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"News Flash"

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Railroad Sector Under Pressure of a Strike / ILWU Negotiations Remain Stalled / Void Sailings to Intensify on Transpacific Eastbound Trade

Four unions have yet to ratify their tentative labor agreements with the railroads, setting up another threat of a railroad strike. While eight of the total twelve unions that represent nearly half of all railroad employees have come to agreements and are already in effect, unions representing the BMWED, SMART-TD, BRS and IBB have pushed out their official cooling off period out to 12:01 a.m. on December 9, 2022. Should there be a failure to come to terms and ratify an agreement by this time, the rail unions may take corrective action and a strike would be imminent. There is still hope that with Congress back in session today, further negotiations could be achieved in time and avoid a supply chain crisis that would impact both freight and passenger networks. More than 400 trade associations have now called on Congress to act and prevent a strike. As was the case leading up to the September threat of a strike, critical cargo is being converted to truck, hazardous materials will be stopped and many will look for contingency plans to avoid chaos just before the last leg of the holiday season and year end.

The International Longshore & Warehouse Union (ILWU) and Pacific Maritime Association (PMA) negotiations remain stalled. Tension and work slowdowns have also been witnessed at the ports of Oakland, Seattle-Tacoma and Los Angeles - Long Beach in recent weeks. As a downturn in overall container volumes to the USA continue, there are many importers that that continue to divert their cargo to US East and Gulf Coast ports, due to the uncertainty of the negotiations. However, it should be remembered that the May 2014 negotiations, which included a series of slowdowns and disruptions took many months to reach a tentative agreement, which did not actually take place until February 20, 2015, and not ratified until May 2015.

Analysts have confirmed that the ports of Los Angeles and Long Beach have returned to normal after two years of surging volumes and ongoing congestion that have plagued the supply chain. This included a record breaking 109 vessels anchored or loitering while awaiting berths back in January; significant delays in vessel unloading; major terminal congestion; extensive demurrage; chassis shortages; driver shortages; rail car shortages, which caused significant delays for cargo moving inland; and inability to return empty containers due to insufficient space at the terminals, prompting significant detention charges.

Congestion remains high at several port terminals and railroads across the USA. Those highlighted include Savannah, Houston, and Oakland, where delays continue to be caused by higher-than normal ships at anchor; high dwell times; and shortage of chassis. Memphis, Dallas, Chicago and Kansas City rail ramps continue to experience high dwell times which range between 13 and 34 days at these locations combined with high chassis deficits.

Ocean Carrier Port Omissions, Void/Blank Sailings, and temporary cuts in services have already started and are being implemented to counter recent drops in inbound container volumes, predominantly from Asia. This practice will continue aggressively on the transpacific eastbound trade in the coming weeks, as ocean carriers look to reduce the overabundance of capacity that they have had in the market for the last several months and is going to continue to increase during 2023 as new vessel builds are delivered. Currently, vessel utilization out of Asia to the USA is in a range of 80 to 85%, falling from the peaks of 95 to 100% that had been experienced for many months consecutively and helped to set new records at many North American ports this past year.

China's zero-Covid policy has led to record level lockdowns that will continue to have impact on manufacturing and the global supply chain. Major areas such as Guangzhou, Zhengzhou, Wuhan, Shanghai and Beijing have all seen recent lockdowns within many districts during the past week due to rising cases and growing concerns that could lead to delays in manufacturing and transportation delays.

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 potential disruptions and volatility in costs. Please continue to monitor your bookings in relation to the market conditions. Providing forecasts of your shipments is ideal. Please do your best to plan well in advance and communicate with all parties involved in your transactions to maintain an ideal and seamless process. Do not hesitate to contact us should you have questions or need further guidance.

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