



Indian Chamber of Commerce

Effects of Corona Virus outbreak in the Indian Logistics & Shipping Industry & Recommendations

The Industry:

The Logistics sector in India is on a big growth tide. According to the domestic rating agency ICRA, Indian logistics sector is growing at a CAGR of 7.8 % since the last five years. The Government of India is taking significant steps to support the sector and boost its growth in the times to come.

Present Crisis:

Corona Virus outbreak, the recent threat to mankind has forced the world to disintegrate in desperate attempt to survive. The virus has claimed thousands of lives affecting around 172 countries and is still spreading. Not only life losses but also economic uncertainties are among the major disastrous consequences of this Global Pandemic Virus.

The Government of India along with the State Governments has imposed total lockdown in the country (barring essential commodities) for 21 days as a brave measure to control the potential disaster. The much need step in India has been complimented by the United Nation as “timely comprehensive and robust”, still the economy has to pay a price for it. Logistics being a priority Sector of the Government of India is bound to suffer the consequences of the economic crisis.

Moreover because of its primary nature dealing with transport, this sector is expected to face severe impact of the present lockdown of States and International Borders.

The Corona Effect:

Immediate action by Indian Government after the announcement by World Health Organizations declaring COVID-19 as a global pandemic has prevented the country to great extent from a disaster but the full scale effects to be caused by the global pandemic is yet to be seen. Considering the present situation, the pandemic is predicted to have the following effects on the Logistics & Shipping Industry of India:

Present Issues

- Supply chain completely relies on manpower and it is the backbone of Logistics & Shipping industry. Absence of manpower from the system, due to lockdown by the government, has brought the entire supply chain movement to a halt. Orders lay pending as factories, companies, and warehouses are shut in a prompt response to the lockdown imposed by the Government. This will lead to uncertain delay in supplies and in many cases damage of perishable goods in transit.
- At Present Social Lockdown has created a drastic drop in business which has further impacted finance flows to the industry. The road transporters are unable to get the goods from the manufacturing units to the ports and the shipments arrived in containers remain at the ports incurring daily rent on containers and warehouses due to the closure of state borders. This is

affecting first and last-mile connectivity leading to a severe loss of those involved with the supply chain.

- Even though the Government have allowed movement of Essential Commodities, only very few items are able to reach the markets. If such a situation continues for long, scarcity of essential could be major problem. Many units have complained that local officials are not allowing transport as the categorization is not penned down clearly in notifications.
- Another issue that has come up is the decision to keep ships in quarantine at high seas for 14 days before arriving at the port. There is confusion over Whether 14 days will be counted from the day when the vessel left the supply destination or from the date of arrival.
- Due to delay in container clearance and movement, it is bound to attract huge detention charges to shipping lines and CFS. While every service vendor has gone through a revenue loss and will be in his interest to hold on to the tariffs, the client will find it exorbitantly high to pay such charges as it all adds to costs.
- The overall capacity of logistic efficiency has gone down by almost 70 per cent at present which has led to freight rates shooting almost 6-8 times from the usual. The present inefficiency in movement of essential commodities will add on to the gap created in supply against growing demand addition to the increased logistics cost is expected to lead into an exorbitant price rise.

- Waybill or challan like procedures are not being able to be fulfilled due to the manpower crisis resulting to disputes at the recipient end. This is causing a difficulty for the logistics personnel to ensure essential supplies.
- The Warehouses engaged as a part of supply chains providing essentials at this serious hour of crisis are being run by minimum manpower who are working under continuous security threat and without the essentials like food and proper sanitization in many units.

Recommendations for recovery:

The revival of Logistics industry is critical to the recovery of the Economy as trade links both domestic and international is completely dependent on it. The below mentioned recommendations are aimed to support the Logistics Industry in the larger interest of the economy, resource availability employment and stakeholders:

- The Prime Minister on his recent speech has addressed logistics as 'a critical area' in the process of restoring normalcy at the end of the 21days of National Lockdown. To execute the supply chain efficiently it should be activated at the domestic level immediately so that by the time lockdown is lifted the logistic sector is ready with quick supply at all destinations. This will also help the supplies already arrived at the port to reach the right destination, which will minimize wastage and save the perishable items from getting spoilt.

- To tide over the losses being incurred by the stakeholders of the logistics industry, vendor payments like airlines, shipping lines and roadways, warehouses, containers etc. needs to have a credit period extended up to at least three months for the exporters/ importers to cope up with the present cash flow crunch. Relaxation on interests in case of delayed payments would be a huge benefit to the industry already operating under difficult conditions.
- Indispensable items for survival such as food, grocery, fruits, vegetables, dairy products, pharmaceutical and basic agriculture requirements etc. those basic requirements for human life and further survival should be allowed easy access for transport and warehousing to ensure continuous production and supply. Goods which are not required on a regular basis like white goods and luxury items may have restricted movement considering present difficult times.
- Activating the ports with required deployment of manpower including representation from the concerned customs department and Easing the connectivity of relevant industry personnel with concerned ports shall encourage import ensuring the twin benefit of constant supply at correct price and standard cost of logistics. Simultaneously, all customs and port related paperwork needs to be digitized and waiver of detention/demurrage charge during this lockdown time will help the small stake holders like CHA agents to survive.
- Deployment of additional customs personnel, faster clearances at airport courier and cargo terminals to move out the on-hold shipments will help clean up the channel for critical shipments to flow faster.

- Recognition of the logistics personnel for their essential services could be encouraging as supply personnel are also fighting the global pandemic as front liners exposed to infection threat. It will be a big boost to this industry if it is accorded a status similar to food delivery agents currently.
- As the logistics industry is working under serious manpower constraints, Protocols and other than essentials could be eliminated. Government should provide food and shelter homes for the truck drivers as basic requirements to survive who are stuck at the state border. The State Government should also issue authorization letters to the Organizations associated with the emergency supplies as the same procedure would be a faster solution than providing individual identity cards. Authorized personnel involved with the evacuation of Cargo from airports, railway stations and sea ports should also be provided with Pass to help them carry out their work.
- Warehouses that are working at present are catering to the requirement of essential supplies. Such areas should be secured with Police at this time and those working there should be provided with basics like food and sanitization along with pick and drop facilities from their homes due to non-availability of communication. This will ensure the supplies to continue without any disruption in the chain.
- Import and Export restriction could be reduced for the time being, as the manufacturing and production are either running on low capacity or currently under a shutdown. Special treatment could be provided to the

FMCG and medical industry as post lockdown scenario could result in scarcity of resources.

- There should be immediate relief in terms of reduction in third party insurance rates, removal of toll for all CV nationwide and interest free moratorium on delayed EMIS to help the industry survive this crisis period.
- Simplified Pan India Insurance cover for all people in this industry; including loaders, drivers, helpers etc should be implemented.

To Conclude:

According to a Report by The Economic Times, the Indian manufacturers and exporters of several items have received an increasing number of enquiries mostly from the US and the European Union seeking to replace China as a supplier.

The economic setback India is facing at present might end up in to an opportunity to scale new heights. With necessary Government support the Logistics Industry can play an indispensable role leading to a brighter future.

Information Source

1. ICC Members relating to Logistics Industry
2. IBEF
3. Financial Express
4. Economic Times
5. The Times of India