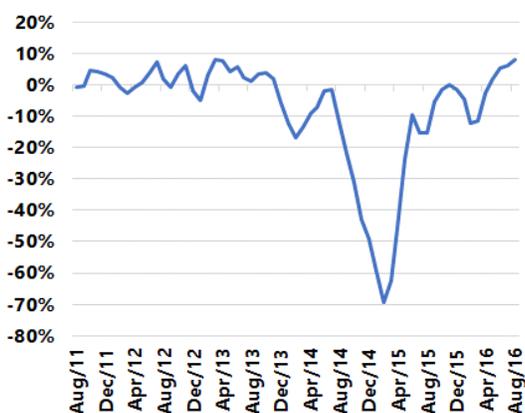


Reliability recovery will take at least 8-9 months

Even though supply chain problems continue to plague the industry, it appears that Covid is now entering an endemic phase, rather than a pandemic. As such, it is also the time to take stock and contemplate how long it will take the supply chain to normalize. In issue 550 of the *Sunday Spotlight*, we looked at one of these disruptions: schedule reliability.

The system is so far out of balance that there is no historical precedence fully describing this situation, however one element can be used to create a realistic baseline, and that is the US West Coast labour dispute of early 2015, which led to major delays and bottlenecks.

Fig. 1: Deviation from pre-labour issues baseline



We define the period from August 2011 to July 2014 as the pre-labour dispute period and calculate the average baseline reliability on Asia-North America West Coast (NAWC). We then calculate the monthly deviation from this baseline. As can be seen in figure 1, the peak impact of the labour dispute is felt in February 2015, with reliability 70 percentage points below the baseline. Following the resolution of the dispute on February 20th, it took 8-9 months for reliability to get back to the baseline. Even when we adjust for the seasonal impact

of Chinese New Year, there is no material difference to the picture.

Currently, schedule reliability on Asia-NAWC is just 10.1%, which is not markedly different from the 12.6% recorded in February 2015, suggesting a return to pre-pandemic normality would also be 8-9 months. On the other hand, vessel delays are much worse now (15.07 days) than in 2015 (11.88 days). Compared to a pre-pandemic baseline of 2017-2019, the excess delay in December 2021 versus the pre-pandemic baseline was 11.54 days, versus 8.73 days in February 2015 compared to the pre-labour dispute baseline. As the 2015 problem was resolved in 6-7 months, this means an average reduction in excess delay of 1.25-1.46 days per month. If the current port and hinterland system manages the same speed of recovery this time, the delays also suggest that resolution would take 8-9 months. That said, the market is showing no indication that we have started on the path to resolution.

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