

SHIPPING

Facing stormy seas, shipping industry must shore up resilience

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

Jonathan Weinberg

The shipping industry is worth trillions of dollars, carrying 90% of globally traded goods, according to OECD data. 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 in the Suez Canal, shipping has been impacted by an unprecedented heatwave in China, which disrupted vital logistical routes. At the UK port of Felixstowe – which handles almost half of container freight entering the UK – ships have been unable to dock due to worker strikes.

Several ongoing problems continue to bite hard, such as the soaring costs of fuel, the rocketing 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 manufacturers and retailers await parts and products ahead of Halloween, Bonfire Night, Christmas and the January sales.

"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 unload – and this could have ramifications as we rapidly approach peak season," he says.

Danilo Promotions is already impacted. It supplies Christmas cards, gift wrap, gift bags and calendars to major UK high street stores and has seen some container loads delayed by two to three months.

Founder Laurence Prince believes this could cost the business hundreds of thousands of pounds. He suggests the government has a role to play in boosting shipping's resilience, including working with the ports to find agreement with striking workers.

"The government could get involved and limit the cost of containers or put a cap on what we can be charged. It's not only our Christmas products. It's food and grain and everything else," he says, acknowledging the impact on "vital necessities coming into the country".

Like many other manufacturers, a switch to air freight for Danilo is impossible because of the expense and space needed for such a heavy weight of products. That inability to find other options is why many

fear shipping's current pressures will continue for the long term.

Heath Zarin is founder of EV Cargo, which carries for Sainsbury's and Asda. He told Bloomberg earlier in the year that the world "needs to be prepared for more volatile and expensive global supply chains".

Boosting resilience within shipping is seen as tough due to the lack of alternatives and because its operations rely on many independent factors going right. This has forced some global manufacturers to source parts and raw materials from two countries at the same

time, just in case one delivery is delayed at sea. This is not affordable, though, for most. ShipBob research – conducted with Censuswide among 750 founders of UK brands that sell consumer goods online – found 45% said expensive shipping was their biggest challenge to international expansion.

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The cost of shipping a shoe-box-sized parcel from the UK to America has risen by nearly a third in just 12 months, the study found, from £15.73 to £20.56. This is due to a combination of currency fluctuations, international fuel surcharges and inflation.

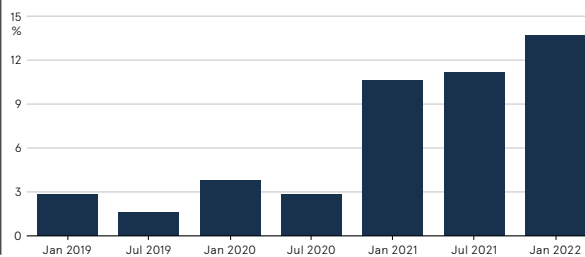
Other manufacturers are choosing to 'reshore' where they can. ShipBob found nearly four in 10 (38%) of businesses it spoke to planned to manufacture domestically in the next 12 months.

Technology can have a positive role to play in building greater shipping resilience. Bart Coppelmanns, head of global supply chain & logistics industry solutions at HERE Technologies, points to several options: for example, a mix of 5G networks and sensors relaying information faster and RFID tags providing location-based data for remote tracking and monitoring.

"With an industry process as complex and time-reliant as the supply chain, it is important to have clarity on each component to address potential problems as they come," he says. "Real-time location data can improve the efficiency, aiding visibility of arrival times and enabling them to recalculate loading and unloading points on time."

At Solent Gateway port in Southampton, head of business development Chris Anderson says pressure has built as the volume of goods increases in the run-up to Christmas.

SHARE OF THE GLOBAL CONTAINER FLEET CAPACITY LOST DUE TO PORT CONGESTIONS AND VESSEL DELAYS



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 complicated 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.

Earlier this year, the non-profit EDF warned: "Without ambitious action to reduce emissions, climate change impacts could cost the shipping industry up to

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

Some experts advocate greater use of robotics to offload 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 equipped 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-dock sites when there aren't enough drivers. If a port is congested with cargo, 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 permit approvals 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

\$25bn (£21bn) every year by the end of the century."

This is one reason why the Digital Container Shipping Association (DCSA) has called for better use of real-time and interoperable data to help reduce emissions. It points to container shipping's current reliance on manual and paper-based processes, which "creates delays and blind spots in the supply chain". This prevents wider visibility for proactive, data-driven decision-making, says the DCSA's Ellen Sun.

The neutral, non-profit group was founded by ocean carriers to digitise and standardise the container shipping industry. It cites International Maritime Organization estimates showing 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 19 million tons of CO₂ per year through better port call efficiency, comparable to the total annual CO₂ emission of a smaller EU member state.

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ahead of time to ensure contingency options that would let them switch deliveries in the case of strikes or extreme weather. Smaller e-commerce brands, he explains, have built resilience in the past few years through direct-to-consumer channels.

Industry-wide, there is a small piece of good news. The latest data from Sea-Intelligence 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 accepts that Covid-19 and Brexit have had an impact but says the company now faces continual changes and updates to its logistical planning and financial forecasting. He reflects: "Everybody blames everybody else – but nobody actually takes the blame." ●