

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 effective **March 20, 2020**.

U.S. Domestic Trucking Conditions

- Driver supply remains solid with truckers hungry for work after Chinese New Year
- Driver road efficiency is a major concern due to closed rest areas, restaurants and bathrooms
- Hours of Service rules have been extended for carriers of medical goods and foodstuffs
- For now, trucking is largely considered an “essential” industry countrywide
- As more warehouses close, truckers anticipate geographical pressure for storing containers

Warehousing Realities

- Local curfews are crippling after-hours warehouse operations
- Warehouses and distribution centers are uncertain about “essential” status
- Safe working distance and disinfection policies are challenging but improving
- Amazon is now rejecting new shipments other than medical supplies and household staples

Airfreight: Global Crisis

- Mass cancellations of passenger flights has put tremendous pressure on freighter capacity
- Airfreight rates are at historic highs, especially for Europe and China
- Typical transit times are doubled or tripled due to cargo back-logs
- There are no air cargo quarantine regulations to date
- DHL Worldwide has declared Force Majeure and many carriers may follow
- The entire airfreight industry is operating on a Spot Rate basis; contracts are invalid

U.S. Port Ramifications

- Port of Houston closed for a full day after a confirmed case (no vessels skipped HOU)
- Ports implementing safe work distance and disinfection plans and are coordinating with the Centers for Disease Control and Prevention (CDC), US Coast Guard, and US Customs
- U.S. Ports are categorized as an essential industry and are critical for national security
- Empty containers and chassis are dislocated after the extended Chinese New Year
- If U.S. warehouses close, cargo will pile up at ports and will create historic congestion

China Spotlight

- Two days in a row without new COVID19 cases countrywide
- Manufacturing capacity is estimated to be 65% and improving
- Chinese trucking is back up to 80% efficiency
- Current levels of empty containers and chassis are sufficient
- Post extended Chinese New Year volume spike pushes spot rates up \$300 per 40'

Continental Europe Shutdown

- Inter-Europe trucking at a standstill due to closed borders
- European manufacturing at 20% or lower due to travel restrictions
- Italy continues to be in absolute crisis with increases in cases and deaths
- All eyes on Germany, France, Spain, and the UK as cases spike
- Cargo surge from China is a major concern for inter-Europe transportation Links
- European ocean export rates and services are surprisingly “normal” to date

Miscellaneous Global Notes

- Many districts in India have mandated that factories and warehouses close on March 20
- Brazil logistics is in crisis as workers are sent home and Customs starts to experience delays resulting from of the suspension of face to face interaction during the inspection process
- Malaysia and the Philippines announce large scale restrictions; this will greatly limit production in the short-term
- The financial health of most airlines and many steamship lines is precarious at best

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.
