

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

RECENT ILWU LABOR ACTIONS PUT SMALL AND MEDIUM SIZE BUSINESSES AT RISK FOR SUPPLY CHAIN CHAOS

INTERVIEW WITH AN EXPERT

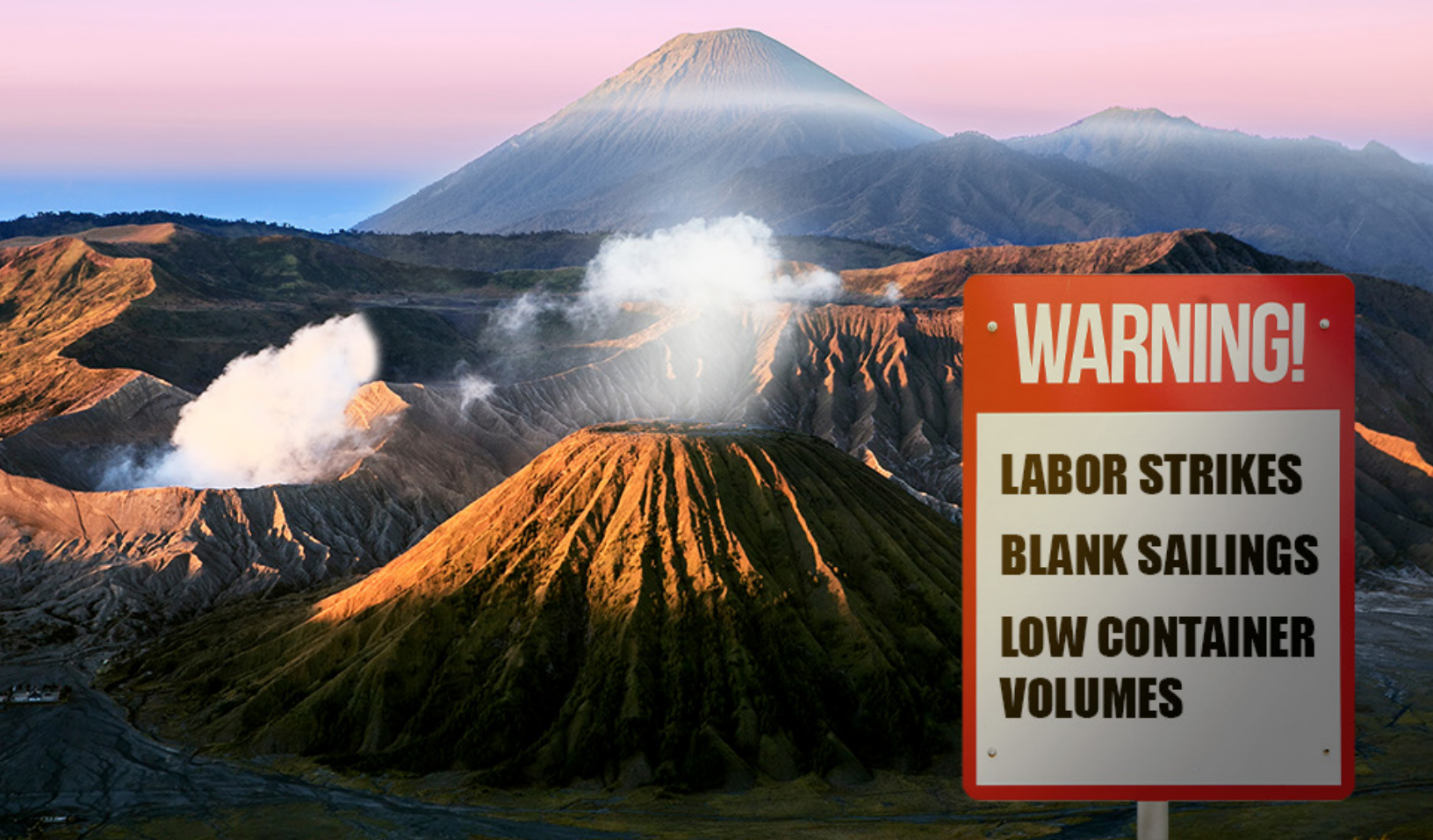
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Recent ILWU Labor Actions Put Small And Medium Size Businesses At Risk For Supply Chain Chaos

As the ILWU-PMA contract negotiation standstill swiftly approaches a full year, strikes and slowdowns remain a worrying possibility especially after the recent trends of worker slowdowns. Any activity still has the possibility to result in massive backlogs, disruptions, and rate increases – which has the potential to cause significant harm to small and medium size importers.

After several months of no developments, there has recently been a spate of minor disruptions caused by the ILWU which, according to multiple media reports, were likely due to frustration over not having a contract after nearly a year of negotiations. These disruptions come at a time when container volumes continue to be depressed and the number of blank sailings continues to grow. However, industry leaders do expect imports to increase in the second half of the year, making any large-scale union action at West Coast gateways especially harmful and disruptive as the industry tries to recover from low consumer demand.

“While these labor actions are very mild, seeing them unexpectedly spring up almost a year into negotiations could foreshadow more serious issues in the near future,” said Frank Costa, Vice President of Sales for OEC Group’s New York office. “This issue has always been a sleeping giant, and it is one of the main reasons why the supply chain got out of whack in the first place. It is the major element remaining that is preventing the supply chain from fully returning to its normal state.”

The fear among many industry experts is that the disruptions may evolve into full-scale chaos right at the moment the industry begins its peak season. To put this potential impact into context, while imports may not be near the historical highs the industry saw last year, container processing statistics at domestic ports through the first and second quarters show that imports are at least matching, and in some cases eclipsing, import numbers prior to the pandemic. In other words, based on current data, any labor action will in all likelihood trigger a severe avalanche of problems for the entire supply chain.

“The potential consequences of any major West Coast labor action are the same now as they were last year, and shippers need to remain vigilant and plan their import and pricing strategies assuming that some sort of labor action will occur,” says Jason Haith, Station Manager of OEC Group’s Louisville office. “Small and medium size shippers locked into contracts with a single carrier are at particular risk because of a lack of supply chain flexibility. The only way to adequately combat any potential labor action is to partner with a company with strong industry-wide relationships who can help quickly and easily maneuver your goods throughout the supply chain by any means necessary. It’s just like the old saying goes, the more things change . . . the more they stay the same.”

**LYNN STACY**

Managing Director for OEC Group's
Liquid Logistics Solutions (LLS) Division

INTERVIEW WITH AN EXPERT

Lynn Stacy, Managing Director for OEC Group's Liquid Logistics Solutions (LLS) Division, discusses an interesting intersection of the push for sustainability and new technology going on in LLS's hometown of Houston.

Q: How has the Port of Houston been more effectively leveraging tech solutions?

A: When volume started picking up dramatically a few years ago, the Port of Houston had to handle more containerized freight than the port had ever processed before. As we all know now, backlogs emerged at every major international gateway, including Houston. To process container ships more efficiently, the Port of Houston employed a system of virtual markers and virtual vessel arrival systems. Incoming vessels could virtually reserve berths as they were making other Gulf Coast stops and better manage the wait time they'd otherwise spend simply idling outside the Port of Houston.

Q: How exactly does that make operations more efficient?

A: The virtual marker system isn't extremely complex. When a ship comes into the Gulf Coast leg of its trip, it can virtually check in to the Port of Houston. So, while the vessel is making stops at the Port of Mobile, Port NOLA, or potentially both, it can already have a berthing time or at least a spot in that line of vessels at the Port of Houston. The virtual markers give both the vessel itself and operators at Houston more visibility over where that specific vessel is, when it will arrive at the port, and when exactly that vessel can be processed. This strategy has been proven to drastically decrease idling time.

Q: What environmental impact does this marker system have?

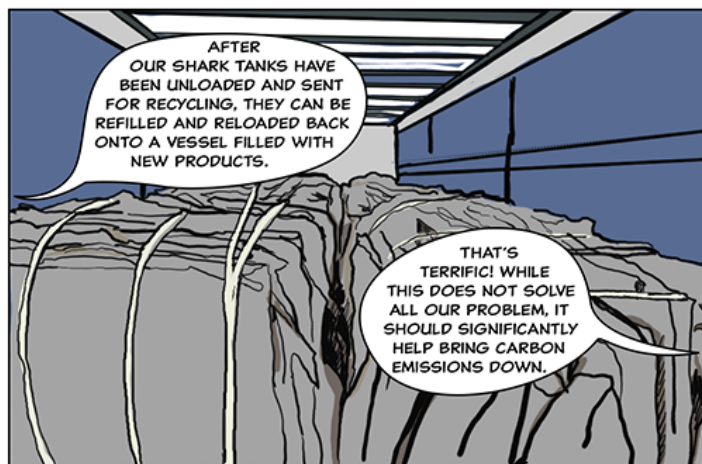
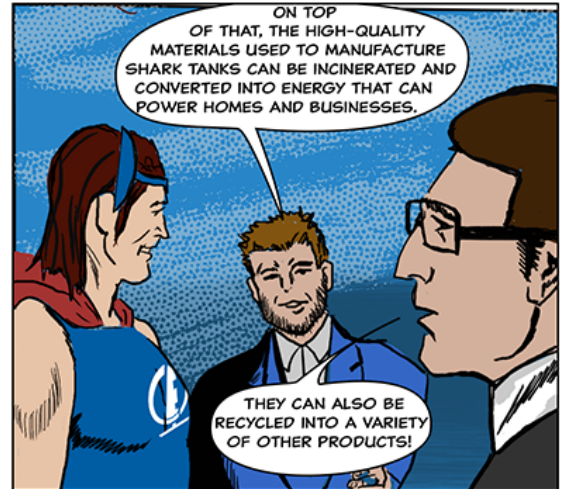
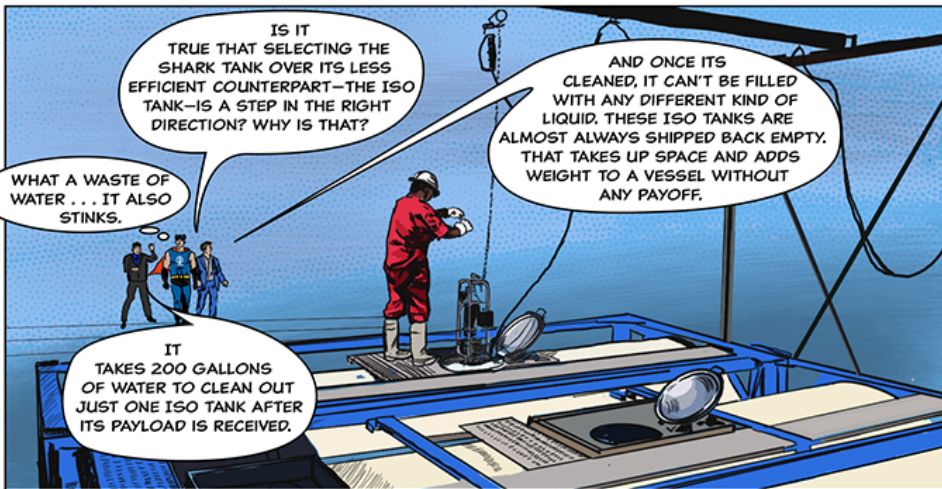
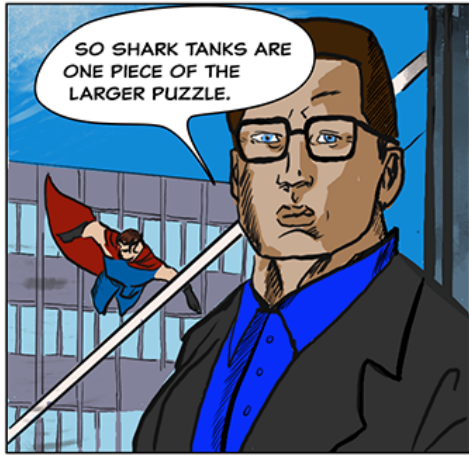
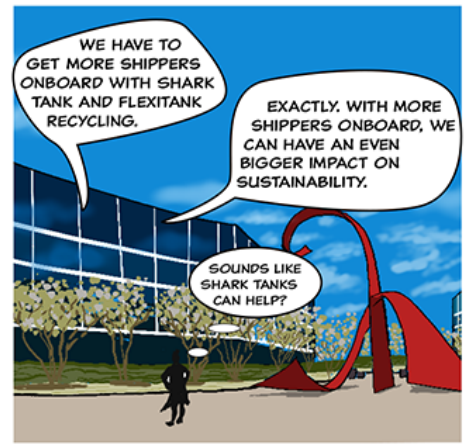
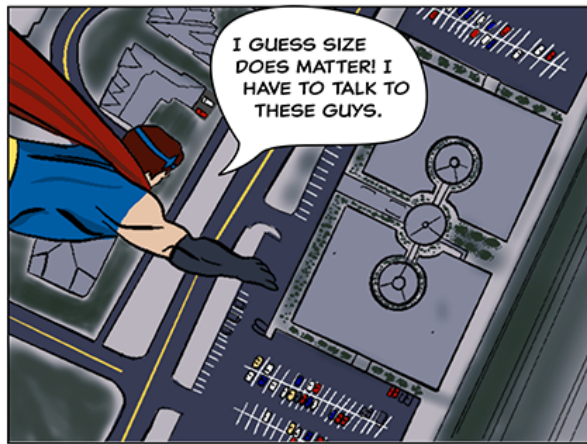
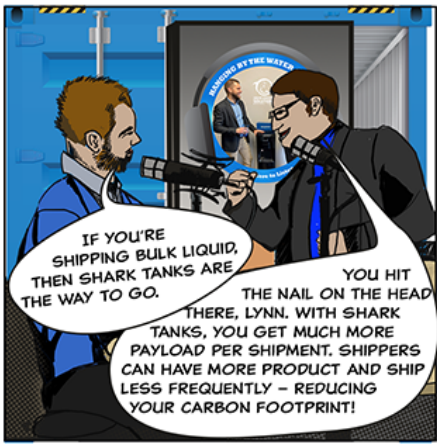
A: Vessel idling is actually a big contributor to the carbon footprint left by the ocean shipping industry. Since tracking technology used in this way can cut down idling time, it has a direct positive effect on overall emissions. On top of that, having a better idea of when to berth can help ships more efficiently manage speed. Ships won't be rushing, steaming quickly, and burning unnecessary fuel just to reach a backlogged port. They can better manage that fuel consumption. The Environmental Protection Agency (EPA) has actually studied this virtual vessel marker system in Houston and some other international ports, and their findings proved the effectiveness of this strategy.

Q: How can shippers looking to be more climate conscious take advantage of these new greener solutions?

A: This particular vessel marker system is interesting because it came out of a need for a higher level of operational efficiency, but it also decreased emissions. Any shipper using the Port of Houston benefits from this. That being said, it's more difficult to access other green solutions like space onboard LNG vessels or space along shipping rotations that are considered more environmentally conscious. To take advantage of those options, it's extremely helpful to have strong relationships with a carrier—or a provider like OEC Group—that can advocate for what a shipper values in their shipping plan and access those new services.

Q: Do you have any advice for shippers looking to capitalize on and take part in this industry shift toward sustainability?

A: The most important thing, particularly in the early stages of this sustainability push, is to partner with a provider that can get you involved with services and programs that have a direct impact. Also, keep in mind that these green solutions do not always sacrifice shipping times or even cost efficiency. Like I said earlier, the virtual marker tool used in Houston actually increased productivity and there were no additional fees associated with it. Additionally, with new IMO goals and regulations, it's prudent for shippers to get onboard and understand what these solutions mean for their supply chain before some of these methods are potentially mandated.



Sustainability FUN FACTS



Half of the nearly **2.4 trillion tons** of CO2 emitted into the atmosphere comes from the last **35 to 50 years**.

Leaving a computer monitor on every night emits more than **9 million tons** of carbon dioxide each year.



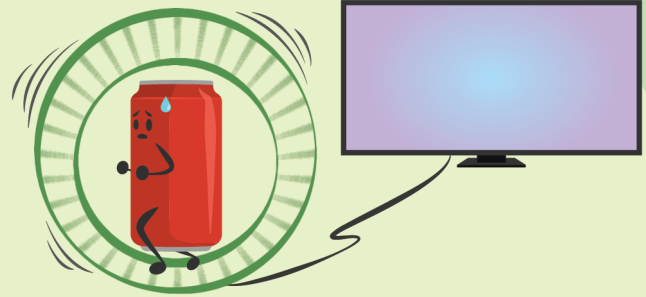
The average college student produces more than **640 pounds** of trash each year.



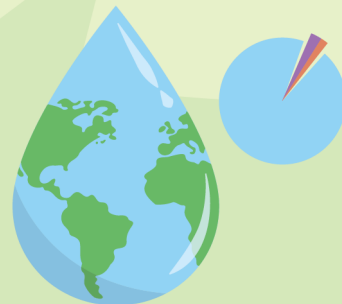
A tap leaking at just one drip per second wastes more than **12,000 liters** of water a year.



If everyone recycled their newspapers, we could save about **250,000,000 trees** each year!



One recycled soda can will save enough energy to power a television for **3 hours**.



While **70%** of our planet is covered by water, only **2.5%** is fresh water and only **1%** is accessible for human use.



Leaving the water on when brushing your teeth uses nearly **five gallons** of water each time.

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.