



WEBINAR: CAPACITY, CONGESTION AND COST

Navigating the impacts of the global shipping crisis on relocation.

In early February, Suddath and Sterling Lexicon in the USA hosted a webinar to look at the background to, and the consequences of, the current shipping crisis that has seen shipping rates skyrocket in recent months. During this webinar a group of industry experts discussed the implications of this situation, what the future looks like, and tips for navigating this difficult terrain.

Participating in the panel discussion were William P Doyle, Executive Director of the Maryland Port Administration; Carlos Pelaez, owner of Fletamentos y Cargas; and Cathy Koslowski, Global Mobility Director for Jacobs. The panel was moderated by Teela Gleason, Senior Vice President of Global Client Relations for Suddath.

The organisers provided a summary of the discussions as follows:

Overview

The global shipping industry is experiencing a crisis created by the perfect storm of the

COVID-19 pandemic, container shortages, surges in demand, uneven global economic recovery, Brexit and already lingering capacity challenges. The outcome is that international demand for freight is exceeding the capability of the world supply chain – resulting in equipment shortage, rising costs and inconsistent schedules that are affecting a variety of businesses on a global scale.

With delays expected to continue through at least early summer, now is the time for companies to take a global look at available routes and options, and plan accordingly.

Senior-level logistics teams need to be given the authority to think creatively and find alternative routes, combined with air, rail and road transport, to get the goods where they need to be.

Companies may not have total control over the root causes of the current port and shipping challenges (global pandemic and subsequent worker shortages, regulatory decisions, and geopolitical/trade

imbalances), but they can control how they are communicating information and updates to clients, senior leadership, and business unit managers, as well as staying on top of alternatives.

Extent of impact

The primary impact these events have had on the current shipping crisis is related to backlogging. This backlog affects every aspect of the supply chain, especially regarding costs and timelines. Preparing for these impacts will prove vital in moving forward into whatever comes next. To mitigate the effects of this impact, companies must look at alternative solutions such as rerouting containers or choosing a new port of entry.

Cost comparisons

On average, global shipping costs have been on the rise within the last year as a result of these various impacts. However, the extent of that rise in costs will vary based on the locations involved. CNBC recently reported that a critical shortage of containers is significantly driving up shipping costs, up to 300% on average.

How companies can navigate

As a result of converging events creating a perfect storm, the timelines the industry typically operates under have been altered in unexpected ways. For both clients and those within the supply chain, it's important to manage expectations and set realistic schedules that still allow for flexible planning.

Flexibility is key. Both internal corporate mobility teams and the external partners



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Cathy Koslowski

• Those in the supply chain should be looking to provide all alternative options that will enable businesses to determine what works best for them.

The good news is that many global mobility professionals are having these bold, honest conversations. Our audience poll showed that 69% of respondents are already engaged in conversations with senior leadership, establishing a clear path forward to set expectations and help with future planning.

The webinar included a Q&A session:

Q: How has the backlog in the port and the need to use alternatives like air shipping stalled or reversed green initiatives and compliance with industry CO₂ emission standards?

Doyle: We are always moving forward with green initiatives, like with battery technology or hydrogen fuel cells. We’re seeing that as we maintain moving to green technology and the renewable energy side. It’s going to continue to increase regardless of the pandemic or politics. The current administration has indicated they’re going to make this the front burner of what they are going to do, and I can see the transportation industry itself moving further in the direction of reduced emissions. So, it’s a good time for emission savings and for the environment, moving forward for the next four years and beyond.

Q: How do you recommend we address freight cost rise issues with existing corporate customers with whom we have a signed contract, with freight rates locked in?

Gleason: I think this is something that has probably been on the minds of a lot of suppliers. I can tell you that our organisation has been having these discussions as we’ve been watching and monitoring the market for quite some time. So, as we are filling out new rate cards, we’re actually making it an exclusion to take into consideration COVID impacts, impacts on port congestion, and the increase in freight costs. My recommendation is for those new

opportunities coming in or contracts that are coming up for renewal, it’s best to have the discussion and be educational with your corporate customers and give them the reasons why – be transparent and show them first-hand with data. This way, they know this is not a ploy to try to increase costs, but you’ll be in a deficit loss position if you’re not addressing the current market conditions.

I don’t think there is a corporate mobility programme out there that expects you to do this as a non-profit. You’re a viable part of the supply chain, you’re a viable part of their programme. I would say start having the discussions, if you haven’t. Discuss the need for a temporary addendum so that you can seek some relief from the rise in freight costs. That would be my recommendation, but you’ve got to have the educational backup and support and sit down and have candid, open discussions about how this plays into your overall performance.

Koslowski: It’s all about balance. We want our partners to be in good financial health because that allows us to be able to plan accordingly and to have safe moves in a timely manner. On the flip side of that, it goes back to figuring out the root of why your client is asking you to hold to those rates. Find out what’s pressuring them and help them solve that issue. Be bold and creative with your solutions. What are those other reasons that they may be pushing you really hard on this? Where’s the pressure that they are feeling at present coming from, and how can you help them solve those issues?

Best practice

Several best practices emerged from the discussion, including that it is more critical than ever to be transparent when communicating with clients and to utilise bold ideas to supplement the challenges the industry is facing. Be creative when thinking critically and look at things from a global perspective when making plans. There is a light at the end of the tunnel – but until then, we have to keep working together using innovative ideas and fluid planning to set the stage for successfully navigating these unprecedented times.

they work with need to adapt rapidly to changing circumstances and be able to offer a variety of options. Conditions vary greatly by region, so ongoing communication and educational efforts are essential. It is also crucial that senior leaders understand that navigating in a pandemic is exceptionally challenging, and the health crisis is contributing to delays and cost increases across multiple points in an employee’s relocation journey. The key is to know about these challenges as far in advance as possible, to be able to plan and budget accordingly.

Information and data will also play a critical role. As Cathy Koslowski, Global Mobility Director with Jacobs, put it, “Knowing allows options.” Key stakeholders need regular and clear communication about what the current situation is at origin and destination locations, what alternatives may be available, and most importantly, what the cost and impact will be, both to the relocating employees and to the project or business need for the assignment.

What’s next?

There are key actions and alternatives to consider, both in the immediate term, and to be ready for whatever changes may come in the future:

- Communicate to all involved, every step of the way;
- Think globally;
- Expect the unexpected;
- Plan and budget for increased costs and transit delays;
- Understand there’s no one-size-fits-all approach – every scenario is going to be different;