



**AMERICAN SHIPPING
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As Transpacific Eastbound Strings to U.S. West Coast Ports Improve

Amid Falling Volumes, the East and Gulf Coast Ports Prepare for a Longshoreman Strike and Potential Delays

Continued improvements have been experienced on the Transpacific Eastbound strings into the U.S. and Canadian West Coast ports after surges of volumes were seen in weeks past, out of Asia and S.E. Asia ports.

Congestion mounted due to front loading of inventory; the drawn-out Canadian Rail negotiations that led to a brief work stoppage and now remains in arbitration; and the threat of a strike by the International Longshoreman's Association (ILA) along the U.S. East and Gulf Coast next week, as importers used West Coast alternatives to get their cargo in before any potential work stoppage. Space has improved significantly out of China and most S.E. Asia origins and ocean freight rates have seen steady declines to U.S. coastal ports, while inland destinations still remain higher at the moment.

U.S. West Coast ports do remain under pressure as containers being routed to inland destinations by rail have been backlogged for several weeks, reaching delays of 10 to 14 days on average. The backlog should begin to subside as Canadian railroads are operating normally again after the lockout was briefly ended by government intervention forcing all parties back to the table for ongoing negotiations. This has given ocean carriers the confidence to utilize the gateways of Vancouver and Prince Rupert again and push both normal Canadian destined volumes as well as routings into the U.S. Midwest region through Canada, putting less strain on ports such as Los Angeles, Long Beach, Oakland, Seattle, and Tacoma for inland rail transport.

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 maintained their stance to potentially strike on October 1st (next Tuesday). With the current contract expiring on September 30th and failed negotiations to this point on a new master contract, a strike appears to be imminent. As we have previously reported, the ocean carriers are maintaining their current routes for vessels already on the water. Upon arrival, if a strike and work stoppage has started, which will include both the U.S. East and Gulf Coast ports, the carriers will hold their position outside of the first port of call. Based on whether the strike or lockout takes place, as well as the length of time a work stoppage lasts, the scenario could be reminiscent of the past (2021 Q3 into 2022) where vessels stacked up outside of ports waiting for a berth, as disruption and delays mounted. Costs also increased as demurrage, detention, and demand for drayage providers intensified as the congestion worsened. There is a great deal of uncertainty as this develops, which includes how already failed negotiations will take place upon a strike action and whether the Biden Administration will take any action to intervene, as requested by many shipper's associations. While the Biden Administration has vowed not to invoke the Taft-Hartley Act, which would force an 80-day cooling off period and force workers back on the job while negotiations resume, there will be continued monitoring of the progress or a prolonged situation that could pose a threat to health and safety as well as impact commerce and the economy.

Ocean Carriers have now begun to release contingency plans as it relates to upcoming arrivals into the U.S. East and Gulf Coast ports and the future weeks ahead with the realization of the strike and potential work stoppage just a few days away. It should be understood that the carriers intend to pass on costs to the shipping community for disruptions that are likely, should a work stoppage take place. Here are some of the scenarios based on various carrier announcements and guidance amongst the many ports along the U.S. East and Gulf Coast ports.

These are subject to change and represent general information that has been put out to the shipping community at this time:

- There is a consensus amongst several ocean carriers and their final destination marine terminals that containers will need to be recovered or forwarded from the port terminals by September 30, 2024. This would represent cargo and ocean containers that are fortunate to arrive and be offloaded before any work stoppage. This includes both local delivery moves and containers that will be transported to inland destinations by rail. Some terminals are expanding their hours of operation, to assist in getting all cargo into the terminal (exports) and out (imports) of the terminal to mitigate the situation.
- Some ocean carriers have advised that if the container is NOT in demurrage at the time of a work stoppage, that the clock will stop and then start again once port operations resume. If the container is already in demurrage by the time of a work stoppage, the container will continue to accrue demurrage at pricing per tariff throughout the work stoppage and until finally moved. Some ocean carriers are diverting vessels to other ports this week in efforts to speed up the vessel arrival into the U.S. and throughput of the marine terminal operations. This will help many secure their cargo before a work stoppage, however, it will increase costs as deliveries may now be a longer distance away.
- While there are a few ports along the U.S. East and Gulf Coasts that are not dominated or operated by ILA workers, they are preparing for the impact of a work stoppage across their specific region and may only allow their terminals to manage specific cargo operations that could be trade lane or commodity specific. Many are also small-scale operations that are unable to manage large vessels and volumes that would be overwhelming to their complex and local infrastructure.
- Some ocean carriers are working on off-site container depots that are outside the port terminals for the return of an empty containers and a best effort to help reduce detention charges.
- For export cargo, cutoffs have already been announced by ocean carriers and by their place of receipt and outbound ports, in order to accommodate departing vessels before or on September 30th.
- Several ocean carriers have begun to announce several types of surcharges specific to the U.S. East and Gulf Coast port destinations that are likely to be imposed as early as October 1st and as far out as mid-October, thus far. These of course will be based on the outcome and continuation of any work stoppage. These charges vary by carrier and have been announced in the

form of “Port Disruption Surcharge,” “Work Disruption Surcharge,” Emergency Operations Surcharge,” “Local Port Charge,” and there are likely more that will be advised in the coming days as developments take pace. These charges currently range from \$1000 to \$3000 per container based on initial advisories and timelines. Again, these do vary by carrier and subject to change.

The Montreal Dockworkers and over 1100 members that are affiliated with Canadian Union of Public Employees, have taken a vote to strike, that concluded with over 97% of the workers in favor of authorizing such an action. This has just been announced after several days of meetings this week and comes after more than one year of ongoing negotiations and a rejected offer in April of this year, since the contract officially expired back on December 31, 2023. While mediation does continue with the Maritime Employers Association, the Canadian Union of Public Employees is officially at a stage that now allows for a 72-hour notice to strike. Hurricane Helene is now on course to hit Florida’s Gulf Coast today with a potentially damaging outcome and significant destruction.

China National Day, officially the National Day of the Peoples Republic of China and known as “Golden Week” is annually celebrated on October 1st to commemorate the founding of the Peoples Republic of China in 1949. The celebration will be from October 1st thru October 7th. Factories will close in observation of the holiday. 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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