

## Logistics and Supply Chain Update

July 2, 2021

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The summer's hot start has provided no relief to the heavily strained transportation market. Record shipment volumes continue with minimal increase in capacity of ocean vessel, containers and air cargo carriers. Periodic supply chain challenges include the Yantian COVID outbreak, continued limited workers and constrained equipment at ports and air terminals are pushing higher lead times for ocean and air. Congestion and capacity with US movements increased. During the quarter, one week delays in truck scheduling was common and there now up to two week delays in rail. Sharp upward pricing continues. Spot market Ocean pricing is approaching 5x pre-Covid. Heavy air premiums are broached g 200%. All international small parcel provider have implemented annual price increases and surcharges for over-sized packaging. This coupled with market availability of parts makes it critical to have a minimum of 12 months visibility with limited to no changes in a quarter to help ensure availability to move larger products. Expect continued higher pricing for transportation services and extended lead times at least into the fall.

### OCEAN

US container import volumes continue to set records and add to pressures on ports and other logistics infrastructure (44% YOY increase). Supply chain disruptions, continued COVID outbreaks in Asia and worker availability are compounding issues with extended lead times to 90 days.

#### US Dwell and Wait Times

Country	Port	Wait Time (Past 7 Days)	Dwell Truck (Past 7 Days)	Dwell Rail (Past 7 Days)
Canada	Vancouver	1 - 2 Days	2 - 5 Days	3 - 6 Days
United States	Charleston	1 - 2 Days	2 - 6 Days	1 - 7 Days
United States	Houston	1 - 1 Days	3 - 8 Days	5 - 7 Days
United States	Los Angeles...	1 - 7 Days	6 - 13 Days	4 - 12 Days
United States	New York	1 - 2 Days	3 - 7 Days	1 - 5 Days
United States	Norfolk	1 - 2 Days	4 - 19 Days	1 - 6 Days
United States	Oakland	3 - 9 Days	4 - 10 Days	4 - 8 Days
United States	Savannah	2 - 3 Days	3 - 13 Days	1 - 3 Days
United States	Seattle	2 - 6 Days	5 - 10 Days	3 - 5 Days
United States	Tacoma	-	5 - 15 Days	8 - 12 Days

#### North & South Asia Export Delays

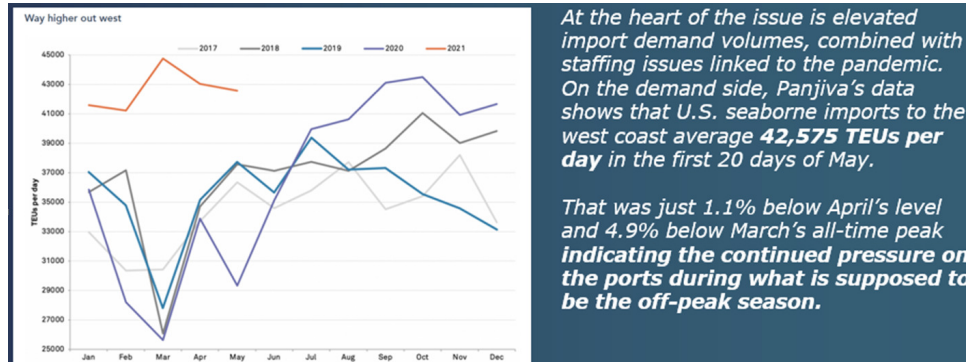
Country	Port	export_range
Taiwan	Kaohsiung	4 - 11 Days
South Korea	Busan	4 - 8 Days
Japan	Nagoya	8 - 10 Days
Japan	Tokyo	9 - 12 Days
Hong Kong	Hong Kong	6 - 14 Days
China	Guang'ao	-
China	Ningbo	4 - 10 Days
China	Qingdao	3 - 5 Days
China	Shanghai	3 - 4 Days
China	Shenzhen	7 - 10 Days
China	Tianjin Xing...	2 - 3 Days

Country	Port	export_range
Viet Nam	Ho Chi Min...	4 - 8 Days
Thailand	Laem Chaba...	6 - 11 Days
Singapore	Singapore	3 - 8 Days
Malaysia	Port Klang (...)	4 - 7 Days
Indonesia	Jakarta, Java	5 - 6 Days
Australia	Fremantle	-
Australia	Melbourne	7 - 7 Days
Australia	Sydney	3 - 3 Days



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### US West Coast Shipping Trends

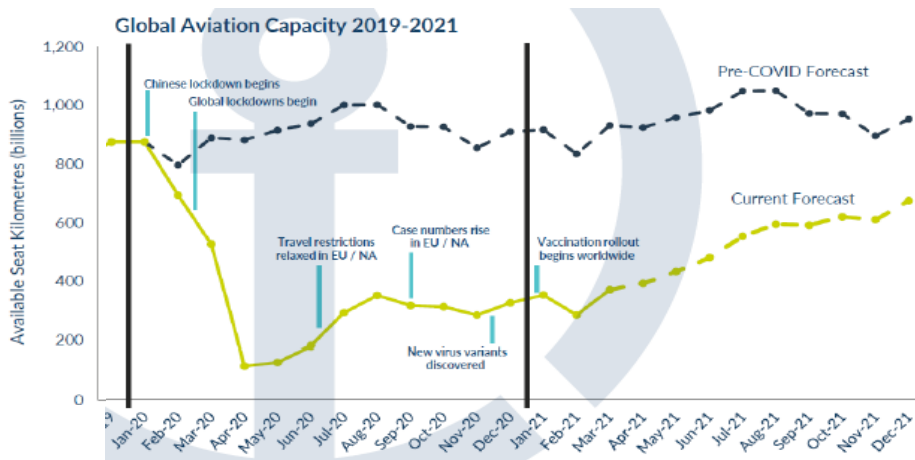


### SMTC Action

- Expanded planning window for ocean to 90 days.
- Preposition LCL shipments 3 weeks prior to departure and 6 weeks for FCL
- Work with customer to ensure 12-month minimum forecast window.
- Advise customers of impacts on changes inside 13 weeks; resulting in expedites and increased costs.

### International Heavy Air (palletized > 150kgs) & International Small Parcel

Q2 transit lead times for heavy air continue at 1-2 weeks longer compared to pre-Covid with surcharges up to 2x. Do not expect improvement until the return of international passenger flights. Belly capacity did increase in May to 67% of planes in use; however; coupled with continued surges in Asia air exports; up 34% YOY, there was less availability. With distribution of COVID vaccines taking place internationally and US air market recovering there are some optimistic outlook of up to 70% passenger recovery this year but with greater delays in Asia. Unfortunately with rising costs and delay in ocean continuing net air exports will likely increase more. Most analysts do not for see a recovery until at least the fall.



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UPS, DHL and FedEx small parcel providers experienced increases in transit time and put in place higher pricing. Carrier capacity became constrained as more shippers moved away from heavy air. At the same time each carrier implemented process to handle some amount of palletized shipments. This resulted in delays of 5-7 days and premiums of 20% for larger shipments. The carriers have since supplemented the facilities to handle oversize packaging but transit times are delayed 1-4 days with oversize impacted the most and with continued premiums.

### **SMTC Actions**

- Continue to closely monitor production plans and work with customers. As critical shipments need to go by air and when possible, SMTC is using small parcel for best delivery time and tracking
- We will supplement rates with the PSS (Peak Season Surcharge). In this dynamic pandemic environment, customer teams will advise capture and pass on the details for recoupment to customers.
- Utilize a TMS tool with frequently updated rates and lead-time for small parcel, heavy air and ocean for procurement teams to make informed decisions with suppliers and our carriers on whether to ship material via ocean/air freight or small parcel. To offset costs and longer lead times SMTC continues to look to break down shipments and utilize small parcel.

### **US and Border Crossings**

- US ground and air – still experiencing some delays with small parcel. Increased demand with intermodal and continued driver shortages have resulting in continued delays and longer scheduling for LTL and FTL. The spot market pricing continues to increase.
- MX to US Border Crossing. Our operations for cross-docks continue with minimal delays. We continue to monitor MX driver availability. There are delays but generally less than a full day.

**Chuck Fries, VP Logistics & Planning**