



Customer Advisory: Novel Coronavirus – Update #15

Dear Valued Customer,

The re-opening continues for most countries around the globe with more and more industries kicking into gear again. As a result of this, lockdown restrictions are gradually easing up, enabling cargo to move around again with less hassle. Especially the airfreight sector having been hit the hardest on the capacity side is seeing a slow, but steady return of commercial bellyhold capacity as more and more airlines resume flights

As much as the peak of the pandemic seems to have passed, it however remains apparent that the effects from COVID-19 will be long lasting evidenced by a number of airlines fighting for survival resulting in a very unpredictable capacity situation mid and long-term.

Consequently, a very volatile market environment on both ocean and airfreight is expected up until Q4 2020, both in terms of capacity as well as freight rate development where volatility remains high.

Ocean freight pressure is peaking – Asia to Europe trade now also impacted

Ocean freight continues to be heavily impacted by blank sailings putting further pressure on both space and equipment on more or less all trades. Some industry analysts suggest that carriers in an effort to save costs have cut more capacity than needed, resulting in a situation where demand far exceeds supply.

After a number of weeks with heavy pressure on the Eastbound trade from Europe to Asia which remains status quo, we now also register a high space pressure on the Westbound trade from Asia to Europe resulting in a high number of cancelled and delayed shipments. This is supported by the SCFI development which despite a small drop of USD 4/TEU this week, remains at the highest level since week 8 and comparing to same week in 2019 is USD 84/TEU above. Overall this cements the notion that carriers maintain a strict pricing discipline and will cut capacity to the needed level and even beyond to sustain rate levels.

This also means that despite sporadic speculation on the financial stability of the major carriers, it is assessed that unlike the airfreight industry there is only limited risk for any of the carriers entering a bankruptcy scenario.

Overall, we encourage for a very close and pro-active dialogue in order to ensure proper forecasting and prioritization of all shipments. Please also note the changes in a traffic light update further below as a result of the worsened situation.

Airfreight remains seriously impacted, however with small signs of improvement

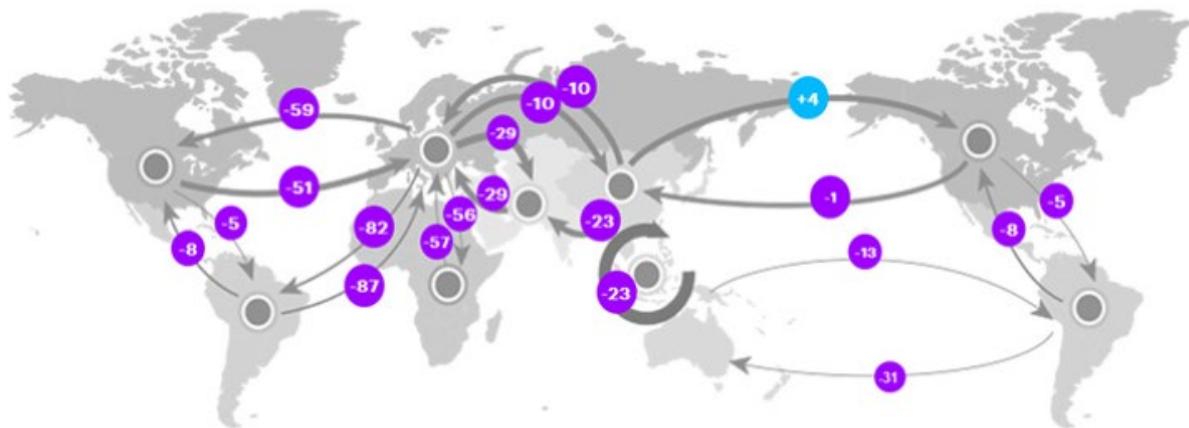
Despite the slow and steady return of commercial bellyhold capacity, the situation overall remains critical in terms of ensuring timely uplift of all volumes. PPE volumes (Personal Protective Equipment) continue to surge, as governments around the world continue to build stock in order to avoid a similar situation as when the pandemic initially broke out.

In China the extensive customs check procedures on PPE cargo continues to cause heavy delays

Zooming in on the capacity situation status is currently a historic and massive average decline of 26 % compared to last year with some trades seeing a decline of up to 60-80 %.

Total air cargo capacity growth¹, 10 - 16 May 2020 vs. same week last year²

YoY growth, %



Global capacity decline: -26%

Note: Thickness of arrows is representative of January 2020 capacity in metric tonnes, direct flights only; all flows indicate region-to-region capacity; regions are indicated by color coding; 1) Total cargo capacity includes widebody passenger and all freighter flights; 2) Same week last year defined as 12 – 18 May 2019, all dates measured in UTC; Source: Seabury Consulting, Part of Accenture Capacity Tracking database, Seabury Consulting, Part of Accenture analysis (May 2020). Graph from: <https://www.accenture.com/dk-en/insights/travel/coronavirus-air-cargo-capacity>

As a result, rates remain at a historic high level, however with first signs of a slight downward trend as a result of the improvement in capacity supply.

The main topic is now how the situation will look like longterm with a number of the global airlines having announced major cost-cuttings and lay-offs. In the case of amongst other Thai Airways, Virgin Australia, Flybe and Avianca Airlines the outcome has been bankruptcy, however in most cases some form of restructuring plan is expected to come in the coming weeks and below.

It is a historic and critical situation with the potential to cause fundamental and systemic changes for many years to come, documented by below overview of airlines having already declared bankruptcy.

On another note the extensive customs check procedures on PPE cargo in China continues to cause heavy delays with airports in South China, including Shenzhen now also affected.

We remain in a situation where we are able to handle all volumes by use of both alternative routings as well as our Sea-Air products, however similar to the situation on ocean freight we encourage a constant and proactive dialogue in order to determine which solutions will fit your business best.

Rail freight remains the safe choice

The situation remains "as is" with disruptions on ocean and airfreight continuing to support the positive volume development within rail freight. It is increasingly becoming a recognized solution to cater for shipments both from Asia to Europe, as well as Europe to Asia. Rail freight provides a cost and time efficient alternative with on-time reliability remaining high and the capacity situation remains stable.

Road freight continues to operate smoothly

The trucking sector overall runs basis business as usual with only a few sporadic delays. Capacity remains available as well, and shipments are moving without major disruptions.

Following ferry connections remain cancelled:

- Fjord Line cancelled line Hershel's-Stavanger-Bergen
- Stena Line closed the route Oslo-Frederikshavn
- Stena Line closed the route Trelleborg-Sassnitz
- DFDS closed Copenhagen-Oslo
- Color Line Kiel-Oslo has closed down
- Zeebrugge - Gothenburg ferries are sailing on day-to-day schedule, departing times are updated daily

All information in this advisory is offered to the best of our knowledge and is prone to change. If you have any specific questions, please reach out to us.

Yours sincerely,

Scan Global Logistics

General overview Asia, Pacific and Sub-continent

	CURRENT STATUS AT SGL OFFICES AND SUPPLY CHAIN ACTIVITIES IN RESPECTIVE CITIES/COUNTRIES	Dalian	Tianjin	Beijing	Qingdao	Wuxi	Shanghai	Ningbo	Xiamen	Guangzhou	Shenzhen	Hong Kong	Taiwan
Customer disruptions to activities e.g. manufacturing and supply chain operations	Green - minimal impact Yellow - manageable Red - severely impacted	●	●	●	●	●	●	●	●	●	●	●	●
Customs authorities	Green - 100% work as normal Yellow - process delay occasionally Red - serious delays	●	●	●	●	●	●	●	●	●	●	●	●
Trucking operations, drivers and equipment	Green - normal Yellow - restricted due to roadblocks, permits and shortage of drivers etc. Red - service severely impacted	●	●	●	●	●	●	●	●	●	●	●	●
Air-, Ocean and Rail carrier offices open for business, response time etc.	Green - business as usual Yellow - certain limitations Red - major challenges	●	●	●	●	●	●	●	●	●	●	●	●
Airfreight capacities on major tradelanes	Green - plus 70% supply Yellow - around 50% supply Red - less than 30% supply	●	●	●	●	●	●	●	●	●	●	●	●
Airfreight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	●	●	●	●	●	●	●	●	●	●	●	●
Oceanfreight capacities on major tradelanes	Green - no space issue & blank sailings Yellow - space issue & blank sailings occasionally Red - serious space issues and blank sailings	●	●	●	●	●	●	●	●	●	●	●	●
Oceanfreight feeder capacities and operations	Green - operating as normal Yellow - medium disruptions Red - serious disruptions	●	●	n/a	●	n/a	●	●	●	●	●	●	●
Oceanfreight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	●	●	n/a	●	n/a	●	●	●	●	●	●	●
Oceanfreight equipment availabilities	Green - no problem Yellow - medium problem Red - major problem	●	●	n/a	●	n/a	●	●	●	●	●	●	●
CFS and warehouse	Green - normal operations Yellow - additional time required for cargo gate in and gate out due resources Red - service not available	●	●	n/a	●	●	●	●	●	●	●	●	●
Rail service	Green - schedules as normal Yellow - partial schedules cancelled Red - service not available	●	●	●	●	●	●	●	●	●	●	n/a	n/a

General overview Asia, Pacific and Sub-continent

	CURRENT STATUS AT SGL OFFICES AND SUPPLY CHAIN ACTIVITIES IN RESPECTIVE CITIES/COUNTRIES	Hanoi	Ho Chi Minh City	Manila	Phnom Penh	Bangkok	Yangon	Penang	Kuala Lumpur	Singapore	Jakarta	Surabaya	Dhaka	Chittagong	New Delhi	Mumbai	Tokyo	Osaka	Sydney	Melbourne	Perth	Auckland	
Customer disruptions to activities e.g. manufacturing and supply chain operations	Green - minimal impact Yellow - manageable Red - severely impacted	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Customs authorities	Green - 100% work as normal Yellow - process delay occasionally Red - serious delays	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Trucking , operations, drivers and equipment	Green - normal Yellow - restricted due to roadblocks, permits and shortage of drivers etc. Red - service severely impacted	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Air-, Ocean and Rail carrier offices , open for business, response time etc.	Green - business as usual Yellow - certain limitations Red - major challenges	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Airfreight capacities on major tradelanes	Green - plus 70% supply Yellow - around 50% supply Red - less than 30% supply	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Airfreight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ocean freight capacities on major tradelanes	Green - no space issue & blank sailings Yellow - space issue & blank sailings occasionally Red - serious space issues and blank sailings	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ocean freight feeder capacities and operations	Green - operating as normal Yellow - medium disruptions Red - serious disruptions	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ocean freight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ocean freight equipment availabilities	Green - no problem Yellow - medium problem Red - major problem	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CFS and warehouse	Green - normal operations Yellow - additional time required for cargo gate in and gate out due resources Red - service not available	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Rail service	Green - schedules as normal Yellow - partial schedules cancelled Red - service not available	●	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

General update US

Condition as of today		Los Angeles	Seattle	Oakland	Chicago	Cleveland	Atlanta	New York	Charleston	Houston
Customs	Green - work as normal	●	●	●	●	●	●	●	●	●
	Yellow - process delay occasionally									
	Red - serious delay									
Ocean Freight Terminals	Green - running as normal schedule	●	●	●	●	●	●	●	●	●
	Yellow - terminal congestion									
	Red - high to full yard density for empties & terminal congestion									
Ocean Carrier situation, Inbound	Green - no space issue & blank sailings	●	●	●	●	●	●	●	●	●
	Yellow - space issue, equipment imbalance & blank sailings occasionally									
	Red - space issue, equipment imbalance & blank sailings seriously									
Ocean Carrier situation, Outbound	Green - no space issue & blank sailings	●	●	●	●	●	●	●	●	●
	Yellow - space issue, equipment imbalance & blank sailings occasionally									
	Red - space issue, equipment imbalance & blank sailings seriously									
CFS and Warehouse	Green - running as normal schedule	●	●	●	●	●	●	●	●	●
	Yellow - congestion and delays									
	Red - service not available									
Trucking/Rail – pickup and delivery for ocean cargo	Green - work as normal	●	●	●	●	●	●	●	●	●
	Yellow - delays									
	Red - service not available									
Airlines - Capacity, Inbound	Green - 70% ~ 100% of normal capacity	●	●	●	●	●	●	●	●	●
	Yellow - 30% ~ 69% of normal capacity									
	Red - less than 30% of normal capacity									
Airlines - Capacity, Outbound	Green - 70% ~ 100% Supply	●	●	●	●	●	●	●	●	●
	Yellow - 30% ~ 69% Supply									
	Red - less than 30% supply									
Airline Terminal	Green - running as normal schedule	●	●	●	●	●	●	●	●	●
	Yellow - process delay occasionally									
	Red - process delay seriously									
Airfreight Warehouses	Green - operation hours as normal	●	●	●	●	●	●	●	●	●
	Yellow - additional time required for cargo gate in and gate out due to full scale of operation not being in place									
	Red - service not available									
Truck – pickup and delivery for Airfreight cargo	Green - work as normal	●	●	●	●	●	●	●	●	●
	Yellow - delays									
	Red - service not available									
Rail Service	Green - schedule as normal	●	●	●	●	●	●	●	●	●
	Yellow - partial schedule cancelled									
	Red - service not available									

General overview Airfreight Europe

	Condition as of today	DK	SE	NO	FI	DE	NL	BE	ES	FR	IT	PL	CZ
Factories / business	Green - 100% resumption of work												
	Yellow - 30% ~ 80% resumption of work	●	●	●	●	●	●	●	●	●	●	●	●
	Red - Less than 30% resumption of work												
Customs	Green - 100% work as normal	●	●	●	●	●	●	●	●	●	●	●	●
	Yellow - process delay occasionally					●			●	●	●	●	●
	Red - serious delay												
Airlines - Capacity Eastbound	Green - 70% ~ 100% of normal capacity												
	Yellow - 30% ~ 69% of normal capacity	●	●	●	●	●	●	●	●	●	●	●	●
	Red - less than 30% of normal capacity		●		●				●				
Airlines - Capacity Westbound	Green - 70% ~ 100% Supply												
	Yellow - 30% ~ 69% Supply	●	●	●	●	●	●	●	●	●	●	●	●
	Red - less than 30% supply		●		●								
Air Freight Terminal	Green - running as normal schedule												
	Yellow - process delay occasionally	●	●	●	●	●	●	●	●	●	●	●	●
	Red - process delay seriously												
airfreight Warehouses	Green - operation hours as normal												
	Yellow - additional time required for cargo gate in and gate out due to full scale of operation not being in place	●	●	●	●	●	●	●	●	●	●	●	●
	Red - service not available												
Trucking	Green - Normal												
	Yellow - apply permit & road block inspection	●	●	●	●	●	●	●	●	●	●	●	●
	Red - service not available												

General overview Ocean freight Europe

Condition as of today		DENMARK	FINLAND	NORWAY	SWEDEN	BELGIUM	GERMANY	THE NETHERLANDS	SPAIN
Customs	Green - work as normal	●	●	●	●	●	●	●	●
	Yellow - process delay occasionally								
	Red - serious delay								
Ocean Freight Terminals	Green - running as normal schedule	●	●	●	●	●	●	●	●
	Yellow - terminal congestion								
	Red - high to full yard density for empties & terminal congestion								
Ocean Carrier situation, Inbound	Green - no space issue & blank sailings	●	●	●	●	●	●	●	●
	Yellow - space issue, equipment imbalance & blank sailings occasionally								
	Red - severe space issue, equipment imbalance & blank sailings seriously								
Ocean Carrier situation, Outbound	Green - work as normal	●	●	●	●	●	●	●	●
	Yellow - space issue, equipment imbalance & blank sailings occasionally								
	Red - severe space issue, equipment imbalance & blank sailings seriously								
CFS and Warehouse	Green - operation hours as normal	●	●	●	●	●	●	●	●
	Yellow - CFS/Warehouse delays								
	Red - service not available								
Trucking/Rail – pickup and delivery for ocean cargo	Green - Normal	●	●	●	●	●	●	●	●
	Yellow - delays								
	Red - service not available								

General overview Road Europe

	Condition as of today	AUSTRIA	BELGIUM	CROATIA	DENMARK	FINLAND	FRANCE	ITALY	GERMANY	NORWAY	The NETHERLANDS	SWEDEN	SPAIN	TURKEY
General status	Green - business as usual													
	Yellow - running with minor delays	●	●	●	●	●	●	●	●	●	●	●	●	●
	Red - major challenges													●
Borders	Green - all borders are open for goods delays	●	●	●	●	●	●	●	●	●	●	●	●	●
	Yellow - Borders closed and delivery not possible						●							●
	Red - major cancellations													
Ferry situation	Green - business as usual													
	Yellow - several cancellations	●	●	●	●	●	●	●	●	●	●	●	●	●
	Red - major cancellations													
Capacity	Green - 70-100 % normal capacity													
	Yellow - 30-69 % capacity	●	●	●	●	●	●	●	●	●	●	●	●	●
	Red - Less than 30 % capacity													
Lead times	Green - business as usual													
	Yellow - Minor delays can occur	●	●	●	●	●	●	●	●	●	●	●	●	●
	Red - severe delays													
Cost-effects	Green - Normal													
	Yellow - Risk of increased cost on ad hoc basis	●	●	●	●	●	●	●	●	●	●	●	●	●
	Red - Ad hoc pricing													
Government regulation	Green - Normal for cargo transport and driver													
	Yellow - Minor restrictions and disruptions for drivers	●	●	●	●	●	●	●	●	●	●	●	●	●
	Red - Full block of one or more geographic areas – no delivery possible													