



# MARKET INSIGHTS

Global Logistics Update

January 20, 2022



# State of Global Trade

## Market Expectations, Space, Volume, and Rates

2022 is already shaping up to be another very challenging year across all modes of transport, with many of the same issues we experienced in 2021 – bare shelves, quarantines, lockdowns, labor shortages, and socially distanced workforces. Supply chain issues continue across all modes of transport, and efforts to solve them on seem to drive up demand. Rates will continue to escalate across all modes, with carriers controlling capacity and exercising leverage like never before. Supply chains will also continue to experience unprecedented delays due to ongoing global port congestion, which will not ease up until demand wanes.

But unlike 2021, 2022 will bring its own set of unique challenges. Rising inflation - the hottest since the Regan Administration in 1982 - will likely affect consumer spending, because it erodes the purchasing power of the dollar, making everything from milk to cars more expensive. Input expenses are also soaring. Geopolitical tensions between China and Taiwan could have wide global implications, and any overt military action by China would likely lead to sanctions and a reduction in the flow of goods. Tensions with Russia are also rising high over the Ukraine. Other key issues to watch include the effects of Chinese real-estate developer Evergrande and cryptocurrency on the financial markets and vaccine mandates on the transportation sector.

COVID-19 outbreaks in China are likely to lead to more supply chain disruptions. We are already seeing production slow downs and increasing supply chain bottlenecks, and many worry that another round of lockdowns would see manufacturing and production stoppages, cancelled sailings and flights, and more severe equipment shortages. Many factories and production facilities will stay open over the New Year holiday due to travel restrictions.

Businesses are urged to forecast early and often and to invest in growing inventory levels to ensure they have products and components in stock.

## Upcoming Holidays / Events

Holiday / Event	Date(s) Observed
Chinese New Year	January 21 – February 6
Beijing Winter Olympics	February 4 – February 20
Presidents Day	February 21
Carnival (Brazil)	February 28 - March 1

## Major Disruptions

- China’s zero-tolerance COVID policy threatens to disrupt global supply chains
  - COVID-19 outbreaks in Xi’an, Ningbo, Tianjin, Shenzhen, and Dalian have sparked local lockdowns and mass testing requirements
  - Shippers should expect ocean and air freight delays until testing is complete
  - The short-term risk to supply chains is the availability of goods, as the lockdowns are likely to result in production stoppages, processing delays, and shipping disruptions
  - It is likely that tougher restrictions will be enforced soon to curb the spread of the virus, which will have a knock-on effect on logistics and factories
- India’s garment and leather goods exporters are facing a shortage of workers due to rising COVID cases, threatening to delay exports
- Another wave of COVID-19 is threatening supply chains across Australia, and local media has reported bare supermarket shelves across the country
  - No part of the logistics chain has been unaffected by staffing shortages due to infections and isolation requirements, which is likely to get worse as the surge continues

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# State of Global Trade (Cont'd)

## Major Disruptions (Cont'd)

- The UK's new border IT system, the Goods Vehicle Movement Service (GVMS), crashed on January 1, its first day of use, causing chaos for the country's supply chain
  - The system was released on Dec. 29, leaving virtually no time for importers to get used to and test the new system
  - Confusing and conflicting instructions issued by UK customs for the new system also added to the chaos, with many data entry mistakes resulting in rejected shipments
  - It is expected to take three-four weeks to resolve the issues

## Proposed Legislation

- On January 18, the House of Representatives introduced a new bill to remove tariff and formal entry requirements on the Section 321 *de minimis* provisions that helped to fuel the boom of eCommerce
  - The explosion of eCommerce has meant more goods entering the U.S. that do not pay duties, taxes, and fees and provide less data to Customs, raising concerns that these shipments are being used to:
    - avoid Section 301 tariffs
    - give imports a “significant competitive advantage” over American goods
    - reduce the ability to verify compliance with import laws
  - The proposed bill, called the Import Security and Fairness Act ([H.R. 6412](#)), would:
    - Prohibit the use of *de minimis* on goods from non-market economies and that appear on the USTR's IRP Priority Watch List
      - Only China currently meets both criteria
    - Reduce *de minimis* from \$800 to \$7 (in line with China's *de minimis* levels)
    - Designate eCommerce shippers as the Importer of Record (IOR)
    - Prohibit the use of *de minimis* on goods subject to Section 321 and Section 301 tariffs or other trade enforcement actions
    - Prohibit the use of *de minimis* on goods covered by a single order or contract that are forwarded to the U.S. from a distribution or processing facility in a foreign country
    - Prohibit the use of *de minimis* by importers that have been suspended or debarred

## Announcements

- U.S. bans the import of all goods connected at any point in the supply chain to China's Xinjiang region (Uyghur Forced Labor Prevention Act), effective June 21, 2022
  - The new law also applies to products made elsewhere that source materials from Xinjiang or specific entities associated with forced labor in China
- U.S. modifies the Harmonized Tariff Schedule (HTS) to conform to WCO updates, modifies the free trade agreement with Israel, and terminates the trade preference status of some countries
  - Modifies a range of products under [HTSUS 2022](#), effective January 27
  - Terminates Ethiopia', Guinea', and Mali's designation as beneficiaries of the sub-Saharan African countries under the African Growth Opportunity Act, effective January 1
  - Extends the FTA with Israel on specified quantities of certain agricultural products, through December 31, 2022
- UPS announces new domestic air and ground fuel surcharges, effective January 3
- UPS announces new delivery surcharges, effective January 16
- CBP warns against phone scams where callers pose as U.S. Border Patrol agents or CBP officers
  - Some callers say “a box of drugs and money being shipped has your name on it and has been intercepted” while others claim “there is a warrant out for your arrest”
  - In all cases, recipients of the unsolicited calls are instructed to providing banking/bitcoin information or personal information, such as social security numbers or dates of birth
  - As a reminder, neither DHS or CBP solicits money over the phone, nor do they use Bitcoin, digital currency, or gift cards
  - If such calls are received, make a note of the number and any pertinent details, hang up immediately, and report the incident to both your local police depart and the Federal Trade Commissioner at [www.reportfraud.ftc.gov](http://www.reportfraud.ftc.gov)

## Requests for Public Comments

- The Forced Labor Enforcement Task Force is seeking comments from companies impacted by the Uyghur Forced Labor Prevention Act (due April 7, 2022)
- The EXIM Bank of the U.S. is seeking [public comment](#) on the proposed expansion of its financing programs to support the establishment and/or expansion of U.S. manufacturing facilities and infrastructure projects that would facilitate U.S. exports (due January 20, 2022)



# Air Freight

## Market Expectations, Space, Volume, and Rates

We continue to see significant volumes as demand for air freight grows ahead of Chinese New Year. Demand continues to outpace available capacity as thousands of passenger flight cancellations across the globe significantly reduce capacity. Airlines have also started utilizing smaller aircraft, such as 787s, A350s, and A321s, which have significantly less cargo capacity than the 747s and 777-300ERs typically used pre-pandemic. While some industry experts anticipate the grounded widebodies will be converted to freighters, the process will take time. Capacity will further be limited due to Beijing's ban on cargo in passenger cabins, which went into effect on January 1.

Global schedule reliability continues to be low, with all major carriers experiencing a decline. COVID outbreaks at transit hubs and associated flight cancellations continues to impact schedule reliability. Congestion levels at major airports slightly improved at the beginning of the year but are expected to worsen due to increasing .

Over the next eight weeks, we expect to see significant disruption out of China as Beijing restricts travel and limits charter approvals during the Winter Olympics. We also expect to see increased passenger travel restrictions due to the zero-tolerance COVID policy. China's zero-tolerance policy is also leading to the withdrawal of landing permits from airlines from the U.S. and Europe.

Air freight rates out of China to the U.S. and Europe continue to increase, and pricing remains heavily focused on the spot and charter markets due to China's zero-tolerance policy. The collapse of the air logistics chain in Hong Kong has seen rates skyrocket by 30%-40%, and costs are likely to surge further over the coming weeks due to substantial reductions in long-haul cargo capacity through March. Rates from some Asian markets are also rising, while others are seeing slight declines due to soft market conditions.

Industry experts predict the situation will remain challenging throughout the first half of 2022, as high costs and choke points continue to stress the airlines' response times. International capacity on passenger airlines is expected to constrict in the coming weeks, especially with new COVID-19 outbreaks holding back flight schedules. These factors will continue to support the persistently elevated air freight rates. Increasing port congestion in Los Angeles and New York is also likely to drive another uptick in airfreight.



CAPACITY



EQUIPMENT



RATES

## Major Disruptions

- Verizon and AT&T to postpone the January 19 5G rollout near some airports after airlines warned the service would interfere with aircraft technology and cause air traffic operations across the country to grind to a halt
  - The airlines claim 5G will disrupt signals to several systems aircraft rely on, including radar flight altimeters, at 50 major U.S. airports that are within 2-miles of 5G towers
  - The agreement to delay 5G deployment around runways at key airports will avoid potentially devastating disruptions to cargo operations, while allowing more than 90% of wireless tower deployments across the country to continue as scheduled
- China bans all flights in and out of the country over Chinese New Year amid fears of COVID-19
- Space ex-Hong Kong to all destinations is extremely tight due to the large number of passenger flight cancellations; severe backlogs continue to worsen
- British Airways cancels over 2,000 domestic and long-haul flights over the next four months due to staffing shortages and suspends all flights to Bangkok until October 2022
- Thailand cancels all passenger flights; freight and charter flights are still available
- Cathay Pacific to resume 20% of long-haul services, mostly on all-cargo aircraft, on January 21 after a weeks' long suspension of services due to Hong Kong's aggressive quarantine measures
- Labor shortages due to COVID-19 continue to impact flight and ground crews globally

## Announcements

- Qatar Airways has filed legal proceedings against Airbus over unresolved problems with paint on the A350 that "accelerates surface degradation" and "adversely impacts" the integrity of aircraft
  - Lufthansa, Cathay Pacific, Air France, and Finnair also complained about the issues
  - Airbus and the European Aviation Safety Agency claim to have thoroughly assessed surface paint findings and determined there is "no airworthiness impact on the A350 fleet"



# Ocean Freight

## Market Expectations, Space, Volume, and Rates

Import volumes are at an all time high in the lead up to Chinese New Year. Schedule disruptions, chronic port congestions, and the large number of blank sailings are severely impacting the space available on ships. The imbalance between supply and demand continues to widen, with 15% of vessel and equipment capacity constrained by lingering landside bottlenecks that are keeping vessels waiting outside ports longer. The one bright spot is that carriers are not planning to remove much capacity over CNY.

Severe equipment shortages continue to hinder the delivery of goods, especially reefer containers which are in short supply across the globe. Additionally, perishables shippers are finding it harder to secure space as shipping lines are prioritizing higher priced dry goods shipments.

Average transit times for imports on the Transpacific lane have risen to an average of 30+ days, more than double pre-COVID levels, and they are still increasing. Total transit times from factory to final destination are averaging an astonishing 80 days! Schedule reliability continues to deteriorate across all lanes due to severe port congestion, growing backlogs and equipment shortages at origin, and rollovers at transshipment hubs. All of the major carriers are experiencing a decline in schedule reliability, with only Maersk and Hamburg Sud scoring above 40% reliability.

In China, many shippers are shifting volumes to heavily congested Shanghai and Xiamen to avoid landside delays at Ningbo caused by the strict COVID-19 control policies, which are making it extremely difficult to bring containers in or out of the port. Some factories and warehouses have even halted the pickup and delivery of cargo due to delays caused by the restrictive rules. The additional pressure is likely to impact rates, capacity, and delivery schedules.

Transpacific and North European spot rates rose for a fourth straight week, with many carriers only accepting bookings at premium rates. Some carriers are reportedly only releasing bookings to shippers who select the carrier's full package – ocean freight, warehousing, and trucking or rail service to inland point of delivery – an idea that many shippers are rejecting because if the carriers control all aspects of the supply chain, they will be able to set whatever rates they want, and shippers will be left with no choice but to pay them.

Spot rates are expected to remain at current levels over the coming months as low inventory levels will keep demand strong and rates elevated. While we are starting to see some rate reductions in the spot market post-CNY, any additional slowdown from COVID will likely exacerbate congestion and backlogs and will keep pressure on rates. Industry experts anticipate that premium surcharges are likely to continue through at least the first half of 2022.



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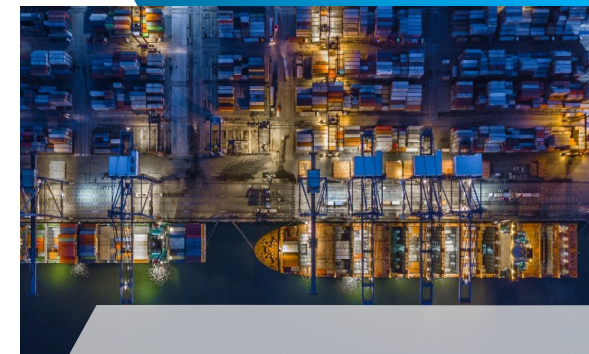
EQUIPMENT



RATES

## Major Disruptions

- ONE has reported that its vessel, the Madrid Bridge (EC4 service), suffered a container collapse on its way to New York
  - It is estimated that approx. 60 containers were lost overboard, and 80 others were damaged
  - The vessel has been diverted to Charleston (ETA January 21) for a detailed assessment of the vessel's condition and to discharge affected containers
  - Even though General Average has not been declared yet, it could be weeks before BCOs will have access to any of the containers, even if their cargo was not damaged
- COVID-19
  - COVID outbreaks in Ningbo, Tianjin, Shenzhen, and Dalian threatens to disrupt logistics and supply chain operations
    - Vessel calls and departures at the four ports are currently operating at normal levels, but many experts fear the strict policy will lead to delays or changes to carrier vessel rotations over the coming weeks
    - LCL shipments have been severely affected by the lockdown measures that have shuttered some container freight stations
    - Feeder services have been suspended and feeder capacity is severely limited
    - Backlogs have been reported and are expected to worsen as the lockdown has impacted manufacturing and trucking
  - A COVID outbreak is spreading among port workers in Los Angeles, Long Beach, New York, and New Jersey and will slow operations at the ports which are already struggling with backlogs and congestion
  - A new wave of COVID infections in Australia has led to a massive labor shortage across the entire logistics sector, from dockworkers to truck drivers and warehouse staff, significantly delaying the movement of containers through the country's supply chain



# Ocean Freight (Cont'd)

## Major Disruptions (Cont'd)

- While the crew change crisis that prevented seafarers from getting home at the end of their contracts has eased, shipowners can't entice crew members back
  - 29% of Western Shipping Pte's 1,000 seafarers will not sign new contracts, and 5% of Anglo-Easter Univan Group's 30,000 seafarers indicated they are not interested in returning
  - Many of the seafarers refusing new contracts are senior crew members and officers
  - The staff shortage is likely to worsen as shipowners request only vaccinated crews
    - Less than 30% of seafarers from India and the Philippines have been vaccinated
- More than 100,000 empty shipping containers are clogging up the Ports of Los Angeles and Long Beach, leading to increased port congestion and hampering the flow of goods

## Announcements

- The FMC has updated its [policies](#) to make it easier for shippers to file complaints against carriers over unfair and unreasonable business practices that result in operational or financial harm
  - Protects private parties from potentially unlawful conduct by carriers by allowing trade and shipper's associations to file complaints on their behalf
  - Removes the financial burden on parties who bring unsuccessful complaints by not automatically requiring the payment of the other party's attorney fees
  - Prohibits carriers from retaliating against shippers for filing a complaint or patronizing another carrier (e.g., refusing shipments when space is available)
- The FMC is also auditing practices of [nine major container](#) lines to determine if they are taking advantage of tight market conditions to overcharge shippers with D&D charges
- Los Angeles has announced plans to begin charging ocean carriers for long dwelling **empty** containers, effective January 30
  - Ocean carriers will be charged \$100 for each empty container dwelling for nine days, and the fee will increase by \$100 increments daily until the container leaves the terminal
  - Many trucking associations fear the new fee could prompt liners to adopt more restrictive stances on accepting empty boxes, which would further exacerbate the problems
- The Ports of Los Angeles and Long Beach postpone the excess container dwell fee on import shipments (again) until January 17
- The Port of Oakland plans to open an empty container yard to help agricultural exporters in March
- Ghana to fine vessels entering the country that have unvaccinated crew; upon payment of the fine, the local health authority will provide the J&J shot to all unvaccinated personnel
- ONE and ZIM imposed GRI increases on January 1

## Port Congestion

Region	Country/State	Vessel Backlog	Wait Times to Berth	Average Unload Times
North America	Los Angeles / Long Beach	106	28-45 days	Six days
	New York / New Jersey	12	4.75 days	
	Seattle	5	10 days	
	Oakland	14	6 days	
	Houston	3		
	Savannah	8	2 days	
	Charleston	8	5 days	
Asia	Shanghai and Ningbo	120		
	Sydney and Melbourne		2-9 days	
	India		1 month+	
Europe	Felixstowe		7-10 days	
	Antwerp	50	2-4 days	
	Rotterdam		1-2 days	

## Equipment Shortages

- The mismatch in the global shipping container market is far from over – while containers are moving at record speeds in and out of China, congestion in U.S., European, and South African ports continues to hinder the return of boxes to Asia
  - Cambodia, Indonesia, Sri Lanka, Thailand, and Vietnam continue to be impacted the most
- The chassis shortage continues to grow, with many taken out of circulation due to port and carrier policy restrictions on the return of empty containers
- Severe shortages of reefer containers across the globe are creating nightmares for perishable shippers and their import partners



# Ocean Freight (Cont'd)

## Port Call / Rotation Changes

- MSC has announced a number of service adjustments due to scheduling challenges amid chronic port congestion
  - Santana will add Houston to its East Coast rotation
  - Mustang will add Portland, OR to its Pacific northwest rotation
  - Chinook will add Qingdao to its rotation after Shanghai
  - Effective mid-January, the Asia-East Coast services “America” and “Liberty” have been revised as follows:
    - America: Hong Kong-Nansha-Yantian-Vung Tau-Singapore-Savannah-Miami-Freeport-Tanjung Pelepas
    - Liberty: Vung Tau-Yantian-Panama-Charleston-New York-Tanjung Pelepas
- Maersk has dropped Felixstowe from the AE1/Shogun loop; cargoes will be consolidated on the AE55/Griffin service
- Wan Hai Lines will adjust two of its West Coast services effective mid-January
  - AA1 service will drop Los Angeles and add Oakland and Qingdao
  - AA2 service will temporarily drop Long Beach and add Oakland and Seattle

## Blank Sailings / Vessel Omissions

- Carriers continue to blank sailings from China, Indonesia, India, and Sri Lanka in order to avoid global port congestion
  - 44 blank sailings have been removed from circulation between weeks 2 and 5
- Space remains extremely tight out of Sri Lanka to all destinations due to continued vessel omissions

## Contract Negotiations

**Contracted shipping rates will be higher than ever before in 2022.**

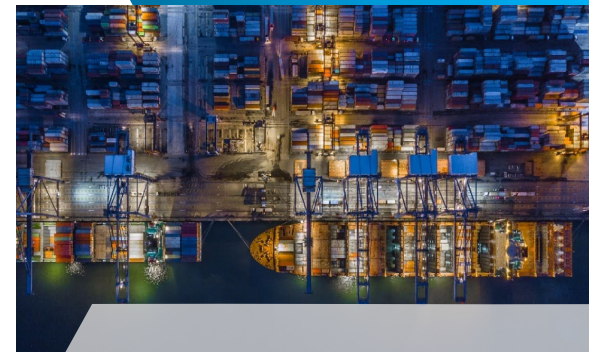
The strong position held by carriers in long-term contract negotiations will lead to higher contracted rates in 2022, even if spot rates soften. Early negotiations are showing contracted freight rates surge sharply, with the latest data from Xeneta showing rates from Asia to the U.S. up 122% over 2020 levels. Long-term backhaul rates are also seeing sharp increases, up 12% over the same period.

Some carriers are also pushing multi-year contracts to lock in the high rates or pushing their full package of services beyond just ocean freight.

Last year’s surge has left some carriers, like Hapag-Lloyd, reluctant to engage in long-term deals and are instead pushing customers to the spot market, an indication that we are likely to see more fluctuation in spot rates.

## Possible Upcoming Supply Chain Disruptions

- Upcoming labor contract negotiations between the cargo lines and U.S. West Coast International Longshore and Warehouse Union (ILWU)
  - Many industry experts, including S&P Global, fear there is “little hope that a suitable contract will be struck in time to avoid operational slowdowns, especially after ILWU President Willie Adamas rejected a one-year contract extension in November
  - One of the main sticking points is the employer’s demand for increased port automation to keep up with the more efficient Asia and European ports, which the union is likely to resist for fear of losing jobs
  - Fearing a repeat of the 2015 contract negotiations - which resulted in work slowdowns and employer retaliation that snarled West Coast ports for several months (and ultimately required federal intervention) – many shippers have started diverting cargoes to ports on the East Coast and Gulf of Mexico, while others have increased orders to avoid being caught short in the event of further supply chain disruptions



# Domestic Trucking

## Market Expectations, Space, Volume, and Rates

Volumes continue to remain high on the West Coast and Texas, as the record backlog of vessels off the ports and the clogged rail systems have forced even more imports into the truckload market. Tight capacity in these markets is keeping rates near-record levels. Northeast and Southeast markets continue to experience more traditional levels. Rejection rates edged down slightly but are still more than 20% higher than they were 18 months ago. The reefer market continues to be extremely tight, with tender rejection rates hovering at 40%. Driver shortages and extended tractor delivery schedules will continue to impact capacity and rates.

Domestic U.S. capacity is likely to expand as cross-border drivers seek new opportunities to avoid vaccine mandates, but with volumes growing even faster, prices are expected to remain elevated. Many industry experts anticipate spot rates to cool in Q2 or Q3, but contractual rates for the year are likely to increase by high single-digit percentages. Carriers - including UPS and FedEx - will continue to control the pricing narrative, as evidenced by a recent survey of drayage providers that revealed 75% of providers intend to increase prices in 2022.

In Ningbo China, strict COVID restrictions have reduced overall trucking capacity to about 10%, causing significant delays to the delivery of goods from Beilun – home to some of the busiest factories and warehouses - to the port. Rates have spiraled in line with the reduction of available capacity. Truck deliveries from Tianjin to Beijing have also been restricted due to COVID outbreaks in the region.

In the UK, the challenges of Brexit and the pandemic are continuing to affect driver availability amid extreme demand for haulage and courier services. Brexit rules have caused many drivers to leave the industry due to excessive red tape and border delays. Efforts to attract new drivers have been stymied by outbreaks of COVID-19, as more people are forced to quarantine. Haulage rates in the UK have hit their highest level in three years.

Shippers are urged to book trucking weeks in advance in order to secure space and equipment.

Capacity constraints and rate increases will be the likely hallmarks of 2022. Volumes are expected to remain high through at least Q2. eCommerce volumes are also expected to rise, and with it, demand for parcel delivery services.



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EQUIPMENT



RATES

## Major Disruptions

- COVID-19
  - In Australia, half of all truck drivers are unable to work due to infections or isolation rules
    - In a bid to alleviate the shortage of drivers, the government scrapped its seven-day rolling test requirement for drivers, but the rule only applies to drivers crossing state borders
  - Across Europe, drivers faced with long quarantines and the precarious nature of crossing borders are refusing long-haul contracts or leaving the industry
  - In China, the strict zero tolerance policy and draconian quarantine requirements are leaving many drivers unwilling to go to areas where outbreaks have occurred
    - In Ningbo, only 6,000 out of over 20,000 drivers have received special passes to enter and leave the port, and some factories and warehouse have also halted the pickup and delivery of cargo amid the restrictive rules
      - Trucking capacity is likely to deteriorate rapidly due to driver shortages
- The 71,000 empty shipping containers clogging up Los Angeles and Long Beach are creating brutal bottlenecks for truckers and preventing cargos from flowing smoothly and efficiently
- Empty container return policies by terminals and shipping lines in Los Angeles and Long Beach are restricting the ability of truckers to return empties or secure chassis
  - Drivers are not given timely appointments and are then charged high surcharges for late pickups or deliveries
  - Many terminals don't allow empty returns and loaded import containers to be exchanged at the same facility if they belong to different ocean carriers, forcing the drivers take the empties back to their lots, preventing them from taking on other jobs
  - The policies are forcing some truckers to go out of business



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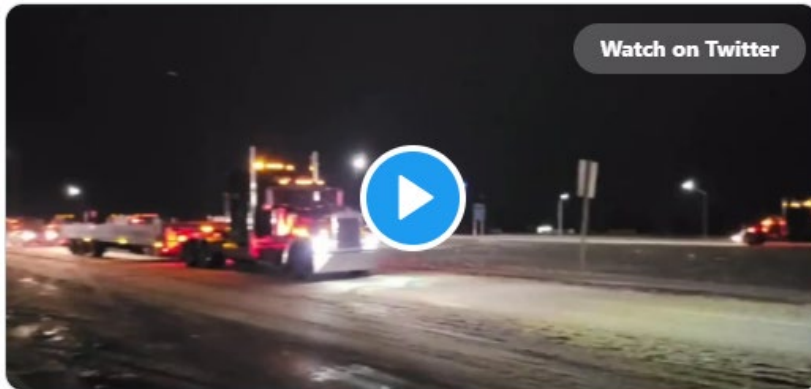


# Domestic Trucking

(Cont'd)

## Major Disruptions (Cont'd)

- Truckers block all lanes of traffic on the Canadian border to protest new vaccine requirements on Monday; another protest is scheduled for January 23
  - Trucker vaccine mandates by both the Canadian (Jan. 15) and the U.S. (Jan 22.) governments will exacerbate the supply shortages at time when the transportation industry is already strained, especially in Canada where they are facing a severe driver shortage
    - Manufacturers may be forced to slow production and will likely face higher costs due to the snarling supply chain
  - Trudeau's mandate is likely to take 38,000 truckers off the road, and the impact will be heavier on the U.S. side as 50%-60% of American truckers are unvaccinated, and 36% declared they had no intention of doing so



6:39 AM · Jan 18, 2022



**Truckers protest against vaccine mandates at the U.S. – Canadian border in Emerson, Manitoba**

## Equipment Shortages

- Los Angeles and Long Beach continue to struggle with a shortage of chassis
  - Port officials estimate they are short 25,000 chassis
  - Marine terminal policies on returning empty containers is further decreasing the availability of chassis, as warehouses and drivers are forced to store empty containers, and the chassis that transport, them on their lots
  - Increase chassis turnaround times at congested warehouses are keeping chassis from returning to the chassis pools; what used to take 1-2 days is now upwards of 10 days
- Chassis shortages continue to be a major challenge across the Ohio Valley, Memphis, and Nashville regions
- Severe shortages of reefer containers across the globe are creating nightmares for perishable shippers and their import partners



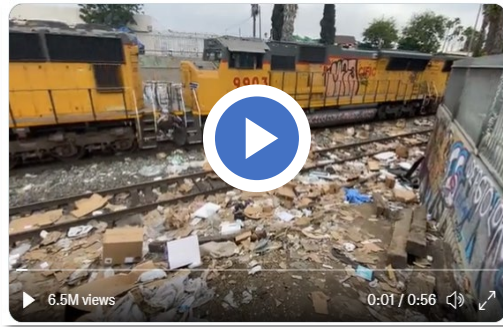
# Rail

## Market Expectations, Space, Volume, and Rates

Bottlenecks, congestion, schedule reliability issues, and supply chain disruptions, including massive theft, continue to impact railway services. At this time, we are recommending shippers avoid rail services altogether.

## Major Disruptions

- Union Pacific has reported an alarming 160% increase in thefts along railroad tracks in Southern California since December, resulting in the loss of millions of dollars
  - The majority of theft occurs around two rail yards where cargo is transferred between trucks and rails
  - A spokesperson for UP estimates about 90 cargo containers a day are compromised by the thieves, who sometimes recruit the homeless to ransack the containers
  - Last weekend, about 17 cars on a UP train derailed in the same area the vandalism has been occurring
  - Despite the rise in thefts, UP has yet to increase security along this segment
- A train derailment last week at London Gateway caused considerable disruption after causing significant damage to the tracks
  - Inland terminals rail operators are refusing new bookings due to storage problems
  - UK rail freight industries are experiencing growing pains due to various initiatives to shift away from trucking, following the departure of many European nationals from the haulage industry
- The lockdown in Xi-an, a key rail hub in China, has had a massive impact on training handling, and noticeable delays are expected



### Tracks littered with pilfered packages

Click the image to watch the short video by KCBS and KCAL photojournalist John Schreiber taken in LA.



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- Railway workers threaten strike over new BNSF attendance policy and vaccine mandates
  - The “Hi-Viz” attendance policy, which establishes a point-based system that can be used to penalize employees (including termination) for taking time off work for any reason (including sick and vacation time, medical or family leave, etc.), is schedule to take effect February 1
    - Other railroads and terminal operators, including CSX Intermodal Terminals, and businesses, such as Amazon, Walmart, and Smithfield Foods, have adopted similar points-based attendance policies
  - BNSF is asking a federal court to classify the tussle as a “minor dispute” to prevent the unions from striking
  - The Unions representing the workers claim the new policy violates agreements currently in place and qualify as grounds for a major dispute, which allows for legal strike action
    - In the event of a strike, Biden could invoke the Taft–Hartley Act or the RLA to force workers back to their jobs, guarantying the continued generation of profit
  - As BNSF transports a high volume of freight, a strike action could cause a serious disruption in the supply chain
- China-Europe railway is straining under the weight of Europe's high demand for goods
  - Border flareups and closures along the China-Europe rail line add to freight delays
  - The imbalance of trade between China and the EU and a rule that empty containers cannot travel by rail has left locomotives idling in Europe waiting to be filled up, while full containers pile up in China
  - The delays and uncertainties at the land borders have chipped away at rail’s speed and cost advantage over ships, causing many importers to shift back to ocean freight



# Asia to U.S.

## Space, Volume, and Rates

Continued strong demand from American consumers has led to record high imports, amid tightening capacity across all modes of transport.

Backlogs in Cambodia, China, Hong Kong, Indonesia, India, Sri Lanka, Thailand, and Vietnam and other major transit hubs continue to worsen across all modes of transport.

### Ocean Freight

Space continues to be extremely tight out of Bangladesh, Cambodia, China, Hong Kong, India, Sri Lanka, Thailand, and Vietnam. Omitted vessel calls to Indonesia and Sri Lanka and rollovers in Indonesia and Vietnam continue to disrupt supply chain operations.

Schedule reliability continues to be impacted by global port congestion. Vessel delays continue to be experienced in Cambodia, China, Indonesia, Sri Lanka, Thailand and Vietnam. Cambodia, Indonesia, Sri Lanka, Thailand, and Vietnam continue to experience severe equipment shortages. Some BCOs are bypassing congested major gateways by chartering vessels to move containers to smaller ports that traditionally handle breakbulk, bulk, and Ro-Ro cargoes, such as Hueneme, San Diego, Cleveland, Montreal, and Portland, OR.

Rates continue to rise out of China, Hong Kong, Indonesia, India, and Sri Lanka due to reduced capacity. Ocean carriers are only accepting high rates plus premium charges out of Bangladesh, and Indonesia. Vessel delays and equipment shortages in Cambodia, Thailand, and Vietnam have resulted in sharp rate increases and shipments are subject to rollover.

Shippers are advised to book 4 – 6 weeks in advance in order to reserve space.

### Air Freight

Volumes continue to increase out of China ahead of Chinese New Year and space remains tight. Space remains extremely tight out of India, as only two Middle East carriers are currently operating in the country, and has reached critical levels in Hong Kong, Indonesia, Sri Lanka, and Thailand. The air freight market out of Bangladesh, Cambodia, and Vietnam is finally starting to see some relief, while operations out of Bangladesh have normalized. Backlogs at transit hubs continue to impact schedule reliability.



CAPACITY



EQUIPMENT



RATES

Rates continue to rise out of China, Indonesia, and Sri Lanka, with shipments only accepted based on current spot rates. Rates from Hong Kong and Thailand continue to surge due to severe capacity limitations. Air freight rates out of Bangladesh and India continue to fluctuate, while increasing demand for air freight from India and Thailand has left rates volatile. Air freight rates have reduced out of Cambodia and Vietnam.

### Major Disruptions

- The situation in Hong Kong continues to worsen
  - Many ocean carriers have stopped accepting bookings, even for diamond tier
  - Thousands of flights have been cancelled
    - Cathay Pacific has cancelled all cargo-only passenger flights to the U.S. through March, effectively removing 80% capacity, but will start to operate a limited number of freighter flights on January 21
- The passenger flight cancellations out of Thailand have significantly reduced capacity
- In Indonesia, a customs issue is impacting clearance turnaround times for all shipments

### Announcements

- CI and BR have cancelled flights to Indonesia due to COVID-19 outbreaks



# Asia to Europe

## Space, Volume, and Rates

Lockdowns in Europe could increase consumer spending on goods, suggesting rates will remain elevated across all modes of transport. Backlogs in Cambodia, China, Hong Kong, Indonesia, India, Sri Lanka, Thailand, and Vietnam and other major transit hubs continue to worsen across all modes of transport. Sustained interruptions endure across many European countries, with an estimated 25% of the workforce absent due to COVID-19.

### Ocean Freight

Space remains very limited out of Bangladesh, Cambodia, China, Thailand, and Vietnam.. Space remains at critical levels from Hong Kong, Indonesia, India, and Sri Lanka. Omitted vessel calls to Indonesia and Sri Lanka and rollovers in Indonesia and Vietnam continue to disrupt supply chain operations.

Schedule reliability continues to be impacted by global port congestion. Vessel delays continue to be experienced in Cambodia, China, Indonesia, Sri Lanka, Thailand and Vietnam. Cambodia, Indonesia, Sri Lanka, Thailand, and Vietnam continue to experience severe equipment shortages.

Rates continue to rise out of China, Hong Kong, Indonesia, and Sri Lanka due to reduced capacity. Carriers are only releasing space out of Bangladesh, Cambodia, and Indonesia at high rates plus premium charges.

Shippers are advised to book 4 – 6 weeks in advance in order to reserve space.

### Air Freight

Volumes continue to increase out of China ahead of Chinese New Year and space remains tight. Operations in Bangladesh have normalized, and the capacity situation in Cambodia and Vietnam is finally starting to ease. Space remains at critical levels out of Indonesia and Sri Lanka, and shipments are only being accepted based on current spot rates. Space is extremely tight out of India, as only two Middle East carriers are currently operating in the country.

Backlogs at transit hubs due to cancelled flights over COVID concerns continue to impact schedule reliability.



CAPACITY



EQUIPMENT



RATES

Backlogs at transit hubs due to cancelled flights over COVID concerns continue to impact schedule reliability.

Rates from China, Indonesia, and Sri Lanka continue to rise. Increased demand and reduced capacity out of India has left rates volatile. Air freight rates have stabilized in Bangladesh and have slightly eased for shipments out of Cambodia and Vietnam.

## Major Disruptions

- The situation in Hong Kong continues to worsen
  - Many ocean carriers have stopped accepting bookings, even for diamond tier
  - Thousands of flights have been cancelled
    - Cathay Pacific has cancelled all freighter flights from Hong Kong to Europe through March, with an exception for the Lunar New Year week
    - The airline will maintain a drastically reduced “skeleton” schedule for passenger-freighters for Europe through the end of January
- The passenger flight cancellations out of Thailand have significantly reduced capacity
- In Indonesia, a customs issue is impacting clearance turnaround times for all shipments

## Announcements

- CI and BR have cancelled flights to Indonesia due to COVID-19 outbreaks



# Europe to the Americas

## Space, Volume, and Rates

### U.S. and Canada

Exports from Europe to North America continue to be challenging due to ongoing port congestion, severe service delays, and capacity and equipment shortages, with reefer containers in scarce supply.

Reduced air freight capacity from Europe to major destinations, such as Chicago, New York, Los Angeles, and San Francisco, has pushed up rates. Ocean freight rates continue to run high.

### Mexico and South America

#### Mexico

- Air Freight
  - Staff shortages and flight cancellations due to COVID outbreaks are significantly reducing available airfreight capacity
  - Airfreight rates are rising on almost all routes
- Ocean Freight
  - Schedule reliability has been severely impacted due to staffing shortages, including noticeably longer wait times and departure delays



CAPACITY



EQUIPMENT



RATES

### Brazil

- Air Freight
  - Staff shortages and flight cancellations due to COVID outbreaks are significantly reducing available airfreight capacity
  - The situation for imports is critical, with high rates and long clearance times
  - For exports, space confirmation can take more than 3 weeks, depending on the destination
- Ocean Freight
  - Demand remains high, and rates are likely to increase again.

### Major Disruptions

- Staffing shortages in Mexico and Brazil due to COVID-19 outbreaks are disrupting logistics operations across all modes of transport





Thank You

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