



## Impact of Coronavirus on Air Freight and Ocean Freight

18 February 2020

Dear Sir/Madam

Referring to our last letter issued, we would like to give you a further update on the outbreak of Novel Coronavirus (Covid-19) in the Hubei province and the impact to DHL Global Forwarding's operations in China. The situation as of today, 18 February 2020 is as follows:

- Some DHL Global Forwarding offices are now gradually re-opening while some offices are not re-open yet, pending for the approval by the local authorities.
- Against the backdrop of the Covid-19 outbreak in China, the local government in Hubei province has implemented a series of strict controls to prevent the spread of the disease. These include cancelling commercial flights to and from the city of Wuhan, as well as closing all highways and roads into Wuhan. As a result, DHL's pick-up, delivery and warehousing services in Hubei province are currently suspended. We will resume our service in Hubei province subject to local authority emergency controls. In response to the Covid-19 outbreak, additional controls and movement restrictions have been imposed by authorities in other provinces and cities as well. These may be expanded in the coming days.
- As a globally operating company, epidemic and pandemic risk scenarios are an integral part of the Group's continuous risk planning. Accordingly, DPDHL business operations are continually adapted to mitigate potential impacts. The Group's task force closely monitors the situation, coordinates with international organizations (such as the WHO) and provides the necessary information to all employees and relevant operations. The safety of our employees is paramount and we have contingency measures in place to mitigate any potential impact.
- The situations described above are unforeseeable and outside the reasonable control of DHL Global Forwarding and in the nature of 'force majeure', thereby creating impediments to DHL Global Forwarding in providing its services to its customers. In practical terms this means:
  - Because of the force majeure situation, DHL Global Forwarding is not in a position to honor agreed contractual rates and transit times to and from All Asia including AU/NZ / Middle East (RSGULF) / IPBC. Other trades may be affected as well.
  - Effective immediately, the rates and transit times for all shipments need to be agreed on before shipment execution with either the shipper or the consignee. For shipments to be executed, the rates and surcharges need to be accepted unconditionally by the shipper or the consignee.
  - Before booking a shipment please ensure that consignee and respective broker in China will be able to clear and receive or collect the respective shipment without delay.

## **Air Freight**

- The large number of cancellations of both passenger and freighter flights combined with factory and logistics operations restarting in the coming weeks are expected to cause an air freight capacity shortage that could last until April. In total, more than 25,000 flights have been canceled per week so far, reducing air freight capacity by approximately 50%. The situation is very fluid with new announcements being made without any prior notice by carriers for flight cancellations or government authorities imposing new restrictions on movement within cities.
- DHL Global Forwarding is working closely with its carriers and other partners to identify transport shipments to and from China using alternative solutions such as charter flights. We secured dedicated charter capacity for Europe-China-Europe and US-China-US. Please reach out to your account manager or customer service representative to discuss the possibilities of delivering cargo to/from China using charter flights.
- Contractual storage fees in China apply for all shipments up to 12 February 2020; after 12 February 2020 a fee of EUR 0.08 per kg per day (or CNY0.60 per kg per day) will apply.

## **Ocean Freight**

- Shipping lines have announced extensive blank sailing programs for their vessels until the end of February. About 82 trans-Pacific sailings have been canceled into March, taking out around 198,500 TEU off the market, while carriers have blanked around 54 sailings in total for trade between Asia and Europe, accordingly to Sea-Intelligence Maritime Consulting. DHL Global Forwarding's space allocations with carriers are being impacted.

With the extended Lunar New Year holidays and concerns regarding the spread of the Covid-19, terminal operations and pick-up of inbound containers in China have been slow. Consequently, most reefer plugs at the yards of all container terminals in Shanghai, Ningbo and Tianjin (Xingang) are already being occupied. Carriers have to divert reefer cargo to other ports. To cover the additional costs, some of carriers have imposed the Port Congestion Surcharge (PCS) for reefer containers imported into Shanghai, Ningbo and Tianjin (Xingang) with effect immediately. For shipments that have been or will be rerouted, PCS will be calculated at the time of the reloading as soon as space is available on these terminals. If shipments are affected, we will inform our customers accordingly. Please understand that while we are trying our best to safeguard your cargo, all related costs will be billed to the consignee.

To support urgent shipments for our customers particularly cargo to US, we will extend our MMEX (Miami Multimodal Express) service – a regular weekly consolidation service export from SHA to LAX. This option is to serve China-US lane (Express FCL or Express LTL/FTL). For details, please reach out to your account manager.

With strict control for trucking across provinces & self-quarantine request to people return from their home town to the working place, there is severe shortage of truck drivers which leads to very limited trucking resource. The situation in Shanghai, Jiangsu, Zhejiang and Anhui area is more challenging. To manage this challenge, we now offer the barge solutions to Shanghai Waigaoqiao and Yangshan for customers in some cities of Anhui, Jiangsu and Zhejiang Province, with the transit time of 5 – 8 days. Please contact your account manager if you wish to use this option.

- Trucking availability has been reduced to 40% within the Shanghai city area, while capacity is been down to 10 percent from Shanghai to other cities as drivers reject trips to inland provinces to maximize the number of runs per day. No driver from outside Tianjin were reportedly allowed to enter the city, while only 10 percent of the local drivers were able to offer services. These developments have led to delays and a sharp increase in trucking prices. If shipments are affected, we will work closely with our customers to determine the best course of action in their specific case.
- Caused by severe equipment imbalances and a multitude of blank sailings, a peak season surcharge for all container types in addition to a congestion surcharge for reefer equipment are currently expected to be implemented with the below mentioned levels:

**Port of Loading: NCUK EUR to Port of Discharge: Middle East (RSGULF) / IPBC / All Asia including AU/NZ**

USD 300 per 20' dc, ot/fr in gauge  
USD 500 per 40' dc, hc, fr/ot in gauge  
USD 750,00 per reefer container  
USD 10,00 w/m for LCL cargo

**Port of Loading: MED EUR to Port of Discharge: Middle East (RSGULF) / IPBC / All Asia including AU/NZ**

USD 200 per 20' dc, ot/fr in gauge  
USD 400 per 40' dc, hc, fr/ot in gauge  
USD 750,00 per reefer container  
USD 8,00 w/m for LCL cargo  
For reefer containers a port congestion fee of USD 1000,00 per reefer applies with immediate effect.

Increased equipment repositioning distances may cause additional fees for pre- and on-carriage. We reserve the right to adjust above surcharges if circumstances require.

We strongly recommend to prepare for possible equipment imbalances in Europe which may affect your supply chain planning. Please do consider [China Rail](#) or [Air Services](#) for urgent shipments.

There is so far no reports of DHL Global Forwarding staff in China and Hong Kong becoming infected with Covid-19. The company has undertaken significant preventive and proactive measures during the period to ensure we best safeguard our employees' health and safety and

continue to manage our day-to-day operations with little or no impact to our customers' shipments.

Please rest assured that we will keep you updated of any changes to the current situation.

Should you need further information, any concerns and/or queries, please feel free to contact your account managers or customer service representatives.

Thank you for your understanding.

Yours sincerely

DHL Global Forwarding

Experts in Global Trade