

August 19, 2015

Tianjin (Xingang Port) Explosion and Status Update

To Our Valued Customers:

There is certainly a lot being published in the press about Tianjin and the explosion at Xingang Port, and a majority of them state that operations will resume to normal in about one week. While this is generally accurate, we wanted to continue to provide details of what your shippers, consignees, truckers and agents are dealing with on the ground that is impacting your supply chain.

**What makes Xingang port unique?** Xingang is the 10<sup>th</sup> largest port in the world. A significant percentage of export container traffic is loaded in containers at the port's vast network of CY and CFS stations surrounding the port itself. Many of these exports are received in these CFS locations from all over north China in domestic trucks, loaded into containers which are pulled from a vast network of CYs, and then delivered locally to the terminal for Customs inspections and vessel loading. It was at one of these warehouse locations that the explosion occurred (Tianjin Ruihai Hazardous Warehouse), and there were about 10 other CFS stations that were seriously damaged.

**Weather:** Since the explosion last week, the weather has become inclement with rain showers the last few days. This has caused some of the CYs to temporarily halt operations as there are serious concerns about contamination.

**Staffing at the Terminals:** Many terminals are experiencing a lack of workers (crane operators, tally clerks, forklift drivers, etc) as concerns for safety have increased since the explosion. Operational efficiencies at the various CYs is being impacted.

**Vessels and Carrier Schedules:** To the United States and Canada, the carriers service Xingang mostly through a feeder network connecting Xingang, Dalian, Qingdao to Pusan, Korea (or elsewhere). We have only seen a few of these services be canceled so far which is positive. We are experiencing delays in berthing and departures of between 12 hours and 3 days.

**Trucking:** Trucking to and from the various CYs and CFS stations is still problematic resulting in a buildup of congestion. There are a host of reasons for this (1. Computer systems and internet connectivity has suffered so the issuance of Arrival Certificates is delayed, 2. With a reduction in workers at the terminals the processing of equipment, empties, and containers is delayed, 3. A general reluctance of drivers to accept deliveries or pick-ups at the terminals).

**Tianjin Customs and CIQ:** As of today China Customs and CIQ is operational but the processing of shipments remains slow. The few days immediately following the explosion, our teams in Tianjin have experienced a significant increase in Customs exams. The largest inspection location, called International Logistics, is still blocked, so exams are not being processed there. Some good news here though is that because of the closure of the International Logistics Customs Exam Site, Customs is allowing shippers to make reservations with Customs officials at other CY locations to effect the inspections. However, the process is still slow and should cargo be selected for inspection, it is virtually guaranteed to miss the scheduled vessel departure.

**Alternatives to Xingang:** Some shippers are rerouting their exports to Qingdao and some to Dalian. In fact, many carriers have temporarily shifted their allocations accordingly and have reduced their Xingang allocation and increased allocations at both Dalian and Qingdao. However, if your containers are already in the process of being shipped through Xingang (declared through Customs, received at the CFS or CY), rerouting now is not an option. Domestic trucking from the Tianjin area to Qingdao is approximately CNY8500.



**Where's my container?** Many of you are asking this question. We are working with our partners to ascertain the status of each container flowing through our network, to determine when vessels will depart/arrive, and to provide these updates to you as quickly as information becomes available.

Clearly this situation will continue to evolve over the next few days, and we will continue to share updates with all of you.

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