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"News Flash"

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Supply Chains Remain Fractured as Holiday Shopping Season Approaches

The ports of Los Angeles & Long Beach have now sustained levels of over 80 vessels waiting at anchor or drifting within San Pedro Bay while waiting to berth at their respective terminal.

In cooperation with the Biden Administration, the ports of Los Angeles and Long Beach extended gate hours to help alleviate port and terminal congestion. After little support and poor results, the Biden-Harris Supply Chain Disruptions Task Force implemented a Container Excess Dwell Fee, as an emergency surcharge, to be implemented by the port terminals against the ocean carriers. The action was to press the ocean carriers to immediately improve efficiencies and improve throughput of their containers to lessen congestion, or be penalized for the longer than normal dwell times. As the program took shape, fee structures came into place on containers that sit for 9 days or longer for local truck delivery and 6 days or longer for containers, waiting to be loaded to rail for inland moves. The effective date was determined as November 1, 2021, but enforcement of the fees was to begin November 15, 2021. The majority of ocean carriers immediately responded by sending out advisories that they would be passing these fees on to the cargo owner, further putting more strain and cost on the importer. The fee structure shows a scaling increase daily and with no maximum, leaving the importer vulnerable to activities outside of their control and a "pass the buck" mentality by the ocean carriers. The situation has been heightened with national attention and regular media coverage as the situation become dire. The attention has left ocean port terminals, ocean carriers, drayage providers and the White House all pointing the finger at one another as more vessels arrive, breaking records from previous levels; chassis shortages remain at critical levels; driver shortages continue; the ability to return empty containers (sitting on chassis) becomes more restricted; and importers desperation to get their goods rises beyond critical levels. Then came the notice this week that the entire program would be deferred to November 22, 2021, leaving many confused and uncertain as to what the working solutions really are at this point and who is going to be paying these costs. Here is what the fee structures look like by carrier and at this stage, are to be enforced next Monday with charges still being passed on to the cargo owner.

Please find the latest the summary for Emergency fee-Excess Dwell fee at LAX / LGB port.

Carrier	Charge Name	LAX/LGB		VIA LAX/LGB TO INALND RAMP	
		Free days	Charges	Free days	Charges
ONE	Emergency Surcharge	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	If a container set for inland rail accrues excess dwell fees due to rail delays, the Port Authority will still impose the fee to carriers. Ocean Network Express at this time will not pass along to customers	
CMA	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	CMA CGM will not pass through any costs for on dock / off dock rail movements unless a delay for movement is caused by the shipper	
HMM	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
SML	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
ZIM	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
HAMBURG SUD	Emergency Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	2	US$ 100 per day after the 2nd day of dwell (day 3); $100 per day increase with no maximum
HAPAG-LIOYD	Emergency Surcharge	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
MAERSK	Emergency Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	2	US$ 100 per day after the 2nd day of dwell (day 3); $100 per day increase with no maximum
MSC	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
EMC	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
COSCO	Container Excess Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	5	US$ 100 per day after the 5th day of dwell (day 6); $100 per day increase with no maximum
SEA LEAD	Emergency Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	NO SERVICE	
CU LINE	Congestion Dwell Fee	8	US$ 100 per day after the 8th day of dwell (day 9); $100 per day increase with no maximum	NO SERVICE	
OOCL	NO OFFICIAL ANNOUNCEMENT, OOCL WILL UPDATE CONTAINER LIST IF HAVE EXCESS DWELL FEE WITH CHARGE DETAILS				

As we reported on Monday, the West Coast MTO Agreement (WCMTOA) announced that the Traffic Mitigation Fee (TMF) at the Ports of Los Angeles and Long Beach will be temporarily adjusted from December 1, 2021, through January 31, 2022, subject to regulatory clearance by the Federal Maritime Commission. During this period, there will be a financial incentive to move containers during off-peak hours by charging a TMF during peak hours. No changes to the appointment systems operated by individual terminals have been announced. The adjustment comes at the request of the Port Envoy to the Biden-Harris Administration Supply Chain Disruptions Task Force, as well as the Executive Directors of the Ports of Los Angeles and Long Beach, as part of a collaborative effort to incentivize increased use of marine terminal gates during off-peak hours. The action is part of an overall effort to expand the use of warehouses, distribution centers, and trucking during the second and third shifts for the final push of holiday goods in December, and into January leading to the Lunar New Year. Should this be approved, the TMF will be $78.23 per TEU (twenty-foot equivalent unit) or $156.46 for all other sizes of containers for non-exempt international container moves through the terminals at the ports of Los Angeles and Long Beach between the hours of 7:00 a.m. and 5:59 p.m. Monday through Friday. This will more than double the current levels for both day and night activities.

Other major USA ports are also experiencing increased congestion, a rising number of vessels having to anchor, and longer vessel unloading times relevant to their port size. Most, if not all ocean container terminals in the USA are experiencing some level of a bottleneck and continue to worsen as the holidays quickly approach. This includes ports like New York – New Jersey, Charleston, Savannah, Houston and Seattle-Tacoma to name a few. Canadian ports, Vancouver and Prince Rupert, are also significantly impacted and experiencing surges of Transpacific Eastbound volumes now at peak levels. Container recovery is already being slowed by chassis shortages and limited drayage capacity and drivers.

The Port of Vancouver is now under duress, as rail lines for both the CN and CP have been impacted by floods, and mudslides from two days of extreme rain, defined by many as "catastrophic" weather, restricting rail movement in and out of the port complex. There is no indication as to when rail service could return while damage is being assessed and repairs are being made. With existing delays already being experienced at the port this will add more congestion and increase delays. From a USA perspective, this will impact the Midwest region that utilizes the Vancouver gateway as an alternative to USA West Coast ports.

Inland rail ramps, particularly in the Midwest, continue to face major obstacles are driven by ongoing chassis shortages, limited truck power and severe congestion. Rail ramps, like Chicago, have been overwhelmed and have been in gridlock situations for months. As more cargo arrives inland and containers delivered to large distribution centers and warehouses, chassis shortages intensify as delivered containers continues to sit idle, some for weeks. Containers are parked in yards or distribution centers waiting to be unloaded or being used as temporary storage until more space in facilities becomes available. This has now intensified due to the arrival of holiday and seasonal merchandise, leaving chassis shortages beyond critical levels. Ocean carriers are continuing to terminate services that will limit or avoid their equipment moving to several inland rail ramps.

Void Sailings and port omissions continue to be announced by the ocean carriers contributing to more congestion and backlogs at origins and further creating demand for space on future vessels. There has been a serious increase in void sailings to key ports like Los Angeles / Long Beach and more recently, Seattle, the past few weeks. The use of void sailings will maintain vessel utilization at or near 100% and continue disruptions on the Transpacific Eastbound Trade for a long period of time. As more vessels fall behind in their rotation schedules, impacted by vessels sitting for long periods at ports of discharge while waiting to berth and unload, the schedules and capacity further deteriorates. Until there is a prolonged period of declining volumes, it will simply remain a continued pattern of delays and limited capacity seamlessly moving. Several ocean carriers are already announcing that they will continue implementing void sailings in 2022.

Container Freight Stations (CFS) and Air Cargo Handling facilities continue to face severe shortages in labor and available space in their facilities, while managing through the same obstacles relevant to their respective ocean port, airport or rail ramp location. This means that ocean CFS facilities are also impacted by the same chassis and driver shortages working to recover containers at ocean port terminals and rail ramps adding days to their process. Air Cargo Handling facilities may represent multiple airlines and can face multiple cargo planes arriving in short proximity of each other. In both cases, the continued lack of labor has increased breakdown and sorting times adding days until the cargo is made available. There has also been a rise in lost and damaged cargo, as well as the wrong cargo being released to truckers at the time of recovery.

Domestic transportation needs are peaking as the window for holiday goods delivery is shrinking. This is the traditional time of year that product is moving between distribution centers, warehouses and stores in preparation for the holiday shopping season. To compound this, the obstacles and delays in international transportation are putting more pressure on moving goods quickly, especially container transload and truck services from coastal ports to inland locations. Drivers and equipment, such as 53' trailers, are in high demand and have become harder to source. Truckload spot rates continue to rise, while fuel surcharge levels also climb nationwide.

Export containers and shipments remain significantly impacted while focus remains on the import volume surges. Managing outbound containers involves the same obstacles of chassis and driver shortages, difficulty procuring empty containers that are often prioritized for immediate return to origin as well as rail delays that impact the arrival to the port of loading to meet outbound vessel schedules. Port congestion and late arriving vessels often means late outbound vessels for certain strings as well. The result is a regular occurrence of cancellations by both drayage providers and ocean carriers, rejected bookings, and limited equipment availability. The environment is very unstable and unreliable and a subject that is not often highlighted in market overviews. Continue to expect delays.

Airfreight space is now in high demand as a result of the global market conditions, and in particular the shortened window for 'just in time' shippers of holiday goods and seasonal products. Obstacles and delays in ocean freight modes have also pressured shippers to use air freight to get the product moved. Rates are rising weekly and have taken a steep incline on flights to the USA, also compounded by rising fuel costs.

Chinese New Year and the 2022 Beijing Winter Olympics are just over 10 weeks away. We are advising our clients to take notice of this and begin to plan ahead for shipping well in advance as factories prepare to shut down. While there will likely be a large surge of volume weeks in advance to this time period, focus will be on shipments that need to arrive in the USA between January and March of 2022 in the coming weeks.

Winter Weather will soon become a factor for many parts of the USA in the weeks and months to come. Delays are to be expected and are unpredictable. When utilizing routes that move through common regions of snow, ice or extremely cold temperatures, we guide you to pad your lead times.

The outlook for ocean transportation in 2022 is very complicated. At this stage, analysts and industry experts are bracing for continued volatility for several months into 2022, with expectations of continued high rates, equipment imbalances, ongoing congestion and high vessel utilization. Some predict all of 2022 to remain very challenging and a continued "carrier market" as significant capacity, by way of new vessel builds, will not be delivered until 2023. During 2021, an estimated 1.5 million TEU in vessel capacity has been ordered for delivery in each of the years 2023 and 2024. Many of these builds will be midsized vessels with capacity of 15,000 to 16,000 TEU. There are currently 14 orders for 24,000 TEU vessels, which will be amongst the largest container ships in the world. Which trade lane the vessels are positioned into upon their maiden voyage will also have significant importance. There are certainly other factors such as rising inflation, continued impact of the COVID pandemic or geopolitical events that can steer the global supply chain in many directions. Regardless of what direction, it is imperative to continue planning ahead.

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.