

Supply chain professor: 'Oil spill, flooding create perfect storm' for commerce, shipping

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The oil spill in the Gulf of Mexico and epic flooding in Tennessee have created a "perfect storm" for businesses that rely on an efficient supply chain, according to a University of Rhode Island professor.

In addition, the volcano in Iceland is causing unprecedented interruptions in the ability of businesses in Europe and the Baltic regions to ship goods via air transport, said Douglas Hales, associate professor of operations and [supply chain management](#) in URI's College of Business Administration.

In New Orleans and other Gulf Coast communities the impacts of the spill may only be beginning.

"Seventy percent of the coffee shipped to the United States goes through the Port of New Orleans," Hales said.

He would expect coffee prices to escalate if a solution is not found soon.

Large freighter ships can move through oil slicks, but Hales said protective booms must be moved and the ships themselves will drag oil with them. While the booms are moved, oil can move closer to the coastline.

"It's not easy to re-route these huge vessels," Hales said. "Traffic is still moving in and out of the Port of New Orleans because the heaviest slicks haven't reached there yet."

However, he added that smaller recreational boats and those used for [commercial fishing](#) and touring cannot operate in the slick because they will draw oil-contaminated water into their engines.

"The old paddleboats based in the Mississippi Delta will have to cease operations, too.

"It's going to be over for recreational and commercial fishing within the next few weeks if the spill is not stopped," Hales said. "Crude oil is like tar. The most efficient thing to do would be to burn the oil, since many of the dispersion agents in use are extremely toxic. It's either that, or let it spread to the beaches. Of course, a nasty cloud would be produced from the burning, which could also affect air quality and tourism throughout the Gulf."

Hales said it is important to remember that New Orleans is still down 200,000 to 250,000 residents in the wake of Hurricane Katrina. The impending oil catastrophe could lead to further flight as jobs are lost and people default on their businesses and homes.

Further north and east, Tennessee is reeling from heavy flooding. Hales said closures of Interstate 24, a major route for transportation of products from the south to northern Midwest states like Wisconsin and Michigan, have had a major impact.

"I would estimate that \$3 to \$5 million per day in freight operations have been lost because of closures on 24," Hales said. "Combined with severe cold weather in the south earlier this year, you have to expect prices to increase on products like orange juice coming out of Florida."

While the [volcano](#) in [Iceland](#) has grown more active in the last four days, Hales said most of the summer goods transported by air made it into the United States and Europe before the huge ash cloud interrupted

passenger and freight flights. However, the airspace over Northern Ireland and the Republic of Ireland was closed Monday because of concerns that ash would drift into the area.

Hales said the airlines are estimating that the ash cloud caused \$2 billion in passenger traffic interruption, but the interruption in airfreight traffic was probably two to three times that amount. Hales said there is a robust high tech industry in Ireland and Northern Europe that have to cope with another two to three days of shipping time. That's a huge amount of time when the high tech industry rolls out new products every three to six months.

Provided by University of Rhode Island

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