

# THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

*WE'RE LATE  
WE'RE LATE FOR AN  
INFRASTRUCTURE  
UPDATE!*

ROUGH SEAS AHEAD:  
THE TICKING CLOCK  
ON AMERICAN  
INFRASTRUCTURE

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ASK AHAB

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OEC GROUP





# ROUGH SEAS AHEAD: THE TICKING CLOCK ON AMERICAN INFRASTRUCTURE

Every four years, the American Society of Civil Engineers (ASCE) issues a report card on American infrastructure. In the last report card (2021) the organization awarded the U.S. a C-minus for its overall infrastructure. Sadly, chances are very good the grade will either hold steady or drop when next year's report cards are released.

The awarding of this unimpressive grade is the product of several factors, including but not limited to a \$12 billion funding deficit for waterside infrastructure at American ports over the next decade, \$15 billion in back bridge repairs, a railroad system in need of critical replacements, a need for more dredging at most of the ports, and rebuilding the Francis Scott Key bridge that crumbled when a container ship hit one of its supports.

*“Much of our problems are due to a lack of government commitment to spend what is necessary to keep our infrastructure competitive,” said Anthony Fullbrook, president of OEC Group’s North American Region. “In the past 55-years, federal spending for infrastructure has dropped from 5.8% of our annual budget to 2.5%. The U.S. government needs recommit to spending on its infrastructure in order to maintain its competitive edge.”*

Additionally, investing in infrastructure will create more jobs and generate billions of dollars in federal, state, and local income. One prime example of the economic advantages of modernizing infrastructure can be seen in at the Port of Houston, where the State of Texas is invested \$1 billion to widen and deepen the shipping channel into Houston to allow for better vessel traffic flow and larger vessel capacity at a port that already handles 230 million tons of cargo annually.

This \$1 billion investment resulting in the Port of Houston now returns more than \$900 billion to the country and nearly \$440 billion to the state – in just one year! Since the improvements were permanent every additional dollar will add to the return.

In Milwaukee, Mitchell Airport is planning on constructing a much-needed Class A air cargo hub that will take advantage of the areas highways and trucking and warehouse industries to bring a less expensive and sorely needed import and export option to the area’s burgeoning pharmaceutical and food industries.

While Port Houston and Milwaukee’s Mitchell Airport have both made significant infrastructure investments aimed at spurring economic growth, the rest of the country has not followed suit. In 2021, ASCE said the US would lose \$2.5 trillion in economic growth, and over three million jobs, by 2039 if infrastructure continued decaying. It has been four years since the ASCE’s report and the U.S. still has a long way to go to earn a better grade.

*“The logistics industry has had to deal with faulty infrastructure for decades, and we’re tired of infrastructure continuing to be an afterthought. While some small pockets, such as Houston and Milwaukee, understand the economic benefits of prioritizing infrastructure, the rest of the country also needs to prioritize these investments if we are to continue to keep our standing as the world’s top economy,” said James Vanderloo, head of OEC Group’s Milwaukee office. “China invests an estimated 4.8% of its GDP in infrastructure while the United States invests just 0.5%. The U.S. needs to increase its infrastructure spending, otherwise it risks falling behind other global players.”*

# ASK AHAB

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*This month our resident advice columnist answers questions about the capacity crunch and what shippers can do to make sure their cargo gets delivered in time for Peak Season.*



**Q: Dear Ahab, I've been having some trouble getting my shipments delivered on-time, and I read a report that it's due to a "capacity crunch" in the supply chain? What sort of factors can cause a capacity crunch? – Captain Crunch.**

A: - Dear Captain Crunch: When an interruption this massive happens, it's natural to look for a single explanation, but the reality is there are many contributing factors. The leading cause for the current capacity crunch are the geopolitical conditions surrounding the Suez Canal, as attacks on commercial vessels by Houthi rebels are forcing carriers to sail around the Cape of Good Hope.

This is not only adding two weeks for every journey each way from Asia to Europe and the U.S. East Coast, but it also forces carriers to add four more vessels for each loop to maintain weekly calling. Carriers are forced to rearrange global capacity from low revenue to high revenue services to ensure adequate tonnage is employed to correct trade lanes. Another exacerbating factor that is affecting capacity is the potential for a major labor action on the U.S. East and Gulf Coasts.

This threat has compelled many shippers to frontload their cargo in an effort to ensure they have their products available for the holiday season. Also, port congestion is not helping the situation as there is a line of vessels waiting to unload and load cargo.

This market is very similar to what we saw during COVID.

**Q: Dear Ahab, is there any precedent for this kind of Suez Canal interruption? What does it look like when the Canal shuts down for an extended period of time?**

**– Pining for Precedent.**

A: – Dear Pining for Precedent: While it might seem unprecedented, the Suez Canal was actually shuttered for eight years following the Six Day War, from 1967-1975. What that was a long time ago, the problem is essentially the same, causing long-term rerouting of cargo around the Cape of Good Hope, which slows down delivery and increases costs.

The Suez Canal only reopened after regional tensions began to calm, and it took a while to be resolved. Another recent example of an interruption at the Suez Canal was in 2021, when the Ever-Given got stuck and blocked all traffic for almost a week. This “minor” problem stopped an estimated \$10 billion in trade from going through the canal and it generated an estimated \$2 billion in insurance claims.

**Q: Dear Ahab, what can I do to make sure my cargo gets shipped during the current capacity crunch, because I still have nightmares about all those COVID delays?**

**– Waterside and Waiting.**

A: – Dear Waterside and Waiting: The same strategy you used during COVID applies today. Basically, diversify your shipping strategy, try alternative strategies, get your orders in early, and maintain velocity, which may mean paying a higher rate than you are happy with. You can also work with an established forwarder who has deep industry relationships as they will do everything for you.

**Q: Dear Ahab, I’m reading all of these stories about a capacity crunch, and I can’t help but see it as an opportunity. I’m an American, we’re an entrepreneurial people, what’s to stop me from buying a boat and shipping some of these containers myself?**

**– Christopher Cash Grab.**

A: – Dear Christopher Cash Grab: You are absolutely right! The fortune of American shippers currently rests in the hands of foreign carriers. Some may argue that we may never see balance again until we have a new national carrier. So, go take your entrepreneurial spirit, buy as many vessels as you can, and show the world what America is all about!

# PORT OF NEW YORK



BY THE WAY, YOUR SHOES WERE THE TALK OF FASHION WEEK!

KAI, WHAT HAPPENED? I SAW YOU FIGHTING SIR CHARGE ON THE NEWS AND CAME AS FAST AS I COULD!

I DID MY BEST, IRINA, BUT HE WAS SO STRONG, HE- WAIT, WHAT?



OMG, WHO MADE THOSE?

THEY'RE SO CHIC!

I MUST KNOW WHO DESIGNED THOSE SHOES. I WANT TO TALK TO THEM NOW!

YEAH, EVERYONE WAS TALKING ABOUT THEM. YOU MIGHT ACTUALLY HAVE A FUTURE IN FASHION, KAI!



KAI, I CAME AS FAST AS I COULD! IRINA, WHAT ARE YOU DOING HERE? AREN'T YOU SUPPOSED TO BE AT GUCCI'S FASHION SHOW?

I CAME TO HELP KAI... HOW DO YOU KNOW WHEN GUCCI'S FASHION SHOW IS?

YOU WOULD BE SURPRISED WHAT US CUSTOMS BROKERAGE PROFESSIONALS KNOW ...

YOU GUYS, AS NICE AS IT IS TO HEAR ABOUT MY RISING STAR IN FASHION, WE'VE GOT A PROBLEM HERE.



SIR CHARGE WAS SO STRONG... I DID MY BEST, I DODGED, I DIPPED, I DOVE, AND THEN...

YOU DODGED AGAIN?

WORSE. HE HIT ME WITH... THE TARIFF STAMP! I'VE NEVER SEEN ANYTHING LIKE IT, IT COMPLETELY KNOCKED ME OUT.



THAT'S SOME SERIOUS BUSINESS. IF YOU DON'T HAVE THE RIGHT CUSTOMS BROKER YOUR TARIFF BILLS CAN GET OUT OF CONTROL.

ONE OF MY NEW SUPERHUMAN POWERS IS BEING ABLE TO UNDERSTAND ALL THE TARIFF LAWS!

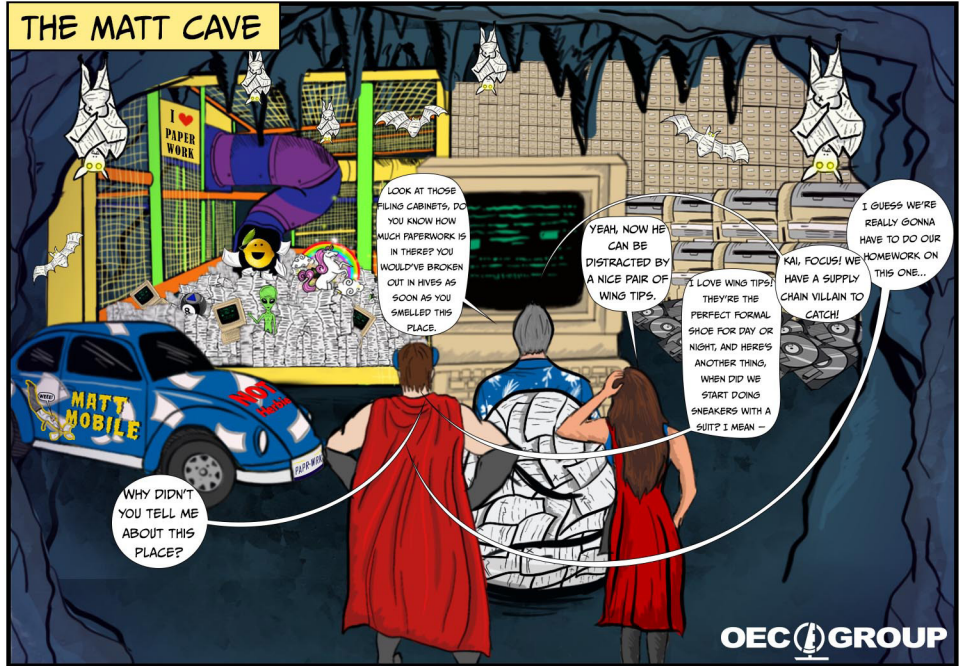
HOW DO YOU KNOW ABOUT TARIFF BILLS AND CUSTOMS BROKERAGES?

YOU NEED SUPERHUMAN POWERS TO UNDERSTAND THOSE THINGS... MATT, HOW DO YOU DO IT?

I'VE GOT A QUIET LITTLE PLACE WHERE I GO TO RELAX, DO SOME RESEARCH, AND LEARN ALL THE TARIFF LAWS!

REALLY, LET'S GO! I CAN'T WAIT TO SEE IT!

THE... TARIFF STAMP?



# THE MATT CAVE

WHY DIDN'T YOU TELL ME ABOUT THIS PLACE?

LOOK AT THOSE FILING CABINETS, DO YOU KNOW HOW MUCH PAPERWORK IS IN THERE? YOU WOULD'VE BROKEN OUT IN RIVES AS SOON AS YOU SMELLED THIS PLACE.

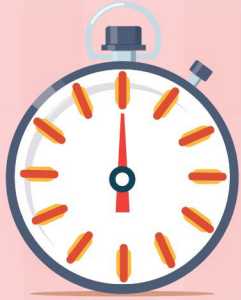
YEAH, NOW HE CAN BE DISTRACTED BY A NICE PAIR OF WING TIPS.

I LOVE WING TIPS! THEY'RE THE PERFECT FORMAL SHOE FOR DAY OR NIGHT, AND HERE'S ANOTHER THING, WHEN DID YOU START DOING SNEAKERS WITH A SUIT? I MEAN --

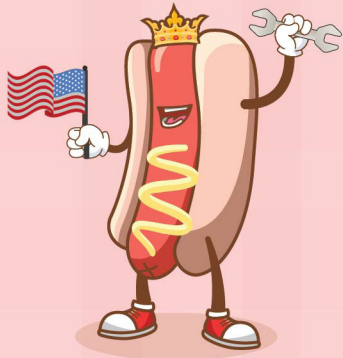
I GUESS WE'RE REALLY GONNA HAVE TO DO OUR HOMEWORK ON THIS ONE...

KAI, FOCUS! WE HAVE A SUPPLY CHAIN VILLAIN TO CATCH!

## Fun Facts About Hot-Dog



818 hot dogs are eaten every second in the United States



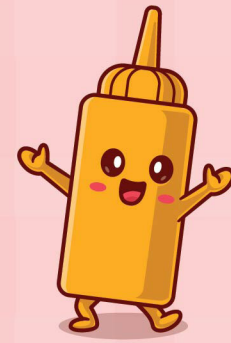
On average Americans eat 7-billion hot dogs between Memorial Day and Labor Day



Hot dogs were one of the first foods eaten on the moon



Hot dogs were first sold at baseball games in 1893



Mustard is the most popular hot dog topping



More hot dogs are eaten in Los Angeles than any other U.S. city



The world's longest hot dog was 668 feet long



The world's most expensive hot dog sold for \$145.49



# 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.*