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AgTC Annual Meeting

The Status of Contianerized Shipping in 14 minutes.

Bill Rooney

June 14th 2023

Agenda: Current State of Sea Logistics

1. Labor
2. Cargo Volume
3. Congestion
4. Rates
5. Government
6. A look forward

Section 01

Labor

ILWU/PMA Negotiations Update

- Tension remains high along the US west coast
- Latest ILWU job action further energizes West Coast cargo diversions

Source: Splash 6.12.23; gCaptain; JOC 6.7.23

ILWU Wages

The basic longshore pay rate in 2022 was $46.23 an hour, according to PMA data.

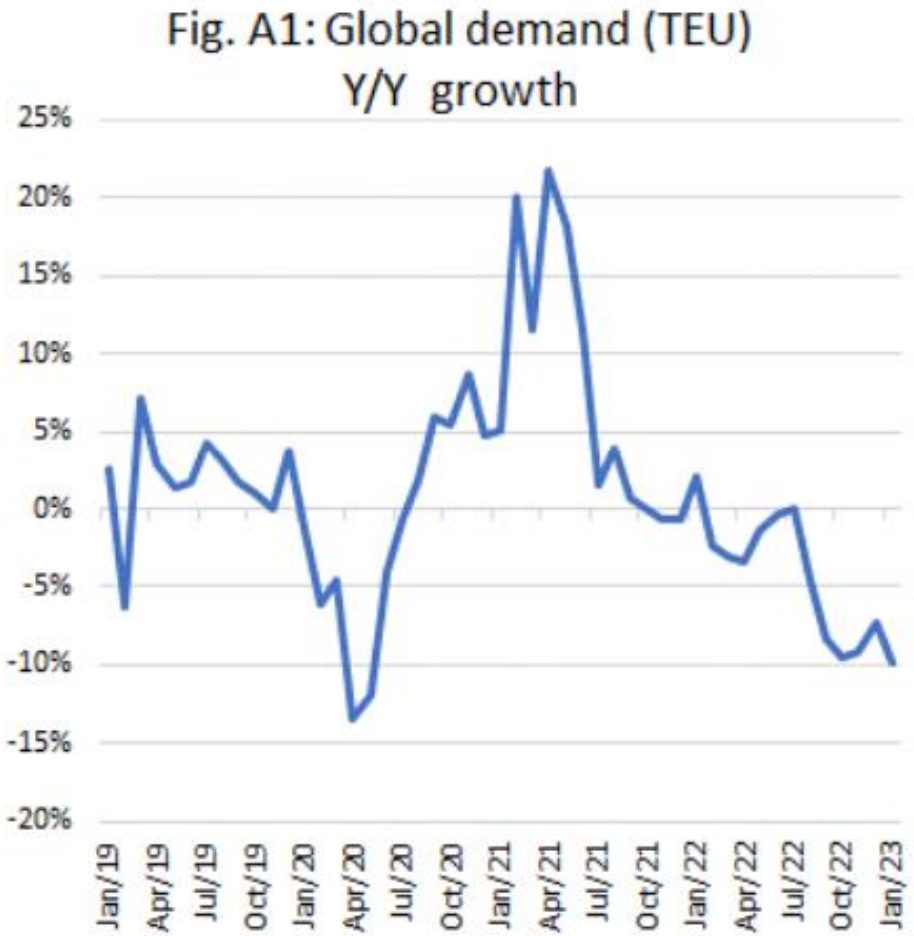
The employer group says that with bonuses and overtime, full-time ILWU dockworkers last year made, on average, $211,000.

Source: WSJ 6.5.23

Section 02

Cargo volume

Cargo Volume: Downs & Ups & Downs



Source: SeaIntelligence 3.12.23

Section 03

Congestion

Global Supply Chain Pressure Index

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The Fed's supply chain pressure gauge just went negative

(Chart: American Shipper based on data from New York Fed. Data download here.)

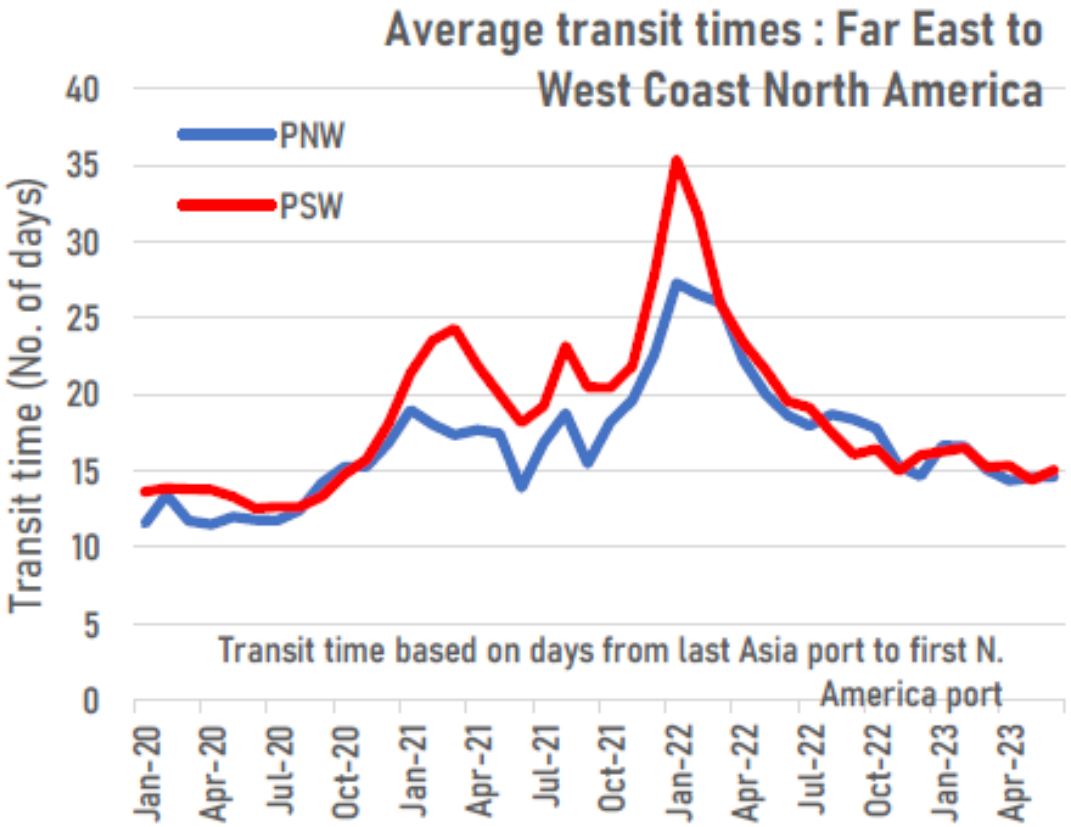
Source: American Shipper 3.7.23

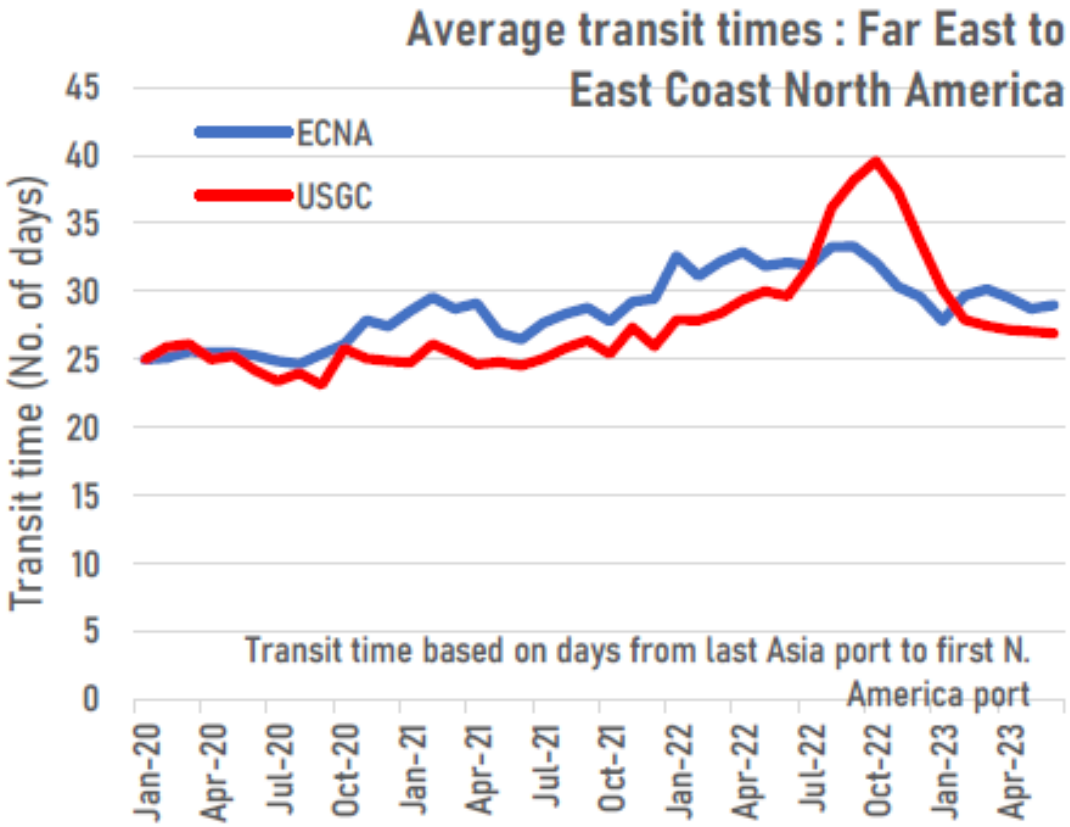
North America Operations: Looking Pretty Good

Port	Line up	Waiting time	Yard	Gate	Rail
Montreal					
Halifax					
Baltimore		2 days			
Newark PNCT					
Newark APMT					
Philadelphia					
Norfolk		0-1 day			
Wilmington					
Jacksonville					
Port Everglades					
Charleston		1 day			
North Charleston					
Savannah		0-2 days			
Miami - POMTOC		0 days			
Freeport		1 days			
Houston		0 days			
New Orleans		1 day			
Mobile		1 day			
Tampa					
Long Beach					
Los Angeles					
Oakland					
Seattle		1 day			
Vancouver		1 - 2 days			
Prince Rupert		0-1 day			
Dutch Harbor					
Kodiak					

Source: Maersk 5.31.23

Vessel Transit Times: Asia to North America





Source: LinerLytica 2023 week 24

Train Fluidity (6 Class 1 RR)

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Train speed & car dwell wk 6 to wk 22 2023 vs. 2022

6.2%
7.9%
8.3%
5.6%
4.7%
4.2%
5.5%
3.5%
3.3%
4.8%
3.7%
3.9%
5.2%
4.4%
5.2%
5.6%
4.3%

Greater Network Fluidity

Weekly vol. variance wks. 6 to wk 22, 2023 vs. 2022

(6.1%)
(5.7%)
(4.6%)
(9.7%)
(10.9%)
(11.1%)
(9.4%)
(10.9%)
(15.4%)
(11.5%)
(7.7%)
(9.9%)
(9.3%)
(10.4%)
(8.0%)
(8.1%)
(6.5%)

Lower Cargo Volume

Trains were 20% slower in 2022 vs. 2015/16. 20.2 MPH vs. 25.5 MPH

Intermodal volume in Q2 2021 was 25% to 30% higher in 2021 vs. 2020 & overwhelmed the network

Source: Wolfe Research

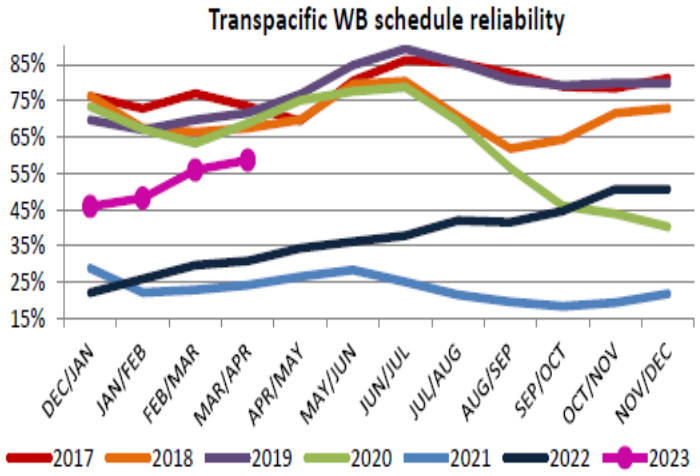
Panama Canal Water Depth

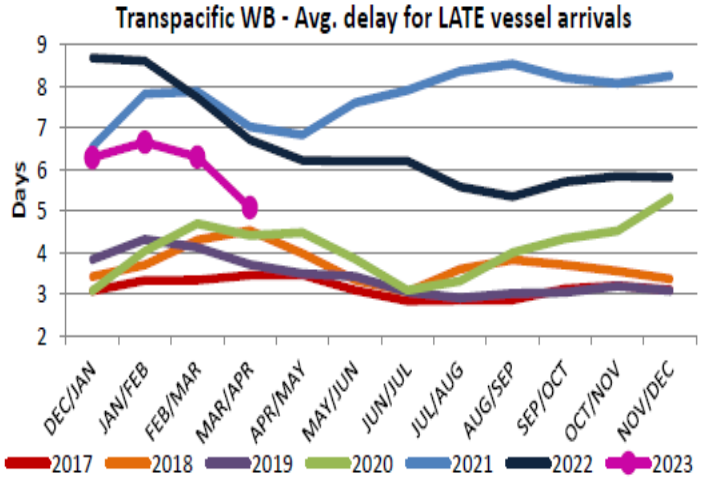
Panama Canal lowers maximum depth limit on ships due to drought

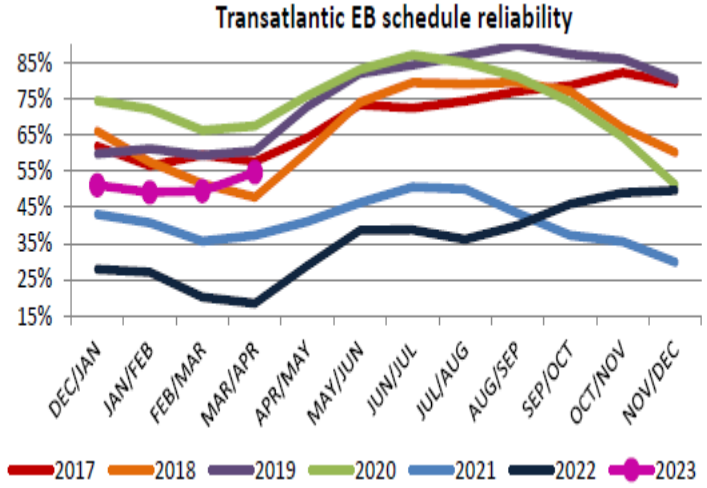
DATE	MAXIMUM AUTHORIZED DRAFT (TFW)
June 13, 2023	13.41 m (44.0 feet)
June 25, 2023	13.26 m (43.5 feet)

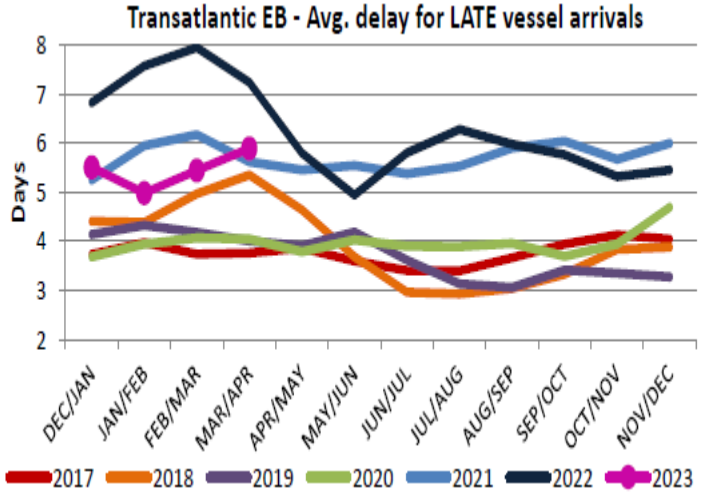
Source: Reuters; gCaptain 5.19.23; Panama Canal Authority

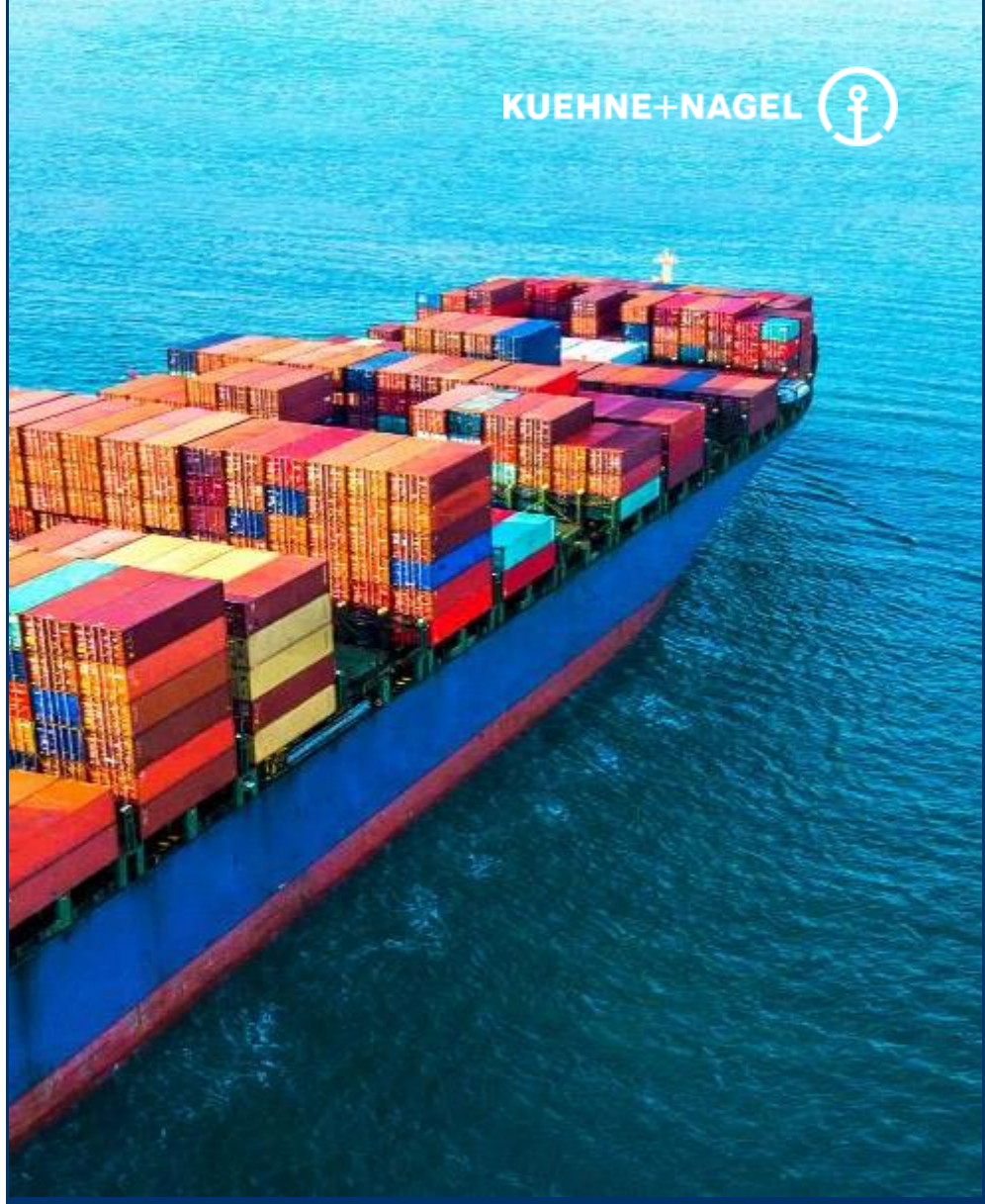
Carrier schedule reliability US Exports: TPWB & TAEB (April 2023 data)











Source: sea intelligence Maritime Analysis / Global Liner Performance Report – May2023

Section 04

Rates

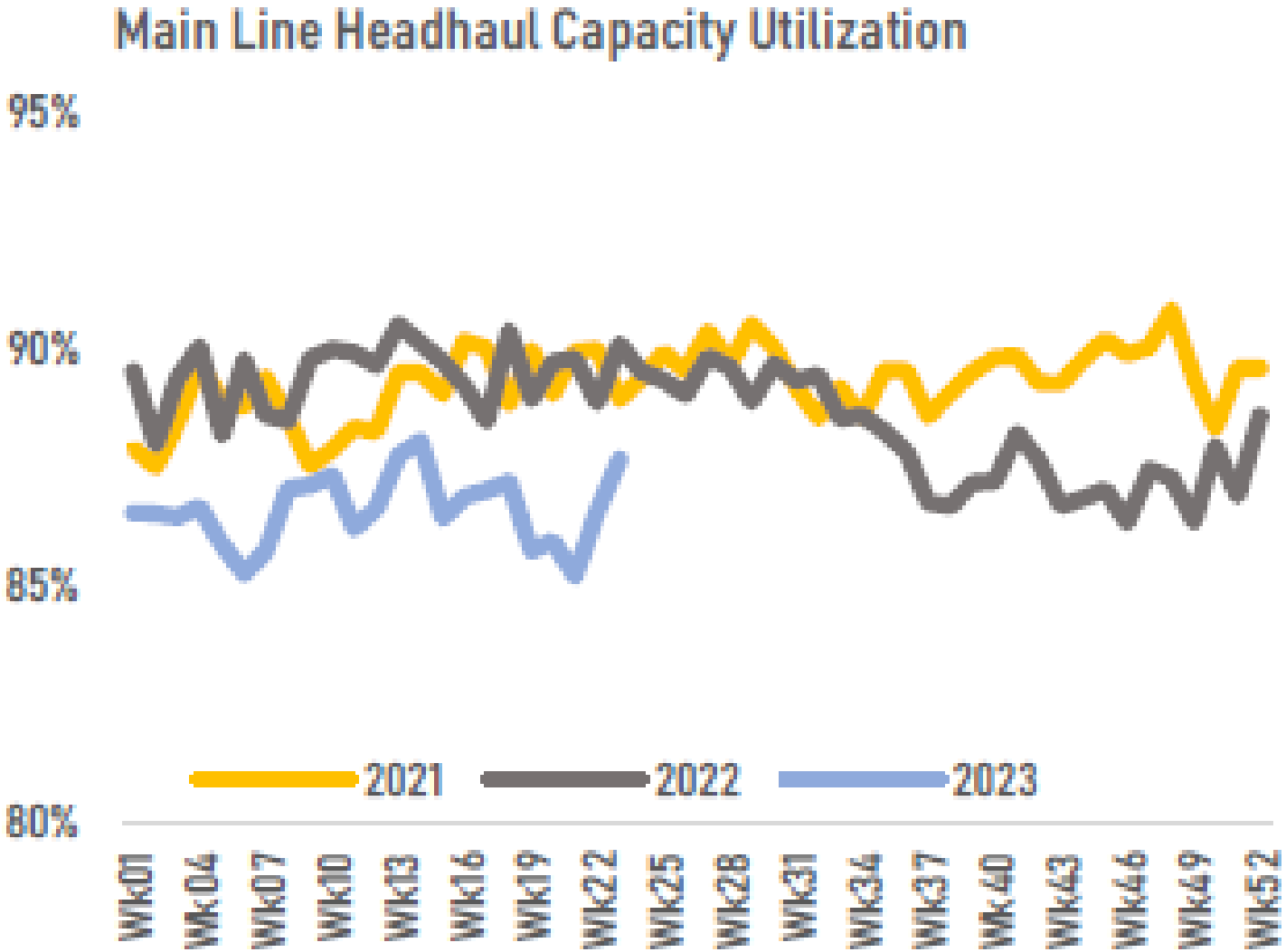
Rates

→ Container Shipping Has Cratered, as Ship Owners Try to Avoid Unprofitable Trips

→ Box contract rates plunge

Source: WSJ 5.23.23; Splash 5.31.23

Vessel Utilization

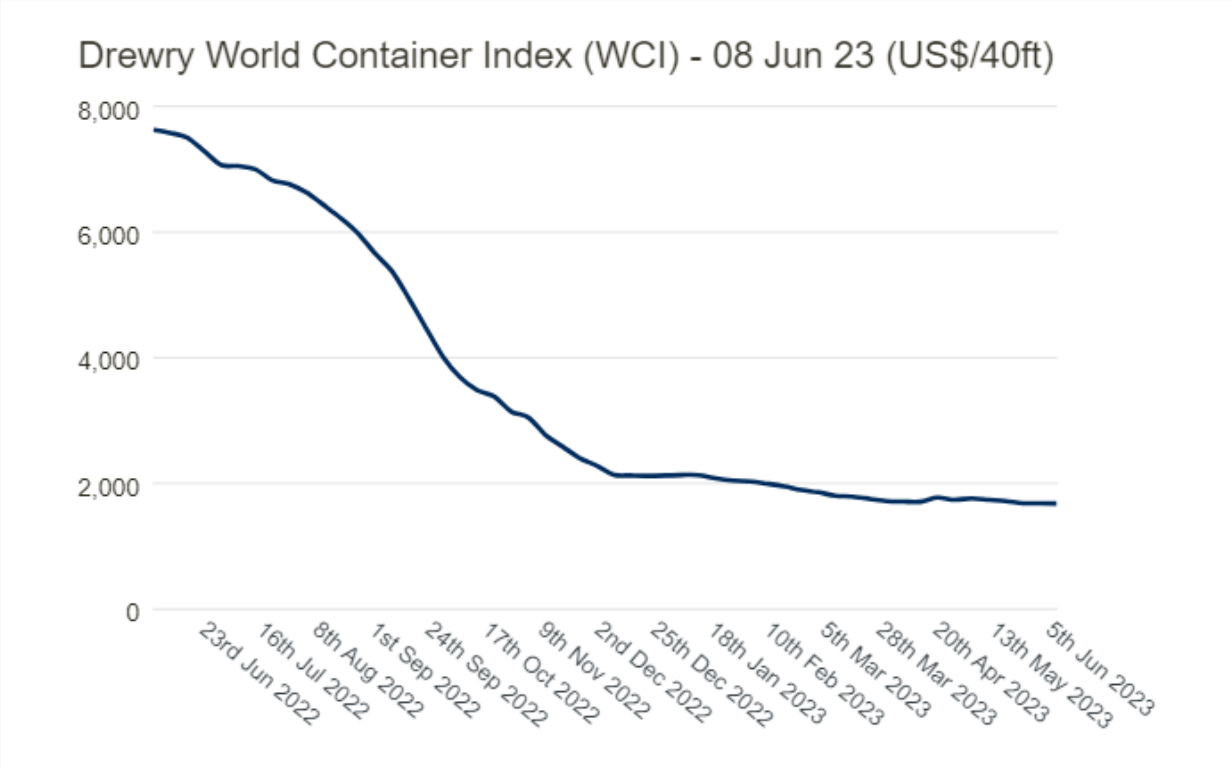


Source: LinerLytica week 24 2023

Drewry World Container Index

(Index as of June 8th, 2023 for 8 large trades)

Drewry's composite World Container Index remained stable at $1,681.04 per 40ft container this week.



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Facts:

- Carriers responded to early Covid-19 lack of demand with massive vessels lay-ups
- As economies re-started carriers cautiously re-instated capacity
- In many regions (example North America) consumption spiked due to more disposable income available to consumers: less spending on services such as vacation travel, but higher spending's on consumer durables boost container shipping and rates
- Spike led to equipment imbalance and shortages which drove up rates
- Government involvement & inquiries evident in the US, Europe & Asia

Sources: Drewry (freight rate assessments on eight major East-West trades) and Kuehne+Nagel data

Section 05

Government

FMC Enforcement: WOW!

→ **Hamburg Sud hit with $10 million FMC judgment in shipper retaliation case**

Source: JOC 6.7.23

Developments: FMC/OSRA & Demurrage

- MSC loses case with American furniture maker
- FMC crackdown on ocean carrier billing prompts Houston per diem change
- US shipping interests want FMC to regulate rail storage fees

Source: Splash 1.19.23; JOC 5.4.23

Regulatory Good News: There is quite a bit of it!

- OSRA detention & demurrage rules
- FMC Fact Finding 29: Batting .500!
- Continued import/export cargo imbalance
- FMC admin. law judge chassis/box rules ruling
- A more muscular & active FMC

The Good Stuff from Fact Finding 29

- Detention & demurrage rules
- Empty container return
- Earliest return date
- Merchants haulage
- Blank sailings
- Rail ramps

Bad News

- Box availability will remain an issue
- Trans-loading will continue to increase in popularity
- Opportunity cost will still drive carriers
- Regulation of rail ramp demurrage/storage still uncertain
- Politics rather than business analysis drove OSRA

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Environmental regulatory timeline

2022

- **April 1**: Energy Efficiency Design Index (EEDI) – New buildings
- **November**: IMO MEPC 79
  - Adoption of short-term measures i.e. EEXI, CII

2023

- **January 1:** Application of Energy Efficiency Existing Ship Index (EEXI)
- **January 1**: Carbon Intensity Indicator (CII) regulation
- **July**: IMO MEPC 80
  - GHG review
  - LCA (WTW) guidelines
  - Decision on mid- and long-term measures, i.e. levy system

2024

- **TBC**: EU ETS
→ Internal EU shipping: 100% emission coverage
→ External EU shipping: 50% emission coverage

2025

- **July 1:** Entire Mediterranean
→ Sulphur Emission Control Area (SECA)
- **TBC**: Review of CII regulation

2026

- **TBC**: Review of CII regulation

2027

- **TBC**: EU ETS
→ External EU shipping: 100% emission coverage

2030

- **January 1**: IMO goal to reduce emissions by 40% (baseline 2008)

2050

- January 1: IMO goal to reduce emissions by 70% (baseline 2008)*

Rates and bunker

Source: Lloyds Register & ABS & FIS
*Subject to revision at 80th MEPC Meeting due by summer 2023.

Containership Speed

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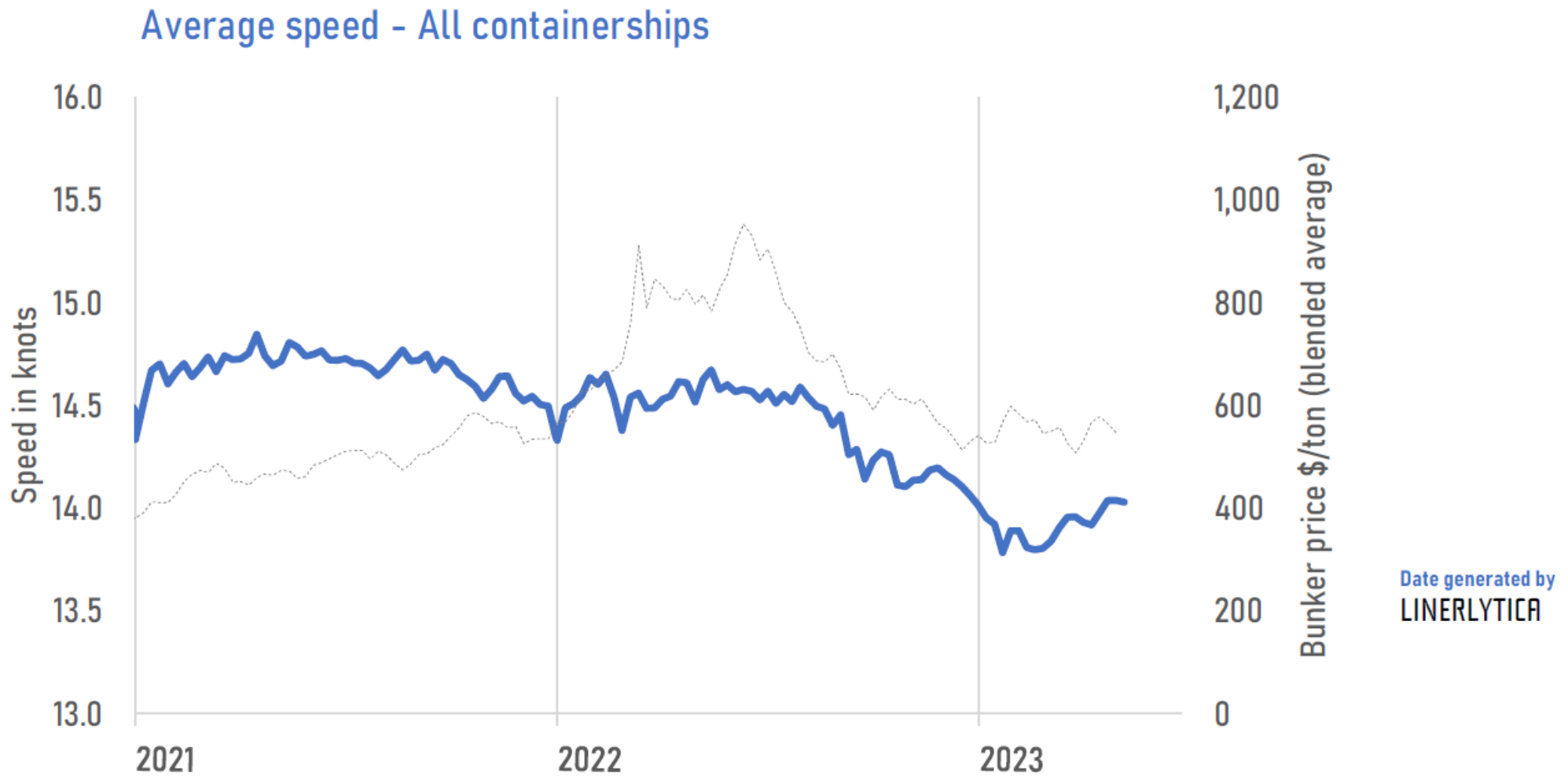
2M Adding Capacity to Reduce Speed on Asia-Europe Network



Source: Linerlytica week 19 2023; Loadstar 5.12.23

IMO 2023 Impact?

- **2M adds nine ships to Far East-Europe armada**
- **‘Super’ slow steaming makes a comeback as surplus capacity builds**
- **Containerships moving at all-time low speeds**

Source: AlphaLiner 2023-20; JOC 5.26.23; Splash 5.29.23

California Trucking Regulations

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California poised to ban new diesel trucks

The earliest requirements would be for drayage trucks, which carry cargo to and from the ports of Los Angeles, Long Beach and Oakland and cause severe air pollution in nearby communities. All of them must be converted to electric models by 2035, and new sales beginning in 2024 must be zero emissions.

Source: Nadia Lopez 4.26.23

US-China Relations

BREAKING NEWS

→ **The F.B.I. arrested two men on federal charges connected to a Chinese police outpost in New York City, people with knowledge of the matter said.**

→ **US Congress Moves to Ban Chinese Crane Software**

→ **American maritime assets targeted by Chinese malware**

Source: NYT 4.17.23, Splash 5.25.23; JOC 5.18.23

Section 06

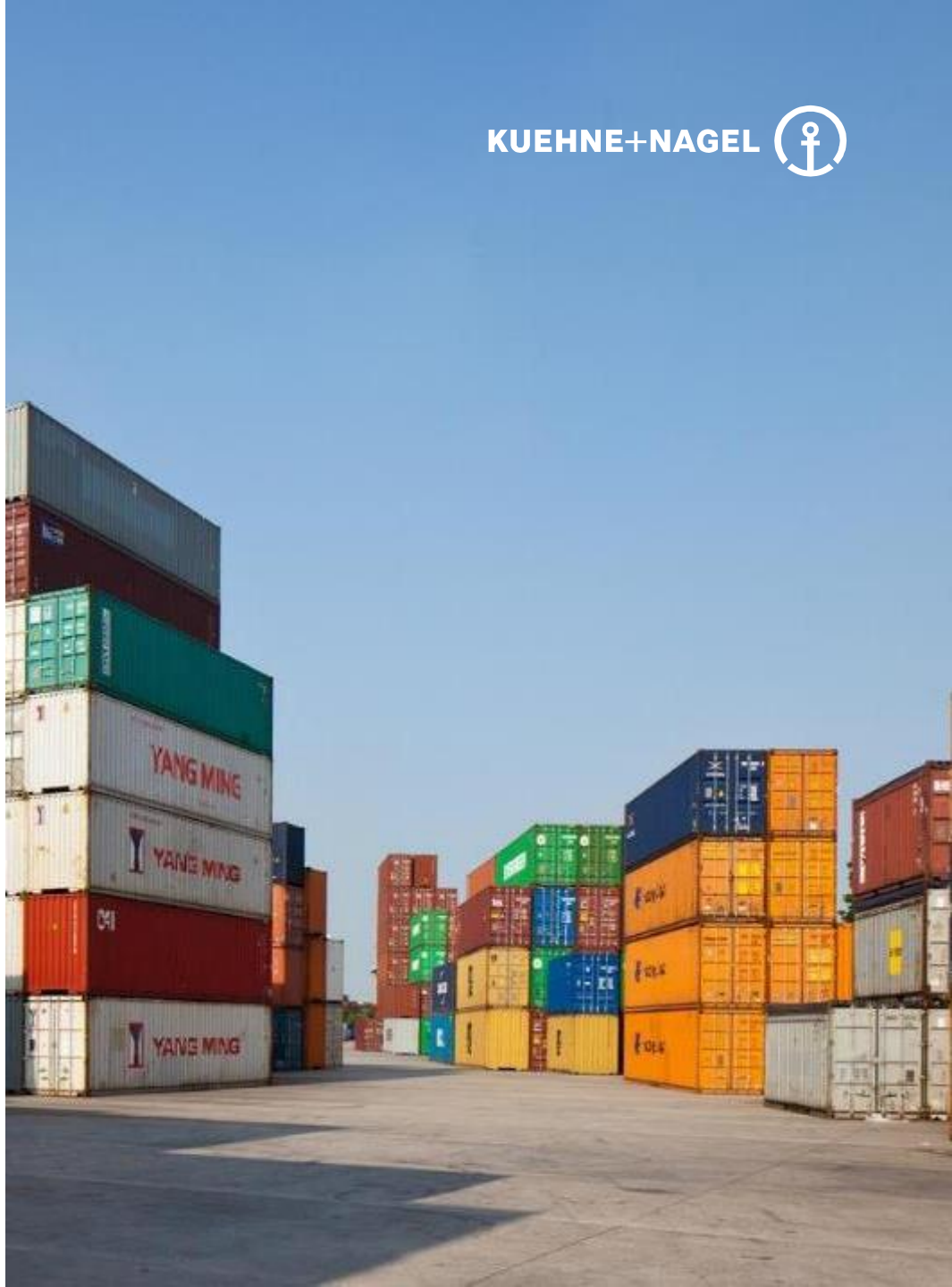
A look forward

2023 Sea Logistics Market Highlights

A Tale of 2 Halves

- **1st Half of 2023:**
  - Weak global economy (but looking better)
  - A weak cargo market
  - Drawdown of high inventories
  - Rates either back to pre-Covid levels or lower or drifting down from Covid highs
  - Probably a good time to negotiate contracts
  - Operations continue to move toward normal

- **2nd Half of 2023 (early 2023 forecast)**
  - Better economic conditions
  - An improving cargo market
  - Inventories being replenished
  - Maybe a traditional peak season
  - Firmer or increasing spot rates
  - Operations back to normal



US West Coast Strategic Issues

- A union with monopoly power
- Local population & political attitudes toward the transport industry
- California regulation (business & environmental)
- No apparent acceptable way to increase terminal capacity

Sea Logistics Market Update

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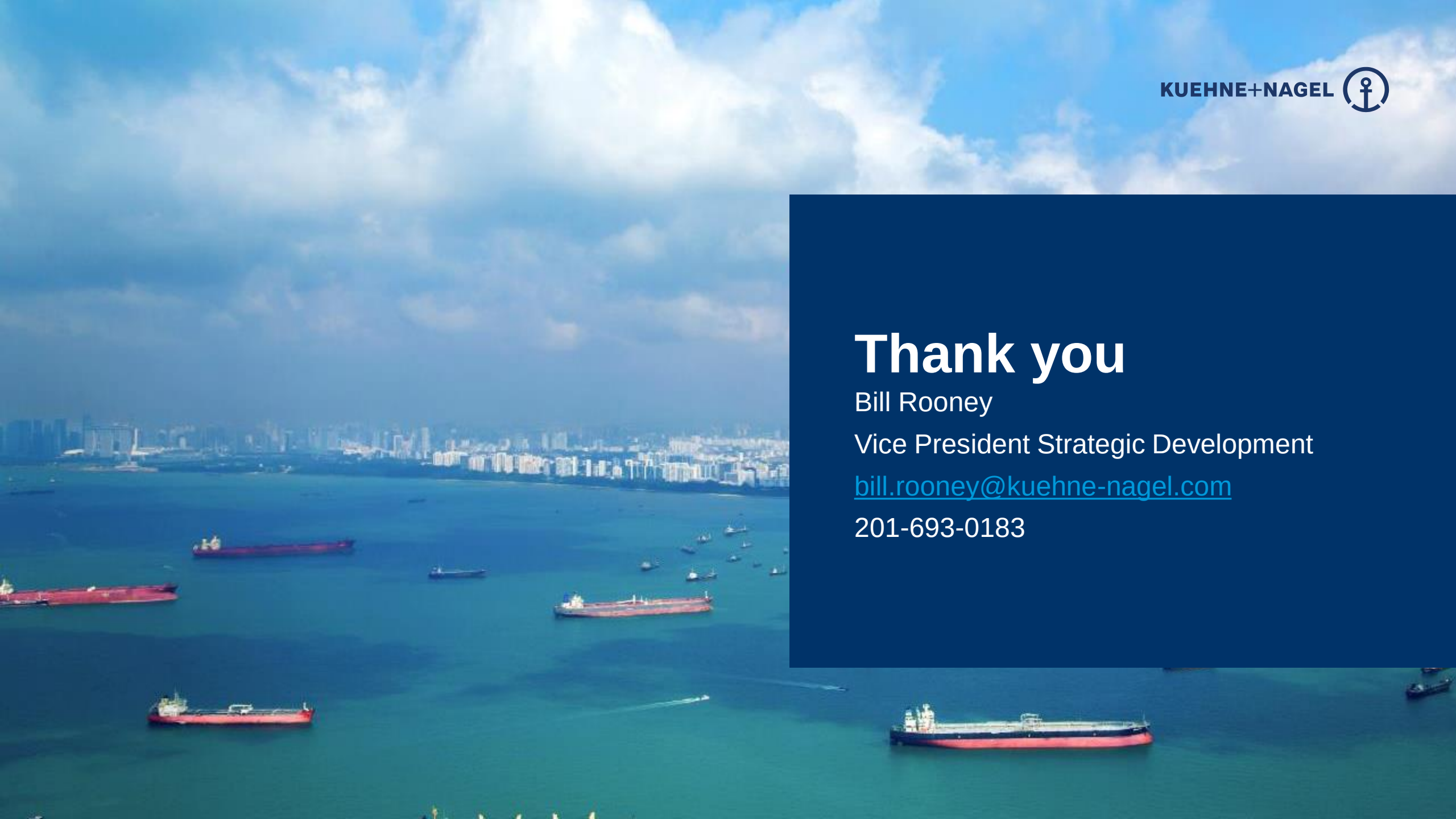

Thank you

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