

# THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

AS GULF AND EAST COAST PORTS SEIZE A LARGER PIECE OF THE PIE, INFRASTRUCTURE WILL DECIDE THE FATE OF THE SUPPLY CHAIN

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## As Gulf and East Coast Ports Seize a Larger Piece of the Pie, Infrastructure Will Decide The Fate of the Supply Chain

As the ILWU-PMA labor dispute continues to drag on and cargo that was traditionally earmarked for West Coast ports continues to be re-routed toward East and Gulf Coast ports, it is becoming clear that shippers no longer need to be as reliant on West Coast gateways.

East and Gulf Coast ports have shown clear proof of their capabilities. According to data from PIERS, imports from Asia to Houston increased by 33.9% in the first ten months of 2022, and CNBC recently reported that New York processed more than nine million TEU last year, making 2022 its busiest year ever. In late 2022 and early 2023, New York handled more containers than LA for the first time ever. While the port of Los Angeles processed nearly ten million TEU in 2022, New York was the nation's busiest port at certain times over the last twelve months.

Shippers have taken notice that East and Gulf Coast ports are reliable options for importing cargo, as CNBC also recently reported that more than one-third of logistics managers are unsure about whether or not they will use West Coast ports in the future, especially since the labor dispute remains unsettled. Additionally, MSC and Maersk have added Houston and Mobile to the carriers' high-volume rotations connecting Asia and the US in response to the increased desire to ship to non-West Coast ports as well as the East Coast's shorter distance to the end consumer.

*“The dramatic shift to East and Gulf Coast ports will in all likelihood remain because of an industry-wide desire to establish more reliable and predictable logistics solutions that are able to withstand any major disruption,” said Anthony Fullbrook, President of OEC Group’s Northeast Region. “Unfortunately, infrastructure in the U.S. is currently not able to withstand a major disruption, meaning shippers still need to be vigilant and agile in their approach until significant port and inland improvements are made.”*

There have already been increased improvements at ports along the East and Gulf Coasts. The Port of Charleston now has the deepest harbor on the East Coast, and the Port of Savannah also completed a major dredging project to allow it to take on some of the industry’s largest vessels. Additionally, a number of improvements have been made or are being planned around the Gulf region’s ports, including:

- Creating extensive storage networks around Houston
- Undertaking dredging projects at both Houston and Mobile
- Expanding Norfolk Southern railways into Mobile
- Using the Amtrak rail line to support freight in and out of Mobile

The Louisiana International Terminal (LIT) and Port NOLA transloading park are also planned.

*“While it is great to see an urgent desire to make improvements to the U.S. infrastructure, the reality is more needs to be done quickly, which seems unlikely due to the fact that there is no central governing body to lead these critical initiatives,” said Jason Haith, Station Manager of OEC Group’s Louisville office. “Based on the current conditions I expect the strategy of proactively seeking out alternative strategies will become the rule rather than the exception and creating the ‘perfect supply chain’ will be a dream we all chase but never realize.”*

**CHARLES KLEIN**

Station Manager of OEC  
Group's Detroit office

## INTERVIEW WITH AN EXPERT

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*In the midst of many ongoing international tariff wars—including the most well-known battle between the US and China—Charles Klein, Station Manager of OEC Group's Detroit office, discusses the long-term repercussions of tariffs levied on imported tires decades ago.*

### **Q: Could you introduce these duties that predate our current “tariff war”?**

A: Of course. In 2009, President Obama imposed a substantial 35% tariff on all tires imported from China. The duties were meant to quell a 215% increase in tire imports from China between 2004 and 2008, reverse a 25 percent decrease in American tire production, and promote growth within the United Steelworkers Union (USW). The USW, the group responsible for representing union tire plant workers, had reported significant job losses due to the shift.

### **Q: How were those taxes received? What impact did they have initially?**

A: The tariffs were fairly controversial from the beginning. They received a standard ribbing from across the aisle and were reduced in the proceeding tariff review. By 2012, this iteration of tire tariffs was put aside completely. A widely cited 2012 review of the duties from the Peterson Institute concluded that they were marginally helpful in job growth, but they pushed the average price of both American-made tires and Chinese-made tires up by around 3.2% and 26% respectively. Additionally, tariff retaliation from China targeted US chicken exports and reportedly cost that industry one billion dollars. The Peterson study also found that, although some production was brought back to the US, other supply lines simply shifted away from China. Mexico, Canada, South Korea, Japan, and Taiwan were some primary winners.

**Q: What impact (if any) do those tariffs still have on our market today?**

A: Before and after those 2009 duties, rubber products and tires have been consistently included in the United States' Harmonized Tariff Schedule (HTS). One consequential duty that has been percolating recently specifically targets passenger and light truck tires imported from China. Earlier this year, the US Department of Commerce investigated the efficacy of the tariff, and actually decided to lower some of the duty percentages. Anti-dumping duties enforced on Chinese manufacturers that export tires to the United States were lowered to 2.06%.

**Q: Did this cause any readjustment to the international tire market?**

A: The first set of tariffs moved some manufacturing back to the US and spread another chunk to regions outside of China. The second set of tariffs specifically targeted tires made in China for passenger vehicles and light trucks. A piece of the tariffs' cumulative impact has been that common passenger and light truck tires—currently taxed significantly—have been more regularly produced in the United States. High-end tires that enthusiasts will pay a premium are still largely manufactured in China. Additionally, projections within the tire vertical suggest that high-end tire market growth will be primarily led by the Asia-Pacific region, including China, India, and Japan.

**Q: What does this mean for tire retailers and/or shippers?**

A: When you boil all of this down, both retailers and shippers in the industry should know that high-end tires are logistically much more difficult to get than common passenger and light truck tires because supply lines for those tires originate in China, are largely routed through the West Coast, and then are either railed or trucked inland. Delays may have let up over the last six months or so, but for the last several years that has been one of the most—if not the most—delayed route in the entire market.

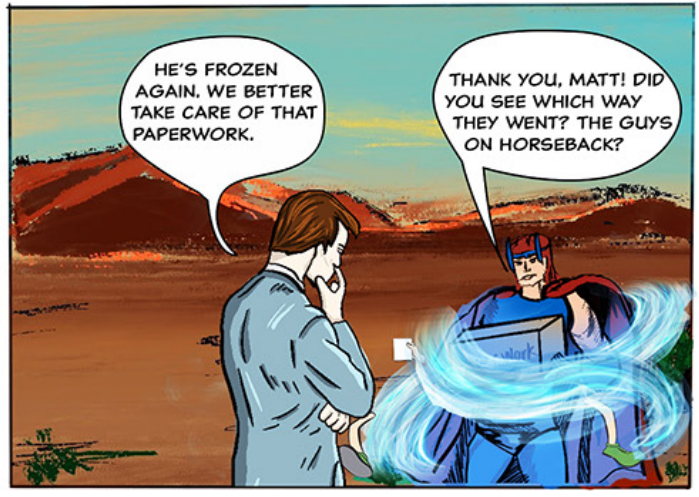
**Q: Any repercussions for the end consumer?**

A: A domestic lack of UHP tires may seem to be a niche issue for hobbyists, but that's not necessarily true. Part of what places a tire in that classification is its capability to improve traction, handling, and overall performance. They have improved roll resistance, as well. Roll resistance, and to some degree traction, are the two most important factors when calculating a tire's contribution to overall fuel efficiency. Optimal roll resistance helps conserve energy when stopping and starting, and its effects compound when driving over long distances. Historic difficulty securing these tires happens to intersect with a similar level of difficulty in securing brand-new vehicles and some of the highest gas prices in history.

**Q: Do you have any advice for shippers trying to transport tires effectively?**

A: Developing an effective strategy to connect consumers and useful products like UHP tires is impractical without specialized data and expertise. I strongly suggest partnering with a logistics provider that can leverage transit time data and ground-level information on available shipping routes to build supply lines that are more consistent, resilient, and cost-effective.

Volumes are Down, and Environmental Concern is Up



# Groundhogs and Groundhog Day

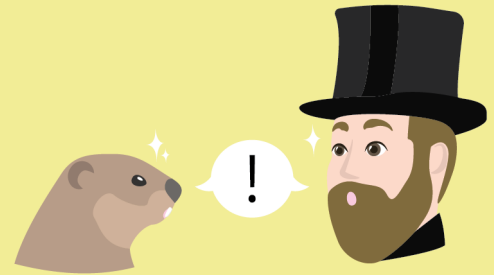
FUN FACTS



Groundhogs are vegetarians



Special for Groundhog Day, "Groundhog punch" contains vodka, milk, eggs, and orange juice



The most accurate groundhog prognosticator lives in Yellowknife, California and has a **50%** accuracy rate



Apparently, only Punxsutawney Phil can achieve immortality by drinking Groundhog Punch



The first Groundhog Day in Punxsutawney, Pennsylvania was held in **1886** and has been held each year ever since



The most famous groundhog, Punxsutawney Phil, is named after King Phillip



The concept of the groundhog seeing his shadow to predict how much longer Winter will last comes from Germany and the holiday, Candlemas



Around **40,000** people typically attend the Groundhog Day celebration in Punxsutawney, Pennsylvania



# 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.*