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Updated Customer Advisory: U.S. East Coast Strikes,

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By Container xChange

As the October 1 deadline for a potential U.S. East Coast port nears, industries across the nation are bracing for significant disruptions. The labor impasse between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) threatens to halt operations and cause damage to supply chains and to the economy. With key East Coast ports such as New York, New Jersey, and Baltimore in the crosshairs, the ripple effects could devastate supply chains, consumer markets, and broader economic sectors.

What's at Stake?

If the **strike** begins on October 1, it's estimated that the resulting supply chain disruptions **could cost the U.S. economy over $1 billion per day**.

Essential goods, including imported retail items, automotive parts, and perishables could be stranded at ports or **rerouted** at considerable expense. Oxford Economics warns that a prolonged **strike could impact up to 100,000 jobs**, exacerbating the pressure on businesses already grappling with inflation and the aftermath of previous supply chain crises.

The East Coast ports are critical gateways for a range of industries. Retailers are rushing to secure holiday inventory as the strike coincides with peak shopping season preparations. Companies have been importing early, **shifting cargo to the West Coast**, and even opting for costly air freight to avoid potential delays.

Commenting on the broader implications of the strike for containerized trade, **Christian Roeloffs, cofounder and CEO of Container xChange**, said, "The strike could push the container trade into chaos, with ripple effects that potentially will disrupt supply chains well. The congestion and delays at these major ports will severely impact the availability of containers, increase costs, and disrupt schedules. Small traders, in particular, may feel the squeeze as they are more vulnerable to price surges and extended delays in securing and moving their boxes. Businesses are acting now to reroute shipments and secure their container supply, or they **risk being left stranded in a congested and costly aftermath**."

The fallout from a strike would hit industries like **retail**, **automotive**, and **manufacturing** hardest. Retailers, for example, are already rushing to import goods ahead of the holiday season. Without contingency plans, many companies will face severe shortages, missed deadlines, and skyrocketing logistics costs. Roeloffs further emphasizes the risk to small traders:

"**For small traders, the consequences could be devastating—skyrocketing costs, container shortages, and delays that might cripple business operations."** Roeloffs added.

Immediate Supply Chain Challenges

1. **Stranded Cargo**: With 42 container ships scheduled to arrive at the Port of New York and New Jersey alone in the coming days, any work stoppage could leave cargo stranded in transit. Shipping lines such as Ocean Network Express (ONE) are already advising customers to pick up their containers by September 30 and avoid leaving perishable or hazardous materials at the terminals.
2. **Rerouting Challenges**: Redirecting shipments to West Coast ports or alternate East Coast ports could create a logistical bottleneck, especially for goods requiring passage through the Panama Canal.
3. **Cost Escalations: Maersk** has already announced a disruption surcharge for all cargo moving to and from U.S. East and Gulf Coast terminals, starting on October 21. The surcharge will be $1,500 per twenty-foot equivalent unit (TEU) and $3,000 per forty-foot equivalent unit (FEU), depending on the extent of the supply chain disruption.

Hapag-Lloyd plans to implement a "Work Interruption Destination Surcharge" for imports from East Asia on October 19, and a "Work Disruption Surcharge" for cargo from the rest of the world on October 18, both at $1,000 per TEU. CMA CGM will introduce an export surcharge on October 11, set at $800 per TEU and $1,000 per FEU, with a $1,500 per TEU import surcharge. Additionally, starting November 1, they will apply a $1,000 peak season surcharge for imports from the Indian Subcontinent and the Middle East, delayed from the original October 1 date.

Ocean Network Express (ONE) has yet to finalize its surcharge strategy but has cautioned customers about possible booking changes, including vessel rollovers or cancellations, beginning this week.

These additional costs are likely to be passed on to consumers, impacting a wide range of goods from holiday products to industrial supplies.

Even if the strike is short-lived, the backlog of cargo will lead to delays as ports struggle to clear stranded containers.

Sector-Specific Impacts

The retail sector, particularly those dependent on imports from Europe and Asia, will bear the brunt of the delays. Critical holiday merchandise, including apparel, electronics, and seasonal goods, may not arrive on time.

“The automotive industry, which relies heavily on timely shipments of parts and components, could see production delays, especially for vehicles assembled in the U.S. with parts arriving through East Coast ports. "Each day of the strike could mean five days of delays for businesses already struggling with tight margins and timelines. For many, this could be the breaking point," says Roeloffs, emphasizing the logistical strain.

Roeloffs notes, "The cost of shipping will skyrocket, and ultimately, it’s the consumer who will bear the brunt—whether they’re buying holiday gifts or essential auto parts."

Strategic Recommendations for Supply Chain participants

To mitigate the impact of the potential strike, supply chain managers must adopt proactive strategies:

- **Reroute Shipments**: Where possible, divert cargo to alternative ports on the West Coast or Gulf Coast. Although this may require additional transit time through the Panama Canal or air freight options, it’s essential to explore all available alternatives to avoid delays at East Coast ports.
- **Prioritize High-Value and Critical Goods**: For industries like automotive and retail, it’s crucial to prioritize high-value, high-demand products that cannot afford delays. Companies like Designer Brands have already shifted some of their shipments to air freight despite the higher costs. Roeloffs advises:
- **Expedite Customs and Clearance**: Businesses should work closely with freight forwarders and customs agents to expedite the processing of goods already en route. Shipping lines like Maersk and ONE have encouraged customers to expedite their imports to avoid potential shutdowns.

- **Leverage Additional Gate Hours**: Ports such as New York and New Jersey are extending their gate hours ahead of the strike deadline. Utilizing these extra hours to clear inbound shipments will help companies avoid the backlog that is expected if the strike occurs. Terminal operators APM Terminals, Maher and Port Newark Container Terminal will have extended gate hours.
- **Diversify Suppliers and Logistics Providers**: To build resilience against disruptions, companies should consider diversifying their supplier base and logistics networks. Relying on a single port or carrier leaves businesses vulnerable to localized disruptions like strikes.

The Bigger Picture: Long-Term Consequences

While immediate actions can help alleviate short-term disruption, the long-term effects of a strike could extend well into 2025. With major global carriers already preparing to impose surcharges on shipments to and from the U.S. East Coast, cost pressures will increase across the board.

"It’s not just about getting containers out of the port—it’s about keeping trade moving in an increasingly fragile supply chain," says Roeloffs, emphasizing the broader implications of the strike.