

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

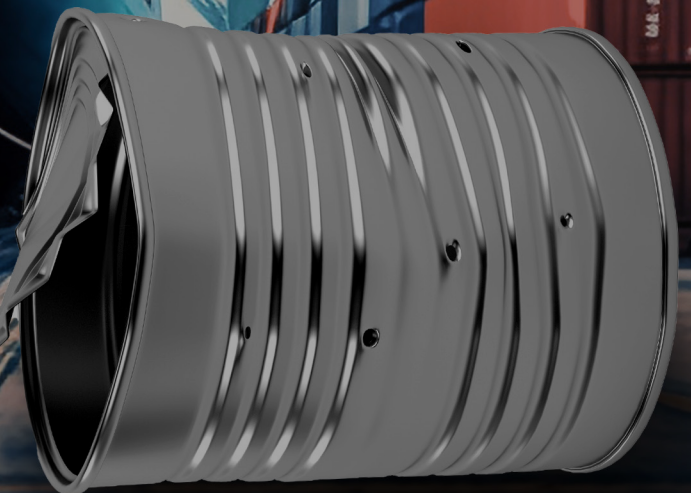
KICKING THE CAN DOWN THE DOCK:
TODAY'S PRECARIOUS LABOR PEACE
COULD BECOME A MAJOR INDUSTRY
PROBLEM IN THE NEXT FIVE YEARS

INTERVIEW WITH AN
EXPERT

COMIC STRIP
I AM KAI

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KICKING THE CAN DOWN THE DOCK: TODAY'S PRECARIOUS LABOR PEACE COULD BECOME A MAJOR INDUSTRY PROBLEM IN THE NEXT FIVE YEARS

Recent and continued labor problems are occurring around the globe and in virtually every sector of the logistics industry. Disagreements have clearly demonstrated that workers and employers have starkly different priorities. While most of the recent disputes have been settled, the industry is sitting on a powder-keg of pent-up labor angst that will keep the industry on edge for the next five-to-six years.

Fresh on everyone's mind, actions between ILWU Canada and the BCMEA foreshadow what will happen to the industry if workers and employers do not get on the same page. Slowdowns and multi-week strikes (some legal and some not) that paralyze not just the ports but also down-stream industries such as rail, trucking, and warehousing, will become the norm. Additionally, as we nearly saw with the UPS and Teamster row, a major labor dispute even in one sector of the logistics industry has the capability to cripple any economy.

“The recent agreements are basically a mini détente until both sides can figure out the best way to navigate the post-pandemic landscape,” said Peter Hsieh, Vice President of Sales and Marketing for OEC Group’s Northeast Region. “Both sides need to understand that their actions affect everyone in the industry and beyond. They need to be willing to listen to each other and work together to ensure that we do not have a potential economic disaster five years from now.”

One negotiation to keep an eye on is between the International Longshoreman’s Association (ILA), which represents the U.S. East and Gulf Coast ports, and U.S. Maritime Alliance (USMX). The union’s chief, Harold Daggett, has already stated that the union is determined to secure significant wage increases, and he has warned that the union will take a hard line against automation. Worse, he is also encouraging his counterparts around the world to take the same stand against automation.

“While there is considerable time for both sides to reach a deal, this negotiation could quickly go south and result in some form of labor action that will disrupt every East and Gulf Coast gateway – rolling back all the gains East and Gulf Coast ports got from the labor problems on the West Coast,” said Keith Sarnell, OEC Group’s Vice President of Sales and Head of the Kansas City branch. “This would most likely result in another mass cargo shift to West Coast ports, and that could also lead to severe backlogs and rate increases.”

The U.S. is not alone in dealing with labor issues in the logistics industry. Europe is also in danger of mass labor actions and strikes, specifically with airlines and railways. Right now, the current industry belief is that there will be some kind of walkout or slowdown with either air traffic controllers or workers on the ground in France, Belgium, and Italy, with the potential for labor angst to spread throughout the continent – causing mass disruptions.

“Anyone that has become complacent over the last few months because of a softer market is going to have a rude awakening when labor action occurs,” continued Mr. Hsieh. “This is something shippers need to start thinking about right now and begin planning their supply chains accordingly. The reality is these labor disputes are real and the impact can be severe. Working with an advisor and planning ahead is the only way to ensure you do not become an indirect casualty of these volatile situations.”

**JOE KLOBUS**OEC Group's Claims and
Insurance Manager

INTERVIEW WITH AN EXPERT

Joe Klobus, Insurance & Claims Specialist for OEC Group's Northeast Region, discusses the one area where cargo insurance is often overlooked...after your cargo has been unloaded.

Q: What kind of risks does cargo face while berthed and being unloaded or while being held within the port itself?

A: Unfortunately for shippers, there are a litany of issues. Fire is one of the most prominent dangers for vessels at sea, for vessels docked and being unloaded, and even for containerized cargo waiting within port grounds. I'm sure you all remember just a month ago there was a tragic fire aboard a roll-on roll-off vessel being unloaded in Newark that claimed the lives of two firefighters. Not only did that incident result in loss of life, but it also put dozens of firefighters and salvors at risk, and total damages to the ship, its contents, and the port have yet to be calculated. Theft is a common problem for freight that has been unloaded and waiting to be picked up from a gateway port or intermodal hub, and we're seeing increased reports of that kind of theft coming out of rail yards around LA-Long Beach.

Q: Has there been an increase in cargo fires?

A: We seem to be seeing more of these cargo fires, especially since 2022, but they have always been a serious risk factor in our industry. The fire in Newark was on a roll-on roll-off vessel carrying used cars, and automobiles in particular have been an area of concern for fire risk. The cause of the fire in Newark has not yet been declared, but in the industry in general, the influx of electric vehicles poses a variety of new issues. Batteries used in EVs are liable to combust, and fires started by those batteries are

extremely resilient to firefighting efforts. On top of that, the way current sprinkler and fire safety systems are set up, they have a hard time targeting fires from EV batteries commonly located near the underside of the vehicle. We don't know if this had anything to do with the Newark situation, but it's something to be aware of.

Q: Can you describe the nature of the uptick in theft at the Port of LA-Long Beach?

A: The reports we are seeing outline an increase in cargo theft specifically from rail cars making intermodal trips from LA-Long Beach inland. Individuals on the ground at rail yards outside the Port of Los Angeles are observing random and disorganized instances in which thieves break seals on containers, look inside, quickly decide whether or not there's anything that would be beneficial for them to resell, and either take something or move onto the next container. Auto parts and electronics are two common commodities that can be quickly identified and taken.

Q: Is there anything logistics providers can do about this?

A: Not directly, no. For theft in specific places like LA-Long Beach, and to some extent New York-New Jersey and Savannah, rerouting solutions are available, but alternative routes generally cost more. While rerouting is definitely an option, it's rarely the most cost-effective choice. In the end, from a cost perspective, you're almost always better off importing through ports like LA-Long Beach, New York-New Jersey, and Savannah with a cargo insurance policy.

Q: How can insurance be effective in this situation?

A: The right insurance policy can completely remove the financial risk associated with increased theft and vessel fires. A policy that covers both common risks, usually included in what most providers call "all-risk" coverage, would prevent the shipper or cargo owner from having to deal with the cost of damages and the prolonged legal processes that follow either incident. Once the cargo has been identified as stolen or damaged in a fire, the cargo owner files a claim for that cargo, and, with the right policy and the right provider, that claim would be processed immediately. To understand exactly what is covered under your existing policy, or to get a new policy that does cover these active issues, I strongly suggest you work closely with an insurance expert.

Q: What advice do you have for shippers in the face of these upward trends?

A: There are always going to be certain issues that are particularly risky, and right now, fire and theft are those prominent concerns. It's best for every shipper to work with their provider, understand their routes and the risks that come with them, and make sure they develop an insurance policy alongside an insurance expert that works for their specific situation.



I SEE. I'LL TAKE BOTH!

INTERESTING. QUICK QUESTION WHAT DOES "MAY THE FOURTH BE WITH YOU" MEAN?

NO, IT'S MAY THE FORCE BE WITH YOU.

SO GEORGE, I MEAN MR. LUCAS, WHAT DO YOU THINK OF THE SLOGAN?



OH, THAT IS ANOTHER GRIM REAPER. I AM GRIM REAPER N927890453, I HANDLE CANCELLED SAILINGS AND SCRAPPED VESSELS.

SERIOUSLY!?! THIS IS IT!?!

OH! YOU SCARED ME HALF TO... WELL YOU!

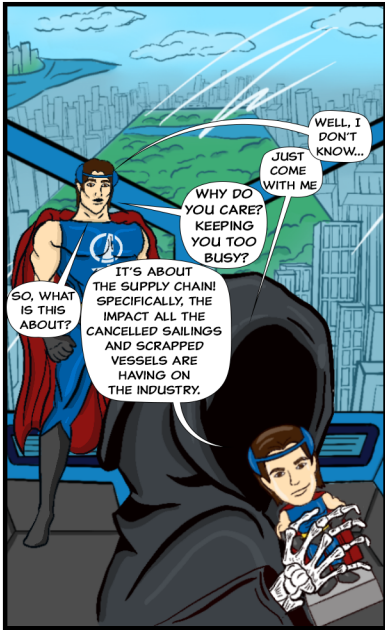
WANT A BOBBLEHEAD?

ASK WHAT HE THINKS OF "MAY THE FORCE BE WITH YOU?"

YES. I AM HERE TO SEE YOU AND I NEED YOU TO COME WITH ME RIGHT AWAY!

UH, (GULP) YES. ARE YOU HERE TO SEE ME?

EXCUSE ME, ARE YOU KAI?



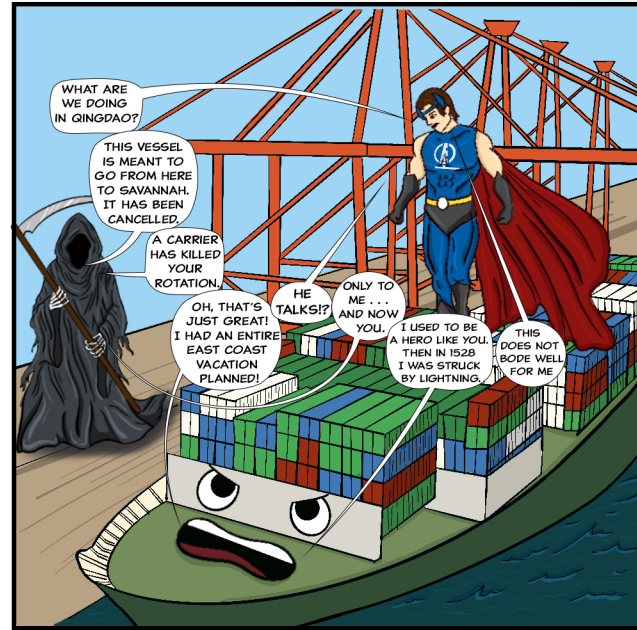
WELL, I DON'T KNOW...

JUST COME WITH ME

WHY DO YOU CARE? KEEPING YOU TOO BUSY?

IT'S ABOUT THE SUPPLY CHAIN! SPECIFICALLY, THE IMPACT ALL THE CANCELLED SAILINGS AND SCRAPPED VESSELS ARE HAVING ON THE INDUSTRY.

SO, WHAT IS THIS ABOUT?



WHAT ARE WE DOING IN QINGDAO?

THIS VESSEL IS MEANT TO GO FROM HERE TO SAVANNAH. IT HAS BEEN CANCELLED.

A CARRIER HAS KILLED YOUR ROTATION.

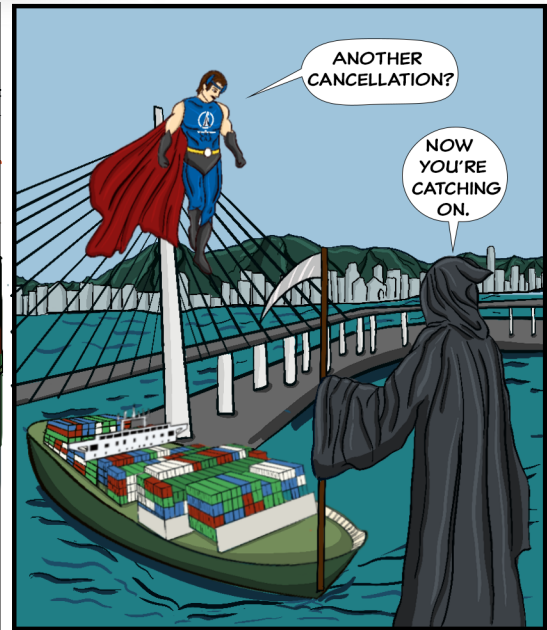
OH, THAT'S JUST GREAT! I HAD AN ENTIRE EAST COAST VACATION PLANNED!

HE TALKS!?

ONLY TO ME... AND NOW YOU.

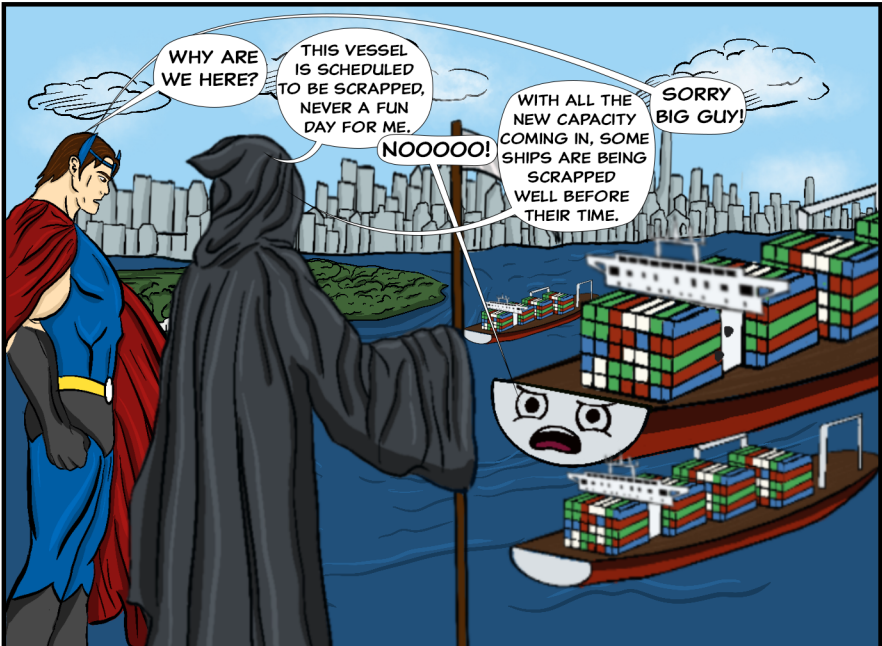
I USED TO BE A HERO LIKE YOU. THEN IN 1528 I WAS STRUCK BY LIGHTNING.

THIS DOES NOT BODE WELL FOR ME.



ANOTHER CANCELLATION?

NOW YOU'RE CATCHING ON.



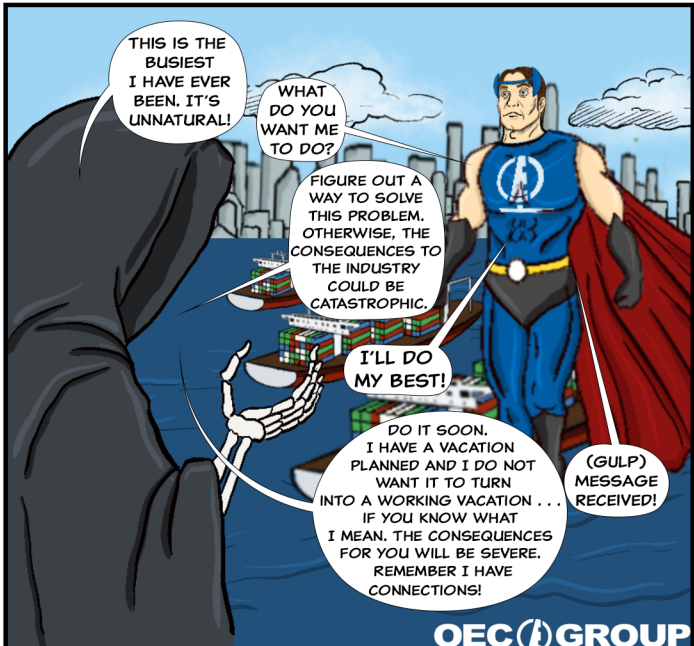
WHY ARE WE HERE?

THIS VESSEL IS SCHEDULED TO BE SCRAPPED, NEVER A FUN DAY FOR ME.

NOOOOO!

WITH ALL THE NEW CAPACITY COMING IN, SOME SHIPS ARE BEING SCRAPPED WELL BEFORE THEIR TIME.

SORRY BIG GUY!



THIS IS THE BUSIEST I HAVE EVER BEEN. IT'S UNNATURAL!

WHAT DO YOU WANT ME TO DO?

FIGURE OUT A WAY TO SOLVE THIS PROBLEM. OTHERWISE, THE CONSEQUENCES TO THE INDUSTRY COULD BE CATASTROPHIC.

I'LL DO MY BEST!

DO IT SOON. I HAVE A VACATION PLANNED AND I DO NOT WANT IT TO TURN INTO A WORKING VACATION... IF YOU KNOW WHAT I MEAN. THE CONSEQUENCES FOR YOU WILL BE SEVERE. REMEMBER I HAVE CONNECTIONS!

(GULP) MESSAGE RECEIVED!

Canals Fun Facts



The oldest canal in the world is believed to be the Grand Canal in China.



The idea for creating a canal across Panama dates back to the 16th century.



90% of the United States' trade went through the Erie Canal in 1853.

New York State's Erie canal, which connects the Atlantic Ocean to the Great Lakes, was completely dug by either human hand or animal power.

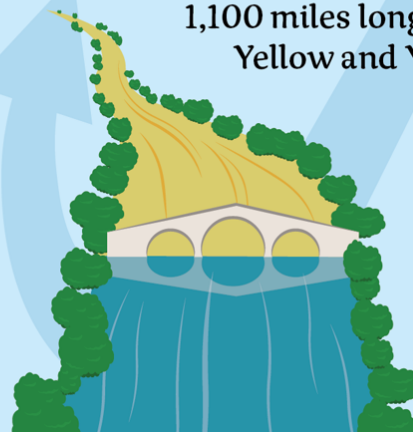


Plans for the Erie Canal, which helped turn New York into an economic power, were originally rejected by both Thomas Jefferson and James Madison.

There are more than 160 canals in Amsterdam.

China's Grand Canal is more than 1,100 miles long and connects the Yellow and Yangtze Rivers.

The Suez Canal is the shortest sea route between countries in Europe and the Indian Ocean.



ABOUT OEC GROUP

As an industry pioneer, OEC Group has become one of the world's leading logistics companies. We leverage in-house expertise, carrier partnerships, connections with ports and transportation hubs, and our network of offices in North America, Europe, Asia, India, South America, Australia, and the Middle East, to provide freight transportation, logistics, information, customs and brokerage, insurance, and technical services to over 50,000 customers of various sizes and industries.

We are also highly sought after for the advice we give shippers on how to optimally manage their supply chains. The guidance we provide is based on data analytics, best practices, and decades of industry knowledge.

We believe that relationships matter and treat your cargo as our own. Our experts are always investing in efficient, cost-effective, and cutting-edge services to evolve with the ever-changing market, address the complexities of any client's supply chain, and consistently perform at the highest level for our customers.

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