

USA/CA Market Update

Week 46
2022

Week 46 Market Updates

Ocean Update NA to Asia/ NA to Europe

North America Updates/Highlights

US Import/Export Trucking

Customs Updates

Terminal Operations

Terminal/Ramp Updates

North American Vessel Dwell Times

NA Supply Chain Key notes

Market Forecast

VANGUARD
LOGISTICS



Ocean Update

17 November 2022

North America → Asia

- Capacity is trending down month over month
- Spot rates are trending down month over month
- Reduced eastbound volumes causing service strings removal; U.S. West Coast to North Asia space improving
- South East Asia rates hold as space remains tight due to transshipment congestion; North Asia rates dropping

North America → Europe

- Capacity is trending up month over month
- Spot rates are flat month over month
- Europe, U.S. East Coast and Gulf congestion causing more blank sailings; carriers adding capacity due to strong demand
- Pacific South West Coast seeing less blank sailings; Pacific North West mostly supported with rail to East Coast

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Rates:

No GRI's announced for October or November.

Capacity/Equipment:

Chicago remains the most reliable IPI locations. Kansas City & Memphis are seeing congestion related to equipment & chassis challenges. Availability for standard equipment has not been an issue for most ports. Capacity from the U.S. Southeast to India remains constrained due to the ongoing omissions of Charleston & Savannah. Overall capacity for Indian ports requiring a transshipment service remains very tight from both the USEC & USWC.

Recommendation:

Please place bookings 4 weeks prior to vessel ETD.

Rates:

Rates showing stability at the current market price, week over week.

Capacity/Equipment:

USEC service to Northern Europe has capacity available however Savannah has irregular challenges due to it being omitted on certain vessel strings & congestion at New York (NYC). Vessel capacity from the port of Houston has been very tight due to a significant increase in demand and delayed vessels. Only one weekly service remains available from Houston to North Europe.

Chicago remains the most reliable for loading IPI. KSC & Memphis are seeing congestion related to equipment & chassis challenges. Standard equipment availability has not been an issue for most ports.

Recommendation:

Recommendation- Please place bookings 3-4 weeks in advance for USEC or USGC sailings & 6 Weeks for USWC.

North America Updates/Highlights

17 November 2022

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West Coast

Congestion in Vancouver persists with line-up, yard, gate, & rail status all heavily impacted. Centerm is currently experiencing 20-day waiting times for TP1 & 38-days for TP9 services that connect ports in Northeast China & Busan, Korea, to the Pacific Northwest. With the combination of the TP1 & TP9 services into a weekly service into Vancouver & Prince Rupert, we anticipate the reduction in vessel waiting time to drop to two-day waits.

Oakland continues to struggle with labor shortages that are directly impacting operations, resulting in 10–12-day vessel waiting times. Status for the line-up, yard, & rail conditions remain impacted. Two of the port's cranes were anticipated to be down for maintenance & repair for a week this month.

East Coast

Houston is experiencing congestion with vessel wait times up to 12-days at Bay Port with its 3 available berths. Barbour's Cut is experiencing 3-5 day vessel wait times for its 6 berths. To address long-term container dwell, the Port of Houston announced a "Sustained Import Dwell Fee" that will be the responsibility of the owner of the cargo. However, while the fee was scheduled to begin December 1, the implementation has been postponed. The port will provide a 30 day advanced notice of the new effective date.

Congestion persists in Savannah Class 1 vessels are experiencing 6-7 day wait times, while class 2 vessels are waiting up to 15 days for a berth. There are currently 30 ships at anchorage. Tropical Storm Nicole in early November delayed some activities at Savannah & other SE ports. Savannah remains in a 1st In/1st Out berthing pattern. Expect some improvement over the next weeks due to higher productivity forecasted before the upcoming holidays & decreased import volume.

Congestion in Baltimore is significant with yard storage above 95%. Vessel wait times for Transpacific routes stand at 7 days, whereas wait times Transatlantic & Americas range from 3-5 days. The port is still operating on 1st In/1st Out to reduce delays.

Norfolk, the Port of Virginia announced a revised Early Receiving Date (ERD) policy effective Monday, November 7th. The ERD delivery window will now open 7 calendar days prior to vessel arrival, up from 5-days. This provides for a longer & more stable receiving window. We are also anticipating increased vessel waiting times of up to 10-days as port repairs are planned for cranes 6 & 7 at Virginia International Gateway (VIG).



US Import/Export Trucking:

Congestion continues at Montreal & Toronto terminals & inland ramps. The volume coming into Toronto continues to surge, while the number of drivers continues to decrease, which translates into less drivers handling more volume & creating the previously mentioned congestion. On a YTD basis, the total truck visits to the rails has declined by almost 20% percent. Chassis shortages continue to persist, notably now in Memphis.

Highway Diesel fuel prices have increased again MoM in most markets, with Canada seeing the largest increases—West Coast continuing to drop but all markets are over \$1.40 YoY.

- East Coast (\$5.40/gallon), Midwest (\$5.33/gallon), and Gulf coast (\$4.97/gallon)
- West Coast (\$5.81/gallon), California (\$6.626/gallon) and Rocky Mountain (\$3.30/gallon)
- British Columbia, Quebec and Ontario \$6.33/gallon (~\$8.61 CAD/gallon)

US Domestic Trucking:

- Tender rejections have fallen to a new cycle low of 5.05% which was last seen in March 2020.
- Trucking carriers are only rejecting 3% of contract loads outbound from Los Angeles and 4.5% of loads outbound from Chicago.
- Spot rates fell hard in the first half of 2022, but national averages have been somewhat range-bound since mid-August.
- Contract rates are currently at \$2.70, which is down about 25 cents from its mid-June peak.
- Load-to-Truck ratios are down ~20% QoQ, which is the key barometer for supply/demand in the marketplace.
- Tender volumes from customers are down 40% QoQ.



Customs and Compliance News

CBP to Release New UFLPA Resources

During a keynote at the Apparel Importers & Trade Transportation Conference on November 10, CBP Executive Assistant Commissioner for Trade AnnMarie Highsmith announced that CBP will be providing “additional resources” to assist importers with forced labor compliance, set to be released November 16. Highsmith also confirmed that CBP will begin publishing forced labor detention statistics broken down by industry, number of entries, and entry values in early 2023.

Section 301 Comment Period Opens November 15

On November 15, the Office of the USTR) opened the online portal for the submission of public comments regarding the renewal of Section 301 tariffs on China. The comments will cover all 4 lists of goods.

CBP Commissioner Resigns

CBP Commissioner Chris Magnus resigned November 12 after serving only 11 months in the role. Deputy CBP Commissioner Troy Miller will manage the agency again until another presidential appointee can be confirmed.

Terminal Operations

17 November 2022

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Charleston

Vessels at Port: **13**

No waiting at anchor for berth. Terminal utilization at WWT is at 54%, at NCT is at 47%, & HLT it at 35%. At WWT: berth windows are being accommodated when feasible. Berth 3 is reserved for vessels with a move count of 2,000 moves or less. At NCT berth windows are being accommodated. At HLT there have been no berthing conflicts with the one berth. Average truck turn times at WWT 21.7 min & 29.0 at NCT. Long dwelling imports (30+ days) at WWT subject to being barged to HLT. Sunday gates have been extended through December 18, 2022 (0800-1700). There will be NO REEFER gates available on these days.

The SCPA has updated their Export Receiving Policy from 26 July. The SCPA will decide the cut-off. The cut-off will be 2 days before the vessel's start date. 2 days before the vessel opening for receiving, the receiving date will be locked in & published on SCPA website. Vessels will be opened for export containers for 7 days. Late gates past the published cut-off will not be allowed. Only 2 vessels per service will be open for receiving at 1 time. SCPA is building a chassis fleet of approximately 13,000 chassis & have received 5,450 to date. The 2,050 on the road via direct lease to customers with high demand. Chassis not deploying for lease are being kept in storage on HLT. From August 15, 2022 placards are required to be removed from empty containers prior to being returned. Empties with placards still affixed are being turned away at WWT, NCT & HLT.

Houston

Vessels at Port: **41**

Barbour's Cut container yard capacity estimated to be 50.5%. The port continues to allow export receiving for 1 ship system at a time in a service. This impacts the number of days for receiving due to scheduling delays. PHA continues to move import containers to the rail yard to make space on the terminal for working vessels. The on-dock rail operation & the ramp space at Barbour's Cut is being adjusted to accommodate for the additional operation. Rail yard is 60% utilized. Severe chassis shortage & ongoing congestion in the area. Finding truckers has become a challenge as they are booked for 2-3 weeks in advance. Port use only chassis delivered is on hold. Dredging commenced on Oct 10 C1 & is completed & all other berths will also be reviewed for dredging, pending confirmation.

Oakland

Vessels at Port: **20**

High volume of imports & vessels working is causing vessel berthing delays at OICT. As space opens, vessels are assigned a berth. Wait time at OICT is 19 days & up to 10 days at Trapac. Limited chassis supply. TRAPAC operating 70% capacity. OICT operating 85% capacity. 500 Import containers are in inaccessible areas for delivery. Import deliveries Avg is 13 days. Import dwell remains high. Additional space has been provided to empties & loaded containers at PTSC.

Terminal Operations

17 November 2022

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Savannah

Vessels at Port: **38**
Vessel wait time: **7-15 days**

Berth CB#1 undergoing major reconstruction & is a 2-year Project which will complete in June-2023, 6 new Post Panamax Cranes will be installed on this berth. In addition to the CB1 there is the GA Steamship Property which will be complete May-June 2023. This is moving the current on terminal CFS warehousing upriver to new location. The terminal utilization capacity at 65%. Gate turn times 39 min single / 59 multiple transaction. Avg dwell for imports 9.8 days – average dwell for exports 9.4 days. With new 9 day receiving window, all vessels with End Receive Date 2 days prior ETB at 1600 are locked. Once locked, they cannot be adjusted. ETAs at last port needs to be correct along with coastal when submitted to GPA. •New draft still not decided with USCG as they are still placing buoys.

LA/LGB

Vessels at Port: **17 LA/ 23 LGB**

Port of LAX dwell times for local import cargo at 3.3 days, down from 11 days peak. Rail dwell is at 6.0 days. Down from 13.4 days peak. Overall volume of on dock rail departures down to 17,395 unit's total. 7,402 units nine days & over on November 4, 2022. Import units on street is averaging 9.3 days. Port of LGB dwell times for local imports Steady, Wk. 44, -81% units over 9 days Vs. Oct 28th, 2021, benchmark. Chassis pool of pools utilization has been going down the last few weeks, now at 73% with 40's at the highest demand. The Dwell charge in LGB LAX is under review & has continued to be extended.

Norfolk

16 Nov 2022 - Vessel waiting time averaging up to 4 days due to berth congestion. Severe chassis shortage. Warehousing appointment delays due to capacity are preventing carriers from picking up containers by last free day. General trucking capacity delays in the Norfolk area averaging around 10 days for all equipment types.

NY/NJ

Vessels at Port: **14**

Max wait time for a berth at GCT Bayonne has been reduced from 30 days to 1-2 days, 10 days for Maher & 2 for APMT. Yard utilization at Maher 83%, GCT Bayonne 51% & 65% APMT. Berth utilization is being maximized with terminal yard utilization continues to decrease. Import dwell depending on terminal is currently running at around 4.8 days at APM, 4.2 days at Maher, & 9.3 days at GCT Bayonne.

Terminal Operations CA

17 November 2022

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Vancouver

Vessels at Port: 35

All vessels calling Vancouver are arriving off schedule and are being accepted on a first come, first serve basis. Yard utilization at GCT remains high at 89%, while daily yard productivity has decreased to an average of 25,400ft per day. Reports of congestion at various inland rail ramps are contributing to the lower productivity. Dwell times have stabilized and are presently at 6.3 Days.

Halifax

Vessels calling into Halifax are not facing any significant delays. Yard operations continue to improve & currently dwell time has decreased to 12.5 days. This downward trend is expected to continue as additional railcars are sent to towards Halifax.

St. John

DPW in St. John, New Brunswick is currently operating at critical capacity. The following measures have been implemented to improve operations & dwell times.

- Improved track capacity & labor availability to allow DPW to produce 8,000ft (450 TEUs) of import rail per day
- NBSR implementation of regular 2x daily rail switches through DPW
- CP Rail commitment to provide DPW with 8,000ft of railcars daily & car storage capabilities at Moosehead rail siding in Maine, USA
- Diversion of 1 AT3 vessel to Montreal – Valencia Express, voy 06W43 / 06E45

Montreal

Due to ongoing construction projects at the Port of Montreal, berth congestion continues to have a negative impact on vessel schedules. These projects have been further delayed & impact is expected to last into December. Ships are required to anchor & wait for an available berth. Additional delays of 1-3 days can be expected for all services. Labor availability has improved over the past 4 weeks & is expected to continue as additional labor is brought on towards the end of Q4. Congestion on terminal is improving. Current dwell time in Montreal is 6.0 Days.

Chassis Deficits

17 November 2022

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Current average dwell times*

Location	Avg in Days
Charleston, SC	6
Chicago, IL	12.3
Dallas, TX	20
Detroit, MI	8.5
Houston, TX	6.5
Kansas City, MO	12.3
Long Beach, CA	10.4
Los Angeles, CA	14.2
Memphis, TN	33
MMR Rail - New York	4.6
New York, NY	8.3
Norfolk, VA	6.4
Savannah, GA	8.3

* Includes MH, rail and truck moves

Chassis Pools

Chicago
Constrained 20'
Deficit 40'

Houston
Constrained 40'

Indianapolis
Deficit 40'

Louisville
Deficit 40'

Detroit
Deficit 40'

St. Louis
Deficit 40' & 45'

Baltimore
Deficit 40'

KSC
Constrained 40' & 45'

Chicago

The rail facilities in Chicago are experiencing severe congestion due to dwelling containers and chassis shortages. There are gate restrictions and lane suspensions, causing extended delays in pick-ups and deliveries. The rails continue to monitor in-gates with allocation or reservations.

CSX Bedford Park: Limiting reservations for in gate to rail.

BNSF & UP/LAX/LGB:

There is severe congestion. Limited gate capacity, restrictions, rail car shortages, and limited reservations continue, causing increased delays on import rail units. There is limited allocation currently. In Los Angeles, containers wait an average of almost 16 days before being picked up.

North American Vessel Dwell Times

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17 November 2022

	Port	Vessels Waiting	Average Wait For Berth	Rail Backlog (median, all locations)	Specific Call-Outs
USWC	LA/LB	10	4 days	15 days	Vessel backlog grows by 6
	OAK	13	15 days	16 days	Crane maintenance & repair, labor shortage
	SEA/TAC	0	1 days	9 days	
CAWC	VAN	4	29 days	7 days	65% yard Utilization
	PRR	2	1 day	12 days	98% yard Utilization
USEC/GULF	NY/NJ	2	3 days	5 days	Vessel backlog decreased by 5
	ORF	0	2 day	5 days	Extensive crane work started week 44, increasing vessel wait time
	CHS	0	1 day	4 days	
	SAV	25	11 days	3 days	Vessel backlog decreased by 6
	HOU	12	7 days	N/A	Vessel backlog decreased by 4

Green:
Improvement over last week

Orange:
Consistent over last week

Red:
Deterioration over last week

North American Supply Chains

Key notes

17 November 2022

Mass COVID testing in Shanghai & Tianjin continues

New Covid cases have triggered additional mass testing events in China this month, including in the city of Tianjin, home to the largest port in Northern China & the key economic hub of Shanghai. China's Zero COVID policy is focused on epidemic prevention & control & has resulted in some areas of Shanghai continuing to be locked down, among others. Reporting indicates that the highly infectious BA.5 sub variant is present in the greater China area including Hong Kong, which is facing a COVID resurgence that is straining public hospitals. Port operations continue as normal, but the risk persists that fresh outbreaks could trigger new lockdowns.

ILWU members continue to work beyond expiration of contract

The coast wide contract between the ILWU & the PMA expired on July 1st. The PMA & ILWU issued a press release on July 1st advising that while there was no extension to the contract, cargo would continue to move through the ports as negotiations continue.

California's "AB5" law moves forward

SCOTUS decided on June 28th to not hear the California Trucking Association's appeal of the legality of the California law referred to as "AB5," which means that AB5 has come into effect. AB5 changes the legal standard used in determining whether independent contractors in California should instead be classified as employees. It is not yet known to what extent AB5 coming into effect will impact current supply chains due to the fact that a large portion of the trucking community in Southern California has historically preferred & fought for the right to operate as independent contractors.

Third Rail union Rejects Proposed Contract

According to CNN, a third railroad union has rejected a potential labor deal, increasing the potential for a rail strike in early December. To prevent a strike, Congress can move to extend the cooling-off period during which unions cannot strike, or impose a contract on union members.

Market Forecast Update

17 November 2022

Ocean Freight

We continue to see signs of normalization in some markets. Overall trends for both EC & WC look to be improving through the end of the year compared to October. The rate of cargo volume decline has slowed as customers are finalizing their 2022 shipping activity.

Customers should be mindful of the upcoming Chinese New Year holiday period, which begins on Sunday, January 22nd, 2023, & culminates with the Lantern Festival on February 5th.

Network optimizations executed in the past month have begun to improve conditions, particularly in the Pacific Northwest. We continue to see the reduction of dwelling container units for both imports & exports. The top dwelling import locations are Baltimore, Prince Rupert, Houston, & North Charleston. The top dwelling export locations are Houston, Savannah, & North Charleston. Empty container availability remains good throughout North America & there are no issues for covering export demand. The longest vessel waiting times we are seeing are in Baltimore, Savannah, Houston, Oakland, & Vancouver.

Inland Update

With the end of the year fast approaching, many businesses are looking to secure transportation capacity for 2023. Market conditions are changing rapidly, which has piqued the interest of transportation managers from coast to coast. Top of mind for these logistics professionals is what capacity is available for the coming year? Can they find a new carrier to solve an old problem? And, of course, will they be able to find a more cost-effective solution to meet their transportation needs?

Dedicated capacity is desirable as it saves the trouble of calling around for last minute capacity on the spot market. And while trucking capacity has opened up in the short term, the long-term driver shortage still persists, making dedicated capacity an important component of securing a reliable transportation network for the long haul.

Researchers from leading logistics and supply chain schools recently published their latest market snapshot via the "Logistics Manager's Index," a survey that tracks industry trends over time. October LMI data points to an expanding logistics industry, albeit at a slower pace than previous months. Inventories remain high (though falling), warehouses remain relatively full, & costs are high. What has been changing though is transportation capacity. The LMI Transportation Capacity Index has reached an all-time high for LMI reporting, which dates back to 2016. Likewise, the Transportation Prices index began falling in April. In effect, the LMI data reflects the trend towards normalization of the transportation market to pre-pandemic levels.

Another indicator of trucking availability is the shift in national average for outbound tender rejections – a measurement that tracks how often trucking companies are rejecting haulage opportunities. Until recently, the figure had hovered around 9-10%, but has since dropped to just 5% according to FreightWaves. The increase in transportation capacity corresponds to the drop-off in inbound ocean freight during the past several months as many businesses pulled their shipments into the first half of the year to avoid a potential repeat of delays experienced during the pandemic. The October data indicates that retailers have begun drawing down warehouse stocks in anticipation of the holiday season, with reduced amounts of inbound containerized volume backfilling the space. The net result being that warehouse space has begun to open up, along with truck & chassis availability.

Making it fit to ship