



## **Comments of the American Chemistry Council**

Federal Maritime Commission Request for Information [Docket No. 22–19]

September 14, 2022

The American Chemistry Council (ACC) respectfully submits the following comments in response to the Federal Maritime Commission’s (FMC) August 15, 2022, Request for Information. The FMC is seeking public input 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.

ACC members rely on ocean shipping for both receiving materials and exporting products. Recent supply chain and freight transportation challenges have impacted member operations and heightened concerns about ocean carrier and port operator practices.

At this time, ACC does not take a position on whether the current state of port congestion constitutes and “emergency situation” or whether an emergency order pursuant to Section 18 of the *Ocean Shipping Reform Act (OSRA)* would alleviate or improve such an emergency situation. However, ACC wishes to provide the FMC with information about the impacts of port congestion on the U.S. chemical industry.

### **About ACC and the U.S. Chemical Industry**

ACC represents more than 190 of America’s leading chemical and plastics companies. Our members produce and manufacture a wide variety of chemicals, polymers, and related products that make our lives and our world healthier, safer, more sustainable, and more productive. The business of chemistry supports over 25% of the U.S. Gross Domestic Product and directly touches nearly all manufactured goods. Our industry is among the largest exporters in the U.S., accounting for 9% of all U.S. goods exports.

U.S. chemical production is highly concentrated in the Gulf Coast, making the Port of Houston critical to export shipments of plastic resin. In 2021, 6.3 million tons of resin was exported from the Houston-Galveston region. For 2022, exports of resins are up 18.5% through July. Our industry is growing, with more than \$200 billion in announced investments. Capacity expansion is largely directed towards export markets, driving additional volume to Gulf Coast ports.

### **Survey Highlights Ocean Shipping Challenges Facing ACC Members**

In December 2021, the American Chemistry Council (ACC) conducted a survey of member companies doing business in the U.S. to better understand the issues chemical manufacturers were facing. We have since conducted two follow-up surveys (March 2022 and July 2022). Each one identified significant challenges for the efficient movement of freight across transportation modes. For three consecutive quarters, companies reported that supply chain and freight transportation disruptions harmed their U.S. manufacturing business.

The attached report provides results from the July survey, focusing on the second quarter of 2022. Most chemical producers reported conditions at ports and in ocean shipping were worse or about the same; since the 4th quarter of 2021, 33% of companies reported related delays and congestion had gotten worse, 48% reported that conditions were about the same, and 19% reported that condition had improved.

Nearly all companies which utilize ocean shipping to import and/or export materials and products faced increased rates (87%) and longer transit times (95%). Other business impacts in the second quarter of 2022, included:

- Cancelled bookings (87%);
- Increased demurrage/detention charges (82%);
- Shortages or imbalance of shipping containers (76%);
- Increased costs from diverting shipments to alternative ports (76%);
- Higher costs due to rerouting (63%); and
- Shortages/imbalance of specialized containers, including refrigerated containers and ISO tanks (48%).

### **Specific Concerns for the Port of Houston**

While issues are largely the same across U.S. ports, ACC members have reported major challenges at the Port of Houston, with worsening congestion impeding the movement of export containers. Imports into Houston have grown approximately 50% versus pre-COVID levels, driving higher yard density and longer dwell of imported containers. As a consequence, yard capacity for outbound cargo has been reduced.

The Port has shifted and shortened receiving windows for outbound cargo. While previously the receiving window was generally five days, now the window is often as short as 48 hours. This imposes unreasonable logistics expectations on shippers. In addition, carrier capacity out of Port of Houston is severely constrained. Shippers experience longer dwell times for exports, as well as increasingly frequent cancelled bookings and rollovers. It is unclear to ACC the degree to which carriers are overbooking ships and/or limiting exports by favoring the shipment of empty containers.

Unfortunately, we believe these disruptions are likely to continue well into 2023. There is an urgent need for improved communication between carriers, the port and shippers to get better visibility and predictability of the receiving windows, reduce the percentage of rolled bookings and improve the capacity to export.

### **Conclusion**

ACC appreciates this opportunity to provide comments, and commends the FMC for its efforts to implement new OSRA requirements. If you have any questions about this submission, please contact Jeff Sloan, Senior Director of Regulatory Affairs, at 202) 249-6710 or [jeffrey\\_sloan@americanchemistry.com](mailto:jeffrey_sloan@americanchemistry.com).