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September 14, 2022

Via Email

Daniel Maffei
Chairman
Federal Maritime Commission
800 North Capitol Street, N.W
Washington, D.C. 20573

secretary@fmc.gov

Re: AHAM Comments on Federal Maritime Commission Request for Information (RFI) on Whether Congestion of the Carriage of Goods Has Created an Emergency Situation Causing a Substantial, Adverse Effect on the Competitiveness and Reliability of the International Ocean Transportation Supply System; Docket No. 22-19; 87 Fed. Reg. 50085 (Aug. 15, 2022).

Dear Chairman Maffei:

The Association of Home Appliance Manufacturers (AHAM) respectfully submits the following comments to the Federal Maritime Commission (FMC) in response to the Request for Information on whether congestion of the carriage of goods has created an emergency situation causing a substantial, adverse effect on the competitiveness and reliability of the international ocean transportation supply system. *See* Docket No. 22-19; 87 Fed. Reg. 50085 (Aug. 15, 2022).

In response to FMC's request for information, AHAM's comments and information provide an overall outlook of the negative impact supply chain disruptions, including ocean freight issues, are having on the home appliance industry.

Section 18 of OSRA 2022 requires that, not later than 60 days after the effective date of the Act, the Commission must issue a request for information seeking public comment regarding specific criteria—namely

- (1) Whether congestion of the carriage of goods has created an emergency situation of a magnitude such that there exists a substantial, adverse effect on the competitiveness and reliability of the international ocean transportation supply system. If so, please explain why and provide examples or data to support your view;*

As the FMC is undoubtedly all-too aware, the COVID-19 pandemic and ongoing trade distortions have resulted in shortages of essential components and products, the effects of which

have exposed the severe and worsening deficiencies in the U.S. logistics network. This has led to delays and costly inflation at every stage of the manufacturing supply chain.

As identified through an AHAM member survey, close to 95 percent of respondents identified ocean freight issues as their biggest obstacle in supply chain management right now. This includes shipping container and chassis availability, requirements and availability of freighters/cargo ship carriers, and port congestion. Ocean freight rates from common carriers have more than tripled during the past 12 months, presenting an unsustainable economic burden for manufacturers and distributors, and raising costs at a time when we are already seeing high inflation. Other associated ocean freight costs, such as detention penalties, congestion fees, and surcharges, have elevated total costs to historic highs. This is coupled with a lack of available pier and storage space and substantial increases in transit times resulting in higher cost of goods and lower inventory levels. AHAM members also indicated that labor shortages have worsened the problem, as a lack of longshoremen to unload ships has backlogged ports, and a lack of truck drivers has resulted from demographic changes (e.g., difficulties in attracting new people to the field), and an inability to train new drivers during the COVID-19 pandemic. Surveyed AHAM members identified trucking transportation as their second largest obstacle in managing the supply of their products to market.

Some manufacturers also indicated they are being held responsible for extra charges or paying change/transportation fees when moving shipping containers back to port. In certain cases, carriers instruct manufacturers to return containers/chassis to a different port from its origin, incurring additional charges. And in some instances this notification is “last minute” which incurs even more charges.

In regard to delivery times, surveyed AHAM members indicated the delivery of their products to their final destination increased by over seven weeks on average due to shipping issues and supply chain disruptions in general. Though this delay improved by about one week from a year ago, an over seven week average delay is not sustainable for business operations and planning, and these delays can impact consumers’ ability to timely obtain the products they need. This is particularly troublesome for home appliances, of which consumers rely upon every day to make their lives healthier and easier.

Table 1: AHAM Member Survey – Average Transit Times for Delivery of Goods

Normal Average Normal Transit Time for Delivery of Goods	Current Average Transit Time for Delivery of Goods Due to Supply Chain Issues	(Average) Change
5.75 weeks	12.83 weeks	+7.08 weeks

Delays in the supply chain could not come at a worse time. The pandemic has caused rapid shifts in consumer behavior that have led to increases in purchases of and demand for home appliances. According to AHAM data, shipments for major appliances reached record highs in 2021, exceeding 86 million units. Moreover, households are purchasing appliances to protect and enhance their health and comfort. For example, consumers are relying more than ever on room air cleaners to ensure a healthy home during the COVID-19 pandemic. Extreme weather events, including the proliferation of wildfires and flooding, has increased the demand for air treatment

products and exacerbate existing supply chain problems. And consumers who have spent more time at home are upgrading their kitchens and other rooms. This increased demand has strained the demand for the raw materials and components to manufacture critical appliances.

As supply chain disruptions continue with shipping woes at the center of the problem, AHAM recommends that FMC review and address the following:

- **Unfair demurrage charges:** High demurrage and detention charges have been a significant cost for companies whose shipments have been caught in the supply chain bottlenecks at U.S. ports. OSRA addresses these unfair practices, but the final rule is not expected to be issued until June 2023.
- **Steamship lines** have cut vessels from rotations and have refused to export products from the U.S. to China. In addition, they have broken contracts in favor of shipping higher-paying freight.
- **Delays** in port and rail shipping.
- **Port hours:** Ports in New York and New Jersey are open for 11 hours a day. In China, ports are open 24 hours a day.
- **Driver hours:** The bottlenecks at U.S. port have led to extremely long waits for truck drivers.
- **Chassis shortage:** Every port in the U.S. is facing a shortage of available chassis compared to the incoming container volume.
- **High demand** for shipping containers has led to a shortage.
- **Labor disputes:** The threat of strikes at West Coast ports has created uncertainty and driven shippers to redirect shipments to already-congested East Coast ports. An ongoing rail labor dispute has created additional uncertainty.

Ongoing supply chain disruptions reduce the competitiveness of appliance manufacturers and hinder our members' U.S. manufacturing capabilities. Ultimately, all of this combines to negatively impact the U.S. economy. A recent survey of AHAM members indicated the top three business areas being the most negatively impacted by supply chain issues are companies' ability to manage business costs, fulfill product orders, and compete in the industry (domestically and globally). Global supply chain disruptions are impacting all industries, not just home appliances, and as such AHAM along with a number of other trade associations have published a white paper (Supply Chain Disruptions Affect Viability of U.S. Manufacturing Sector) to highlight the overall challenges. The full paper is attached as an Appendix to these comments.

Increasingly, these issues add administrative burdens, especially to small and medium enterprises, in nonproductive activities such as tariff exclusion requests, searching for alternative suppliers, and rerouting freight from land to air. These unplanned activities crowd out opportunities for research & development, or developing new sales and marketing efforts. These effects will continue to result in reduced productivity, not only for U.S. workers at the point of manufacture, but all throughout the value chain. Approximately two-thirds of surveyed AHAM members indicated they have the same outlook for the remainder of 2022 compared to 2021, with almost the remaining one-third they have increased concerns. Thus, we urge the FMC to work, in partnership with other agencies where necessary, to mitigate some of these supply chain challenges.

AHAM appreciates the opportunity to submit these comments on the FMC's RFI, and would be glad to discuss these matters in more detail should you so request.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jennifer Cleary".

Jennifer Cleary
Vice President, Regulatory Affairs

About AHAM: AHAM represents more than 150 member companies that manufacture 90% of the major, portable and floor care appliances shipped for sale in the U.S. Home appliances are the heart of the home, and AHAM members provide safe, innovative, sustainable and efficient products that enhance consumers' lives. The home appliance industry is a significant segment of the economy, measured by the contributions of home appliance manufacturers, wholesalers, and retailers to the U.S. economy. In all, the industry drives nearly \$200 billion in economic output throughout the U.S. and manufactures products with a factory shipment value of more than \$50 billion.

Appendix A

Supply Chain Disruptions Affect Viability of U.S. Manufacturing Sector



Overview

This white paper illustrates the supply chain disruptions that are lowering the competitiveness of our combined industries and hindering our members' U.S. manufacturing capabilities. Trade distortions and the COVID-19 pandemic have resulted in shortages of essential components, the effects of which have exposed the severe and worsening deficiencies in the U.S. logistics network and have led to delays and costly inflation at every stage of the manufacturing supply chain. These issues are made worse with ongoing labor shortages, and added together, they disrupt domestic production, result in temporary shutdowns, reduced sales, increased consumer costs, and delayed delivery of critical products. All of this combines to stall the U.S. economy.

Desired Outcomes

Our members need immediate relief and urge policymakers to initiate the following policy options:

- **Remove Section 232 tariffs on steel and aluminum imports, at least on our allies. At a bare minimum, we suggest a revision of the product exclusion process such that exclusions are transparent and available to all downstream manufacturers of the material, rather than only to the importer of record.**
- **Remove Section 301 tariffs on Chinese imports, or at least renew all of the previously granted expired exclusions.**
- **Ensure that semiconductor supply is fairly and transparently allocated across industry sectors and that the Administration does not—explicitly or implicitly—favor any one sector.**

Economic Impact

Our combined industries' economic impact in the U.S. is \$591 billion and we employ more than 2.7 million people. Our member companies' products perform essential functions across critical infrastructure sectors, including healthcare, education, energy, electric grid, foodservice and hospitality, information technology, medical imaging, transportation, water/wastewater, and home appliances that Americans rely on daily for health and safety at home and at work. The effects of COVID-19 have exposed long-standing weaknesses in U.S. logistical networks that are decreasing U.S. competitiveness. Our members need policy changes so that they can continue to provide critical products to consumers in a timely, affordable way.

The Problem

The factors described below illustrate the myriad supply chain challenges that require immediate attention from policymakers to improve U.S. manufacturing prospects:

Tariffs and Trade Distortions

Tariffs on raw materials, low tech/cost components, equipment, and finished goods which are not adequately produced in the U.S., are causing delivery delays of critical products and/or higher consumer costs. The Section 232 tariffs on imported steel and aluminum are causing:

- Record high metal prices (for many metals, producers won't even provide price quotes).
- Outright unavailability of metal.
- Increasingly long delivery lead times.

Likewise, the Section 301 tariffs on imports from China are causing:

- Lack of supply and/or higher prices of substitute components/products
- Lack of time and resources to find new sources of components.
- Multiple companies sourcing from the same pool of non-Chinese supplier alternatives.

Logistical and Infrastructure Bottlenecks

Ocean freight rates have more than tripled during the past 12 months, presenting an unsustainable economic burden for manufacturers and distributors and raising costs for consumers. Other associated ocean freight costs, such as detention, congestion fees, and surcharges, have elevated total costs to historic highs. This is coupled with a lack of available pier and storage space and substantial increases in transit times resulting in higher cost of goods and lower inventory levels. Labor shortages have

worsened the problem, as a lack of longshoremen to unload ships has backlogged ports, and a lack of truck drivers has resulted from demographic changes (e.g., difficulties in attracting young people to the field), and an inability to train new drivers during the COVID-19 pandemic. Lastly, the aging U.S. infrastructure network, which scores a C- in the latest [report](#) by the American Society of Civil Engineers, compounds the issues described above.

COVID-19-Related Effects

Plant shutdowns and/or slowdowns caused by the COVID-19 pandemic, including current difficulties attracting new employees despite competitive pay and benefits, have reduced manufacturing productivity. Companies have also reported difficulties vaccinating the workforce to make it safe for employees to work in close proximity. Travel and social distancing restrictions have further complicated the difficulties. The pandemic has caused rapid shifts in consumer behavior that have led to increases in purchases of certain goods, including those for household health and comfort. For example, consumers are relying more than ever on room air cleaners and updated HVAC systems, among other air treatment products, to ensure a healthy home during the pandemic. And consumers who have spent more time at home are upgrading their kitchens and other rooms. This increased demand has strained the demand for the raw materials and components to manufacture critical appliances.

Weather Events and Natural Disasters

In addition to everything described above, uncontrollable events and natural disasters, such as the California wildfires, floods in Germany, Texas freezes and their effect on energy infrastructure, and the six-day blockage of the Suez Canal exacerbate existing supply chain problems. In addition, the proliferation of wildfires and flooding has increased the demand for air treatment products.

The Impact

These issues are creating a chaotic and costly operating environment disrupting production. Our members have reported to us that, in response to the supply chain challenges enumerated above, they have had to do one or more of the following:

- Conduct temporary or intermittent plant shutdowns.
- Increase prices.
- Forgo sales.
- Delay delivery.
- Limit shipments to those most urgent.
- Increase order sizes on components – in hopes of gaining some material - which strains cashflow.

The result is that the crucial products our members make are either not available or, if they are available, are more expensive and subject to significant delays. This comes at a time when demand for many of our members' products, including home appliances and HVAC equipment, is, as reported above, at a record high. The combination of increased demand with supply chain challenges is causing the severe supply shortages and delays. For example, some home appliance manufacturers report lead times that are, in some cases, double or triple the normal lead time for delivery due to supply chain challenges.

Increasingly, these issues add administrative burdens, especially to small and medium enterprises, in nonproductive activities such as tariff exclusion requests, searching for alternative suppliers, and

rerouting freight from land to air. These unplanned activities crowd out opportunities for research & development, or developing new sales and marketing efforts. These effects will continue to result in reduced productivity, not only for U.S. workers at the point of manufacture, but all throughout the value chain. Some of the problems described above are long-term in nature and are being discussed in forums such as the Advisory Committee on Supply Chain Competitiveness (ACSCC). We need action now.

Call to Action

Our coalition urges the Biden Administration to initiate and drive the policy options outlined above to prevent the continued worsening of U.S. manufacturing competitiveness, increase U.S. productivity, and reduce inflation for consumers.

Our Associations



The [Association of Home Appliance Manufacturers \(AHAM\)](#) represents more than 150 manufacturers of major, portable, and floor care home appliances, and suppliers to the industry.

Contact: Jennifer Cleary (jcleary@aham.org; 202-872-5955 x314)



The [Air-Conditioning, Heating, and Refrigeration Institute \(AHRI\)](#) represents more than 300 manufacturers of air conditioning, heating, commercial refrigeration, and water heating equipment.

Contact: Samantha Slater (sslater@ahrinet.org; 703-293-4871)



The [North American Association of Food Equipment Manufacturers \(NAFEM\)](#) represents more than 600 manufacturers of commercial foodservice equipment.

Contact: Charlie Souhrada (csouhrada@nafem.org; 312-821-0212)



The [National Electrical Manufacturers Association \(NEMA\)](#) represents nearly 325 electrical equipment and medical imaging manufacturers that make safe, reliable, and efficient products and systems.

Contact: Madeleine Bugel (madeleine.bugel@nema.org; 703-841-3222)