AMERICAN SHIPPING COMPANY

Market Update: Rates Remain Volatile and U.S. Begins to Feel the Impact of Two Potential Work Stoppages

Volatility in rates continue as carriers on the Transpacific Eastbound Trade utilized General Rate Increases and Peak Season Surcharges to raise ocean freight levels, only to drop rates days later in an attempt to cope with the market. We are either in a short-term dip (between the back to school and front-loading surge experienced since March and the traditional peak season of holiday goods), or this is a decline of volume, as predicted by some analysts earlier in the year, when factoring in that capacity would begin to increase above demand. There does not appear to be a situation where volumes will “fall of the cliff,” as larger retailers continue to bring in their planned volumes for the balance of Q3. There are also several challenges in the market that can still produce more surges in the coming weeks, including the potential rail strike in Canada, the potential ILA strike across the U.S. East and Gulf Coast ports, and a rush before the Golden Week holiday in China, the first week of October. There is even a factor of shippers looking to bring in products subject to potential tariff increases, as the U.S. Trade Representative continues to review public comments for proposed modifications to China 301 tariff actions, before they make a final determination within this month. Any changes are expected to be effective two weeks after the announcement. It must also be highlighted that some carriers implemented extra loaders, increasing the short-term capacity from China and Southeast Asia ports to the U.S. West Coast the past few weeks, which quickly helped to reduce major roll pools and heavily congested ports that might have otherwise supported higher rates levels and sustained space issues much longer. Space is now getting easier to secure and container rolling has subsided providing for a smoother process for the moment.

In a series we have been reporting on with regards to the negotiations between the Teamsters Canada Rail Conference (TCRC) with both the Canadian Pacific Kansas City (CPKC) and the Canadian National Railway (CN), August 22nd has been set as the date for a lockout or official strike. This comes after the conclusion of a review conducted by the Canada Industrial Relations Board (CIRB) and final determination by the Canadian government. The initial threat by the TCRC to strike back on May 22nd has been pushed out multiple times, as the Canadian Minister of Labor requested that the CIRB do an assessment to determine if a strike could impact public health and safety. Analysts have cited that any work stoppage by over 9300 railroad workers could have an impact of $1 billion in goods being transported by rail per day and that the workers are deemed essential. With the conclusion of the review, announced on August 9th, confirming there is no impact to public health and safety, the TCRC is technically allowed to strike after a short cooling off period and the required 72-hour notice the TCRC must provide. The new date for the earliest day to lockout workers or strike is August 22nd, unless the TCRC can find common ground with the CPKC and CN to resume negotiations. With less than a week to go, talks are reported to be deadlocked. Now under pressure that a strike is likely, ocean carriers are rerouting cargo to get shipments offloaded in Vancouver and Prince Rupert as their first port of calls on the Pacific Northwest Strings to Canada and U.S. Northwest Ports. Embargos are being implemented by the railroads to avoid hazardous, perishable or security-sensitive cargo from being moved and caught in transit during a potential work stoppage. In the U.S. the ports of Tacoma and Seattle are experiencing rising congestion as cargo moving inland is now delayed by up to 14 days as containers continue to be shipped or rerouted to avoid Vancouver and Prince Rupert routings. Congestion is expected to mount and it is unknown as to how long any work stoppage might last.

As a follow up to our other series on the International Longshoreman's Association (ILA) contract negotiations with the United States Maritime Alliance (USMX), the ILA has yet again, repeated their strong stance as to the failed negotiations and have announced their plans to strike if a master contract cannot be agreed to before the current contract expiration on September 30th. As we reported previously, Harold J. Daggett, President of the ILA, has noted that negotiations have failed with the United States Maritime Alliance (USMX) and the window is shrinking fast to avoid a strike, which would be on or after October 1, 2024. He noted in his remarks, "we will not entertain any discussions about extending the current contract, nor are we interested in any help from outside agencies to interfere in our negotiations with

USMX. “This includes the Biden Administration and the Department of Labor.” Many shippers have already started mitigating any risk by front loading their Q3 and Q4 shipments directly to the U.S. East and Gulf Coast ports with vessel arrivals well before a potential strike October 1st, while others have used U.S. West Coast routings for time sensitive shipments. This past week represents vessel sailings that will depart out of Asia carrying cargo that will have an estimated time of arrival around this potential strike, October 1st, with the uncertainty as to whether a strike will take place, and if so, for how long. Ocean carriers we spoke to and inquired about their contingency plans, have advised that they are keeping their schedules intact. Most have cited that they will anchor their vessels outside the first port of call in the U.S. and wait for any resolution with hopes that any work stoppage will be short term, if at all. While force majeure was referenced, it was noted this was a last resort and only if a strike lasted unexpectedly too long. Any extensive delays will of course be a concern for schedule rotations to be significantly impacted and countered with future void sailings and port omissions.

With the potential strikes looming in both Canada and the U.S. East and Gulf Coast ports, congestion is mounting at the U.S. West Coast ports and continues to increase the rail transits delays to inland destinations. The ports of Los Angeles and Long Beach have estimated delays of 10 to 14 days. This comes as the port of Los Angeles announced that they handled a record-breaking 939,600 Twenty-Foot Equivalent Units (TEUs) in the month of July. This is a 37% increase over last year and was confirmed as the busiest month for the port of Los Angeles in over two years. Tacoma and Seattle delays have quickly increased up to 14 days with concern this figure could increase. Congestion and rail delays from U.S. West Coast ports will remain a key focus in the coming weeks and will be a source of inland delays. We continue to recommend padding your supply chain accordingly. We also want to remind our audience that we do have a transload program in place at both Los Angeles/Long Beach and Seattle/ Tacoma ports to inland destinations across the USA. Please do not hesitate to contact us or your account manager for further details.

Last Friday, the Yang Ming Mobility experienced a container explosion on board, confirmed to be loaded with hazardous materials, as the vessel was berthed at the Ningbo Beilun Phase III Terminal. While no injuries were reported, the terminal quickly resumed operations by reopening up gradually on Sunday, followed by container pickup operations on Monday, after being temporarily closed for investigation. Contrary to some reports, delays seem to be very limited and several carriers implemented contingency plans by utilizing other terminals to resume normal operations during the weekend.

India continues to experience several constraints, which have been challenging for the last two months, impacting most ports and ICD's countrywide. There is positive outlook as the ocean carriers are predicting normal vessel schedules, increased capacity and improved empty equipment availability by the beginning of September. The Mumbai port area, also known as Jawaharlal Nehru Port and Nhava Sheva Port, continues to represent a level of reliability with regular vessels and supply of equipment locally to the port complex. The same is true for the largest port in India, Mundra. The impact of delays, equipment shortages, and reduced space have spread to smaller ports throughout the country, as carriers voided sailings and omitted ports as challenges increased and were even impacted by transshipment points, such as Colombo or Singapore. Further impacted are the many ICD (inland container depot) locations throughout India and serviced by rail connections. Empty equipment availability had been diminished and has not been regularly repositioned by ocean carriers to inland locations. The ongoing situation has forced many shippers to use other alternatives, such as trucking the product to the ports and having the containers loaded in surrounding CFS (container freight stations) to maintain shipping schedules and avoid long delays. With advanced bookings two or three weeks out, new shipments should now fall around vessel departures at the end of August or start of September, where improvements will minimize the current constraints and hopefully stabilize rates as capacity increases to normal levels.

With market volatility and unforeseen developments, we remind our community to plan and book in advance, anticipate delays, and be prepared for disruptions. Should you have any further questions or concerns, please contact your account manager or local handling office for assistance.

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