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Addressing Maritime Shipping Problems

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U.S. agriculture exporters, including exporters of U.S. hardwood logs and lumber, are reporting severe delays and rising costs at our domestic ports due to detention (maintaining possession of a container longer than allowed) and demurrage (leaving a container on a marine terminal longer than allowed.) For many shippers, the situation is oppressively burdensome.

- It appears that cargo is being rolled (not being loaded onto the vessel it was meant to sail on) for an average of two to three weeks.
- There are loaded containers at facilities waiting to be shipped, and Forest Products Industry members are having difficulty getting bookings up to two months out.
- Incidences of so called "blank sailings," where steamship vessels simply do not show up for a booked appointment to accept cargo, are increasing. (This not only presents administrative challenges as customers scramble to rebook, but the next vessel in the queue typically has no availability.)

The on-going crisis is not new, but the result of high demand, barriers to container access, and consolidation of the cargo carrier sector. U.S. exporters must now rely on less than a dozen foreign carriers to deliver our agricultural and forest products overseas...and with little oversight.

What's being done?

The Hardwood Federation has been actively participating – via information gathering, signing on to letters, and logging on to virtual meetings - with the **Federal Maritime Commission** (FMC), the independent federal agency responsible for ensuring a competitive and reliable international ocean transportation supply system that supports the U.S. economy and protects the public from unfair and deceptive practice. (To date over 150 Members of Congress have expressed concern in letters to the FMC.)

Additionally, the **Agriculture Transportation Coalition** (AgTC), a coalition of 370+ national agricultural and forest products organizations (including the Hardwood Federation) and exporting companies, has shared the severity of the situation with the FMC, as well as the Secretaries of Agriculture and Transportation.

AgTC also is advocating for increased funding for technical assistance to the U.S. shipping community to fully address the challenges of moving products to global markets, and also has proposed legislative and regulatory solutions to address specific problems contributing to the situation, including:

- I. **Extending hours of Operation:** The Coalition has called upon key stakeholders - the International Longshore and Workers Union, terminal operators and port authorities - to enter into discussions to achieve additional gate hours at West Coast ports. This may require Congressional and/or Executive Branch intervention, but AgTC leaders believe additional hours can be achieved without legislation.
- II. **Enforcement of FMC's Detention and Demurrage Rule:** Cargo carriers routinely ignore FMC guidance regarding reasonable imposition of demurrage and detention penalties. Fines to exporters must be paid immediately and can run between \$175 to \$750 per container per day. Penalty waiver requests are possible, however the burden falls on the shipper and the requests are frequently rejected, without explanation.

Because many shippers are struggling under the burden of such stiff penalty charges and reporting obligations, AgTC has proposed an amendment to the Shipping Act of 1984 that would simplify and streamline the waiver request process while, at the same time, confirm that all fines issued are FMC compliant.

- III. **Maintain Carriage of U.S. Exporters:** Too frequently carriers decline U.S. exports in order to expedite the return of empty containers back to Asia. Once there, they quickly load higher value cargo for the much more lucrative eastbound voyage back to the U.S. Inbound rates are often three times higher than export rates. As a result of this imbalance, U.S. agriculture and forest products are stranded at U.S. ports.

AgTC has proposed amending The Ocean Shipping Reform Act of 1998 to prohibit unreasonable decline of export cargo, with fines resulting if carriers refuse to carry cargo without legitimate cause.

Bottom Line

The Hardwood Federation will continue to monitor this issue as well as continue to actively engage with the AgTC to advocate for positive change.