

**Bigger is not always better -
The Evergreen communication crisis**

MANAGEMENT DECISIONS

Reaction and management decision

Egypt's Suez Canal Authority (SCA)

Solve the incident as soon as possible

Establish a professional salvage team immediately

On 23rd March, as soon as the grounding occurred, the Suez Canal Authority (SCA) approached the Dutch company Royal Boskalis Westminster to design an effective salvage plan. The team of experts worked in close collaboration with the Canal Authority, calculating the timing, the direction of work, and coordinating a team of Egyptian, Dutch, and Japanese workers.

Ease the traffic jam and provide a rapid transit plan

On 24th March, SCA reopened the canal's older channel to divert some traffic until the grounded ship can move again. On 25th March, SCA suspended navigation through the Suez Canal and promised that the canal will work around the clock once the salvage and refloating operations in order to compensate for the waiting time of the ships. In addition, according to a shipping agent, SCA outlined a plan for the rapid transit of 133 vessels once the Ever Given was freed.

Rebuild a reliable and safe image

Expand the canal

Since mega container vessels are increasingly used in the shipping industry, to deal with the risk of grounding of large container ships and avoid incidents similar to Ever Given, the SCA announced accelerated plans to extend a second channel of the canal and to enlarge an existing channel after the Ever Given container ship ran aground. The southernmost 30 km of the canal, where the Ever Given became grounded, is set to be widened 40 meters eastward and deepened to 72 feet from 66 feet. This will improve ship navigation by 28% in this difficult part of the canal

Pilots training

There were two pilots on board the Ever Given when it ran aground and they were responsible for guiding it during transit. This incident indicates a possible lack of competence of pilots. In order to improve their professionalism, the authorities decided to constantly train pilots through simulation exercises.

Upgrade salvage equipment

When the Ever Given ran aground in the canal, expert rescue teams took almost a week to free this ship after extensive dredging and repeated tugging operations. A lack of specialist equipment made salvaging larger ships difficult. Therefore, Suez Canal decided to upgrade its salvage equipment to avoid future disruption. SCA said Egypt will get two new tugboats, one of which will arrive in a week and the other in August. In addition, SCA will take the biggest dredger in the Middle East and purchase five new Chinese tugboats.

Evergreen Marine Corporation

Assess the impact of this situation on corporate reputation

Evaluate the seriousness of the situation

On 25th March, Evergreen assessed the seriousness of the situation in order to evaluate the impact of the incident on its reputation. Evergreen communicated with the shipowner and confirmed that the crew, the ship, and cargo are all safe, and no marine pollution has materialized.

Rebuild a reliable image

Keep informing the situation on the website

Faced with this serious incident, Evergreen made a quick reaction by issuing a statement of the Ever Given incident and updating the official website to keep informing the major stakeholders (the agency companies and clients) of the latest situation. On 24th March, Evergreen revealed what they did on the statement. They have urged the shipowner to investigate the cause of this accident and work closely with the Suez Canal Authority and related agencies to refloat the stranded ship as soon as possible.

Disclose the party liable for the loss

According to Evergreen, since the boat is chartered, the expense incurred in the recovery operation; third party liability, as well as the cost of repair (if any), will fall on the owner.

Maersk

Give as much clarity, notice, and transparency in terms of communication as possible

Keep informing current situation

Since 24th March, Maersk has been updating its clients about the number of Maersk container vessels affected by the situation in the Suez Canal through email, website, and local representatives.

Provide schedule changes and alternative options timely

Maersk's crisis management team has worked non-stop to assure that all customers whose cargo is impacted receive specific information about detailed schedule changes and alternate options. In the case of urgent shipments, Maersk recommended customers contact the local sales representatives for dialogues and quotations on alternative solutions such as air or rail for urgent cargo that is still at origin or elsewhere.

Leverage digital tool to track vessel and provide ETA

Maersk has enabled customers to track Maersk vessels live via interactive maps and has provided them with AI-powered predictive analysis and estimate of arrival (ETA) via the Hub.

Mitigate the delay of cargo

Make the decision of redirections with caution

Maersk stated that they did not take the decisions of redirection lightly, as straying off course can have a series of effects. By 27th March, after assessing salvage efforts as well as network capacity and fuel on vessels route to Suez, Maersk decided to redirect 15 vessels around the Cape of Good Hope at the southern tip of Africa.

Proactively manage the capacity by ceasing short term booking

On 30th March, expecting a 20-30 percent of loss in capacity over multiple weeks, Maersk decided to manage their capacity by temporarily ceasing short-term bookings placed via Spot, as well as short-term contracts in the immediate future on selected trades. By doing so, Maersk will be able to move existing laden cargo and empty containers to where they are most needed, ensuring the reliability of operations and delivering on what they promise.

IKEA

External and Internal communication

Communicate with media about the impact on the availability of products

In response to media inquiries of how this incident affected the business supply chain, IKEA sent a public statement, communicating with media that IKEA had 110 containers onboard both the blocked vessels as well as on other vessels waiting to make the passage through the canal. However, IKEA also assessed the impact and estimated that this accident would only have a minor impact on the availability of IKE products.

Keep Inter IKEA Group informed of the current situation

IKEA also communicated with Inter IKEA Group, which connects IKEA franchisees with range development and suppliers, about the Suez Canal blockage and its impact on the availability of products.

Impacts

Brand Impacts

The case of the Ever Given blocking the Suez Canal for one week has made headlines on news media all over the world. Dramatic images, memes relating to the incident are created all over the internet and shared on social media.

There is little damage to the ship, canal and no one is injured in the incident. Yet, the mainstream global spotlight is on the massive disruption in the global supply chain and the obstruction of the world's busiest route.

Whereas it is difficult to measure the incident's impact on brand reputation, Cathy Chin - chairperson with the Taiwan International Logistics & Supply Chain Association, thinks that the incident will only impact the Evergreen shipping reputation in the short term. Due to the increasing demand for maritime shipping, its long-term impact will not be significant. Cathy doubts that people will remember the incident half a year from now since the Taiwanese shipping company, Evergreen Marine Corporation, is one of the biggest shippers regarding its cargo-carrying capacity.

Financial Impacts

After the Suez Canal opened and traffic resumed, experts claim that it has disastrous consequences: costing about 12% of global trade, around one million barrels of oil and roughly 8% of liquefied natural gas pass through the canal each day. SCA chairman Osama Rabie estimated that the Canal's revenues were taking a \$14m-\$15m (£10.2m-£10.9m) hit for each day of the blockage.

Separately, data from Lloyd's List showed the stranded ship was holding up an estimated \$9.6bn of trade along the waterway each day. That equates to \$400m and 3.3 million tonnes of cargo an hour, or \$6.7m a minute.

Overall, German insurer Allianz said on Friday that its analysis showed the blockage could cost global trade between \$6bn to \$10bn a week and reduce annual trade growth by 0.2 to 0.4 percentage points.

Shipping broker Braemar ACM told the Wall Street Journal that the cost of renting some vessels to ship cargo to and from Asia and the Middle East had jumped 47% to \$2.2m.

Some vessels have been rerouted to avoid the Suez Canal. That is adding around eight days to their total journeys. About 370 ships carrying an incredible amount of cargo of all kinds were forced to delay six days at once, which means inevitable disruptions to the supply of goods.

Economical Impacts

The Suez Canal blockage doesn't just affect the global shipping industry or the Egyptian economy - countless businesses, from domestic transport providers to retailers, supermarkets, and manufacturers are also impacted. For example, IKEA and Lenovo (LNVGF) are among the companies with products stuck on Ever Given that blocked the Suez Canal for six days in March. H&M also informed that their supply chains were also affected due to the blockage.

An Egyptian court impounded the Ever Given and its 18,300 cargo containers after the Suez Canal Authority filed an initial \$916 million compensation claim

against Japanese shipowner Shoei Kisen Kaisha for damages and losses incurred. The Ever Given, and its cargo, are being held in the canal's Great Bitter Lake during the legal battle.

Exhibit 1 The Evergreen Marine Corporate News

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- MAR-26-2021 [Update on Ever Given Incident in the Suez Canal – 0326](#)
- MAR-25-2021 [Update on Ever Given Incident in the Suez Canal - 0325](#)
- MAR-24-2021 [Statement regarding Ever Given incident in the Suez Canal](#)

Exhibit 2 Inter IKEA Group News

2/17/22, 4:31 PM Suez Canal blockage and its impact on the availability of our IKEA products

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Suez Canal blockage and its impact on the availability of our IKEA products

Susanna Hörnlund
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As you probably have heard M.V. Ever Given, one of the biggest container vessels in the world, has been blocking the Suez Canal since Tuesday last week after high winds and a dust storm. Since the accident, the massive container vessel has completely blocked the busy and important waterway.

The Suez Canal, a man-made 120 miles long canal, is a crucial transit point in global supply chains connecting East to West. Every year around 20,000 vessels transporting everything from oil and gas to machine parts and consumer goods pass through the waterway.