



COVID19 Supply “Pain” News

A Condensed Update for American Shippers

These certainly are challenging times for all of us. During this unprecedented pandemic, we have compiled a condensed update of supply chain conditions. The below is the status of events as of **April 22, 2020**.

Quote of the Week:

“A hero is an ordinary individual who finds the strength to persevere and endure in spite of overwhelming obstacles.”

– Christopher Reeve

Spotlight: CBP and US Government

- Beginning April 20, CBP has announced that US importers may be able to defer their payments for duties, taxes and fees for certain items for 90 days, given the below criteria:
 - Deferments will not apply to items subject to US anti-dumping and countervailing (AD/CVD) duties or tariffs from the Section 201, 232 and 301 trade remedies
 - Importers must be able to demonstrate “significant financial hardship” for the deferment to apply
 - An importer will be considered to have fallen under “significant financial hardship” if the operation of such importer is fully or partially suspended during March or April 2020 due to orders from a governmental authority limiting commerce
 - Gross receipts of such importer for March 13-31, 2020 or April 2020 must be less than 60% of the gross receipts for the comparable period in 2019
 - Importers are not required to present documentation at the time of deferral, but it must be available should CBP request proof
- Sureties of US import bonds are increasing their financial scrutiny as many importers face hardships; the trade expects sureties to increasingly require collateral collection to secure those bonds
- CBP has posted interim instructions for the United States-Mexico-Canada Agreement (USMCA) to provide “guidance with respect to preferential tariff claims under the USMCA”

- 3,800 CBP uniformed employees (28% of its total staff) have claimed some type of Weather and Safety Leave (WSL)
- The trade has witnessed a dramatic spike in producers being approved by the US Food & Drug Administration (FDA) for Emergency Use Authorization (EUA) for vitro diagnostic products, molecular-based laboratory development tests, and non-NOISH approved respirators
- Since the beginning of March, CBP and the FDA have officially issued 33 warning letters to manufacturers of fraudulent Coronavirus protective products
- The FDA and the US Department of Agriculture (USDA) have temporarily provided flexible federal food labeling guidelines for bulk packaged items typically sold to restaurants
- In an effort to answer questions more efficiently, CBP and the FDA have created separate e-mail addresses to contact based on the categories listed below:
 - **Diagnostic tests:** covid19dx@fda.hhs.gov
 - **Ventilators:** cfrh-covid19-ventilators@fda.hhs.gov
 - **Surgical masks:** cbrh-covid19-surgicalmasks@fda.hhs.gov
 - **Hand sanitizers:** covid-19-hand-sanitizers@fda.hhs.gov
 - **Other personal protective equipment (PPE):** cdrh-covid19-ppe@fda.hhs.gov
 - **General import inquiries:** covid19fdaimportinquiries@fda.hhs.gov

Shipments Containing Medical Supplies in High Demand

- In 2019, the US imported \$30.8 billion worth of medical supplies:
 - Imports from **China**: 24.2%
 - Imports from **Mexico and Canada**: 23.9%
 - Imports from **Europe**: 18.7%
- In March, US seaborne imports of medical products dropped 17.0%, including a 25.6% drop in protective clothing and a 24.1% decline in masks
- To date, April has seen a 29% increase in imports for these goods, including a 10.9% rise in hand sanitizers, a 40.7% surge in protective clothing, and a 24.6% increase for ventilators
- Many countries around the world have been employing trade-restriction measures; a total of 75 countries have either limited or banned medical exports as of April 16
- The first UN Solidarity Flight tasked with transporting vital medical cargo throughout Africa left Ethiopia, where an estimated 30,000 patients require care
- Turkey is sending a total of 500,000 medical test kits to the US, UK, Libya, Macedonia, Montenegro, Serbia, Bosnia, Herzegovina, Italy, Spain and Iran

- At least 1.4 million coronavirus test kits and 2.4 million face masks are stuck in warehouses in China, unable to reach the US due to the lack of necessary clearances; new Chinese export restrictions are intended to protect domestic supply and to ensure quality control
- FEMA recently published a temporary rule that restricts US exports of 5 different types of personal protective equipment for 125 days
- 3M Company, Honeywell International Inc. and a unit of Owens & Minor Inc. have received contracts from the US Pentagon to make a total of 39 million N-95 masks
- GE is working with Ford to produce 50,000 ventilators in the next 100 days

Financial Update: Transportation Industry

- In a recent communication to investment firm UBS, Americas Commercial Transportation (ACT) Research expects further weakening in freight activity in the coming weeks, with a 25% decline in intermodal rail volumes; ACT also expects an even sharper decline in less-than-truckload (LTL) freight than in full truckload (FTL) activity
- After being excluded from the previous multibillion-dollar federal aid package for US airlines, the Airforwarders Association (AfA) is requesting that \$1 billion be made available for the country's estimated 3,500 air forwarders and 6,500 trucking partners
- Ocean carriers are losing an estimated \$600-\$800 million per week due to a combination of highly reduced global demand and manufacturing activity
- As part of a broader update, the U.S. Treasury Department revealed late last week that transportation and warehousing accounted for \$10.6 billion of the \$342 billion in loans secured through the initial Paycheck Protection Program (PPP)
- A breakdown of the initial round of PPP program provided by the Treasury Department's Small Business Administration shows the five US states receiving the highest amounts:
 - California (\$33.4 billion)
 - Texas (\$28.5 billion)
 - New York (\$20.3 billion)
 - Florida (\$17.9 billion)
 - Illinois (\$16 billion)
- Congress and the White house reached a new deal this week for another relief package worth a total of \$484 billion:
 - **SBA PPP program:** \$310 billion
 - **SBA Economic Injury Disaster Loan Program:** \$60 billion
 - **Hospital funding:** \$75 billion
 - **Testing funding:** \$25 billion

Indian Sub-Continent Check-Up

India:

- India has extended its nationwide lockdown through May 3 for its 1.3 billion citizens
- As space scarcity at many of India's ports reaches critical levels, Customs has extended their waiver for late entry filing penalties
- According to two senior officials, the Indian government will announce a second stimulus package that will be worth around 1 trillion rupees (\$13 billion); it will focus on helping small and medium businesses

Pakistan:

- Last week, Pakistani Prime Minister Imran Khan announced an extension to the nationwide shutdown; it's now currently scheduled to conclude on April 28
- Pakistan will re-open in phases, industry-by-industry
- The month of Ramadan commences on April 23 and will last through May 23
- Pakistan has initiated an emergency financial relief package worth nearly \$1 billion; this represents the country's largest ever social protection program

Bangladesh:

- The country has been under strict lockdown since March 26; it is presumed that the government will extend the current lockdown order, set to expire on April 25, until at least May 15

Update: US Domestic Activity

- National outbound trucking freight volumes have continued their significant downward trend for the third straight week, declining by nearly 35%
- In March, new trailer orders for the trucking industry have plummeted by 55%
- Last week, the American Trucking Association (ATA) joined a broader coalition of industry groups, calling on the federal government to increase testing access to for frontline workers providing essential services
- Lawmakers have called for the next COVID-19 relief package to include the creation of a "Supply Chain Czar" to ensure adequate personal protective equipment (PPE) is issued to the trucking community, as well as other essential workers
- Earlier this week, a group of approximately 75 owner-operator truck drivers stopped traffic for nearly 3 hours along a Houston freeway, whilst protesting the low pricing for their services and the high maintenance costs to keep their vehicles operational
- New York City has opened 2 truck rest-stop facilities; both are open 24 hours a day, 7 days a week, and include bathrooms, security patrol, and access to health officials
- The Port of Virginia recently announced it will be ceasing container operations at Portsmouth Marine Terminal (PMT) beginning May 4; PMT will be integrated into the operations of the Virginia International Gateway and Norfolk International Terminal (NIT)

Airlines Brace for (More) Financial Turbulence Ahead

- Airfreight space remains critical as highly affected regions of the world continue to expedite much needed medical supplies and equipment
- Airlines have implemented and are now enforcing higher cargo booking cancellation penalties to protect cargo allocations
- Airfreight rates for Personal Protective Equipment (PPE) reached \$17/kg from China to the USA
- The International Transport Workers' Federation (ITF) and the International Air Transport Association (IATA) have called for government support as airlines face a liquidity crisis
- Many US airlines have applied for the second round of government funding via a \$25 billion loan program; these will require collateral equal to 10% of the loan's value
- The U.S. Treasury Department is discussing the acceptance of loyalty reward programs as collateral against government loans, as these programs are estimated to have billions of dollars in value
- Currently, analysts are predicting it will take 3-5 years for domestic travel and 4-6 years for international travel to return back to pre-COVID-19 levels
- Deutsche Lufthansa AG continues to aggressively downsize; they announced their largest subsidiary, Lufthansa Airlines, will decommission their entire fleet of Airbus A340-600 aircraft
- United Airlines reported a 97% drop in the number of passengers during the first 2 weeks in April, compared to the same time period in 2019
- 40% of people surveyed say they will wait 6 months or more before traveling by air again
- The IATA maintains their latest estimate of a \$314 billion loss for the airline industry in 2020

Shap Fact of the Week:

Ricardo Ruedas, a CBP officer, and his wife, Alejandra, have made over 1,000 masks for other CBP officers and essential workers on the frontlines. The masks are constructed using three different layers of material, including Halyard H600 two-ply spun polypropylene that cannot be penetrated by water, bacteria or particles.

The leadership and staff of Shapiro understand the personal and business anxiety each of you is experiencing. We want nothing but safety today and a return to normalcy tomorrow for you and your families. Please reach out to us if you have any questions—or if we can assist you in any way.
