AMERICAN SHIPPING COMPANY
"News Flash"
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RIPPLE EFFECT FROM SHANGHAI LOCKDOWN WORSENING WHILE VOLUMES INCREASE AND SPACE TIGHTENS IN OTHER CHINA REGIONS

As COVID cases have continued in Shanghai, the extended lockdown has severely handicapped Shanghai for weeks to come and is now having ripple effects across the other regions of China as they support Shanghai with handling diversions.

There are currently over 190 container ships positioned around the port of Shanghai with major delays cited by shortages of labor at the port complex. There are also hundreds of break bulk ships delivering raw materials that are also waiting to berth and contributing to major congestion that is not likely to ease anytime soon.

While the terminals at the port of Shanghai are still operational, the reduced truck capacity in addition to many roads in route to and from the port being closed, continues to minimize throughput. It is also adding to the stress of supply chains that rely on what has traditionally been the busiest port in the world the past few years.

Warehouses and factories in Shanghai remain closed unless provided special approval and then limited to skeleton crews to manage operations.

The ports of Qingdao and Tianjin are experiencing building congestion, as these two northern China ports are said to be handling many ship diversions that were destined to Shanghai. Arriving vessels are having to anchor while waiting to berth. Ningbo has also remained a strategic option for Shanghai outbound and inbound containers and balancing its own growth of outbound volumes that is further increasing their port congestion and likely to worsen.

Air Freight cargo continues to be diverted to other China airports as flights continue to be cancelled in and out of Shanghai Pudong International Airport. Reduced cargo storage and other minor constraints have started to cause backlogs and will soon begin to experience delays that will slow the transit of outbound cargo and likely initiate rate increases.

An expected surge of ocean and air cargo volume is certain upon Shanghai reopening and will create major congestion, delays, and rate increases that will further impact supply chain interruptions for many weeks and potentially months, the longer the lockdown lasts.

The South China region is starting to experience improved recovery post Chinese New Year as Shenzhen has improved from its lockdown in March, while manufacturing has ramped back up. As a result, increased container volumes are contributing to higher vessel utilization. Levels for weeks 14 to 16 are reported to be between 90% to 95% to US West Coast ports and at 100% vessel utilization to US East Coast ports.

Ocean carriers have increased VOID sailings and port omissions across many strings on the Transpacific Eastbound trade. This will further reduce capacity and tighten space in the weeks to come.

The ports of Los Angeles and Long Beach are seeing volumes increase again after a few weeks of reduced vessel traffic and continued success of the voluntary queue system. As loitering/anchored container ships fell briefly below 40, with 39 container ships recorded on April 15th, the levels have increased to 53 container ships just yesterday and likely to increase steadily as demand rises.

Inland US rail ramps will remain a concern as volumes increase and congestion mounts. Just recently, the BNSF in Chicago ran out of chassis for several days forcing containers to be offloaded and placed on the ground, a practice that only creates further obstacles and delays. Similar events across USA rail ramps have caused container delays of well over a month and storage charges in the thousands of dollars. West coast ocean port terminals are again seeing dwell times of containers waiting to be moved by rail increase as more disruption is reported. There continues to be an ongoing shortage of rail cars, locomotives, chassis and labor across the intermodal arena. Just last week, it was reported that 16,000 containers at the port of Los Angeles were waiting to be loaded to the rail and represents a figure that is two times higher than the peak of last year's congestion.

US East Coast ports remain highly congested as waves of vessels continue to arrive at key ports such as New York & New Jersey, Norfolk, Charleston, and Savannah. Vessels at anchor remain very high and combined with chassis and driver shortages continues to be problematic for timely delivery of containers. Ocean carriers continue to omit some of these ports to avoid prolonged delays.

Contract negotiations between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) are still set to begin May 12th as the existing contract will expire on July 1st. The existing contract was a five-year contract that was to expire June 30, 2019, but was extended another three years. A great deal has changed since the May 2014 negotiations that included a series of slowdowns and disruptions. It took months to reach a tentative agreement on February 20, 2015, that was not ratified in May 2015. Many importers have already strategized to move more of their volumes via East Coast ports until there is clarity of the ILWU and PMA negotiations. The International Longshoremen's Association (ILA) that represents the East and Gulf coast dockworkers are currently under contract until September 30, 2024, posing no threat or concern of any labor issues.

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.