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Potential West Coast Port Disruptions and Implementation of General Rate Increases Highlight the Transpacific Eastbound Trade Negotiations

After unexpected disruptions at the Ports of Los Angeles and Long Beach took place within the last week, there is a heightened level of concern that the ILWU and PMA contract negotiations could now involve work actions and potential stoppages. ILWU Local 13 is being accused of disrupting operations by withholding labor and using other tactics that have slowed the activity at several terminals within the Los Angeles and Long Beach port complex. The PMA issued its own statement yesterday, echoing this sentiment, as the two sides have made no progress in their negotiations after the prior contract expired last July, 2022. The PMA even extended their warning of the domino effect that can take place beyond just the terminals with impact on other jobs such as truck drivers and warehouse workers. Prior concerns, relative to no progress in the negotiations, brought about a significant change to the balance of container throughput over the past year as the U.S. West Coast ports, particularly the ports of Los Angeles and Long Beach, lost container volumes to U.S. East and Gulf Coast ports, as well as Canada. Should the ILWU continue to act as a disruptor, shippers may again need to rely on routings that avoid U.S. West Coast ports to avoid any potential delays or obstacles to their supply chains. Pressure has been put on the Biden Administration by the shipping community to engage and make some effort to push the negotiations forward with hopes of a timely resolution. Timing is significant as shippers and ocean carriers work to negotiate rates and space for the 2023-2024 Transpacific Eastbound trade lane season that is effective May 1st.

As the annual ocean carrier contract negotiations slowly continue, it appears that the floating rate levels have likely reached their bottom levels. This is after the retreat from the record setting costs and premium surcharges that were experienced since late 2021 and most of 2022 while space was in high demand and volumes surged to record breaking levels. The majority of carriers will start the implementation of GRI's (general rate increases) on the 15th of April, with many carriers already announcing another GRI for May. Compounded by rising fuel costs, bunker surcharges are expected to increase as well, which will only contribute to even more rate increases in the coming months as bunker adjustment factors are confirmed. However, uncertainty in the U.S. economy and continued high inventory are just two factors of many that are making forecasting difficult in the negotiations. In the meantime, carriers are resorting to using tactics they have improved upon, such as Void Sailings, Port Omissions, and slow steaming to increase vessel utilization and create space demand. The recent weeks have displayed many cases of fully booked vessels out of some China ports to the USA and an increase in container rolling on heavier traveled strings, such as the Pacific Northwest. It is left to be seen if the current increase in demand is just an opportunity by some to ship before the rates increase, or if there is a small uptick in orders and bookings that some predicted would begin to increase between April and June with hope of a moderate recovery within the second half of 2023. Another determination that needs to be observed is how the volumes will match up against the increase in new vessel capacity that is being introduced this year and how the carriers will manage it without allowing rates to fall back down, a possibility should the current optimism by the ocean carriers to increase rates not be justified if volumes do not increase and show a trend of growth.

Based on the above overview, we highly recommend to review your supply chain and be prepared for any potential disruptions or obstacles. We always recommend booking in advance and making sure to understand all the routing options available in order to help with a more seamless flow of your cargo.

Should you have any further questions, please do not hesitate to let us know.

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