Debunking ILA dockworkers' claims about carrier price gouging

Union figures on ocean shipping to East Coast ports are misleading, freight rate platforms show

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A longshoreman pulls an ocean container off the dock with a yard tractor. More than 45,000 dockworkers in half of the United States went on strike Tuesday. (Photo: Jim Allen/FreightWaves)

The International Longshoremen's Association is justifying the shutdown of freight ports along the U.S. East and Gulf coasts and trying to sway public opinion against government intervention by characterizing shipping lines as price-gouging foreign companies unwilling to boost workers' wages despite raking in record profits to justify.

Ocean carriers have jacked up freight rates five-fold in recent weeks to $30,000 per container, contributing to inflation that is hurting American consumers, the union said in a news release Monday. Those figures don't stack up to pricing data from multiple freight sources.

"They are now charging $30,000 for a full container, a whopping increase from $6,000 per container just a few weeks ago. In just a short time, they went from $6K, to $18K, then $24K and now $30,000. It's unheard of and they are doubling their $30,000 fee stuffing the same container from multiple shippers. They are killing the customers," the ILA and its president, Harold Daggett, said.

The claim about double-charging containers is also unverified and there is no precedent for that in the ocean shipping industry. It is a common practice for freight forwarders to buy a container transit from a carrier and fill the container with shipments from multiple customers — it's called less-than-containerload shipping. But that mode is offered by middlemen who bundle loads for customers that don't have enough volume to fill a full container on their own.

About 45,000 dockworkers walked off the job Tuesday morning, closing 14 major ports from Maine to Texas and impacting more than 50% of U.S. imports, after contract negotiations with carriers and terminal operators stalled. The dockworkers, who are among the highest-paid unionized workers in the nation, are seeking a 77% increase in wages over a six-year contract and to prevent automation of cranes, truck gates and other functions.

Data from freight market analytics firms indicates the ILA figures are exaggerated. The average spot rate on major lane segments from Southeast Asia to the U.S. East Coast is about $7,000 per 40-foot container, while rates from North Europe to the East Coast have increased 50% since the end of August, but only to $2,800 per box, according to Xeneta.

The Freightos Baltic Index, which also benchmarks rates, shows Asia-U.S. East Coast rates fell 4% last week to $8,952. Freightos rolls surcharges into its pricing and ocean carriers have been raising surcharges in recent weeks to account for port congestion, delays and rerouting costs associated with a strike. Surcharges at East Coast ports in October range from $400 to $3,000 per 40-foot shipping unit.

Meanwhile, freight rates from Shanghai to New York dropped 5%, or $336, to $6,028 per 40-foot box, for the week ending Sept. 26, according to a shipping index compiled by maritime research and consulting firm Drewry. Prices on the trade lane are up 125% from a year ago.

Two reasons for higher shipping rates are transport delays associated with the disruption of Red Sea shipping lanes and higher volumes because shippers moved up container bookings to avoid backlogs from a potential strike.

"It cannot be ruled out that one desperate shipper has paid $30 000 in a very extreme example, but this freight rate is certainly not representative of the market," said Xeneta Chief Analyst Peter Sand in a press release accusing the ILA of issuing misleading information to scare the public and policymakers into taking its side in the dispute. "This claim by the ILA must be corrected because we have seen in the past how rumor and false information causes panic in the market and spiraling freight rates as shippers rush to protect supply chains."

The all-time record average spot rate on the trade from North Europe to the U.S. East Coast was set during the pandemic in May 2022 when the average price for a 40-foot unit reached $8,790, Xeneta noted. From Asia, the record rate of $12,400 was set in January 2022.

The strike comes as the holiday shopping season hits high gear, although industry experts say most retailers have already received most of their inventory. Oxford Economics estimates that for every week the strike continues it would cost the economy more than $4.5 billion. If the strike lasts longer, it could result in shortages of certain consumer and industrial goods, raw materials and food shipments, such as bananas, which could result in price increases.

The National Retail Federation, Transportation Intermediaries Association and the National Association of Wholesaler-Distributors (NAW) on Tuesday joined a chorus of business interests in urging the Biden administration to take action and reopen the ports.

"The Biden administration must use its authority now to stop the strike before the impact becomes irreversible. This is not just about pay or shipping delays – it's about our global competitiveness. The ILA's demands to ban automation in ports will cripple our ability to compete internationally, while ports in Europe and Asia embrace automation and technology to stay ahead," said NAW CEO Eric Hoplin in a statement.

President Biden, who is avowedly pro-union, later in the day sided with the dockworkers.

Logistics experts say a prolonged strike will send rates skywards on many trade lanes, not just to the East Coast, because idle ships will translate into less capacity – the very scenario the ILA