

April 15th, 2020

Operations Update #6: COVID-19

To Our Valued Business Partners,

As ONE North American management continues to monitor the impact of COVID-19 on our industry, we would like to provide an update on the key operating areas which are affecting all of us.

This is a fluid situation with significant changes occurring quickly, and we will continue to provide updates as these impact our supply chain.

North American Network Status Update **(Apr/14 changes in red)**

Operation	
Localities	While municipalities and states are issuing various protective measures or recommendations, there have been no requirements which have restricted staffing/labor from getting to work. There have also been no restrictions with any notable impact on container operations in North America and the transportation of goods.
	States – Most states have issued “shelter in place/stay at home” orders. Most have exempted logistics/transportation as essential business. ONE is running with full and continuous operations in US and Canada as a result.
Labor	Both EC ILA and WC ILWU workforces continue to operate as usual with no major impediment. There are certain work rule adjustments regarding contacts with crews and social distancing which have been instituted without impact to operations.
	Labor and employers on both coasts have adopted extensive cleaning programs for equipment being transitioned from one worker to the next. WC ILWU has instituted a change in shift times replacing the 18:00 to 03:00 night shift with a 19:00 to 04:00 schedule.
Shipper Warehouses	ONE is receiving notice from some customers that they are closing their warehouse operations at various locations. To avoid a backlog of cargo and remain fluid, no terminals or railroads are extending freetime or demurrage charges. There is no operational impact at this time as volumes are low and terminal, ramp and chassis capacity is adequate to ample.
	On Mar/30, OCEMA (Ocean Carrier Equipment Management Association – ONE is a member of) issued the attached press release highlighting the importance of imports being pulled off terminal and unloaded in order to protect maritime and inland network fluidity.



Terminals	The terminals have instituted individual business continuity measures to safeguard office and operational staff. We are facing no major disruption to terminal operations. Voyage cancellations and low cargo volumes have resulted in the cancellation of certain gate shifts on an on-going basis. ONE empty inventory levels in LA are high but we expect to maintain adequate space for on-going returns.
Railroads	The railroads have instituted individual business continuity measures to safeguard office and operational staff. We are facing no major disruption to rail operations.
	Due to low cargo volumes, the railroads have had to furloughed crews and put cars into long term storage.
	UP is experiencing car and engine imbalances due to a short, post-China cargo resumption surge. Measures are being taken to pull cars from storage and prioritize engine and car repositioning to avoid any service risk. We expect limited to no West Coast delays as a result.
	Due to the post-China cargo resumption surge and vessel bunching in Vancouver, a backlog of Canadian Pacific imports is developing due to reduced train capacity (related to furloughed crews and car shortages). This is expected to be a 2-3 week problem with dwell growing to 5 to 6 days before coming down after the surge subsides.
Trucking	No notable supply, regulatory or operational concerns at this time.
Vessel Operations	Globally, regulatory bodies have instituted increased reporting and health precautions which may vary by country or by port. In North America the US Coast Guard, Transport Canada, CBP, CBSA, port authorities and pilots play different roles in establishing rules. Most rules instituted have had no impact on NA port operations.
	Seattle/Tacoma - In Seattle and Tacoma a rule change has vessels coming from at risk countries waiting 14 days before being piloted to the port. (Currently PN2 is the only ONE service impacted by this with a 2 day delay from standard schedule.)
Depot Network	Depots are mostly operating as normal. Empty inventories are adequate to tight (depending on location) with no empty receiving restrictions in place nationally.
Chassis	Due to low cargo volumes, chassis supply is still ample at all locations at this time. Chassis supply could become an issue in any giving area should shippers pull containers to their distribution centers without devanning and returning them.

Sincerely,

Ocean Network Express (North America) Inc.
