

Rx-360 Town Hall Meeting

April 1, 2020



David Bang
Global VP Strategic Development
Hellmann Worldwide Logistics

Town Hall Format

- This Town Hall is being recorded so Rx-360 can post on our website as an industry resource.
- During the Town Hall questions can be sent in via the Chat icon located on your screen or by emailing Brittany Doody at bdooddy@rx-360.org
- When you do send in question, please provide your name and organization. There will be a question reminder throughout today's Town Hall
- All Slides from today's Town Hall will be available via the Rx-360 Website or upon request





Covid-19 Impact on Logistics (Air, Ocean, Road)

8 April 2020

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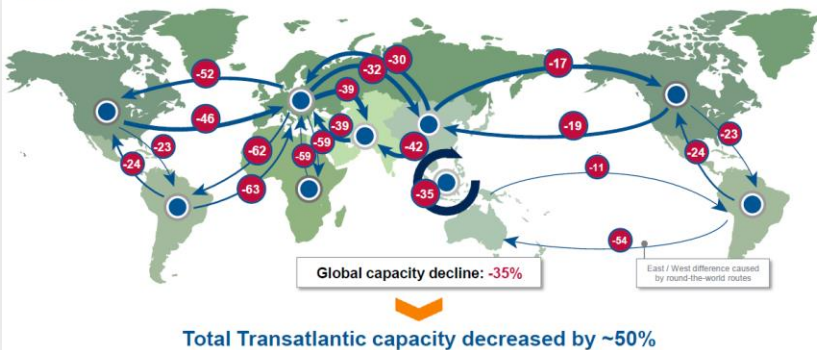
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Air Freight

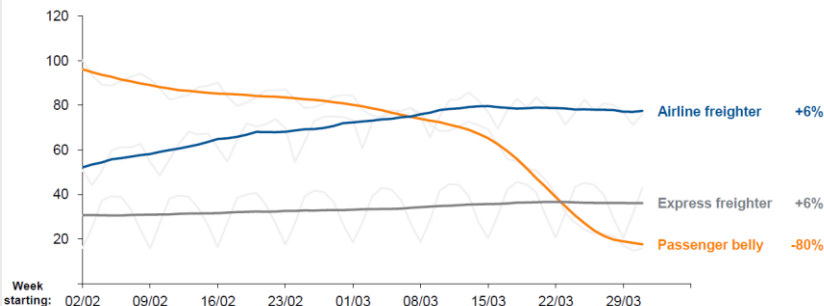
As of 8 Apr 2020

Total air cargo capacity growth¹, 25 - 31 Mar 2020 vs. same week last year²
YoY growth, %



Daily international cargo capacity¹, Feb – Mar 2020
Thousand tonnes

YoY, % (25-31 Mar):



Macro

- Global capacity is 35% lower than last year. Transatlantic capacity decreased by ~50% due to its higher dependence on passenger flights for cargo. Some trade lanes lost even more than 60%.
- Some passenger flights are being converted as freighters and charter flights are being deployed to ease the capacity situation. However, the rates will continue to be much higher than the usual time (3-5 times).
- Medical / Healthcare commodities take priorities to be uplifted in most cases.

Micro

- We are starting to see serious handling issues at JFK airport. New York has been significantly impacted by COVID-19 and is currently one of the worst hit regions in the US. Warehouses in the area are having extreme difficulty in staffing their facilities and, as of this morning local time we are receiving reports that it may take as many as 10 days to recover cargo after arrival.
- Envirotainer Repositioning Surcharges
- Long transit times and unqualified routings for some temperature-controlled lanes

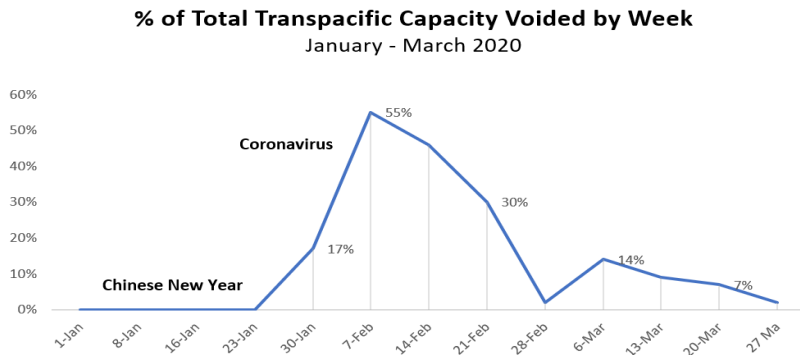
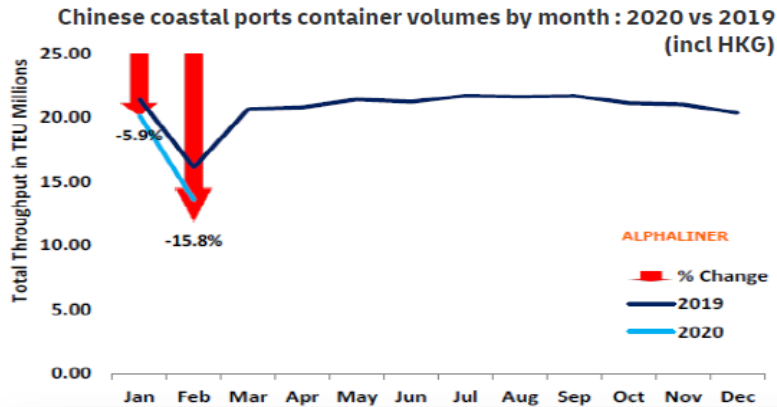
Source: Seabury Consulting

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Sea Freight

As of 8 Apr 2020



Macro

- Relatively speaking sea freight is less impacted than air freight as of now.
- Total container volumes handled at Chinese coastal ports dropped by 10.1% in the first two months of 2020 compared to same period in 2019.
- Latest statistics from all Chinese coastal ports (incl HongKong) show a 15.8% decline in total container throughput in February, due entirely to the extended holidays imposed in China following the outbreak of the COVID-19 pandemic.
- Apart from ports in Hubei, all other Chinese ports have resumed normal operations since the end of February, but volumes have not fully recovered to their pre-holiday levels.
- US port congestion: The risk in the coming week is that more US retailers and manufacturers fail to pick up containers because warehouses are full or closed due to not being deemed essential service providers responding to coronavirus disease COVID-19.

Micro

- Reefer container shortage due to equipment in-balance (not enough containers coming back out of China).
- Chassis shortage
- Demurrage and Detention

Source: Alphaliner, Oceanair

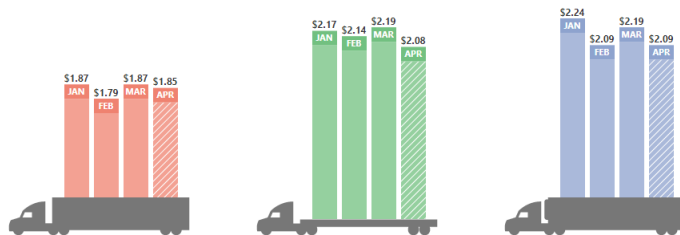
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Road Freight (USA)

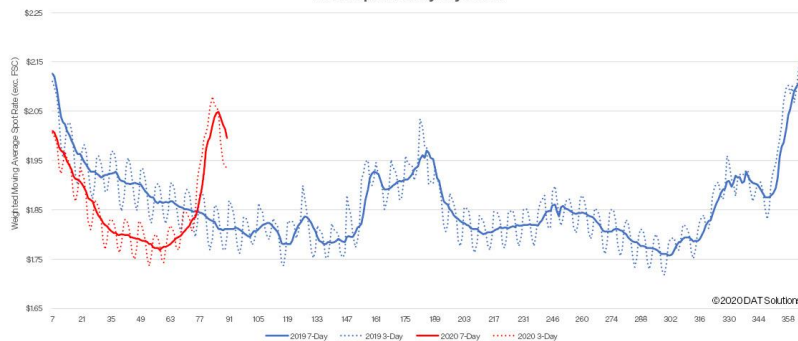
As of 8 Apr 2020

Truckload spot rates drop, as demand falls abruptly



National Spot Rates: Van, Flatbed, Reefer

Reefer Spot Rates by Day of Year



Macro

- Rates fell last week, following a sharp decline in load-to-truck ratios. Consumers stayed home, making it less urgent to re-stock grocery stores shelves. At the same time, businesses deemed “non-essential” slowed or stopped freight shipments, reducing demand.
- Driver shortage was already a pre-covid19 issue and it is expected to get worse as some may not want to take the risks or uncertain adverse situations (e.g. rest stops closed, etc.).
- 80% of these trucking companies are regarded as small businesses totaling 6 trucks or less – meaning financially volatile – CARES Act will relief such motor carriers for the time being.

Micro

- In some states, truck drivers are being denied basic necessities (rest rooms, food, etc.) as they deliver essentials in this pandemic. On April 1, 2020, The Federal Motor Carrier Safety Administration (FMCSA) issued statement on state and local shelter-in-place restrictions to identify truck drivers and those working in related transportation functions as essential workers.
- Also, on April 3, 2020, the Federal Highway Administration issued lifted federal restrictions on food trucks operating at highway rest areas for truck drivers to have access to food services even during the shelter-in-place restrictions.

Source: Alphaliner, Oceanair

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Road Freight (Europe)

As of 8 Apr 2020



Macro

- Due to border sanitation checks conducted in many European countries, congestion and delays occurred during mid and late March. Currently free of major slow-downs.
- Significant decrease in trucking capacity in Europe between 16 Mar and 30 Mar: -13%
- Industry output declines in all European countries (main affected: Italy, France, Spain, Benelux).
- Trucking rates are higher not just because of capacity but also lack of optimal loads (round trips between Germany and France with different commodities).

Micro

- Some inner road transports remained stable (Germany)
- Strong decline in domestic transports in France, Italy, and Spain.
- Slight decrease in Austria and Romania.
- Mainly affected for cross-border moves are Germany, Italy, France, Spain, and BeNeLux while slightly affected are between Germany and Poland and Germany and Austria.

Source: covid-19.sixfold.com

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Customs and OGAs

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China moves to ensure quality of medical supply exports

Xinhua | Updated: 2020-04-01

BEIJING — China has taken new measures to ensure the quality of medical supplies exports amid the global fight against the novel coronavirus disease (COVID-19), authorities said.

Starting on April 1, exporters of medical products including COVID-19 testing kits, medical face masks, medical protective suits, ventilators and infrared thermometers need to provide extra documentation when they go through customs clearance, according to the commerce ministry.

The document, in either print or digital form, should contain a declaration that the products have been officially registered in China and meet the quality-control standards of respective export destinations, the commerce ministry said in a notice on its website.

The customs will release the exports based on certificates of registration approved by medical product administrations, according to the notice jointly issued with the General Administration of Customs and the National Medical Products Administration.

The notice urges exporters to ensure the quality of their products to help the international community fight the epidemic.

As of 8 Apr 2020

Enforcement Policy for Face Masks and Respirators During the Coronavirus Disease (COVID-19) Public Health Emergency

Guidance for Industry and Food and Drug Administration Staff

March 2020



FDA
U.S. FOOD & DRUG
ADMINISTRATION

U.S. Department of Health and Human Services
Food and Drug Administration
Center for Devices and Radiological Health

**“No disruption on FDA clearances
– Cargo goes!”**

Anthony Orosz, Assistant Director USCBP
Pharmaceutical CEE
Rx-360 Town Hall (26 Mar 2020)

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*As shop, factory and plant closures continue around the world, the name of the game now is to keep inventory where it is – increasingly difficult as terminals, yards and warehouses become congested.

What to consider



Now

- Discuss BCP with your core logistics providers and share your forecast data more frequently than usual.
- Explore alternative storage (e.g. temporary storage locations) and transportation solutions (e.g. sea-air, rail, LCL, etc.)
- Address the newly emerging risks (theft, cold chain, etc.).



Near-term

- Prepare for the potential ripple effects (e.g. bankruptcies, congestion*) and adjust your supply chain.
- Build scenarios for ramp up (recovery) and prepare all aspects of it carefully.



Mid-term

- Lessons learned to be applied to your new supply chain design (e.g. API and generic drugs, inventory levels, inventory reserves)
- Diversified modes of transportations
- Improved planning
- Multi-manufacturers Collaboration
- Visibility and Digitalization (Real Time) are no longer optional.

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#LogisticsHeroes #SupplyChainHeroes



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Upcoming: Rx-360 Town Hall Meeting

Thursday, April 16th at 12:00pm EST

- **Guest:** Eric Marshall, Executive Director, Partnership for DSCSA Governance
- **Topic:** COVID-19 and the Drug Supply Chain Security Act

