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Logistics insights

Changes in the transport market due to COVID-19

International Workers' Day took on a special significance under the influence of COVID-19. For many, it was a day that fostered appreciation of "work" in the awareness of mutual interdependency, globalization, concern for the future and a sense of rapid change. Necessity has inspired great leaps in online commerce, payment transaction processing and communication. Consumer demand is shifting, and hopefully consumers and nations are recognizing the urgent needs of our environment. In the business world, the extent to which remote work, video conferencing, webinars, e-learning and split work processes have been utilized is certainly new territory.

Global logistics faces its own exceptional challenges. The supply chains of many companies and their suppliers have been broken. In air freight, the 70 percent of transport capacities that have been eliminated in the form of belly freight are contrasted by a tremendous demand for COVID-19-related shipments. Passenger aircraft flying only with belly freight and some cabin cargo are hardly easing the situation. Air freight is more expensive than ever before.

Ocean carriers are suffering massive losses. So far, they have removed over twice as much capacity from the market as during the financial crisis of 2008/2009. Added to this are slow steaming and a seven to ten day longer route around Africa rather than through the expensive Suez Canal. The market leader is even traveling around Africa to get from China to Koper. A guaranteed route – via the Suez Canal – to the Adriatic ports saves a good two weeks compared with the northern ports. Space on the "Iron Silk Road" is growing tight, and advance bookings are required.

Airports, sea ports and entire countries are sealing themselves off. Others are opening up. The virus travels faster than ships. Warehousing fees and detours to substitute ports can become extremely expensive. Even though all countries are aware that freight traffic must be kept moving, the feasibility of transport and payment should be evaluated in advance. Long-term transport planning coupled with flexibility in regard to different shipment modes is recommended. The advice of logistics specialists is non-binding, comprehensive and competent.

In consideration of all these obstacles: the transport market is functioning amazingly well.

Tremendous thanks go out to the employees at our facilities and to our business partners, who are so effectively mastering all these challenges. The successful adaptations by our companies during this crisis are magnificent! More than just supporting their own futures, they are also securing our jobs and our prosperity.

How fitting are the insights of the Chinese script in these times: it composes the word for "crisis" from the two characters for "danger" and "opportunity"!