Almost half of container freight at the UK’s port of Felixstowe – which handles vital logistical routes. At the UK’s heatwave in China, which disrupted global supply chains, the forecast doesn’t look good.

As the peak shipping season gets underway, the industry is plotting a route through supply chain challenges from rising costs to climate disruption.

**Facing stormy seas, shipping industry must shore up resilience**

Jonathan Weinberg

The shipping industry is worth trillions of dollars, carrying 90% of globally traded goods, according to OECD. But as it nears its busiest time of the year, the forecast doesn’t look good.

“Having weathered the storms of Covid and the Ever Given blockage on the Suez Canal, the shipping industry has been impacted by an unprecedented heatwave in China, which disrupted vital logistical routes. At the UK’s port of Felixstowe – which handles almost half of container freight entering the UK – ships have been stuck due to dock worker strikes. Several ongoing problems continue to bite hard, such as the soaring prices of containers, and staff demands for wage increases.”

Enda Breslin is general manager for EMEA at global fulfilment provider ShipBob. He expects UK retailers to brace for supply chain chaos as we rapidly approach peak season.

“As we saw during the last supply chain crisis, one stone dropping into the ocean can have huge ripple effects. The strikes will inevitably lead to cargo ships being unable to load and unload – and this could have ramifications as we rapidly approach peak season,” he says.

Danilo Promotions, which handles over 90% of its goods from China, has already seen a huge impact. It had originally planned to send over 40 containers a week from China to the UK, but now it is down to just 30.

“Many manufacturing companies around the world are now facing the same situation and it is difficult to quantify the impact on our business,” says Danilo’s Founder Laurence Prince. “E-commerce brands, he explains, “are in a very difficult position and are having to plan for things to go wrong more often.”

The shipping industry is feeling the greatest impact. ShipBob’s founder, Danilo Breslin suggests they will need to put plans in place to find other options. This is why many manufacturers are choosing to switch to air freight, and has seen some container loads delayed by two to three months.

The world system is reliant on each of its constituent parts to keep an uninterrupted flow of goods moving, particularly during peak seasons.

**How climate change threatens shipping**

The recent spell of unprecedented hot weather and droughts across Europe poses challenges for shipping resilience. For example, shallow water levels mean commercial barges could be unable to use the Danube and Rhine rivers as cargo routes.

Climate change is a compounded issue for the shipping industry, which itself accounts for around 3% of global emissions. The Environmental Defense Fund (EDF) attributes “roughly 20% of global emissions from transportation” to the sector.

Faced with this, the shipping industry must re-evaluate its current pressures and担心 its future resilience. EDEs warns that between 4% and 14% of the fuel used per voyage can be saved by improving port call efficiency, such as the time spent docking and more economical routing.

To achieve this, the DCSA supports a Just-In-Time port call process, so container ships optimise speeds to lower fuel consumption and reduce greenhouse gas emissions. It estimates this could save 6 to 18 million tons of CO₂ per year through better port call efficiency, comparable to the total annual CO₂ emission of a smaller EU member state.

**Part of its resilience plans include an off-dock storage solution to unlock additional capacity.**

Some experts advocate greater use of robotics to offshore and load goods into warehouses, enabling the space to be used more efficiently with more packed in.

For Anderson, however, the HGV driver shortage is still impacting shipping resilience. Ports are well prepared to handle container volumes if the rest of the supply chain works as it should, he explains.

“The whole system is reliant on each of its constituent parts to keep an uninterrupted flow of goods moving, particularly during peak seasons,” Anderson adds.

The biggest challenge here is getting containers to off-site depots where they aren’t strong enough drivers. If a port is congested with too many containers, which can happen “surprisingly quickly”, then the ship cannot wait. It “will have to sail for the next port with the cargo destined for the UK still on board – this is how shortages on the shelves happen,” Anderson says.

The government could support industry resilience by expediting permits approval for the storage of bonded goods. Anderson believes fast-tracking planning for new storage sites and providing targeted support to encourage more people to train as HGV drivers.

Larger retailers are expected to feel the greatest impact. ShipBob’s Breslin suggests they will need to partner with multiple carriers ahead of time to ensure continuity options that would allow them to switch deliveries in the case of delays or unforeseen events. Smaller ecommerce brands, he explains, have built resilience in the past few years through direct-to-consumer channels.

Industry-wide, says Breslin, “is a small piece of good news. The latest data from Xelexa-based data shows that schedule reliability has increased to 40.5% in July 2022, up from 40% in June.”

But in the meantime, Danilo must play a waiting game. Some shipping timescales have moved from 10 to 12 weeks, to 18 to 20 weeks. Prince acknowledges that Covid-19 and Brexit have had an impact but says the company now faces new challenges and updates to its logistics. Forming an alliance is more economical routing. He reflects: “Everybody blames everybody else - but nobody actually takes the blame.”

**As we saw during the last supply chain crisis, one stone dropping into the ocean can have huge ripple effects.**