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## "News Flash"

**July 28, 2021**

## SERVICE AND COST CONSTRAINTS RISE IN JULY RESULTING IN CONTINUED DISRUPTIONS, RISING CONGESTION, LONG DELAYS AND INCREASED PRICING

**Canadian Border Officers have voted to strike, which is targeted for August 6th.** While the Canadian government and the Customs and Immigration Union work to negotiate an agreement, there are warnings that trade and transportation could be disrupted.

**Typhoon In-Fa caused suspension of air, ocean and rail services in the Shanghai region over the past weekend,** that also impacted transportation modes out of Ningbo as well as the city of Zhoushan. As each mode has come back on line in the past few days, delays are expected for both inbound and outbound services.

**The Union Pacific Railroad has confirmed it will lift its suspension this week on intermodal services from U.S. West Coast ports to the Global IV** rail ramp terminal in Joliet, IL. The railroad had suspended services July 18th, to manage congestion and backlog as an "emergency measure" due to a major shortage of chassis and continued surge of volumes arriving.

**BNSF Railway took a different approach to manage their Chicago rail ramp bottleneck** and started rationing the number of ocean containers it will move between Los Angeles and Logistics Park rail ramp in Elwood, IL. This program was set for a two-week period from July 19th.

**Rail ramps 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 is still experiencing delays as much as two weeks or more, as procuring chassis continue to be the major issue.

**Ocean Carriers continue to review their efficiencies as it relates to turning around empty equipment faster in order to get back to origin. There are rumblings of more ocean carriers looking to suspend services to targeted inland point rail ramps and focusing only on port- to-port moves**. Such a strategy not only mitigates the volume of their equipment moving inland, but would decrease congestion and rail car constraints, and lessen the burden of chassis that have contributed to delays for months. Some ocean carriers are simply implementing Intermodal Surcharges to cover increased costs which will be implemented in August. Such impact has already been felt in recent weeks, requiring more importers to utilize transload and truck methods to reach final destinations.

**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 $10,000 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. Vessel utilization from all major origins in China, S.E. Asia and the ISC region remains at 00% 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

**Heavy Weight surcharges were highlighted in the month of July** as ocean carriers look to maximize vessels and maintain 100% utilization. The focus is for shipments over 18 metric tons.

**COVID 19 lockdowns continue or are being implemented again as new cases surge globally. Such countries include Vietnam, Malaysia, Bangladesh, Pakistan, and India to name a few that have been hit the hardest.** Trade has been further impacted as a result of factory shutdowns, government policies and transportation obstacles as a result. Container shortages, space constraints and rate increases are expected to grow.

**The Federal Maritime Commission (FMC) has announced that it plans to audit several ocean container carriers, servicing the U.S. ports, in an effort to determine if they have been overcharging detention and demurrage fees.** The carriers include, Maersk, MSC, CMA, COSCO, Hapag-Lloyd, ONE, Evergreen, Hyundai and Yang Ming.

**The Federal Maritime Commission (FMC) has agreed to collaborate with the U.S. Department of Justice to review and enhance fair and open competition in the maritime industry and investigate whether foreign ocean container carriers that service the U.S international container trade, have excessive market power.** This came as a result of an executive order that was issued by the Biden Administration, on July 9th, promoting Competition in the American Economy. The investigation would be to determine if "excessive market concentration threaten basic economic liberties, democratic accountability, and the welfare of workers, farmers, small business, startups and consumers. The Biden Administration has advised that the three global carrier alliances (THE Alliance, Ocean Alliance and 2M) control over 80% of the container market. The concentration of these participating carriers has directly contributed to the surge of pricing that began during the COVID-19 pandemic and continues to rise to what are believed to be "excessive", "unreasonable" and potentially "abusive."

**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.**