S&P Journal of Commerce

Trans-Atlantic shippers test contingency plans as ILA strike threat grows

The port of Halifax is one of Canada's top four container gateways. Photo credit: Paul McKinnon / Shutterstock.com.

Greg Knowler, Senior Editor Europe | Sep 6, 2024, 9:56 AM EDT

Shippers and forwarders on the trans-Atlantic are testing alternatives to ports along the US East and Gulf coasts ahead of a potential dockworker strike beginning Oct. 1. But there is a resignation that there are few viable options if both seaboards are down.

The International Longshoremen's Association (ILA) this week firmed up its strike mobilization plans should there be no agreement with port employers on a new master contract before the existing deal expires on Sept. 30.

And with just three weeks to go, US importers and their service providers are scrambling for options but are finding there are no ideal alternatives.

“In Canada, we have been testing the services, getting truckers set up for the alternative to rail even though the rail strike has been resolved for now,” Alison Leavitt, managing director of the Wine and Spirits Shippers Association (WSSA), told a *Journal of Commerce* webinar on Thursday.

”We are looking at routing through Halifax, Montreal, even a little bit through St. John, where CN [Canadian National Railway] services have grown into the Chicago area,” Leavitt added. “There are some options, but it’s just going to be a huge problem should a strike occur.”

Stephanie Loomis, head of ocean freight-North America at Germany-headquartered Rhenus Logistics, agreed that Canadian ports were an alternative to the US East Coast with the Canadian rail strike averted for now.

“In Canada we have a stopgap, at least for a little while, and I think it is a viable option,” Loomis told the *Journal of Commerce* webinar. “Mexico is not really an option. In fact, it is a terrible option.

“As we get closer and closer to Sept. 30, if there’s no resolution, we are going to see people start moving things to the West Coast,” she added. “But I don’t know if there is a better option other than holding off and waiting to see how long this might last.”

Clash with robust volumes from Asia

Diverting European imports to the US West Coast was the only viable alternative open to US importers from Europe, according to Eric Oak, senior analyst for supply chain at S&P Global Market Intelligence. But the rerouted cargo would clash with robust eastbound trans-Pacific volume, he said.

”Shipments from North Europe to the West Coast are going to be competing with a massive amount of Asian cargo that’s coming through and looking for berth space and time in port,” Oak said.

And once any possible strike ends, ships arriving from Europe would be competing for access to the recovering East and Gulf coast ports with the far greater numbers of vessels from Asia.

“Ports in Asia really outmatch any ports in Europe in terms of total volume and that is the main traffic coming into the East Coast,” Oak told the webinar. “While trans-Atlantic trade is important, Asian imports are large competitors for slots in the ports.”

September window closing for European imports

Imports from Europe will need to be on the water by next week at the latest or the cargo will not arrive on the US East or Gulf coasts before Sept. 30, while Asian imports bound for those ports that are not already halfway to the US will not make it before the end of the month.

However, with just three weeks before a potential port shutdown, there are no space constraints on the westbound trans-Atlantic routes that would indicate a significant amount of cargo was being loaded early.

"We can still move cargo every single week out of Europe right now," Leavitt said. "There is no backlog of cargo that is getting rolled each week, and that is interesting. There has been a little frontloading, but on the trans-Atlantic it has not been overwhelming."

A sign that cargo owners may be starting to advance shipments are the sharply rising spot rates. Some carriers levied a peak season surcharge of $500 per FEU from Sept. 1 that saw the spot market spike 20% to its current level of $2,186 per FEU, according to rate benchmarking platform Xeneta.

Loomis said a peak season surcharge on the trans-Atlantic was not something she has seen before, but the carriers were able to successfully implement the increase.

"The last couple of increase [attempts] really fell flat on the trans-Atlantic because there just hasn't been the volume and the carriers didn't pull enough capacity, but September went through, and I think a lot of it has to do with the [strike] fear in the market," she said.

The latest available data for trans-Atlantic westbound traffic is for July and shows a 4.2% year-over-year increase in volume from North Europe and a 2% increase in Mediterranean volume, according to Platts, a sister company of the *Journal of Commerce* within S&P Global.

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