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Logistics insights

News from the global transport market

COVID-19 has heavily impacted the transport markets. Extensive trucking capacities have been suspended. Extreme border delays, such as over a week at the Turkish-Bulgarian border and 14 days of quarantine for drivers, make short sea and railway connections significantly more attractive in crisis regions such as Lombardy. But ports, rail terminals and air freight transshipment have not escaped unscathed.

For instance, the market-dominant Lufthansa freight terminal in New York has suffered a number of coronavirus cases. Chaos ensued since over half of the employees were not permitted to work. This resulted in delays, backups and aircraft route changes, but in the end the situation was managed successfully. Bravo! However, a backup of multiple days must be expected for goods exports from Hong Kong and China. Most recently, the US imported massive quantities of personal protective equipment from China. Air freight charter prices from China to Europe were hiked up tremendously. Cargo aircraft are in tight supply, and they are going to the highest bidder. China is currently outdoing other markets. Air freight from China to Europe will likely remain expensive for several more months.

Due to reduced imports, empty containers have become scarce, especially refrigerated ones. Prices are rising and transports are experiencing delays. Sometimes the exports no longer make sense under these conditions. Things become particularly problematic when transports cannot take place as planned at all. Especially for sea freight, this can become quite expensive. When ports are closed, there are topics to grapple with such as contract fulfillment, ship idle times, substitute ports and detours. In the case of conventional shipping, this usually becomes more expensive than for container loads, which are recommended if in doubt. Endless legal discussions of “force majeure” can be held that encompass various domains of law. In my opinion, the carrier is obligated to minimize damages, but the overall risk is born by the principal in the transaction. Above all against the backdrop of the bill of lading conditions and centuries-old maritime law.

The transport market is responding flexibly, except where bottlenecks are truly tight or transports are forbidden by the relevant authorities. The real problems are the country and port lockdowns and, in particular, the complex supply chains. One is well advised to conduct orders through longer-term framework agreements that assist suppliers in their planning. For critical products, alternative providers should be contracted and sufficient inventory maintained as a safeguard. Real-time shipment status information and close IT integration with the logistics specialist, ideally covering purchase order management as well, will help lay the foundation for a successful future.