

VALLIS GROUP LIMITED

WEEKLY BULLETINS IMPACT OF COVID-19 ON THE SUPPLY CHAIN

BULLETIN 2 – HOW HAS TRANSPORT BEEN AFFECTED?

1. DISRUPTIONS AND MODIFICATIONS ON SHIPPING, AIR TRAVEL AND LAND TRAVEL

1.1 Global impact on shipping

1.1.1 Ports around the world have been experiencing disruption and delays due to COVID-19. *Figure 1* below illustrates increased congestion in the Outer Pearl River Delta during the peak of the outbreak in China.

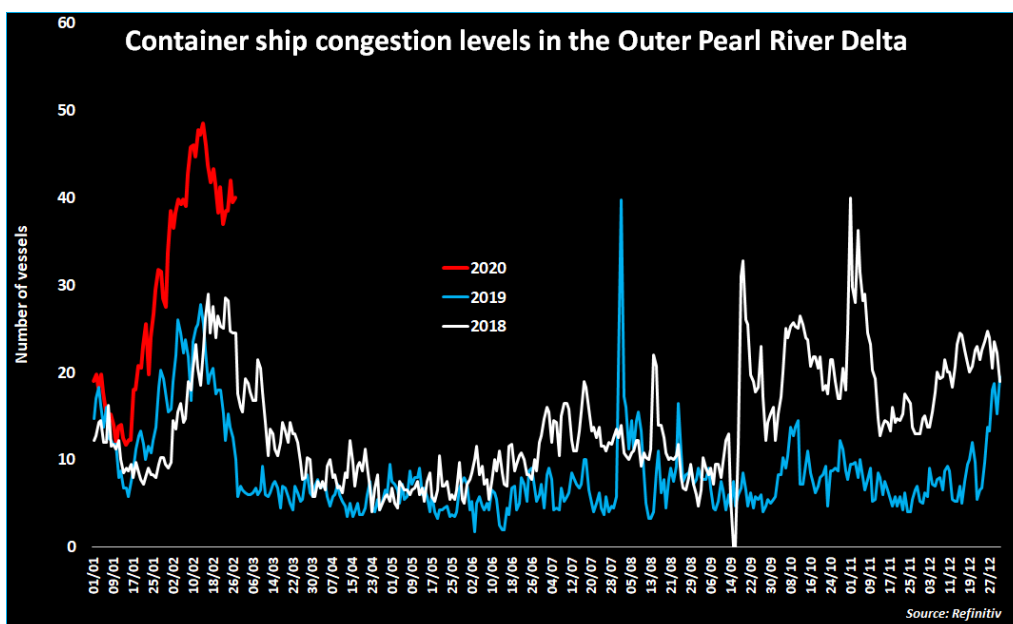


Figure 1: Container ship congestion levels in the Outer Pearl River Delta, *China's top container ports unplug backlog as virus curbs ease, 27 February 2020*

1.1.2 **Which new regulations have been put in force on a global scale?**

1.1.2.1 Various shipping and seafaring organisations are working together to protect seafarers and vessels.

1.1.2.2 The organisations include: International Chamber of Shipping; International Transport Workers' Federation; European Community Shipowners Association; European Transport Workers' Federation.

1.1.2.3 New guidelines have been issued regarding the changeover of staff.

1.1.2.3.1 **In India**, seafarers have been asked to remain on their ships apart from in cases of emergency, due to the lockdown which began on 25th March 2020;

1.1.2.3.2 **In the Philippines**, crews have been banned from disembarking and embarking;

1.1.2.3.3 Exemption from travel bans for transport workers is being called for by the biggest shipping organisations;

1.1.2.3.4 As a result of travel bans, particularly in Europe, 100,000 workers must change every month.

1.1.3 **What national regulations have been introduced?**

1.1.3.1 Click [here](#) for a regularly updated list of regulations in each country.

Durban (South Africa)	Mombasa (Kenya)	Djibouti
<p>On 26th March 2020, port authorities stated that main ports would not be handling “non-essential goods”, such as minerals (particularly copper and cobalt), and dry bulk freight. “Essential items” such as agricultural and medical goods would be exempt.</p> <p>On 1st April 2020, a second statement was issued by the Department of Transport, clarifying that ports would remain open for all types of goods, whilst essential items would be prioritised. Despite this, turnover is reduced due to a lack of available work force.</p>	<p>Restrictions are in place, but the overall impact on ports is less evident than in other countries. The restrictions mostly allow for surveillance, open reporting around possible illness, and for safe practices minimising risk of the spread of COVID-19.</p>	<p>All crews are tested for COVID-19 on arrival to ports. Crew changes and land access are prevented. Ports are operating as normal, although activity is reduced.</p>

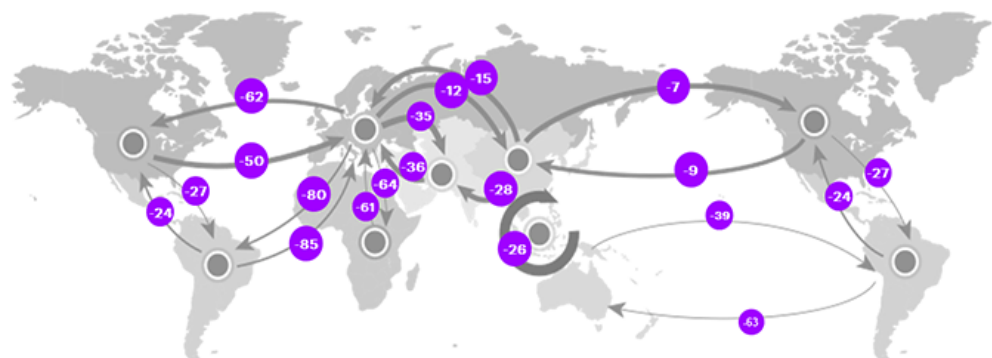
1.2 **Global impact on air travel**

1.2.1 Air travel has decreased by over 55% compared to last year, with up to 90% of passenger routes suspended.

1.2.2 This has led to a reduced air freight capacity of up to 40% on average on some routes. *Figure 2* below illustrates total air cargo capacity growth per trade route in the week of the 8-14 April 2020 compared to 2019.

Total air cargo capacity growth¹, 8 - 14 Apr 2020 vs. same week last year²

YoY growth, %



Global capacity decline: -31%

Figure 2: Total air cargo capacity growth, *Seabury Capacity Tracking database, Seabury Consulting analysis, April 2020*

1.2.3 Air freight capacity is made up of 3 subsections, as seen in Figure 3 below.

1.2.3.1 **Airline freighters** - airlines mainly dedicated to the transport of cargo;

1.2.3.2 **Integrator freighters** - cargo transporters who own their own equipment and vehicles;

1.2.3.3 **Passenger belly** - airline freight found in the belly of passenger flights.

Daily international cargo capacity¹, Feb – Apr 2020

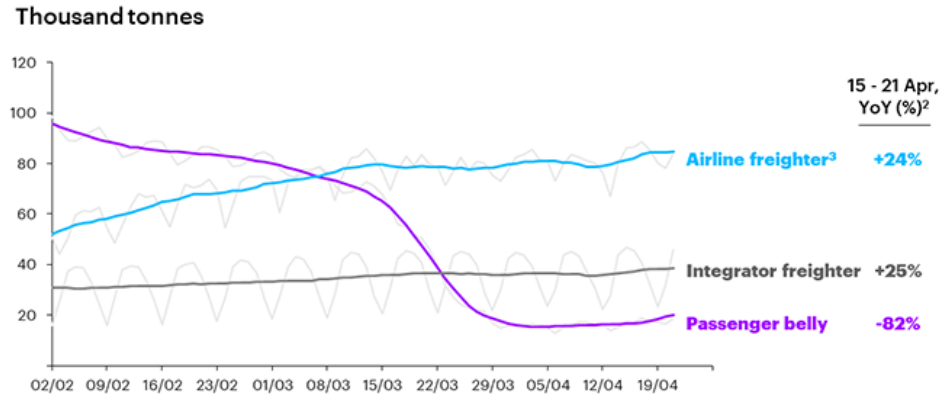


Figure 3: Daily international cargo capacity, *Seabury Capacity Tracking database, Seabury Consulting analysis, April 2020*

1.2.4 The increase in airline freighter capacity is partly due to the use of passenger airplanes for cargo, a method which many airlines have implemented to increase cargo capacity and reduce loss of revenue. This has resulted in an increase of 20% in freighter capacity, despite the overall decrease in global air capacity.

1.2.4.1 **Etihad Airways** will provide an additional 34 cargo flights to the United Arab Emirates (UAE), carrying food, medical supplies, and ecommerce.

1.3 Global impact on in land transport

1.3.1 In land transport has been affected by new rules and regulations such as:

1.3.1.1 **Lockdown:** Many countries have implemented nation-wide lockdowns, preventing movement of people and goods unless essential.

1.3.1.2 **Curfew:** A lesser alternative to lockdown is a curfew. This reduces working hours and therefore efficiency and productivity.

1.3.1.3 **Restrictions at borders:** Where transport across borders is allowed, restrictions are in play, such as testing, which have led to huge delays.

1.3.2 The capacity to transport goods from factories to ports in China has been at around 60-80% of normal capacity in recent weeks, leading to delays of 8-10 days before products had even left the ports.

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