



December 2, 2020

EQUIPMENT SHORTAGES & CONGESTION REMAIN AT CRITICAL LEVELS. AIRFREIGHT WILL BE CHALLENGED. SEVERAL CHINESE AIRLINES IMMEDIATELY SUSPEND FLIGHTS TO LAX

As an update to our previous reports on equipment shortages, congestion and major supply chain disruptions, be aware that the shortage of containers in China, S.E. Asia and Indian Sub-Continent ports, continues to escalate and are at critical levels as bookings continue to remain strong.

It is now being reported that vessels have started to depart from many origin ports underutilized since there are not enough containers to maximize ships due to the shortages. This will become the primary obstacle in the coming weeks as carriers strategize to reposition equipment on a global basis and review their strings for any efficiencies or even potential transshipping arrangements.

Container shortages are predominantly 40’ High Cube and 40’ Standard Containers, but increased reports of 20’ shortages are being cited as well.

Ocean carriers have started to implement “premium” or “equipment guarantee” surcharges to protect equipment and could likely review cancellation policies as well, in order to cope with the mounting situation.

The ports of Los Angeles – Long Beach are under heavy stress as 20 vessels are anchored, awaiting a position to berth. This is six more vessels than we reported anchored on November 18th. This is the count on the MarineTraffic app at 12:30 p.m. (PST). Once the vessel has berthed at its terminal, the unloading time has been reported between 7 and 14 days. We have been reporting the labor shortages at the port terminals that have contributed to vessel unloading and reloading, creating backlog and congestion. Together with chassis shortages for local deliveries and railcar shortages for inland intermodal moves, the transit times continue to rise significantly and are also problematic with the increasing costs associated with demurrage and detention charges. This also impacts delays on outbound shipments as vessels are falling further behind in the rotation schedules. Other major ports such as New York & New Jersey, Vancouver, as well as Prince Rupert are also experiencing congestion delays as the surge of volumes continue to arrive.

Air China and China Southern have just announced that they are suspending all flights to LAX until further notice. One date cited as a possible restart of flights is December 10th. This is a result of heavy cargo backlog and Covid-19 related lockdowns in Los Angeles, impacting cargo terminal operations. It is believed that China Eastern will also follow this lead.

The Airfreight arena is about to be challenged both domestically in the USA as well as internationally with anticipation of COVID-19 vaccine distributions on a global basis. This will have impact on aircraft equipment availability, frequency and cargo space as this rolls out and remain a high priority. This is happening at a time where COVID cases are surging again around the globe, which will likely create more lockdowns and travel restrictions. This will have a direct impact on cargo, further limiting cargo space on passenger aircraft should travel demand fall significantly and the need to rely heavily on cargo aircraft only flights. If PPE materials also increase under another COVID-19 wave, it is very likely that airfreight rates will spike and space will be tight.

As usual, we must continue to advise that there is still a great deal of uncertainty in the coming weeks and challenges to endure, some that are unforeseen at this time. We do highly recommend that you review your supply chain and prepare for continued disruptions, volatility in costs, increased congestion, and longer delays. Please book your shipments weeks in advance as we have guided. This advice can be applied to all modes at this time with the USA at peak holiday demand for products as well as outbound orders needing to make deadlines at their destinations. 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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