AMERICAN SHIPPING COMPANY

Supply Chains Impacted as Surging Volumes Continue, Rates Rise, Congestion Mounts, and Delays Grow

Another General Rate Increase was successfully implemented by the ocean carriers on June 1st as they continue to manage against high demand, roll pools, equipment shortages, and severe congestion on the Transpacific Eastbound trade.

This week will also reflect carriers implementing a Peak Season Surcharge where applicable. Costs are at their highest levels since the pandemic and rapidly contributing the bottom-line costs for shippers. With the continued surge in volumes, continued void sailings, and vessels going out full from most Asia origins, space has tightened significantly leaving analysts to believe the traditional peak season has started early. Carriers are advising that vessel space filled rapidly for May and June as shippers began to replenish inventory levels and have been closely watching many of the obstacles in the market, such as the Red Sea situation which has sucked up capacity, the potential Canadian Rail Strike, and the ILA contract negotiations that impact the U.S. East and Gulf Coast ports.

As a result, vessels are oversold, leading to significant rolling of containers; carriers are canceling bookings they initially accepted; and cutting their future load plans significantly in high traffic areas to cope with the situation and move out backlogged cargo. Ports such as Singapore and Yantian have been impacted significantly and becoming the focus of several trade lanes that they feed as transshipment points. To further complicate the situation, several China origins had been impacted by bad weather in recent weeks, that delayed sailing schedules by several days.

Singapore, the worlds second largest port and a major transshipment point, is severely backlogged. With reports citing over 45 vessels waiting for a birth and approximately 50 vessels being managed in port. The visual is similar to the congestion and anchored ships that waited outside of Los Angeles and Long Beach back in September 2021, which progressively worsened for many months thereafter, causing major delays, cost increases, congestion, and an equipment imbalance. A figure of 450,000 TEU is said to be impacted at the moment and will all be significantly delayed in the course of getting to their final destinations. It is taking over one week for arriving vessels to get a birth at this stage and will of course likely increase as the congestion mounts. The issues in Singapore are also affecting other surrounding ports in S.E. Asia as well, where congestion is becoming problematic.

The Public Service Alliance of Canada, the union which represents the Canadian Border Service Agency (CBSA) workers, announced today that they will participate in a job action this Friday afternoon if no deal is reached that day by the deadline of 4:00 P.M. (EST). Mediation started this past Monday after 9000 members have been left working without a contract for the past two years. Sources have noted that if any strike or job action is followed thru on, there will not be a total shutdown, but that disruptions are very likely and that in addition to people being processed in and out of Canada, there will be impact on all modes of transportation needing to cross the border, which will certainly trigger delays.

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), there is still no indication as to whether a strike is still imminent. The initial threat to strike on May 22nd was pushed out as the Canadian Minister of Labor requested the Canada Industrial Relations Board (CIRB) to 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. The assessment request immediately postponed any labor action the TCRC had planned until a final review and report. The CIRB deadline for collection of the information by May 31st has now passed as all parties made their submissions on May 27th.

The CIRB has now pushed out a “final” reply requirement to all parties that is now due June 14th, and where the results of the assessment are likely to be announced shortly thereafter. Should no resolution be reached, it is believed the TCRC will follow its original plan to strike, after membership overwhelmingly voted to do so in the first place. The timeline suggests that if the TCRC is allowed to proceed, the strike will be actioned before the end of June. In the meantime, ocean carriers using the CN and CPKC to manage inland freight to final destinations within the U.S., continue to follow their contingency plans. This includes plans to route any U.S. bound cargo through Seattle and Tacoma, avoiding Vancouver or Prince Rupert, until a final resolution. We started our contingency plans weeks ago in anticipation of any potential disruption and unforeseen delays. The impact has already hurt shippers as volumes continue to surge to U.S. West Coast ports causing congestion and delays, while ocean freight pricing has increased simultaneously.

With the continued surge in volumes as outlined in this News Flash and the potential strike by Canadian Rail workers, which is shifting more cargo from Vancouver and Prince Rupert to U.S. West Coast ports, rail transits delays continue. The ports of Los Angeles and Long Beach have estimated delays of 10 to 14 days, while Seattle and Tacoma have estimated delays of 5 to 7 days, and likely to grow if the Canadian rail workers officially strike. Congestion and rail delays will remain a key focus as volumes continue to increase in the coming weeks. We recommend padding your supply chain accordingly.

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 chapters have finished their local port negotiations which were to be done by mid-May. The negotiations move into the next stage as the process will shift from local to the master contract negotiations with hopes of achieving an agreement before the current contract expires on September 30, 2024. Many shippers are mitigating any risk and continue front loading some of their Q3 and Q4 shipments now, which is also contributing to some of the additional volume surge via the U.S. West Coast routings, as shippers bypass the direct all water sailings via both the Panama Canal and Cape of Good Hope routings.

US Customs and Border Protection (CBP) have increased their inspections on ecommerce shipments arriving by airfreight in an attempt to reduce illegal activity and stop illegal products from entering the U.S. As a result, flights with goods originating from China have been recently targeted and have included delays and congestion at airports and customs inspection sites. Such delays will result in late deliveries of ecommerce shipments. Concern is now mounting as to how continued screening will play out across the USA as more all-cargo aircraft (freighters) that carry ecommerce products are impacted and delayed. Sources have confirmed that some airlines are now looking to suspend and cancel more freighters as a result and could have a significant impact on the air cargo industry for U.S. bound shipments.

The Federal Maritime Commission's (FMC) final rule on detention and demurrage is now in effect. The final rule has been put in place to protect parties that should not be receiving a bill for detention and/or demurrage. It also created guidelines for required details and dates that must be provided on the bill when invoicing any party, while also defining a timeline for when charges must be billed as well as allowance for resolving disputes.

With container volumes currently trending upward on the Transpacific Eastbound services, we remind our community to plan and book in advance, anticipate delays, and be prepared for volatility. Should you have any further questions or concerns, please contact your account manager or local handling office for assistance.

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