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Supply Chain Constraints Soften, but Some Obstacles Remain

The International Longshore & Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), were not able to conclude an agreement before the end of 2022, but continue their labor negotiations with hope that a deal is made soon as 2023 begins. Please take note that the 2014 negotiations also took several months to conclude. Discussions started May 12, 2014 and a tentative agreement was not agreed to until February 20, 2015. Official ratification did not take place until May, 22 2015. These current negotiations have at least remained in a positive direction for the most part, and unlike the 2014-2015 negotiation period, have fortunately not experienced any major labor disruptions, slowdowns or shutdowns.

COVID cases have again spiked rapidly in China the past couple of weeks and seriously impacting trade again. Labor has been reduced as a result of significant levels of infection, which is causing delays in production and transportation throughout the country. We have already seen the impact of delayed ready dates for product availability to meet booking schedules, slow presentation of documentation, and reduced capacity or service of transportation providers. We are working with suppliers closely to encourage timely output, especially as the window before Chinese New Year is shrinking. Delays and obstacles should be anticipated.

Chinese New Year, the Year of the Rabbit, will be celebrated between January 22nd and will end with the Lantern Festival on February 5th this year. As the public holiday is recognized for only seven days between January 22nd and January 29th, there is understanding that many suppliers and factories will seize operations and close as early as next week. We highly recommend that you make contact with your shippers to make sure bookings are in place in advance to the holiday and that you are aware of their startup upon return.

Airlines and airline handling agent warehouses as well as ocean container freight stations have seen some backlog and therefore long wait times by truckers after the holidays due to labor issues. This is typical at this time of year, but unfortunately comes with an expectation of storage fees and wait time charges

Over 60% of air cargo traffic serviced at Chicago O’Hare International Airport is at risk of disruption after the Chicago Department of Aviation has threatened to revoke licenses of cargo handling services, unless they concede to the allowance of union organizers. This is part of a labor peace agreement that has been in discussion for over a year and focused on unionizing workers at O’Hare International Airport. Higher attention to the matter was escalated on December 8th, 2022 when employees of Swissport Cargo Services went on strike for 24 hours at O’Hare International Airport and demonstrated that they were being “mistreated” by the company. They cited their concerns over “faulty vehicles, rundown equipment and a warehouse that is subject to extreme temperatures.” The employees of Swissport Cargo Services in Chicago have also expressed their desire to join Service Employees International Union Local 1 (SEIU Local 1) in order to formally unionize. Pressure is on for Swiss Port Cargo Services as well as Alliance Ground International (which also owns Maestro Cargo International and Total Airport Services) after the Chicago Department of Aviation sent a letter citing a January 19th deadline to comply or find their licenses revoked on January 20th, should they not form an agreement with SEIU Local 1. Such action will create immediate impact for several airlines that outsource their cargo handling operations at Chicago O’Hare International and would be required to source other qualified alternatives, a situation that could take weeks or potentially months to manage and implement. Furthermore, airlines could be forced to divert their cargo to other Midwest airports or suspend operations altogether. All scenarios are likely to have significant impact on the region and likely to create delays and volatility in service and costs. Ongoing discussions do continue with hopes of avoiding any disruption.

VOID sailings and Port Omissions will remain the strategy of ocean carriers on the Transpacific Eastbound trade for the next few weeks in order to manage falling volumes and rates, as well as managing capacity and schedules relative to the Chinese New Year holiday. Alliances and their carrier members have posted schedules and sailings impacted that are as far out as week 9 and can have impact on vessel availability and even minor container rolling.

The start of 2023 will bring some relief to the supply chain after record setting volumes and infrastructure woes that have plagued the system. The concerns and experience relative to the surge of containers arriving into the U.S. in 2023 have led to new compliance and improvements that will curtail many of the delays and outrageous cost importers and exporters alike had to endure, while carriers posted record earnings. This includes the Ocean Reform Act of 2022 (OSRA) signed into law on June 16, 2022. This act will provide the Federal Maritime Commission (FMC) with more authority and improved tools and resources that will be used in oversight and protection of U.S. commerce. As sourced from the one-page summary of the Ocean Shipping Reform Act and a list of bill supporters ([Link to Cantwell-Championed Ocean Shipping Reform Act - U.S. Senate](#)), the following are key components that will be of focus:

- Authorize the FMC to self-initiate investigations of ocean common carriers' business practices and apply enforcement measures, as appropriate.
- Prohibit ocean carriers from declining opportunities for U.S. exports unreasonably, as determined by the FMC in new required rulemaking.
- Shift burden of proof regarding the reasonableness of "demurrage and detention" charges from the invoiced party to the ocean carrier that issues the charge.
- Require ocean carriers or marine terminal operators to include invoice information that any late fees known in maritime parlance as "demurrage and detention" charges—comply with federal regulations or face penalties.
- Improve transparency on U.S. agricultural and other exports by requiring ocean common carriers to report to the FMC how many empty containers they are transporting.
- Prohibit retaliation against shippers or threatening the denial of cargo.
- Codify the FMC Office of Consumer Affairs and Dispute Resolution Services.
- Improve chassis management by authorizing the Bureau of Transportation Statistics to collect data on dwell times for chassis and including a National Academy of Sciences study on best practices of chassis management.
- Authorize the FMC to have temporary emergency authority to collect data during times of an emergency congestion situation, among other improvements.

As demurrage and detention highlighted unforeseen and increased costs to importers in 2022, the improved throughput of containers and decreased congestion at ocean port terminals have started as inbound volumes have significantly dropped, driven by the U.S. economy and continued high inventory levels. However, there are still many inland rail ramps, particularly in the Midwest, that continue to face ongoing congestion, chassis and driver shortages which continue to contribute to ongoing delays and continued demurrage & detention scenarios. Add in the winter weather and the impact can at times be greater. With less volume overall arriving into the U.S. at this stage, it should be just a few weeks longer before most if not all rail ramps return to normal operations and are more fluid.

As usual, we must continue to advise that there is always the potential for uncertainty and challenges to the supply chain, some that are unforeseen at this time. We do highly recommend that you continuously review your supply chain and keep track of global events that can cause unforeseen disruptions, volatility in costs, increased congestion, and delays. Please continue to book your shipments in advance as we have guided. Providing forecasts of your shipments is ideal. When obstacles are presented, 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.

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