

Canada's two largest railways shut down

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Canada's two biggest railways have shut down after a midnight deadline passed without an agreement over pay conditions.

The stoppage of work by 9,300 engineers, conductors and yard workers at Canadian National Railway Co (CN) and Canadian Pacific Kansas City (CPKC) marks the first-ever simultaneous shutdown at the country's main railroad operators with ports across the nation braced for a severe drop in business.

The Teamsters Canada Rail Conference said the "parties remain far apart, and both CN and CPKC have begun their employer-driven work stoppage."

The shutdown is the first of what could be a problematic couple of months for North American supply chains with the real threat of industrial action come October 1 by dockworkers across the US east and Gulf coasts.

"With the looming strikes at Canadian railways and US ports, we may see an immediate uptick in freight rates as market participants brace for significant disruptions. This is a common reaction to potential disruptions, as uncertainty drives up costs," commented Christian Roeloffs, cofounder and CEO of Container xChange, an online marketplace for container trading and leasing.

Drewry's latest container indices, published today, show that while global spot freight rates continued to decline, rates from Shanghai to Los Angeles climbed \$98 to \$6,401 per feu while rates from Shanghai to New York on the US east coast grew by \$47 to \$8,811 per feu.

Liners have been making contingency plans ahead of this well-telegraphed strike action. Hapag-Lloyd, for instance, announced measures to mitigate the impact on their customers. For imports to North America, a diversion fee of \$350 per bill of lading will apply for containers on water destined for Canadian ports but with inland delivery in the US. The company is also advising customers to explore alternative trucking options for deliveries within Canada and has encouraged exporters to consider US ports of loading as a precaution.

CMA CGM issued a notice detailing several measures, including potential rerouting of vessels to US ports and restrictions on rail shipments. The company has also implemented embargoes on specific intermodal shipments, including hazardous materials and temperature-controlled containers, across its network.

In Canada, railways handle a substantial portion of container traffic. For example, Vancouver, the nation's top port, shifts about two-thirds of all cargo volumes by rail. The port stated yesterday that any strike would have a "significant" impact on operations.