



Outlook 2022: Future of Transportation

Transport & Logistics Executives Chime in

By **Peter Buxbaum**

The supply-chain crisis has stressed the global transportation system from end to end. What's coming next? FBJNA asked transportation executives to provide their insights.

Q: What do you see as the

biggest issue facing your segment of the freight transportation industry as we enter 2022?

By all accounts, executives see global supply-chain constraints continuing well into 2022.

New COVID variants and economic and political developments in the United States and Asia "could again lead to significant swings in consumer demand, which will lengthen the amount of time it takes for the supply chain to normalize," noted Ed Aldridge, president of CMA CGM and APL North America.



"This ability to adapt will be increasingly important in 2022 as the ocean transportation industry

**"The ability to adapt will be increasingly important in 2022."
-- Ed Aldridge, CMA CGM and APL North America**

experiences continued changes in container-flow patterns, increased demand for trucks and chassis, and additional oversight by the U.S. government."

The same situation prevails elsewhere in the industry, as viewed from the perch of freight forwarders, which "had to deal with significant capacity challenges across all modes of transport," noted Shawn Stewart, president and

managing director for North America at CEVA Logistics.

"We expect the capacity constraints will likely continue into the second half of 2022 with markets beginning to return to normalcy toward the end of the year," he said.

Strategy Adjustment

For now, at least, third-

>> 10 party logistics providers, as well as shippers and carriers, will need to adjust their strategies in the face of continued supply-chain problems.

"We see a very tight market at least through the fall, and pressure on both the sea and air space, rates, and timing," said John Singleton, CEO of Wen-Parker Logistics. "Our 2022 plan is to defensively procure space, so our customers continue to have quality access to the worldwide supply chain."

Ongoing labor shortages continue to test the resilience of air and ocean carriers alike.

"Cargo is a niche and ever-evolving industry, so finding qualified people to fill some of the unique and diverse roles can be challenging," said Rob Walpole, vice president at Delta Cargo.

Likewise, the "lack of available truck drivers" is worrying to Uffe Ostergaard, president for the North American region at Hapag-Lloyd, along with other "severe supply chain issues" which "range from congested

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-- Shawn Stewart, CEVA Logistics

related issues are once again shutting down ports in China, creating even more backlog to equipment and products."

The Lunar New Year perennially presents production and logistics challenges, but this year shippers will also have to contend with "potential delays from the Winter Olympics which will be hosted in Beijing throughout February," said Mike Short, president of Global Forwarding at C.H. Robinson.

He offered two strategies to juggle delivery requirements amid a strained supply-chain market: "prioritizing specific freight" for air transport—which "continues to be the fastest way to replenish inventory and keep cargo moving"—and using expedited less-than-containerload shipping.

"Typically, space for LCL shipments is easier to find especially in a constrained

Singleton anticipates some improvement in ocean transportation this year with better allocation of equipment. "That said," he added, "inventories in the west still seem to be low, which will likely continue



historically high rates, and delays will still be likely in an unsettled US port situation."

Lingering Issues

The outlook for air cargo rates is likewise negative for shippers as a "surge in new COVID cases adds to the dim outlook for international passenger traffic returning quickly," Singleton said. "That delay will surely keep air rates

historically high and space hard to find."

The sentiment is clear that the supply issues that disrupted 2021 are likely to linger in 2022.

"Customer expectations are increasingly fluid regarding transit and delivery times, driven in part by the shifting availability of goods and pricing impacts of inflation," said Stuart N a k a y a m a ,

12 >>

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ports" to "clogged hinterland infrastructures."

As carriers endeavor to "boost capacity as much as possible to help our customers meet demand," noted Aldridge, "there will still be a need for additional labor across the landside supply chain" in 2022.

Capacity Issues

Equipment issues are hindering the ability of truckers to provide new capacity and ease supply-chain delays.

"Cost increases are creating roadblocks for asset-based carriers bringing any new equipment into the market, as well being able to repair and keep existing equipment operating without a loss to them," said Tracy Meetre, COO at Sunset Transportation. "New trailer sales continue to be backlogged. We started to see a point of catching up in mid-2021, but new COVID-



capacity market," said Short. "We also continue to see large cost savings with expedited LCL services compared to today's airfreight environment. LCL shipments are not going to bypass congestion at the ports, so inland strategies need to be considered. Many ocean carriers are looking to move more interior point intermodal (IPI) cargo versus focusing on port-to-port moves."

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>> 11 president of Lynden Logistics. "Given this landscape, the biggest challenge facing 3PLs is the ability to provide predictable service, while simultaneously being nimble enough to pivot shipment activity quickly, decisively, and reliably when needed."

For David Buss, CEO of DB Schenker, "the biggest issue facing 3PLs is likely a toss-up



"Finding qualified people to fill unique and diverse roles can be challenging."

-- Rob Walpole, Delta Cargo

between the labor shortage and the ongoing pandemic." But, he added, "these are by no means the only disruptions being felt in our industry right now. Think of it as a complex machine with many different variables."

Q: What lessons have been learned from the current supply chain crisis and how might your industry change going forward? What should shippers expect?

The continued digitalization of transportation and supply-chain processes is front and center in the efforts among many transportation companies to cope with ongoing supply-chain disruptions.

"In the last two years, the entire transportation and supply chain industry has

2022, you'll see the 3PLs that have heavily invested in people, processes, and technology as being the most reliable to deliver cargo on time."

That's why "offering digital solutions is more important than ever before," according to Ostergaard, and "technology

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-- Tracy Meetre, Sunset Transportation

made incredible strides in technology," said Aldridge. "This digital transformation will continue in 2022 and beyond, which will enhance customer experience and holistically improve the overall supply chain."

Visibility is Necessary

The pandemic taught many a transportation executive that the age-old networks, processes, and systems weren't built to withstand the stresses they faced.

"Companies that lacked good supply chain visibility and technology platforms, found themselves unable to adequately track goods as they moved across their supply chains," said Buss. "Many have since invested in technology, or linked into their 3PLs' systems, to close those gaps. As we move into



is an essential priority," as Walpole put it. "The crisis has clarified that customer proximity and transparency are of utmost importance, in particular when it comes to digitalization," added Ostergaard.

Redesign Supply Chains

Shippers and carriers alike

"I was given a front-row seat to a new level of hyper-collaboration."

-- Mike Short, C.H. Robinson



have initiated processes to revamp their supply chains. "Most shippers have realized over the past year that they must re-evaluate, and in some cases completely redesign, their supply chains," said Stewart.

That process has provided shippers and carriers with new understandings about the importance of flexibility, in routing and in production.

"Routing can be changed to avoid certain ports, airports, or locations more prone to disruption," said Nakayama. "With advanced inventory planning, some products or



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>> 12 supplies may be able to be moved by a different mode than they are currently using.” Conversations concerning

works to correct itself.” Aldridge foresees a shift in ocean carriage practices “from annual contracts to long-term, strategic arrangements

for airline cargo businesses to contribute in a much bigger and more impactful way than ever before.”

For Mike Short, the “continual disruption across the entire supply chain for this length of time” is unprecedented in his nearly quarter-century of industry experience. “However,” he said, “I was also given a front-row seat to a new level of hyper-collaboration—

“The biggest challenge for 3PLs is the ability to provide predictable service, while simultaneously being nimble.”
-- Stuart Nakayama, Lynden Logistics

including individuals going out of their way to help each other, more strategy sessions between shippers and forwarders, and continually leaning into historical data and current market insights to find smarter solutions.”

Undoubtedly, there are more supply-chain lessons yet to come.

“We are still in the middle of the crisis,” noted Meetre, “and not at the point yet where we can fully reflect on what it has taught us.”



“The biggest issue facing 3PLs is the labor shortage and the ongoing pandemic.”
-- David Buss, DB Schenker



the reconfiguring of supply chains often revolve around offsetting the reliance on China and nearshoring production to places like Mexico—to keep costs down and shorten delivery times to the US.

“As the cross border industry works to keep up with increased demand for northbound Mexico to the US,” said Meetre, “an even greater imbalance of freight moving southbound to Mexico will drive prices up. The low-cost provider we see Mexico as today will look different in coming years as the transportation imbalance

designed to benefit both parties from a capacity and pricing perspective.”

“The current supply chain crisis,” he added, “was a reminder to both shippers and carriers that having the ability to diversify cargo flow is an important strategy in today’s business environment.”

Silver Linings

There still may be clouds on the supply-chain horizon, but it’s also possible to find silver linings. “The disruptions faced by the airline industry over the last two years,” noted Walpole, “created opportunity

“Offering digital solutions is more important than ever before.”
-- Uffe Ostergaard, North American region, Hapag-Lloyd





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