



October 27, 2020

### SPACE, EQUIPMENT AND CONGESTION REMAIN CRITICAL

As we have been reporting for months, the tight space, high rate levels, and void sailings on ocean freight, predominantly on the transpacific eastbound trade, have led to build up of congestion and equipment shortages that are now at critical levels. Air Freight is also a concern again as we are now in the official peak season for this mode.

For your reference, please find the following scenarios that remain as significant factors in the current market conditions and should be closely evaluated in the coming weeks:

- There continues to be a shortage of 40’ and 45’ ocean freight container equipment in many Asia and S.E Asia origin ports. We recommend in those cases to look at substituting 2 x 20’ containers should you need to keep your product moving timely
- Steamship Lines continue to blend in void sailings or skipped calls in their vessel rotations, maintaining a supply and demand scenario.
- Space remains very tight out of most Asia origins in route to the USA for both Ocean and Air Freight modes. This is also impacted by weather, overbooked vessels/aircraft and terminal congestion. It is still suggested to book weeks in advance to have the best chance of securing space on targeted vessels or aircraft that meet your transit needs.
- Air Freight has seen space tighten quickly and as expected for this time of year. Rates are increasing rapidly and returning back to the levels we saw during the PPE material push months ago and nearing double digit levels per kg again. Furthermore, the release of new electronics, such as those by Apple, are directly contributing to seasonal demand and will impact space availability in the coming weeks.
- All Major USA ocean port terminals continue to experience congestion and delays, especially Los Angeles/Long Beach, which is experiencing record level volumes the past few weeks. There are still labor shortages being reported at the terminals having a direct result on vessel unloading times. This then further delays the outbound loading and departure of export cargo.
- Canadian port terminals, Vancouver and Prince Rupert, are also experiencing congestion and significant delays, a key gateway to cargo moving to the USA Midwest region.
- Rail service from the major N. America ports to the USA Inland Rail Ramps are seeing delays of over one week. This predominantly represents the time it is taking from the day of vessel unloading to the departure day of the trains.
- Chassis shortages remain at critical levels across the USA and causing increased demurrage and delayed deliveries on imports or late recovery of cargo on exports. The shortages have been an issue at the major port terminals for weeks, but now having further impact at inland rail ramps.
- Appointment restrictions at some USA port terminals on empty container returns has improved, but it still creating backlogs and delays. The impact directly effects timely returns, forced detention charges, and further delay the use of the chassis on new loads.
- Thousands of containers and chassis remain idle at warehouses and distribution centers in major ports and rail ramp locations, waiting to be unloaded. With the surge in volume, replenishment in inventories, and preparation for holiday sales, this has been one of the larger factors of the chassis shortage across the USA.
- The majority of drayage companies have begun to implement congestions surcharges and peak season increases to cope with the demand. Even base freight rates are being raised as expenses and driver pay begin to increase with the demand.

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- Warehouses across the country are reporting to be at or near full capacity, with some at critical levels and unable to receive any new freight.
- Truck Load imbalance is likely to continue through the remainder of this year, which will increase rates in the impacted regions. The domestic trucking spot market rates continue to rise as demand increases to meet deadlines for holiday sales.

As we have been reporting for the past few weeks, there is growing sentiment that importers could continue to replenish inventories well into the first quarter of 2021, as they still continue to recover from past lockdowns or proactively ship to ensure timely arrival of seasonal merchandise. With the current activity, volumes and delays that are being experienced, more warnings are coming from the transportation arena that the challenges are likely to be experienced for several more months to come. This will mean continued tight space, higher than normal rates being maintained by the steamship lines, and even additional delays for portions of the country exposed to extreme weather. Winter sailing schedules and vessel capacity will be closely watched as vessel string, routings and sailing frequency are normally adjusted to offset the natural decline of volumes after the holiday rush that traditionally concludes in October. It is also worth mentioning at this point that Chinese New Year falls on February 12, 2021 and can set off a rush of volume just before and shortly after the holiday, which will need to be monitored as the time gets closer and factored in booking practices if advance planning is needed.

As usual, we must continue to advise that there is still a great deal of uncertainty in the coming weeks and challenges to endure, some that are unforeseen at this time. We do highly recommend that you review your supply chain and prepare for continued disruptions, volatility in costs, likely congestion, and increased delays. 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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