

**December 10, 2021****Supply Chain and Market Conditions Worsen Leading into Holiday Season and Year End**

The ports of Los Angeles & Long Beach have now sustained levels of over 90 vessels waiting at anchor or drifting while waiting to berth at their respective terminal. As many as 96 vessels were confirmed this past week with more vessels arriving.

The Vancouver Canada region, already impacted by major flooding and mudslides last month from a major storm, was impacted by subsequent weather and rain shortly thereafter, reversing progress being made as transportation in and out of the port of Vancouver began to slowly recover. The port has recently recorded over 60 Vessels waiting to berth.

The Container Excess Dwell Fee, pressed as an emergency surcharge specific to the ports of Los Angeles and Long Beach and supported by the Biden-Harris Supply Chain Disruptions Task Force, has been postponed again since the original implementation date of November 15th. Advisories remain being published by ocean carriers advising cargo owners of the delay by one week and if/when made official, will begin to pass on the charges being levied against them by the port terminals.

The West Coast MTO Agreement (WCMTOA) confirmed 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, after it was approved by the Federal Maritime Commission. During this period 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. This will occur between the hours of 7:00 a.m. and 5:59 p.m., Monday through Friday.

The Los Angeles Harbor and Long Beach Commissions approved a clean truck fee of \$10 per TEU to be implemented on April 1, 2022. This will support plans to expedite the introduction of zero-emission vehicles in the port complex.

Premium Surcharges are again in focus on ocean trade lanes to the USA, especially out of Asia, where demand is high leading into the end of the 2021 calendar year and the run up to the Chinese New Year holiday. This will be used by the ocean carriers in the coming weeks to take advantage of surging demand and shortening windows to move freight out quickly.

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 as more vessels fall behind in their rotation schedules. This is impacted by vessels sitting for long periods at ports of discharge while waiting to berth and unload. There is now an uprise in U.S. East Coast ports like Charleston and Savannah being rejected by some carriers as congestion steadily increases and there are limited berths to handle increased vessel arrivals. 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.

All major USA ports are experiencing increased or record congestion, with a rising number of vessels having to anchor, and longer vessel unloading times relevant to their port size. This includes ports like New York – New Jersey, Charleston, Savannah, Houston and Seattle-Tacoma to name a few. Smaller ports such as Portland are evening being utilized to avoid the congestion at larger ports and suddenly becoming overwhelmed due to limited capacity, surge in vessel calls and a smaller rail capacity in comparison. Canadian ports, Vancouver and Prince Rupert, are also significantly impacted and experiencing surges of Transpacific Eastbound volumes now at peak levels. Container recovery at most ports is already being slowed by chassis shortages and limited drayage capacity and drivers, as well as ongoing railcar shortages.

Inland rail ramps, particularly in the Midwest, continue to face major obstacles, driven by ongoing chassis shortages, limited truck power and severe congestion. Rail ramps, like Chicago, have been overwhelmed and have been in gridlock for months. As more cargo arrives inland and containers delivered to large distribution

centers and warehouses, chassis shortages intensify as delivered containers continue 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.

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 at their peak as the window for holiday goods delivery is almost closed. 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. Rates are at record levels and continue to rise as space is tight, capacity is fully utilized and costs are compounded by rising fuel costs.

Chinese New Year and the 2022 Beijing Winter Olympics are just eight weeks away. We are advising our clients to take notice of this as the window to ship before factories prepare to shut down is starting. 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 is already becoming 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.

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.

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