



MARKET INSIGHTS

Global Logistics Update

April 26, 2022



State of Global Trade

Global supply strains that began easing in early 2022 are worsening again due to strong headwinds from the war in Ukraine and COVID outbreaks across China, threatening slower growth and rising inflation across the global economy. The World Trade Organization (WTO) warns that the logistics sector could be operating under less favorable market conditions than previously thought. WTO director general, Ngozi Okonjo-Iweala, also said that “governments and international institutions were failing to act to address the supply chain crises, weighing down international business. With dramatic increases in freight rates diverting shipping capacity towards the most lucrative routes, smaller businesses risk finding themselves locked out of global supply chains.”

In an effort to ease the supply chain crunch, officials in Shanghai have issued new guidelines to normalize production and logistics flows. As of April 18, 666 companies - many in the automotive, semiconductor, electronics, and biopharma sectors - have been permitted to resume operations if the workers are kept in a closed-loop system, with workers living in the factories to reduce the risk of transmission. While some of the factories have resumed operation under the new guidelines, many have only resumed partial operations due to labor shortages and challenges in obtaining raw materials and components needed to maintain production levels.

Beijing’s hardline stance on its zero-tolerance policy continues to create shipping delays, sourcing problems, and increased costs for businesses across North America and Europe as the COVID outbreak spreads across the country. Many manufacturing-heavy cities across the south have reported localized lockdowns, including Ningbo, Zhengzhou, Guangzhou, Kunshan, Nantong, and Zhangjiagang, prompting many factories to suspend production. And many expect Beijing to be next in line for complete lockdown, as the capital city orders mass testing for its 21 million residents after reporting 33 new cases yesterday.

Global manufacturing output has been drastically reduced due to the shortage of Chinese components. Hardest hit are the manufacturing hubs in Japan, Vietnam, Cambodia, and Taiwan, as well as pharmaceutical companies in India, which source 70% of active ingredients from China.

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Eid-ul-Fitr	Bangladesh	April 29 – May 8
Labor Day	China	April 30 – May 4
Labor Day	Brazil, France, Germany, Italy, Malaysia, Mexico, Singapore, Sweden, Taiwan, Thailand, UK, and Vietnam	1-day celebrations vary by country between May 1 and May 3
Hari Raya	Malaysia and Singapore	May 3 - 4
Golden Week	Japan	May 3 - 5
Wesak	Malaysia, Singapore, and Thailand	May 16
Ascension Day	France, Germany, Sweden, and Switzerland	May 26
Memorial Day	U.S.	May 30

*For a complete list of holidays by country, visit our website at www.oceanair.net/helpful-links/holidays/

Global inflation is at the highest level in decades. According to a recent White House report, U.S. inflation is up 8.5%. In a misguided effort to mitigate rising inflation, the Federal Reserve expects to raise interest rates six times over the coming months, with each increase ranging from 0.25% to 0.75%. Across the pond, the general consumer price inflation for G7 countries has soared to 6.3%, the highest since 1982.

The Ukraine conflict and subsequent sanctions on Russia have added to the inflationary pressures, as shortages of raw materials, critical food supplies, and energy sources have resulted in higher commodity, food, and fuel prices, and has increased the operating costs for many industries.

Since the start of the Ukraine war, the value of global trade has fallen 2.8%. In its latest analysis of world trade, The WTO now expects trade volume growth of 3% in 2022, down from its previous forecast of 4.7%, and 3.4% for 2023.



Continued on the next page

State of Global Trade (Cont'd)

The markets are growing increasingly concerned that global economies are heading toward a recession. The cost of living is rising across the globe, while income levels have remained flat. Soaring energy prices and depleted grocery store shelves have prompted protests from Albania to the UK.

The skyrocketing inflation has consumers rethinking purchasing plans. In a recent survey conducted by Bloomberg News, 84% of Americans said they would cut back on spending amid the historic inflation, and some have already been forced to cut back. Indeed, retail sales figures by the published by the Department of Commerce, confirm the cooling demand from the record highs experienced last year, with retail sales in March up a meager 0.5%, most of which was spend on gasoline. Analysts now expect a worsening in trade in the second quarter, with pressures on the global economy likely to drive down commodity prices in the second half of the year.

Announcements

- Sri Lanka has announced the suspension of foreign debt payments to preserve its dollar reserves in order to buy food and energy for its people
 - The government has also requested emergency financial help from the International Monetary Fund after defaulting on \$35.5b in foreign debt
 - The island nation is facing its worse economic crisis since its independence in 1948, largely fueled by the collapse of its mainstay tourism industry and what many are calling “criminal financial mismanagement”
 - Mass anti-government protests have erupted across the country in recent weeks over the government’s handling of the devastating economic crisis, which has led to food and medical shortages, soaring fuel prices, and major prolonged power cuts
 - Faced with growing popular unrest, Gota dissolved his cabinet – made up of family members – earlier this month; 17 new cabinet ministers were sworn in earlier this week
- EXIM Bank approves **‘Make More in America’** Initiative, which will provide American business with new access to capital to fill critical supply chain gaps, such as semiconductors, biotech and biomedical products, renewable energy, and energy storage

- U.S. Customs and Border Protection prepares to enforce the upcoming ban on imports made in Xinjiang, China, which takes effect on June 21
- The cost of merchandise returns is driving eCommerce merchants to the point of “no returns”
 - According to figures published by the National Retail Federation, the return rate in 2021 for online purchases was 20.8%, up from 18.1% in 2020, at an average cost of 21% of the order value
 - The steeply escalating costs are eroding profit margins, forcing retailers to look for solutions to tackle the high cost of returns
 - But many online retailers are reluctant to stop offering free returns for fear that consumers will abandon them for competitors
- Wooden pallet prices soar in Europe, as the war in Ukraine takes its toll on the wood market
 - As many European countries source pallets from Russia and Belarus, 25% of these supplies have been removed from the market due to the sanctions
 - In just a few weeks, the price of a new single pallet has risen from \$7.56 to \$31.33 due to the shortage of wood, which has driven up the cost of the raw material
 - In response to the shortages and growing demand, the price for a used pallet has soared to just over \$15

Requests for Public Comment

- The Surface Transportation Board (STB) is seeking public comment on a **proposed emergency action** to keep rail freight moving, due May 23
 - Issues cited by the STB include:
 - tight rail car supply
 - unfulfilled railcar orders
 - increased dwell time for trains
 - missed switches
 - increased delays
 - ineffective customer assistance



Global business refers to international trade whereas a global business is a company doing business across the world.

Air Freight

Market Expectations, Space, Volume, and Rates

The air freight market remains volatile due to the Russian invasion and the rise in COVID cases across China and Asia. Demand continues to expand across all trades despite the growing challenges, although not as fast as it was in December 2021. After seeing a slight dip in demand from Europe in March, we are now seeing an increase in air freight requests as retailers look to cover inventory stocks for the summer season.

Capacity remains extremely tight out of Asia, but we are seeing more space open up on the North America – Europe tradelanes as governments begin to lift travel restrictions. Unfortunately, this will not add much to overall cargo capacity, as passenger luggage will eat up belly space that for the last two years has been dedicated to freight.

Load factors ex-Shanghai have plummeted to just 49%, the worst load levels ever recorded. While 60% of capacity has dried up over the last few weeks, the biggest factor for the sharp decline is that there is very little cargo being delivered due to road closures and driver restrictions. Air freight diverted from Shanghai Pudong is clogging up other major Chinese airports, including Zhengzhou, Beijing, Guangzhou, and Shenzhen, which have run out of capacity to store cargo and PMC pallets to load export cargo. As a result, airports throughout the region have increased airport storage fees, and many have implemented temporary embargoes for inbound cargo. Zhengzhou Airport (CGO) has been especially hard-hit, given the large amount of cargo that has been diverted there from PVG. Adding to the difficulties, Zhengzhou has now been placed under lockdown, with restrictions placed on trucks and drivers entering the airport. Meanwhile, Hong Kong and Shenzhen have begun to recover from their own COVID outbreaks, and 40% of capacity has been restored.

Cargo airlines are seeing a slump in volumes on re-routed Europe-Asia key tradelanes, which have increased flight times and fuel burn. In addition, the revised flight paths over new countries is causing congestion at key hubs of the Middle East and Turkey into Europe.

Tightening capacity ex-China has led to an increase in air freight rates. Over the last few weeks, rates have stabilized out of Taiwan, Korea, Europe, and the U.S., while rates ex-Vietnam have dropped slightly due to weakening demand.

The sentiment across the air cargo industry is that rates are expected to increase ex-Asia in the near term and remain high for the rest of the year due to surging fuel prices, COVID outbreaks, and Russian sanctions. Of course, slower consumer spending can ultimately drive down air cargo rates; however, rates always fall more slowly than they rise, so shippers may continue to find themselves in the uncomfortable position of paying more to get their goods to a consumer audience whose appetite may be waning.



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RATES

Major Disruptions

- East Coast jet fuel costs have reached record highs in recent days, with spot prices in New York exceeding \$7.30 per gallon on Monday, more than double the seasonal average
 - Russia distillate imports – which include heating oil and jet fuel - to the East Coast have fallen nearly 60% year-on-year amid the energy sanctions
 - Some of the deficit also stems from recent problems in California, where a Chevron refinery and a PBF Energy plant experienced malfunctions with fuel-producing units
- Thousands of flights to/from Shanghai Pudong Airport have been cancelled due to lack of handling manpower
 - Trucking restrictions continue to severely impact freight delivery schedules in Shanghai and the Jiangsu Province, leading to many shipments missing flights
- Hundreds of Alaska Airlines flights cancelled due to strike action by pilots
- Japan Airlines and ANA cancel all flights to Europe until further notice, as it has become too uneconomical to reroute flights to avoid Russian territory

Announcements

- IAG Cargo adds offer a new direct service between Barcelona - Los Angeles
 - The cargo carrier also recently re-instated service between Barcelona - San Francisco and London - Sydney
- UK cargo and charter airline Jota Aviation ceased operations on April 16
- Air Canada Cargo announces new dedicated services from Toronto to Frankfurt, Cologne, Istanbul, and Madrid, beginning in May
- Maersk announces launch of Maersk Air Cargo, based in Denmark, which is expected to be fully operational by 2H'22
- Aerologic launches all-cargo service between Shenzhen, China and Leipzig, Germany
- EU to end exemption for cargo in passenger cabins by July 31



Ocean Freight

Market Expectations, Space, Volume, and Rates

Cargo bookings from China have tanked, with volumes from South China down 33% since the lockdowns began. Disruptions at Shanghai have led to cargoes being diverted to nearby ports, including Ningbo, Qingdao, and Tianjin, but significant reductions in trucking capacity due to COVID-related restrictions have created more challenges for cross-province deliveries. Capacity remains tight on most tradelanes, but we are seeing small pockets open under FAK from some Asian origins.

Schedule reliability continues to deteriorate amid rising port congestion. According to a recent report by FourKites, an estimated 23% - 30% of containerships are tied up at congested ports across the globe. Schedules in South China have been severely impacted by irregular feeder vessels and large barge services, creating severe delays at the ports of Hong Kong and Yantian. The average time to transport goods from factories in Asia to U.S. destinations has jumped to 111 days, more than double the time the trip took in 2019. Average transport times from Asia to Hamburg and Amsterdam, which had already doubled prior to China's lockdown, continue to grow. The current traffic jam off the coast of China is likely to exacerbate global port congestion once the lockdowns are lifted. U.S. West Coast ports are likely to be particularly hard hit, especially if the resurgence coincides with the ILSW contract negotiations, scheduled to begin on May 12. Significant congestion in Europe and the U.S. East Coast is now leading to bi-weekly port omissions.

While carriers have blanked a number of sailings from China, the latest trend data suggests the lines are preferring to skip individual ports rather than blank entire sailings in order to avoid the lengthy delays.

Some indexes show a moderation in the spot market, but rates remain far above pre-COVID levels on all tradelanes. Spot rates on the Transpacific lane are seeing some stabilization, and are currently lower than long-term contracted rates, which have also seen a slight drop. On the backhaul, long-term and spot rates are beginning to equalize after months of significant premiums. On the Asia-North Europe trade, carriers have begun to discount prices to increase bookings, but so far the impact on the rate indices has been minimal. Meanwhile, North European exporters are facing more pain, as spot rates to the U.S. East Coast saw a massive jump this week.

Looking ahead, carriers will likely reduce capacity if demand drops significantly due to prolonged lockdowns in China in order to keep rates from plummeting. Carriers have also dramatically shifted their approach to contracting over the last year, so there is far less fixed-rate and space allocation in play. As a result, the majority of freight will move on variable spot rates at premium levels, creating less predictability for shippers.



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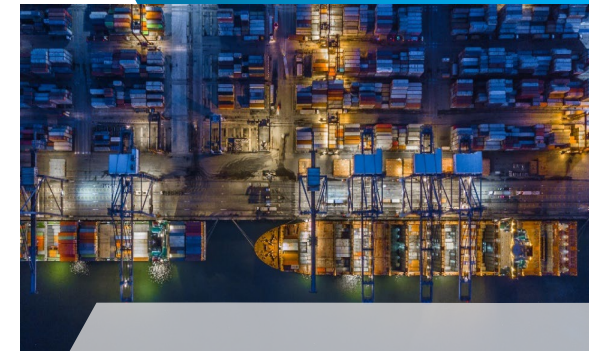
EQUIPMENT



RATES

Major Disruptions

- Congestion levels on the East Coast continue to deteriorate, with many calling it the “next hot spot for congestion”
 - As a result, many importers have shifted from East Coast destinations to the Gulf Coast; however, players in Houston are getting nervous about the rising traffic which has already led to increased congestion
- U.S. West Coast ports of Los Angeles/Long Beach, Oakland, and Tacoma are struggling with severe yard congestion due to the lack of rail cars, equipment, and chassis as well as disruption at rail ramps further inland
- U.S. exporters continue to take a backseat to Chinese imports, as carriers ship more empty containers from Los Angeles/Long Beach than full ones
 - Loaded exports have decreased in 37 of the last 41 months, the lowest level since 2009, representing only 1% of containers moving through Los Angeles
 - OOCL transported 35.1% less exports, while empty containers saw an increase of 104.1%
 - COSCO transported 4% more loaded containers, but also saw a 104.6% increase in empties
 - The export imbalance has also been reported on MSC, Yang Ming, and Hapag Lloyd
- Shanghai Port has reached reefer and dangerous goods capacity, as COVID restrictions decimate trucking capacity
 - Shippers are advised to divert reefer and DG cargo to other ports or markets
- Thousands of Russia-bound containers have piled up in Rotterdam, creating increased port congestion and severely disrupting port operations
- Ship fuel runs low in Northwest Europe – particularly in Amsterdam, Rotterdam, and Antwerp - as the fallout from Russia's invasion of Ukraine continues to upend the oil market, leading to a surge in bunker fuel prices



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Ocean Freight (Cont'd)

Major Disruptions (Cont'd)

- The UK's Dover-Calais route continues to be plagued by capacity issues, following the detainment of P&O Ferries vessels which removed 50% of capacity
 - The disgraced Ro-Ro operator has faced increasing regulatory scrutiny following the sacking of 800 seafarers in order to bring in cheap foreign labor
 - The UK government is holding bilateral discussions with Ireland, France, Spain, the Netherlands, Portugal, and Belgium to agree to new minimum wage levels and working conditions for ferry workers, which will likely drive up ferry costs
- Ongoing issues with the UK custom's Goods Vehicle Movement Service platform, which produces documents required since Brexit, continue to impact the flow of goods
- Chittagong Port in Bangladesh faces severe congestion ahead of the Edi festival, with some vessels already reporting berth wait times of 4 – 5 day
 - Carriers warn the disruptions will get worse over the coming weeks, as trucking operations will cease during the country's largest religious festival of the year
- More and more cargos have been diverted from Sri Lanka as the nation grapples with its worst-ever economic crisis
 - The acute shortage of fuel and infrastructure issues are slowing port operations, adding severe delays for transshipment cargos, and in severe cases have led to shipments missing their scheduled connections
 - So far, the port has remained unscathed by the electricity crunch plaguing the rest nation, but if that crisis finds its way to the port, it will be the country's biggest challenge yet
 - Mainline services are likely to shift to Indian ports, but the smaller Indian ports will likely face difficulty adjusting to the increased capacity deployments

Equipment Shortages

- Port congestion along the U.S. West and East Coasts is driving down the price of shipping containers – by as much as 30%
 - The excess supply of shipping containers due to the disruptions in China is creating severe congestion along both coasts, prompting carriers and container owners to sell off boxes
 - The trend is expected to last for the next few weeks
- A severe shortage of rail equipment at LA/LB has led to increasing container dwell times
 - Terminal handling operations have been severely limited by the congestion, which has led to increased berthing delays
- Severe equipment shortages continue to plague Cambodia, Indonesia, India, Thailand, and Vietnam

Port Congestion

Region	Country/State	Vessel Backlog	Wait Times to Berth	Import Container Dwell Times (Truck & Rail)
North America	Los Angeles / Long Beach	37 ↓	24 - 28 days	12.7 days
	New York / New Jersey	13 ↑	14+ days	13.4 days
	Seattle	1 ↓	4 – 13 days	14+ days
	Oakland	10 ↑	6 - 20 days	
	Houston	15 ↑	13 days	8.8 days
	Savannah	4 ↓	10 - 17 days	10.8 days
	Charleston	13 ↓	17 days	9.8 days
Asia / Oceania	China	506 ↑	3-4 days	8.3 days
	India	↑	*	*
Europe	Felixstowe	* ↑	6 days	*
	Antwerp	* ↑	6 days	*
	Rotterdam	* ↑	10 -12 days	*
	Hamburg	* ↑	10 - 12 days	*

*Data not available.

Blank Sailings / Port Omissions

- Overall, blank sailings have stabilized at 15% - 20% of market capacity
 - On the Transpacific lane, the Alliance has cancelled 36 sailings, while ONE has cancelled 6
 - On the Asia-Europe lane, at least 40% of May sailings have been blanked
 - MSC and Maersk have announced nine additional blank sailings on the Shogun/AE1 loop through July 31
 - Many observers see the blank sailings as a bid to halt the slide in freight rates
- Prolonged delays in Shanghai will likely lead to additional blanked sailings in May
- Many carriers are skipping port calls across Europe due to the severe congestion, often times without notice
 - Many of those cargos are being transhipped overland, adding weeks to transit times

Ocean Freight (Cont'd)

Announcements

- The Port of Savannah has completed the decades-long harbor deepening project, allowing it to serve larger vessels
- Evergreen's containership, the *Ever Forward*, finally refloated after spending 35 days aground in the Chesapeake Bay
 - Evergreen declares General Average, naming Richards Hogg Lindley as the GA adjuster
- Maersk containership *Dyros* arrived in Lazaro Cardenas, Mexico on April 7 after losing 90 boxes when it hit rough seas off the coast of Japan earlier this month
 - The carrier expects recovery and assessment efforts to last at least three weeks
- Maersk, ONE, Hapag Lloyd, MSC, CMA CGM, etc. have suspended bookings for Shanghai-bound reefers and dangerous goods cargo due to insufficient storage space
- The Port of Felixstowe has announced a new Energy Adjustment Fee of \$14.73 on all import containers to offset increased energy costs, sparking outrage from British importers
- The Port of Oakland has completed their reefer plug conversion project, adding an additional 520 decked plugs and 400 wheeled plugs
- U.S. Department of Agriculture announces new incentives for exporters using the pop-up yard at the Port of Oakland
 - Incentives include \$400 per export reefer, \$200 per dry containers, and a \$125 incentive to put up an empty container to be used for an agricultural booking

FMC Raises the Alarm on China's Equipment Monopoly

At a recent meeting hosted by the Intermodal Association of North America, the Federal Maritime Commissioner Carl Bentzel told attendees "that China's 'near de facto worldwide monopoly' of intermodal equipment manufacturing should be deeply concerning."

After a year-long investigation, Bentzel determined that:

- The three largest Chinese manufacturers control over 86% of the world's supply of chassis and produce over 95% of the world's supply of shipping containers
- These equipment manufacturers were notably slow in ramping up production when demand for containers increased, raising the question of whether this was part of a deliberate strategy to manipulate prices

- The Department of Commerce has determined that Chinese container and chassis manufacturers are state owned and controlled and receive large government subsidies
- The limited flow of equipment was, in part, caused by Beijing's manipulation of the market to support China's reach into overseas markets while suppressing other trade markets in Asia, the U.S., and Europe that compete with Chinese exports

In a follow-up interview with FreightWaves, Bentzel said "Chinese container manufacturing clearly took steps together to suppress the market prior to the pandemic. Those efforts resulted in part to the congestion issues and increases in containerized prices and magnified the issues created by congestion down the line. So, they used their market power to control the market. The question is can they use their level of control adversely in other areas?"

Port Call / Rotation Changes

- MSC resumes service to Seattle on the Eagle loop; revises port rotation
 - Kaohsiung – Xiamen – Yantian – Ningbo – Shanghai – Busan – Vancouver – Seattle – Yokohama – Busan
- Maersk reinstates service to Felixstowe on the AE7/Condo loop after port conditions improve
- The Ocean Alliance launches new Asia-U.S. East Coast service, beginning in May, which will be operations by CMA CGM (CBX), Cosco (AWE7), and OOCL (ECC3)
 - Yantian – Ningbo – Shanghai – Busan – Norfolk – Savannah – Charleston – Miami
- Hapag Lloyd launches new Turkey-U.S. East Coast service (TEX), beginning mid-May
 - Izmit - Aliaga - Mersin – Tangier - New York – Norfolk – Savannah
- Hapag Lloyd launches new service from the Mediterranean to South America's west coast, beginning in early May
 - Valencia - Livorno - Genoa - Barcelona - Caucedo - Cartagena - Paita - Posorja - Buenaventura - Puerto Limon - Tangier - Malaga



Did You Know?

Sandler, Travis, & Rosenberg announces new service to help shippers file complaints with the FMC over skyrocketing freight costs and damaging service delays.



Trucking

Market Expectations, Space, Volume, and Rates

U.S.

Demand continues to drop, creating more capacity than we have seen since January 2021. National tender rejections have taken a nose-dive, bucking normal season trends. Average tender rejection rates are down 11% year-over-year, with dry van and reefer volumes seeing the steepest decline.

Overall, national spot rates – inclusive of fuel surcharges - have stabilized after a history-making 2021. Of the 102 lanes covered by Truckstop.com, only 17 reported weekly increases, including the Denver to Los Angeles lane, which is now the highest it's been in the past six months, Norfolk, Miami, Jacksonville, and Los Angeles.

While it remains a possibility that the market is returning to normal seasonality, many experts fear that high inflation and weakening consumer demand will lead to a recession for the trucking sector.

China

Demand remains high, but capacity has been severely reduced – by up to 80% - due to COVID-related restrictions, leading to long queues and disruptions to deliveries at the ports and airports. Trucks have been prevented from moving in and out of Shanghai without a permit, which is only valid for 24 hours and only on specific routes, and many drivers are unwilling to enter the city over fears of being quarantined.

Rerouting freight to other gateways is becoming increasingly difficult as drivers from high- and medium-risk areas are banned from transporting cargo to low-risk areas. In addition, cargo will be refused if the driver has been to a medium- or high-risk area in the last 14 days or if the factory is located in a medium- or high-risk area.

Shippers who are lucky enough to be able to secure trucking capacity amid the severe shortage will find that trucking rates have skyrocketed to historically high levels.



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RATES

Europe

Fuel prices have surged in the last few weeks, and carriers have either adjusted their rates or implemented fuel emergency surcharges.

Customs officials in the UK are working to resolve the IT issues that have created long delays for shipments trying to cross the Channel. In addition, transportation to and from France is experiencing heavy delays due to the suspension of services by P&O Ferries.

Major Disruptions

- The New York / New Jersey area has reported a shortage of truckers handling hazardous cargo; shippers are advised to secure DG transport at least one month in advance
- Texas governor rescinds order requiring additional inspections for Mexican truckers amid backlash and fears of economic losses
 - Cross-border markets suffered severe contraction in outbound volumes last week as truckers blocked key border crossing south of the Texas border in protest of the order
- The closure of major highways in Shanghai and surrounding regions continues to impact container drayage operations, delaying pickups and deliveries
- In the UK, the suspension of P&O Ferries after the company sacked 800 seafarers continues to impact cross-Channel trade
 - The unacceptable actions by the Ro-Ro operator have resulted in its vessels being detained - removing 50% of capacity - causing huge cargo backlogs, traffic jams stretching more than 18 miles, and large losses of perishable goods
 - The loss of capacity has been further exacerbated this week by heavy Easter holiday traffic, inclement weather, and technical problems with a customs website, which provided documentation required since Brexit



Trucking (Cont'd)

Equipment Shortages

Limited equipment availability continues to be a major challenge for the trucking industry. The global chip shortage, which has worsened since Chinese manufacturers were forced to shut down, have impacted new vehicle availability. The lockdowns have also impacted the delivery of new chassis and chassis providers have exhausted all efforts to deploy fleets.

U.S. Chassis Availability

Port	20' Chassis	40' Chassis
Chicago	Constrained	Critical
Charleston	Critical	Critical
Houston	Critical	Critical
New York / New Jersey	Critical	Critical
Oakland	Critical	Constrained
Seattle / Tacoma	Constrained	Critical
Los Angeles / Long Beach	Critical	Critical

Truck Driver Shortage

- According to a recent report by *Business Insider*, there really isn't a [shortage of truck drivers](#) - drivers just don't want to work for mega carriers or handle long-haul freight anymore
 - There were roughly 1.53 million drivers in the U.S. in January, up .9% from the prior two years
 - Some drivers have accused the mega carriers of treated their drivers badly and not paying them for the hours spent waiting at the ports or shipping/receiving bays
 - As a result, many drivers have either become owner operators, started working for smaller carriers, or moved to short-haul freight to escape the pressures of life on the road

Announcements

- New EU mandate will improve existing truck stops; but more facilities are desperately needed
 - The new legislation sets minimum levels of service, including internet connections, emergency contact points and procedures, food and beverage provision, gender-friendly facilities, and power supply
 - Rest stops will be certified under a new Platinum, Gold, Silver, or Bronze standard
 - While the move has received support from trucking associations, many drivers say the rules don't do enough to ensure safe, secure, and clean parking facilities across the EU
 - The severe lack of facilities across not only the EU and the UK has played a "substantial role" in the dwindling numbers of drivers across the sector
- Georgia declares supply chain state of emergency, effective through May 16
 - The [executive order](#) bans price gouging on goods and services, including diesel fuel and gasoline, and removes hours of service limitations placed upon commercial truck drive



Rail

Market Expectations, Space, Volume, and Rates

U.S.

Overall rail traffic in both the carload and intermodal categories remains below 2021 levels as service reliability continues to deteriorate. Total carload volumes for the week ending April 16 fell 6.8% compared to the same period in 2021, while intermodal volumes dropped 9.2%. Two commodity groups – chemicals and coal – posted an increase in traffic, while grain and metal volumes plummeted by double digits.

The rail industry continues to be plagued by subpar service, lengthy delays, theft, and goods damaged during transport, leaving many shippers to look for alternative solutions. At a recent meeting of the North East Association of Rail Shippers, executives for three Class I railroads tried to persuade rail customers that they are working hard to improve service, but the Surface Transportation Board (STB) and the Secretary of Transportation didn't appear to be convinced. Indeed, the metrics speak for themselves. Terminal dwell times for rail cars have increased dramatically year-over-year and average train speeds, the metric showing the length of time it takes for freight to move between terminals, have dropped significantly compared to 2021.

Many industry experts and regulators say they believe the root of the problem stems from efforts by the railroads to lower operating costs and satisfy their shareholders at the expense of their customers. Over the last six years, the railroads have collectively cut nearly one-third of their workforce, or 45,000 employees. The railways also sold off much of their equipment (i.e., rail cars and locomotives) and other assets due to uncertainty over the COVID-19 pandemic, which have led to the shortages experienced today. All the while, the railways continued to boast record profits, with Q1'22 revenues soaring 17% - a number well above Wall Street's expectations.

Customer complaints to regulatory boards have skyrocketed in recent months, while rail unions and congressional leaders have raised concerns about the legitimacy of Class I railroads' attendance policies. In response, the STB will hold a public hearing in Washington on April 26 and 27 to address service concerns.

High demand for railcars has kept premium rates at historically high levels, with increased fuel surcharges also pressuring rates. Even if they can avoid serious disruption, shippers face the prospect of continued elevated pricing levels, which are expected to remain high until the congestion has been alleviated.



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RATES

Asia - Europe

Demand for China-Europe rail freight has plummeted due to uncertainty in the market caused by Russia's invasion of Ukraine and the lockdown-related supply chain disruptions in China. Rail volumes on this lane have decreased 80% since the beginning of the year. While the northern corridor is still open, a growing number of European logistics companies have suspended service offerings on this route. As a result, small volumes have switched to the middle corridor, but the lack of investment in capacity and multimodal capabilities will likely make this route too slow and expensive. Market sentiment is that the Silk Road could take years to recover, with the bulk of rail volumes shifting back to containership.

UK shippers are bracing for "the biggest rail strike in modern history." Some 40,000 National Rail workers are set to vote on a strike action on May 24 in response to pay freezes and the threat of 50% reduction in maintenance staff. If approved, the strike could begin by June and will affect all rail operations for both passenger and freight.

Major Disruptions

- Severe congestion in Chicago, caused by a shortage of chassis, is causing ripple effects at interior rail ramps, creating more disruptions and delays for shippers
 - Nearly 1,000 boxes are stranded near Dallas, with reports of some shippers waiting more than a month for their cargo
 - Extended delays have also been observed in Columbus, Jacksonville, Charleston, and Baltimore
- Thousands of railcars are stuck at Ukraine's border with Poland
 - Efforts to find alternative export routes by land from Kyiv have been hampered by red tape and logistical challenges
 - It is expected to take weeks to clear the backlogs



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Rail / Intermodal (Cont'd)

Major Disruptions (Cont'd)

- West Coast ports are struggling with severe yard congestion due to increased container dwell times, as Union Pacific and BNSF fail to bring in enough rail cars and trains to meet demand
 - Many observers have accused the rail companies of being reluctant to move equipment to the coast in order to profit off the congestion and decreased capacity
 - Last week, 16,000 containers were waiting to be loaded onto trains, twice the number stuck there at the height of last year's congestion, prompting port officials to encourage shippers to divert more shipments from rail to truck
 - The severe congestion has led to decreased terminal handling efficiency and increased berthing times for containerships
- The U.S agricultural sector has been especially hard by the broken railway supply chain, despite declining rail traffic
 - Unfulfilled rail car orders for this sector alone are up 47%
 - BNSF reported the largest disruption, followed by Union Pacific, **who has declared force majeure on all agricultural shipments**
 - The disruptions, which have been a constant problem since the pandemic began, have reached the breaking point and will likely lead to empty shelves at the grocery stores
 - Flour, grain, and feed mills waiting on deliveries have been forced to suspend operations
 - Livestock and poultry farmers will likely be forced to cull herds as feed stocks dry up
 - Farmers waiting for fertilizer shipments are anticipating lower crop yields



Equipment Shortages

- Chassis shortages continue to plague the industry, particularly at major rail hubs
 - Container lines and terminals have repeatedly blamed importers for holding on to boxes longer than normal due to the lack of warehouse capacity and have used the excuse to justify the huge detention and demurrage charges they have imposed
- Severe shortages of rail cars continue to compound shipping delays
 - In the early days of the pandemic, railways made the decision to liquidate most of their assets, leaving huge gaps in their ability to fulfil orders
- The lockdowns in China have further restricted railroad capacity, as the factories that produce chassis, containers, rail cars, and locomotives were forced to suspend operations

Announcements

- Union Pacific and BNSF are urging agricultural customers to cut the number of cars they are shipping by 80% to reduce congestion along the rail network - or face strict quotas that will remove 15,000 cars from the current inventory
 - **Noncompliance with the quota will result in an immediate embargo by the railroads!**
- The Surface Transportation Board will hold a [public hearing](#) on April 26 – 27 in Washington, DC to discuss deteriorating rail freight services
 - Given the serious nature of the service issues, the STB invites rail customers, labor unions, and other interested parties to report on current service issues and impacts on business
 - The STB will also hear testimony by the Class I railroads on recovery efforts and actions they will take to fix the inconsistent and unreliable service levels
 - The hearing will be available for viewing on the STB's website, beginning at 9:30 am EDT each day
- The Surface Transportation Board approves sale of North Billerica, MA-based railroad carrier Pan Am by CXS

Customers speak out on the devastating impacts of the subpar rail service



CF Industries

UP Curtails Fertilizer Shipments
Delaying deliveries and preventing new rail orders from being taken.



Sweetener Users Association

Sweetener Buyers Sour on Railroads
Are railroads to blame for price increases in tasty treats?





Thank You

Please note the information contained in this publications is compiled from a variety of sources - including trade publications, local media outlets, federal agencies, and partner agents - and is based upon information available at the time of writing. This information is provided to our valued clients for informational purposes only, and we do not accept liability or responsibility for reliance on the information contained herein.

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