had a dampening effect on consumer spending, leading importers to make fewer booking arrangements as they have less turnover.

Steamship lines rates for August 15-31:

- **MSC - Rates Decreased**
- **ZIM - Rate Increase**
- **COSCO - No Change**

It is Anticipated that ocean freights will rise further throughout Q3 due to the ongoing peak season and volumes tending to increase throughout this time. Conversely, projections also suggest a potential decline in ocean freight rates during the end of Q4, aligning with expectations of lower demand.

## **Air Freight**

### **Air Canada Loses 25% in Revenue in Q2**

During the second quarter of 2023, Air Canada experienced a notable downturn in its revenue. This was primarily attributable to a significant reduction in both air transportation and freight volume.

The financial performance of Air Canada for Q2 reflected a considerable decline in revenue which is currently being experienced by many other carriers in the market as volume declines. This reduction in volume across these sectors played a pivotal role in shaping the company's financial landscape during Q2 of 2023.

## **Land Freight**

### **Canadian West Coast Rail Dwell Times**

The most utilized ocean ports in Canada are based in the western provinces, more specifically British Columbia as it is on the transpacific trade route which allows trade with many Asian countries.

The two ports in British Columbia are the Vancouver and Prince Rupert Port, due to the high volume they receive. This volume creates rail dwell times that can cause delays of moving cargo onto the rail. These delays do still play a factor but have improved since 2023 and are expected to improve continuously throughout the year.

The current rail dwell times are as follows:

- The **Vancouver Port** is currently experiencing an average dwell time of **8 days**.
- The **Prince Rupert Port** is currently experiencing an average dwell time of **10 days**.
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### **CN Train Reservation Penalties, Item 2500**

The CN provides reservation services to secure space on the train. This will allow shipment prioritization when the reservation service is used. Reserving a spot is free but modifications and cancellations will incur penalty charges. The charges are as follows:

#### **Units in International Services Excluding Reefer**

Cancellations and modifications can be made without a fee until 7:00am local time of the original terminal on the same day as your reserved train service. If cancellations or modifications are made after this time a **\$50** charge will be posted. If a reservation expires a **\$100** charge will be posted to the party that made the reservation.

#### **Reefer Units in International Service**

Cancellations and modifications can be made without a fee until 12:00pm local time of the original terminal on the Monday of the week of your reserved train

service. If cancelations or modifications are made after this time a **\$150** charge will be posted. If a reservation expires a **\$200** charge will be posted to the party that made the reservation.

### **Units in Domestic Service**

Cancelations and modifications can be made without a fee until 10:00am local time of the original terminal on the same day as your reserved train service. If cancelations or modifications are made after this time a **\$50** charge will be posted. If a reservation expires a **\$100** charge will be posted to the party that made the reservation

### **CN and CP Congestion Continues to Improve in Q3 2023**

In 2022, Canadian terminals experienced heavy congestion, which prevented trucking companies from returning empty containers to the CN and CP. However, the situation continues to improve going into the second quarter of 2023 as shipment demand has dropped, allowing terminals to catch up on the backlog on containers.

As terminal congestion continues to improve, congestion will not be resolved instantaneously. Fortunately, drivers will no longer have to wait for 4-5 hours to drop off a container. The average wait time for drivers is expected to decrease to 2-3 hours.

The decrease in terminal congestion will also help prevent detention charges, as drivers will be able to return containers before the free time expires.