



# The Bottom Line

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## LA/LB CONTAINER EXCESS DWELL FEE POSTPONED

### Summary

A contentious Container Dwell Fee, announced by the twin ports of Los Angeles and Long Beach, has been delayed by three weeks as progress is being made in clearing the backlog.

### Background

Initially adopted to incentivize cargo owners in the efficient collection and return of containers, demurrage and detention fees have been the target of significant displeasure in recent years. As a result, the FMC began investigating port demurrage and detention practices in December 2016, responding to a petition following significant port disruption in 2015.

As a result of their investigation, the FMC issued rules in 2020 that, when assessing the reasonableness of demurrage and detention practices, the Commission will look to whether they meet their intended purpose as financial incentives to facilitate the rapid and efficient movement of freight.

To ease congestion at the nation's busiest port complex, officials announced in October that they would start fining shipping companies whose cargo containers linger for too long at marine terminals. The twin ports of Los Angeles and Long Beach said in a statement that arriving containers scheduled to be moved by trucks would be allowed to stay for nine days before fines start accruing. Containers set to move by rail could remain at the ports for three days. After that, ocean carriers will be charged \$100 per container, increasing in \$100 increments per container per day, the statement said. The new rules were scheduled to go into effect on November 1.

### Current Status

Before the congestion problems started in mid-2020, ships arrived off the coast of the two southern California ports and went straight to berths to offload their containers and get new ones loaded back in their place. Now, the average waiting time for ships to dock at port is about ten days. Wait times have grown longer for ships to dock and unload cargo at other ports around the country. But, because of their size and importance to the national economy, the problems in Los Angeles and Long Beach have attracted particular attention. About 40% of container traffic entering the United States comes through one of the two southern California ports.

On November 15, citing progress in the reduction of import containers, both ports announced that they would delay consideration of the "Container Dwell Fee" until November 22.

"We're encouraged by the progress our supply chain partners have made in helping our terminals shed long-dwelling import containers. Clearly, everyone

is working together to speed the movement of cargo and reduce the backlog of ships off the coast as quickly as possible," said Port of Long Beach Executive Director Mario Cordero. "Postponing consideration of the fee provides more time, while keeping the focus on the results we need."

"There's been significant improvement in clearing import containers from our docks in recent weeks," said Port of Los Angeles Executive Director Gene Seroka. "I'm grateful to the many nodes of the supply chain, from shipping lines, marine terminals, trucks and cargo owners, for their increased collaborative efforts. We will continue to closely monitor the data as we approach November 22."

The Port of Long Beach announced that since the fee was announced on Oct. 25, the twin ports have seen a decline of 26% combined in aging cargo on the docks encouraging the delay in implementation of the fee.

### Impact

The National Shippers Advisory Council (NSAC), composed of 12 U.S. importers and 12 exporters who were very vocal about the penalty and created to advise the Federal Maritime Commission (FMC) on the subject, advised that the 'hyper-demurrage' would be catastrophic. "Chassis are already in short supply, and this will artificially suck out the rest of the containers that may be sitting in there (at terminals) that didn't need to be on a chassis, and now they're going to be parked somewhere. It's probably going to wipe out whatever's left in terms of chassis," predicted Rich Roche, NSAC member and vice president of international transportation at Mohawk Global Logistics.

Maritime attorney Carlos Rodriguez told the Journal of Commerce, "The fee will be charged to the ocean carriers, but it is expected that the carriers will pass these along to shippers, meaning shippers will, in effect, end up paying a port demurrage surcharge over and above hefty demurrage charges already in place, which are already causing enough havoc in the industry."

The announcement of the delay, however, comes as bottlenecks continue to worsen in southern California. This weekend, a record number of 83 ships were waiting outside the twin ports, Bloomberg reported, while the average wait is now up to 16.9 days — double the level from two months ago.

### RESOURCES

[Importers Could See Increased Costs from Efforts to Break Cargo Bottlenecks](#) (Sandler, Travis & Rosenberg)

[Temporary relief as Container Dwell Fee postponed till 22nd Nov at Long Beach and Los Angeles](#) (Shipping and Freight Resource)

[Will Contentious Container Excess Dwell Fee Be Implemented as Planned?](#) (DTN.com)

[LA, Long Beach to Delay Start of Fee for Lingered Containers](#) (Supply Chain Brain)