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"News Flash"

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Yantian Port Slowly Improves, but Remains Problematic. Another Round of Rate Increases Begin as more Premium Surcharges, General Rate Increases and Peak Season Surcharges are Implemented

The port of Yantian has started to improve after container receiving for exports was halted back on 5/30/2021 due to a COVID outbreak in the region. As the government and the Yantian Port Authority put in restrictive measures within the terminal complex, yard utilization maxed out to 100%. This forced temporary shut downs and the immediate use of other surrounding Shenzhen and Guangzhou ports as alternatives. Many vessel carriers have omitted Yantian in their vessel strings to avoid congestion and delays which further caused obstacles for U.S. bound containers. It has also reduced much needed empty containers traveling on these vessels to resupply Yantian and surrounding ports. **As of this week, the yard utilization at Yantian port was reported down near 70% which is an improvement from its state of gridlock, but is still a significant strain that is likely to take another two weeks or more to normalize.** As a result, both Shenzhen and Guangzhou are experiencing congestion at not only ports, but warehouses and trucking has been impacted with sharply rising rates and trucking companies being very selective, leaving some shippers without service.

As demand continues and outpaces capacity, carriers are raising rates yet again and following traditional timing to implement them as we approach what has historically been Peak Season at this time each year. Whether a GRI (general rate increase) or PSS (peak season surcharge), or perhaps both being implemented, vessel carriers have already implemented or officially confirmed more increases. June 15th, represented the first round and July 1st will be the next.

Premium Surcharges continue to hit new record levels out of China, S.E. Asia and the ISC region ports, increasing regularly and in many cases, weekly. 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 $8000 per container. The premium add-on continues to be advised by the vessel carrier at the time of booking and must be agreed to in order to formalize the booking against a targeted vessel for departure. In most cases, there is still no guarantee that the equipment or space will be granted. The container could also end up in a roll scenario and pushed a later vessel due to overbooked capacity. Vessel utilization from all major origins in China, S.E. Asia and the ISC region remain at 99 to 100% on all vessels to the U.S. The backlog, congestion and bottlenecks are having major impact and again, deteriorating transit times and published sailing schedules.

Cancellation Fees are in place and charged when the booking is cancelled or the container is a no-show by the terminal cutoff date. The fees currently vary by carrier, but are gaining traction and in a range of $500 to $1000 per container as an average. **Bookings are now time sensitive, with many carriers allowing as little as 24 hours to officially confirm.** 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 which could result in a different rate or later vessel option.

Rail ramps, especially in the Midwest, continue to face major obstacles such as chassis shortages, limited truck power and severe congestion, while long delays continue to spike. Chicago as an example is experiencing delays as much as two weeks or more, as certain rail ramps struggle to procure chassis or
have created rules limiting truckers from utilizing their own private chassis, only compounding congestion in the yard and slowing the unloading process of arriving trains. Truck rates are rising with the demand to expedite cargo out once containers are made available for recovery.

WARNING REMINDER! 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, which is February 1, 2022. 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.

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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