

# G20 IMPACT COMMUNICATION

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*Maersk Line Greater China Cluster*

*1 August 2016*

*2<sup>nd</sup>  
Update*



# Executive Summary to the 2<sup>nd</sup> Update



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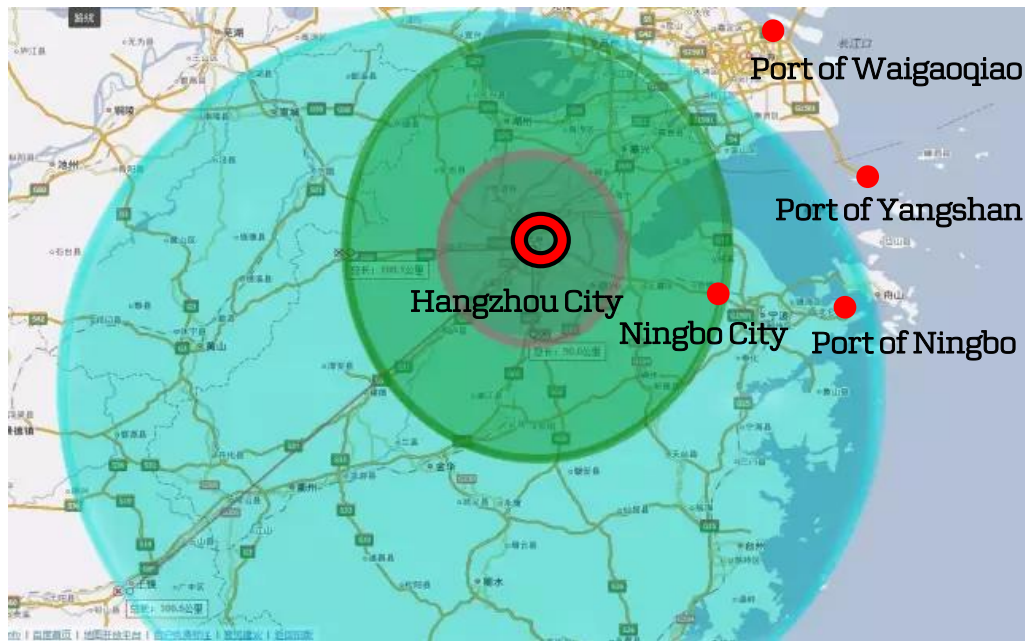
## What are new

- 3 layers for production & traffic restrictions were announced
- Hangzhou citizens will have one week off from Sep 1 to 7
- Hangzhou held 2 traffic control rehearsals
- More areas announced production restriction, including Shanghai Pudong (Waigaoqiao)

## What are still unclear

- Despite many rumours, the local bureaus have not announced official details on traffic control exact scope and measures

# 3 Layers for Production & Traffic Restrictions



Time range: 24<sup>th</sup> Aug – 6<sup>th</sup> Sep

**Core Area** - 50KM from the G20 venue

Covers most districts of Hangzhou, part of Huzhou, Jiaxing and Shaoxing

**Strictly Controlled Area** - 100KM from the G20 venue

Covers other districts of Hangzhou, other parts of Huzhou, Jiaxing and Shaoxing, and all of Ningbo, Jinhua (Yiwu) and Quzhou

**Controlled Area** - 300KM from the G20 venue

Covers Wenzhou, Zhoushan, Taizhou and Lishui

The level of control and inspection will increase from controlled area to core area, need pay more attention on:


- Max pay load
- Transportation time (change routing, longer time at inspection sites, etc)
- Available trucks (strict control on emission)


All in all, the traffic control will make it difficult for cargo to enter Port of Ningbo, and for Zhejiang cargo to enter ports in Shanghai

Production wise, both shut down period and scope is smaller than APEC 2014.

# Hangzhou citizens will have one week off from Sep 1 to 7

SEPTEMBER						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

 G20 holiday

 G20 meeting day

## Why:

- Ensure on time arrivals/departures of G20 participants
- Reduce commuting traffic
- Reduce air emission from commuting
- Alleviate security pressure

# Hangzhou City held 2 traffic control rehearsals on Jul 26 & 27

22:00 26<sup>th</sup> July – 04:00 27<sup>th</sup> July

No vehicle traffic in rehearsal area

14:30 - 17:00 27<sup>th</sup> July

No vehicle traffic in rehearsal area

\* Detail time range of traffic control and traffic restriction (such as whether or not to apply even-odd number restriction to the whole core area) will be announced **1 week** before G20 meeting – making it a big question mark for transporting cargo from Hangzhou and nearby cities to Ningbo and Shanghai ports.



Part of City Map of Hangzhou. The rehearsal area is within the red line.

# Announced Production & Traffic Restrictions – as of 1 Aug 2016

## Shanghai: Aug 24<sup>th</sup> – Sep 6<sup>th</sup>

- Jinshan District will shut down all chemical factories
- Chemical Zone and Fengxian Zone will list companies need to be controlled
- Reduce 30% all port operation power and 50% Jinshan port operation power
- Shut down all factories that failed to complete pollution control task
- Pudong District will reduce 50% of Waigaoqiao power plant's capacity and may shut down 34 factories including Du Pont, BASF, GM, etc



**Traffic Restriction: Aug 24<sup>th</sup> – Sep 6<sup>th</sup>**  
High pollution vehicles in Shanghai are not allowed to enter Hangzhou

## Hangzhou : Aug 26<sup>th</sup> – Sep 6<sup>th</sup>

- The 3 layers involve 11 cities in Zhejiang, especially the core area of Hangzhou



**Traffic Restriction: (TBD)**  
The detailed plan will be announce sometime in week 33/34

Shanghai  
City

Hangzhou City

Zhejiang

## Ningbo Hangzhou Bay New Zone: Aug 24<sup>th</sup> – Sep 6<sup>th</sup>

Factories in Ningbo Hangzhou Bay New Zone will shut down or limit productivity by 50% off



**Traffic Restriction: Aug 28<sup>th</sup> – Sep 6<sup>th</sup>**  
Applies to the whole Ningbo city. Odd-even number restriction reduces at least 50% of available trucks

## Shaoxing:

- All dye factories are closing down for 2 weeks from the end of August.
- Shaoxing government starts to regulate high pollution printing factories since Mar, 64 factories are shut down to reach the environmental standard

# We have understood from terminals that impact to terminal operation will be minimal

- Terminals have been requested to strengthen security and safety measures to ensure vessel and operation workers' safety
- Terminals do not foresee productivity to be impacted by reducing power from the plants
- Neither Ningbo nor Shanghai terminals have received any notice not to handle dangerous cargo during G20. It is business as usual for the terminals at the moment.



## External Communication Plan

Phase	When	Focus
<i>1<sup>st</sup> Update</i>	<i>Week 25</i>	<ul style="list-style-type: none"><li>• Share the information about production and traffic restriction</li><li>• Improve awareness of the possible impact on clients and our operation</li></ul>
<i>2<sup>nd</sup> Update</i>	<i>Week 31</i> <i>(1 month prior to G20)</i>	<ul style="list-style-type: none"><li>• Give the updates on government policies and rules</li></ul>
<i>3<sup>rd</sup> Update</i>	<i>TBD</i>	<ul style="list-style-type: none"><li>• Inform customers when the government will announce details on traffic control</li></ul>



# APPENDIX

*1<sup>st</sup> update content in case you did not read before*

# Executive Summary to G20 Impact



- 2016 G20 meeting will be held in Hangzhou, capital city of Zhejiang province in China, during Sep 4-5 (wk 35)
  - Within 2 hours distance from Ningbo or Shanghai ports
- The local government has announced some production & traffic control measures to meet air quality & security requirements
  - More details are expected to be disclosed approaching the event
- Based on previous experiences (2014 APEC, 2010 Asian Games, 2008 Olympics, etc), we expect such control measures will negatively impact the export and import cargo flows, causing fluctuations before and during the event
  - 22% cargo ex Shanghai & 27% cargo ex Ningbo are under scope of restricted production
  - The traffic control will also lead to more advanced shipments
- We estimate the impact level for G20 to Ningbo and Shanghai ports will be similar to what we experienced in 2014 for APEC in Qingdao/Tianjin ports (export):
  - A pre-rush in 2-3 weeks before the event, with a big drop in the event week
  - A quick rebound in the following week and soon stabilize

# General Info

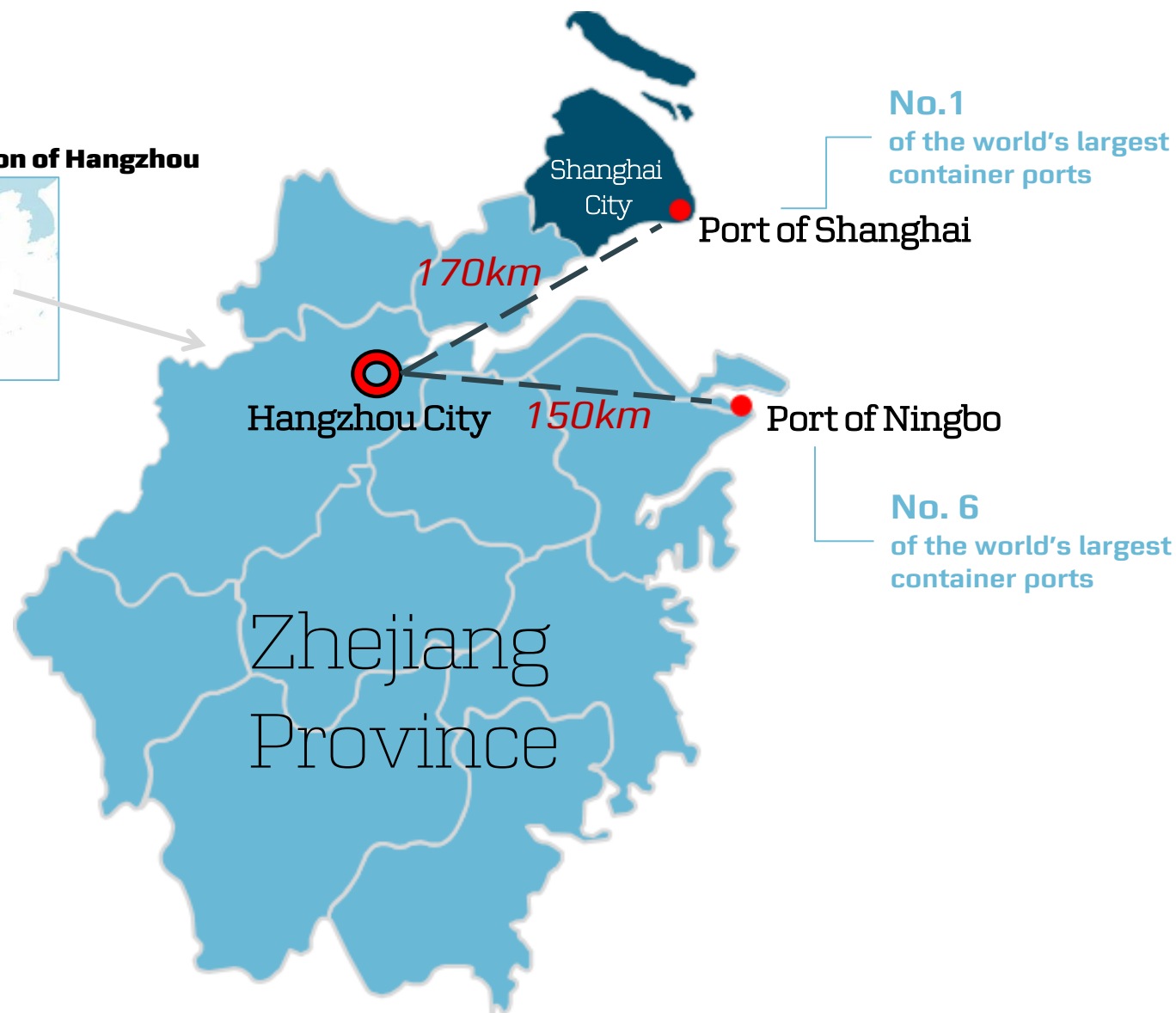


**Date:** 4-5 September, 2016 (WK 35/36)

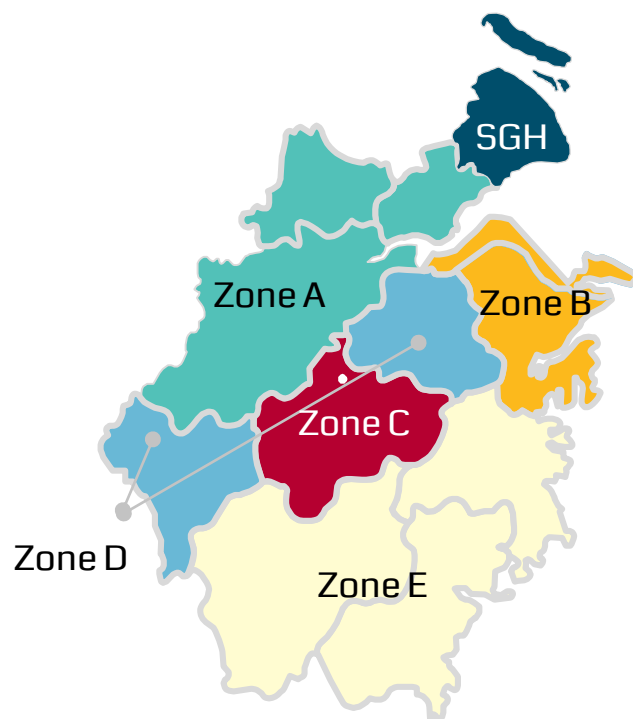
**Location:** Hangzhou, Zhejiang

- *Participants: leaders from 20 developed and developing countries, including President Xi, Obama and Putin, etc*
- *Official Website: <http://www.g20.org/>*

Location of Hangzhou



# Zhejiang Market Overview



Zone A: Jiaxing Hangzhou Huzhou

Zone B: Ningbo Zhoushan

Zone C: Jinhua (Yiwu)

Zone D: Shaoxing Quzhou

Zone E: Wenzhou Taizhou Lishui

## Polluting Industries

Chemicals

Finished Manufacturing, including Glass

Metal In Primary Form

Plastics In Primary Form

Textile/Leather - Not Apparel Or Leather Goods

## Notes

- The production and traffic restriction will be only applied to the southern part of Shanghai, that will mitigate the volume impact on Shanghai export
- Textile/Leather is counted considering dying is also restricted
- For Zhejiang, the polluting volume is mainly from Zone A/D

# Previous International Event Experience

Year	Event	Production & Traffic Restriction	Scope	Duration	Volume Impact
2015	Beijing National Parade	Action plan developed by Beijing, Tianjin, Hebei, Inner Mongolia, Shanxi, Shandong, Henan and other regions, implemented during Aug 28th – Sep 4th, to ensure reducing regional major pollutant emissions by more than 30%. And more than 12,000 coal-fired boilers, industrial companies and concrete mixing plant shutdown or limit production in 7 provinces	Beijing + Tianjin + 5 provinces	8 days	●●
2015	Wuzhen WIC	Jiaxing government promulgates policies to shut down and limit polluting enterprises from Dec 8 <sup>th</sup> to Dec 19 <sup>th</sup> , during the World Internet Conference	1 city	12 days	●
2014	Beijing APEC	Beijing government shutdown all construction activities within 5 <sup>th</sup> ring road and implement odd/even traffic restriction since Nov 3 <sup>rd</sup> – Nov 12 <sup>th</sup> . Provinces as Tianjin, Hebei, Shandong and Shanxi shutdown and limit thousands polluting companies and fields from Oct 31 <sup>st</sup>	Beijing + 3 provinces	13 days	●●●●
2010	Shanghai Expo	Shanghai government setup a 300km radius prevention area, and strictly control discharge of pollutions during the whole Expo period (about 5 month), especially for none-compliance enterprises	Shanghai	5 months	●●●
2010	Guangdong Asian Games	Government implement a 50 days air quality protection program with restrictions applying to power plants, polluting factories, mobile pollution, shipment pollution and constructional pollution. 15 industrial enterprises must carry out limited production or shut down, and other 11 heavily polluting yellow/red credit companies are shut down	Guangdong	50 days	●●●
2008	Beijing Olympic Game	Beijing government has vigorously remediation of heavily polluting enterprises in Beijing, Tianjin and other surrounding areas	Beijing + Tianjin + Surrounding areas	2 months	●●●●●

We estimate the volume impact for G20 will be similar to 2014 APEC:

- Similar level of production & traffic restrictions (the local bureaus have said to copy APEC practice)
- Although market size is bigger in East China than North China, the % of polluting industries is lower in East China

# 2016 Hangzhou G20 – Estimation of Impacted Period and Scope

		-4 week	-3 week	-2 week	-1 week	Event week	+1 week	+2 week	+3 week	+4 week
Restriction Area	Scope	WK31	WK32	WK 33	WK34	WK 35 4 <sup>th</sup> SEP (SUN)	WK36	WK37	WK38	WK39
Shanghai: Partial Zhejiang: Whole	Polluting Factories, chemicals in particular					Shutdown from WED, 24 AUG to TUE, 6 SEP				
Hangzhou	Construction					Shutdown				
Hangzhou	Urban area					Traffic Control				

## What we expect:

1. The impact on production of polluting industries will last 2 full weeks, 1 more working compared to 2014 APEC.
2. The loading will decline from week 34 to hit the lowest in week 35 and the volume will pick up again from week 36.
3. The production restriction was also mainly applied to polluting industries.
4. Though the export market size in “polluting segment” is bigger than those impacted by APEC, Jul-Sep is usually off season for polluting industries, hence we estimate the overall volume impact will be on par with 2014 APEC.
5. We expect to see a rush over week 32/33, 2 weeks prior to the production restriction.

# Impact to our customers and to Maersk Line

## Impact to Customers

- Production Restriction for week 34/35 or even longer for polluting industries
- For Zhejiang, the impact on factories located in Zone A (Jiaxing, Hangzhou, Huzhou) is expected to be greater considering the venue of G20 and the higher proportion of the polluting industries
- Shipments may be advanced by 2~4 weeks
- Bookings with carriers may be advanced by 4~6 weeks so as to secure space

## Impact to Maersk Line

- Pre-G20 Rush for week30~33 while low bookings for week34~36 that will bring challenges of vessel utilization and equipment flow plan
- Operation-wise, most Maersk Line services call Shanghai, Ningbo port, which might be slightly impacted by the above restrictions