



June 16, 2022

**CHALLENGING WEEKS AHEAD AS STRONG VOLUMES ARE REPORTED AT U.S. PORTS, WEST COAST NEGOTIATIONS CONTINUE AND CHINA RECOVERS FROM LOCKDOWNS**

**After an unexpected ten-day halt to the discussions between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), talks resumed June 1<sup>st</sup>.**

Sources are advising that both sides have expressed that they will continue negotiations until an agreement is settled and that there are no intentions to carry out any lockouts or strikes in the process. The current contract will expire at 5:00 PST on July 1, 2022, but as in past negotiations, it would not be uncommon for an agreement to be settled after the expiration date. It is still a negotiation process and should continue to be closely monitored, despite what is jointly being expressed today.

**Shanghai has slowly come back online, but hit a small setback this past weekend after reports have confirmed the need for more mass COVID testing in over 90% of the 16 districts.** This involved another quarantine and partial lockdown over the weekend and halted transportation in many areas as roads and highways were shut down. It was cited that traffic going to the Shanghai port terminals was directly impacted. Truck transportation is still short of a full recovery as permits are still required to move around the region driven by COVID testing and monitoring of driver activity in and out of high-risk areas that drivers have been to. Any risk of COVID contraction could potentially require the driver to quarantine for 14 days. This will continue to impact the delay of cargo needing to be moved within the Shanghai area. It has been cited that many shippers outside of Shanghai still continue to support alternate ports like Ningbo, which continues to add to port congestion issues and delays in Ningbo, but lowers the risk of cargo getting held up or impacted by unforeseen lockdowns and restrictions that appear to be problematic in Shanghai. Air freight from Shanghai has also come back on line, however there are very limited services at the moment.

**The ports of Los Angeles and Long Beach have both confirmed that May continued their individual string of strong monthly volumes in 2022. The port of Los Angeles noted that May was the third best month in the history of the port.** Loitering and anchored container vessels remain within the mid-twenty level while waiting to berth outside the joint complex. While at a low point from past months and a record of 109 vessels, it is anticipated the vessel count that will need to wait for a berth will rise again as volumes continue to increase and we enter into the traditional peak season window. Representatives from both ports have advised that Peak Season volumes are beginning and should be recognized by the end of June. This follows our sentiment that supply chains out of China will be challenging in the months to come and that it is likely we will continue to suffer with infrastructure obstacles on the U.S. side.

**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 at higher-than-normal up to record levels. Combined with chassis and driver shortages, conditions will remain problematic for timely delivery of containers. Recent increases in East Coast volumes have been relative to fears of a potential work stoppage, should the West Coast labor talks turned negative at any stage. Perhaps the note above of the ILWU and PMA reassuring the community that there will be no lockdowns or strikes can ease the demand to ship to the East Coast as precaution and will motivate some shippers to again ship to or via U.S. West Coast ports. However, there is still concern of a repeat that West Coast ports will become very congested and develop long delays again if volumes surge and maintain at near record levels in the coming months. Further complicating East Coast ports like New York-New Jersey are the inability for drayage providers to return empty containers back to the port terminals due to a lack of space at the terminals or empty container yards to handle overflow. This is the same situation that has been an ongoing hinderance at West Coast ports like Los Angeles and Long Beach. The impact is creating congestion and significant costs for importers left paying detention charges and extra chassis fees as a result.

**Inland US rail ramps also continue to experience challenges with congestion, driver shortages and lack of chassis.** Chicago rail ramps have had chassis issues as a result of importers holding on to equipment too long while waiting to be unloaded at warehouses and distribution centers. Many truckers have been forced to offload empty containers and place on the ground in their own yards to gain access to the chassis,

until they are given a window to return the empty to the ramp facility or make a transfer to pop up container yard location. To compound matters, drayage providers that have their own private chassis have been rejected at rail ramps and forced to return at a later date when chassis will be made available. Overall, the impact results in the same situation as the ocean port terminals with importers left paying detention charges and extra chassis fees.

**India shippers have been advised to prepare for a significant General Rate Increase (GRI) and potential Peak Season Surcharges in July as the weeks ahead look to be challenging.** Space is tightening and increases are being leveraged to solidify equipment and space to those with a high demand. India may be a victim as it has before, to rising volumes out of China and the ability of ocean carriers to shift capacity. There is concern that with China coming out of lockdowns, in particular the 12 weeks experienced in Shanghai, which is also the largest port in the world, that vessel capacity will likely be maneuvered to support more exports from the China region.

**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.**

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