AMERICAN SHIPPING COMPANY

Transpacific Eastbound Market Improves, but Challenges Remain

The Transpacific Eastbound market has seen some improvement as the larger volume surges have passed and some carriers continue to utilize extra loaders out of key Asia ports to the U.S West Coast. There has been some success with the additional capacity added in recent weeks, which has helped to streamline shipments, improve reliability in schedules and transit times, and ultimately minimize congestion at origin ports, which had been problematic with tight space and container rolling for the past few months. While the extra loaders are temporary, future void sailings and winter deployment strategies by the carriers can alter future space availability and of course rates.

Large retailers continue to bring in their holiday and seasonal merchandise in what is traditionally the peak season period of the year, keeping vessel utilization at an optimal level for carriers, but also giving some breathing room to importers that still need to get product out of Asia, as the window shrinks to get shipments to the USA before the holidays. With aggressive frontloading that contributed to the increased volumes in recent months, there are still some scenarios for small surges. There are still shipments in the pipeline that will move via the U.S. West Coast ports, ultimately destined U.S. East and Gulf Coast locations in order to avoid the potential ILA strike on/after October 1st; getting shipments out of China before Golden Week, which is October 1st thru 7th; and shippers of products that are potentially being targeted for new or increased section 301 tariffs. As we have reported in our American Shipping Supply Chain Gazette, the U.S. Trade Representative (USTR) had missed a second self-imposed deadline as they have not finished responding to more than 1,100 comments and have had to push out their final determination to September. While some of the products were expected to see higher tariffs this summer, others were scheduled for Jan. 1, 2025. For those that may still be hiked in 2024, the USTR said the new rates “will take effect approximately two weeks after it makes the final determination public."

As a follow up to our series on the International Longshoreman’s Association (ILA) contract negotiations with the United States Maritime Alliance (USMX), the ILA has continued to repeat their strong stance as to the failed negotiations and have expressed their plan to strike once the contract expires on September 30th, if a master contract cannot be agreed to before then. The union’s Wage Committee had a two-day session, which upon conclusion, rendered unanimous support by union members for a strike on/after October 1st. President of the ILA, Harold J. Daggett, has been very outspoken as to the failed negotiations and even noted a few weeks back that “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.” He has recently gone on to say that should the Biden Administration force the union workers back to work using the Taft-Hartley Act, that the ILA will counter with work slowdowns. Many shippers have already mitigated the risk of a work stoppage 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 and transload to truck service for time sensitive shipments. Ocean carriers we have spoken to, as it relates to their contingency plans around a potential strike, have advised that they are keeping their vessel schedules intact for sailings that would arrive on/after October 1st, amid any work stoppage. 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 scheduled rotations to be significantly impacted and likely countered with future void sailings and port omissions. Shippers that continue to use direct service to the U.S. East and Gulf Coast ports are recommended to pad 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.

After a short lockout of both the Canadian National Railway (CN) and Canadian Pacific Kansas City (CPKC) workers, implemented by the railroads as the Teamsters Canada Rail Conference (TCRC) prepared to strike, the Canadian Minister of Labor used the Canada Labor Code to impose binding arbitration and ordered the workers back on the job in order to keep the railroad traffic moving and avoid significant economic impact. The arbitration is being handled by the Canada Industrial Relations Board (CIRB) in hopes of finalizing negotiations and a new contract. However, the TCRC has filed four appeals in the Canadian Federal Court of Appeal last Thursday. These appeals are challenging the binding arbitration ordered by the Canadian Minister of Labor and the Canada Industrial Relations Board decision to halt the work stoppage caused by the lockouts. The TCRC is claiming that their constitutional charter right rights were violated and that the governments method is direct interference in the negotiation process. The appeals are being made with belief that the court will allow the union to bargain directly with the railroads instead of thru arbitration. For the moment, rail service continues and there is no imminent threat of another work stoppage at this stage. While there is some relief that the Canadian railroads are operating and that Canadian ports can be used as a gateway to USA destinations (predominantly the Midwest region) while binding arbitration is in place, the ports of Tacoma/Seattle and Los Angeles/Long Beach have experienced increased volumes and congestion as shippers had been avoiding the use of Canadian gateways such as Vancouver, Prince Rupert and Halifax for a few months while under the threat of a strike. The diversion away from Canadian ports has directly contributed to delays in loading containers to U.S. railroads out of the U.S. West Coast ports and cited to be around 14 days. We anticipate this will subside and with Vancouver and Prince Rupert back in play for now, should help ease the congestion and put transit times for inland points in both Canada and the U.S from West Coast ports closer to their normal levels in the coming weeks.

A strike threat by the All-India Ports and Dockworkers Federation was avoided after negotiations were successfully concluded before the deadline as they agreed to sign a memorandum of understanding with the Indian Ports Association and the Ministry of Shipping. Had there been a strike, it would have impacted the government-controlled ports throughout the country and added to what had already been weeks of disruption and constraints that had been taking place as a result of voided sailings, omitted ports, and limited empty equipment availability at many ICD (inland container depot) locations throughout India. In August, there were changes to several carrier alliances on India vessel strings to various global regions. Several carriers exited from their alliance agreements, in favor of starting their own standalone programs to support the rising growth and volumes. August also saw heavy rainfall across India, normal for this time of year, causing damage to infrastructure and contributed to many delays. Just a few days ago, monsoon rains and floods in India's southern states have brought horrific conditions, displacing thousands, shutting down roads, and requiring emergency relief. While the weather will continue to cause disruption in different regions of India, the overall shipping market is making strides for improvement this month as space availability has improved and rates are beginning to fall.

Super-Typhoon Yagi made landfall on the island province of Hainan (South China), according to China's National Meteorological Center. Sustained winds of 138 miles per hour were reported and said to be equivalent to a Category 4 hurricane. With the greatest impact to Hainan and the southern provinces of Guangdong where rainfall will be in the territory of 20 inches and evacuations took place in addition to shutting down highways and bridges in anticipation of damage to infrastructure, key ports of southern China and Hong Kong that were further north of the storm path, were fortunate to experience mitigated conditions. So far there are no reports of any significant damage to these key ocean ports or international airports. Hainan will remain under watch as the storm continues to moves through the area and where greater damage is expected. The storm path shows the typhoon moving toward the northern part of Vietnam, hitting the Hanoi region on Saturday and where preparation has already been taken with evacuations and closures. There is hope that the storm will lose some of its power and be weaker as it approaches Vietnam.

China National Day, officially the National Day of the People's Republic of China, and known as "Golden Week" is annually celebrated on October 1st to commemorate the founding of the People's Republic of China in 1949. The celebration will be from October 1st thru October 7th. As a reminder, volumes will likely increase in the next few weeks, as factories will close in observation of the holiday. Ocean freight bookings from China to the U.S. should be made by this point, as availability of space traditionally tightens to get all cargo out timely. Airfreight is also available for those that need expedited service. Please inquire with our teams should you have any urgent shipments.

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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