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Carriers tell JOC.com that up to 90 percent of containers still on the terminal after nine days are merchant haulage boxes, meaning it is the responsibility of the shipper to retrieve the container. Photo credit: Port of Los Angeles.

The ports of Los Angeles and Long Beach on Friday will seek formal approval from their boards of harbor commissioners to levy a new “emergency storage fee” on carriers designed to force the retrieval of long-dwelling containers. The meetings are expected to reveal critical details of how the ports will implement the fee, and come as carriers lobby the ports to delay the planned Nov. 1 imposition.

How the ports seek to impose the new tariffs will give container lines a sense of how they can legally pass on the surcharges to major importers and non-vessel-operating common carriers (NVOs). Those surcharges start at $100 on the 9th day of dwell, then escalate in increments of $100 with each passing day. Thus, the total charges owed would be $300 on the second day, $600 on the third day, $1,000 on the fourth day, and so on. It is unclear how carriers that don't have tariffs in effect at the Federal Maritime Commission (FMC) allowing them to pass along port related charges would pass the charges along to shippers.

Encouraged by the Biden administration and its port envoy John Porcari, the ports made the surprising announcement on Monday of the fees they are calling a last-ditch effort to improve the flow of containers by penalizing carriers when boxes remain at marine terminals too long. The ports' efforts to extend hours of operation have been resisted by marine terminals that say not enough importers and consignees pick up cargo at off-hours to warrant the added gate costs.

Four carriers tell JOC.com they will pass the new fees on to major retailers and NVOs, a move that represents a sea change in typical carrier-customer relations in the largest US trade lane. In the past, carriers willingly agreed to absorb port-levied storage fees, known as demurrage, to attract — and keep — business from the large national retailers that dominate the trans-Pacific trade lane.

But the severity of the storage fees is spurring carriers to consider how they'll pass those charges onto the largest US importers, who until now haven't felt pressure to remove containerized goods that won't be needed on shelves until 2022.

Some carriers are concerned that if the charges take effect on Nov. 1 as announced, they will not be able to recoup pass-on fees for the first month if they must wait 30 days for the FMC-approved tariffs to take effect.

Carriers tell JOC.com that up to 90 percent of containers still on the terminal after nine days are merchant haulage boxes, meaning it is the responsibility of the shipper to retrieve the container.

Concerned about the ability to secure ocean capacity late this year, importers are rushing non-urgent goods, including for holidays such as Valentine's Day, into the country — only to let the containers sit at US marine terminals because they won't be needed for sale for weeks or months, two container line executives who asked not to be identified told JOC.com.

One container line executive estimated that at least half of the cargo potentially subject to the new emergency fees was controlled by the largest retailers and NVOs. The source added that the vast majority of containers not being picked up by retailers and consignees were container yard moves, meaning the container line wasn't contracted to provide landside delivery.

The executive said the ports of Long Beach and Los Angeles seem open to delaying Monday's planned implementation of the fees if they get a strong enough sense that importers and consignees — not wanting to shoulder the new penalties — have begun to actively remove containers.

"The feeling among the carriers is that we don't have control," of the containers because container lines only accept bookings and do not put requirements on importers or NVOs to remove containers from US marine terminals, the carrier executive said.

## Retailers brace for fees

"There is no doubt the lines will be passing along the fee," Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation (NRF), told JOC.com Thursday.

Gold said retailers generally want to retrieve their inbound containers from the terminals as quickly as possible, but they continue to run into obstacles. He listed those obstacles as the LA-LB port complex that is drowning in empty containers, a severe chassis shortage, and restrictions by carriers and terminals on the return of empties. Until the carriers and terminals address those issues, there will be no solution to the overall problem, Gold said.

The overriding concern of retailers and other importers is whether they should be charged demurrage when they cannot access their containers through no fault of their own, he said. However, recognizing that the investigating Federal Maritime Commission may not move as quickly as the trade might like on this issue, Gold said the NRF is urging the commission through its shipper advisory committee to take emergency action on the matter.

Shippers participating in the inaugural FMC shipper advisory meeting on Wednesday sounded off on the new LA-LB fees, saying they would further tighten the chassis supply and essentially act as a tax on consumers.

Three terminal operators in Los Angeles-Long Beach who spoke on the condition of anonymity said they are waiting to hear from the ports as to who exactly will be responsible for supplying the data the ports will need in order to bill shipping lines for truck-delivered containers that exceed the nine-day storage limit and rail containers that exceed the six-day limit.

The terminal operators say that since the shipping lines are the entities that will be billed, the lines should provide that information.

“If they charge the terminals, I have to charge an administrative fee,” a terminal operator told JOC.com. The administrative fee would be deducted from the bill that is presented to the terminal by the ports, he said.

LA-LB terminal operators who spoke to JOC.com said that since the ports announced the emergency fees on Monday, they have seen no significant increase in truck traffic that they can link to the retrieval of the longest-dwelling containers.

“I haven’t really seen any increase in gate activity,” Alan McCorkle, president of Yusen Terminals in Los Angeles, told JOC.com Thursday.

Yusen, similar to the other 11 container terminals in Los Angeles-Long Beach, said a huge influx of empty containers in the harbor area is a major driver of congestion. McCorkle said Yusen is addressing that issue by eliminating most of the restrictions that prevent drivers from returning empties, such as requiring appointments and dual transactions in order to return empties.

“We’ve relaxed as many of the rules as we can,” he said.

Gene Seroka, executive director of the Port of Los Angeles, told JOC.com he is talking to shipping lines, encouraging them to send extra-loaders or sweeper ships to Southern California whose purpose is to fill the entire outbound voyage with empty containers.

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