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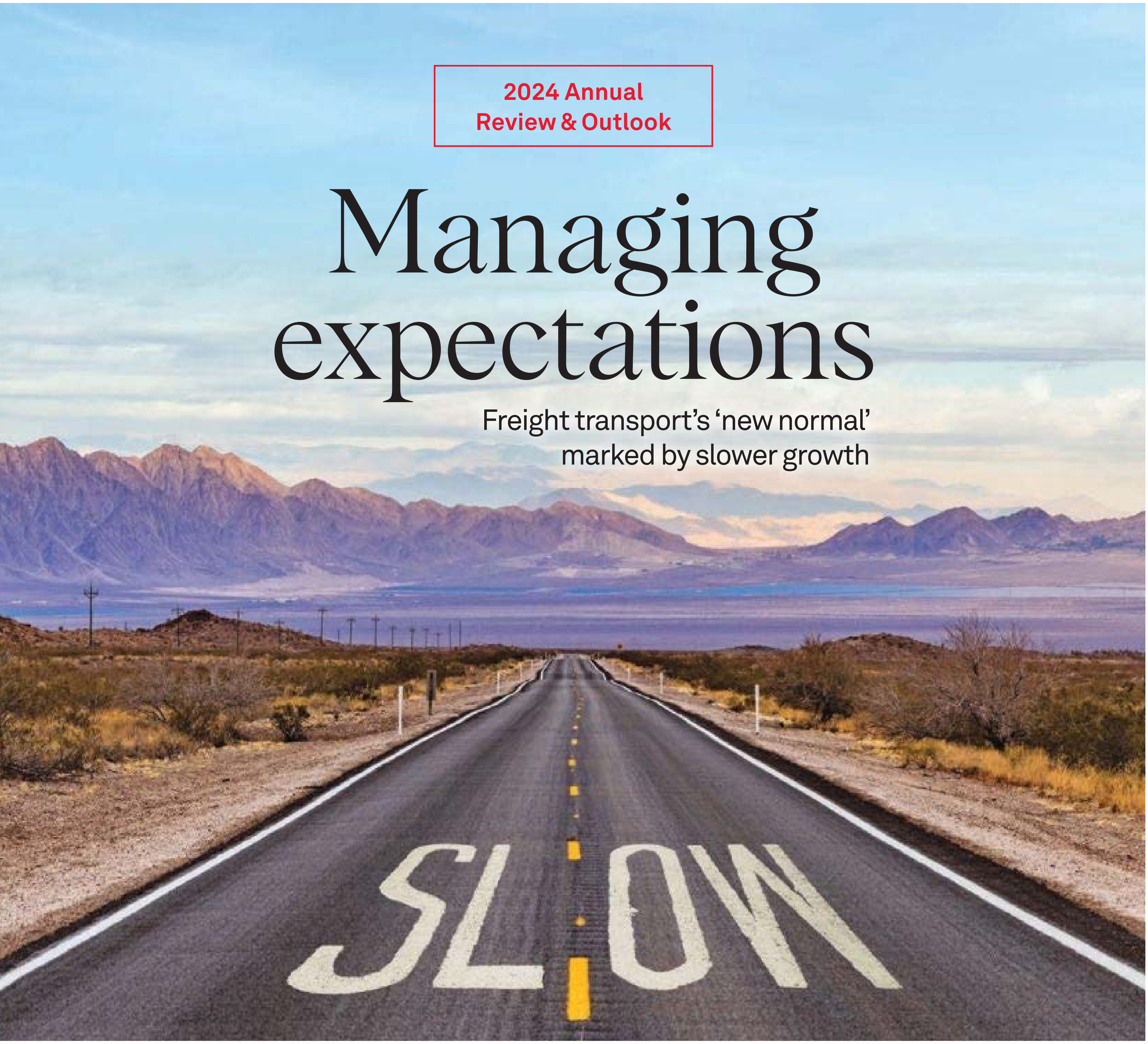

2024 Annual Review & Outlook

Managing expectations

Freight transport's 'new normal' marked by slower growth

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Steady rise in passenger capacity undermining air freight rate growth
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Executive Commentary

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Two major geopolitical factors in the past five years jolted businesses all over the world, especially US companies, into diversifying their supply chains to minimize previous reliance on one single-source — i.e., China — for their manufacturing operations: the pandemic and its follow-on disruptions caused by the cascading lockdowns throughout the entire supply chain; and the trade war started by the Trump Administration that has resulted in an additional 25% tariffs on most goods imported from China, which have continued in the Biden administration because there is no political constituency in an election year for appearing to "go easy" on China.

Most importantly, however, diversification out of China was driven not just by the financial benefit of avoiding the dreaded "Section 301" China tariffs, but because Congress enacted the Uyghur Forced Labor Prevention Act in 2021 to combat the massive human rights violations the Chinese government has been promoting in the Xinjiang region, but also spreading to other manufacturing centers in China. US Customs and Border Protection has been rigorously enforcing this law with opaque policies and targeting measures that have challenged even the most compliance-oriented companies that have not been able to completely disengage from China-based sourcing.

This trend began in 2020 with the pandemic but has escalated dramatically since. Sourcing is no longer driven so much by "just-in-time" inventory management to reduce costs as the need for "resilience," 2023's word of the year, defined by the World Economic Forum as "the ability of a global supply chain to reorganize and deliver its core function continually, despite the impact of external or internal shocks to the system." Whether it be diversifying parts suppliers among several in a region, leveraging new technologies like AI and data analytics, revisiting shipping contracts or shifting production to regions closer to where companies expect to sell their goods, we can expect this focus on "resilience" and adaptability to continue to shape trade flows in 2024 and beyond.

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Beth Ring

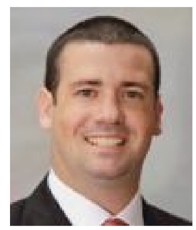
one item is guaranteed to keep your chief trade compliance officer in fits. A corporate culture that begins with top-down support is absolutely essential. Lack of internal cooperation to stay compliant can shut down your supply chain, cost millions in fines and create a public relations nightmare. Best in class trade compliance programs will be discussed in every meeting, in every board room across America. Keeping compliant is not new. Its importance in today's hostilities cannot be understated.

The second issue in the board room getting a lot of attention and press coverage is the cultural and professional tsunami change occurring in the work week. Working hybrid or remote? Arguably this is the biggest change in the American labor force since Henry Ford popularized the 40-hour work week in the 1920s, and women entered the workforce by the millions during WWII. It seems companies have settled into a 3/2 hybrid, but not really for everyone. This change is in the white-collar world of workers that pound laptops all day and not the community of people who actually make and build stuff. Many companies are attempting to renege on remote employment agreements made during the COVID-19 lockdown. Fully remote is rare for new hires. Be careful with the hybrid employment agreements that include opt-out clauses at a company's discretion. Buffett, Musk and now even Zuckerberg say it's not good for business. Yet their companies provide that option. It's not changing; hybrid is here forever, fully remote for some.

Waterways Council, Inc. (WCI)

Tracy Zea

President & CEO
waterwayscouncil.org



The biennial Water Resources Development Act (WRDA) is underway for 2024. It is expected to be considered by the House of Representatives in the May–June time frame, with the hope of enacting a final law by September.

The Senate's process is already underway, considering Members' WRDA 2024 requests. As stakeholders worked to identify their priorities, Waterways Council, Inc. (WCI) focused specifically on an issue that is presenting significant challenges to the future of the inland waterways' construction program.

The Infrastructure Investment and Jobs Act (IIJA) allocated $2.5 billion to inland waterways lock and dam priority navigation projects across the system, funding seven projects to completion. However, given the challenges of inflation, supply chain delays and a lagging workforce, those navigation projects now require additional funds to be considered on the path to completion.

WCI's WRDA 2024 request is to adhere to Congress's intent in IIJA to complete those construction and major rehabilitation projects and that they be funded 100% by the federal treasury and not cost-shared as the rest of navigation projects currently are via a fuel tax on towboat operators.

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"Ensuring the cost of these projects remains 100% federally funded will allow the nation to realize economic return more quickly, reduce the supply chain's environmental footprint and address uncertainty in global agriculture and energy markets."

Tracy Zea