

Webinar on the Impacts of the COVID-19 on Logistics and Supply Chains



Supported by:



Speakers



Chen Liu [Moderator]
Vice-President & Nat. representative,
SwissCham Shanghai

Managing Director China
Weidmann Electrical Technology



Glenn Bai
Managing Director China
Militzer & Muench International Freight Forwarding



Jing Wang
Business Development Manager,
Sustainability Services
SGS-CSTC Standards Technical Services

Supported by:



Corona Virus

Disrupting Logistics & Supply Chains



Glenn Bai

Managing Director China

Militzer & Muench International Freight Forwarding

Supported by:





Militzer & Münch: Connecting worlds.

Corona Virus Disrupting Logistics & Supply Chains

March 20, 2020



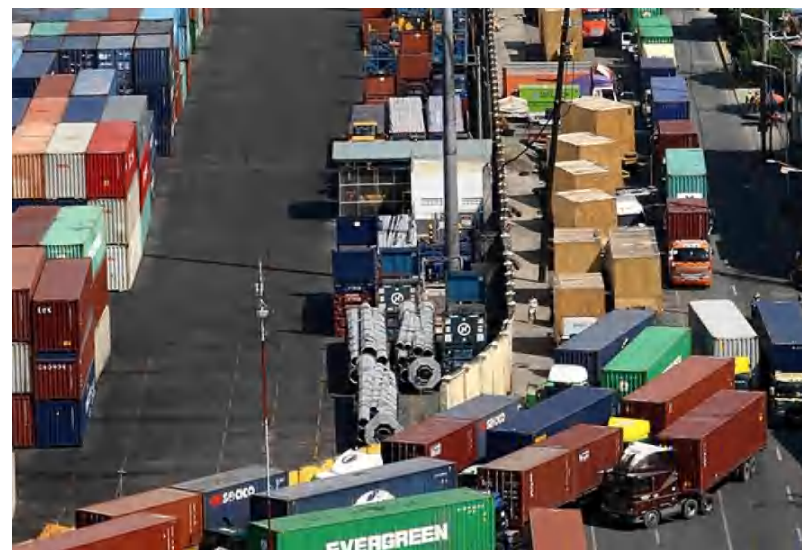
Agenda

- Current impact on domestic and international logistics and supply chain
- Alternative solutions & strategies
- Case study
- Forecast



Current Impact: Sea Freight

- Permits to resume the work
- Port storage charges (containers stuck)
- Port congestion fees US\$1000-1500 per reefer container
- Voyage cancellations
- Entire Asia – Europe / USA route cancellations



Current Impact: Air Freight

- Many passenger flights cancelled
- Freightier flights reduced (low demand)
- A lot of charter flights cancelled
- Capacity drop of approx. 65% vs 2019
- Limited staff on duty (40-50%)
- Large rate increases



Current Impact: Rail

More favorable but still:

- Overbooked capacity, long waiting time
- GRI increase to 300 USD per 40'
- Wuhan closed as a departure platform
- Lower departure frequencies



Current Impact: Trucking

- Whole province locked (Hubei)
- Severe delays & backlogs (limited trucking, permits, quarantine for drivers)
- Overall working better again
- Domestic express services fairly uninterrupted (again)
- Rate increases especially across provinces



Alternative Solutions and Strategies

Shortage of inland trucking:

- Inland rail
- Inland river barges

Shortage of international sea and air freight:

- International rail
- Hubs for receiving and distribution
- Air (part) Charters
- Multiple gateways (PEK, PVG, SZX/HKG) for diversification

Case Study

- Automotive spare-parts company export from China via air & ocean freight
- Urgent shipments go with air freight (to be avoided due to high costs); “regular shipment” via ocean freight (LCL & FCL 20” container)
- Disruption and high costs in air and ocean freight lead to using rail freight with approx. CN-EU 19 days transit time
- Adjust delivery time (trucking) of spare parts from supplier to rail platform, balancing of cargo in container
- Consolidation of not-so urgent spare parts as 40” container for rail freight only
- Pre-prepare documentation required for customs clearance
- Implement SOP (responsibility & escalation, operations, documentation & reporting)
- Use GPS tracking device to benchmark transit times & other data during transport

Forecast

- China seems to be currently relatively in a better position but only part of global supply chains
- With EU and US in lock-down mode more interruptions in global supply chains expected
- Likely large back-logs at ocean ports
- Lack of capacity on CN-EU rail freight
- Logistics costs will likely continue to rise
- Major fall-out of airlines possible depending length Covid-19 crisis
- **Rethinking of global supply chains in the future or back to old ways when the crisis is over ???**

Let us talk!



Build a sustainable and resilient supply chain



Jing Wang

Business Development Manager, Sustainability
Services
SGS

Supported by:





Build a sustainable and resilient supply chain

SGS

Jing Wang 2020.03.20



CONTENTS

Various disruptions to supply chain

Short-term solution and Mid/Long-term strategies

Case Study

Forecast

An abstract graphic of a circuit board with orange and grey lines and circular components, extending from the top right towards the center.

Disruptions from...

■ American Chamber (Feb 16)

48%

Member companies

have had global business disruption

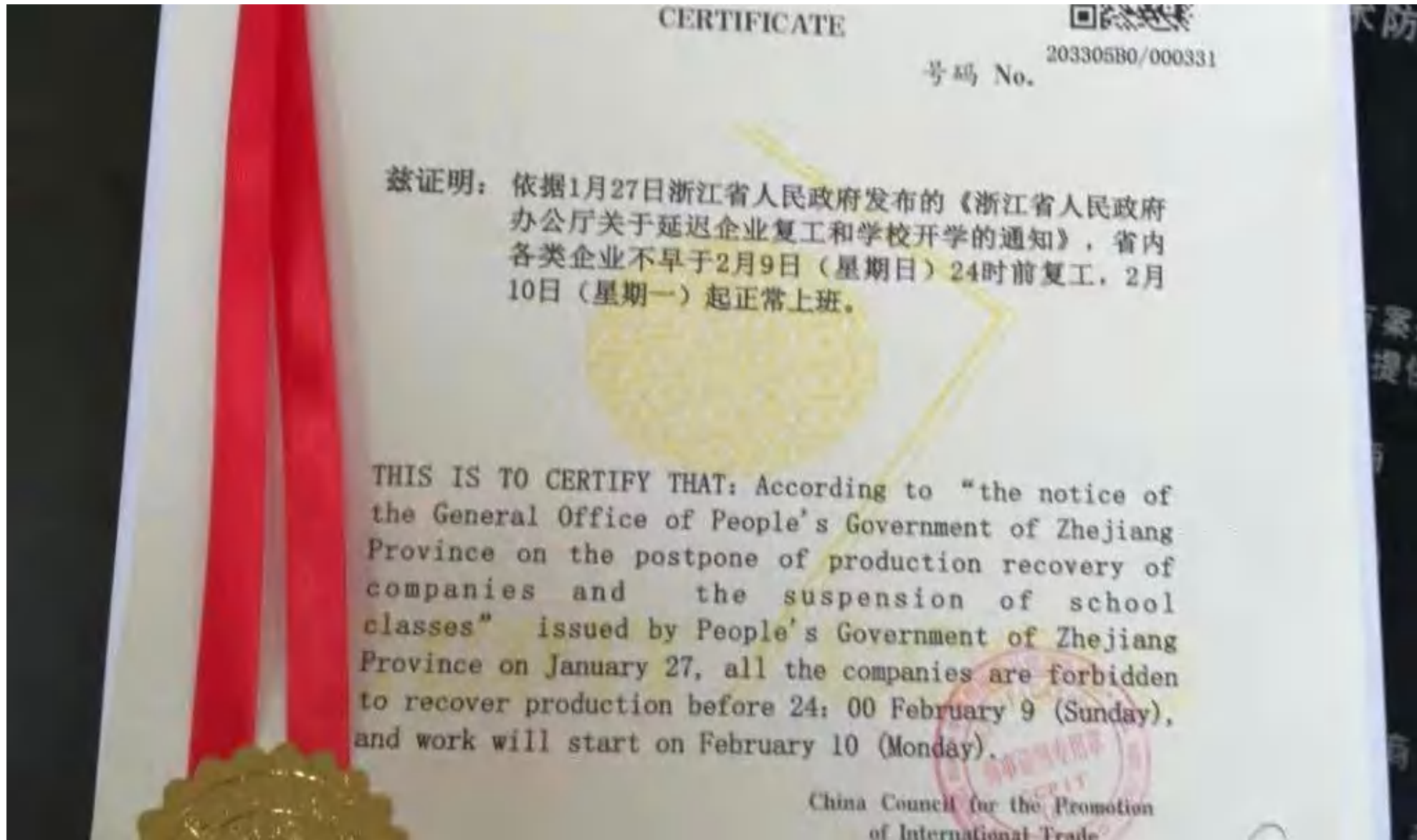
■ EUCCC and German Chamber
(Feb 27)

1/4

Member companies

Expect 20% revenue decrease

COVID-19



Till Feb 21

Issued

3325

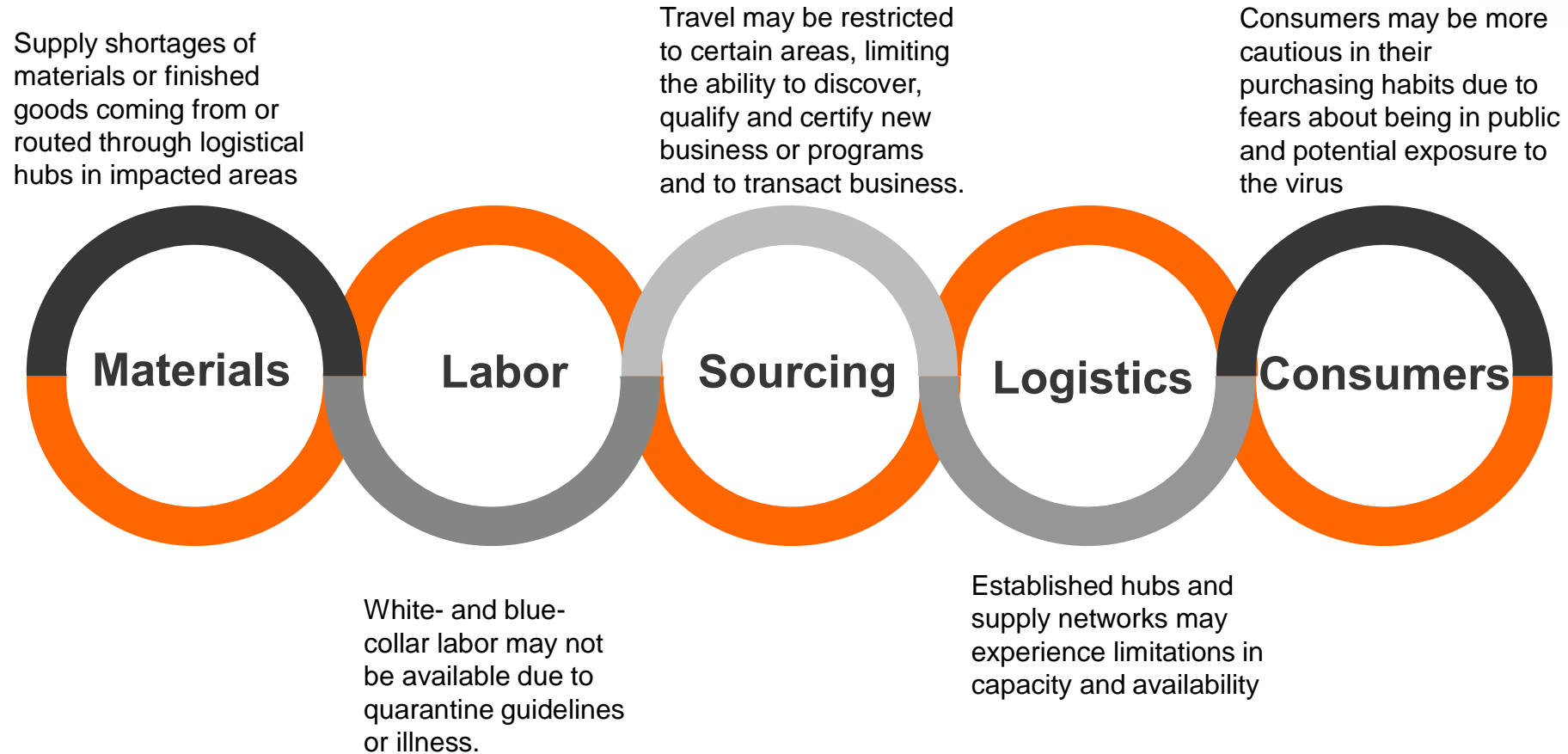
Certificates

Contract
value:

270 Billion

CNY

HOW COVID-19 IMPACT SUPPLY CHAIN



35%

“In China, for
China” strategy



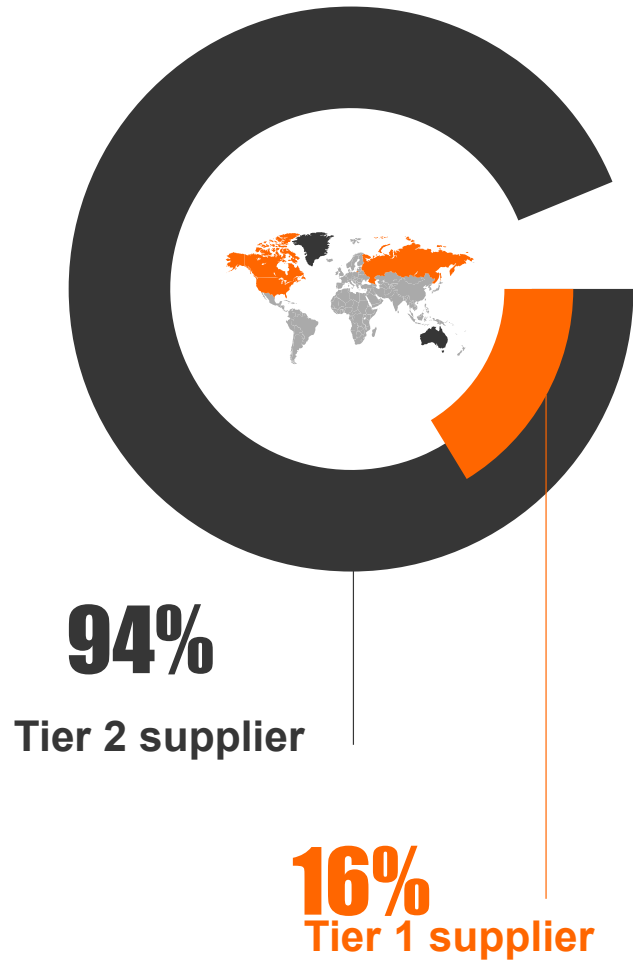
41%

considering or have
relocated manufacturing
facilities outside China

Schaeffler - a leading German automobile parts supplier experienced a supply chain disruption when authorities cut power to a key supplier.

- 2015-2017, the 1st round of “Central Environmental Protection Supervision”. Company being fined: **40,000**.
- 2018, “Re-check”. Company being fined: **4016**.
- **2019-2021**, the 2nd round of “Central Environmental Protection Supervision”

GLOBAL SUPPLY CHAIN IN CHINA



Among Fortune 1000,

163 companies

Have Tier 1 supplier in China

938 companies

Have Tier 2 supplier in China



1. Trade wars drive manufacturing network restructuring
Brexit, new import tariffs, and other trade barriers will continue to reshape manufacturing supply chains



2. Rising demand & fragile supply create critical raw material shortages
Political instability and supplier shutdowns likely to impact the supply of crucial raw materials such as lithium, cobalt, and adiponitrile



3. Recalls & safety scares put quality under scrutiny
Stricter regulations and quality requirements will put pharmaceutical companies under pressure



4. Climate change impact heats up
Companies likely to face an increasing number of weather-related disruptions, as 2019 is forecasted to be the warmest year on record



5. Tougher environmental regulations make polluters pay
Local quality and climate change mitigation policies appear across Asia-Pacific



6. Economic uncertainty & structural change put suppliers under threat
Supplier insolvencies set to rise as small producers continue to be casualties of economic uncertainty and structural change



7. Cargo caught up in industrial unrest
Early indication of industrial disputes threaten to disrupt transport operations



8. Hazardous transport: container ship fires
Insufficient firefighting capabilities and a trend towards larger container ships to put pressure on maritime-dependent supply chains



9. Battles at the border to increase wait times
Companies dependent on U.S.-Mexico and EU-U.K. lanes are likely to see increased costs and border-crossing wait times



10. Drones strike a blow to aviation safety
Close-proximity drone aviation safety incidents are likely to become more frequent, presenting a greater risk to aviation logistics operations

Various disruptions to supply chain

Short-term solution and Mid/Long-term strategies

Case Study

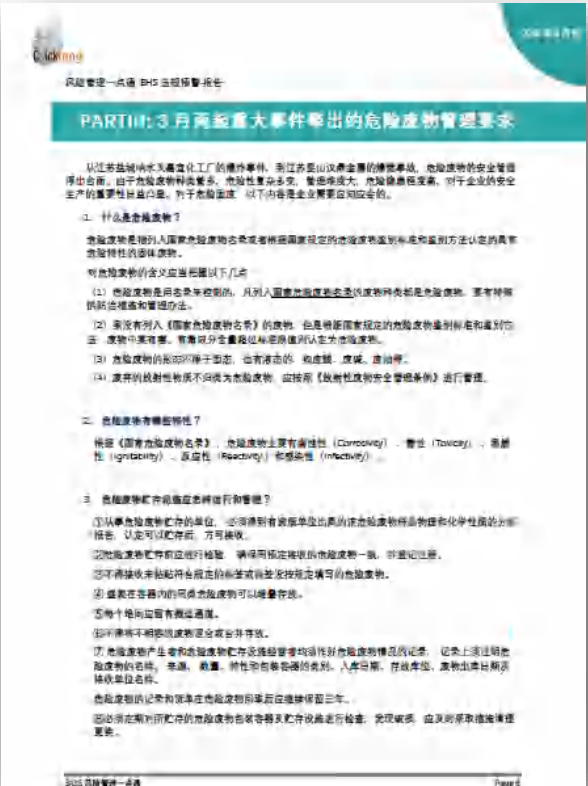
Forecast

Fight or Flight?



MID-LONG TERM: ESTABLISH RISK ALERT AND TRAINING SYSTEM

- Provide legal news alert, information and trends on China's laws and regulations, requirements and inspection of local authorities caused by accidents, etc.
- Online training
- Digital supply chain management



Online class



Legal Alert

MID-LONG TERM - EVALUATE MULTIPLE SOURCING OPTIONS

- "Many textile factories have moved to Vietnam and Indonesia to open production lines, but half of them have already returned because it is simply impossible to make high-quality, profitable products there due to a lack of resources," said an official on condition of anonymity in Shaoxing, East China's Zhejiang Province, a major textile production base, which supplies fashion brands in Europe and elsewhere. "Our customers come to us because no one else can make such high-quality, affordable products like ours."

Various disruptions to supply chain

Short-term solution and Mid/Long-term strategies

Case study

Forecast

- Is relocation a smart plan?

BUSINESS ▶ TRADE

FEB 28, 2020 5:08PM PT

Shoe Brands Flocked to Vietnam During the Trade War — Now the Country's Running Out of Materials Amid Coronavirus Spread

“The problem is a lot of textiles — the polyester and the synthetics — and the components are still done in China,” - Andy Polk, SVP at the Footwear Distributors and Retailers of America.



Just-in-Time



■ Samsung

- Supplier communication and aid , include:
 - Pay for undelivered orders of suppliers in advance and providing loans with zero or low interest rates to suppliers who have cash flow difficulties.
 - Pay for the logistic costs if the suppliers need to ship by air due to urgency.
 - Share logistics and customs updates with suppliers and start to run a support center.
 - Shorten processing time and simplify necessary procedures if its Chinese suppliers want to expand parts procurement channels after the outbreak.

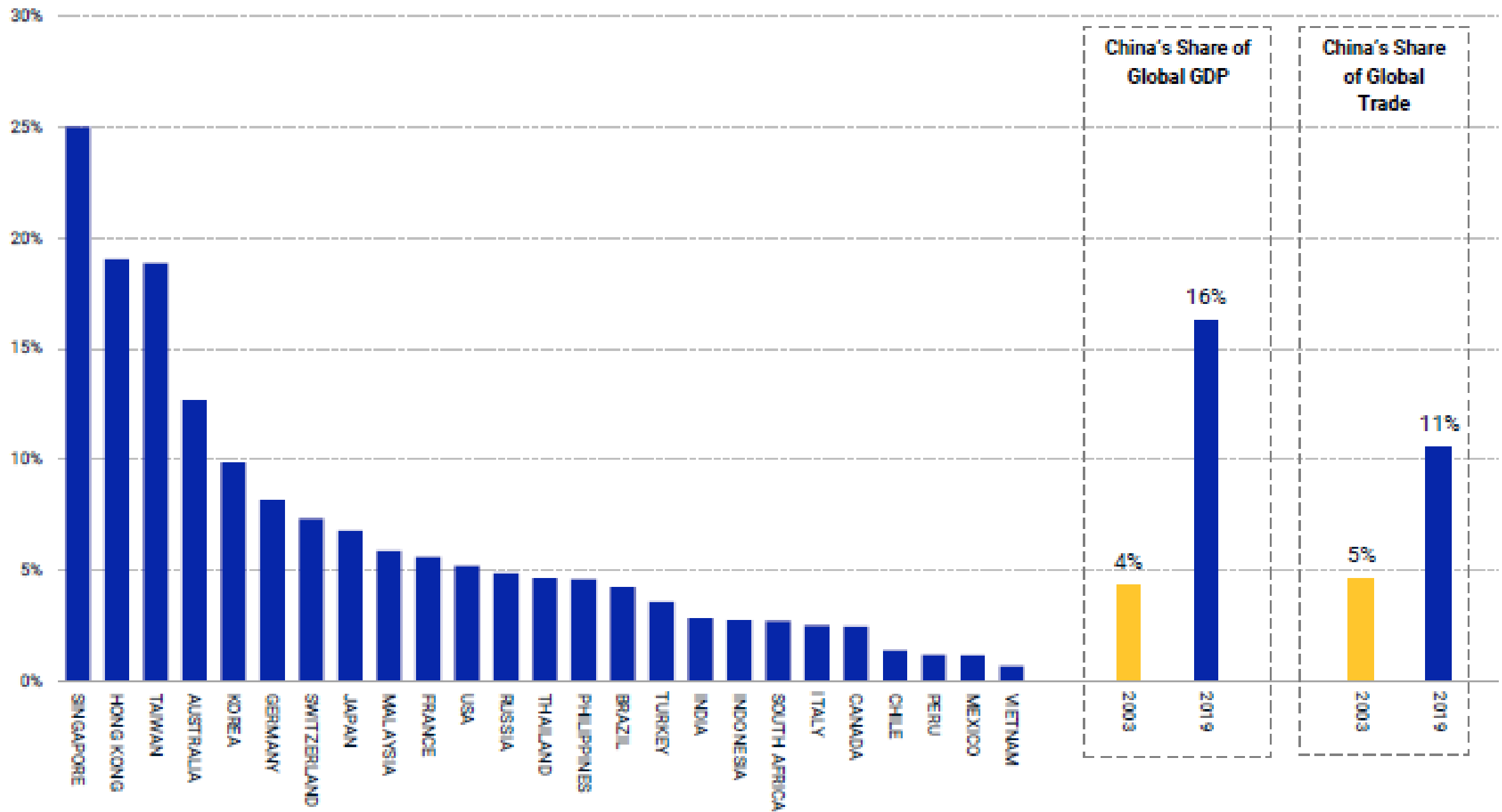


Various disruptions to supply chain

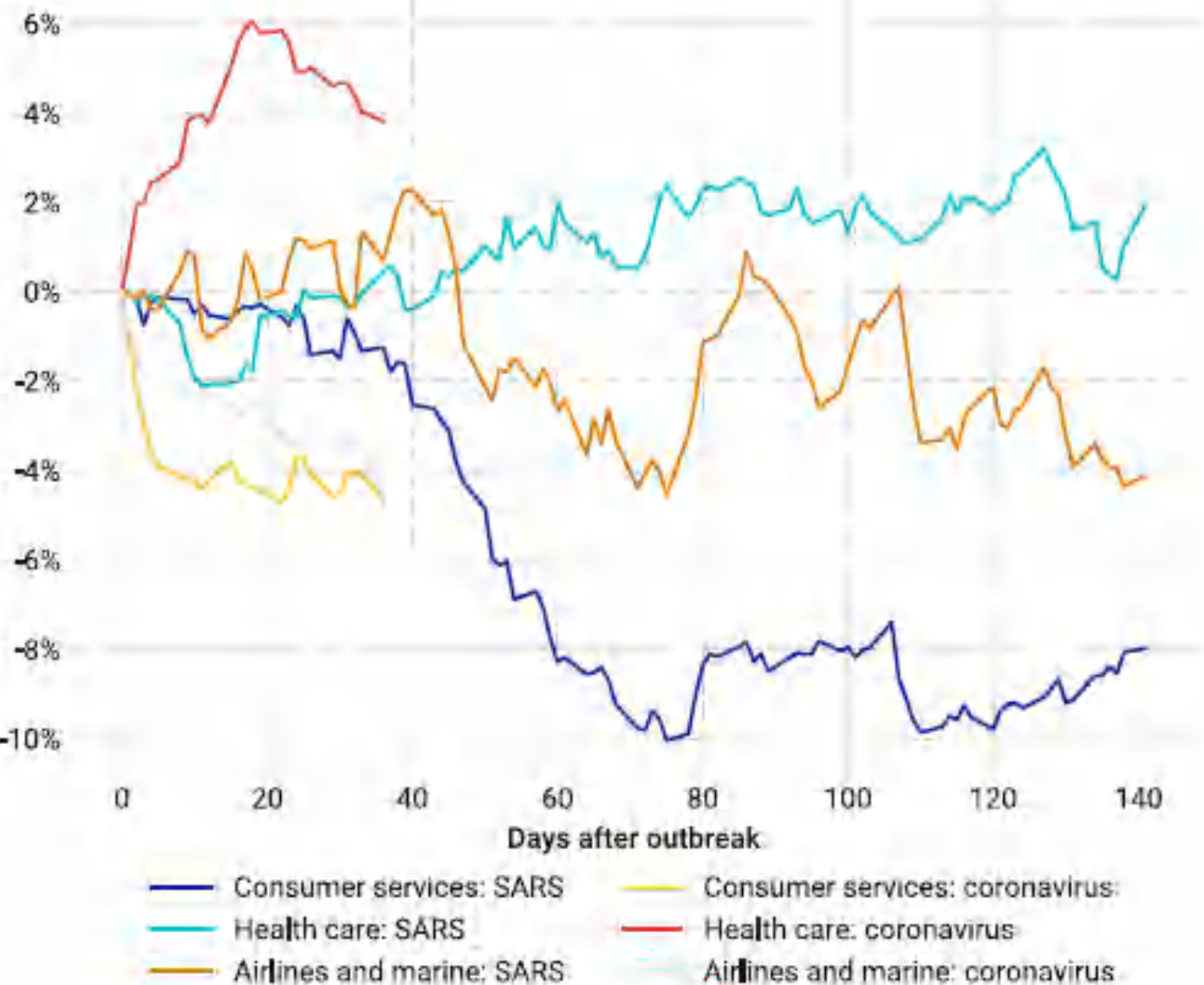
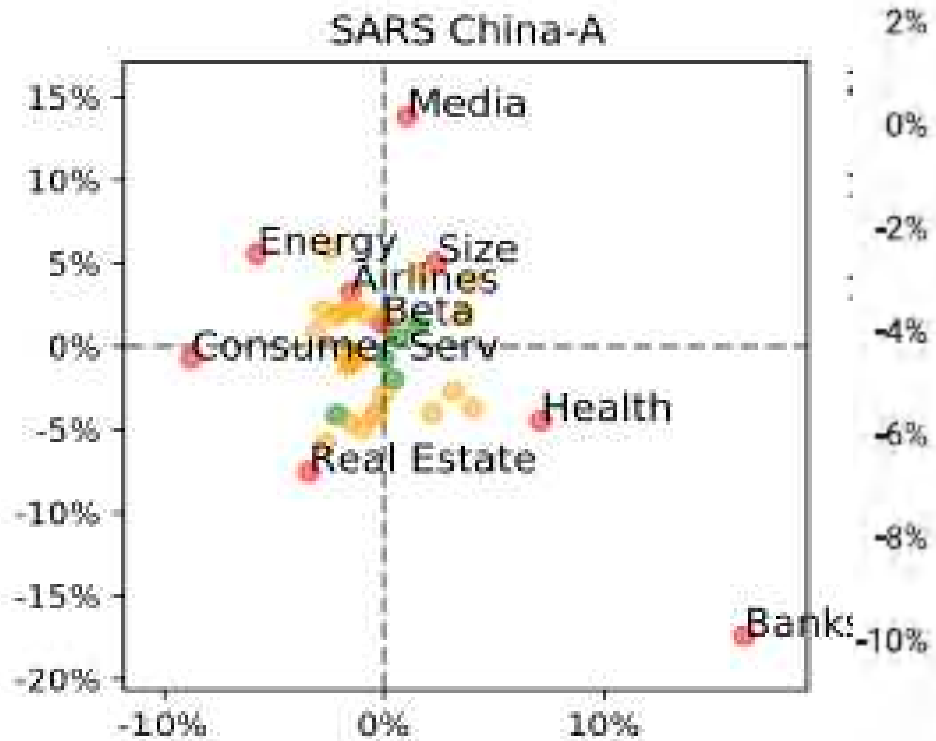
Short-term solution and Mid/Long-term strategies

Case study

Forecast



Source: MSCI Economics Exposure Database, IMF World Economic Outlook, World Bank



Source: MSCI<疫情对经济和市场的潜在影响>

Thank you!

Jing.wang@sgs.com



Q&A



Chen Liu [Moderator]

Vice-President & Nat. representative,
SwissCham Shanghai

Managing Director
Weidmann Electrical Technology



Glenn Bai

Managing Director China
Militzer & Muench International Freight Forwarding



Jing Wang

Business Development Manager,
Sustainability Services
SGS

Supported by:



Thank you for participating!

SWISSCHAM BEIJING

Tel / 电话: +86 10 8468 3982

Email / 邮件: members@bei.swisscham.org

SWISSCHAM SHANGHAI

Tel / 电话: +86 21 5368 1236

Email / 邮件: shanghai@sha.swisscham.org

Our yearly sponsors:

