AMERICAN SHIPPING COMPANY

"News Flash"

January 8, 2021

GLOBAL TRANSPORTATION AND SUPPLY CHAIN DISTRUPTIONS WORSEN

As an update to our previous reports on equipment shortages, congestion, rate increases and supply chain delays, please make note that all remain at critical levels, as demand for shipping continues to remain high and new concerns leading into the Chinese New Year, starting February 12th. For our clientele base, the coverage below is primarily focused on the Transpacific Eastbound market for your immediate review and understanding. However, most of what is being reported can be applied to many countries around the world, all feeling the pressures of current market conditions and unreliability. Here are some highlights that continue to strain the system or are further developing:

Ocean container shortages remain to be a major problem throughout S.E. Asia and China origins. This remains to be a critical issue and until empty equipment can be repositioned back, will remain a major obstacle in keeping up with the continued volume demand. This is anticipated to last through Q1 of 2021 and remains volatile weekly as to what equipment sizes are available at each port.

Congestion at major sea ports around the globe have caused major delays to the vessel rotations and schedules. Some vessels are now off of their published scheduled by two weeks or more. In many cases, new departure and arrival dates for future sailings cannot even be determined for future bookings.

Vessels remain at near or at full capacity out of Asia and the Indian Subcontinent region. Container rolling is beginning to take place regularly and likely to become more severe in the coming weeks. Ocean carriers out of China have started to report that space is now completely full for all vessels departing the remainder of January and into February.

Ocean carriers are continuing to implement surcharges to cope with the continued demand. Such fees, labeled as "Premium," or "Equipment" surcharges have skyrocketed in the past week on top of already historically high ocean freight rates. What started as \$1000 to \$1700 per container surcharge for many carriers has now **increased to a range high of \$3000 per container** within the past week. The goal for carriers participating in this practice is to prioritize the acceptance and loading of higher revenue containers first. Such fees will vary by carrier and by origin and have been steadily increasing with limited notice.

Ocean carriers are establishing "Cancellation" fees to stop bookings from being made to protect space in advance and then cancelled just before cutoff dates. This is to control double booking or shippers jumping around looking for the best alternative in equipment, space and lowest cost option.

Several ocean carriers have advised that they will temporarily cancel feeder services mid-January that operate along the Pearl River and supports Southern China ports barging containers to the main ports and mother vessels. This will put a major strain on truck service that will now be required to deliver containers to the departure ports in Shenzhen or Hong Kong. It is believed that the **suspension will last from Week 3 to Week 7.**

There are "rumblings" that truckers in China may significantly reduce or seize their operations the last week of January, favoring an early return back to their homes and before the official start of the Chinese New Year holiday. Should this happen, it will create a high demand to expedite loadings and delivery to the terminals, only compounding issues with equipment shortages, congestion at the terminals and ability to make targeted vessels that will depart after the truckers have stopped services until they return back from the holiday.

OFFICE LOCATIONS

Moonachie, NJ (201-478-4600) * Long Beach, CA (562-435-2327) * Schaumburg, IL (630-860-0782)

Hong Kong • Shenzhen • Guangzhou • Shanghai • Ningbo • Nanjing • Dalian • Tianjin • Qingdao • Xiamen • Taiwan• Vietnam, Cambodia, Indonesia, India

DOMESTIC CARGO OPERATIONS

Kearny, NJ (201) 772-560

3PL LOCATIONS

Fontana, CA* Ontario CA * Joliet, IL * Kearny, NJ (Central Ops)

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COVID infections in Hebei Province (China) have caused lockdown orders in major cities such as Beijing, Shijiazhuang, Xing Tai, and Han Dan. The ocean port that supports this region is Tianjin and residents have been advised to stay in their cities. Furthermore, trucks from these cities are not allowed to enter the port vicinity of Tianjin. Concerns that outbreaks could increase throughout other China regions and cities will simulate these actions and become yet another obstacle in the movement of shipments.

Naval drills have been conducted by the Chinese Military since the 27th of December and planned through the 10th of January, which is a repeat after previous drills reported weeks ago. This includes the areas of Bo Hai, Yellow Sea, and East China Sea. Civilian ships are banned from entering into these waters and have been blocked. This has impacted several key ports in Central and North China.

A continued trade war between China and Australia has created a shortage of coal for China that relies on this import as a source of energy in the production of electrical power. In recent weeks this has been causing power outages that are directly impacting factories and maintaining production timelines.

The ports of Los Angeles – Long Beach remain under heavy stress as vessel anchoring continues to rise weekly. The current vessels (as of 12:00 p.m. CST) waiting to berth at their assigned terminals is now at 36 vessels. The average anchor to dwell time is now on the higher side of the 7 to 14 days being reported. As labor issues continue at the terminals, the time to unload containers continues to mount. With the continued surge of volumes supported by scheduled vessels and extra loaders, the delays will only worsen.

Chassis shortage and driver power across the USA remain severe impacting both inbound and outbound activity. Inbound containers, serving as the priority for drayage companies as well as the utilization of chassis, are still creating major delays while many full containers are sitting in yards waiting to be emptied at retailer distribution centers and large fulfilment warehouse. For the outbound market it has meant sustained delays and creating the inability to maintain loading appointments and meet scheduled trains and/or terminal cutoffs for departing vessels. The volatility in this case is very extreme and can change week to week. Delays are expected to increase and with winter weather becoming a factor across most of the USA at this time of year, it will only get worse.

Airfreight space remains tight from China as well as other major airports throughout Asia. Flights to the USA from China will be in greater demand closer to the Chinese New Year holiday. With rate levels already on the rise and many shippers weighing the cost and reliability difference between air and ocean freight rates, this mode is expected to be heavily impacted. Space will further tighten; congestion is expected; rates will rise. Should the need for more PPE materials arise, this could be another catalyst for airfreight demand.

As usual, we must continue to advise that there is still a great deal of uncertainty ahead and major challenges to endure, some that are unforeseen at this time. We do highly recommend that you continuously review your supply chain and prepare for continued disruptions, volatility in costs, increased congestion, and long delays. Please book your shipments weeks in advance as we have guided. This advice can be applied to all modes at this time. Please do your best to plan well in advance and communicate with all parties involved in your transactions. Do not hesitate to contact us should you have questions or need further guidance.