Container lines roll out US East Coast surcharges as port strike looms

Both CMA CGM and Hapag-Lloyd have announced surcharges to and from US East Coast and Gulf ports as a dockworker strike threat draws closer.

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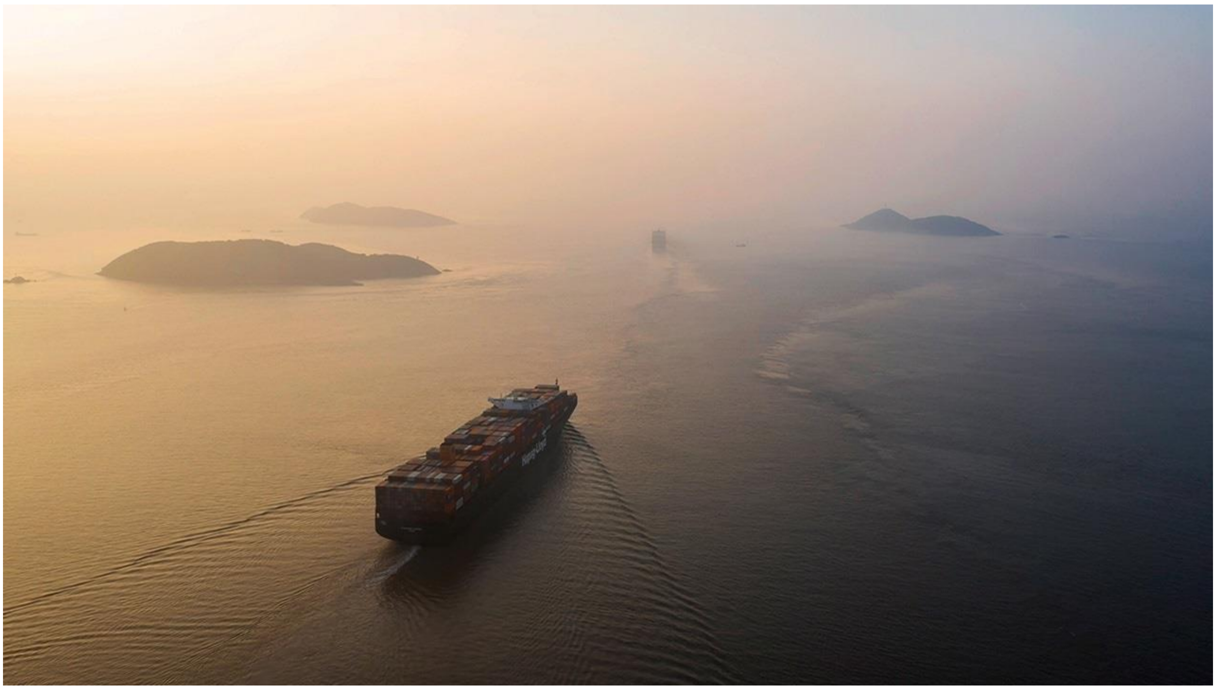

Credit: Hapag-Lloyd

At a Glance

- Negotiations between unions and employers remain at impasse less than two weeks from 1 October deadline
- CMA CGM and Hapag-Lloyd announce surcharges for all US East Coast and Gulf ports
- Biden Administration not expected to invoke Taft-Hartley Act to enforce cooling off period

With less than two weeks until the 1 October deadline for a strike at US East Coast and Gulf ports by 85,000 members of the International Longshoremen Association (ILA) two top container lines have announced surcharges that are effective from mid-October.

CMA CGM said it would charge an additional $1,500 per teu from all origin ports to US East Coast and Gulf ports effective from 11 October. For exports from US East Coast Gulf ports the surcharge for dry and tank containers would be $800 per twenty-footer, $1,000 per forty-footer, and $1,266 per forty-foot container. For reefer exports a $1,000 per twenty-footer and $1,500 per forty-foot container would be levied.

Meanwhile Hapag-Lloyd added to shipping's list of acronyms with the announcement of a Work Disruption Surcharge or WDS from 18 October. The $1,000 per teu WDS would be charged on all imports to US East Coast and Gulf ports from all ports in North Europe, the Mediterranean, Africa, the Middle East, the Indian Subcontinent, Oceania and Latin America.

Negotiations on a new master labour contract for dockworkers at US East Coast and Gulf ports between the ILA and employers represented by the United States Maritime Alliance (USMX) broke down in June this year.

On 13 September USMX said there had been no further negotiations on the master contract, while the ILA have made clear their intention to strike coast wide if there is no new agreement by 1 October.

Related:US port strike would leave imports from Europe stranded

According to a report earlier this week by HSBC Global Research Gulf and East Coast ports handled for 55.5% of US container imports year-to-date and accounted for 8% of container volumes globally.

The report said a strike would particularly impact imports from European and Latin American origins which the reports said would be left stranded due to a lack of viable alternatives to handle such large volumes at either Mexican or Canadian East Coast ports.

One option for the US government to would be to invoke the Taft-Hartley Act which would enforce an 80-day cooling off period. However, Reuters quoted an unnamed official from the Biden Administration earlier this week that it would not invoke the Taft-Hartley Act to break the strike and encouraged all sides to return to the negotiating table.

Observers see it as unlikely the Biden Administration would invoke the act given the upcoming Presidential elections in November.

Container line Maersk has warned that it would take four to six weeks to recover from a strike that shutdown US East Coast and Gulf Coast ports last for a week. “If a strike lasts beyond a few weeks, the ripple effects of such disruptions could impact the demand-supply situation ahead of the seasonal cargo rush for the Lunar New Year on 29 January 2025,” the HSBC report commented.

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