

Laufer Market Letter: West Coast Port Situation

November 12, 2014

As congestion continues to worsen at West Coast ports Laufer Group International has put together a summary and overview of the situation for our customers.

Overview: The congestion that we are currently experiencing on the West Coast has been worsening in the past week and a half, making it arguably the worst we have seen in nearly a decade. The ILWU has released a statement saying that, “congestion is being caused by shortages and the dislocation of chassis; rail service delays, including a national shortage of rail cars; exodus of truck drivers, and long truck turn lines” (Source: American Shipper). Additionally, there has been an increase in retail import volumes, larger vessels discharging massive amounts of cargo, container terminals pushed to storage capacities and the peak shipping season.

Specifically, Laufer has compiled the following:

- Seattle terminals are now stating that they will only receive export loads on Monday, Wednesday and Friday.
- Truckers are continuing to impose congestion surcharges for any moves from West Coast Ports
- Laufer has noted major congestion issues with the BN & CN railroads going via West Coast
- Most carriers are advising all West Coast terminals have only one team working a ship, so at this rate, it will take 8-9 days to clear most large vessels

Congestion Surcharge: Fearful of the possibility of a potential labor dispute, all carriers filed a congestion surcharge in the spring of 2014 to be applied to all shipments destined for or originating at any North American port. Laufer has complied and filed the same surcharge in our own tariff back in May. Below is the specific wording of the filing:

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WORLD to ALL USA PORTS (TO / FROM)

It is recognized that a strike, lockout, work stoppage, work slowdown or other labor-related disruption to operations at any U.S./Canada port (collectively, “labor unrest”) will cause congestion at U.S./Canada ports. Accordingly, notwithstanding any other provision of this tariff, in the event of labor unrest, cargo received by the Carrier or its agent on and after the effective date of this rule and scheduled to arrive at or depart from any U.S./Canada port (West Coast, East Coast, or Gulf Coast) on or after **May 01, 2014** shall be subject to the following congestion charge:

EFFECTIVE : **May 01, 2014**

USD 800/20’

USD 1000/40’

USD 1125/40’ High Cube

USD 1266/45’

*also applicable to Flat Rack, Open Top, Tank, Refrigerated and all other types of special equipment.

The Port Congestion Surcharge shall apply to all shipments carried pursuant to either contract or tariff rates. Once labor unrest has occurred, this charge shall continue to be assessed until such time as carrier provides notice in this tariff that the impact of the labor unrest on its operations and those of any affected port(s) has ended. The surcharge shall not be assessed against shipments when there is no congestion at the port of discharge due to a strike, lockout or labor dispute/unrest.

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As of today, no liners have yet imposed this surcharge, however, with the congestion situation worsening and, most recently, worker slowdowns in Tacoma and Long Beach, implementation now seems like a real possibility.

We have put together a list of the top 5 misconceptions regarding the congestion surcharge:

1. ***This won't affect any cargo that goes via the East Coast. False.***

If the cargo is delayed in any way due to labor unrest, the carriers can impose this on cargo that leaves any North American port.



2. *This doesn't apply to cargo accepted at the rail. False.*
If the rails are delayed because of labor unrest or the unloading of containers from the rail are significantly delayed, the congestion surcharge can be applied.
3. *This surcharge won't be applied to cargo that leaves via a Mexican or Canadian port. False.*
Carriers filed this surcharge to cover all North American ports (U.S./Canada/Mexico)
4. *A strike has not been officially declared so carriers are restricted from implementing the surcharge. False*
The filings specifically refer to "labor unrest." A walkout or slowdown would be sufficient.
5. *Carriers will give us 30 days notice right? False*
Carriers filed in May and can activate the charge at any time.

What we are doing: Laufer Group International will continue monitoring this situation and will update our customers accordingly. Our goal is to ensure you remain informed and involved regarding any and all delays or surcharges that may impact your business.

If you have any questions, please contact your local Laufer representative.

We thank you for your continued support.

Laufer Group International, LTD.