October 2022

Issue 51

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

NOW MORE THAN EVER A STEADY HAND IS NEEDED TO NAVIGATE A TRICKY MARKET

INTERVIEW WITH AN EXPERT

COMIC STRIP I AM KAI

HALLOWEEN THE MOVIE FUN FACTS

ABOUT OEC GROUP

OEC GROUP

NOW MORE THAN EVER A STEADY HAND IS NEEDED TO NAVIGATE A TRICKY MARKET

While space on ocean freight carriers is now more readily available, shippers need to be aware that this may be short-lived because carriers are beginning to blank sail and cancel services as consumer demand decreases around the globe.

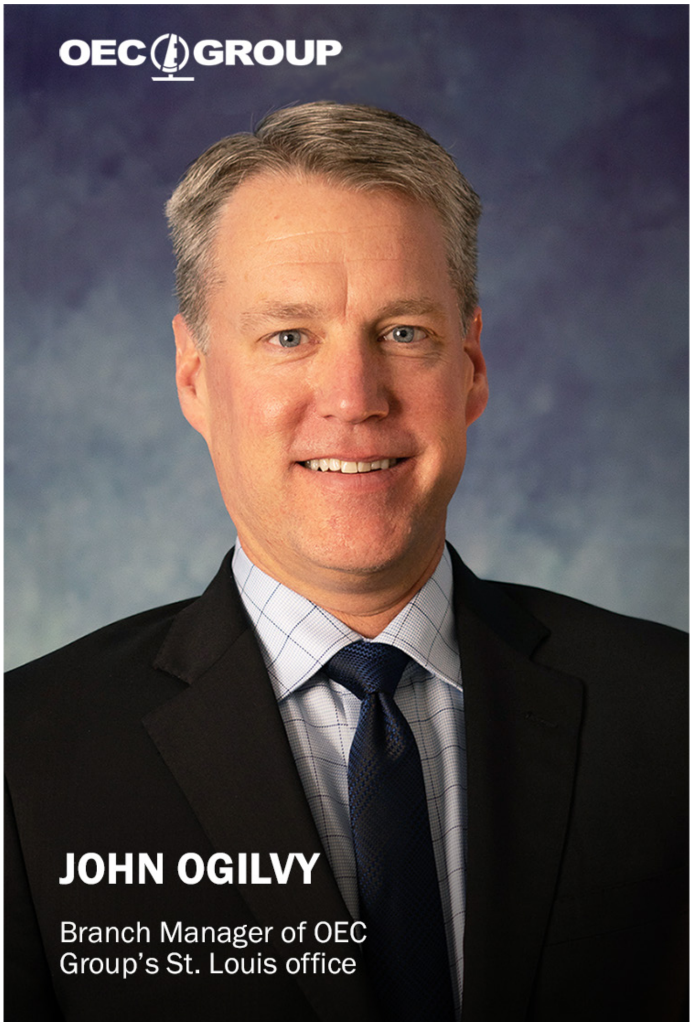
These actions are done with an eye toward preserving profitability and optimizing available capacity. This has the potential to restrict container traffic at any port of any size and re-create the congestion issues that left a lasting impression on shippers around the globe.

> *"The lesson carriers learned during the pandemic is just how valuable their space is and that shippers are willing to pay a premium when it is in short supply," said Frank Costa, Vice President of Sales at OEC Group's New York office. "In fact, shippers should prepare for these and other related costs across the industry to remain high as other areas of the supply chain are dealing with all the residual challenges caused by the last two years, which will keep costs elevated."*

Labor negotiations, congestion, and space availability are a few of the issues keeping prices high right now. Prolonged labor contract discussions have been particularly acute as they affect the railroads, trucking and warehousing industries, and can cause disruptions that result in additional fees being assessed to shippers. For example, congestion has become a significant problem on the railroads due to a shortage of labor. This has resulted in severe congestion and extended dwell times, causing some railroad companies to avoid transporting cargo from ports to certain rail hubs and to charge additional fees for containers dwelling at the yards past their agreed upon free time.

However, the shortage of labor is not the only reason congestion remains a problem. There is also an industry-wide shortage of chassis, which aggravates ground stacking problems at rail yards. As a result, rail yards are looking to clear out as many containers as possible and are utilizing strategies from ports to charge storage fees for containers. In turn, shippers are incurring additional fees. Also, warehouses in the United States are nearly at capacity, meaning it will be difficult for any shipper to store cargo once it is transported out of the rail yard.

> *"The good news is that many of these issues and fees can be managed if not entirely avoided by partnering with a logistics expert who can advise on the best strategies and use industry knowledge from decades-long relationships to identify routes that are both optimal and cost-effective," said Peter Ku, Vice President of Sales at OEC Group's Seattle office. "The secret to lowering costs lays in how you plan your supply chain. Working with an expert who has the relationships needed to get your cargo where it needs to be should be your forever strategy."*



INTERVIEW WITH AN EXPERT

John Ogilvy, Branch Manager of OEC Group's St. Louis office, discusses how supply chain issues have become much more complex, and he explains why a downward trend in ocean rates is not the panacea for shippers across the industry.

Q: What are the biggest current logistical challenges in the industry?

A: While it is logical to believe that volume slowdowns should have solved supply chain issues, the reality is that challenges persist across the board. Major congestion still exists coming into gateway ports as port systems and workers on the ground are still recovering from the historic surges of freight they've withstood over the last few years.

However, the current challenge is dealing with the severe congestion of cargo on the way out of ports and into the inland distribution network. Inland rail networks are backed up like we've never seen before; significant ground stacking and rail yard congestion persist at inland transfer points across the United States and Canada; and some rail companies are imposing temporary embargoes to many inland destinations. Chassis shortages and labor issues have also been adding to all the industry challenges.

Q: How does the current situation impact vessel and warehousing/storage capacity?

A: Vessel capacity is an interesting piece of the puzzle because it was such a battle to get space onboard just a year ago. It's much easier now, but capacity will soon be ticking downward. As a result of increased capacity and dipping demand, carriers have started cancelling services and blanking individual sailings to manage profitability and efficiency.

Warehousing is in a much more dire position as only three percent of all warehousing space in the United States is currently available – with zero indicators of improvement anytime soon. A huge contributing factor in the storage capacity shortage is that many retailers are sitting on seasonal goods that arrived too late and are holding on to it until the proper season rolls back around.

Q: Have all these COVID related issues come to an end or is the market morphing into something different?

A: Some industry issues have improved. Countries are no longer shutting down, container equipment is not being misallocated, and the major bottlenecks that formed at the height of the industry's struggles have dramatically subsided.

What we are currently dealing with are the reverberations from the direct COVID related problems, such as labor-related challenges and economic repercussions. I believe there are a lot of challenges we will have to overcome before the market normalizes. However, shippers would be mistaken to believe that we will return to the exact same pre-pandemic conditions. Those days are long gone.

Q: What do you advise shippers to do to adjust to these new market challenges?

A: Since the market is quickly evolving and adjusting to new realities, shippers need to immediately assess their logistical situations, develop strategies for success in the short-term, plan for sustained long-term supply chain efficiency, and overall, learn to execute properly in the transportation sector. Being able to do this now is arguably more important than at any time in our history. However, not many people can adequately plan their supply chains in this manner. Therefore, if they have not already done so, shippers need to begin an honest and open dialogue with their logistics providers so that they can understand the market situation, design a strategy that ensures their cargo will be in the right place at the right time, and in turn, ensure the viability of their business.

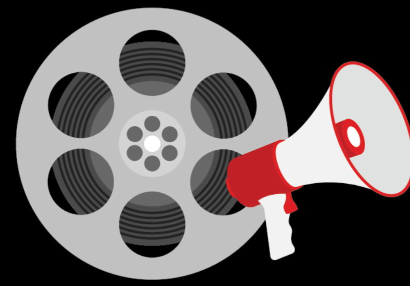

GOTCHA!
THE PORT OF LA
NOT SO FAST, HEADWIND!
AAAGH!
POW!
ALL OF THESE CONTAINERS SITTING HERE—I THOUGHT I'D JUST HELP RELIEVE SOME CONGESTION, CREATE MORE WAREHOUSE SPACE, AND EASE THE GLUT ON INVENTORY. I'M ACTUALLY DOING SOCIETY AND THE ECONOMY A FAVOR!
STEALING IS WRONG! BESIDES THE ONLY SOLUTION TO THIS PROBLEM IS FOR SHIPPERS TO REACH OUT TO THEIR FREIGHT ADVISORS AND PLAN THEIR SUPPLY CHAIN.
HOW DID YOU KNOW IT WAS ME?
WELL, THOSE TENTACLES GAVE ME A CLUE. YOU REALLY NEED A BETTER TAILOR
YOU'LL NEVER WIN, HEADWIND! GIVE IT UP!
POW!
OOOOF!
LOOK AT THAT, KAI IS FIGHTING . . . HIMSELF.
GREAT FIGHT! IT'S ALSO GIVING US SOMETHING TO DO DURING OUR SLOWDOWN!
WHAT? THE SHIP'S EXHAUST...IS IT MAKING HIM STRONGER?
I THOUGHT YOU SAID I'D NEVER WIN?
TO BE CONTINUED...

OEC GROUP

OEC GROUP

HALLOWEEN
the Movie
FUN FACTS

It took less than two weeks to write the script to Halloween and less than three-weeks to film.



The creator of the Halloween movie named the Michael Myers character after a film promoter who helped him promote an earlier another movie.

The cost of the original Michael Myers mask was only $1.98

Halloween was Jamie Lee Curtis's first film.

There is an actual clause in the Halloween franchise contract that states Michael Myers can never die.

Jamie Lee Curtis only got paid $8,000 to play the role of Laurie Strode.

The budget for the original Halloween film was only $300,000. Today it is a multi-million-dollar franchise.

Issue 51

ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.