SMTC
MANUFACTURING INNOVATORS

Logistics and Supply Chain Update

January 20, 2021

Update January 20, 2021 – Happy New Year

2021 has started with continued dynamic situation with greater disruptions in Ocean transportation and continued challenges in Asia Heavy Air. We foresee pressure continuing at least into the start of Q2. Lead times and forecasts are critically important on heavy shipments in Asia. Following the Chinese government suspension of barge floats in the Pearl River delta which has created congestion in all South China ports, we are now facing extreme shortages of containers in Asia. Expect Ocean transit time of 65 days and if manufacturers are not seeking tender shipments 3 week early Ocean transit could reach 90 days. All expedites inside 90 days will need to go by Heavy air with 2x surcharge cost expected.

Pricing pressures will continue into 2021

- Ocean FCL rates are now up 2x with LCL rate surcharges being applied at 20-40%.
- Heavy air surcharges from Asia continue at 2x average costs.
- All international small parcel carriers continue with ~ 10% surcharges.
- US domestic carriers UPS and FedEx all announced and have implemented across the board general rate increases of ~ 6%.

Per the market conditions, SMTC is continuing with the following actions to ensure we meet our customer build requirements. The project and account managers will be working with their respective customers on coordinating when expedited freight methods are required.

- Lead times for Asia Ocean transport 65 days.
- Placing ocean LCL booking 3 weeks in advance to ensure sail dates.
- Lead time for heavy air (palletized over 150kg) up to 3 weeks, expect over 2x normal cost surcharges.
- Critical shipments need to go by air. When possible, using small parcel for best delivery time and tracking

AIR – space continued to be tightened and expected to increase with Ocean transport challenges. Small parcel has the least impact. Heavy air one to two week delays and up to 2x surcharge on top of normal costs. SMTC continues to collaborate with our suppliers to minimize cost / break down shipments to small parcel when possible.

US Truck transportation - With COVID cases rising, there is an increase shortage of drivers. Delays increasing on LTL to 3-4 days. Pricing continues to increase in the spot market. Lead times with small parcel have increased slightly with increased holiday demand.

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.

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OCEAN

- *ASIA – NORTH AMERICA* - Equipment imbalance issues are persisting in Asia. Carrier backlog for cargo is growing and it's becoming increasingly difficult to secure containers in Asia. Advanced booking notice 4-6 weeks prior to CRD is suggested. Experiencing 3 weeks delays in offloading containers in west coast with longest delays occurring with LCL.
- *ASIA – EUROPE* Very strong market and severe equipment shortage expected to last through CNY 2021. It's been advised to be flexible on equipment substitution (40'ST, 40'NOR and 20'DC instead of 40'HC) whenever possible. Widespread restrictions for UK cargo due to port congestion and haulage limitations, expect delays and operational issues. Advance booking notice at least 4-6 weeks prior to CRD is suggested.
- *EUROPE – NORTH AMERICA* Strong market is expected to continue through December with no sign of downtime into the new year. Equipment shortages in Italy, Spain, and Portugal in particular for 40/HC containers. Ongoing severe EQ shortages in Turkey.
- *NORTH AMERICA OUTBOUND and PORTS* - Chassis availability is tight at most major ports and rail ramps and space constraints increasing from US Gulf ports. Advanced booking notice at least 7-10 days prior to CRD at Port and 10-14 days prior to CRD at Rail Ramp are suggested.

Country Impacts Carefully monitoring below fluid situations.

- **Thailand** Emergency Decree Nationwide in Thailand extended to the end of February. The local pick-ups/deliveries are under normal operations. Land borders are open with extra checks on the delivery and can experience some delays.
- **Malaysia** A lockdown was re-introduced to several states by the government with effect from Jan13 until Jan26. The MCO states affected: Penang, Selangor, Kuala Lumpur, Putrajaya, Labuan, Melaka, Johor, and Sabah. Restrictions imposed but essential sectors including logistics remain operative.
- **North China** lockdowns in 3 provinces including Hebei, Jilin, and Heilongjiang. Some cities in Hebei are going into 3rd week of lockdown are Langfeng, Gu An and Shijiazhuang but others are now open. Both Beijing airport & Xingang seaport are operative but there are some cross border trucking restrictions.
- **Pearl River Delta** – barge float suspension resulted in some increased congestions and rerouting on truck shipments down river to Hong Kong. Not seeing increases in ocean transport time at this time from this region above the current 65 days
- **UK** - Land borders are open with extra checks for local pick-up. Deliveries inside UK have disruption due to driver and equipment shortages.

Chuck Fries, VP Logistics & Planning