AMERICAN SHIPPING COMPANY

"News Flash"

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A New Year with the Same Obstacles as Congestion, Delays and COVID Impact Supply Chains

The final weeks have arrived for moving cargo out of China before the Chinese New Year holiday, starting February 1st and the Beijing Winter Olympics, starting February 4th. Surges of cargo continue to be booked out of the major ports in China in an effort to load cargo before factories start closing. This has made an immediate impact in space and equipment and triggering a new increase in ocean rates, in particular, Premium Surcharges.

Airfreight space is now in high demand as a result of the global market conditions, predominantly China and Hong Kong as the window reduces quickly to move goods out of factories before Chinese New Year. Rates continue to rise as space is tight, capacity is fully utilized and there has been less capacity due to flight cancellations and COVID related situations.

COVID is again impacting global trade as new variants spread and quarantines are significantly impacting labor. Shortages of airline crews have increased in recent weeks and are putting strain on flight operations, including cargo flights with increased cancellations and fewer flights being scheduled for January. Ocean container vessels are experiencing outbreaks within their crew which will impact timely arrivals and discharge of cargo until quarantine protocols are completed. There is expectation that the recent spread within the USA will have major impact on labor at the port terminals only increasing congestion and further delays that are already at critical levels. It is also likely to spread into other key areas, such as warehousing, rail operations, trucking and other transportation intermediaries.

Ningbo's Beilun district has been locked down due to COVID, which borders along three of Ningbo's container terminals. While container vessel loadings and discharges has not yet been impacted, there is strong concern that truckers will soon have problems with access to and from the terminals due to strict COVID policies. As we reported back in August, operations at the Ningbo Meidong Container Terminal and Meishan Terminal were suspended after positive COVID infections were confirmed. It has been reported that volumes from Ningbo are currently being diverted to Shanghai in the event disruptions in Ningbo worsen. Shanghai itself is already managing severe congestion and added volumes from Ningbo will only bring more challenges leading up to Chinese New Year.

Void Sailings and port omissions continue to be announced by the ocean carriers contributing to more congestion and backlogs at origins and further creating demand for space on future vessels. There has been a serious increase in void sailings as more vessels fall behind in their rotations. This is impacted by vessels sitting for long periods at ports of discharge while waiting to berth and unload. Until there is a prolonged period of declining volumes, it will simply remain a continued pattern of delays and limited capacity. Several ocean carriers and their alliances have already announced and will be implementing more void sailings during Q1 of 2022.

All major USA ports continue to experience record congestion, with a rising number of vessels having to anchor, and experience longer vessel unloading times relevant to their port size. Container recovery at most ports continue to remain slow due to chassis shortages, limited drayage capacity and drivers, as well as railcar shortages to move inland freight.

The ports of Los Angeles & Long Beach have now sustained levels of over 90 to 100 vessels the past few weeks, either waiting at anchor or drifting while waiting to berth at their respective terminal. This has been as high as 101vessels this week.

The <u>Container Excess Dwell Fee</u>, pressed as an emergency surcharge specific to the ports of Los Angeles and Long Beach and supported by the Biden-Harris Supply Chain Disruptions Task Force, has been postponed again. This has never been implemented successfully since its rollout back in November when the initiative was to charge a fee to the ocean carriers for containers sitting in the terminal beyond 9 days. The rollout softened after improvement of import containers moving out of the terminals quicker since the advisory was broadcasted, but also a result of ocean carriers immediately advising that they planned to pass this surcharge on to the cargo owner and importers, which would have increased costs further for the import community. **However, the focus has now turned to empty containers that are sitting and continuing to add to the congestion of the terminals. As a result, an <u>Empty Container Dwell Charge</u> is now being introduced by the ports of Los Angeles and Long Beach.** The concept and structure are the same as the original Container Excess Dwell Fee for import cargo, but will be targeting empty containers that ocean carriers have allowed to dwell for nine days or more. The fee will be levied directly against the ocean carriers. If successfully implemented, this fee will be effective on January 30th.

At the port of Long Beach, some terminals have adopted their own Temporary Storage Fee (also known as Extended Dwell Time Fee) which are assessing a fee on top of demurrage and port tariff fees for loaded import containers that have been successfully made available for pickup. They are citing the failure of importers to pick up their containers in a timely manner directly contributing to the congestion causing delays. This additional fee will not be assessed until the first day after expiration of the standard free time and will have gradual increases based on the accumulated time before the container is out-gated. This fee will be for the account of the importer and will be responsible for paying or arranging by check, money order, wire transfer, or any other methods, and pursuant to instructions provided by the terminal. The container will not be released until this charge and any demurrage charges are settled. Terminals currently participating in this include:

- Pacific Container Terminal (PCT / Pier J - https://www.ssamarine.com/locations/pacific-container-terminal/) - Effective December 15, 2021
- SSA Terminals – Pier A (https://www.ssamarine.com/locations/terminal-a/) – Effective December 15, 2021
- International Transportation Services (ITS- https://www.itslb.com) – Effective January 10, 2022
- Total Terminals Inc. (TTI - https://www.ttilgb.com/main/index.do) – Effective January 10, 2022.
- Long Beach Container Terminal (LBCT - https://www.lbct.com/Home/Default) – Effective January 15, 2022

A reminder that the Traffic Mitigation Fee (TMF) at the Ports of Los Angeles and Long Beach will remain temporarily adjusted, through January 31, 2022, after it was approved by the Federal Maritime Commission. During this period the TMF will be $78.23 per TEU (twenty-foot equivalent unit) or $156.46 for all other sizes of containers for non-exempt international container moves through the terminals at the ports of Los Angeles and Long Beach. This will occur between the hours of 7:00 a.m. and 5:59 p.m., Monday through Friday.

The Los Angeles Harbor and Long Beach Commissions approved a Clean Truck Fee of $10 per TEU to be implemented on April 1, 2022. This will support plans to expedite the introduction of zero-emission vehicles in the port complex.

Winter Weather is now a factor for many parts of the USA and will be for months to come. Delays are to be expected and are unpredictable. When utilizing routes that move through common regions of snow, ice or extremely cold temperatures, we guide you to pad your lead times.

Inland rail ramps, particularly in the Midwest, continue to face major obstacles, driven by ongoing chassis shortages, limited truck power and severe congestion. Rail ramps, like Chicago, have been overwhelmed and have been in gridlock for months. As more cargo arrives inland and containers delivered to large distribution centers and warehouses, chassis shortages intensify as delivered containers continues to sit idle, some for weeks. Containers are parked in yards or distribution centers waiting to be unloaded or being used as temporary storage until more space in facilities becomes available. This has now intensified as a result of late arriving holiday merchandise and continued seasonal orders, leaving chassis shortages beyond critical levels. Ocean carriers are continuing to terminate services that will limit or avoid their equipment moving to several inland rail ramps.

Container Freight Stations (CFS) and Air Cargo Handling facilities continue to face severe shortages in labor and available space in their facilities, while managing through the same obstacles relevant to their respective ocean port, airport or rail ramp location. This means that ocean CFS facilities are also impacted by the same chassis and driver shortages working to recover containers at ocean port terminals and rail ramps adding days to their process. Air Cargo Handling facilities may represent multiple airlines and can face multiple cargo planes arriving in short proximity of each other. In both cases, the continued lack of labor has increased breakdown and sorting times adding days until the cargo is made available. There has also been a rise in lost and damaged cargo, as well as the wrong cargo being released to truckers at the time of recovery. The increased spread of COVID is also likely to worsen the situation.

Export containers and shipments remain significantly impacted while focus remains on the import volumes that continue to arrive. Managing outbound containers involves the same obstacles of chassis and driver shortages, difficulty procuring empty containers that are often prioritized for immediate return to origin as well as rail delays that impact the arrival to the port of loading to meet outbound vessel schedules. Port congestion and late arriving vessels often means late outbound vessels for certain strings as well. The result is a regular occurrence of cancellations by both drayage providers and ocean carriers, rejected bookings, and limited equipment availability. The environment is very unstable and unreliable and a subject that is not often highlighted in market overviews. Continue to expect delays.

As usual, we must continue to advise that there is still a great deal of uncertainty ahead and major challenges to endure, some that are unforeseen at this time and which has been proven between each of our News Flashes and guidance to our clients. We do highly recommend that you continuously review your supply chain and keep preparing for continued disruptions, volatility in costs, increased congestion, and long delays. Please continue to book your shipments weeks in advance as we have guided. Providing forecasts of your shipments is ideal. Due to volatility around the globe, this advice can be applied to all modes at this time. Please do your best to plan well in advance and communicate with all parties involved in your transactions. Do not hesitate to contact us should you have questions or need further guidance.