



November 13, 2020

EQUIPMENT SHORTAGES AND CONGESTION CREATING MAJOR SUPPLY CHAIN DISRUPTIONS

As an update to our previous reports on tight space, congestion, high rate levels, and equipment shortages in the ocean arena, the obstacles continue to worsen, in particular the Transpacific Eastbound trade.

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

EQUIPMENT SHORTAGES

- Container shortages have now become a global issue. Ocean port terminals around the world are now reporting equipment shortages for all size container and shrinking quickly as empties are not being repositioned quick enough to manage the continued demand. This will continue to impact major trade lanes and already creating a pattern of major shipping delays and driving up rates, while new surcharges are being introduced.
- Focusing on the Transpacific Eastbound Trade, there continues to be a significant shortage of 40’ and 40’HC’ ocean freight container equipment in many Asia and S.E Asia origin ports, especially China.
- While 20’ containers have been more widely used as an alternative in recent weeks, many USA destination ports and rail ramps are reporting that they do not have enough 20’ chassis to accommodate the rising volumes of this container size, causing increased demurrage and major delays waiting for the equipment to become available.
- Chassis shortages for all container sizes remain at critical levels across the USA. As we have been reporting, thousands of full containers and chassis remain idle at trucker yards, warehouses and distribution centers in major ports and rail ramp locations, waiting to be unloaded and equipment returned. With the continued surge in inbound volumes arriving, due to continued replenishment of inventories and preparation for holiday sales, this will remain an obstacle.

CONGESTION

- Both origin and destination port terminals are experiencing continued congestion as the surge of volumes continue USA inbound shipments, while USA exports have spiked in meeting year end orders.
- Major global ports, especially in Asia and Southeast Asia have been impacted by the surge of volumes, extreme weather, and most recently learned, Chinese naval exercises that took place in the month of October, delaying vessels where these activities took place.
- Vessel schedules are falling further behind, by several days in their rotations, as the USA port congestion is causing vessels to wait longer to berth upon arriving at their ports of call.
- Los Angeles/Long Beach port terminals continue to observe record level volumes. 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 as well.
- Chassis Shortages in port terminals and rail ramps across the USA are creating backlogs of full containers waiting to be recovered
- Steamship Lines continue to blend in void sailings or skipped calls in their vessel rotations which are only compounding ports that are already congested

OFFICE LOCATIONS

Moonachie, NJ (201-478-4600) * Long Beach, CA (562-435-2327) * Schaumburg, IL (630-860-0782)
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DOMESTIC CARGO OPERATIONS

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VESSEL SPACE

- Vessels in highly active countries continue to be booked at 99% to 100% utilization per our sources within several steamship lines and terminals. The demand is still very high and the outlook is that it will continue into Q1 of 2021, especially China. However, concerns are rising that equipment shortages could reverse this trend and vessels will begin to go out underutilized and unable to move out what is being booked, prompting major delays in products being shipped out timely.
- Origins such as in the India Sub Continent region, are impacted by reduced vessel frequency and continued impact of a slow COVID lockdown recovery. Outbound vessels are at 100% and rolling is increasing.

RATES & SURCHARGES

- Steamship lines continue to maintain the record level ocean freight rates, some even announcing new general rate increases or extended peak season surcharges for the weeks ahead
- We are learning of new surcharges being implemented at origins globally, including booking cancellation fees, additional fees to secure equipment that is under the shortage category, and congestion surcharges
- The majority of drayage companies in the USA have begun to implement congestions surcharges and peak season increases to cope with the demand. There are even additional surcharges by drayage carriers being introduced on containers that were not booked in advance by 7 days or more. This has been a bit controversial as in many cases, such advance notice might be before the vessel has even arrived and officially unloaded and made available. In some cases, it could be before the shipment is even customs released.
- Domestic Truckload 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 and urgent inventory replenishment.

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, increased congestion, and longer delays. Please book your shipments weeks in advance. This advice can be applied to all modes at this time with the USA nearing the holidays and demand for products in time for sales and distribution as well as outbound orders needing to make deadlines at their destinations. 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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