

## News pFlash - 2008 Beijing Olympics Impact on Supply Chain

April 18, 2008 - Phancorp Inc., Your Agent in China™, is pleased to share a synopsis of the current supply chain and logistics situation created by the 2008 Beijing Olympics.



The Chinese government has announced that all polluting factories within a 200 km radius of Beijing will be shutdown for a 9-week period, from July 17<sup>th</sup> until September 20<sup>th</sup>, to help clear the smog in preparation for the 2008 Olympic and Paralympic Games.

Beijing manufacturing plants, as well as those in the neighbouring provinces of Tianjin, Hebei, Shanxi, Inner Mongolia and Shandong, will be affected by the shutdown. Polluting factories will be categorized into levels (green, blue, red or black) and controlled separately under policies specific to the different provinces. The shutdown radius could be expanded to 300 km if the improvement of the air quality is insufficient in time for the Games. Power plants may also be included in the shutdown, further affecting manufacturing capabilities.

Shanxi province has already voluntarily closed fifteen thermal plants that are not fitted with desulfurization and dust-suppression equipment, along with coal-tar processing plants that produce hazardous waste. Other provinces may follow suit, in anticipation of an official request from the Beijing Olympic Committee.

Concerns about smog arose from back in fall 2007, when Olympic athletes training in Beijing became sick due to poor air quality.

Plant capacity reductions and shutdowns, could result in short-term tightness of both feed-stocks and downstream products.

Material transportation may also be controlled in order to help clear the air. Non-Beijing licensed trucks may not be allowed to enter Beijing during the 9-week period. Restrictions on material transportation into and via Beijing could result in container congestion at three main ports: Tianjin, Shanghai and Qingdao. The Ministry of Public Security will ban the transport of weapons, ammunition, explosives, highly toxic and radioactive materials, from July 1<sup>st</sup> to October 10<sup>th</sup>, into or via the six cities hosting the Games: Beijing, Shanghai, Qingdao, Qinhuangdao, Shenyang and Hong Kong. Seven out of twelve major highways will be affected.

Tao Lu, Director of Phancorp Asia, recommends that “chemical distributors check their supply chains to determine which of their products are sourced from China and discuss the impact on lead times with their vendors, to ensure uninterrupted supply. Also, be prepared for possible price increases.”

Transportation restrictions will present Chinese exporters with logistical challenges. Exports, especially of hazardous materials, may be affected due to the restrictions on transport into and via Beijing. Air freight will be diverted to Tianjin and Qingdao in order to avoid Beijing airport, due to the possible restrictions on non-Beijing licensed trucks. Ocean freight out of China will be affected depending on the proximity of the exporting plants to the major ports.

“We are already seeing the impact of the Olympics from a logistics perspective on the products we source from China”, reports Meredith Ostrander, Global Logistics Supervisor for Phancorp. “Lead times are increased and freight forwarders and shipping lines are being forced to make adjustments to their shipment schedules.”

Isabel Alexander, President of Phancorp Inc. assures, “As the Distributors’ Partner™, Phancorp plans to work with each of our customers to ensure their needs are met through this period.” Alexander states, “It is too early to assess whether restriction of container traffic due to the Olympics into and out of China will result in a displacement of equipment, affecting logistics longer-term into 2008.”

Phancorp continues to monitor development of the current situation in China and the impact on the supply chain as a result of the Olympic Games. Please visit our website at [www.phancorp.com](http://www.phancorp.com) for updates and contact us for further information.