AMERICAN SHIPPING COMPANY

"News Flash"

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YANTIAN SERIOUSLY IMPACTED BY COVID OUTBREAK, WHILE OVERALL MARKET CONDITIONS REMAIN AT CRITICAL LEVELS

The port of Yantian has stopped receiving export laden containers until 5/30/2021 due to a COVID outbreak, causing major congestion at the port and peripheral areas. The government and the Yantian Port Authority have mandated COVID tests and put in restrictive measures within the terminal complex, that have brought the flow of containers waiting to get in the terminal to a halt. As a result, all port workers and truckers that enter the terminal will go through an inspection and testing, with only those testing negative, being allowed to enter or leave. Steamship line carriers are already making arrangements to bypass Yantian port where possible, in order to avoid any delays and in some cases, will utilize Hong Kong as an alternative. Equipment shortages are expected to increase in the coming weeks. It is possible this development could worsen.

Vessels out of China and surrounding S.E. Asia and India Subcontinent origins remain full and have been for consecutive weeks since April. Carriers and terminals are reporting 99% to 100% vessel utilization and validating the ongoing concerns for space. Future vessels continue to book up quickly and in most cases are overbooked, causing more rolling. Steamship lines are also increasing their own policies of cancelling or rejecting bookings. This pattern is likely to be maintained for quite some time, especially as the traditional peak season is approaching and volumes continue to increase. Further complicating matters are the steady increases in void sailings where several more have been announced and implemented for June and July vessel strings.

Premium/Equipment Surcharges are at record levels out of China, S.E. Asia and the ISC region ports, increasing regularly as supply and demand escalates weekly. Where we saw the practice of premium and equipment surcharges begin to have impact in Q4 of 2021 and more seriously leading up to Chinese New Year in Q1 of 2022, the rates for these premium charges, added on by carriers to for securing space and equipment, have nearly quadrupled from past levels in just last couple of weeks and still increasing each week from various origins as bookings continue to rise well above available capacity. Such premium charges, which are added on top of the already historical freight levels, are in the thousands of dollars and can range up to as high as $5000 per container and implemented on a per booking basis. In very critical circumstances, these premium charges can be even higher as witnessed, and in most cases, no guarantee that the equipment or space will be granted.

Bookings are now time sensitive, with many carriers allowing as little as 24 hours, if that, to confirm the space and requiring a confirmed booking. The demand is so high that some steamship lines are not tolerating a waiting period, thus avoiding shippers from holding space while looking for better or more cost-effective options. Failure to confirm the bookings in that time frame has resulted in the steamship line carriers cancelling the tentative booking, releasing the space elsewhere, and forcing a new booking to be made if needed, and in some cases, for a later vessel.

Cancellation Fees are again at focus as carriers have officially implement fees against bookings that are cancelled by shippers or no-shows. The fees currently vary by carrier, but are gaining popularity as a leverage point for making a confirmed booking and in collaboration with the short booking requirements noted above. This will force shippers to make immediate decisions as to the bookings they make and now with consequences should they try to back out.

Where many analysts had predicted the volumes to remain strong through Q2, before revising to Q3 as to a possible letup in the market, there is now greater support and belief that we will face many obstacles through Q4 and possibly into Q1 2022. With Chinese New Year starting February 1, 2022, momentum is likely to carry over even further based on continued demand. This is currently validated by a strong economy, very little "new" vessel capacity coming into the trade, and the production of new empty container equipment that is just not keeping up with the demand. Conversations that include continued belief of a drop off in volume typically have a correlation to the state of the economy in the coming months. Inflation is an example that is often being cited, as well as other events that could lead to a change in the behavior of consumer spending.

WARNING! The 2022 Winter Olympics, being held in Beijing, opens on February 4, 2022. Many have not realized that this is just days after the official start of Chinese New Year. We are advising our clients to take notice of this, as during the last Olympics held in China, back in 2008, there was a major effort by the Chinese government to reduce pollution and improve infrastructure. To help accomplish this goal, factories were regulated and many shut down weeks prior. Although the majority were in the northern portion of China, those factories that emitted anything in the air, that could travel near the venues were impacted. The same practice is likely and will have major impact on shipments that will be needed for arrival into the USA between January and March of 2022.

The ports of Los Angeles and Long Beach continue to experience the ongoing congestion with an average of just over 20 vessels anchored in San Pedro Bay the past few weeks. Vessels are still experiencing 7 to 14 days of sitting anchored, with then another potential 5 days of dwell time upon berthing at their respective terminals waiting to be unloaded. Chassis and truck power remain unpredictable while demurrage and detention continue to play a factor in overall costs. For those that have followed our reporting the past few months, the higher averages of above 30 vessels anchored per week and a peak of 40 vessels, have witnessed the downturn, to what is now steady in the 20+ count per week. As of today, at 12:00 p.m. PST, there are a total of 24 vessels anchored and awaiting to berth. There are still far too many vessels idling and the delays are still significant for the terminals, with many concerned that it will be months before there is any significant improvement. The recent weeks of reductions in anchored vessel are also partially manipulated and controlled by several carriers using void sailings to skip scheduled and published origins with strings to Los Angeles and Long Beach ports. Others have reduced exposure by focusing on other US and Canada West coast ports to discharge containers, as the carriers look to find improved efficiency and transit times for Intermodal moves that have inland destinations. Other ports are also seeing increased anchoring and at percentages equal or higher than Lose Angeles / Long Beach ports relative to their terminal capacities. It remains volatile based on surges and is making planning very difficult as to which port to rout through.

Rail movement inland from both East and West coasts continue to experience volatility and are causing a high level of delay. Port terminals remain congested and rail car shortages have created major delays in containers getting loaded to rail. The delays are further compounded at the destination rail ramps, where chassis shortages and truck power are contributing to rising congestion limiting space and slower train unloading. Delays from West Coast Ports like Los Angeles/Long Beach, Seattle/Tacoma and Vancouver, Canada, can at times increase the rail transits by 7 to 14 days. Peak surges have already caused containers to be delayed as much as 30 days moving on the rail and is expected to be a factor amongst all major ports of discharges.

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.