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Canada port strikes add to retailers' supply-chain challenges

Article

The news: Strikes at Canada's three largest ports are the latest potential shock to retailers' supply chains—and the fight against inflation—as the holiday shopping season ramps up.

- Two key ports on Canada's West Coast—Vancouver and the Port of Prince Rupert—shut down after employers locked out striking workers. The two account for roughly 20% of US trade.

- That's in addition to a strike at the Port of Montreal, the country's second-largest port, after Vancouver.

Zoom out: While retailers are on the whole confident about their ability to handle supply-chain disruptions, there are certain vulnerabilities that are difficult to mitigate, such as the impact of strike stoppages.

That weakness was abundantly clear during the short-lived East and Gulf Coast dockworkers strike; while companies had enough notice to shift shipments to the West Coast to avoid the worst of the immediate fallout, a longer shutdown could have led to product shortages and higher prices—in other words, a return of some of the conditions that caused inflation to spike during the pandemic.

- That threat still remains: The International Longshoremen's Association (ILA) agreed to suspend its strike until after the presidential election, with talks set to resume later this month.
- While workers already won a tentative deal of a 62% increase in wages over six years, the two sides are divided on the role of automation—a sticking point that could lead to yet another port shutdown that brings trade to a standstill, and has considerable repercussions for the US economy.
- The outcome of the election may also play a role, with Vice President **Kamala Harris** seen as being more amenable to the union's demands than a Trump administration would be.

Our take: The pandemic laid bare the need for retailers to have contingency plans in place to account for potential shocks to their supply chains. At the same time, those contingency plans can be expensive, especially if they require extensive rerouting of goods or the use of air freight to circumvent disruptions.

Still, the added expense is worth it in the long run: **Businesses that invested in supply-chain resilience grew revenues by an average of 23% from 2018 to 2023**, compared with 15% for their peers, per data from consultancy Oliver Wyman cited by The Wall Street Journal.