COVID-19 AND THE MARITIME AND LOGISTICS SECTOR

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Global Lead for Transport Connectivity and Regional Integration

June 11, 2020
OUTLINE OF THE PRESENTATION

1. The impact of COVID-19

2. The impact on the Maritime and Logistics Sector

3. Preparing for the ‘New Normal’
1. The impact of COVID-19
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Number of new COVID-19 cases worldwide, by day, as of May 31, 2020

Details: Worldwide; January 23 to May 31, 2020

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1. The impact of COVID-19

The Supply Shock

- Decline in induced demand (Chinese production).
- Lockdown of most of the workforce.
- Industrial base shut down between mid January and early March 2020.
- Shortages in key sectors (pharmaceuticals and medical equipment).

The Demand Shock

- Lockdown of a large consumer base - Switch to basic goods & hoarding.
- Less commercial demand.
- Collapse of travel and tourism (long food / short leisure).
- Protectionism, and last mile vulnerabilities in distribution.
- Began in mid-March 2020 and ongoing

The Deferred Demand Shock

- Decline in economic activity and incomes
- Rolling defaults and bankruptcies.
- Diversion of savings and capital.
- Rebalancing of supply and demand.
- Protectionism pushes to support national production, and restrict supply.
- Until? (assuming no significant subsequent waves)
1. The impact of COVID-19

Forecast Real GDP Growth (% 2020)
EIU May 22, 2020

Argentina
Australia
Brazil
Canada
China
France
Germany
India
Indonesia
Italy
Japan
South Korea
Mexico
South Africa
Saudi Arabia
Russia
Saudi Arabia
South Africa
Turkey
UK
US
Global (market exchange rates)
2. The impact on the Maritime and Logistics Sector
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- Use of Vessel AIS data to monitor real time impacts ripple effects on vessel movements and potentially trade volumes on routes.

- At any given time, **50,000 vessels** and **1.2 million seafarers** are in operation.

- Figure illustrates the proportion of idle capacity amongst major lines.
2. The impact on the Maritime and Logistics sector

Global Port Throughput
Jan 2012 = 100
## 2. The impact on the Maritime and Logistics sector

<table>
<thead>
<tr>
<th>Category</th>
<th>Week 15 World April 6</th>
<th>Week 16 World April 13</th>
<th>Week 17 World April 20</th>
<th>Week 18 World April 27</th>
<th>Week 19 World May 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ports with decline in vessel calls (last week compared to normal conditions, %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Container vessels</td>
<td>41%</td>
<td>41%</td>
<td>53%</td>
<td>39%</td>
<td>45%</td>
</tr>
<tr>
<td>Other cargo vessels</td>
<td>41%</td>
<td>30%</td>
<td>47%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>Passenger vessels</td>
<td>77%</td>
<td>77%</td>
<td>70%</td>
<td>71%</td>
<td>85%</td>
</tr>
<tr>
<td><strong>Ports with extra restrictions on vessels (last week, %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Container vessels</td>
<td>40%</td>
<td>22%</td>
<td>33%</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Other cargo vessels</td>
<td>47%</td>
<td>23%</td>
<td>34%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Passenger vessels</td>
<td>51%</td>
<td>38%</td>
<td>31%</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Port call delays due to extra procedures (last week, %)</strong></td>
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<td></td>
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<tr>
<td>Container vessels</td>
<td>42%</td>
<td>35%</td>
<td>33%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Other cargo vessels</td>
<td>35%</td>
<td>28%</td>
<td>32%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Passenger vessels</td>
<td>53%</td>
<td>40%</td>
<td>40%</td>
<td>44%</td>
<td>34%</td>
</tr>
<tr>
<td>Inland barges</td>
<td>27%</td>
<td>21%</td>
<td>19%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Hinterland transport delays (last week compared to normal conditions, %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Trucks (cross-border)</td>
<td>43%</td>
<td>41%</td>
<td>35%</td>
<td>37%</td>
<td>38%</td>
</tr>
<tr>
<td>Trucks (in/out port)</td>
<td>37%</td>
<td>33%</td>
<td>35%</td>
<td>35%</td>
<td>16%</td>
</tr>
<tr>
<td>Rail services</td>
<td>28%</td>
<td>21%</td>
<td>32%</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>Inland barge services</td>
<td>41%</td>
<td>23%</td>
<td>40%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Ports facing high capacity utilisation of warehousing and storage facilities (last week, %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foodstuff &amp; medical supplies</td>
<td>35%</td>
<td>34%</td>
<td>33%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Consumer products</td>
<td>27%</td>
<td>28%</td>
<td>25%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Liquid bulk</td>
<td>21%</td>
<td>22%</td>
<td>20%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Dry bulk</td>
<td>16%</td>
<td>17%</td>
<td>13%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Ports facing shortages in port-related workers (last week, %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dock workers</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>19%</td>
</tr>
<tr>
<td>Technical-nautical services</td>
<td>7%</td>
<td>9%</td>
<td>4%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Harbour master services</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>Port authority</td>
<td>28%</td>
<td>22%</td>
<td>22%</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>Truck drivers</td>
<td>no data</td>
<td>no data</td>
<td>21%</td>
<td>16%</td>
<td>12%</td>
</tr>
</tbody>
</table>

By: Thao Mitaloco
2. The impact on the Maritime and Logistics sector

- National COVID-19 measures, local restrictions and reduced manpower capacity in ports are making it increasingly challenging for ships to dock, load and disembark.

- Travel restrictions, national lockdowns, and grounded airplanes are making the monthly changeover of 100,000 crew members on ships virtually impossible.

- Changeovers due in April have were postponed for a month – not clear what is happening in May;
2. The impact on the Maritime and Logistics sector

- The reintroduction of border controls in the Schengen zone has led to some issues/delays at the border crossings.
- But essential supplies were/are getting through with delays measured in hours, and expected to ease further.
2. The impact on the Maritime and Logistics sector

But in Africa - 22 countries have closed their land borders completely

Nearly all have implemented heightened screening measures at border points and port of entries and/or closed ports of entry.

Risk of a hunger pandemic
2. The impact on the Maritime and Logistics sector

- Figure illustrates truck movements (in days) Southern and Eastern Africa April 2019-2020 year on year volumes

- The data are suggestive of a 40 percent decline in truck traffic in the region, year on year.

- The trends are supported by traffic count data for HV on the N1 in SA.
2. The impact on the Maritime and Logistics sector

• Figure illustrates the difference in the number of vehicles crossing the defined geo-fence for the named ports year on year, April 2019 to April 2020.

• The data suggest a decline in truck traffic, sometimes significant, for all points. Exceptions are Beira, Maputo in Mozambique.
2. The impact on the Maritime and Logistics sector

- This figure shows number of trucks crossing the geo-fence of the named border crossing point (BCP) over the same year on year period. Picture is a little more mixed here, with some Border Crossing Points (BCPs) showing declines, some increases. Overall, the data suggest that journey speeds between defined Origin Destination (OD) points seem to be unaffected, but the time required to cross the border has increased on average.

- Photo shows truck queing at Malaba...after the introduction of health checks in Uganda
3. Preparing for the new normal
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3(a). Emergency considerations

1. Secure continuity of domestic supply chains

2. Secure continuity of critical maritime transport supply chains

3. Measures to facilitate safe Cross-Border Trade
3. Preparing for the new normal

3(b). Short and medium term considerations

1. Strengthen resilience and governance of maritime sector

- Increase the digitization of the port sector to reduce the number of paper based and people based contacts (e.g. the establishment of port community systems, and their integration with national single windows);
- Improve cybersecurity in light of the above;
- Review the structure and scale of port tariffs to incentivize off-peak working;
- Prepare a green port strategy to reduce energy consumption and costs in the port sector; and
- Increased automation in cargo operations complemented with employee training could be considered.
3. Preparing for the new normal

2. Improve quality and efficiency of road freight logistics

- Allow entry through gradual liberalization of access to the profession and the market, including removal of national ownership restrictions;
- Facilitate movement of truck drivers by adopting multiple-entry or visa-free entry for truck drivers to increase flexibility of cargo operations;
- Adopt regional harmonization of trucking regulations, vehicle standards and licensing arrangements to promote cross-border integration;
- Introduce quality-based competitive licensing, considering the financial, legal, and ethical status of the companies, as well as the quality of the trucks, and the skills and training of the drivers.
3. Preparing for the new normal

3. Increasing internal and external border agency collaboration

- Using information technology tools to stimulate workplace collaboration and electronic single window clearance to minimize physical contact;

- Customs and Sanitary and Phytosanitary (SPS) agencies should work together to design special regimes for expedited clearance of critical commodities (e.g. medicines, medical equipment, perishable or key foodstuffs, quarantine testing kits, clothing, etc.);

- Introduce a transit guarantee scheme to reduce the cost and improve the efficiency of cross-border traffic;

- Border agencies and the private sector should work together to undertake pre-assessment of imports through advance screening of documentation to identify and prioritize import activities prior to commodity arrival; and

- Government authorities should work closely with the private sector (via the National Trade Facilitation Committees) to identify service standards and precise inspection procedures for critically needed items.
Happy to answer any questions?

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