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"News Flash"

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GLOBAL TRANSPORTATION DISTRUPTIONS CONTINUE TO REMAIN CRITICAL

As an update to our previous reports on equipment shortages, congestion, rate increases and supply chain delays, please make note that all are at critical levels, as demand for shipping continues to remain high. For our clientele base, the coverage below is primarily focused on the Transpacific Eastbound market for your immediate review and understanding.

Container shortages remain to be a significant obstacle as bookings continue to be strong on a global basis. USA imports have been impacted for several weeks and the outlook appears to be severe going into Q1 of 2021. While the Asia and S.E. Asia regions continue to react to what has already been an issue, India and countries within the India Subcontinent region, have now joined the crisis. Repositioning of containers to major shipping ports has remained inefficient and there are no significant strategies in place by the majority of carriers to improve this issue anytime soon. As reported in our past News Flashes, this has brought into question the practices of several ocean carriers over the past few months, and which the FMC (Federal Maritime Commission) has focused in on in recent months and opened up a formal investigation this past November.

Ocean carriers have successfully implemented "premium" or "equipment" surcharges to protect container equipment while some carriers reintroduce cancellation policies and fees to cope with the mounting situation. These surcharges are becoming necessary to achieve procurement of equipment in order to load and ship out containers timely. Not doing so has pushed availability of equipment and bookings out several more weeks than normal and with no guarantee of obtaining equipment or space for targeted vessel schedules. The cost can vary by steamship line and origin, and has been in a range between $1000 to $1700 on top of the already high ocean freight rates that haven broken records this shipping season.

Congestion continues to mount at most major seaports, including several in China, S.E. Asia and the Indian Subcontinent Region, as well as key transshipment ports like Singapore and Colombo. Late arriving and departing vessels, weather, and backlogged containers from previous vessel rolling, or void sailings, have been cited as major reasons. In the past week, some carriers temporarily stopped accepting new bookings in an attempt to seek relief at overwhelmed terminals. Demand is maintained as inventory replenishment continues and spring merchandise is next to hit the retail shelves. There is also the anticipation of the traditional rush before the Chinese New Year holiday, which in 2021 will start on February 12th. Carriers have further complicated the outlook of congestion by strategizing future void/blank sailings, which proved to be detrimental earlier this year.

The ports of Los Angeles – Long Beach remain under heavy stress as 32 vessels are currently anchored, awaiting a position to berth. Some of these vessels are extra loaders that have been utilized the past few weeks to manage the pre-holiday surge of volumes and continued high volumes the normally scheduled vessels could not handle, being fully utilized. This is a major concern with expectation that the combined anchor and dwell times will steadily increase above an already long 7 to 14 days timeframe it is taking for vessels to berth at their designated terminals and be fully unload after their unofficial arrival outside of the port complex. Many vessels are already late due to congestion at the origin ports. The Los Angeles – Long Beach terminal operators are reporting that that the labor shortage they are already experiencing is getting worse as many workers are taking time off during the holidays. Together with the ongoing chassis shortages for local deliveries and railcar shortages for inland intermodal moves, the transit times continue to rise significantly. It is even more problematic with the increasing costs associated with waiting time, demurrage and detention charges that are more routinely experienced. Other major ports such as New York & New Jersey, Vancouver, as well as Prince Rupert are also experiencing congestion delays as the surge of volumes continue to arrive.

Chassis shortage and driver power across the USA remain severe as well. The domestic market continues to fall victim to the influx of inbound volumes while the outbound market is stressed by year end orders. With inbound containers serving as the priority for drayage drivers as well as the utilization of chassis, which many are occupied and sitting in yards waiting for containers to be emptied, the outbound market has suffered greatly with sustained delays. The main obstacle has been the inability to maintain loading appointments and meet scheduled trains and/or terminal cutoffs for departing vessels. The volatility in this case is extreme and can change week to week. Delays are expected to increase and with winter weather becoming a factor across most of the USA at this time of year, it will only get worse.

Airfreight space remains tight from China and flights to the USA have been impacted with cargo flight cancellations surrounding the Christmas and New Year holidays. Under current conditions, the air freight arena continues to operate in a spot market environment. Traditionally, a rate spike is expected leading into the Chinese New Year so it is wise to begin evaluating your needs in advance. It is anticipated that logistics of COVID-19 vaccines could also impact airfreight space on a global basis. Continued outbreaks of the virus around the world will also increase PPE materials being shipped, and as experienced before, will contribute to limited space and frequency of flights available based on priority. Airfreight rates should be monitored closely as such events could dictate a repeat of record-breaking rate levels.

Marine Cargo Insurance has been a big subject matter after the recent accident involving the ONE APUS (Voyage 006E), destined to Long Beach from China, after it ran into a powerful storm in the Pacific Ocean. The current status after being rerouted to Japan for inspection and survey work, is that over 1800 containers were lost overboard and many more units damaged when the stacks collapsed. It has been reported that the estimated total cargo loss will exceed $200 million and that it is very likely that **"General Average"** will be declared. This means that every cargo owner on the ship participates in the responsibility of the of the overall cargo loss as well as damage to the ship itself. Those without cargo insurance can experience a longer and potentially costly outcome before the matter is settled. In the case of the ONE APUS, it could take years for final resolution. Review of this incident is suggested and a reminder to all companies the benefits of cargo insurance and how it can reduce your risk and liability, which American Shipping Company does offer.

Even as the USA holiday season concludes, there is still high demand for e-commerce retail and spring merchandise inventory to contend with in the coming weeks. As usual, we must continue to advise that there is still a great deal of uncertainty ahead and challenges to endure, some that are unforeseen at this time. We do highly recommend that you continuously review your supply chain and prepare for continued disruptions, volatility in costs, increased congestion, and long delays. Please book your shipments weeks in advance as we have guided. 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.