

Managing The Supply Chain through “Disruption”:

The 2024 ILA Strike on the Gulf and East Coasts

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This article was originally published on September 1st, 2024, and is now being updated as of 1 October 2024, as the impending ILA strike has now occurred.

The strike impacts all the Ports from Maine to Texas, primarily 26 gateways. 45 thousand ILA workers are involved

The consequences to the economy can be as much as 5 billion dollars a day. President Biden has advised he is not planning to invoke the Taft-Hartley Act, which could bring the strike to a swift end and force negotiations to reopen.

The consequences to the economy and national security must be considered above all political fallout. We emphasize that all parties and our government come together quickly and create a pathway to a mutual resolution for all parties.

The devastation that will occur to businesses, individual citizens and local economies will be nothing less than a disaster. Recovery can be as long as 5-21 days of every day the strike lasts.

Our best guess, based upon various information sources is that the strike will last between 10-21 days.

Starting on Page 3 of this advisory article are specific steps that impacted companies engaged in importing and exporting may want to consider as potential mitigating strategies.

Four specific steps that need to be taken by companies that did not prepare for this event are as follows:

1. Engage with your service providers, who will assisting all their import and export clients with options.
2. Stay in close contact with your local Port Authorities as most have created Disaster Mitigation Plans, that you should be aware of.
3. Take a close look at your inventory levels. Determine in collaboration with your clients what will be needed in the short-term. You can utilize Air Freight, which will be more expensive, but the freight will move. Consider minimum order quantities to

reduce costs and keep in tight communication with vendors, suppliers, providers and customers.

4. Communicate your concerns to your Congressmen and Senators to urge their President to step in and evoke a resolution, with the potential of evoking the Taft-Hartley Act.

The consequences of non-action are too significant to our overall economy, the local economies of the stricken ports and our national security.

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Managing our supply chain through Covid thought us many lessons and should have prepared us for any future disruptive events such as we are likely to face with the impending strike of our longshoremen on the Gulf and East Coasts.

For whom we have been advised walked out of negotiations in June and very little progress has been made to negotiate a successful new contract. The last time this peril occurred brings us back to 1977.

On the face of the known information flow ... the two parties are wide and far apart. The carrier community does not want a strike, but the likelihood is high.

If this strike moves forward the operational and financial consequences will be severe and when you consider all the current instability in global markets ... the strike will be the source of devastation, disruption and serious dilemma to thousands of supply chains serviced in the eastern part of the United States. Not to mention the overall collateral residual impact to the entire global supply chain, marketplace and local economies.

Supply Chain managers were warned about this potential impact back in the spring and should have already taken steps to mitigate their potential issues by:

- Stocking up
- Diverting freight to alternative ports
- Finding alternative sources
- Reserving and preserving the flow of assets
- Modify supply chain expectations
- Create alternative solutions

IF these steps were not taken ... most supply chains will struggle intensely with little relief.

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Keeping that challenge of struggle in mind ... we can still take steps to mitigate our risks and operational/financial exposures.

We need consider doing the following steps:

1. Create an internal committee of stakeholders, led by the logistics team and determine what the consequences will be to their supply chain, their customers, vendors and any collateral impacted parties.

All these entities need to be communicated to ... proactively and advising what steps you will be taken to mitigate and offset the disruption.

Stakeholders are likely:

- | | |
|-----------------|------------------------|
| ✚ Procurement | ✚ Customer Service |
| ✚ Operations | ✚ Demand Planning |
| ✚ Manufacturing | ✚ Inventory Management |
| ✚ Distribution | ✚ Legal & Finance |
| ✚ Sales | |

2. That assembled team needs to identify all the risks, vulnerabilities and exposures and rank them by severity. That ranking will determine where action will be prioritized.

A SWOT Analysis may be considered (Strengths, Weaknesses, Opportunities and Threats) which might provide input into the decision-making process.

Vulnerabilities need to be identified and prioritized for proactive mitigation actions.

3. The team will create an “action plan” ... outlining what steps will be taken, by who, by when and identify the expectations of the action. Lines of responsibility and accountability need to be created and managed.

In some organizations the plan may need senior management review, input and approval before proceeding.

4. Senior management may be brought into the discussion:
 - To provide their insight and experience

- Prepare for the anticipated consequences
 - Allocate resources and funding requirements
 - Assure the Business Owners and/or the Board of Directors are communicated and informed of circumstances and potential impacts to the business model.
5. Additionally, all internal and external impacted parties must be brought into the communication chain to run transparently, openly and allow an interface for action review, modification or tweaking.
6. Specifically, some action steps to consider:
- Work with your service providers and carriers to coordinate potential options within their areas of expertise and scope of capability
 - Identify options within every aspect of the supply chain ... suppliers, vendors, routing, distribution, sources, alternatives, demand planning, inventory structure etc.
 - Any service providers or carriers that called on you in the last year ... time to contact them to determine what options and solutions they may have. This becomes their opportunity “to get their foot in the door”
 - For shipping ... consider air freight, but restrict it to the necessary quantities required so you can minimize this expense (Air Freight prices will likely rise and space availability will be limited ... the sooner you make these arrangement ... the better)
 - Work with local Port Authorities to see what plans and strategies they may offer in mitigating various aspects of any strike
 - Closely work with all your trading partners on very focused demand planning needs to know what specific quantities and time frames are absolutely needed so options and shipping plans can be executed as necessary.

- Consider near sourcing solutions in the USA, Canada & Mexico, which through Covid all have ramped up their domestic manufacturing capabilities.
- Preserve inventory. Begin to distribute limited quantities. Be conservative but communicative in your approach to all impacted parties.

We do not know how long the strike disruption will last. Preservation of assets is now warranted.

Disruptions can also create opportunities:

- Down time may afford:
 - Taking time to manage some house cleaning
 - Reorganizing inventory
 - Resetting operations
 - Experimenting and trial testing
 - Seeking alternative sourcing
 - Personnel training
 - Reallocation of assets
 - Finalizing open projects

Summary

Disruptions will always happen. To what degree and extent is always the unknown.

How we proactively and reactively prepare will impact the consequences of the disruption to our supply chain and business model.

When they occur keep in mind some additional thoughts:

- » Transparency, timely communications and responsible business acumen will go a long way in managing the impact of any disruptive event
- » A “Team Approach” has a higher degree of success than does independent activity. In the Navy ... the composable saying was “All hands-on Deck”
- » Turning as many stones over will increase the opportunities of finding solutions.

- » You may have to reduce the normal process of change management and cut some corners, expedite actions and accept more risk than usual.
- » Risk taking should include intense, well-thought-out and informed decision-making
- » Always, keep in mind ... expediency in analysis, followed tightly by swift action creates the best opportunity for mitigation
- » Continually evaluate your thought process and actions to modify, tweak and change as the circumstances warrant

Disruptions will usually end after they run their course. And new disruptive events yet known or anticipated ... will be in your future ... as sure as ...death and taxes.

Mitigation strategies reduce their negative impact and bring us through a learning curve, that better prepares us for the next one.

Disruptions can make us stronger, more resilient and better prepared to deal with future dire circumstances ... affording the best opportunity for business sustainability. A goal most organizations strive for!

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