

LOGISTICS AND FREIGHT SERVICES: POLICIES TO FACILITATE TRADE¹

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KEY MESSAGES

- The disruption to logistics and freight networks endangers trade and distribution of essential goods to combat the crisis and foster the recovery;
- Governments should work in coordination with logistics and retail industry, with a view to ensure continuity of shipping, air, trucking and warehousing capacities at critical gateways and hubs and along trade corridors.
- The short-term response by governments and the private sector must go beyond addressing the immediate crisis and draw out the path towards economic resilience of the sector.
- Countries should also coordinate with key trading partners at the sub-regional or international level on policies such as increased e-services at ports and green express lanes for truckers.
- Countries should not install additional controls on transit commerce. Instead, border control and inspections should be streamlined and harmonized, based on international standards.
- To manage and ensure functioning of essential transport services, firms can use fewer workers and follow social distancing and other good health practices.

SUSTAINING SUPPLY CHAINS AND BUILDING RESILIENCE IN DEVELOPING COUNTRIES

Continued and uninterrupted land, waterborne and air cargo services are crucial to keeping essential goods flowing. Logistics and freight services are among the essential services that remain operational as countries introduce various levels of lockdown. The policy response to the pandemic therefore requires actions to build resilience into supply chains and logistics services. This means ensuring continuity of service to sustain the supply chain of essential goods (such as food, pharmaceutical, and medical equipment), and facilitating the bouncing back of supply chains after the crisis (considering that the industry may be financially affected).

Logistics has been relatively resilient and agile in response to the crisis in advanced or emerging economies, but may face challenges if the crisis develops in other regions. The European Union for example rapidly responded to free up the flow of essential goods as measures by member states to restrict the cross-border movement of people led to freight bottlenecks at key gateways. Logistics in developing countries is generally more dependent on one gateway/ hub and trade route. It is more labor intensive with considerable human interaction, especially in Africa and the South Asia region.

AIR CONNECTIVITY

The aviation sector has suffered the greatest connectivity loss. Globally, passenger capacity in the first quarter of 2020 has decreased by 40 percent (Table 1), resulting in 16.4 to 19.6 million fewer passengers traveling by plane, compared to projections². The massive grounding of passenger flights which started in China has resulted in the loss of “belly cargo” capacity, which normally accounts for half of global air cargo capacity.

¹ Trade and COVID-19 Guidance Notes are prepared by the Global Trade and Regional Integration Unit of the World Bank to provide practical measures governments can implement to mitigate the impact of the COVID-19 virus outbreak. For further information about this note please contact Cordula Rastogi (Senior Transport Economist, crastogi@worldbank.org) and Jean-François Arvis (Senior Economist, jarvis1@worldbank.org), or Antonio Nucifora (Practice Manager, Global Trade and Regional Integration Unit, anucifora@worldbank.org). We would like to thank Caroline Freund, Antonio Nucifora, and the global trade team for their comments and inputs. A full list of Trade and Covid-19 briefs is available at <https://www.worldbank.org/en/topic/trade/brief/trade-and-covid-19>

² <https://www.icao.int/Newsroom/Pages/Economic-impact-estimates-due-to-COVID-19-travel-bans.aspx>.

This reduction has disrupted global supply chains and critical delivery, especially for small isolated economies (e.g. islands, or landlocked countries), many of which are fully dependent on 'belly cargo' for essential imports.

The aviation industry showed agility in responding to demand to keep medical supplies, industrial parts and high-demand consumer goods moving. Many airlines have started cargo-only flights using passenger aircraft to bolster depressed global airfreight capacity³.

SHIPPING INDUSTRY

Shipping connectivity has been affected only by falling demand, not direct capacity loss. The drop in ocean-going freight demand was sharp and started in China (Figure 1)⁴. The industry has adjusted capacity to demand by canceling scheduled sailings ("blank sailings") resulting in a capacity loss of about 1.7 million twenty-foot equivalent units (TEUs) according to preliminary estimates⁵.

Table 1: Global Scheduled Flights Change year-over-year
(week compared with equivalent week in previous year i.e.)

Region	6 Jan	13 Jan	20 Jan	27 Jan	3 Feb	10 Feb	17 Feb	24 Feb	2 Mar	9 Mar	16 Mar	23 Mar	30 Mar
ALL	1.5%	1.3%	0.5%	0.2%	-3.6%	-9.9%	-10.7%	-10.1%	-7.9%	-10.1%	-12.4%	-28.7%	-47.7%
Singapore	-1.1%	-0.1%	1.2%	-0.3%	-8.2%	-15.4%	-18.5%	-22.4%	-25.4%	-35.7%	-35.5%	-76.9%	-89.3%
Italy	0.8%	-5.0%	-4.2%	-4.8%	-4.3%	-3.5%	14.5%	-6.2%	-8.8%	-21.6%	-73.9%	-88.0%	-89.2%
Germany	-8.6%	-8.8%	-8.4%	-8.5%	-7.9%	-8.0%	-6.6%	-5.1%	-5.0%	-15.4%	-30.2%	-71.9%	-88.6%
Spain	-1.1%	-4.6%	-4.8%	-4.5%	-3.8%	-2.5%	0.6%	13.1%	-1.4%	-2.9%	-13.7%	-74.3%	-88.5%
Hong Kong	-11.3%	-10.8%	-8.0%	-8.7%	-20.6%	-44.7%	-57.7%	-63.3%	-70.4%	-77.5%	-80.8%	-81.7%	-88.3%
UAE	-2.4%	-1.4%	-1.8%	-2.1%	-1.9%	-3.3%	-3.5%	-3.3%	-2.9%	-8.3%	-24.4%	-57.6%	-85.8%
France	1.4%	-1.5%	-1.9%	-1.3%	-0.3%	0.6%	1.7%	-0.5%	-2.0%	-3.8%	-13.7%	-41.3%	-81.4%
UK	-1.8%	-4.1%	-4.2%	-5.1%	-4.3%	-4.0%	-3.0%	-1.9%	-2.7%	-15.5%	-19.3%	-53.5%	-75.6%
India	2.9%	2.8%	1.6%	1.2%	1.9%	6.2%	10.8%	6.7%	9.9%	10.0%	8.3%	1.8%	-68.0%
Australia	-3.4%	-3.4%	-3.2%	-3.9%	-3.6%	-5.0%	-1.7%	-2.5%	-1.7%	-2.3%	-2.9%	-15.9%	-63.1%
South Korea	1.8%	2.1%	3.4%	1.4%	-3.4%	-9.3%	-15.7%	-17.9%	-34.1%	-52.1%	-56.1%	-55.7%	-56.6%
China	7.8%	8.8%	1.6%	-0.5%	-22.7%	-63.3%	-70.8%	-62.3%	-41.6%	-42.9%	-38.7%	-37.5%	-43.9%
Japan	2.6%	2.3%	20.0%	2.1%	-0.8%	-3.2%	-4.6%	-5.6%	-7.6%	-15.0%	-19.2%	-24.3%	-27.9%
USA	1.6%	1.3%	1.5%	2.2%	1.5%	1.3%	1.5%	0.6%	-2.1%	-1.3%	-0.5%	-4.8%	-23.0%

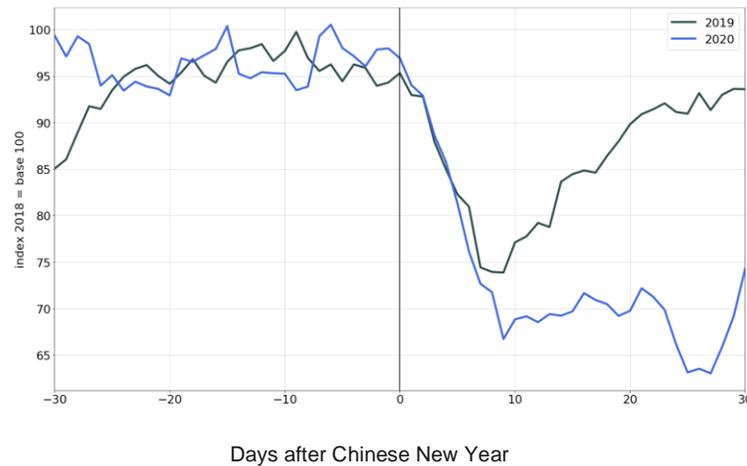
Source: Schedules Analyser, OAG. The table show the number of flights departing from various countries for each week since Monday 6th January 2020 until now, and for the comparable week in 2019, starting with Monday 7th January 2019.

³ American Airlines Group Inc. launching its first scheduled cargo flight since 1984, Delta Airlines Inc., Korean Air Lines Co. and Qantas Airways Ltd. are running passenger aircraft on freight-only flights in certain lanes; Deutsche Lufthansa AG, which has cut 95% of its passenger flights continues to operate its freighter fleet.

⁴ The drop of industrial production and international trade due to emergency measures in China, was initially blurred by the yearly drop in activity after the Chinese New Year in late January 2020. Industrial production was down by -13.5 percent for January-February, and container traffic at COSCO SHIPPING terminal down 15 percent in February adjusting for the data of Chinese New Year.

⁵ Experts estimate the final reduction to amount to as much as 17 million TEU (about 10 percent of total trade).

Figure 1: Volume of Maritime Trade of China (2019 vs. 2020 Chinese New Year)



Source QuantCube based on ship tracking data). The start of Chinese New Year in 2020 was January 25), and in 2019 it was February 5.

ROAD TRUCKING

The disruption of international supply chains has had a cascading effect on local and regional freight services by road serving the hinterland. According to estimates of the International Road Union (IRU) the fall in intercontinental container shipment alone is expected to result in a decline in global road transport activity of up to 20 percent in 2020. Trucking and warehousing services keep the flow of essential goods on corridors and supply to retail shops. The most immediate concern is keeping operations under lockdown constraint, in the safest way possible for transport workers and citizens and respecting the latest relevant government guidelines.

RECOMMENDATIONS FOR POLICY ACTIONS TO FACILITATE TRADE

MAINTAINING BUSINESS CONTINUITY AT CRITICAL GATEWAYS AND HUBS

In case of lockdown, developing countries should strive to maintain the continuity of essential services at critical gateways and hubs. Gateways and hubs are locations where flows converge. They are instrumental for the efficient flow of services and equipment as well as access to the hinterland. Seaports for example handle a hefty 90 percent of all world trade.

Port authorities, terminal operators, customs, and other port services should design their own emergency continuity plans, often as part of national essential public and private services requests. Lockdown and social distance measures may restrict staff presence and constrain normal operations. Experience shows that it is temporarily feasible to operate core port services with only a fraction of staff physically reporting to the office or on site⁶.

Developing countries should use data from gateways and hubs to coordinate with neighboring countries and/or internationally. Several initiatives are emerging to record transit times and provide updates on measures taken at specific gateways.⁷ This enables better coordination with neighboring countries and/or internationally of measures introduced at gateways and hubs.

⁶ For instance, French or Moroccan agencies operate with 4/5 of staff in home-based work.

⁷ <https://wiki.unece.org/display/CTRBSBC/Observatory+on+Border+Crossings+Status+due+to+COVID-19+Home>

SUSTAINING TRADE CORRIDORS

Trade routes and their hinterland logistics are particularly vulnerable as they are the backbone of supply chains in most developing countries, in particular landlocked countries. Sophisticated logistics service providers are better equipped to manage as they have established coordination mechanisms with shipping lines and other stakeholders. The main concern lays with continuity of trucking services to remove goods and carry them along national corridors. This segment of logistics is particularly vulnerable to health hazards, as road corridors and rivers are a primary risk of contagion within sub-regions. Conversely, logistics especially towards landlocked countries may be severely impacted by unilateral border closures.

At present, there is a patchwork of individual national approaches to land border operations, while controls on transit corridors should be eased. Some countries have even closed their borders completely to road freight, some have closed them to drivers of certain nationalities, regardless of where the trucks come from. At borders, control and inspections should be streamlined and harmonized, based on international standards.⁸

SUPPORTING THE FINANCIAL VIABILITY OF KEY LOGISTICS SERVICE PROVIDERS

In the short- and medium-term the financial viability of global logistics will be impacted by lower demand and closures. Air transport operators are at the greatest financial risk, including large carriers. The shipping industry, trucking, forwarders and third-party logistics may also see their financial viability compromised by reduced demand. The International Air Transport Association (IATA) projects that coronavirus-related losses in 2020 could hit US\$113 billion, including at least US\$46 billion total airport industry losses (ICAO)⁹, not including losses in cargo operations. The IRU estimates in turn that the impact of COVID-19 crisis will account for a loss in road operator revenues of about US\$800 billion. The financial impact on the transport and logistics industry will be a concern in advanced, emerging, and developing economies. Pressure for consolidation and restructuring will raise a range of policy challenges including regarding competition, as the industry is already rather concentrated.

The logistics sector has an essential contribution to the future recovery and requires specific attention from policy makers beyond its share of employment (typically 3-5 percent). Possible reduction of capacity and connectivity losses will hinder future recovery of other sectors in the economy, especially trade oriented.

⁸ See World Bank Group (2020) Trade and COVID-19 Guidance Note on "[Managing Risk and Facilitating Trade in the COVID-19 Pandemic](#)".

⁹ <https://www.iata.org/en/pressroom/pr/2020-03-05-01/>.

SUMMARY MATRIX OF POLICY RECOMMENDATIONS

Recommendations for policy actions to facilitate logistics and freight services focus on ensuring business continuity and building resilience. Actions cover both the immediate contagion mitigation phase (short- and medium term) and the ensuing recovery phase (longer term).

Policy Action	Responsible Agency
<i>Continuity of service at hub and gateways (based on response in advanced and emerging economies)</i>	
Prepare emergency plans, by operator and agency, to maintain continuity of operations with limited staff (shifts of no more than 10-20 percent of the workforce); plans should be developed for at least port authority, terminal operator and customs *	Port authority, terminal operator, customs, possibly from a mandate issued by Prime Minister or Ministry of Interior
Reduce/ ban the presence of non-essential personnel on site, including private agents (shipping, forwarding) *	Port Authority/ Terminal Operator/ Customs
Increase use of automation, e.g. port community systems, terminal operating systems and customs automated systems and accept e-signatures *	Prime Minister/ Port Authority/ Terminal Operator/ Customs
Adopt trade facilitation measures to maintain smooth and safe operation of borders and transit of priority products *	Customs
<i>Hinterland Connectivity and Trade Routes</i>	
Engage in Public Private Dialogue with logistics and retail industry, with a view to ensure trucking and warehousing capacities for critical supply chains. Identify potential bottlenecks and weak links in supply chain, in line with international recommendations	Prime Minister/ President/ Ministries of Trade/ Commerce
Engage in a Public Private Dialogue with aviation industry (through coordinating bodies such as National Air Transport Facilitation Committee and Airport Facilitation Committee), with a view to agree on actions to further facilitate air cargo operations and prevent unnecessary delays to aircraft, crew, and air cargo (e.g. temporary traffic rights, slot restrictions).	Ministries of Trade/ Commerce/ Aviation Authority
Promote safe-health and social distancing operating practices in critical activities such as trucking and warehousing (for instance by launching a promotion campaign involving professional and workers organizations), in line with international recommendations from global industry groups (IRU, IMO) and (WHO).	Ministries of Transport/ Trade/ Commerce/ Customs
Facilitate safe operation along transit routes by issuing regulations / orders to limit control and interaction between truckers and third parties en route (e.g. intermediate controls and stops)	Ministries of Transport/ Road/ Police
<i>Impact on Transport and Logistics Services</i>	
Consider specific relief program to operators and service providers of national importance (e.g. domestic shipping line, airline, terminal) **	Prime Minister/ President
Consider inclusion of the transport and logistics sectors (e.g. trucking, warehousing, domestic shipping) in possible SME support interventions **	Prime Minister, Ministry of Trade/ Commerce/ Shipping
<p>* Note: Measures related to trade facilitation and border management are discussed in the companion World Bank Group Trade and COVID-19 Guidance Note on Trade Facilitation (Managing Risk and Facilitating Trade in the COVID-19 Pandemic).</p> <p>** Note: Measures related to specific relief programs to firms are discussed in the World Bank FCI Notes on “Assessing the impact and policy responses in support of private-sector firms in the context of the COVID-19 pandemic” and “Supporting Businesses and Investors – Investment Climate Policy Response to COVID-19.”</p>	

ANNEX ADDITIONAL RESOURCES

Trade and COVID-19 Guidance Notes:

[Trade and Covid-19 Brief Page](#)

[Managing Risk and Facilitating Trade in the COVID-19 Pandemic](#)

[Do's and Don'ts of Trade Policy in the Response to COVID-19](#)

[Trade in Critical COVID-19 Products](#)

Other resources:

[Espitia, Rocha, Ruta \(2020\). "Database on COVID-19 trade flows and policies"](#)

Sector organizations and other relevant stakeholders have issued guidance and advice on several topics relevant in their industry and sector, such as maritime shipping and aviation. Following is selected list of websites on COVID-19 guidance and recommendations issued by industry organizations and others (not exhaustive):

- **International Maritime Organization (IMO):** Advice for member states, seafarers, and shipping (<http://www.imo.org/en/MediaCentre/HotTopics/Pages/Coronavirus.aspx>)
- **International Air Transport Association (IATA):** emergency response guidelines and operational considerations and recommendations <https://www.iata.org/en/programs/safety/health/diseases/#tab-1>
- **International Road Union (IRU):** recommendations for freight drivers <https://www.iru.org/covid19>
- **Union Internationale des Chemins de Fer (UIC):** Guidance for railways stakeholders <https://uic.org/news/article/covid-19>
- **World Customs Organization (WCO):** complication of instruments, tools, initiatives and databases (<http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/natural-disaster/coronavirus.aspx>)
- **Universal Postal Union (UPU):** Measures proposed regarding COVID-19 (<http://www.upu.int/en.html>).