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EABC BRIEF

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IMPACT OF COVID-19 ON EAC TRANSPORT & LOGISTICS SECTOR

EAST AFRICAN BUSINESS COUNCIL

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1.0 TRANSPORT & LOGISTICS IN THE EAC

Preamble

- The Covid-19 pandemic is creating shocks to trade flows due to transport and logistics disruptions. **Currently, China occupies 60% of world supply and demand, 65% of world manufacturing, and 41% of world manufacturing exports** (Baldwin & di Mauro, 2020). Wuhan, the origin city of COVID-19, is ranked as 13th out of 2000 Chinese cities by Bloomberg for its role in international supply chains and the 9th best-performing city of China according to the Milken Institute ranking.
- With 3 national development zones, 4 scientific and technological development parks accommodating over 350 research institutes, 1656 hi-tech enterprises, and numerous enterprise incubators, the city received investments from 230 Fortune Global 500 firms (Bloomberg, 2020). This clearly indicates the scale of ripple effects to be generated due to the lock-down of Wuhan, let alone the other production cities. **A global supply chain shock beginning with production shocks primarily in China is spilling over to EAC economies.**



2.0 EXPECTED DISRUPTIONS DUE TO THE COVID-19 PANDEMIC



Breakdown of supply chains due to severe disruption in inbound and outbound logistics in air & sea cargo shipments, trucking, and rail cargo services



Impact on Transport & Logistics will have a ripple effect on key economic sectors such as manufacturing, agriculture, construction, education amongst others due to the interlinked global supply chain



Slower Clearance of cargo at Sea Ports; Mombasa & Dar es Salaam and OSBPs.

Covid-19 related NTBs for cross border cargo movement due to the human factor of truckers



Restricted Movement of People as countries shut-down airports and restrict the entry of international passengers.

EAC Partner States are also imposing curfews and lockdowns.



3.0 EXPECTED GLOBAL CHALLENGES



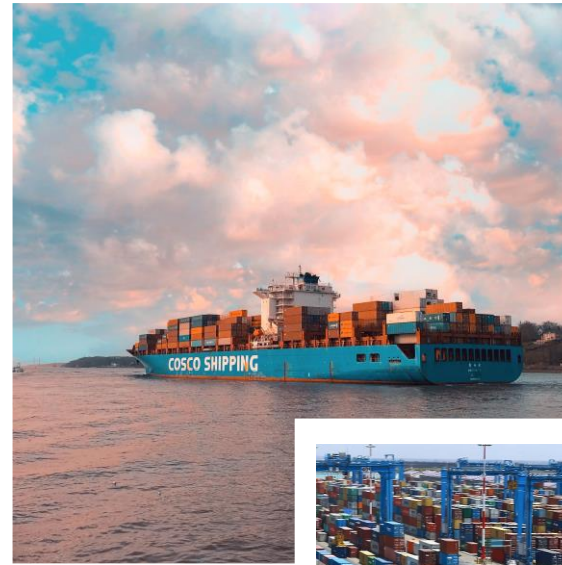
Disruptions in the
Aviation Industry



Fall in Logistics
Performance



Decline in Global
Shipping





Passenger aircrafts have been refitted to freight for long-haul routes in the U.S., Europe, Africa and Asia. In early March 2020, Two million (2m) empty containers were stuck in China, with the container shipping capacity substantially lower than in December 2019. Ferry operations have lost numerous passengers, long-distance, as well as local bus and rail travel, have declined over 50%, in many cases up to over 90%.



3.1 DISRUPTIONS IN THE AVIATION INDUSTRY

- The global aviation industry worldwide is sagging under the weight of the current coronavirus pandemic, and Africa is no exception. With strong links to China, both for tourism and trade, African airlines are somewhat more exposed to the current disruption than anywhere else. **According to IATA, Africa will lose 0.4% of its revenue passenger kilometers (RPK), if the disease is contained within the most affected nations.**
- **The International Air Transport Association (IATA) estimates that at the end of February, the expected losses for African Airlines will be of \$29bn with potential revenue losses of some \$113bn worldwide due to COVID-19.**
- Overall, intercontinental flights are still the bread and butter of Africa's aviation industry, **making up 51% of their business.** On average, the revenue of airlines in Africa derive 5% from Chinese flights and another 7% from flights to the Asia-Pacific region. As such, airlines are highly exposed to both the cancellation of these routes and the drop in demand. **Kenya Airways, RwandAir, Air Tanzania and Uganda Airlines have placed embargos on passenger flights.**



3.2 FALL IN LOGISTICS PERFORMANCE

- The growing threat of the coronavirus (COVID-19) has created a serious risk to supply chains, as manufacturers and retailers face the possibility that suppliers will halt production, and they won't be able to replenish run-down stockpiles.
- According to Logistics Manager's Index Report for February, **both transportation prices and inventory levels are taking a negative turn, and this downward pattern is expected to continue throughout the second quarter of 2020.**
- Many companies are diversifying sources from which they procure finished products to be less dependent on Chinese production, this is a slow process as it takes time to rework logistics and transportation routes, and build alternative fulfillment capabilities to accommodate the changes. Additionally, businesses have to anticipate new movement restrictions. **When the pandemic ends, the problem is expected to persist for a long time. A return to normalcy would still see a surge of container movements, creating a requirement for additional de-stuffing capacity.**



3.3 DECLINE IN GLOBAL SHIPPING

Ban of Passenger Travel

With international transport at the forefront of trade and dependent on travel and human interaction, the shipping industry has been impacted **both directly and indirectly** from the outbreak of COVID-19. Operations of shipping companies and related industries, including terminals, ports, etc., have been affected due to personnel having been advised to refrain from traveling or reporting to work. **Lower demand for commodities and raw material, and thus need for shipment, has pushed freight rates lower.** Several shipping companies have started warning about reduced earnings visibility and weak future earnings results.

Cruise, travel, and related industries, i.e. conferences, etc., have also suffered, and it's noteworthy that North America's largest container line conference, Trans-Pacific Maritime TPM2020, was cancelled literally on the eve of its opening.

Fall in Vessel Demand

There have been headlines about cruise ships not allowed to port and placed under quarantine for weeks. Commodity vessels, such as dry bulk and tanker vessels, have seen lower demand and lower freight rates. **There have been reports that Very Large Containership Vessels (VLCVs) are leaving Chinese ports filled to just 10 percent of their capacity.**

With lower demand, crude oil prices have collapsed, which will further exacerbate the bad state of the offshore drilling industry. The shipbuilding and ship repair segments have collapsed as people do not want to travel to China and South Korea; shipping finance and ship brokerage have also been affected as they involve travel and also require some momentum and enthusiasm, which presently are in low supply.

3.4 MEASURES IMPLEMENTED BY EAC PARTNER STATES ON MOVEMENT OF GOODS AND PEOPLE

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TRAFFIC RESTRICTIONS

- Curfews
- Lockdowns



TRAFFIC RESTRICTIONS - KENYA

Country	Covid-19 Measures	TRAFFIC RESTRICTIONS		
		AIR	ROAD	SEA
KENYA	<p>There is a daily curfew from 7:00 PM to 5:00 AM effective 27th March 2020 affecting all except essential service providers. There is a lockdown in Nairobi effective 6th April 7:00 PM for 21 days.</p> <p>This will impact office hours for Customs Officials to 9.00 – 3.00pm at a 50% reduced staffing. There is also reduced access to Customs officers and other officials.</p> <p>Delayed placement of shipments to Customs verification and release processes.</p> <p>Kenya Ports Authority has reduced the workforce to two shifts.</p>	<p>Only cargo flights allowed after 25th March 2020 but crew must abide by strict controls in place.</p>	<p>Temporary spike in transport requirements leading to a strained supply of trucks.</p> <p>Stringent medical screening at all border points. Only drivers, turn-men plus the clearing agent are allowed across the border.</p> <p>Mandatory requirement for all returning cargo crew to self-isolate for a period of 14 days.</p>	<p>Mombasa Port operational with mandatory inspection of vessels by Port Health services.</p> <p>Reduced vessel calls mainly from the Far East and Europe.</p> <p>Reduced availability of containers for exports due to fewer arrivals.</p>



TRAFFIC RESTRICTIONS - TANZANIA

Country	Covid-19 Measures	TRAFFIC RESTRICTIONS		
		AIR	ROAD	SEA
TANZANIA		<p>Tanzania Civil Aviation Authority (TCAA) on April 12, announced a suspension of all international passenger flights. Cargo flights are exempt from the suspension, but crew members will be quarantined at Tanzania government facilities during their stay.</p> <p>LX–Swiss air has cancelled all their flights from the 19th of March to the 14th of April 2020.</p> <p>Emirates Airlines (EK) suspend all their flights worldwide for two weeks from 25th March as UAE halts all air travel</p> <p>KLM-(KL) airlines cancelled all their flights. New schedule to be issued soon.</p> <p>KQ-Kenya Airways suspended all their flights from Dar-es-Salaam from 25th March to 30th April 2020. They will only operate with cargo flights/Freighters subject to the volume of cargo.</p> <p>QATAR Airways (QR) suspend their flights from Dar-es-Salaam from 25th March till further notice.</p>	<p>Rusumo (Rwanda); remains operational for the movement of goods.</p> <p>Kasumbalesa (DRC); re-opened to allow for the movement of goods</p> <p>Kabanga Border: Allowing only cargo from or through Tanzania to and from Burundi</p>	

TRAFFIC RESTRICTIONS – UGANDA & RWANDA

Country	Covid-19 Measures	TRAFFIC RESTRICTIONS		
		AIR	ROAD	SEA
UGANDA	Two-week country-wide lockdown effective 30.03.2020.	Only cargo flights operational. Increased demand for freighter services.	Borders are open, however, there are some delays in clearing trucks crossing the border due to imposed curfews. This has an impact on deliveries of exports & picking up of import cargo from the ports. There is stringent medical screening for the crew at all border points. Only drivers, turn-men plus the clearing agent are allowed across the border.	
RWANDA	Government lockdown measures in place from Saturday, 21 March 2020, for an initial period of two (2) weeks: Lockdown extended by 15 days until 19 April.	Temporary Closure of all passenger flights.	Borders are closed, except for goods and cargo, as well as returning Rwandan citizens and legal residents, who will be subject to mandatory 14-day quarantine at designated locations. Travel between different cities and districts of the country is not permitted, except for medical reasons or essential services. Transport of food and essential goods will continue to function.	



TRAFFIC RESTRICTIONS – BURUNDI & SOUTH SUDAN

Country	Covid-19 Measures	TRAFFIC RESTRICTIONS		
		AIR	ROAD	SEA
BURUNDI		All passenger flights have been suspended. Cargo flights are still operating for some origin/destinations (e.g. Ethiopian Airlines).	Operational but only through Tanzania/Kobero border Burundi - Rwanda border is closed.	
SOUTH SUDAN	Government has imposed a countrywide curfew from 8:00 PM to 6:00 AM. Public institutions to work half day from 7.30 AM to 1:00 PM Monday to Friday.	International flights stopped effective 23 rd March 2020 with the exemption for food cargo flights, humanitarian aid operations including medical and relief flights, and technical lading.	Closure of all borders with an exemption granted for cargo and fuel tanks. Strict control for truck drivers at the borders. Mandatory quarantine for affected drivers.	



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A high-speed train with a white body and red and yellow accents is traveling across a long, elevated concrete viaduct. The viaduct consists of many tall, rectangular concrete pillars supporting a series of beams. The train is moving from left to right. The background shows a dry, hilly landscape under a clear blue sky with a few wispy clouds.

**MAKING OUR MOBILITY SYSTEM
RESILIENT DURING & POST COVID-19**

3.5 RECOMMENDATIONS

- I. Interventions instituted by the EAC Partner States should ensure the continuous flow of cargo for both essential and non-essential products,
- II. Need for financial assistance to service providers: loan guarantees, loans, tax cuts or payment deferrals, cash handouts as a last resort,
- III. Ensure speedy authority operations especially at border-crossing areas to avoid overcrowding of traffic, taking into consideration road safety issues for freight and passenger movements,
- IV. Need for stimulus funds, subsidies or capital endowments to air and rail operators to ensure the repatriation of nationals, the supply of emergency and medical products,
- V. Very large staff lay-offs are expected especially in airlines and rail passenger operations. Governments to devise means to take care of such employment disruptions,
- VI. There is a need to cushion shipping lines from possible closure in order to ensure the continued supply of essential products.





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