

Global Operations Update

January

This summary is a snapshot of the global operations as we know it today. Of course, this changes very quickly.

Europe:

- **European Equipment Shortages:** Equipment shortages are severe and ongoing in Italy, Spain, Portugal, and Turkey for 40' dry containers.
- **European Port Congestion / Delays:** North Europe is experiencing severe congestion that shows no signs of upcoming relief. UK ports are facing gridlock relating to congestion in continental port hubs. Rotterdam has in particular heavily congestion and some terminals are not accepting export containers for ingate ahead

of the CY cutoff. In the UK, there are widespread restrictions for UK cargo, due to port congestion and haulage limitations – further delays and port omissions are expected. Larger vessels are expected in 2021. If the demand does not return to 2019 levels, we may see surges and bottlenecks in destination ports in Europe and North America where there will be fewer arrivals but larger vessels that may be challenging for these ports to accommodate.

- Severe delays in ports are reported in the North Europe ports, consistent with the rest of the world.
- **UK Port Congestion/Vessel Diversion:** Delays at UK ports have been caused by a surge in import traffic as companies increased orders after the initial lockdown and some looked to stockpile goods before the end of the Brexit transition period. Additionally, there are large orders of PPE added to the backlog of containers on the quayside.
- Due to port congestion, shipping firms have limited the amount of cargo that they are willing to bring to the UK, restricting the available space for UK imports. This is resulting in some freight companies dramatically increasing pricing to the region as demand exceeds supply. Meanwhile, empty containers waiting to be shipped back to Asia are causing traffic jams at ports throughout Europe and North America.
- With such severe port congestion at play at UK ports, vessels are experiencing extreme

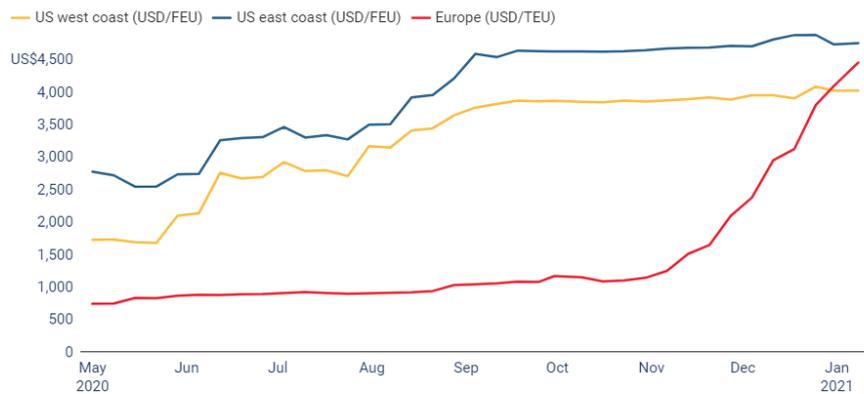
wait times to berth, and ports have started to divert UK-destined cargo to other EU ports. Where ships are able to dock and unload, the issue is then getting the containers out of the port. Today, the UK ports are full of empty containers waiting to be loaded onto ships that are no longer calling the terminals directly, and labor and equipment within the cargo infrastructure (ports, warehouses, trucking, and rail) continues to be stressed. This UK port bottlenecking is expected to continue well into 2021.

Northeast Asia:

China

- Carriers are most concerned about the equipment imbalance, so short sailings within Asia or to ports far inland (US or CA for example) have rates inflated to eliminate the container being out of the rotation for extended periods.
- The quicker the carrier can turn a container back to where it's required, the better velocity they get, and the better return on the asset.
- What this means is that the loaded export container from China has to be on a vessel that has fast enough turnaround, turns and gets back to where it is required in the most efficient way.
- The cost of a container from China to Europe and the US continues on the rise.

Sea freight rate from Shanghai to US and Europe



Source: Shanghai Shipping Exchange

SCMP

- In addition to freight rates, the customers are imposing 'booking fees' as well as a variety of surcharges such as 'emergency equipment imbalance'
- Vanguard's goal is to manage our GRIs/PSS/EIS and all other charges effectively to ensure the additional carrier costs are passed to the customers.
- **HK Feeder Vessels into China:** Feeder carriers operating in South China lanes connecting to the main lanes in Hong Kong will temporarily suspend operation from mid-January due to COVID-19 quarantine requirements for the crews to onboard the coastal feeders running between China and Hong Kong.

South West Asia:

- **India Equipment and Congestion:** Capacity is tight, due to limited equipment and high demand. Equipment continues to be an issue, especially in high demand South Indian ports. Demand is expected to

increase in Q1 as the end of the Indian fiscal year approaches. Due to the shortage of containers and space, this has an ongoing direct impact on China and Pakistan, including congestion at most of the contacting ports, like Colombo in Sri Lanka. Ongoing issues of spikes in freight and the continuation of Covid protocol are causing long delays on the mother vessels, increasing transit times by weeks or even a month in some cases.

USA/Canada:

- **NA Port Congestion:** Congestion at all North American ports continues to worsen. This situation is being driven by an unprecedented surge in demand, in particular within with the Trans-Pacific inbound lanes. Vessels are experiencing severe delays for berth windows after arrival at the terminal for discharge. Labor and equipment continues to be stressed. Due to the operational size and the largest throughput volume, the LA/Long Beach terminals and related infrastructure are experiences the greatest congestion and strain.
- *Los Angeles/Long Beach:* There are presently 49 vessels waiting offshore in LB.
- The vessel wait time is 5+ days.
- IPI On Dock Rail is delayed 7+ days.
- Major chassis shortages, delaying MLB/Doors, average LALB MLB dwell is 3+

days with some stragglers aging beyond 7 days.

- Cargo is buried – expediting containers from any terminal after discharge is extremely difficult.
- Because of stay-at-home orders for the LALB area due to the hospitalization surge, delays for vessels, rail, and trucking are expected to increase significantly over the next 2 weeks.
- *New York/New Jersey*: Vessel wait time is 3-4 days.
- *Prince Rupert and Vancouver*: Vessel wait time is 4-5 days; port delays are an additional 3-5 days.
- **NA Equipment**: There is a historically high demand for chassis equipment throughout the country. To minimize any negative impact on supply chains, customers are being asked to take immediate steps to reduce container and chassis dwell time – this includes all inland terminals as well as port terminals. Without a significant reduction in dwell times, truckers may face serious challenges and delays in securing chassis equipment while this import surge continues.
- **NA Rail & Ground**: Throughout the US, we continue to see a smaller receiving window, due to CN working to support the congestion at the Toronto ramp and potential concern at the Port of Montreal.

There is difficulty in particular from Chicago (Bedford) to Newark and Philadelphia – these lanes are extremely tight, and delays are growing every day.

- The US trucking industry will face continuing uncertainty in 2021. Demand continues to outpace supply as carriers work on filling seats and adapting their networks, and demand for drivers is causing higher turnover levels, forcing carriers to raise driver pay to stay competitive.
- Tender volumes are up 42% over last year. Tender rejections rose slightly week over week to 26.75% and are well above the same week in 2019.
- Parcel companies have limited capacity and have imposed surcharges which have caused a shift into other modes, causing strains on LTL networks. E-commerce demand has grown exponentially and exhausted all available last-mile delivery capacity.
- Intermodal containers and trailers saw an 11.1% annual increase.
- The national average price for gasoline also surged significantly, by 6.6 cents, which could result in additional fuel increases.
- **NA Equipment Shortages/Rate Increases:** Throughout December and the first half of January, rates have increased significantly and are expected to continue this trend through the month. Equipment shortages are still ongoing and will be a

major challenge through CNY. Please continue to be flexible on equipment substitution when possible.

SOPAC:

- **Australia Port Congestion & Work Stoppages:** In addition to severe capacity restrictions and port congestion in AU ports, DP World Terminals have advised that they have received notice of protected industrial action from the Maritime Union of Australia, which will lead to work stoppages as the Union members discuss the Enterprise Bargaining Agreement offered by DP World Terminals, which will in turn impact container receivals and deliveries for the below terminals:
 - *Melbourne:* Friday 15th January 2021 from 1 pm to 3 pm
 - *Fremantle:* Tuesday 18th January 2021 from 9:30 am to 1:30 pm
- **Singapore:** Severe backlogs have been reported in HSC (our Singapore CFS) This is clearly due to the port congestions and massive disruptions in the carriers schedule integrity. To relieve the situation, the following has been instituted this week:

During this period, HSC have taken the following measure to rectify the surge:

- 1) Rental of additional Warehouse Space for cargo storage

2) Increase of Manpower / Man Hours and Equipment

Even though we have taken up these measures, there are still limitations.

- Delays for Import Un-stuffing, Transshipment Connection Time and Export Stuffing are inevitable.
- **New Zealand Rail Congestion & Equipment Shortages:** Rail congestion is notably heavy between Tauranga and Auckland. The current rail transit time from Tauranga to Auckland is now sitting at 12-15 days. These delays to import containers and the port omissions are causing empty containers to not be available for export shipments in a timely fashion. Certain carriers are reporting severe shortages in 40GP/40HC at present. Napier and Lyttelton are both seeing equipment shortages for all types due to port omissions.

We thank you for your continued dedication and flexibility during this turbulent time. We will continue to keep you apprised as updates become available.

Kind regards,
