



**WORLD SHIPPING COUNCIL**  
PARTNERS IN TRADE

Statement of

**John W. Butler**

**President & CEO**

**World Shipping Council**

Before the

**House Committee on Transportation and Infrastructure  
Subcommittee on Coast Guard and Maritime Transportation**

on

**Impacts of Shipping Container Shortages, Delays,  
and Increased Demand on the North American  
Supply Chain**

June 15, 2021

**1. Introduction: The World Shipping Council and the Liner Shipping Industry**

Chairman Carbajal, Ranking Member Gibbs, and Members of the Subcommittee, thank you for the invitation to testify today. My name is John Butler. I am President and CEO of the World Shipping Council<sup>1</sup> (“WSC” or the “Council”). WSC is a non-profit trade association whose goal is to provide a coordinated voice for the liner shipping industry in its work with policymakers, the public, and other industry groups with an interest in international transportation.

WSC members comprise an industry that has invested hundreds of billions of dollars in the vessels, equipment, and marine terminals that are in worldwide operation today. Approximately 1,200 ocean-going liner vessels, mostly containerships, make more than 28,000 calls at ports in the United States during a given year – almost 80 vessel calls a day. This industry provides American importers and exporters with door-to-door delivery service for almost any commodity to and from

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<sup>1</sup> A complete list of WSC members and more information about the Council can be found at [www.worldshipping.org](http://www.worldshipping.org).

roughly 190 countries. Approximately 35 million TEU<sup>2</sup> of containerized cargo are currently imported into or exported from the United States each year. The container shipping industry is one of the most important facilitators of the nation’s growth and ongoing economic activity. Ocean shipping is also – by far – the most fuel-efficient form of transportation on the planet.

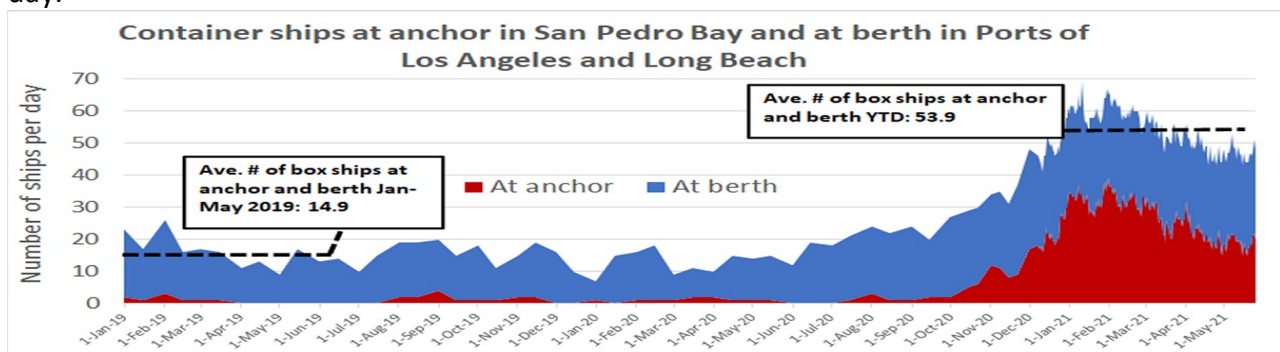
The World Shipping Council (WSC) and its members are fully aware of and working hard to help resolve the disruptions to the U.S. international ocean transportation system that have been caused by a confluence of consumer demand and disruption. *Simply put, and as further described below, we do not have a container supply problem, we have a container movement problem.*

## 2. Record Consumer Demand Has Pressurized Every Link in the Supply Chain

The U.S. is experiencing unprecedented import cargo demand due to pandemic-altered consumer spending patterns. U.S. consumers made a dramatic shift from services to goods, resulting in a stay-at-home surge of ordering imported electronics, furniture and other home office and household items. This surge was paid for using disposable income that would normally have been spent on travel and restaurants and was subsequently spurred on by U.S. government economic stimulus measures. Most recently, the surge is being accelerated by vaccinated U.S. consumers and businesses rapidly emerging from COVID-19 and eager to get back to normal, to include fulfilling backorders and restocking inventory. This much-welcomed economic recovery is resulting in record import volumes and is putting pressure not just on ocean carriers, but on *every link in the complex global and North American supply chain.*

Ports are congested, causing ocean liners to back up at anchor and drift offshore, wreaking havoc on their precisely planned routes and berth arrival times. It is important to note that vessel delays caused by port congestion are not attributable just to waiting times at U.S. ports. There are COVID-19 and congestion delays at ports in other parts of the world as well, and the location of the port delay is largely immaterial to the overall impact on vessel schedules. Most recently, for example, delays are being reported in south China ports such as Yantian because of COVID-19 work restrictions. This has a major impact on the Transpacific trade, thus affecting the U.S.

Vessels arriving off Los Angeles, Long Beach and Oakland are experiencing wait times to berth and offload cargo averaging one to two weeks or more. The graph below illustrates how these wait times have been driven by the current import surge.<sup>3</sup> From January through May 2019, the number of ships at berth or waiting to come into Los Angeles/Long Beach averaged 14.9 ships per day. In comparison, from January 1 through May 25, 2021, the average rose to 53.9 ships per day.



<sup>2</sup> A TEU is a twenty-foot equivalent unit. Many containers are 40 feet in length and equal 2 TEUs

<sup>3</sup> Source: American Shipper, Wed. May, 26, 2021.

Labor has at times been at reduced capacity when COVID-19 protocols have limited the number of longshoremen permitted to work each vessel. Railcars are in short supply due to a lack of chassis required to offload containers from rail to trucks at intermodal rail hubs including Dallas, Chicago, Memphis, and Kansas City. Truck chassis and truck drivers are also in short supply and major trucking companies report that the average dwell time (the time that customers hold equipment before emptying that equipment and returning it) is up 30% year-over-year in May.<sup>4</sup>

The bottom line is that congestion exists at each of these intermodal links in the supply chain. Container shortages—the subject of this hearing—are being caused by the fact that thousands and thousands of containers are stuck aboard ships at anchor, on port terminals waiting to be picked up, on railcars and trucks, waiting to be unloaded, and at inland warehouses and distribution centers that cannot process cargo fast enough to empty containers and put them back in circulation. Therefore, it is taking much longer to move cargo, and until the cargo moves, the equipment it sits upon is idled and cannot be used to move additional cargo. The problem is not so much that there are not enough containers, but rather that containers are not moving through the supply chain as they should. This situation of course frustrates ocean carriers, and all other participants in the supply chain, who are in the business of serving their customers by efficiently transporting and timely delivering the goods those customers have ordered or sold.

### **3. Ocean Carriers are Taking Every Available Action within their Control to Increase Capacity and Maximize Efficiency**

Ocean carriers are dealing with these highly unusual conditions by engaging all available equipment and vessels to move this massive amount of cargo and partnering with shipper customers and intermodal facilities and transportation providers to work through the challenges posed by the cargo surge. As cargo volumes rebounded since mid-2020, ocean carriers mitigated network stress by deploying all available vessels and working with marine terminals and logistics providers to increase capacity and equipment as quickly as possible to meet demand. Alphaliner, which monitors the global liner vessel fleet, reported in April that the number of idle container vessels amounted to less than 1% (0.8) of global fleet capacity, and most of those ships were under repair.<sup>5</sup>

As inland transportation, marine terminal, and warehousing operations have been hit by volume overloads, the positioning, use and return of containers within the global supply chain has slowed. Carriers and other supply chain participants are working to improve access to container equipment through the repositioning of empty containers along with the purchasing, leasing, repairing, and dispatching of all available containers. Carriers are also encouraging their customers to promptly remove their goods from containers after delivery so that those containers can be used to carry other waiting cargo. Because the volume surge has affected every part of the supply chain, however, there is no single set of actors – ocean carriers, rail carriers, truckers, marine terminals, or cargo owner warehouses and distribution centers – that can clear the bottlenecks single-handedly. The congestion has occurred because all parts of the system are overwhelmed, and the congestion will clear when all parts of the chain return to normal.

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<sup>4</sup> [https://www.ioc.com/trucking-logistics/trucking-equipment/truckers-hike-fees-crack-down-excessive-dwell-trailers-containers\\_20210607.html](https://www.ioc.com/trucking-logistics/trucking-equipment/truckers-hike-fees-crack-down-excessive-dwell-trailers-containers_20210607.html)

<sup>5</sup> Alphaliner Weekly Newsletter 2021 Issue 16

As a measure of the magnitude of the U.S. import cargo surge and impact of these combined bottlenecks that prevent the free flow of cargo, industry analyst Sea-Intelligence published two articles on June 6, 2021, that are relevant. The first article analyzed global import growth and U.S. import growth year-over-year comparing 2019 (pre-COVID) to 2021.<sup>6</sup> The result of that analysis was that the United States' import growth far outstripped global import growth (which on average was modest). The growth in U.S. imports averaged out to ten percent per year over the course of the two-year period examined, but most of that twenty percent total growth has occurred just since the middle of 2020. *In other words, the epicenter of the import cargo surge and import/export imbalance is the United States.*

The other relevant finding from the June 6, 2021, Sea-Intelligence analysis is that approximately 20% of the capacity deployed on Transpacific January-April 2021 has been soaked up by vessel delays.<sup>7</sup> That compares to 2-4% of capacity being lost to schedule delays in normal times. Just as the "container shortage" is not primarily about the number of containers (but rather the fact that containers are not moving freely), there is not a problem of a lack of ocean vessels, but rather a systemic inability of the entire supply chain to absorb the volumes of cargo that U.S. businesses and consumers are buying. When vessels cannot unload import cargo, load export cargo, and maintain their schedules because they are waiting for a berth, the practical effect is the same as if those vessels did not exist at all. The same as idled trucks and trains on land, ocean vessels are not productive when they are sitting still. As it has been said, "A ship in harbor is safe, but that is not what ships are built for."

#### **4. U.S. Agricultural Exports have Increased to Record Levels; Exports are not being Arbitrarily Rejected by Ocean Carriers.**

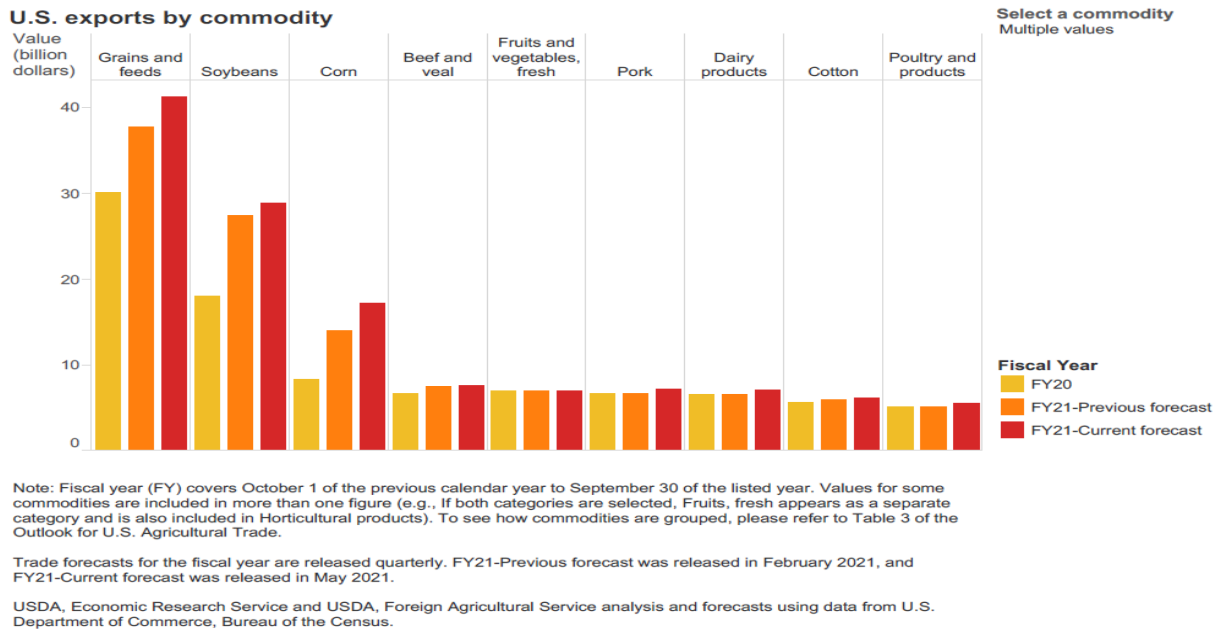
All shippers, both importers and exporters, have been affected by the bottlenecks that have been caused by this import-induced supply chain congestion. There have been allegations that exporters of agricultural products have been disproportionately affected. U.S. government data does not support such claims; rather, despite the challenges in the supply chain, U.S. agricultural exports are at record levels. The U.S. Department of Agriculture just reported U.S. agricultural exports in fiscal year 2021 are projected at \$164.0 billion, up \$7.0 billion from the February forecast.<sup>8</sup> Six months into the fiscal year, U.S. shipments of soybeans, corn, tree nuts, beef, wheat and chicken have remained at record levels, while total U.S. exports to China reached \$22.2 billion, 179 percent higher than the same period last year, and are forecast to rise to \$35 billion. U.S. grain and feed exports are forecast at a record \$41.2 billion, up \$3.4 billion from the February forecast. Soybean exports are projected up \$1.5 billion to \$28.9 billion, with volumes at record levels due to strong demand from China. Corn exports are forecast \$3.2 billion higher to \$17.2 billion. Pork exports are forecast up \$400 million; beef, veal and poultry are projected up \$200 million. Cotton exports are forecast up \$200 million.

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<sup>6</sup> Sea-Intelligence Sunday Spotlight, Issue 517, June 6, 2021; "There is No Global Demand Boom—There is an American Boom", available at [www.sea-intelligence.com](http://www.sea-intelligence.com)

<sup>7</sup> Sea-Intelligence Sunday Spotlight, Issue 517, June 6, 2021; "Removal of all ULCVs from the Market", available at [www.sea-intelligence.com](http://www.sea-intelligence.com)

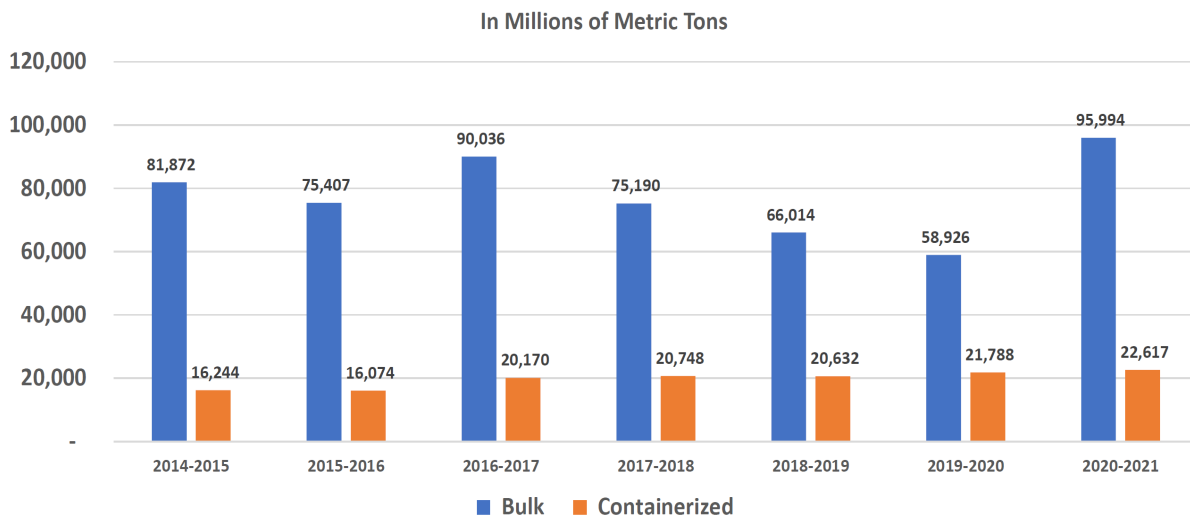
<sup>8</sup> U.S. Department of Agricultural Outlook for Agricultural Trade: May 2021, available at [www.fas.usda.gov/data/quarterly-agricultural-export-forecast](http://www.fas.usda.gov/data/quarterly-agricultural-export-forecast).



By way of context, containerized cargo is a small percentage of total agricultural exports. Exports to Canada and Mexico move almost entirely by land transportation. For agricultural exports moving by sea, the overwhelming majority are exported on bulk freighters.

### Seaborne Agricultural Exports October-March Months of Recent Years Bulk vs. Containerized

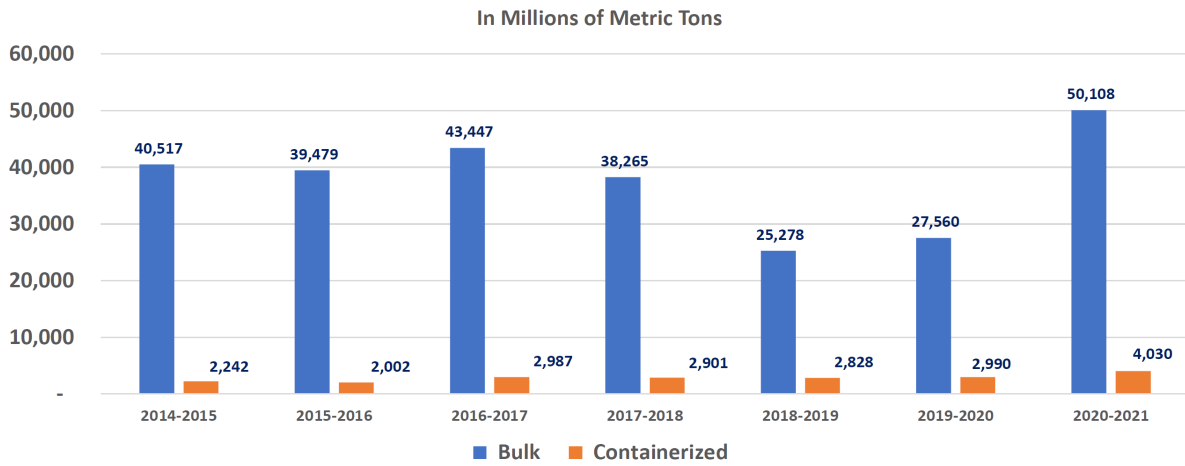
Source: Foreign Trade Division, U.S. Census Bureau



Moreover, there is a huge variation among commodities in terms of what travels in containers, e.g., less than 5% of soybeans, corn (maize), and wheat travel by container.

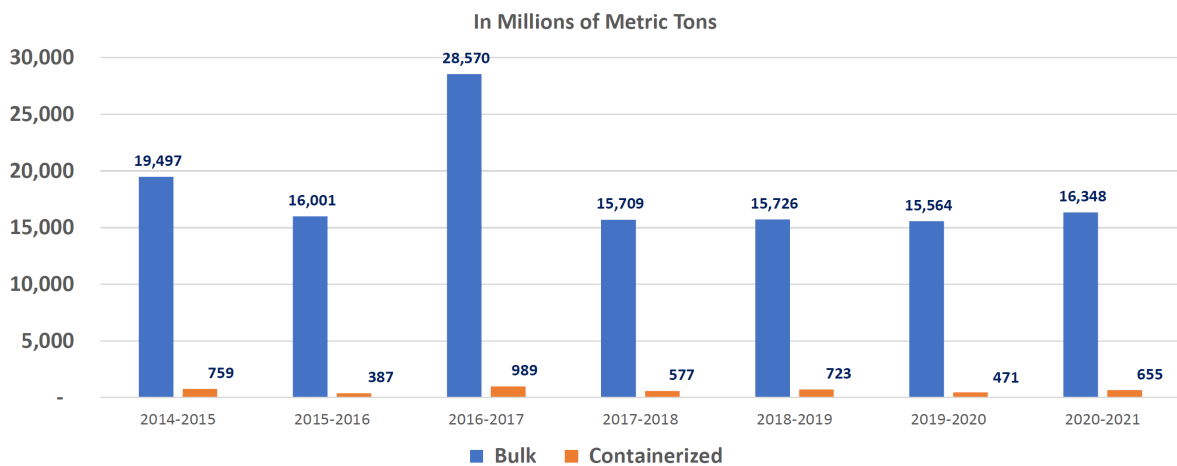
## Seaborne Exports of Soybeans Through March in Recent Crop Years, Containerized vs. Bulk Shipments

Source: Foreign Trade Division, U.S. Census Bureau



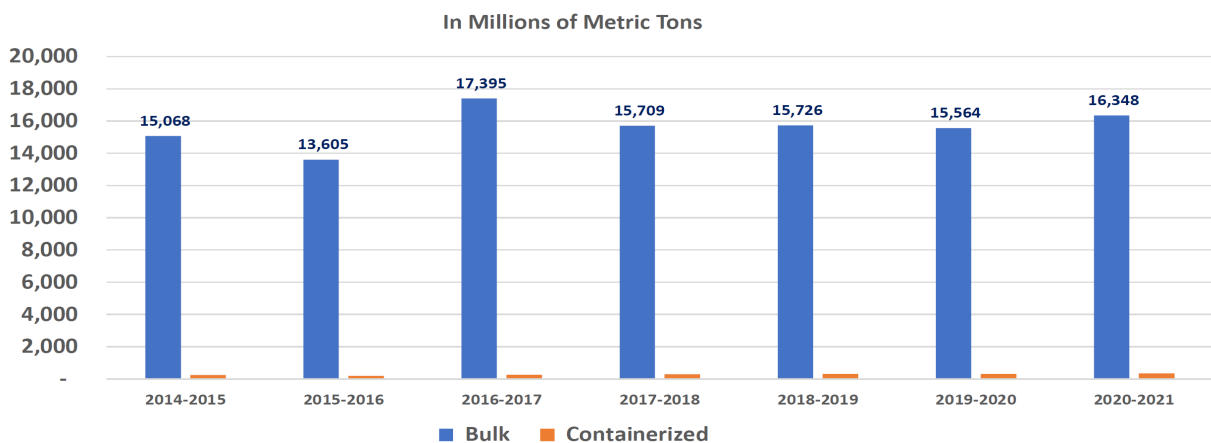
## Seaborne Exports of Corn (Maize) Through March in Recent Crop Years, Containerized vs. Bulk Shipments

Source: Foreign Trade Division, U.S. Census Bureau



## Seaborne Exports of Wheat and Meslin Through March in Recent Crop Years, Containerized vs. Bulk Shipments

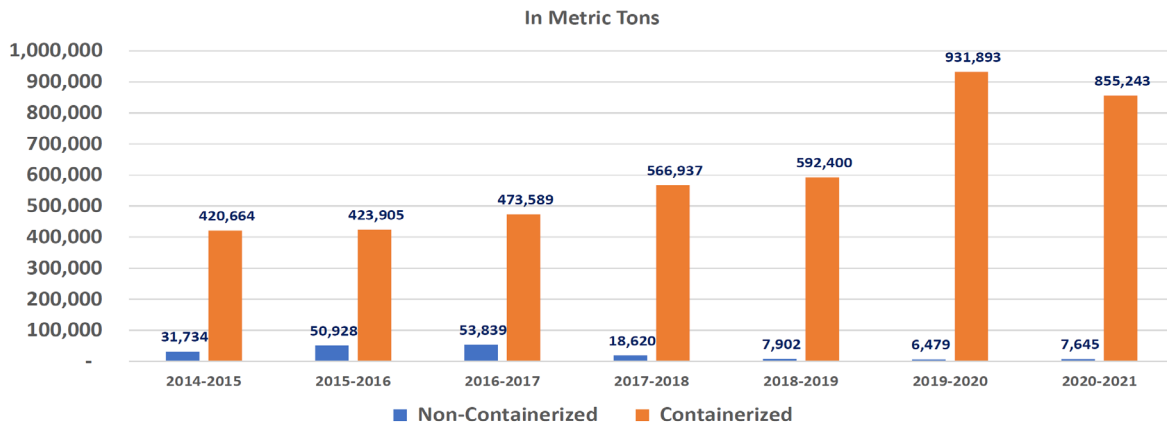
Source: Foreign Trade Division, U.S. Census Bureau



On the other hand, by necessity, exports requiring refrigeration such as pork, beef, and dairy travel almost exclusively by container. Containerized exports of pork and pork products, as well as dairy exports, continue to be higher than pre-COVID levels.

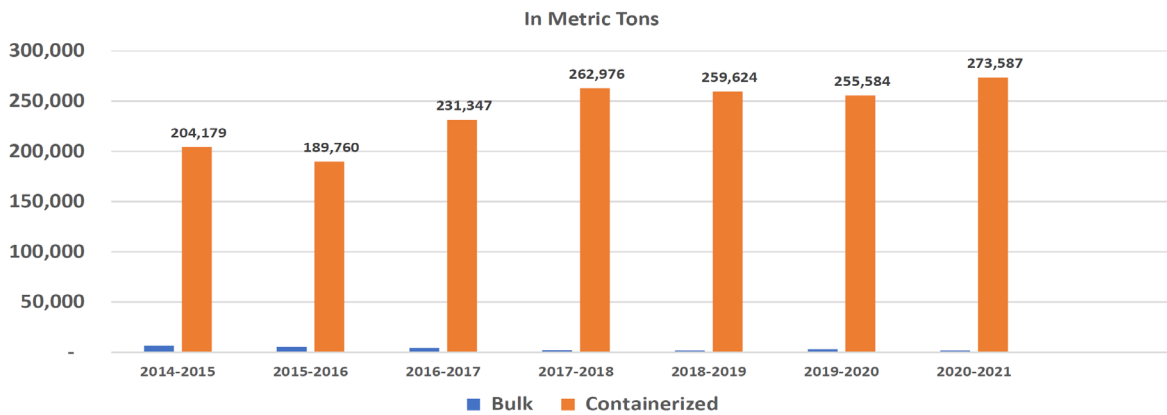
### Seaborne Exports of Pork and Pork Products October-March Months in Recent Years Containerized vs. Bulk Shipments

Source: Foreign Trade Division, U.S. Census Bureau



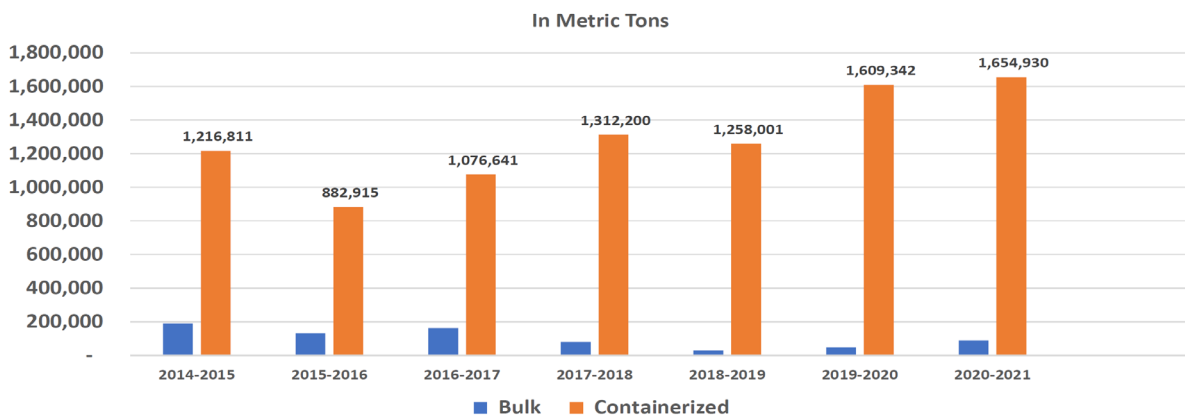
### Seaborne Exports of Frozen Beef and Beef Products October-March Months in Recent Years Containerized vs. Bulk Shipments

Source: Foreign Trade Division, U.S. Census Bureau



### Seaborne Exports of Dairy Products October-March Months in Recent Years Containerized vs. Bulk Shipments

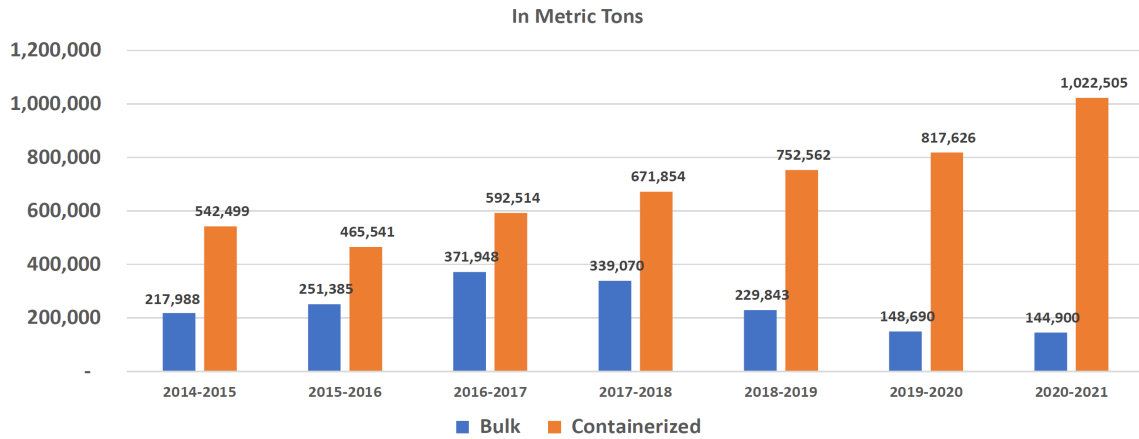
Source: Foreign Trade Division, U.S. Census Bureau



High value Ag commodities such as tree nuts are also shipped via container, and exports remain at high levels.

### Seaborne Exports of Tree Nuts October-March Months in Recent Crop Years Containerized vs. Bulk Shipments

Source: Foreign Trade Division, U.S. Census Bureau

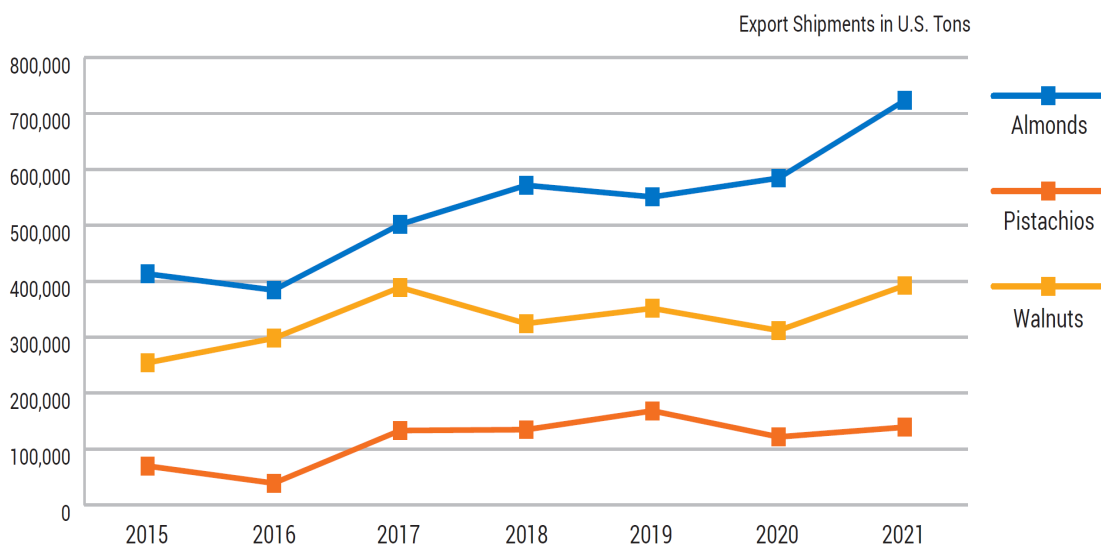


The California Almond Board reports that almonds, which are California’s most valuable export, are up almost 24 percent through March over the previous year, and more than 6 percent higher from pre-Covid 2019-2020. California walnuts, which are the State’s fifth most valuable export, are on a record-setting pace to ship 80,000 more tons this year than last year, and pistachios are also exporting at high levels.

#### Exhibit A

#### California Tree Nuts Exports: Crop Years Through March of Each Year

Source: Almond Board of California, California Walnuts Board, Administrative Committee for Pistachios





Within the category of agricultural exports that move in containers, there has been an assertion that more containers should be set aside for agricultural exports. Although it is understandable that all shippers would prefer to have a favored position in the market, it is not possible to arbitrarily favor one group of customers without disrupting the functioning of the entire system, to the detriment of all. When overall U.S. import volume surges and overall U.S. export volume remains relatively flat – as has been the case since mid-2020 – this results in an increase of empty containers in the U.S. that need to be repositioned to overseas locations to be filled with U.S. import cargo. Without that repositioning of empty containers to the origin countries from which U.S. importers purchase goods, U.S. importers would not be able to meet the demands of U.S. businesses and consumers that purchase those imported products.

The containerized ocean transportation system is not two disconnected import and export systems. Rather, it is one system comprised of a single interconnected network employing the same ships and containers in continuous service loops, and that network must be managed to keep all types of cargo moving. And, while there is no doubt that agricultural exporters – like all sectors – have been stressed by COVID-19’s impact on the supply chain, *U.S. agricultural exports are not only being transported, but in many cases in record volumes.*

## **5. The Federal Maritime Commission (FMC) has the Necessary Authority and is Actively Regulating the U.S. International Transportation System**

In challenging trade conditions, it is not uncommon for there to be complaints of unreasonable behavior. If there are problems that run afoul of the Shipping Act, the FMC is there to see that everyone behaves reasonably. The FMC is actively investigating allegations of Shipping Act violations through its “Fact Finding 29, International Ocean Transport Supply Chain Engagement”, in order to identify operational and regulatory solutions to cargo delivery system challenges related to COVID-19.<sup>9</sup> Just last year, in May 2020, the FMC published its “Interpretive Rule on Demurrage and Detention Under the Shipping Act”<sup>10</sup> providing guidance on how the FMC would assess whether detention and demurrage charges and policies may be unreasonable in certain factual situations.<sup>11</sup> The Interpretative Rule followed FMC’s completion of its extensive “Fact Finding 28” investigation into detention and demurrage practices. Detention and demurrage charges are used to ensure that shippers expeditiously pick up their cargo and promptly return empty containers so the equipment can be used by the next customer. This keeps the supply chain moving and enhances service efficiency, reliability and predictability. The Commission has been especially focused on detention and demurrage charges recently, both because these mechanisms are necessary to maintaining the free flow of cargo, and also because cargo volumes and related congestion have raised questions about how charges are applied in some cases.

The FMC’s active engagement and oversight demonstrate that the FMC is uniquely positioned and has ample authority to address these issues. The Commission has repeatedly confirmed that questions about detention and demurrage are inherently fact-specific, and adjudication of any complaints is the sort of task to which administrative agencies, with their adjudicative and investigatory resources, are well suited to handle. To date, there have been very few formal complaints filed with the FMC, and the Commission has the authority to undertake enforcement actions on its own initiative if it finds cause to do so.

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<sup>9</sup> See [www.fmc.gov/fact-finding-29](http://www.fmc.gov/fact-finding-29)

<sup>10</sup> Federal Maritime Commission, Interpretative Rule on Demurrage and Detention Under the Shipping Act, 85 Fed. Reg. 29638, at 29647 (May 18, 2020).

<sup>11</sup> See [www.fmc.gov/fact-finding-28](http://www.fmc.gov/fact-finding-28)

## 6. Conclusion

Every sector of the global supply chain remains under tremendous stress, and that stress is more acute in the United States than anywhere else on the globe. That is the case because of the historical surge in U.S. import cargo. The record-level import surge has clogged international ports as well as some of the nation's ports, the inland transportation system, and warehouses and distribution centers. Those landside back-ups mean that we have ports where ships are waiting for long periods of time to unload and load cargo, thus reducing the effective capacity of the world's containership fleet. The import surge has also exacerbated an existing imbalance between import and export volumes, which increases the need to reposition empty containers in order to meet the continuing demand from U.S. importers. All of these factors build upon one another to cause the situation that we find ourselves in today.

Everyone experiencing these unprecedented conditions has been impacted by the business challenges, costs and delays resulting from the pandemic and its cargo demand surge. As testimony from all witnesses today will show, this is not a situation caused by the failure of any one part of the supply chain, and no part of the system has been untouched. To the contrary, all parts of the chain are affected, and all parties are working overtime to keep cargo moving. And while there are obviously disruptions, costs, and delays, the fact is that the international ocean and U.S. intermodal transportation system is moving more cargo right now than at any time in history. *The system has bent, but it has not broken.*

The supply chain challenges that we face require logistical and management solutions, as well as a return to a more normal volume and balance of import and export cargo, which will happen over time. Necessary solutions are being provided through the common purpose and efforts of many of the supply chain actors represented here today: ports, labor, carriers and shippers. These are operational and commercial challenges that must be addressed first and foremost by the commercial service providers and customers involved, with a steady regulatory backstop provided by the Federal Maritime Commission. *The ocean common carrier community is committed to serving the international trade of the United States, and the historical volume of cargo that we continue to move is the evidence of that commitment.*

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