



July 2, 2021

## **Market Conditions Continue to Worsen, Rates Rise Further for July**

**The port of Yantian is said to be back to normal operations with regards to container flow in and out of the terminal**, but the impact from the March 30<sup>th</sup> temporary shutdown and continued gridlock for weeks thereafter, will continue to have impact on equipment and space for a while as there is a significant backlog.

**Bangladesh is under new COVID lockdown orders as the pandemic continues to hit record breaking levels.** The government has already shutdown non-essential offices for a week, effective June 30<sup>th</sup>. There is concern that trade will be impacted as a result of factories impacted and tentatively shutdown.

**India is bracing for more ocean freight rate increases due to ocean carriers not honoring the service contracts** as equipment shortages and capacity become more problematic. Rates have been increasing weekly. Carriers are also starting to levy heavy weight surcharges for shipments over 18 metric tons.

**More Void Sailings and Omissions have been scheduled for July and August.** THE Alliance carriers have added a total of 7 new voided sailings on their PNW and PSW services, that include strings involving Shanghai, Xiamen, Hong Kong and Nhava Sheva with destinations involving Vancouver and Los Angeles.

**As demand continues and outpaces capacity, carriers have implemented Peak Season Surcharges and/or General Rate Increases for July for US bound cargo.**

**Newly created Congestion Surcharges for inbound and outbound shipments involving the USA are also being introduced with likely implementation by August, if not sooner.**

**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 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 remains 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 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 and it is not uncommon for the ramp terminals to close temporarily for a few hours to manage the situation.

**Contingency plans for some Chicago Rail Ramps could bring about shorter windows to recover containers while implementing peak season storage surcharges.** Railroads like the CSX have already circulated new rules to take effect July 26<sup>th</sup> with the potential of other carriers following this lead.

**Several Ocean Carriers are reviewing their intermodal inland service points and reducing or cancelling services to some inland rail ramps in favor of port-to-port business.** This will minimize their cost, streamline their operations and turnaround empty container equipment faster back to origins to help alleviate the shortages.

**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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**OFFICE LOCATIONS**

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