



**AMERICAN SHIPPING
COMPANY**



Potential Strikes, Tariff Front Loading, and Rail Congestion Remain in Focus with Possible Disruptions

The window is closing fast on shipments from Asia into the U.S. East and Gulf Coasts that need to arrive before a potential strike by the International Longshoremen's Association (ILA). After the ILA walked away from the negotiation table with the United States Maritime Alliance (USMX) a few weeks ago, the industry is preparing for a potential labor action when the contract extension expires on January 15, 2025.

The ILA has been adamant about mitigating the concept of automation that could replace union workers, while the USMX is focused on modernization, safety and efficiency of the ports. This remains the largest sticking point to finalizing the master contract where it appears many other items have been agreed to, including wages. If there is no agreement by the extension deadline, this could yet again shut down the East and Gulf Coast ports and create delays.

With a new president and administration preparing to take office on January 20, 2025, there has been widespread concern of tariff increases possibly being levied. President-Elect, Donald Trump, has already named Mexico, Canada and China as countries that could see potential increases fairly quickly. However, it should be recognized that the threat of the tariff increases appears to represent leverage for other negotiations with these countries.

Importers should maintain a close watch on the progress of these potential increases and have a plan in place should they be implemented. Many companies have already started to frontload products out of China in fear of these tariffs that could have impact on incoming vessels and a surge in volume. There will

also be a flurry of cross border moves from Mexico to the USA as well in the coming weeks.

While the above two scenarios have been the focus of potential disruption to trade, the ports of Los Angeles/Long Beach and Seattle/Tacoma remain congested relative to inland rail moves as cargo has stacked up waiting for rail cars and service to final destinations. After a short-term port strike at East and West Coast Canadian ports created delays, ports such as Vancouver and Prince Rupert continue to experience ongoing congestion. The estimated delay to get on a train from the noted port of discharge points has been between 10 to 14 days in recent weeks.

While vessels remained fairly full out of China and S.E. Asia in recent weeks on the Transpacific Eastbound trade, it is being suggested that the inland delays could continue until volumes dramatically drop, smaller vessels are put in place under Winter deployment strategies, and/or increased void sailings begin to take place. There are no reports of any significant delays along the U.S. railroads or interior rail ramps, reflecting infrastructure improvements compared to the past. However, the Winter season is upon us and weather can play a part in impacting service, transit times.

The coming weeks will be watched closely as the U.S. and Canadian West Coast ports should remain active as shippers look to find alternative routes to avoid the potential ILA strike; experience front loading of products impacted by potential rate tariff increases; and an early Chinese New Year which will begin the last week of January and will mean early advancement of shipments and orders before factories in China close. Transshipment routings, change of vessels, and container rolling will continue to take place and cause unforeseen delays.

There has been limited reporting with regards to planned protests at India ports scheduled for December 5th and another on December 10th, followed by a potential India Port Strike on December 17th. The potential strike is a reaction to unfulfilled promises made by the India Government that were made to avoid a past strike threat last August.

The National Coordination Committee of Six Federations of Port and Dock Workers met together on November 23rd to review

their issues and concerns and have vowed to strike again over wage and benefit settlements. Letters will be sent to the state-owned port chairmen with a request for confirmation that the settlements will be implemented by December 15th. Failure to do so could result in a formal strike by the unions days later. There is great hope that like the last strike, this too will be resolved in advance. Maersk Line sent out a notification last week, yet many carriers have yet to send any advisory on the situation.

With market volatility and unforeseen developments, we remind our community to plan 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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