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Tackling trans-pacific trade bottlenecks caused by Covid-19

The Covid-19 pandemic has wreaked havoc upon the global supply chain since early 2020, when it initially forced the closure of factories throughout China. Then last April, American consumers started staying home and drastically altered their purchasing habits – a sharp increase in consumer hardware, electronics, fitness equipment and home improvement products. When Asian factories reopened, a deluge of delayed and new orders has led to a chain reaction of congestion and jams at ports and freight hubs across North America as the goods from Asia began arriving in the second half of the year.

Container shipping companies are still continuing to face significant operational challenges arising from this Covid-19 “black swan” event. According to data from Sea Intelligence, just 30% percent of container vessels arrived on time in November 2020 from Asia to North America, and shipping lines faced unprecedented equipment shortages in Asia.

Today in North America, vessels are still literally waiting weeks to get alongside in Vancouver, Oakland, Los Angeles and Long Beach. Ships that typically take three to five days to unload (already 50% longer than in Asia) now take seven or more days to unload. This is largely due to landside shortages in manpower and changes in working practices due to the pandemic as well as increased terminal yard congestion due to containers dwelling longer as a result of slower pick up by consignees - due to similar challenges with their landside logistic operations.

Demand recovery

So how did we end up in this situation? Let’s look at how the industry responded to the V-shaped demand recovery in 2H/20. The outbreak of Covid-19 in early 2020 caused an initial capacity shock resulting in global container shipping volumes falling by 16% in May compared with 2019. Three months later in August 2020, the carriers added back +7% more capacity (compared with Aug 2019) and a whopping +20% (compared with Dec 2019).

Capacity recovery was achieved due to the shipping lines re-activating all their tonnage, filling core services, and through the deployment of over 150 ad-hoc extra loaders spanning the west coast of North America. To put this into perspective, that's the equivalent of nearly nine additional services per week in the last quarter.

Root causes of the bottleneck

Despite the deployment of 100% of tonnage and hundreds of additional ad-hoc extra loaders, landside receiving productivity could not keep up and import container dwell times started to surge. Unfortunately, the inability of the landside operations in North America to keep pace with the 24/7 nature of Asia's operations is proving to be the main bottleneck in the current situation. Customary working hours in North America – roughly 112 hours per week at the berth and 88 hours per week at terminal gates – are mismatched to those at the origin Asia supply chain – roughly 168 hours per week. When Asia turns on the tap at origin (to meet North America's "pull" requirements), the destination side has no means to absorb this in a structural manner. The pipe is simply too thin on the North American side!

Comparing terminal productivity levels between ports in North America and Asia is one of the key root causes. Asia has invested significantly in bigger terminals and handling equipment, which has resulted in higher terminal productivity levels in Asian ports as compared to the North American counterparts. The reality is that bigger ships (with better environmental carbon footprints) require greater port productivity to avoid dis-economies of scale. Throwing lots of extra loaders at the problem is not going to alleviate the situation if the existing North American infrastructure and terminal productivity cannot cope adequately with the utilization surges of the existing core loop services.

Potential countermeasures

Key changes need to be considered to avoid a repeat of this bottleneck situation in years to come. Some of these countermeasures include:

- Improved cargo and equipment forecasting (shipper and carriers).
- Enhanced North America vessel berth productivity.
- Enhanced North America terminal trucker turn time/match-back productivity.
- Enhanced North America terminal flexibility to absorb sustained demand spikes in a more effective manner.

We also need to free up operational bottlenecks associated with delays to international crew change activities. It seems that every government has a different policy and set of procedures, which are also being then changed on a far too regular basis. This makes it extremely difficult for ship owners and ship managers to plan crew changes in a predictable and safe manner. This also significantly increases unnecessary stress on our crews who we all depend on to keep global supply chains functioning. So please support the [Neptune Declaration on Seafarer Wellbeing and Crew Change](#), and take a positive interest in what your governments are doing to support seafarers' key worker status, crew change flexibility and vaccine prioritization.

Thank you so much.

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