

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

IF YOU BUILD IT THE SUPPLY CHAIN
WILL FLOW: THE LONG-TERM BENEFITS
OF WAREHOUSING

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IF YOU BUILD IT THE SUPPLY CHAIN WILL FLOW: THE LONG-TERM BENEFITS OF WAREHOUSING



If the last two years have taught the industry anything, it is that importing cargo by multiple modes and ports of discharge is crucial for any business to survive. However, figuring out what to do with the cargo once it has arrived has become the most recent puzzle.

Typically, an importer would be able to put their container on either a train or truck and have it shipped to them; however, that option has become unpredictable due to terminal congestion, a lack of drivers, and a lack of available chassis. As a result, the next possible practical solution has become importing large quantities of goods early and storing products in warehouses until they are needed, thereby creating a consistent and more predictable buffer supply stateside.

This has become a more attractive option for many products with long shelf lives—sparking a potential warehouse building boom throughout America, particularly within two hundred miles of major ports. Southern California, rural Pennsylvania, and Delaware are highly targeted areas.

“Companies have realized that a comprehensive warehouse strategy is a highly effective method to beat port congestion,” said Anthony Fullbrook President of OEC Group’s Northeast Region. “Even automakers like Toyota, who created the just-in-time supply chain strategy, are adjusting operations to prioritize inventory over specialized efficiency.”



Unfortunately, this is a long-term strategy and does not offer much relief in the near term as warehouse space has become very difficult to find. Last November, real-estate firm Coldwell Banker Richard Ellis (CBRE) found that only around three and a half percent of warehouse space across the United States was available, and warehouse space across Europe, including the United Kingdom, Germany, the Netherlands, and France is all but dried up. As a result, while the long-term solution of building more warehouse space has become evident, there will continue to be short-term difficulties for importers until sufficient infrastructure is in place to handle the influx of goods which has remained high even in the current economic climate.

It's also important to note that direct retailers are not the only market players going after warehouse space. Conveniently located warehousing is also imperative for an effective last-mile delivery strategy for ecommerce, so ecommerce retailers are searching for available space, as well.

“The best way to deal with uncertainties affecting the industry is to partner with a logistics organization that can see the entire supply chain picture and coordinate appropriately so customers can have at least a one-to-three month inventory buffer,” said Logan Cooper, Senior Manager of Regional Traffic for OEC Group’s St. Louis branch. “Doing so will help with delivery timing and ensure short and long-term logistical viability for your company.”

**FRANK COSTA**

Vice President of Sales for
OEC Group's New York office

INTERVIEW WITH AN EXPERT

Frank Costa, Vice President of Sales for OEC Group's New York office, discusses the negotiations between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) and offers shippers advice on how to survive potentially cataclysmic fallout.

Q: What are the main issues in this year's negotiations?

A: For the last several decades, the ILWU's three sticking points have been automation, wages, and jobs, with automation acting as the top priority. Any automation generally means a decrease in jobs first, and then wages, healthcare, pensions, and other meaningful benefits. This year in particular, with historic container volume going through the ports and so much congestion going on, the workers believe the timing is right to set themselves up for a more secure future. It's going to be an interesting negotiation.

Q: What do you make of early reports on representatives from both sides insisting that they'll get a deal finished?

A: Two years that stick out in my career are 2002 and 2015. In both years, both sides repeatedly said they would come to an agreement quickly. Here is what actually happened: in 2002, the PMA locked out the ILWU from coming to work for approximately eleven days. Bush enacted the Taft-Hartley Act to bring everyone back to the table and back to work. The lockout caused major bottlenecks. In 2015 there was a two-day lockout, but the Taft-Hartley Act was not invoked and the agreement that year was upheld until 2017. The lesson is, based on past history, nobody knows exactly where this negotiation will go right now. It's best to prepare for the worst and hope for the best.

Q: Is this year comparable to any other negotiation year that you can remember?

A: This year's negotiation feels more intense than previous years. Both the ILWU and the PMA have strong bargaining positions. We've never seen supply chain disruptions like we have over the last two-plus years due to COVID-19, and union workers remained on duty right through the worst of it. Ports were forced to function with depleted manpower, and pandemic protocols became essential on the jobsite. Never-before-seen congestion and vessel backlogs are still being battled. Operators on the ground put forth a herculean effort to overcome that and process historic amounts of freight—breaking records constantly. On the PMA side, simply satisfying import demand over the last several years is a marked achievement. International carriers that the industry relies on have broken volume records and revenue records consistently since this new market took hold. Overall, both parties have the leverage to come in aggressively, and I think there's going to be some tough times ahead.

Q: If negotiations go poorly, what can we expect to see on the West Coast?

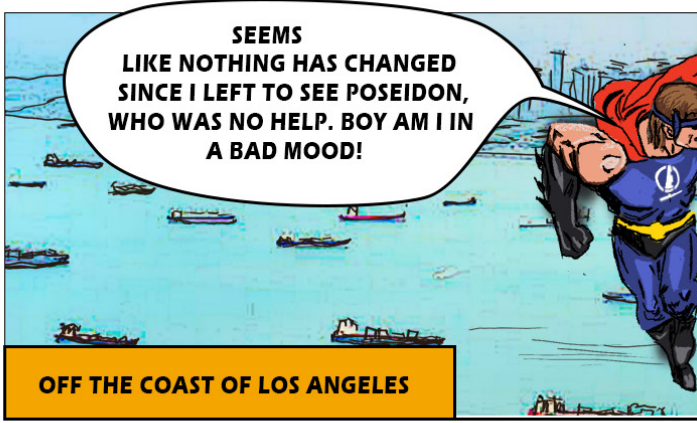
A: Even in a normal contract year you'll see some slowdowns and work stoppages. Those are simply the tactics used in the negotiation process. However, in a system that's already historically strained, particularly on the West Coast, these basic strategies could be detrimental. We may be looking at even worse conditions than we've seen over the past two years.

Q: What actions can a shipper take now to survive this impending situation?

A: Most shippers believe that they can rely on the East Coast. However, that is not necessarily the case. Carrier allotments on the East Coast are pretty well booked up right now. As a result, shippers that strictly send goods to the West Coast and decide to swiftly shift to the East will struggle because they do not have previously established relationships. Therefore, any shipper that is interested in that shift should start thinking about it right now. Also, we have begun suggesting cross border opportunities and East Coast routings to our clients so that they can be ready if they need to utilize that strategy.

Q: What is the one thing you want shippers to take away from this conversation?

A: I think the most important thing shippers need to have, in order to survive this potentially catastrophic situation, is flexibility. The best thing they can do to survive is to work closely with a proven forwarder or carrier and explore alternate routes now versus waiting until later. Once things start backing up, it's going to be too late.



SEEMS LIKE NOTHING HAS CHANGED SINCE I LEFT TO SEE POSEIDON, WHO WAS NO HELP. BOY AM I IN A BAD MOOD!

OFF THE COAST OF LOS ANGELES



OF COURSE! HEADWIND IS HERE, TOO. I WARNED HIM NOT TO DO THIS AGAIN.



TIME TO TAKE OUT MY FRUSTRATIONS ON HIM.



Aaagh!!

THIS IS WHAT YOU GET FOR NOT LISTENING TO ME!

I'VE HAD IT WITH YOU!

WHAM

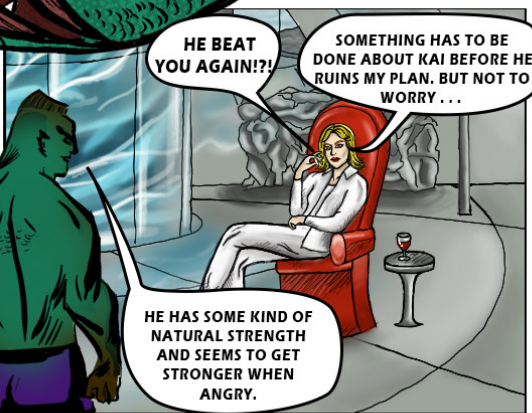
I WILL BE BACK!!

POW!

OEC GROUP



AT PAYDAY'S MANSION



HE BEAT YOU AGAIN!?!

SOMETHING HAS TO BE DONE ABOUT KAI BEFORE HE RUINS MY PLAN. BUT NOT TO WORRY ...

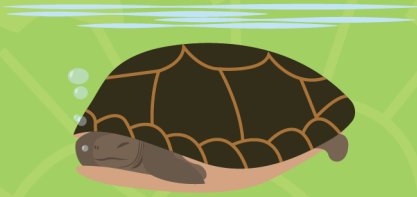
HE HAS SOME KIND OF NATURAL STRENGTH AND SEEMS TO GET STRONGER WHEN ANGRY.



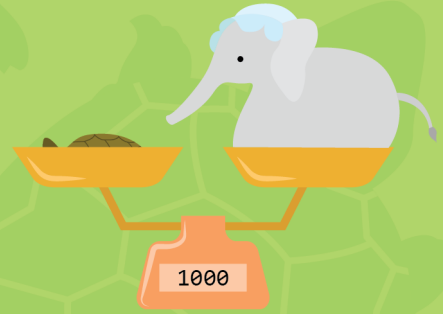
TO BE CONTINUED ...

I KNOW HIS WEAKNESS!

Turtle FUN FACTS



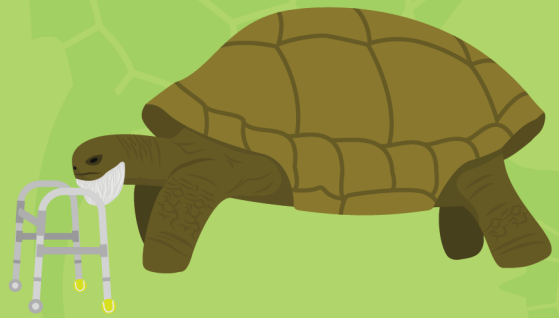
Turtles can sleep underwater



Turtles can grow to be more than 1,000 pounds



Sea turtles can hold their breath for up to five hours



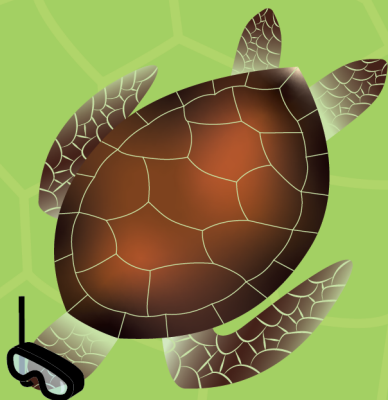
Turtles can live to be more than 150-years old



The oldest turtle in recorded history, Jonathan, just celebrated his 190th birthday




Turtles date back to the time of the dinosaurs, over 200 million years ago



Turtles can dive to nearly 1,000 feet underwater



Turtles prefer red, orange and yellow food



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.