

NEWSLETTER

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Port Labor Talks Stall as Worker Disruptions Grow

Shipping industry officials worry that chances of supply-chain disruptions are increasing as contract talks bog down without resolution



West Coast port labor talks are stalled as dockworker disputes hit the region's big trade gateways, according to shipping industry officials who fear the negotiations could take months to resolve.

Some maritime executives had hoped the talks, which held in mid-May, would conclude in the early fall. Now they worry the negotiations could continue through the end of 2022 or in 2023, extending uncertainty that has triggered shifts in trade flows and complicated planning in supply chains.

"What you are starting to hear is people are losing faith," said one shipping industry official.

The talks cover over 22,000 workers at 29 ports from California to Washington state that include major hubs for trade with Asia. Members of the International Longshore and Warehouse Union have been working without a contract since the last agreement expired in July, leaving companies working without grievance machinery that allows for resolution of disputes between workers and their bosses.

The work incidents generally haven't delayed cargo movement, but officials say they worry that confrontations over work disputes could escalate.

Unionized dockworkers in Seattle last week called meetings to prepare for possible picketing. Workers at the Port of Tacoma, Wash., didn't staff a night shift in August at a cargo-handling facility due to a disagreement towards CPR training.

Dockworkers at the Port of Los Angeles (LA) wouldn't work for about four weeks at an automated section of the largest container-handling facility run by APM Terminals, a unit of A.P. Moeller-Maersk A/S. The workers cited safety concerns over the automated equipment at the site, which has been in operation since 2020.

The dockworkers at LA returned to the automated section of the terminal on Sunday. Port of Los Angeles Executive Director Gene Seroka said that in August 40,000 containers, measured in 20-foot equivalent units, were diverted to the neighboring Port of Long Beach because of the dispute.

Many importers are shifting goods from the West Coast gateways on longer, more expensive routes to East Coast and Gulf Coast ports so their cargo won't get stuck in case of a lockout or job actions. The surge in cargo has led to congested terminals and vessel backups at several of those ports.

The concerns over the progress of the talks comes as labor disputes around the U.S. are growing. The Biden administration last week intervened to narrowly avert a nationwide shutdown of the freight rail system. Shipping industry officials say they also want the government to get more involved in the port labor talks.

Administration officials say they are closely monitoring the talks and that the negotiations are proceeding at a good pace.

Dockworker union leaders and their employers are negotiating the first new multiyear labor contract since 2015.

The both sides reached a tentative agreement on health and benefits at the end of July. They haven't made progress on more difficult issues, such as salaries and automation, according to shipping industry officials, because the talks have been held up by a dispute over which workers covered by two separate unions repair and maintain equipment at a cargo-handling terminal at the Port of Seattle.

The National Labor Relations Board awarded that work to the International Association of Machinists and Aerospace Workers. Shipping industry officials said proposals to end the dispute have been exchanged with the ILWU for several weeks "with little progress."

Labor Secretary Marty Walsh, who holds weekly calls with officials from the ILWU and the Pacific Maritime Association, the group negotiating for shipping lines and terminal operators that employ the workers, said the work disruptions are "bumps in the road."

"Unfortunately, the only time something is reported is when it's on the union side," Mr. Walsh said. "I'm sure there are bumps on the company side."

The ILWU and PMA have an agreement not to discuss the talks publicly.

A spokeswoman for the ILWU said negotiations take time and that the union "remains committed to the process, with the goal of reaching a collective bargaining agreement with our employers that supports dockworker jobs and the American economy."



Logistics operators looking increasingly towards mergers and acquisitions to boost resilience in today's volatile market



Logistics industry confidence has dropped 12 points over the past year, the Barclays-BDO Logistics Confidence Index (2022) reveals. Increased costs, economic pressures and concern over talent shortages, has seen confidence levels fall to 50.41.

Apart from these challenges, mergers and acquisitions continue to be a strategic priority for logistics companies with 45% of respondents reporting that they are likely to make an acquisition in the next 12 months, the highest figure ever recorded in this survey's 10-year history. Operators are seeking to achieve economies of scale and expand their service offering, ingraining a trend for consolidation into what remains a fragmented industry.

Somewhat surprisingly perhaps, against a gloomy economic outlook, a small majority of businesses in the sector are optimistic about the outlook for the coming year, compared to those who are pessimistic. There are 60% are expecting turnover to increase over this time frame, with only a quarter anticipating a decrease.

On the flipside, however, high inflation and rising costs are impacting levels of profitability, as just less than half of logistics companies say their margins will improve in the next 12 months, compared to 62% this time last year.

Meanwhile, almost 30% are anticipating a drop in profitability, up by 11% on 2021.

Of all the challenges facing the industry, 80% say labour shortages will have a major impact on their business in the coming months. In fact, concerns over a dearth of workers have led nine in ten firms to improve pay and conditions for their workforce. The most sought-after roles are drivers and warehouse staff, followed by office and admin staff.

Competition for talent was so high that HGV drivers qualified to drive the heaviest vehicles saw advertised salaries increase by an average of 25% in the past year alone (Q1 2022 vs Q1 2021).

Investment in ESG frameworks is seen as another way to attract talent. Over 50% of logistics businesses are focusing on employee welfare and staff wellness as their priority ESG initiative for the coming year.

Other sustainability priorities across the industry include optimising the fuel of existing fleets (52%), with 40% of firms viewing the introduction or expansion of alternative fuel vehicles as a priority for the year ahead. Around 45% plan to introduce greener lighting and power supplies to their warehouses.

Lee Collinson, Head of Manufacturing, Transport & Logistics at Barclays Corporate Banking, said: “Understandably, the circumstances of the past year have led to a drop in logistics sector confidence. Price rises, supply chain challenges, a scramble for talent, and strikes at UK and European ports have taken their toll.

“However, it’s encouraging to see that businesses are looking ahead at capex and finding ways to grow. Many are looking to invest in mergers and acquisitions, as well as ESG initiatives and staff welfare programmes to remain competitive, and it’s clear they see investment in tech as key to managing their cost bases and improving efficiency. This spirit of determination and innovation has come to define the UK logistics industry and looks set to continue.”

Jason Whitworth, Partner, M&A Advisory and Logistics & Supply Chain Management at BDO LLP, said: “In the last 10 years, the sector has changed immensely, accommodating the rise in ecommerce, a seismic shift in customer expectations, the ESG agenda, and the growing role technology is playing in every aspect of the industry.

“Our latest report demonstrates that those decade-defining themes are still very much in play, now taking on greater meaning in the face of significant challenges, led by rocketing fuel and energy costs, customer pricing pressures, and a faltering economy. It’s little wonder that, as the market contends with the toughest business conditions experienced for many years, confidence is at its third lowest level since the report began. Concerns over profitability, skills, labour shortages, top line growth, and the rising cost of doing business, are integral to that fall.

“However, despite this, it’s reassuring to see that the logistics sector is still keenly focused on capitalising on strategic opportunities, with a focus on better servicing existing customers and also acquisitions the main drivers for growth.”

More than 100 senior decision-makers – including chief executive officers, managing directors and chief financial officers – provided their views and insights for this survey, conducted during July-September 2022. All figures and data relating to the UK Logistics Confidence Index within this report have been researched by Analytiqa. The index calculation is based on the proportion of respondents reporting either an improvement, no change or deterioration within the sector, scored from 0 to 100. Therefore, a number over 50 indicates an improvement, while below 50 suggests a decline. The further away from 50 the index is, the stronger the change over the period.

WORLD BANK APPROVES EGYPT US\$400 MILLION TO DECARBONIZE LOGISTICS AND TRANSPORT SECTORS



The World Bank's Board of Executive Directors approved a US\$400 million development financing agreement to enhance the performance of the logistics and transportation sectors in Egypt.

The Cairo Alexandria Trade Logistics Development Project will implement a railway bypass to the congested Greater Cairo AREA (GCA) railway corridor.

The bypass will allow freight trains between Alexandria Sea Port and The Dry Port, to be constructed on the 6th October, with an alternative route to the west of Greater Cairo.

The operational bypass will also allow 15 container trains per day by 2030, and as demand increases, 50 trains by 2060 to this dry port. Additional freight trains will flow between the Alexandria Port, Upper Egypt, and the Red Sea.

The transportation industry is the second largest emissions producer in Egypt, after the energy sector, contributing to near 20% of carbon emissions, according to the World Bank.

The Bank estimates the project will reduce greenhouse gas emissions by 965,000 tons over 30 years.

Marina Wes, World Bank Country Director for Egypt, Yemen, and Djibouti said: "This operation is part of a wider set of efforts dedicated to offering timely and comprehensive support to Egypt's economic development and climate change plans."

BNSF plans \$1.5billion inland intermodal hub to ease port congestion



BNSF will invest more than \$1.5 billion to build an intermodal complex in California's High Desert. This project is expected to help ease congestion near the ports of Los Angeles and Long Beach.

Inland port facilities have become an increasingly popular idea to reduce congestion on the West Coast. Instead of letting cargo crowd the docks, the goal is to move goods further inland where they can be processed and shipped to their final locations.

A private investment firm received the green light from local officials in August to move forward with a port facility located in the middle of the Mojave Desert, which it said would act as a "relief valve" for congestion in Los Angeles and Long Beach. The Port of Long Beach and the Utah Inland Port Authority also teamed up with Union Pacific to move freight via rail to Salt Lake City in a bid to reduce truck traffic.

BNSF said it would use the Alameda Corridor to transport freight from the ports of Los Angeles and Long Beach to the Barstow facility, which the railroad is calling the Barstow International Gateway. Cargo would then be processed at the facility before heading to its final destination.

The hub will handle both westbound and eastbound freight. According to the release, processing westbound freight at the facility will allow BNSF to bring trains to the ports and other California terminals more efficiently.

The executive directors of the ports of Los Angeles and Long Beach each expressed their support for the project. "BNSF's planned Barstow International Gateway will improve cargo velocity through our port and reduce truck traffic on our freeways," Port of Los Angeles Executive Director Gene Seroka said. "This project will help ensure that goods moving through the San Pedro Bay will get to consumers, businesses and manufacturers with speed and reliability."

FEDEX: E-COMMERCE GROWTH SET TO CONTINUE UNDER 'NEW NORMAL'



Research commissioned by FedEx Express found that enterprises and consumers alike agree that there's room for further growth in the already booming e-commerce sector.

The survey — conducted by Harris Interactive in July 2022 across 11 markets including Australia, Hong Kong, India, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam — seeks to explore the continuing evolution of e-commerce and identify the trends that could fuel future growth.

"The survey reveals that consumers are looking for innovations in personalization, 'shoppertainment' and payment options that enhance their experience and at the same time, make it easier to discover new brands and make purchasing convenient," FedEx said.

It added that with plenty of shopping festivals already on the calendar, consumers are also looking for even more seasonal offers.



"COVID has accelerated our lifestyles to a pivot point where shopping online has been normalized across all demographics, and there's no going back. With that, e-commerce is set to take a growing proportion of total consumer spend," said Kawal Preet, president of the Asia Pacific, Middle East and Africa (AMEA) at FedEx Express.

"With more people shopping online consumer preferences are becoming increasingly sophisticated. As SMEs and e-merchants evolve their online sales platforms, our research uncovers opportunities for businesses to capitalize on what consumers want," she added, noting that FedEx is "well positioned" to support the continuing e-commerce growth.

Asia Pacific which includes the world's biggest e-commerce markets like India, Mainland China, Japan, and Korea, will see revenue from e-commerce sales reach US\$2.09 trillion this year as 57% of the region's population shops online.

FedEx said both SMEs and consumers are maturing in their use of e-commerce and both groups agree that the pandemic-driven utilization of e-commerce is here to stay.

"80% of SMEs believe e-commerce will become more important in their business in the next three years and nine in ten believe they are well prepared for the challenge," the global logistics company said, adding that 80% of consumers reported that e-commerce had taken a greater share of their total purchases over the past three years while 71% see further increases ahead.

FedEx said SMEs in India, Malaysia, the Philippines, and Vietnam were among the most optimistic about their future e-commerce growth in the next three years, a sentiment shared by consumers in these same markets.

It added that e-commerce currently represents less than 6% of total retail sales in each of these markets. Meanwhile, SMEs and consumers in Japan and South Korea see the least potential for significant future growth.

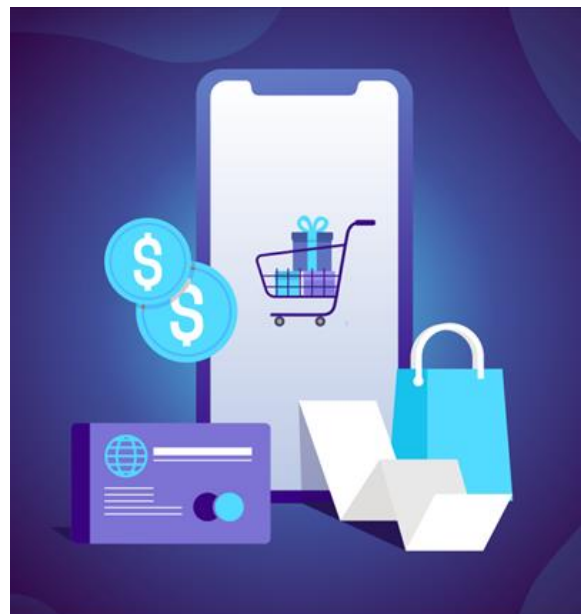
FedEx said according to the survey, the biggest gaps appeared in having an efficient returns service and access to customer support.

"Deliveries taking too long is the number one pain consumer point (53%) followed by handling returns (42%). Consumers typically expect delivery within three days to one week, but clearly, there is a desire for delivery to be at least more reliable if not faster," FedEx added.

FedEx said it is supporting the future growth of e-commerce across AMEA with a dual focus on meeting the needs of e-tailers, and their end consumers.

"For e-tailers, FedEx provides simple, streamlined solutions which make order fulfilment easier," FedEx said.

It added that for the end-consumer, the priority is to provide speedy, reliable, trackable delivery, that enhances the overall service experience.





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