April 2022 Issue 45

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

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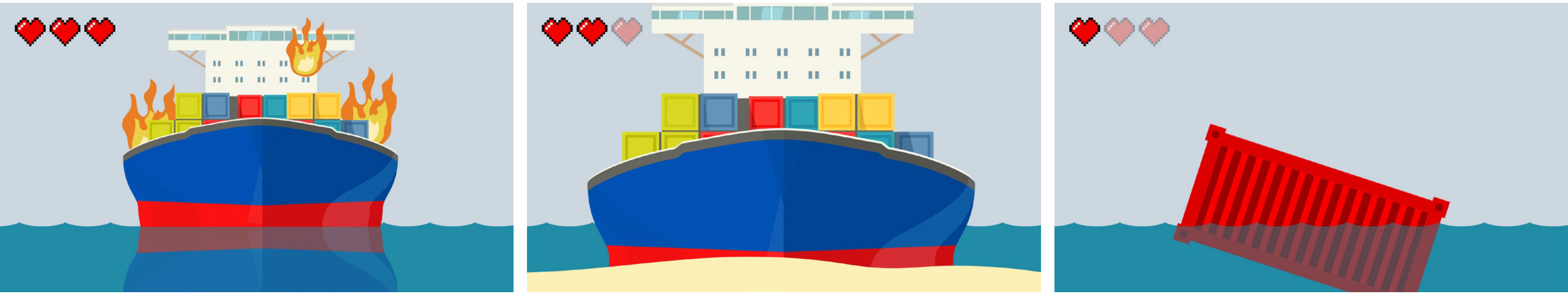
JUST WHEN YOU THOUGHT IT WAS SAFE TO GO BACK TO THE WATER:

INCIDENTS AT SEA BECOMING A COMMON OCCURRENCE



The unimaginable has now become commonplace as the last two-months have seen a shockingly above average number of incidents at sea resulting in cargo damage, items lost at sea, vessels running aground, and ships sinking.

As a result, a new trend is growing among importers who are looking to protect themselves from not just losing their cargo but also other costs that tend to arise from these incidents—exploring cargo insurance options. The new trend is emerging because many are realizing that the high cost of shipping and a growing possibility of loss has made transporting cargo without some kind of sufficient protection plan impractical.

For example, earlier this month the CMA CGM-owned Rabelais suffered an onboard explosion and fire while it was travelling fifty-six miles Northwest of Sabang, Indonesia. Also, Evergreen's Ever Forward (the Ever Given's sister vessel), was recently freed this month after weeks of being stuck when it ran aground in the Chesapeake Bay in early March.

Other incidents that occurred during the past two months include:

- The Marintrust 01 sank (March 2022)
- The Banglar Samriddhi and the MV Helt were both sunk by explosives as a result of the conflict between Russia and Ukraine (March 2022)

- The Felicity Ace, a luxury car carrier, incurred a fire that burned for weeks—causing the vessel and its millions of dollars of cargo to eventually sink (February-March 2022)
- The Paivi and the Bjoerke endured a head-on collision in Germany's Kiel Canal (March 2022)
- Another car carrier, the Al Salmy 6, sank and lost millions of dollars in cargo (March 2022)
- Containers on the Maersk Dyros fell overboard (March 2022)
- The MSC Kim suffered engine failure and went adrift in the Gulf of St. Lawrence (March 2022)
- The Mumbai Maersk ran aground (February 2022)
- A stack collapse on ONE's Madrid Bridge (January 2022)

> *"Before the pandemic a list like that would've been unthinkable throughout the course of one year, let alone a month," said Joe Klobus, Claims & Insurance Manager of OEC Group's Northeast Region. "While these incidents seem terrible for vessel owners, the people who are really bearing the brunt of the financial burden are importers who have cargo on these vessels and are uninsured. They are the ones who have to financially reimburse vessel owners for any ship damage in the case of General Average and absorb the financial burden of any lost or damaged cargo."*

Another reason for the increasing popularity of cargo insurance is because more importers recognize the risks from recent geopolitical issues and a rising number of seaborne losses. Additionally, importers are looking to protect an increasingly more expensive cost of goods and transportation costs while simultaneously reducing their financial risk regarding the loss of goods in transit.

> *"Judging from the last two months, the threat and probability that an importer will have to reimburse or be reimbursed for lost or damaged cargo is very real," said Anthony Fullbrook, President of OEC Group's North American Region. "Therefore, it should now be a matter of course for everyone to take out cargo insurance and avoid having to deal with a surprise financial obligation."*

INTERVIEW WITH AN EXPERT

Andrew Bower, the Director of Sales for OEC Group's Liquid Logistics Division, discussed the state of North South trade between US and LATAM. He also offers advice to shippers on how to best navigate the current market.

Q: What are some of the biggest challenges in North-South trade right now?

A: On our side, many Gulf Coast ports are either experiencing severe backlogs or facing frequent skipped calls due to congestion. Both backlogs and skipped calls are often caused by the huge growth in Far East import volumes. In Latin America, specifically northernmost countries with ports that carriers often use as trans-shipment hubs, there are also severe problems with congestion and missed connections. These difficulties are a result of many carriers removing vessels from those lanes to use elsewhere, changing their model from direct call services and switching to hub and spoke. While all calling ports are still served, transit times have suffered, and effective capacity is typically seriously diminished by the second leg of transport. Reallocated vessels from North-South lanes have been reassigned to other trades with more traffic and significantly higher rates, or they are rotating with other vessels that have to be dry docked for maintenance.

Houston and New Orleans are structurally two of the biggest ports in North America but not in terms of container traffic. Over the last few years they've processed more freight than ever before, but they are still relative newcomers and are having difficulty adjusting to recent surges in container traffic. To their credit, both ports have a number of expansion projects in progress, but the high volume of imports during and directly following the prolonged impact of COVID-19 is more than they could have been expected to handle.

Q: How are shippers adjusting to these new realities?

A: At first, most North-South shippers reacted very slowly because there were little to no immediate repercussions from the booming trans-Pacific trade. These shippers typically trade exclusively along North-South lanes and rarely experience any delays to their specific bookings.

Over time, skipped calls, blanked sailings, and vessel delays forced some customers to realize their traditional supply chain plans weren't working. That made them investigate underlying causes and consider alternative routes that were potentially more expensive.

Q: What are some things shippers need to understand about the current North-South environment?

A: First and foremost, shippers who operate exclusively in North-South trade lanes need to understand that their business can be impacted by factors outside of their core routes.

Second, paying more to keep your goods moving (maintaining velocity) is the only short-term solution to prevent a growing backlog of pending orders. Manufacturers, customers, and retailers can only look to suppliers that are able to deliver their goods on time. If you consider the true cost of delays, like money lost due to halted production, lack of inventory, and any other opportunity cost situation, keeping your inventory flowing and using secondary and often more expensive routes are likely to improve your bottom line.

Third, an understanding of the market can help maintain and build new relationships. Educating the end consumer on recent market difficulties is important for them to understand why their costs are higher. Understanding the market will build trust with consumers while allowing them to accept that the higher costs are legitimate. This will give them the agency to adjust their own supply chains to current market demands.

Finally, shippers must accept that the old market is gone for now, and it's not expected to come back. The faster shippers realize that, the faster they'll have success.

Q: Does it look like the market will remain consistent for the near future so that shippers can catch up?

A: It's difficult to make concrete predictions in this environment. ILWU negotiations have the potential to create a brand-new set of difficulties, and you can see with current shutdowns that China's zero-COVID policy can still pop-up and cause global disruptions. Even though a lot of these issues don't seem directly involved in North-South trade, they will have an overflow effect and potentially cause further disruptions.

Q: What is best thing that shippers can do to navigate this environment?

A: Shippers should work with their industry experts to gain a better understanding of market constraints. That knowledge will allow them to consider alternate routing options and help with their overall supply chain planning. This will also give some shippers the ability to describe the climate to their clients. Bottom line, the earlier you reach out to logistical partners and book early, the more success you'll have navigating our evolving market.


DINER ON THE EAST
03
Wink
THIS IS THE BEST BAKLAVA I HAVE EVER HAD!
SERIOUSLY POSEIDON, YOU ARE LIKE A GOD IN THE KITCHEN!
THANKS! I'VE HAD A FEW YEARS TO PERFECT MY COOKING SKILLS.
WHAT NUMBER ARE YOU?
SORRY, WE ARE ONLY ON NUMBER 3. YOU'LL HAVE TO WAIT YOUR TURN.
POSEIDON, I NEED TO SPEAK WITH YOU ABOUT WHAT IS GOING ON AT THE WEST COAST PORTS.
SIGH!
25
NOW SERVING NUMBER 25
THAT'S ME.
WHAT'LL YOU HAVE?
POSEIDON, WE REALLY NEED TO TALK. THIS IS AN URGENT MATTER AND I NEED YOUR HELP.
OH, FINE! IT'S TIME FOR MY BREAK ANYWAY.
POSEIDON, YOU SHOULD SEE WHAT IS HAPPENING AT THE WEST COAST PORTS. PORT WORKERS ARE ON STRIKE AND SHIPS ARE BACKED UP AS FAR AS THE EYE COULD SEE. GULF AND EAST COAST PORTS ARE EQUALLY JAMMED FROM THE OVERFLOW. THE WORLD IS AT A STAND-STILL! WHAT SHOULD I DO?
IT'S LIKE I TOLD YOU BEFORE, YOU CANNOT CHANGE THE WILL OF MAN. IF THEY WANT TO PUT EVERYTHING AT RISK OVER A LABOR DISPUTE, THAT'S THEIR PROBLEM. BESIDES, AS A GOD, IT'S NOT MY PLACE TO GIVE ADVICE ON SOMETHING LIKE THIS. IT'S CALLED GOD CODE.
GOD CODE!?! ARE YOU SERIOUS! YOU DON'T SEEM TO UNDERSTAND, I REALLY NEED YOUR ADVICE!
YOU DARE QUESTION MY MORAL CODE! GET OUT OF HERE BEFORE I MAKE THE SEA DO SOMETHING YOU AND THE WORLD WILL NEVER FORGET!
GEE, WHAT A QUICK-TEMPERED GROUCH! GUESS I HAVE TO SOLVE THIS PROBLEM ON MY OWN.
OKAY, I AM LEAVING
TO BE CONTINUED . . .
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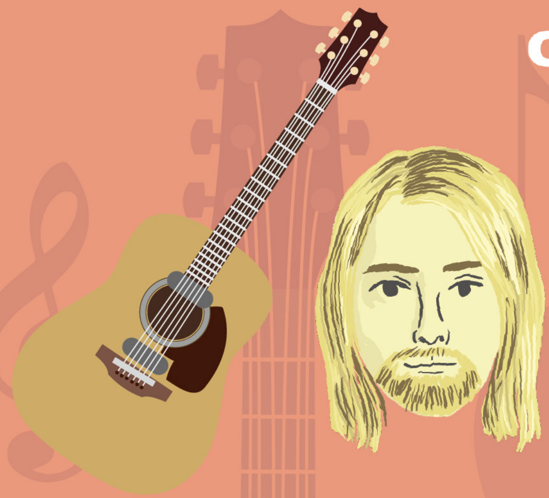
Guitar

FUN FACTS



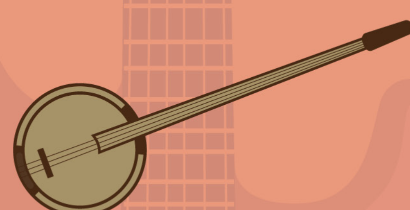
The most expensive guitar ever sold was Kurt Cobain's customized Martin 1959 D-18E. It fetched $6,010,000 at auction.

Thomas Binns, a British musician, has the world record for longest ever guitar lesson. It went on for 24 hours and 6 minutes.

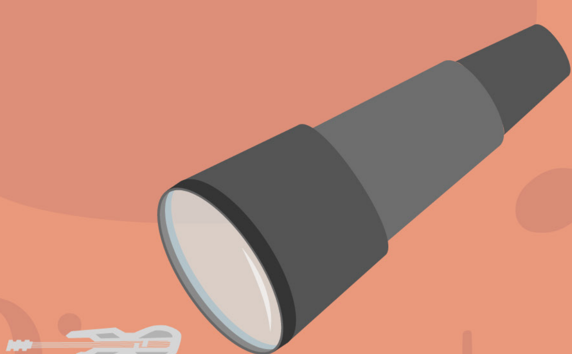
The world's largest functioning acoustic guitar is 59 feet long and weighs 8,800 pounds.

The guitar is the second most popular instrument with more than 50 million players world-wide.

Modern guitar picks were first introduced in 1922.



The oldest guitars came from Persia around 3,500 years ago.



The world's smallest functioning guitar is 10 micrometers long.

Guitar strings and frets were originally made from animal intestines.

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.