AMERICAN SHIPPING COMPANY

"News Flash"

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Congestion, Delays, Deterioration and Rate Increases Highlight What to Expect as Peak Season Arrives

Canadian Border Officers secured a tentative deal that ended a strike action last Friday and allowed workers to return as negotiations continued.

Congestion Surcharge, Value Added Surcharge and Emergency Intermodal Surcharge are amongst several rate surcharges being implemented by the ocean carriers that will keep adding more costs in the weeks to come. This is in addition to the Peak Season Surcharge most carriers have begun to implement.

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. As equipment and space shortages continue to worsen during peak season, such premium charges, which are added on top of the already historically high freight levels, are in the thousands of dollars and have **recently hit levels as high as $16,000 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 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

Void Sailings and port omissions continue to be announced by the carriers with more vessels added in August and September. This will surely create more congestion and backlog at origins impacted.

Over 35 vessels are again anchored in San Pedro Bay today, waiting to berth at the ports of Long Beach and Los Angeles, renewing fears that congestion and delays are going to worsen as peak season intensifies.

The port of New York & New Jersey continues to see record breaking volumes as total volumes for June recorded a nearly 47% increase compared to the prior year. June 2021 recorded the activity of over 749,400 TEU.

Inland rail ramps, particularly in the Midwest, continue to face major obstacles such as chassis shortages, limited truck power and severe congestion, while long delays continue to spike from longer rail transit and increased dwell times. Demurrage is becoming a major factor in cost as well with the above obstacles as well as new free time policies.

Ocean Carriers continue to review their efficiencies as it relates to turning around empty equipment faster in order to get back to origin. More ocean carriers are looking to suspend services to targeted inland point rail ramps and focusing more on port-to-port moves. Limited space at the port of discharge terminals and rail car shortages are contributing factors for some carriers looking to avoid inland moves, while other suspensions are temporary, in order to allow for inland destinations rail ramp terminals to reduce congestion before more trains and containers are moved in.

As ocean imports surge and volumes become problematic at ports and rail ramps, Export containers are significantly impacted with the same chassis and driver shortages as well as rail delays that impact the arrival to the port of loading to meet outbound vessel schedules. The result is a regular occurrence of cancellations by the ocean carriers, rejected bookings, and limited equipment availability. The situation is very unstable and an unreliable environment.

Airfreight rates are going to begin increasing as a result of the global market conditions. In recent weeks, many flights have been cancelled from several Asia origins reducing capacity. Together with ocean freight equipment and space shortages creating more transit challenges and increased delays, airfreight will likely become the desired mode to meet product deadlines, particularly seasonal and holiday goods. Analysts predict airfreight rates will increase significantly within the next month.

COVID 19 lockdowns and restrictions are increasing on a global basis as new cases surge. Such countries include China, Vietnam, Malaysia, Bangladesh, Pakistan, and India to name a few that have been hit the hardest in recent weeks. Trade has been further impacted as a result of factory shutdowns, government policies and transportation obstacles as a result. Container shortages, air and ocean space constraints, backlogs and rate increases are expected to grow in impacted areas. It was reported just this week that the Covid lockdown in South Vietnam has caused a backlog of over 100,000 TEU at Cat Lai port in Ho Chi Minh City. In China, Shanghai is expected to see disruptions caused by outbreaks and increased restrictions due to surrounding cities where transportation has been seized to and from the ocean ports and airports, while the similar concern exists for surrounding areas of Ningbo as well should the outbreaks spread.

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.