

**Logistics experts must be able to take both a global and a local perspective, monitoring shipping conditions worldwide while establishing local relationships as well.**

**THE MANAGERS OF WIND FARM PROJECTS** face many challenges. Risk levels for EPC (engineering, procurement, and construction) contractors are perhaps among the highest, as EPC contracts are often complex and exceptionally demanding. Not only does the contractor assume the risk for the entire schedule, but also the overall budget for the project. That's not an easy task when you consider that the contractor is not only dealing with a client, but also managing a number of supplier resources that could be in multiple locations.

Logistical challenges are high. Any changes that must be made that affect the contract, or any problems that surface, can prove costly and could be devastating to the contractor. Remember that by agreeing to the contract the contractor is basically guaranteeing results and fully responsible for all outcomes of the wind power project, including all activities of the suppliers and vendors participating in the project. Penalties can be severe for any contract breaches, and there are no allowances for cost escalations in an EPC contract.

Contractors must build reliable networks and identify the most experienced resources. By concentrating on their core competencies they should bring in logistics resources that can provide the degree of experience and knowledge necessary for the contractor to meet all obligations. That includes each and every issue that will or could impact the success of the project—locally, regionally, and globally.

Why should EPC companies work with an experienced project logistics provider? Project efficiency. A reliable provider gives the contractor one point of contact, enabling tighter management of all transportation and logistics issues. The provider streamlines the monitoring and coordination of the logistics management process, including sourcing needs, and gives step-by-step accountability.

EPC contractors rely on their reputations, which depend on their ability to deliver on their contractual promises. They don't want to compromise their reputation by working with unreliable sources. All the more reason why contractors should identify experienced partners they can trust and with whom they can build strategic alliances.

When contractors source wind power equipment, transportation is still one of the key factors to ensure the equipment arrives on time, intact and within budget. Because they don't always have deep resources for truck, reloading, transshipment, and sea freight services, contractors often source from local forwarders. In many cases, however, the necessary equipment is not always available through those local sources, which means it has to be brought in from elsewhere. A global resource with wide sourcing capabilities can access the equipment and move it quickly and efficiently.

Due to its wide network, an experienced global logistics provider also knows the local and regional business habits and has an established "on the ground" presence. While local logistics or forwarder resources are familiar with their own areas, they may not be experienced enough to respond to last-minute problems or changes, especially those that require resources beyond their control. It is often a race against time, which is a luxury contractors and their clients do not have. Working with reliable logistics partners will be particularly important over the next few years, due to transportation capacity and equipment shortages. As we mentioned in an earlier issue of *Wind Systems*, general equipment availability and transport capacity will continue to tighten up as demand outstrips supply, adding more pressure to supply chains in the wind power industry. The fight for shipping capacity promises to be immense. It's not just equipment and capacity challenges, however, but also a cost issue. Contractors have commitments to their wind power clients, who are on a fixed schedule, so time and speed are key components. Schedules must be met. If time is lost and penalties are incurred, the result can be failure and loss of credibility by the contractor in the wind power marketplace.

Within the next 12 months we expect significant increases in freight costs, adding more strain to an EPC contract. A logistics provider with access to and agreements with global transportation partners can make a positive difference. Just as contractors must be experienced in many areas, so must their logistics resources. Time is money, after all, and reputations depend on the success of each and every wind power project. ✎

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