DATE: Jul 7, 2021
TO: Matson Customer
RE: California Port Congestion Surcharge

Dear Valued Matson Customer,

Please note below increase to the California Port Congestion Surcharge effective August 5, 2021, representing a $2000 OSPF increase. PCS will be collect only charges in the US.

Region	PCS	20'	40'	40H	45'	R20'	R40'
Long Beach, CA	6/10 ~ 7/14	$1,200	$1,500	$1,688	$1,899	$1,200	$1,500
	7/15 ~ 8/4	$2,000	$2,500	$2,813	$3,165	$2,000	$2,500
	8/5 ~	$3,600	$4,500	$5,063	$5,697	$3,600	$4,500
Oakland, CA	6/10 ~ 7/14	$1,200	$1,500	$1,688	$1,899	$1,200	$1,500
	7/15 ~ 8/4	$2,000	$2,500	$2,813	$3,165	$2,000	$2,500
	8/5 ~	$3,600	$4,500	$5,063	$5,697	$3,600	$4,500

Excluding Hawaii, Guam, Micronesia, Republic of Palau, Marshall Islands, CNMI

Charge only applies when contract or tariff rates make specific reference to this rule.

If you have any further questions, please contact Matson customer service hotline at 86 21 53534889 or email to shcsr@matson.com.
Thanks for shipping with Matson.

Yours Sincerely,
Matson Shipping (Shanghai) Co., Ltd.

ZIM Customer Update

July 7, 2021

Trans-Pacific Trade: US Congestion Surcharge

Dear ZIM Customer,

As an update to the previously announced congestion surcharge, ZIM will be implementing the following update for all cargo originating from the Far East destined to the US:

Effective August 1 through August 5, 2021 to all US Ports:

- **$1,000 USD per 20 ft. Container**
- **$1,000 USD per 40 ft. Container**
- **$1,000 USD per 45 ft. Container**
- **Applicable to dry, refrigerated, and special equipment**
- **This is a local charge and payable at destination**

Effective August 6, 2021 to East Coast and Gulf:

- **$1,000 USD per 20 ft. Container**
- **$1,000 USD per 40 ft. Container**
- **$1,000 USD per 45 ft. Container**
- **Applicable to dry, refrigerated, and special equipment**
- **This is a local charge and payable at destination**

Effective August 6, 2021 to West Coast Only:

- **$5,000 USD per 20 ft. Container**
- **$5,000 USD per 40 ft. Container**
- **$5,000 USD per 45 ft. Container**
- **Applicable to dry, refrigerated, and special equipment**
- **This is a local charge and payable at destination**

CMA CGM

CUSTOMER ADVISORY
#192-072221

Emergency Intermodal Surcharge

July 22, 2021

World to/from USA
Effective August 20, 2021

Dear Valued CMA CGM Customer,

Please be informed that the below **Emergency Intermodal Surcharge** has been filed, **effective August 20, 2021,** to assist with the cost increases resulting from the significantly deteriorating Intermodal situation across all ports and points in the United States.

Imports:

Carrier Code:	CMDU	**Tariff No/Contract No:**	102	**Rule:**	010.E	**Description:**	ONC EMERGENCY INTERMODAL SURCHARGE - U.S.A. ONCARRIAGE

An Emergency Intermodal Surcharge in the following amounts will be assessed on all U.S. Import shipments with the following provisions:

1. **US$ 350 per container** (all sizes and types) will be assessed on all US import shipments that require a motor only move. *
2. **US$ 1,000 per container** (all sizes and types) will be assessed on all US import shipments via USWC or Canada WC that require a rail or rail/motor move.
3. **US$ 350 per container** (all sizes and types) will be assessed on all US import shipments via USEC or USGC or Canada EC that require a rail or rail/motor move.
4. **US$ 350 per container** (all sizes and types) will be assessed on all Canada import shipments that require a RAIL move.

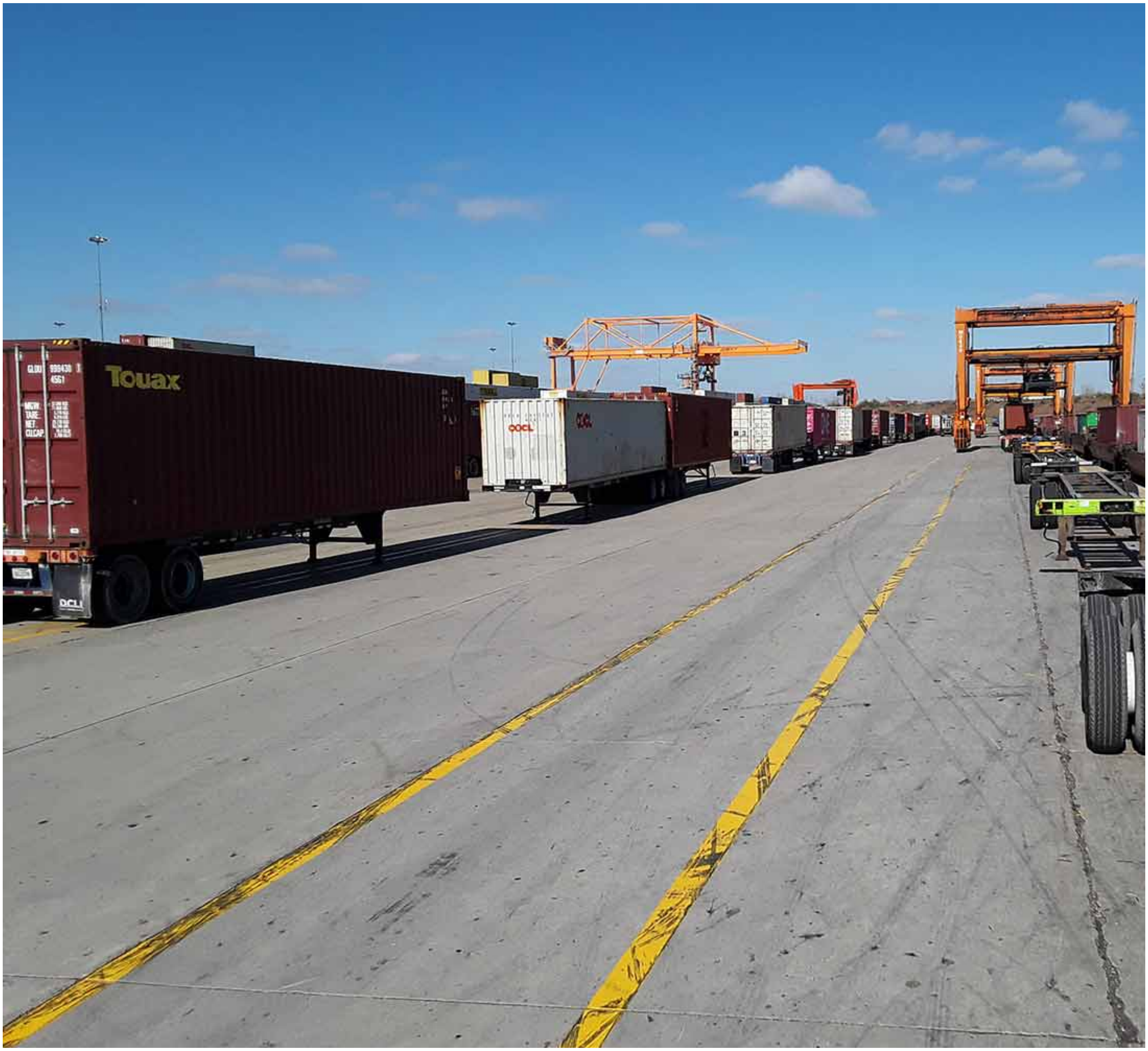
This emergency intermodal charge will also apply for merchant haulage inland point delivery shipments where drayage of container is required from Los Angeles Ocean port depot or Long Beach Ocean Port Depot to Los Angeles/Long Beach off dock rail ramp for onward Delivery to the inland point ramp depot.

*Exception: Any U.S. Import shipment service contract moves where a merchant's nominated trucker has been engaged to provide services will not be subject to this Emergency On-carriage Intermodal surcharge.

Published on *JOC.com* (https://www.joc.com)

Home > BNSF metering space on LA-LB to Chicago intermodal trains

Ari Ashe, Senior Editor | Jul 19, 2021 3:51PM EDT



NVOs say BNSF metering trains from Southern California to Logistics Park Chicago (pictured) will be just as disruptive as UP's one-week suspension of se
Eric Murdock/Flickr.

BNSF Railway on Sunday began rationing space on international intermodal trains for two weeks between the ports of Los Angeles and Long Beach and Chicago in an attempt to slow the deluge of volume that has overwhelmed Chicago-area rail terminals.

BNSF's metering of ocean containers transported between Southern California and Chicago is not as severe as actions taken by competitor Union Pacific Railroad (UP), which has suspended service from the ports of Los Angeles, Long Beach, Oakland, and Tacoma into UP's Global IV terminal in Joliet, Illinois, about 45 miles from Chicago, until July 25. BNSF made no changes to service out of Washington state or Northern California and may end rationing of space as early as Aug. 1.

“The rate of containers tendered to [BNSF] on the West Coast continues to exceed the rate of out-gates from Logistics Park Chicago,” the railroad said in a July 19 statement to JOC.com. “We are confident in our ability to process and unload volume at the rate that we are seeing demand on the West Coast, provided that there is adequate capacity to receive and out-gate that volume at destination. We are still seeing low rates of out-gate — particularly on weekends.”

BNSF added that metering “is not the same thing as what Union Pacific announced last week,” but rather is a “different approach” to manage the deluge of ocean containers destined for its Joliet terminal.

However, two non-vessel-operating common carriers (NVOs), speaking on condition of anonymity, told JOC.com that BNSF “metering” and UP “suspending” trains into Joliet are equally disruptive.

Different approaches, but does that matter?

While the railroads' approaches differ, the root causes behind their service disruptions are identical. US containerized imports from Asia set a new monthly record in June of 1.52 million TEU, according to PIERS, a JOC.com sister product within IHS Markit. Total laden imports into Los Angeles and Long Beach in May and June combined rose 36 percent compared with the same two-month period a year ago and 17 percent from the same months in 2019, according to PIERS.

According to data from the Intermodal Association of North America, the largest share of those record volumes leaving Los Angeles-Long Beach on international intermodal trains is destined for Chicago, with much of it offloaded at Joliet terminals. With so much volume flowing between the two metropolitan areas, chassis outages are paralyzing the Midwest as shippers struggle to pick up, unload, and return equipment quickly.

Chassis providers have pointed out shippers are holding onto equipment too long, exacerbating the equipment shortage and jeopardizing the ability of both western US railroads to make containers available for pickup.

Despite their best efforts, neither BNSF nor UP has been successful in relieving congestion emanating from Southern California.

“[BNSF] have not been picking up containers at West Coast ports and carriers began to stop accepting or limiting IPI [inland point intermodal] bookings from Asia. It’s a real mess,” one West Coast–based NVO told JOC.com.

Inland point intermodal (IPI) refers to any move in which a 20-foot or 40-foot container travels inland on a train rather than the cargo being “transloaded” from those ocean boxes into 53-foot domestic intermodal containers.

A Midwest-based NVO told JOC.com that carriers have restricted IPI bookings into smaller cities such as Detroit or Minneapolis-St. Paul, but not into Chicago. He agreed, however, that “metering” and “suspending” trains will be equally disruptive to importers.

Both NVOs have pushed their customers toward transloading into 53-foot dry-van trailers or containers.

“Most truckload operators on West Coast are now full and those that move IPI are experiencing dwell times of at least 30 to 60 days,” the West Coast NVO said.

Contact Ari Ashe at ari.ashe@ihsmarkit.com and follow him on Twitter: @arijashe.

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Published on *JOC.com* (https://www.joc.com)

Home > Forwarders warn of growing trans-Pacific pricing chaos

Mark Szakonyi, Executive Editor | Jul 22, 2021 8:35AM EDT

Carriers are announcing another round of surcharges, ranging from $1,000 to $5,000, just as the traditional peak season nears and volumes delayed by Southern China congestion hit ports. Photo credit: Shutterstock.com.

Entering the trans-Pacific peak season, veteran forwarders describe a pricing market that is increasingly like the “Wild West.” It’s still a free market, where higher demand has lifted not just spot and contract rates but also the costs to charter container ships, with rates hitting well over $100,000 a day.

But with Asia-US spot container freight rates quoted as high as $26,000 per FEU, forwarders say shippers of lower-value cargo and/or those with low margins are increasingly priced out. Some carriers are prioritizing higher-paying import cargo, rolling some contracted cargo unless premiums are added to the bill.

The dilution of so-called premium services — which range from truly guaranteeing equipment and drayage to simply increasing chances, but not guaranteeing cargo is loaded as booked — have driven frustration among both forwarders and shippers. Discussions with five veteran forwarders, one of whom asked to remain anonymous, revealed increasing concern about just how chaotic the next few months will be. It also revealed a sense among forwarders that although pricing pressure may ease, rates will remain significantly higher than pre-pandemic levels.

"The pricing is dynamic," said Mike Piza, vice president of corporate business development for Apex Logistics International. "If you're booking four to six weeks out, you're not getting a great rate but you're getting a decent one. But if you're trying to book three to four weeks out, it almost becomes like an auction house the closer you get to the departure date."

Average rates from Shanghai to Los Angeles exceeded $9,000 per FEU as of late July, according to the Drewry World Container Index. A year ago, the same container shipped for $1,350. But to ensure the cargo gets loaded in weeks rather than months, it generally costs shippers $2,000 to as high as $7,000 per FEU just to guarantee space, according to rate sheets that forwarders have shared with JOC.com, and in conversations with forwarders and carriers. Carriers are announcing another round of surcharges, ranging from $1,000 to $5,000, just as the traditional peak season nears and volumes delayed by Southern China congestion hit ports.

"You can call them GRIs (general rates increases), PSSs (peak season surcharges), value-added surcharges, or whatever, but at the end of the day, they do one thing: they are simply mechanisms to keep the rates up," said Duncan Wright, president of forwarder UWL.

Forwarders' cost of capital has increased, but their margins have stayed approximately the same, Piza said. Pre-pandemic, and before the Asia surge overwhelmed ocean capacity and strained US ports, Apex was paying $1,500 per container to the West Coast; now it costs between $10,000 and $14,000 to get the same service.

Container lines' restrictions on inland point intermodal — further underscored by western US railroads' temporary suspension and metering of services — has driven responses unthinkable a year ago: transloading in Seattle and Los Angeles. Restuffing goods from ocean containers onto trucks used to cost $5,000, and now costs more than $20,000.

"We can't completely analyze the evolution of high freight rates unless we acknowledge that many shippers are responsible for the rate increases as well," in that some shippers are driving rates up because they can afford to pay more and others can't, said James Caradonna, general manager of pricing, Americas, at M+R Forwarding and MCL-Multi Container Line. He added that some carriers are driving up rates with premiums every month while others aren't pushing as hard on price increases.

Carriers tighten booking practices

Shippers aren't the only ones feeling the pressure. Carriers won't provide weekly minimum quantity commitments within a contract if the cargo isn't delivered for two weeks straight, said Trond Prestroenning, chief executive for the Americas at Germany-based forwarder Fr. Meyer's Sohn. He added that ship bookings are so full that carriers began adding weight allocations as new trans-Pacific service contracts went into effect in the spring. Forwarding customers are also paying later than they did prior to the pandemic, requiring a quadrupling of efforts to collect payment, he said. And while forwarder margins haven't changed much from a range of 8 to 15 percent, "our workload is five times to move one booking," Prestroenning said.

"The demand is so intense. We get calls every day from shippers who want our we help, and we have to decline many of them. It's not about refusing to ship your box for exorbitant premiums, it's that I can't buy that premium space," he said, adding that large importers are even resorting to chartering their own vessels in an attempt to strengthen their supply chains.

There are so many vessels being chartered and new Chinese regional operator entrants calling the US West Coast that Wright said the next few months will be like Dunkirk, when British forces were evacuated from France during World War II with an armada of warships and small, private boats. UWL has chartered several breakbulk vessels for direct importers, and has 25 planned.

"It's all about relationships again," in terms of securing chartering and terminal agreements, said Wright, adding that UWL's breakbulk experience and capabilities make it easier to offer shippers a single point of service through securing charters under the vessel owner's terms and handling stevedoring. "Everyone is needing berth access on the West Coast," he said.

As non-vessel-operating common carriers (NVOs) get creative, there's been a "dilution" in premium services due to some carriers wading into the market with new offerings but not being able to actually guarantee container space, equipment, priority boarding, and/or door delivery, said Caradonna. Some carriers, he said, have been better at ringfencing capacity for contracted cargo, whereas others have aggressively pursued a larger share of premium spot cargo at the cost of service.

"The lines have been blurred between what constitutes premium and what does not, and that's where we see the price gouging," he said.

Capacity stumbles

Still, Caradonna says carriers deserve credit for adding as much capacity as they can. Container lines are boosting trans-Pacific capacity by 32 to 34 percent in the third quarter compared with the same period a year ago. However, approximately 25 percent of that capacity will get soaked up by port congestion at US and Asian ports, according to Sea-Intelligence Maritime Analysis.

Wright argues the carriers blanked too many sailings in June and July 2020, creating the current elevated rate market. He said it's good carriers are making money after years of not making money, but he questions whether carriers will be able to self-regulate so they don't artificially reduce capacity too much.

Container lines argue that they miscalculated the Asia import rebound last year and that major disruptions, notably the Suez Canal blockade and pandemic-induced port congestion in Southern China, have reduced the amount of working capacity they have. Wright, though, wasn't convinced, saying that carriers have recovered from major supply chain disruptions before.

"I know I can get any box I want on a ship for $100,000. How is that possible when I'm told there is no space?" Wright said. "'Oh, well there is if you pay for it.' At the end of day, we know where we're sitting."

"There isn't structure left anymore," he added. "It's the Wild West. It's just a monetary situation. There's little support of the contractual structure for non-vessel-operating common carriers, and hence, small to mid-tiered shippers."

Wright said customers have told him they will ride out this year, but they question whether this is the "new normal" for container shipping rates, even when import demand eases. "We keep hearing it's temporary, but it's not temporary anymore. It feels like the new normal," he said. "I don't see where it ends. I don't have customers screaming anymore; they're crying."

Prestroenning said he expects rates will eventually ease, but never back to pre-pandemic levels, as the carriers “have smartened up and they have been surgical in adding and removing capacity.”

In the long term, Piza said the current chaos will be good for NVOs. “The carriers have lost some trust with beneficial cargo owners,” he said.

Contact Mark Szakonyi at mark.szakonyi@ihsmarkit.com and follow him on Twitter: @MarkSzakonyi.

Maritime News › Container Lines

Published on *JOC.com* (https://www.joc.com)

Home > Intermodal congestion to persist through 2021: CSX, UP

Ari Ashe, Senior Editor | Jul 22, 2021 3:01PM EDT

From April 1 to July 11, average North American intermodal train speeds slipped 2.2 miles per hour below with the five-year average. Photo credit: Claude I

Two US Class I railroads are warning that congestion at inland rail hubs and intermodal service delays will continue through the end of 2021 after a second quarter in which service deteriorated rapidly amid an ongoing onslaught of imports.

In separate quarterly earnings calls Wednesday and Thursday, respectively, Union Pacific Railroad (UP) attributed the bottlenecks at ports and inland hubs primarily to the record import volumes that have been pouring into the US over the last 12 months, while CSX Transportation also noted labor and equipment shortages as contributing factors.

Neither railroad believes there are quick fixes to completely resolve the container dwell issues in California, New Jersey, or Illinois. Shippers have dealt with significant delays in Atlanta, Chicago, Cincinnati, Cleveland, Columbus, Detroit, Elizabeth-Newark, Jacksonville, Kansas City, Los Angeles-Long Beach, Oakland-Stockton, and Seattle-Tacoma in the second quarter.

“We’ve taken numerous actions to mitigate the customer impact and are actively working with all parties in the supply chain. Even so, it’s likely these issues will persist through the end of the year,” UP CEO Lance Fritz said during the earnings call.

Those actions have included completely suspending intermodal service between the West Coast ports of Los Angeles, Long Beach, Oakland, and Tacoma and UP’s Global IV terminal in Joliet, Illinois, through July 25. Fritz said international volume has overwhelmed the ability of importers to retrieve, unload, and return ocean containers in the Chicagoland area.

“The pause we have taken at Global IV is all about allowing those shippers to ultimately be able to clean off that inventory, so that we can restart with a more fluid operation,” Fritz said.

However, he warned that even after a hard reset, the supply chain challenges in Chicago will be around for a while longer.

This comes as the US Surface Transportation Board sent a letter Thursday to the seven North American Class I railroads to request an update on congestion in the intermodal networks, efforts to resolve the congestion, and outline any recent changes to free time clocks and demurrage fees levied upon shippers. The federal agency does not have formal authority to regulate intermodal rail because of an exemption granted in three cases in the 1980s.

CSX CEO Jim Foote said they are committed to making the railroad run smoothly, but it has been an “unbelievable challenge.”

Photo credit: Sy Ferber/Flickr.

Although CSX has not suspended any train services, the railroad is currently metering ocean container traffic between the Port of New York and New Jersey and Chicago, Cleveland, and Indianapolis, according to an advisory from Mediterranean Shipping Co. CSX also drastically reduced appointments to ship domestic containers out of its Bedford Park, Illinois, terminal ahead of the July 4 holiday, although those restrictions have since been lifted.

“I have never seen any kind of a thing like this in the transportation environment in my entire career where everything seems to be going sideways at the same time,” Foote said. “Despite all that, we have been able to keep our terminals open in Chicago and I hope we can continue to do that.”

Trip plan compliance — i.e., how often a container arrives at its destination terminal on schedule — was 71 percent in the second quarter on UP and 89 percent on CSX, both shy of benchmarks each railroad sets as necessary to compete effectively with truckload carriers.

UP’s intermodal trip plan compliance was 82 percent a year ago, and 69 percent two years ago in the second quarter, in the early days of the western US railroad’s transition to precision scheduled railroading. CSX’s intermodal trip plan compliance was only down one percentage point compared a year ago but down six points compared with two years ago, and the eastern US railroad has targeted the low-to-mid 90 percent range as a benchmark in intermodal.

Numbers show the struggles

Total intermodal volume into the Midwest in the second quarter rose 20 percent year over year and 7.4 percent compared with Q2 2019 for all container sizes, according to the Intermodal Association of North America (IANA). International containers drove the growth into the Midwest, surging 31 percent compared with a year ago, and 15 percent compared with the second quarter of 2019, according to IANA.

And as volume has risen, intermodal train speeds have fallen.

Between April 1 and July 11, average intermodal train speeds in North America declined 2.2 miles per hour compared with the five-year average, according to the Association of American Railroads. That translates into an additional six to 10 hours of transit time between Los Angeles and Chicago.

There is no relief in sight, however, as terminal operators in Southern California anticipate a busy August and retailers are projecting continued year-over-year increases in import volume at least through September.

During its call, CSX said severe shortages of labor, empty containers, and chassis throughout its network have crimped its ability to effectively handle the increased volume of imports. Foote said the railroad fell short of its goal to hire 500 employees to run additional trains and operate terminals.

“It is an enormous challenge for us to go out and find people that want to be conductors on the railroad, just like it’s hard to find people that want to be baristas or anything else,” Foote said. “The employee issue will clean up a vast majority of the issues that show up in what we call our ‘trip plan compliance’ number, will improve our velocity, and will drive down our dwell.”

UP, which said it will not increase headcount, said the only way to handle the flood of international intermodal volume is through increased collaboration among all supply chain stakeholders.

Kenny Rocker, executive vice president of marketing and sales for UP, said that kind of collaboration has already resulted in solutions such as storing containers at its Global III terminal in Rochelle, Illinois, and draying containers to offsite depots for pickup.

“We have flown out to the ports to have executive meetings. We have also held an executive forum with all of our international intermodal customers to work through solutions,” Rocker said Thursday. “We have also inserted Loup Logistics [a UP subsidiary] to help with beneficial cargo owners to offer up solutions for more drayage off our ramps.”

Contact Ari Ashe at ari.ashe@ihsmarkit.com and follow him on Twitter: @arijashe.

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North America › United States

Published on *JOC.com* (https://www.joc.com)

Ari Ashe, Senior Editor | Jul 15, 2021 5:00PM EDT

Union Pacific Railroad trains will not run from West Coast ports to the Chicagoland area for one week because containers are piling up in stacks in the Glob
Howard Asher/Flickr.

(Editor's note: This story has been updated with additional information and background).

Union Pacific Railroad will halt all international intermodal service from the West Coast to its Global IV terminal in Joliet, Illinois, for up to seven days beginning early Monday, an emergency measure designed to get thousands of ocean containers in stacks to their cargo owners.

The railroad confirmed the suspension from the ports of Los Angeles, Long Beach, Oakland, and Tacoma, saying it is necessary to relieve the "significant congestion at our inland intermodal terminals, most notably in Chicago." The move goes into effect at 11:59 p.m. PDT July 18.

“We believe this change will allow the transportation supply chain to begin working off the backlog of Global IV-destined trains, while freeing up railcar assets to support import loading needs on the West Coast,” UP said in a statement Thursday to JOC.com. “We are working closely with the ocean carriers and collaborating wherever possible to improve the health of the supply chain.”

The suspension of service applies to all UP’s ocean carrier partners. Reservations already obtained through UP’s Intermodal Container Transfer Facility in Long Beach will be honored, but no new reservations will be provided from the four West Coast ports, according to a UP service advisory sent Wednesday and obtained by JOC.com from an importer.

The emergency measures are necessary to redirect efforts toward the stack of ocean containers without chassis in UP Global IV. The size of the stack has fluctuated between 1,000 and 3,000 containers since May. Containers in the Global IV stack have been stuck for more than a month in several cases. One customer incurred as much as $11,000 in rail storage charges, a form of demurrage, with a box stuck for 50 days. Another trucking company was notified it could pick up a container on July 14 that was in the stack since May 7.

UP has recently changed its policy in the Global IV stack, capping storage fees at $2,450 per container, although importers remain frustrated about not getting their cargo.

The emergency shutdown for international intermodal trains may solve the core problem that has plagued the system over the last two months. Trucking companies have offered to bring in their own chassis to get containers until intermodal equipment providers (IEPs) DCLI, Flexi-Van Leasing, and TRAC Intermodal can supply enough wheels to the railroad.

UP rejected the trucker solution, citing a “no cherry-picking policy” designed to keep their yard workers focused on incoming and outgoing trains, rather than constructing and deconstructing stacks all day.

UP has also been using the IEP chassis on trains coming into Global IV over a 72-hour period before whittling down the stack. For example, if TRAC supplied 300 chassis per day, UP was using those chassis on inbound trains rather than the 300 containers that had been in the stack the longest, according to customer communications shared with JOC.com.

The decision to suspend trains from the four West Coast ports will allow crews to concentrate on using chassis to eliminate the stack, which might be possible over a weeklong shutdown.

Progress already being made

UP was already on its way to improving the situation, based on numbers shared with JOC.com. While JOC estimates put the stack at between 1,500 and 2,500 containers, and perhaps 3,000 in late June, according to recent conversations with trucking companies and equipment providers, the stack size is lower now.

Ocean Network Express (ONE) estimates the Global IV stack has 1,122 containers, of which 234 are ONE boxes, according to a company presentation sent to customers Wednesday and obtained by JOC.com. Parking capacity in Global IV is at 99 percent, however, and there are 3,706 containers on chassis still not removed from the terminal, according to ONE. There are also more than 400 railcars in Global IV with a container but no available space on the ground.

Boxes moved to Global III

UP began moving containers last month into its shuttered Global III terminal in Rochelle, Illinois, a signal the railroad was running extremely low on space. Containers have since been piling up on railcars in Global III, a closed terminal without a large amount of staff or lift equipment and is primarily used as a staging site for domestic 53-foot containers.

ONE estimates there are more than 1,300 containers from the Pacific Northwest sitting on railcars in UP’s Global III, according to the presentation. It’s unclear how many of those containers will be made available to customers versus moved on the tracks from Rochelle to Global IV in Joliet when the stack is eliminated, known as a steel-wheel move.

ONE and Flexi-Van have been working with UP to wheel mount containers on the weekend, then move the boxes from Global III and Global IV to Illinois Transport, which owns two Illinois depots. Importers can send truck drivers to the depot to pick up their ONE boxes.

ONE plans on continuing the “G3 Program,” as it's been called, even during the service suspension next week, according to the presentation.

When asked whether UP may run trains from the West Coast ports to Global III, a spokeswoman for the railroad said, “the assumption is that volume would remain at the respective West Coast origin port terminals...(but) Global III is an option that remains available to ocean carriers to use for loaded container storage or for out-gate with advance communication to Union Pacific.”

Well car issues, too

The service suspension is not only about eliminating the stack, it’s also about preventing a railcar shortage and concentrating all efforts on clearing the ocean container congestion into Chicago.

UP will slash reservations 15 percent from all inland rail hubs to the ports of Los Angeles and Long Beach effective July 16, according to UP’s customer advisory. Service will also be cut from six low volume backhaul lanes into Southern California, including San Antonio, Houston, Kansas City, and Dupo, Illinois, according to the UP advisory.

“In the current environment, eliminating smaller, inefficient blocks that require excessive dwell and switching to ensure well cars are moving as quickly as possible [will] better meet import demand,” UP wrote to its customers. “From conversations with many of you, we understand that volumes are likely to remain elevated through at least the first half of 2022. It is with this in mind that we are taking the actions above so that we can handle even more of your freight while balancing varying supply chain constraints.”

Contact Ari Ashe at ari.ashe@ihsmarkit.com and follow him on Twitter: @arijashe.

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Rail & Intermodal › Intermodal Shipping
North America › United States
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Published on *JOC.com* (https://www.joc.com)

Michael Angell, Associate Editor | Jul 23, 2021 3:54PM EDT

North American consumer demand has been the biggest source of growth in container shipping demand over the last two years. Photo credit: Shutterstock.com.

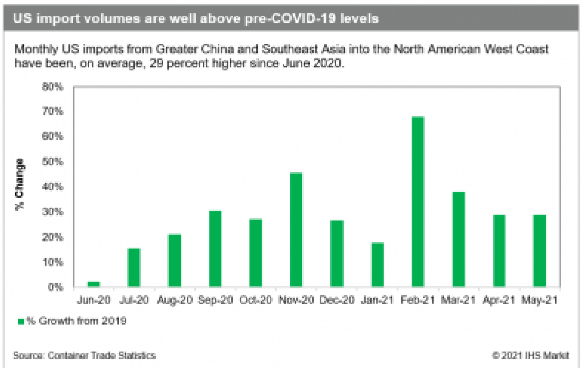
US imports have driven the global container shipping chaos, having grown 10 percent yearly since 2019 while other trades saw moderate gains in comparison. Low inventories, a strong US economy, and shippers not wanting stockouts or depleted shelves make the demand outlook strong until at least early 2022.

Alan Murphy, chief executive of Sea-Intelligence Maritime Analysis, said that the crunch in container ship supply is exclusively the result of North American demand. Since September 2020, North America alone has added about 500,000 TEU of new demand monthly over the same level seen in 2019, Murphy said, citing data from Container Trades Statistics (CTS).

While global container ship demand through May 2021 is flat relative to 2019, North American demand has grown 10 percent on an annualized basis since that time, Murphy said.

“We are not seeing a global demand boom, we are seeing a North American demand boom,” Murphy said during the recent JOC.com Midyear Container Outlook. “That’s really the challenge because we are not used to this kind of growth.”

That growth has been felt most acutely in the trans-Pacific. From June 2020 through May 2021, monthly import TEU from greater China and Southeast Asia into the US West Coast averaged 29 percent higher than the comparable month in 2019, CTS data show.



Click to enlarge.

Much of that growth has come as a result of the COVID-19 pandemic. Consumer spending on durable goods through May 2021 is running 25 percent higher than 2019 on an annualized basis, Murphy said, citing data from the US Bureau of Economic Analysis.

With pandemic stimulus measures such as enhanced unemployment benefits still available to many Americans and the COVID-19 lockdown diverting spending away from services, Murphy said there is no end in sight for growth in North American container ship demand.

“The caricature of someone laying at home on the couch and ordering stuff off Amazon is not entirely incorrect,” Murphy said. “There has been a massive boom in durable goods purchases.”

In the wake of the massive demand spike, Murphy said that US retailers will need to build up inventories to levels well above what they had in 2019.

Many companies are likewise signaling to investors that there appears to be no easing in US consumer demand and that they will have to keep up pressure on ocean carriers to restock depleted stores.

Inventory build to last through 2022

Helen of Troy Limited, which owns a variety of houseware brands, nearly doubled its inventory in the 2021 first fiscal quarter from a year ago. CEO Julien Mininberg said in a statement with the company’s earnings release the move was necessary to “better manage the current period of inflation and global supply chain disruption.”

Michel Vermette, CEO of Armstrong Flooring, said his company is also looking to boost inventory to keep ahead of US consumer demand.

“We increased our safety stock in an effort to combat the considerably longer lead times in the industry, raising sourced goods safety stock from 16 weeks to 28 weeks in many circumstances,” Vermette said during a July 21 earnings call with analysts.

Vermette added Armstrong is also looking to decrease the risk of any supply chain upsets in China and South Korea by sourcing from Vietnam and Malaysia.

American Outdoor Brands ended its fiscal 2021 year with inventories up 23 percent from last year. CFO Andy Fulmer told analysts that inventories would have been higher except “supply chain constraints and port congestion hampered our ability to build inventory to our preferred levels.”

“That said, our team is focused on overcoming these hurdles as we work to build up our inventories in fiscal 2022 in support of new product launches and to increase safety stock levels to mitigate these risks,” Fulmer added.

Canadian National Railway Vice President Keith Reardon said the need for inventory restocking should help drive the railroad’s business through next year.

“When we talk to our customers that are bringing products from overseas into North America, they see this continuing on well into 2022,” Reardon said during a July 20 call with analysts. “I think this is going to be the same volumes all the time, making sure that supply chains are filled.”

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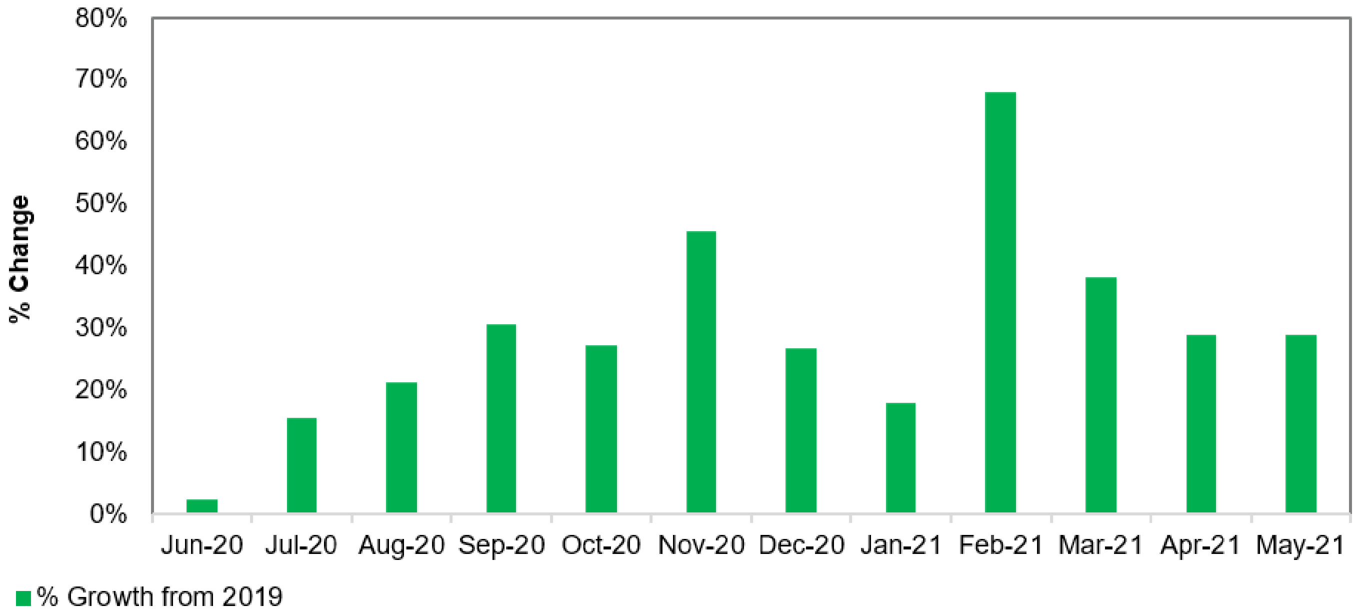
Maritime News › Trade Lanes › Trans-Pacific

US import volumes are well above pre-COVID-19 levels

Monthly US imports from Greater China and Southeast Asia into the North American West Coast have been, on average, 29 percent higher since June 2020.



Source: Container Trade Statistics

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Record Asian imports that began in the spring of 2020 have overwhelmed marine terminals and rail ramps, preventing importers from picking up cargo before their so-called free time runs out. Photo credit: Shutterstock.com.

US rail regulators want the seven Class I railroads to explain their policies and practices for demurrage charges, acknowledging pleas from shippers to intervene as intermodal containers pile up at inland rail ramps and accrue storage fees.

A July 22 letter sent to each of the railroads from US Surface Transportation Board (STB) chairman Martin Oberman came just two days after the Federal Maritime Commission (FMC) told the top nine container lines operating on US trades it will immediately begin auditing how they bill customers for demurrage and detention. US regulators are stepping up their monitoring after the Biden administration on July 9 issued an executive order targeting container shipping and railroads, though the latter was centered around giving more shippers access to more than one railroad.

“Complaints of demurrage have come from shippers, both large and small, in addition to third-party logistics providers. I am particularly troubled about reports that Class I railroads are continuing to impose these charges even in circumstances when the receivers, as a practical matter, have no means to facilitate the release of their containers,” Oberman wrote the railroads. “Under these circumstances, demurrage fails to provide any constructive incentives, and perversely results in massive charges that can exceed the commercial value of the shipment.”

Record Asian imports that began in the spring of 2020 have overwhelmed marine terminals and rail ramps, preventing importers from picking up cargo before their so-called free time runs out, exposing them to demurrage billing. Shippers and consignees face similar issues at inland rail ramps, where they’ve racked up thousands of dollars in charges in some cases.

Like the container lines, railroads argue that they’re doing the best they can to handle the unrelenting volumes. CSX Transportation on a July 21 earnings call talked about efforts to hire 500 employees such as conductors, engineers, and terminal yard workers. A day later, Union Pacific Railroad discussed ongoing coordination with ocean carriers and port officials in Los Angeles and Long Beach to develop solutions to the congestion during its own earnings call.

In recent years, railroads have reduced how much free time containers can stay at the terminal before storage fees kick in, arguing such moves are needed to increase cargo flow for all users. Norfolk Southern Railway tightened free time clocks in May to “Day of Notification” plus 24 hours from “Day of Notification” plus 48 hours at all Tier 1 terminals for ocean containers, and BNSF Logistics Park Chicago will become a Tier 1 terminal on Aug. 2.

BNSF Railway eliminated the industry-standard 5 p.m. cutoff time when determining what is the “Day of Notification,” which tightens the free window for any container made available in the evening.

In a sign of how maxed out the Western rail system feeding the Chicago area has become, Union Pacific Railroad has temporarily suspended service from the coast to its Global IV terminal in Joliet, Illinois, while BNSF is metering cargo to LPC. As a result, terminal operators at the ports of Los Angeles and Long Beach are bracing for an increase in their rail container backlogs.

A regulatory grey area

Intermodal rail in the United States falls into a regulatory grey area. The FMC doesn’t regulate container shipping on rail, and an exemption keeps the STB at arm’s length from regulating containers and trailers on freight car. But shippers have increasingly encouraged the STB to get more involved in regulating intermodal rail transport, as reflected by a group of Memphis importers, exporters, and truckers lobbying the agency in April.

To do so, however, the STB would have to reverse rulings issued in February 1981, September 1981, and June 1987 that provided a full exemption to container-on-flatcar and trailer-on-flatcar loads.

“It is important to underscore that, at this time, the board has not initiated any actions with respect to the existing intermodal exemption,” Oberman wrote in his letter.

Instead, the STB asked the railroads to detail their daily fee schedule and the number of “free days” they provide before charging demurrage. The regulator also wants the railroads to explain any changes to increases or decreases in demurrage and free times expire since January, any caps on fees and when they’ll expire, whether truckers can use their own chassis, and how they are reducing storage fees when factors outside a shipper or consignees’ control, such as severe weather and congestion, prevent them from picking up a container. The railroads are also being asked to provide monthly reports of stored container volumes since July 2020.

“Of particular importance, please describe your policies and practices of assessing storage charges, including the circumstances under which relief can be granted or charges can be excused, and whether charges are imposed even when the receiver is powerless to avoid a delay in retrieving a container,” Oberman wrote.

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