



COVID19 Supply Pain Alert: 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 26, 2020**.

Airfreight Update: Global Crisis

- Mass cancellation of passenger flights continues to put tremendous pressure on freighter capacity globally
- Airlines are deploying passenger planes as charter options to increase cargo capacity
- Airfreight rates continue to hit historic highs, especially in Europe and China
- Space remains tight as shipments of medical supplies put additional pressure on lead times and back logs
- Air carriers will implement steep booking cancellation penalties
- On the courier front, delays for the USPS, UPS, DHL, and FedEx could endanger the timely delivery of crucial original documents, freight payments, and medical supplies
- Airport availability remains uncertain, though most main gateway airports/hubs remain operational
- There is growing concern, about airport congestion and the safety of airline and trucking staff, especially at JFK
- Unlike ocean transportation, air cargo operations often create unsafe distancing; new processes are largely non-existent
- The International Air Transport Association (IATA) has estimated a \$252 billion loss for the airline industry in 2020

U.S. Trucking Ramifications

- Drivers continue to be hungry for work and are looking for loads, though trucking capacity in Seattle, Los Angeles, and New York is under tremendous pressure
- The closure of some state-operated rest areas, a sudden lack of places to buy food, and the refusal of some businesses to let drivers use restrooms are all making it more difficult for truck drivers to deliver “essential” goods and medical supplies

- Occupancy rates at port warehouses are steadily increasing which will soon create congestion woes at US ports
- Commercial drivers (hauling “essential” goods or medical supplies) have been temporarily relieved from hours of service regulations, but they must adequately manage fatigue as they respond to this emergency
- Rush hour slowdowns and traffic bottlenecks on major freeways are practically non-existent as millions of people stay off the roads during the coronavirus pandemic
- Drivers with commercial driver’s licenses (CDLs) and medical cards that have expired or will expire after March 1 have been granted relief from getting them renewed through June 30
- In most states, warehouse and distribution centers are currently considered “essential”
- Despite their “essential” status, many warehouses have closed due to confirmed COVID-19 cases or company restrictions; truckers are calling ahead several times to confirm that warehouses are operational
- As more warehouses close, the trucking industry is concerned about having adequate storage capacity

Border Realities: Mexico and Canada

- For the first time since the Canadian Confederation was established in 1867, Canada and the U.S. have closed the border to non-essential travelers; the same restriction is in place for Mexico
- To date, cargo shipments of all kinds at both borders have been largely unaffected
- Mexico has been slow to impose virus restrictions which has sparked concern for and about cross-border truckers
- On an average day, about 60,000 trucks move across the borders with Canada and Mexico, carrying more than \$2 billion in trade

Medical Products Logistics

- 54 governments have imposed restrictions on medical supply exports in response to the coronavirus, including the United Kingdom (UK), Germany, France, Italy, Russia, Saudi Arabia, Egypt, India, Pakistan, China, Vietnam, Indonesia, and Malaysia
- There are 25 nations that reported \$10 million or more in ventilator exports in 2019; the largest producers are the US, Germany and China, each with more than \$500 million in sales
- US ports, air and ocean carriers, couriers, and truckers are all trying to quickly develop new processes to prioritize medical supplies and equipment
- Export restrictions are expressly forbidden between EU nations; political tension over medical supplies is extreme

- The pandemic has added momentum to efforts to re-shore supply chains or at least guarantee domestic supplies of masks, gloves, ventilators and medicines
- The US Department of Health and Human Services has distributed thousands of shipments of critical medical supplies to US states, with priority given to high-risk health care workers, nurses and doctors
- Amazon is delaying US deliveries of non-essential items to more promptly deliver medical supplies to hospitals and residents during the pandemic
- India's lockdown puts medical and pharmaceutical supply chains at risk
- A host of companies are trying to add medical equipment/supplies/equipment to their product lines, but the governmental compliance hurdles are particularly complex for these industries
- On a more positive note, many companies are re-tooling their manufacturing to help supply hand sanitizer, masks, gowns, and even medical equipment

U.S. Exporters Under Pressure

- US exports represent roughly 12% of US GDP, and this segment will be particularly hard hit in 2020
- Blank sailings out of China have disrupted vessel and equipment availability out of the US, especially at rail ramps
- Canada, Mexico, China, Japan, UK, Germany (in that order) are the largest consumers of US goods; 4 of those countries are currently in lockdown
- An estimated 50% of US manufacturers have supply chains that include parts and components from 3 or more countries; these manufacturers are struggling mightily to obtain essential raw materials
- The automobile industry, notable for some of the most complex and global supply chains, is particularly at risk; in Europe, Fiat, PSA, Ford, and Volkswagen have all shuttered production
- US exporters are forced to investigate and implement slower transit options to time deliveries with destination lockdown restrictions in mind
- Global financial liquidity is a looming concern, and credit insurance companies are quickly revising their risk tolerance standards

Retail Store Closures

- Many retailers across the US and overseas have been forced to close their stores
- Here is a list of retailers from Business Insider that are temporarily closing their doors: [Store Closings](#)

U.S. Customs

- US Customs operations are open; some offices are staggering staff and have suggested that there will be processing delays
- CBP was considering offering importers duty payment extensions on a case-by-case basis, as well as broader measures to temporarily relieve financial pressure; but on March 26 withdrew that possibility

Miscellaneous Global Notes

- US ports, though expecting a brief cargo rush in April, continue to reduce operational hours in March
- India's government has imposed a lockdown through at least April 14 and has blocked the movement on non-essential cargo and all international air travel
- Pakistan has announced a 15-day countrywide lockdown, though cargo operations are largely open to date
- Malaysia has declared a countrywide lockdown through March 31
- Bangladesh has ordered a "National holiday" through April 6
- Ocean carriers are planning massive blank sailings and service cancellations for April and May with the expectation of tremendously declining global consumer demand

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.