

Cargo volumes have skyrocketed – but are forwarders and truckers paying the price?

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By Damian Brett



In his latest column, Brandon Fried, executive director of the US Airforwarders Association, explains the cost impact of airport logjams for forwarders and truckers.

Despite encouraging progress towards widespread distribution, the Covid-19 vaccine, many consumers remain quarantined at home, choosing the convenience of online delivery of their essential merchandise.

The subsequent spike in volume has put tremendous pressure on every step of the cargo transportation process. There are significant challenges from seaports,

to airports, to roadways that, if left unresolved, will result in a higher cost for the consumer.

In the past year ports worldwide have become overburdened with an unprecedented influx of container imports. This surge resulted in the flow of cargo to-and-from transit points slowing to a crawl.

Recent studies report that at the port of Los Angeles in December, loaded imports were up more than 23% year over year, creating a dwell time of greater than five days. Last month, close to 50 ships anchored outside the port, awaiting berth.

As containers pile up at sea terminals, cargo owners are paying the toll. Vessel operators continue to dole out detention charges, the fees paid for using a container outside of the port beyond a free allowable period, even when marine terminal operators have no room for empty containers.

Meanwhile, truckers are waiting hours for port access, and as a result, forwarders and shippers are incurring significant charges for their time. Ocean carriers seem to be benefiting from a problem that they are causing.

Fortunately for maritime industry customers, Federal regulation has provided at least some relief. The Federal Maritime Commission recently ordered container lines and marine terminal operators in the ports of Los Angeles, Long Beach, New York, and New Jersey to explain how they assess these detention and demurrage charges.

While the effort may not provide an immediate solution for port congestion delays, it ensures regulatory agency oversight to address the problem.

Unfortunately, however, shippers at the airport do not have the same level of support. Aside from the Federal Aviation Administration's role for aviation operations and the Transportation Security Administration for passenger security, cargo stakeholders have little shelter from congestion-related fees.

There is no US agency with jurisdiction over the fees charged for ground handler storage and cargo manipulation costs. As a result, the handlers hired by the airlines have complete latitude to charge fees as they deem appropriate. These costs have consistently escalated enormously as wait times for trucks have increased to as long as eight hours.

Beyond the airport, truckers face significant challenges related to inadequate road and building infrastructure, particularly in larger cities such as Los Angeles, Seattle, New York, and Boston.

Some airports have recognized the issue and tried to implement corrections. For example, LAX proposed an ambitious plan to invest \$16bn to upgrade the airport holistically, but it has since shifted towards becoming more passenger-friendly and pushing cargo area expansions for at least two years.

Other airports are undertaking similar initiatives to improve their facilities but face geographic limitations on expanding for cargo use.

As these challenges and fees in the process accumulate, so do frustrations between each party. Handling fees have started to pit forwarders and their truckers against airline contracted ground handlers.

The short supply of labor for ground handling crews due to budget cuts and Covid-19 restrictions has made staffing cargo facilities more challenging, and with insufficient staff, crews take longer to process cargo. However, missing from the equation are the air carriers – who appear absent and reluctant to help find a solution.

To manage the transportation, security, and delivery of cargo, forwarders and shippers contract with the air carrier itself. The ground handling company is not a party to that contract, and by not addressing these cost issues, air carriers are abdicating their responsibility to their customer.

Though the past year has been challenging for the airline industry, with almost half of the world's passenger airline fleet still sitting idle, they must now assist their freight customers.

Providing support and oversight for the actions of authorised representatives such as contracted ground crews and mitigating issues such as detention charges that incite undue financial hardship must be addressed now to prevent a much more expensive future for the transportation industry.

Already, airfreight forwarders and their trucking partners face the competitive dilemma of determining how to recoup the losses from handling and congestion-related fees they are incurring along the way.

While each business relationship differs, many find the reimbursement of the money to be difficult and often impossible and take on the loss. In the long run, this kind of practice may result in an increase in service charges that bubbles up from shippers to manufacturers, to retailers, and then ultimately to the customer.

Though the vaccine rollout is well underway and there is a general optimism that “back to normal” is on the horizon, it's unlikely that the volume of cargo piling up at ports and airports will go back to what it was.

The convenience of online shopping is too compelling, and consumer behaviors are unlikely to revert to the way they were pre-pandemic completely. This trend means that it is vital for forwarders, shippers, air carriers, and every party involved in the transportation and distribution of cargo to work together towards a fair solution.