



Negotiators have one week to save US east coast from chaos

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Port Authority of New York and New Jersey

The entrenched sides are set, with government intimating it will not intervene, and the clock is ticking for what looks set to be Q4's biggest supply chain upheaval – the shutdown of ports across the east and Gulf coasts of the United States.

If by the end of next Monday no pay deal has been struck between employers and employees, 45,000 American dockworkers will then down tools in an industrial action that will have ripple effects across every shipping sector.

Contract negotiations have broken down between the International Longshoremen's Association (ILA) and port operators on the US east and Gulf coasts. The current agreement, which covers workers at facilities including six of the 10 busiest US ports, expires next Monday.

Harold Daggett, the ILA's president, warned earlier this month in a video uploaded to the union's website: "The ILA most definitely will hit the streets on October 1st". The union has been seeking

wage increases in excess of 70%, plus commitments from terminal operators to avoid automating operations at their facilities.

The United States Maritime Alliance (USMX), which represents the port employers, has repeatedly stated there is little sign of the two sides reaching agreement while the Democrat administration in the White House has briefed reporters that it is unwilling to step in and enforce legislation to keep the terminals running.

“News alerts are intensifying regarding a potential strike at US east coast ports starting in early October, which could once again lead to significant global service disruptions,” broker Braemar noted in a weekly container markets advisory published today. “As we’ve witnessed in recent years, such disruptions can have profound effects on the market, impacting supply chains and causing widespread delays.”

Analysts at Danish box shipping consultancy Sea-Intelligence report that they are seeing the tangible operational impact as various actors within the global supply chain take action to mitigate the worst of the fallout from the strike.

Ports and terminals along the US east and Gulf Coasts, have in many cases advised that they will have extended gate hours in the coming week with supply chain experts warning there will likely be a fight for available trucking and chassis resources this week.

Ports are pointing out that a closure will mean that they cannot guarantee the conditions for reefer cargo, which gets trapped inside the ports.

Carriers are now also altering their operations, Sea-Intelligence reported. THE Alliance has announced a number of port omissions on the US east coast in this coming week.

Carriers are beginning to announce disruption surcharges. Should the strike go ahead, these are presently announced at levels of up to \$3,000 per feu for cargo inbound from anywhere in the world to the US east and Gulf Coasts.

“Shippers should think through the ripple effects,” Sea-Intelligence advised in its latest weekly report. “A strike will trap vessels off the US coast, as there are limited options for diversions. This will lead to export capacity shortages on the Atlantic trade in Europe after 2-3 weeks, and in Asia after 5-7 weeks. Additionally, this will reduce the inflow of empty equipment into Asia, also with a 5-7 week time lag, meaning a potential shortage of equipment and space, on all Asian export trades from 2nd half of November.”

Destine Ozuygur, head of operations at eeSea, another Danish container consultancy, pointed out that to date vessel diversions have been minimal, telling *Splash* that it is important to draw the distinction between diverted ships and diverted cargo.

Ozuygur said there was a “small gateway of opportunity” into Canada but ports such as Halifax and Montreal will be unable to turn over dozens of additional ships on a weekly basis.

One ship tracked by eeSea, the 13,892 teu APL Esplanade, has shown an inducement into Halifax on September 27, but the ship will then continue to make its normal rotation along the US east coast.

“She may be the very first confirmed example of a full vessel diversion if the carriers do go ahead and align with Halifax’s schedule,” Ozuygur said.

The 14 ports controlled by the ILA handled 28.4m teu of containerised cargo in 2023 or almost 550,000 teu each week. For each week that the strike continues, it would hold up 1.7% of the global

containership fleet, according to Linerlytica data, with an indefinite strike expected to affect over 4.5m teu of the fleet, accounting for 15% of the total containership capacity.

Danish carrier Maersk warned in a recent advisory to clients that should a general work stoppage occur, even a one-week shutdown could take four to six weeks to recover from, with significant backlogs and delays compounding with each passing day.

The last major, comparable work stoppage was an 11-day lockout at west coast ports in 2002. That closure cost \$1bn each day and caused six months of backlogs.