

Shap Talk:

What's Trending This Week?

Week of January 17 – 21

Regulatory News	Domestic News
<p>#LegislationToRestrictDeMinimis</p> <ul style="list-style-type: none">• The chairman of the House Ways and Means Trade Subcommittee, Representative Earl Blumenauer (D-OR), introduced “The Import Security and Fairness Act”— a new piece of legislation that would add restrictions around the \$800 de minimis level.• Under the bill, goods from non-market economies and/or included on the intellectual property watch list <i>would not be eligible</i> for de minimis provisions.• The package also excludes goods subject to Section 232 or Section 301 tariffs from qualifying, prohibits de minimis shipments from foreign warehouses and requires US Customs and Border Protection (CBP) to collect more information on shipments.• With approximately 83% of de minimis packages hailing from China, it will be the lone country affected at this time.• For any questions related to the new bill, reach out to our Compliance team.	<p>#DrayageBookingTimesReachTwoYears</p> <ul style="list-style-type: none">• Ha, made you look!• You will not get drayage space if you book with less than two weeks’ notice for US destinations that handle almost 80% of the country’s import volume.• Los Angeles/Long Beach, New York, Norfolk, Savannah, Charleston, Houston, Chicago, Memphis, and Nashville are all facing difficult trucking power and equipment shortages; additionally, the requirement to book moves is now AT LEAST two weeks out. <p>#CargoTheftParodyAnInsecurityForSureties</p> <ul style="list-style-type: none">• The Union Pacific Railroad has noted a 160% increase in cargo theft on rails near the ports of Los Angeles and Long Beach.• The increase is directly connected to slower transits and longer dwell times of imported merchandise and containers.• Additionally, a pending case in which 17 rail cars were recently derailed is being blamed on looters.

#CBPScammersBelongInTheSlammer

- The US has seen a marked spike in the number of scammers posing as CBP officers and Border Patrol agents of late; some of the more popular guises reported include—
- *“A box of drugs and money has been shipped to your name and intercepted!”*
- *“There is a warrant for your arrest!”*
- *“In order to verify your account, we need you to provide banking information or other personal identifiable information, such as date of birth or social security numbers.”*
- Don't become another victim— and remember, it's always best to reach out to CBP directly if you are concerned about a shipment.

#Let'sPlayMonopoly!

- The top 20 largest steamship lines controlled just more than 50% of global shipping capacity 25 years ago.
- Today, the top 10 carriers control an impressive and terrifying 85%; this number has only grown each year over the past decade.
- As you readers know all too well, 90% of the top 10 carriers operate in three alliances— which has drawn the attention of regulators from Brussels to New York to Beijing.
- For anyone who was asleep last year, the steamship industry made \$150B in 2021 and surpassed their total profits for the previous 9 years in Q3 of 2021 alone.

#ChassisComeHome!

- American shippers and dray carriers are increasingly frustrated by the lack of available chassis in key markets.
- Both rail depots and ocean ports have felt the impact, which has been tremendously exacerbated by congestion and the related slowing of overall transit times— seaside and landside.
- Chassis shortages and delayed redeployments are most acute in Los Angeles, New York, Philadelphia, Cleveland, Columbus, Louisville, Nashville, St. Louis, Atlanta, Chicago, and Memphis.
- (Editor's note: We truly hope we will not have to list the locations that are *not* struggling with chassis shortages in order to shorten our next ShapTalk article!)

#ThePartsAreGreaterThanTheWhole

- In 2021, over 1200 new drayage companies were launched in the US; for an industry desperate for capacity, this sounds like great news.
- Unfortunately, the vast majority of these companies were formed by a driver or two looking to take advantage of the increasingly hot spot market.
- Interestingly, more than 90% of these new companies were formed by previous employees of mid to large trucking companies.

Global News

#SupplyChainSnarlsBorderingOnMadness

- One of the “quieter” aspects of today’s supply chain dysfunction is the closing of international borders and sometimes even borders within countries— for example, an on-going jam between Vietnam and China has greatly slowed the flow of much-needed raw materials to Vietnam.
- 2022 has opened with the world’s longest land border being closed to unvaccinated truck drivers. At 5,524 miles, the border between the US and Canada allows for the flow of \$650B in goods; this trade is also remarkably well-balanced between imports and exports.
- The vaccination mandates of both countries will greatly diminish overall truck capacity, which has already led to a surge in pricing— for example, fruit and vegetable trucking exports from Arizona and California to Canada are already up 25%.
- It is estimated that only 55% of US truckers are currently vaccinated. Fortunately, 75% of US-Canada trade is carried by Canadian truckers (who have a much higher vaccination rate); however, the overall capacity impact is estimated to be above 15%.
- US food exports to Canada topped \$21B last year, but truckers have expressed major concerns about moving perishables in a market fraught with potential delays. In today’s hot freight market, truckers can be choosy about routes and commodities; the border policy only makes loads to and from Canada less desirable.

#JapanYouTheMan(AndWoman)!

- Though China gets all the press as they close in on the US as the world’s largest economy, Japan has also proven to be incredibly resilient in the highly turbulent pandemic era.

International Freight News

#OceanShippersStillShanghaied

- The Shanghai Containerized Freight Index (SCFI) sits at \$11,833 per 40’ for FAK moves from Shanghai to New York; however, only 40-50% of today’s market is moving on FAK rates, with a large percentage of the rest of the market shifting to premium and co-load options.
- When factoring in all routing types, the average 40’ from Shanghai to New York costs 32% more than the Shanghai FAK average. While \$17,500 is a full 21% lower than September’s unbelievable peak, it is a much more accurate measure of current pricing.
- The same dynamics are present to the US West Coast, though the spread between SCFI and actual pricing averages is less severe.

#OhGeezeHereComes5G

- Growing airline safety concerns over the planned expansion of 5G C-band cellular service made headline news this week as it neared its January 19th launch date.
- The aviation industry and Federal Air Administration (FAA) have serious concerns that the service will disrupt cockpit instruments, especially when pilots rely on instruments to fly during bad weather.
- To avoid widespread flight cancellations, the White House was asked to mandate that 5G be turned off within a two-mile range of airports; however, AT&T and Verizon, argued that the service has been working safely in Europe and offered to compromise by temporarily delaying the 5G launch in many of the nation’s control towers.
- To date, the uncertainty and confusion over 5G has led to the cancellation of at least 25 flights from 6 different international airlines.

- After passing Germany in 2020, Japan has quietly retaken its position as the third largest global economy; Japan's GDP nears \$5 trillion today.
- In 2021, Japanese imports rose 24.3%—largely dominated by energy— while exports experienced a 21.5% growth by value; the country outpaced expectations for car, steel, and semiconductor exports.
- Like North America and Europe, the major “black cloud” on Japan's horizon is inflation, though the government has allowed the yen to lose value as a means of supporting export growth.

#I'mJustWaitingOnA...Berth

- As stevedores and port employees battle Omicron, vessel delays for waiting time to berth are growing across the US.
- After averaging 1.6 days in 2021, vessel waiting times are now between 7 and 10 days in New York, where as many as 25% of staff are calling in sick.
- Similarly, Seattle/Tacoma reports about a 10-day average wait time.
- Never to be outdone, the ports of Los Angeles and Long Beach are at the head of the class, with average wait times now over 40-days.