

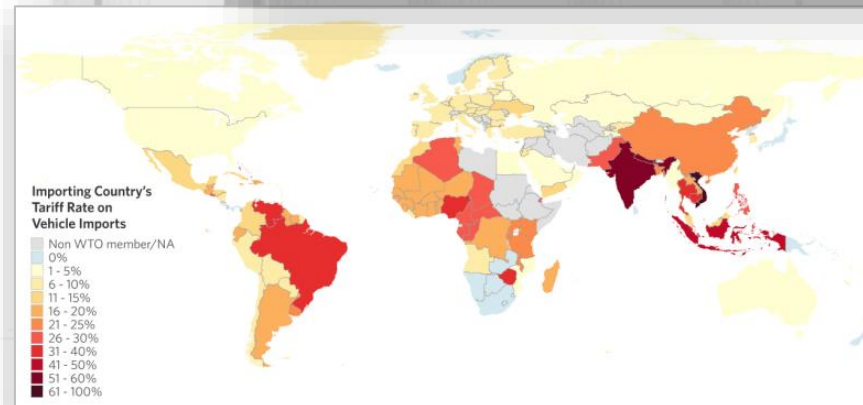
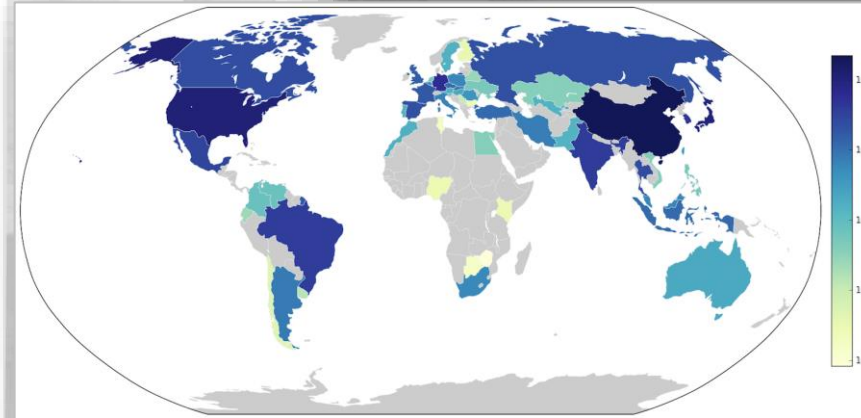
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Finished Vehicle Logistics Unit
2019

Topics

- Global Import/Export Disclosure Laws
- IMO 2020, 3.5% to 0.5%
- BAFfling
- Global Trade NAFTA/USMCA

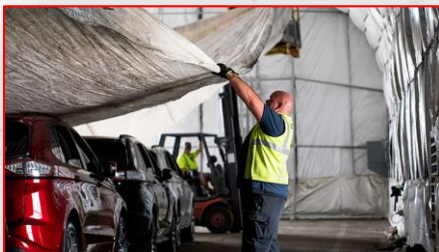
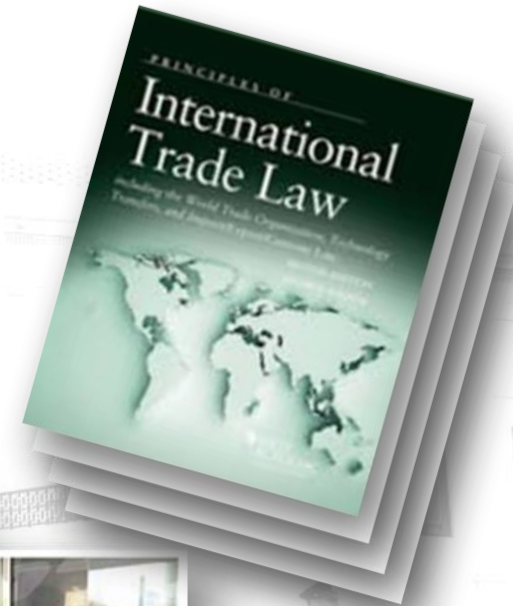
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Global Import/Export Destination Laws

- Country Specific Automobile Import Laws
 - Korea
 - Full disclosure of any logistics damage to consumer from plant to dealer
 - Middle East
 - Disclosure of post plant paint repair to consumer
 - Tires must be less than 6 months old with matching production dates
 - Puerto Rico
 - Part replacement disclosure
 - Australia/Fiji fumigation requirements

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Disclosure Law Countries



12 Countries nearly 30% of Export Volume

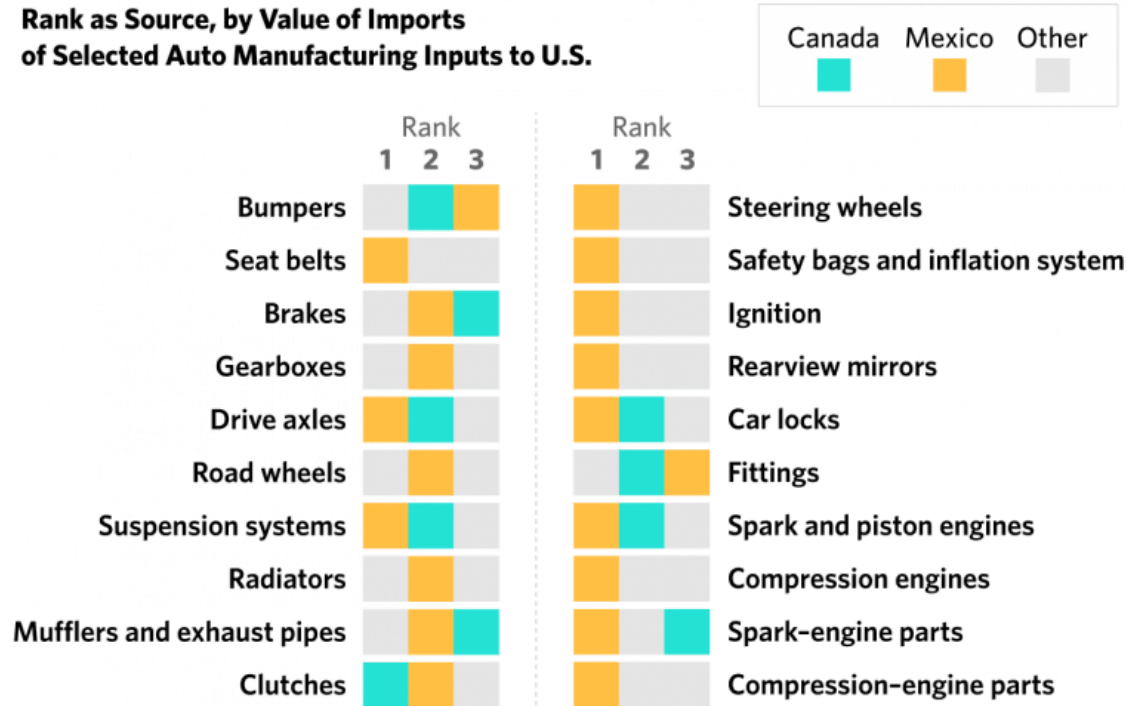
History of NAFTA

- Negotiations begin in 1986
- Signed by leaders for The U.S., Mexico, and Canada in December 1992
- Ratified by The U.S. Congress in November 1993
- Signed into law by The U.S. President Bill Clinton in December 1993
- Went into effect on January 1, 1994



NAFTA Auto Manufacturing Trade

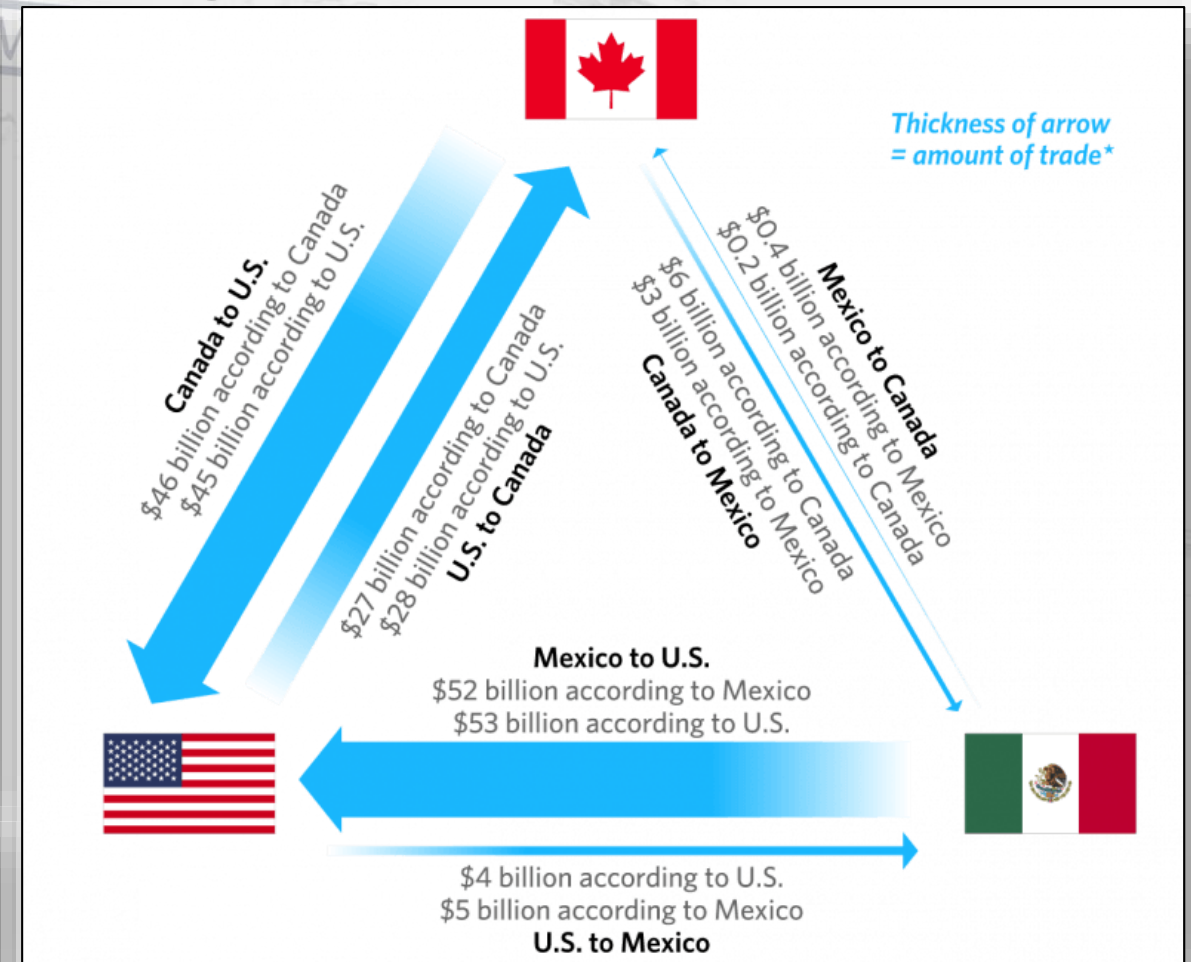
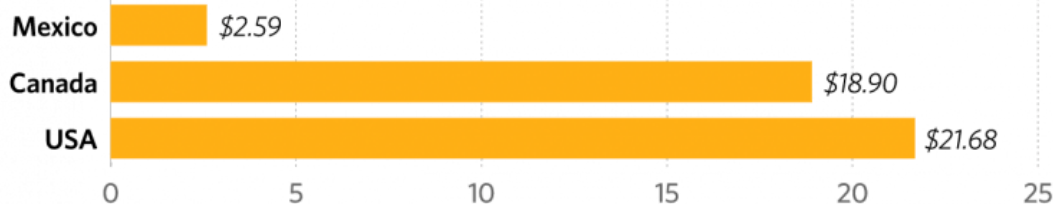
Rank as Source, by Value of Imports of Selected Auto Manufacturing Inputs to U.S.



Source: Trade Map

Copyright Stratfor 2018

Average Hourly Wages for Auto Manufacturing Jobs



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USMCA

USMCA Timeline



Canada is in agreement and joins in on The U.S. – Mexico trade deal. The new deal is called **USMCA**, and contains modifications of its Predecessor, **NAFTA**.

10/2018



If signed, the **USMCA** provisions won't go into effect until 2020 and will take 3 years to allow countries to fully Adhere to the trade policies.

2020



If passed 2026 will hold the first review and revision of **USMCA** with a possibility of Extending the sunset clause.

2020

08/2018

A year of proposed tariffs, real Tariffs, and renegotiation come to A close as Mexico and The U.S. Agree on trade negotiations



2019

USMCA must pass The U.S. Congress to become a legitimate Trade agreement if passed, all three Countries should sign and **USMCA** Trade can take place.



2023

By 2023 The U.S. Mexico and Canada must enforce the full **USMCA** stipulations.



USMCA “What’s New”

Subject	NAFTA	USMCA	Comments
Auto exports	NAFTA content requirement: 62.5% for passenger vehicles and light trucks, 60% for other vehicles	NAFTA content requirement: 75% with requirements concerning minimum hourly wages for workers (to be phased in) Section 232 tariffs: Up to 2.6 million Canadian auto exports to the U.S. are exempt from tariffs in case of any safeguard duties imposed by the U.S.	The cap for the section 232 tariff exemption far exceeds Canada’s current auto exports to the U.S., (approximately 1.8 million vehicles per year)

What’s New?
<p>Sunset clause The USMCA contains a provision known as a “sunset clause,” which extends the period to a 16-year term, with a review required within the first six years.</p> <p>Greater access to the B.C. wine market Canada has confirmed that B.C. will eliminate the requirement that only B.C. wine can be sold on grocery store shelves.</p> <p>Currency manipulation The USMCA includes the first-ever chapter targeting currency manipulation in a free trade agreement.</p> <p>Trade with China The USMCA also includes a provision related to free trade agreements with “non-market” economies, which essentially is targeted at China.</p>



USMCA

- **Winners**

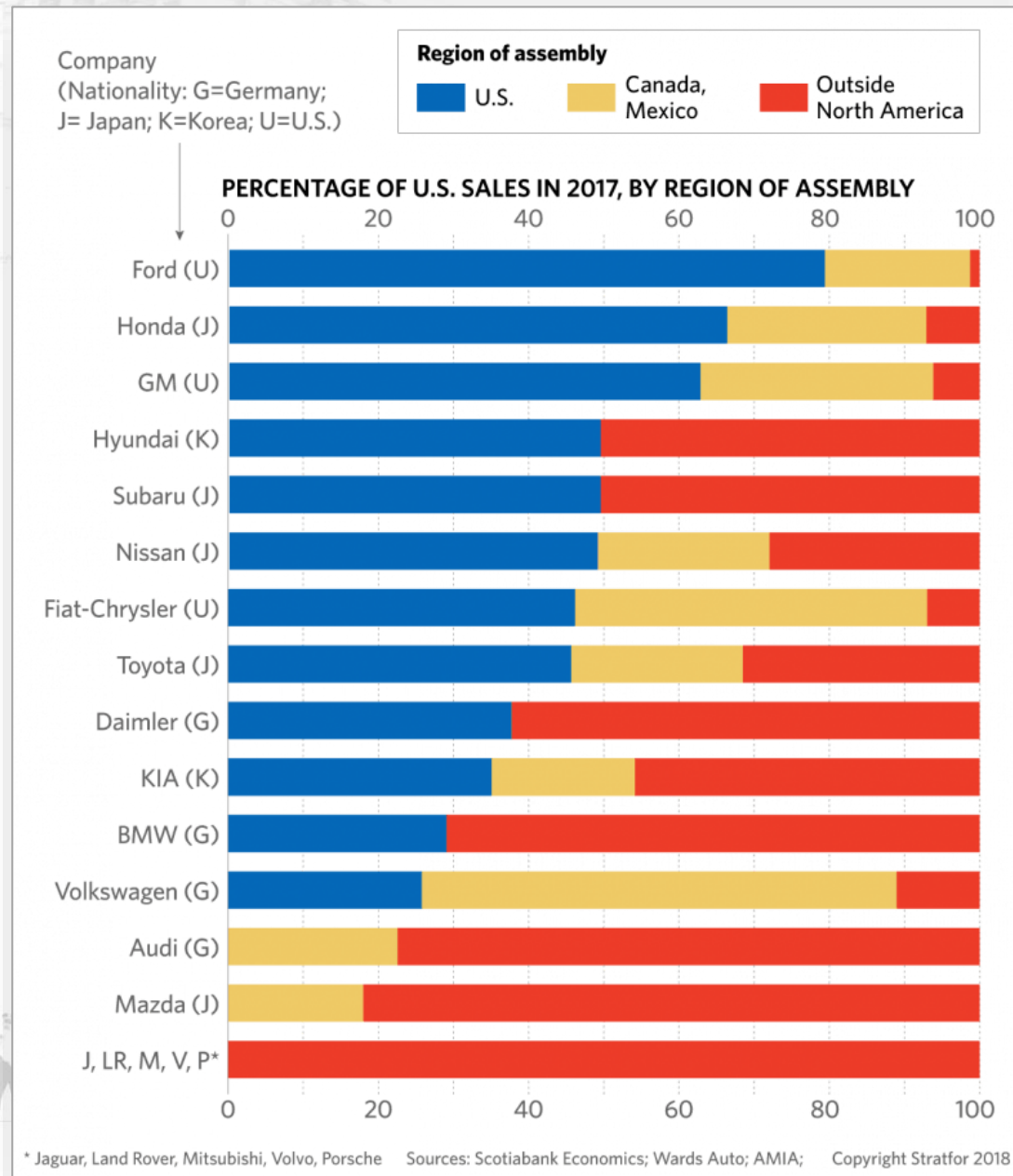
- Trump
- Trudeau
- Labor Unions
- US Dairy Farmers

- **Losers**

- China
- U.S. Car Buyers
- Canadian Steel

- **Unclear**

- Mexico
- Ford, GM and Chrysler
- Big Business



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IMO

2020

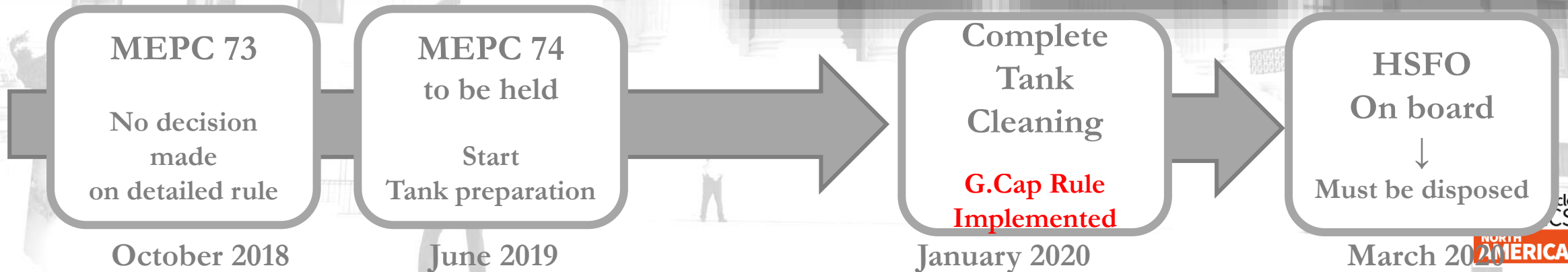
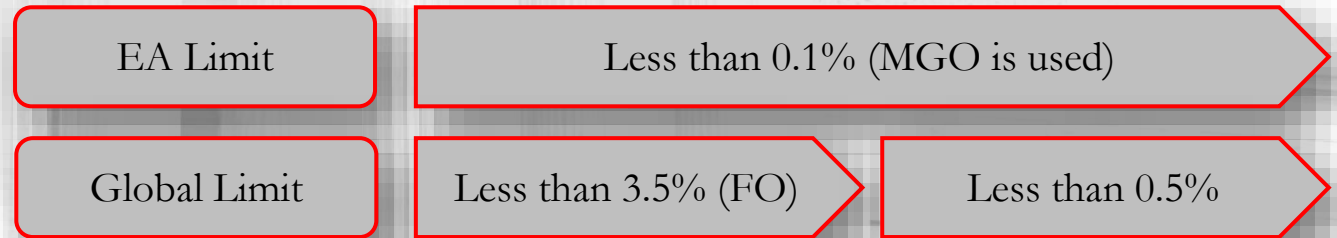
SULFUR 0.5%



IMO 2020 Fuel Regulation



- Global Sulphur Cap
- 0.5% Global Sulphur Limit (MARPOL, 2020)
 - 0.5% EU Sulphur Directive Limit (2020)
 - 0.1% Emission Control Area Limit (MARPOL)
 - 0.5% Local Limitation (Hong Kong/China)



IMO 2020, 3.5% to 0.5% (*shipper survey*)

Shipper



Profile

62% Import & Export

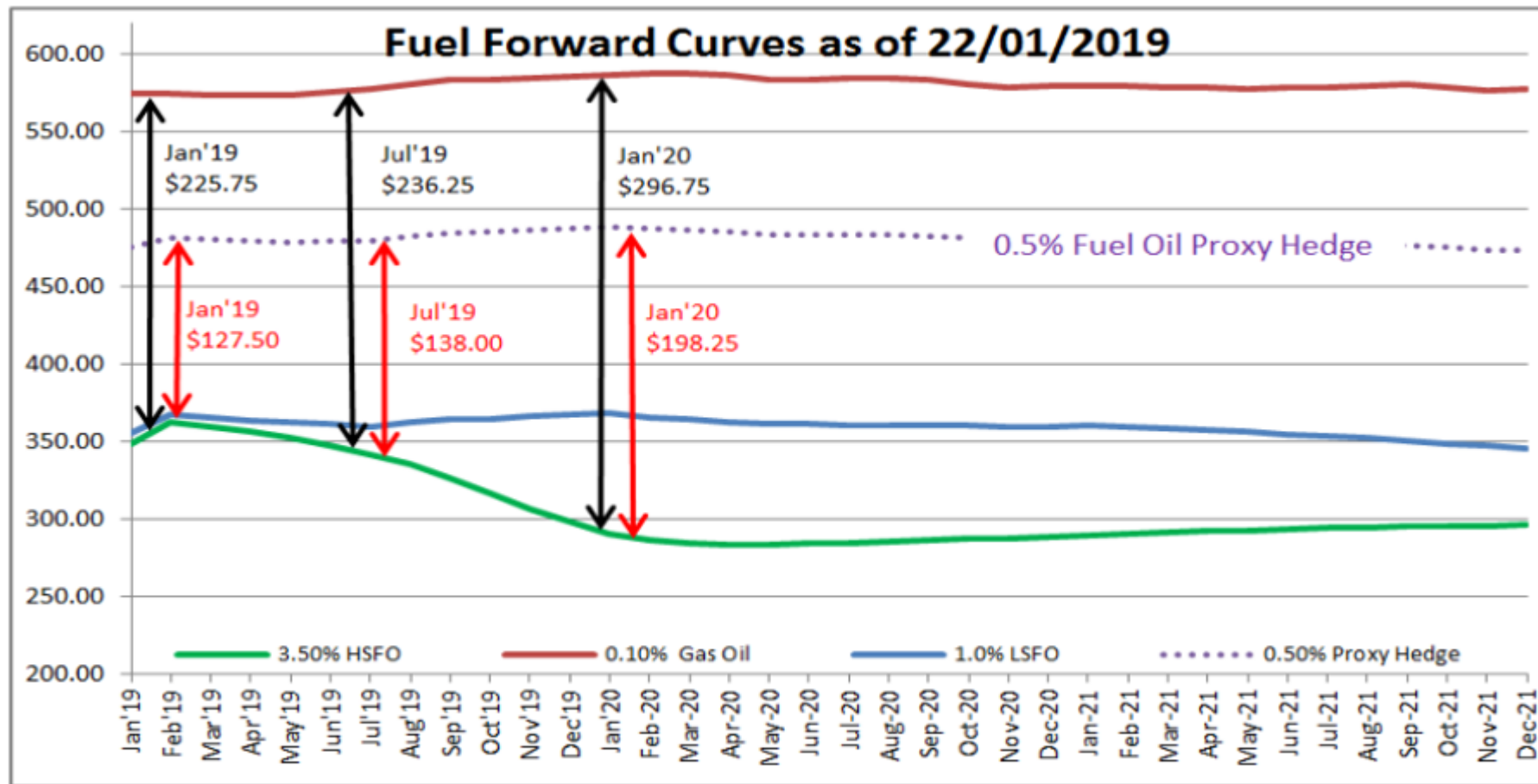
67% ship 10,000 TEU Annually

- 33% Expressed poor awareness or understanding of new regulation
- 4/5 Had not received clarification from their carriers about how they intend covering cost increases
- 1 in 10 shipper respondents have conducted a cost impact assessment
- 56% Do not believe current methods of fuel cost recovery are fair or sufficiently transparent
- 22% Fear cost impact from the new regulation will be either significant or very significant

75% of surveyed shippers said carriers have not given information on how they plan to recover costs

IMO 2020 Fuel Regulation

Estimates predict fuel cost to increase \$250-350/MT from current price



Source: Clarkson January 2019

BAFfling

verb (used with object), **baf·fled**, **baf·fling**.

- to **frustrate** or confound; thwart by creating confusion or bewilderment.

- $(\text{Average Fuel Price/MT}^* - \$\text{Base/MT}) \times \text{“Bunker Factor”}$ of each trade = BAF, including -BAF
- $(\text{Difference of base HFO}^{**} \text{ price} \times 0.080) + \text{difference of base LSMGO price} \times 0.049) = \text{BAF}$
- $(\text{Average Fuel Price/MT}^{***} - \$\text{Base/MT}) + 2.5\%$ for every \$25 over base + BAF
- ALL – IN BAF included in freight ‘approximately 20-30% of all-in freight

* Average price of; Rotterdam, Santos, Japan,

** Average price of; Rotterdam, Fujairah, New York, Japan

*** Average price of; Rotterdam, Singapore

Provider	BAF per Unit	Freight % increase
Carrier 1	\$20.00	8%
Carrier 2	\$58.00	11%
Carrier 3	\$32.00	8%
Carrier 4	\$5.00	3%
Carrier 5	\$276	38%



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Finished Vehicle Logistics Unit

2019

