

## NORTH AMERICA NETWORK DISRUPTIONS

September 22, 2020,

Dear Valued Customer,

The COVID-19 pandemic has had a tremendous impact on our communities, businesses, and supply chains, including a number of significant challenges posed to the U.S. West Coast operations. The challenges have both upstream and downstream implications, and we would like to update you on each of these in some detail. Thank you for your support as we navigate these conditions together.

### **DRAYAGE**

August was a record month at the port of Los Angeles/Long Beach, with the port of LA reporting a record high of 962k TEUS (previous record: 952K TEUS, October 2018). These increases have revealed that loaded containers are dwelling 65% longer at the port, 5.8 days since July 2020, versus the historical average of 3.5 days.

- The quantity of loaded containers dwelling is double historical levels:
  - This is contributing to a lack of available chassis on both privately owned and POP pools.
  - Terminals are restricting to dual transactions only, limiting opportunities to pull containers.
- Terminal congestion is leading to missed appointments.
  - The dual transaction requirements are resulting in more drivers missing appointment windows while waiting to complete earlier transactions, or for chassis to become available.
- Limited empty return opportunities
  - Tied to chassis availability, empty container return appointments have become a complex equation, trying to align container size, SSL with a full import container.

### **WAREHOUSE OPERATIONS**

Since March 2020, the availability of labor has been tenuous; though there are signs of recent improvement. Efforts to attract talent are increasing the cost of labor, thereby putting pressure on BCO's and 3PL's. Additionally,

- The line haul issues have led to backed-up yards and loading docks, further limiting drayage capacity.
- Planning has become significantly more challenging due to the increase in live loads
  - Driver appointment windows are often impacted by previous transactions, resulting in bottlenecks, particularly for second and third shifts, which are not traditionally equipped to support live loads.

## LINEHAUL

There are ongoing limitations on the availability of empty 53' containers, due to a combination of factors:

- Rail and trucking networks are out of alignment, causing a large percentage of available equipment to dwell loaded longer and empties cannot be repositioned based on demand.
- Rail carriers have placed restrictions on weekly load availability, in some cases they are cutting available capacity down by 20-30%.
- Rail linehaul is currently moving smoothly, but there are challenges for terminal processing due to customers not picking up cargo at inland rail terminals.
- Asset based OTR carriers, also struggling with repositioning, have limited capacity.
- Broker/carriers are deployed using small carriers (owner/operators) to move the freight through the "spot market", resulting costs increased by 40% to 60% on some lanes.
- Customers are forced to choose whether to wait for capacity to become available (waiting for loaded equipment to turn), or pay high rates to keep the freight moving.

Again, thank you for your business and your support. Please contact us with any questions or if you want to learn more about the conditions on the ground in the Los Angeles/Long Beach port area.

Sincerely,

APL Logistics