THIS WEEK'S PROGRAM

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An update on global supply chain challenges

By Kim McMillan

Chase Saunders introduced Omar Kazzaz, principal of the Kazzaz Advisory Group. Kazzaz has spent 32 years in international trade, global logistics and supply chain management. His areas of expertise include supply chain strategy, design, planning and execution.

Kazzaz set the stage for global supply chain issues by sharing a story entitled "Cargo Ship Backup Causing Shortages" that appeared October 6, 2021 on NBC's Today show. https://vimeo.com/695951735

The story reported that 72 cargo ships were creating a parking lot in the Pacific off the cost of Los Angeles, but Kazzaz said it's much worse. He described the situation as more like 102 cargo ships with a wait time of three to four weeks, and that the situation gets worse when it comes time to unload containers. Globally, there are around 168 ships waiting to dock in Shanghai with about 5,000 tons of cargo waiting to be flown, which would fill 50 Boeing 747 jumbo aircraft.

There are over 1.8 million containers sitting with fewer ships to keep up with demand. Prior to the pandemic the cost was .82/kilo to ship from Shanghai to Chicago. Today, the rate is $17-18/kilo and is as high as $25-30/kilo if your company doesn't have a relationship with the airlines. Who are these companies that can afford these rates? Kazzaz said Apple and Amazon.

Ships range in size from medium that can carry 10,000 containers to massive that can accommodate 21,000 – 22,000 containers. He equated the size of the mega ships as 21,000 one-bedroom units.

His perspective is that the problem has existed for decades back to 1972 when the government opened the market up to China. Then there are the disrupters, such as natural disasters like earthquakes and Tsunamis. Government and the unions also restrict the industry. For example, the unions cannot touch the ship because of whatever reason, and in the U.S. there's a shortage of truck drivers to the tune of 100,000. The government restricts drivers to only driving 14 hours a day monitored by electronic devices. Congestion at the ports also means drivers having to wait eight to 10 hours to load containers on their trucks coupled with not enough equipment to move the equipment onto trucks.

Kazzaz identified three major factors affecting importers, exporters and suppliers: visibility, lack of communication and the ability to forecast. Visibility is a big problem between man and machine to know what is imported and exported, what was ordered and what did it cost.

Companies can grow organically or through mergers and acquisitions. Another issue that adds insult to injury is when companies merge they often have different software operating systems. For example, one company operates under SAP and the other with Oracle causing inefficiencies and additional time and labor challenges.

Communication issues exist when people within the same company don't coordinate efforts, such as one person calls DHL and another calls FedEx causing inefficiencies, delays and increased costs.

Forecasting is the ability to coordinate with the shipping line and airline. It is being able to determine how many items you want to ship, and not knowing the amount can't determine the amount of space needed.

The combination of all three factors causes companies hundreds of millions of dollars. Kazzaz said the solution includes putting in technology systems that talk to each other, move away from a lineal supply chain to a digital supply chain, and to stop the blame game among shippers, truckers and customs. Then there are the unions where they want more money, and things not to be automated.

Kazzaz also stated tariffs are worthless and consumers are the ones that end up paying. Companies are also deciding whether reshoring or near shoring is the best long-term strategy.

To hear more about the impact of tariffs and the state of U.S. ports listen to the program at
https://vimeo.com/696255078

*A recording of the program is available here: https://vimeo.com/696255078
The program begins at 16:55 minutes.