



## Freightos Weekly Update ILA strike underway, delays and rates likely to increase

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### Key insights:

1. Following a last-minute ILA rejection of a 55% wage increase offer from the USMX, the long anticipated port worker strike began October 1 at 12:01 ET.
2. The USMX filed an unfair practice charge with the National Labor Relations Board last week, which would force the ILA back to the negotiating table, though the approval process could take weeks.
3. In the final days before the strike trucks rushed to move containers off yards and some carriers offloaded imports and skipped remaining East Coast port calls to avoid getting caught in the shutdown.
4. Some carriers stopped accepting reefer bookings for the East Coast and are rolling out surcharges for container bookings in October, which are likely – together with congestion and delays – to push East Coast rates up even while ports are closed.
5. Several carriers have announced they will stop the clock on detention and demurrage charges for containers stuck on yards during the strike, with the FMC also warning against unfair D+D charges.
6. Most arriving vessels will wait offshore for ports to reopen as alternative East Coast ports – including Montreal, where half of the terminals are shut down by a strike till Thursday – will not be able to handle large scale diversions.
7. It remains to be seen if we'll see a sustained wide scale strike or shutdowns at only at some ports, only on certain days, or just a slowdown of operations as the ILA seeks to both pressure operators and avoid government intervention
8. A prolonged strike and a significant shift of demand to the West Coast could lead to congestion that would further slow down operations, tie up capacity and push rates up on the West Coast as well.
9. The strike has already pushed some shippers, especially of perishable goods, from ocean to air cargo. Freightos Air Index data for Latin America - N. America and N. America - Europe rates don't reflect an uptick in air cargo prices yet, though Europe - N. America rates have increased 4% to \$1.73/kg since early September.

### Ocean rates - Freightos Baltic Index:

- Asia-US West Coast prices (FBX01 Weekly) fell 1% to \$6,816/FEU.
- Asia-US East Coast prices (FBX03 Weekly) fell 3% to \$8,693/FEU.
- Asia-N. Europe prices (FBX11 Weekly) fell 6% to \$5,074/FEU.
- Asia-Mediterranean prices (FBX13 Weekly) fell 3% to \$5,142/FEU.

### Air rates - Freightos Air index

- China - N. America weekly prices increased 9% to \$5.91/kg

- China - N. Europe weekly prices increased 8% to \$3.97/kg.
- N. Europe - N. America weekly prices increased 1% to \$1.73/kg.

## **Analysis**

The long-anticipated ILA port worker union strike across US East Coast and Gulf ports began Monday night at 12:01am after the ILA and USMX failed to come to an agreement before the deadline.

In the last few days the White House and other government officials had been urging both sides to return to the negotiating table, with USMX leadership reportedly meeting with the Biden administration late last week.

The USMX made a last minute 50% wage increase offer, which the ILA rejected as the union is reportedly seeking a 77% increase. The USMX filed an unfair labor practice charge with the National Labor Relations Board against the ILA last week, which, if accepted, would force the ILA back to the negotiating table, though the approval process could take several weeks.

In the last days before the strike logistics providers were hastening steps to minimize the impact of a strike as much as possible. Trucking firms were working to pull containers out of impacted ports before the shutdown. Carriers including ONE, Hapag-Lloyd, and MSC had some vessels omit East Coast port calls scheduled too close to the strike deadline, instead offloading all imports at other East Coast stops or in Mexico or Canada, though so far there haven't been reports of outright diversions to unscheduled East Coast alternatives or to the West Coast.

Some carriers have stopped accepting new reefer bookings for the East Coast and many are rolling out significant surcharges for new dry container bookings in October, which are likely to push East Coast rates up even while the ports are closed. Several carriers have announced they will stop the clock on detention and demurrage charges for containers stuck on container yards during the strike, with the FMC also warning against unfair D+D charges.

Though container and intermodal capacity limits at alternative ports in Mexico and Canada do not make them viable options for a full-scale shift of impacted volumes, a three-day labor strike at two of the Port of Montreal's five container terminals, is not helping matters either.

It remains to be seen if the ILA will implement a sustained wide scale strike or some alternative – like strikes only at some key ports, only on certain days, or a slow down of operations at some or all ports – instead. Some observers think that due to the economic implications of a prolonged full-scale strike and the political pressure it would place on the Biden administration, the ILA may prefer more limited actions and reduce the likelihood of government intervention.

In any case, there are reportedly about 40 vessels slated to arrive just at the Port of New York/New Jersey this week, and the large majority will likely arrive and wait if the ports are shut down. Congestion and backlogs from a strike will cause delays for shippers with containers at the ports or on those or additional arriving vessels and – as already reflected in carrier surcharges – will push freight rates up.

Demand had already shifted somewhat to the West Coast in the last few months, and a prolonged shutdown will intensify that trend. Demand increases or actual diverted vessels to the West Coast will likely push rates up there as well despite a projected overall decrease in import container volumes to the US in October.

The Ports of LA/Long Beach, as well as ports in the Pacific Northwest report fluid operations and preparedness for a sudden increase in volumes. But a prolonged strike and a significant shift of

demand and port calls to the West Coast could eventually overwhelm the ports and lead to congestion that would further slow down operations, tie up capacity and push rates up.

A long-enough strike on the East Coast would eventually be felt in capacity and empty container shortages in Europe, and significant enough congestion on the West Coast could likewise impact equipment availability at Asian origin hubs, affecting intra-Asia and Asia - Europe shipping as well.

The anticipation of the strike has already pushed some shippers, especially of perishable goods, from ocean to air cargo. Freightos Air Index data for Latin America - N. America and N. America - Europe rates don't reflect an uptick in air cargo prices yet, though Europe - N. America rates have increased 4% to \$1.73/kg since early September.

China - N. America air rates increased 9% last week to \$5.91/kg. This climb could reflect the beginning of air peak season, with prices already above typical peak season levels from the ongoing surge of e-commerce volumes. Though hubs in China are not reporting operational slow downs yet, some congestion is forming in Singapore and Vietnam, with the Philippines experiencing severe backlogs.