



August 30, 2022

U.S. Supply Chain Constraints and Concerns Continue

The International Longshore & Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), continue their labor negotiations and appear to have worked out a tentative agreement on the healthcare portion of the contract at this stage. With the last contract having expired on July 1, 2022, both sides have advised that they plan to maintain their discussions until an agreement is settled and ratified. However, recent updates, just last week, confirm that two unions are in a dispute over repair work at the port of Seattle and said to be holding up the progress of the discussions. We emphasize that this is still a negotiation process and should be monitored closely.

National Rail Strike Update: The negotiations continue between the railroads (represented by the National Carriers’ Conference Committee and the many railroad worker unions, under the guidance of the Presidential Emergency Board (PEB). Implemented on July 18th to commence mediation and outlaw a strike by over 115, 000 railroad workers, the three-person panel put in place by the Biden Administration provided recommendations on August 17th and continue to manage negotiations through the cooling off period. Some progress has been made as 3 of the 12 unions, including the Transportation Communications Union & International Association of Machinists, the Brotherhood of Railway Carmen, and the International Association of Machinists & Aerospace Workers, have come to a tentative agreement, just yesterday, that includes a general wage increase of 24% over 5 years, the highest amount ever achieved through a national bargaining process. The agreement still needs to be ratified, but it is a small step as these three unions only represents around 10% of the total 115,000 rail workers involved in overall negotiations. There is hope that the outcome of these three smaller unions could lay the groundwork needed to guide the remaining unions in the same direction and avoid another vote to strike upon the expiration of the cooling off period, September 16, 2022. If there is no resolution at this point, it is very likely the U.S. Congress would get involved to avoid a formal strike, something that would be detrimental to an already fragile supply chain within the U.S.

California law, AB5, was back in the spotlight yesterday as the injunction that allowed an exception to the states trucking sector was officially lifted by a federal district court. This was expected and officially ends the injunction that has been in place since December 31, 2019 and overturned by the 9th Circuit Court of Appeals back in April of this year and just after the Supreme Court denied hearing the case from the California Trucking Association. The law will require reclassification for more than 70,000 independent owner operators in California and press both the motor carriers and independent contractors to work within the law. There is belief that the California Trucking Association will now pursue a full court case on the basis that AB5 violates parts of the Federal Aviation Administration Authorization Act when applied to the trucking industry in the state of California.

All major USA ports and rail ramps continue to manage through continued strong volume arrivals, increasing congestion, chassis shortages and driver shortages. As we reported earlier this month, several ports confirmed that July was another strong month of throughput as China continued to rebound from months of lockdowns. Just over one week ago, there were over 130 vessels waiting outside of USA and Canadian ports from many global origins with evidence that vessel queues are increasing in the next few weeks and will continue to represent a strong flow of volumes into key ports of Long Beach, Los Angeles, Seattle and Vancouver (Canada) along the West Coast of North America, while New York/New Jersey, Savannah, Charleston and Norfolk are expecting strong volumes along the US East Coast. Houston will represent the largest queue of volumes moving to the U.S. Gulf Coast ports. This signals concern of potential delays and obstacles such as long berth and anchorage times at the ports; chassis and driver shortages at the ports and rail ramps; as well as the inability for drayage providers to return empty containers back to the port or rail ramp terminals due to a lack of space or enough empty container yards to handle overflow. It also means an increase in congestion and delays for inland rail moves as the stacks grow at the port of discharge terminals, dealing with rail car shortages and an increase in railroad metering to congested inland rail ramps. This continues to be an issue primarily from the US West Coast ports. Vessel utilization remains near 100% for Asia to US East Coast strings as the continued uncertainty of the ILWU and PMA (West Coast) labor negotiations continues and remains a top concern for importers focused on Q3 and Q4 arrivals. The impact is creating congestion and delays for inbound and outbound containers alike and adding significant costs for importers left paying demurrage, extra chassis fees and detention charges as a result.

Golden Week will be celebrated in China between October 1st and October 7th this year. Please make contact with your shippers to make sure bookings are in place in advance to the holiday.

The port workers at the Port of Felixstowe, the United Kingdom's largest container port, continue their strike against Hong Kong based port owner, CK Hutchison and the Felixstowe Dock and Railway Company, the port operator that is owned by Hutchison Ports UK Ltd. What was supposed to be an eight-day strike has now gone beyond the indicated time frame. Sharon Graham, General Secretary of the British trade union called Unite, that represent the port workers, recently stated that a strike could last through the end of this year if there is no improvement on wage increases being negotiated. Vessel backlogs are mounting as the supply chain situation worsens for ocean freight cargo attempting to move in and out of the UK.

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 and which has been proven between each of our News Flashes and guidance to our clients. We do highly recommend that you continuously review your supply chain and keep preparing for continued disruptions, volatility in costs, increased congestion, and long delays. Please continue to book your shipments weeks in advance as we have guided. Providing forecasts of your shipments is ideal. Due to volatility around the globe, 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.

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