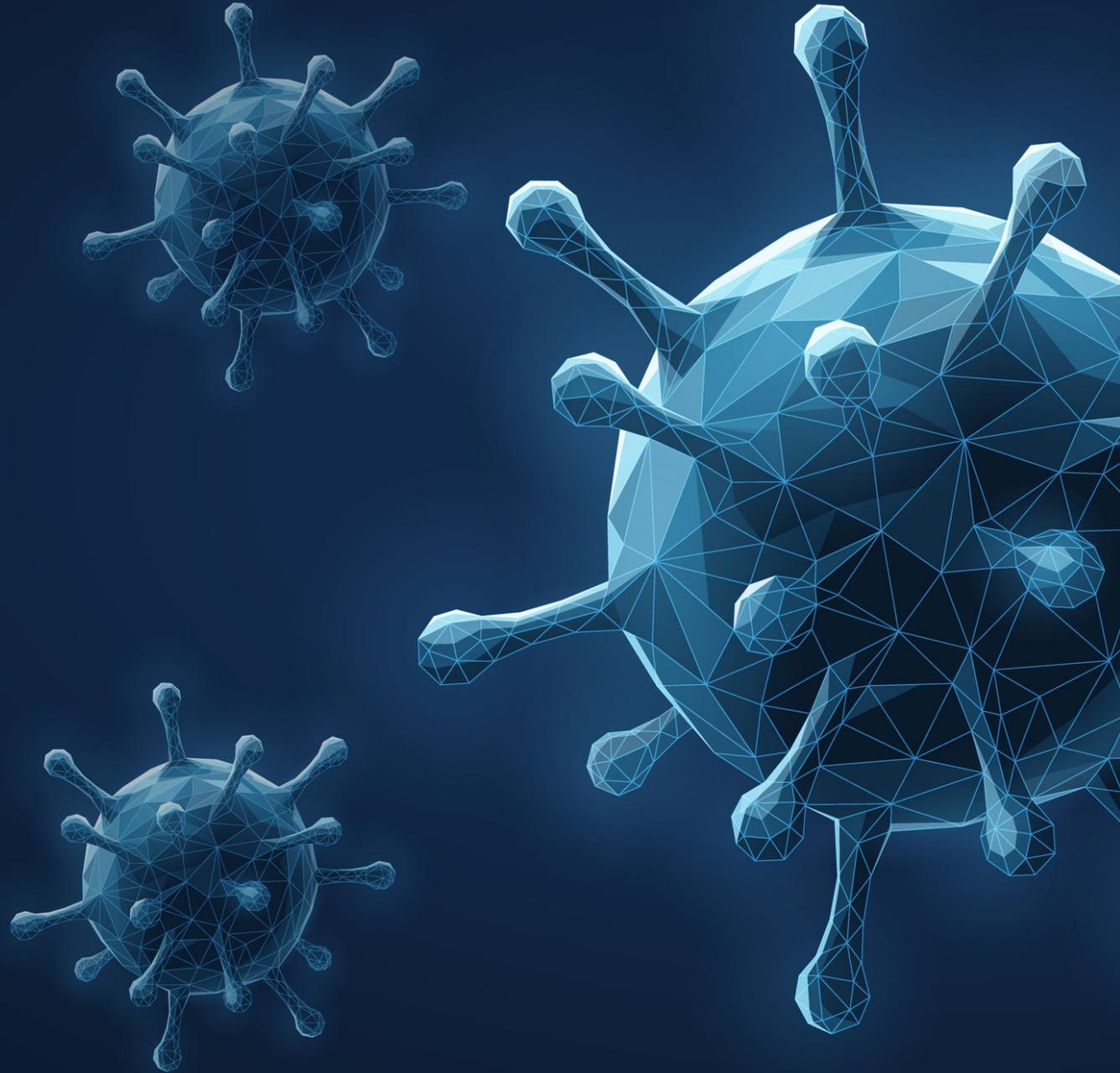




Navigating the Pandemic.

What is the
impact of
COVID-19 for
the maritime
sector?



The impact of COVID-19

Over 90% of world trade is seaborne¹ and shipping is the driver of global supply chains, with many industries directly or indirectly connected to maritime transport. The shipping industry is the backbone of international transport and prior to the Coronavirus pandemic, global seaborne trade was expanding at roughly 4% every year².

Unsurprisingly, COVID-19 has had a significant impact on the maritime sector and there have been multiple disruptions to international shipping as a result of the pandemic. The worldwide closures of manufacturing hubs has reduced the demand for seaborne transport and industry growth has been halted.

The situation with the pandemic is evolving day by day and it's still not certain what the long term effects will be. New strains of the Coronavirus were discovered in December 2020 which led to new lockdowns and increased travel restrictions, further impacting the maritime industry.

However, the sector is responding well to the new challenges and the European Maritime Safety Agency (EMSA) reports that since the start of the pandemic, the European Commission, Member States and the maritime sector 'have been taking measures to ensure the continuity of operations'³. If this collaborative approach of the European industry is mirrored globally then it is hoped that some of the adverse impacts of COVID-19 can be mitigated, and perhaps even avoided altogether.

What does COVID-19 mean for you?

A paper published by the EMSA in October 2020⁴, concluded that COVID-19 has had a 'major impact on global shipping'⁵. The report found that in March 2020 the pandemic escalated to unprecedented levels in Europe and has affected all shipping sectors. Many countries have responded to the pandemic by imposing national restrictions on movement and the EMSA reports that this has had a 'severe impact on health, people and economy'⁶.

The ways in which the maritime sector has been impacted by the pandemic are numerous, and include:

- Additional legal requirements
- Market changes
- Trade tensions
- Sourcing products
- Increased costs
- Movement of crew and passengers
- Reduction of port calls
- Restrictions imposed on the cruise industry

Shipping companies are understandably anxious about the impact that the pandemic will have on their operations, but many in the industry feel that concerns can be mitigated if businesses have a strong network and solid global relationships in place.

¹ 'Shipping and World Trade: Top Containership Operators' by The International Chamber of Shipping

² 'Review of Maritime Transport 2018' by United Nations Conference on Trade and Development

³ 'COVID-19- Impact on Shipping' by European Maritime Safety Agency. Published 16th October 2020 Page 3

⁴ *ibid*

⁵ *ibid*

⁶ *ibid*

Additional legal requirements

As each country tries to navigate the crisis, measures have been put in place by governments to prevent the virus from spreading. These include local and national lockdowns, restrictions on travel and immigration, and social distancing measures.

The result for the maritime sector is that vessel departures have been delayed because passengers, crew, operatives and customs officials have to maintain social distancing measures at ports which leads to longer embarkation and disembarkation times. Individuals also have to self-isolate if they become unwell with Coronavirus symptoms which means the number of people working on vessels and at ports has been reduced, which again leads to time delays as fewer people are available to carry out the work required.

New legislation also requires that the Master of the vessel is informed of any potential cases of COVID-19 on-board, and that these are then reported directly to the Port Health Authority. In cases of serious ill-health the Port Health Authority must be 'contacted

*immediately in order to arrange disembarkation and transfer to an appropriate medical facility*⁷.

Obviously these additional health and safety procedures require both time and labour to implement. They also necessitate the planning and publication of new policies and procedures and for training to be provided to all those with a health and safety responsibility.

Market changes

Carsten Schmidt, Vice President of Shipserv, reported that the market is not as dynamic as it used to be because in times of crisis people and businesses are cautious of making changes⁸. As a result businesses are facing challenges to their growth because the big decisions that need to be made are being put on hold.

There is also a requirement that staff are furloughed if the business is not operational. Although governments financially support businesses to furlough staff, it means that business operations are limited during this

time, leading to difficulties fulfilling orders etc which can further impact on business growth.

Trade tensions

The pandemic has brought with it a number of challenges to international trade and it's clear that businesses which have good technology, electronic documentation and solid processes in place are in a better position than those which don't. COVID-19 has demanded that the whole world move on-line, and as a consequence, suppliers which do not have electronic processes in place are struggling to reach customers, locate products and fulfil orders.

COVID-19 has also resulted in challenges when working with multiple suppliers. The pandemic has meant that traditional ways of working have to be adapted and the outcome is that getting hold of supplies has been more difficult due to longer delays at ports and fewer operatives available to fulfil orders.

⁷ 'Guidance for Shipping and Sea Ports on Coronavirus (COVID-19)' by Gov.UK

⁸ Interview with Carsten Schmidt (30/09/20)

Although the pandemic has made things more challenging, it has also provided opportunities for suppliers and operators to work together

Clearly there are challenges to trade relationships between certain countries and these have been exacerbated firstly by Brexit, and then by COVID-19. Fortunately these challenges are made easier to overcome when supplies can be sourced centrally and when suppliers have good relationships with freight companies.

Although the pandemic has made things more challenging, it has also provided opportunities for suppliers and operators to work together and as Freddie Ingemann, Founder and CEO at Moscord, has found, *‘collaboration is working very well remotely’*⁹.

COVID-19 has also resulted in some positives as purchasing processes have become more streamlined. There are many benefits to using e-procurement systems and online marketplaces like Moscord, and the pandemic has accelerated progress in these areas with more and more operators now able to purchase supplies electronically.

Kevin Shakespeare, Director of Stakeholder Engagement at The Institute of Export and International Trade, believes that the maritime sector will see many changes as a result of the pandemic including more use of technology and electronic documentation¹⁰. In fact, he believes that those companies with good software and good processes in place will actually benefit from the pandemic in some ways. For Shakespeare, the real story will be about the development and growth of customer supplier freight forwarder communication, so that we can all *‘understand the best things that are happening and how we can leverage those’*¹¹.

Sourcing products

The International Marine Purchasing Association (IMPA) is a maritime association which gives a voice to the industry. It represents ship owners, managers and also relevant suppliers and promotes close cooperation between buyers and suppliers.

One of the industry standards that the IMPA has developed is the ‘Marine Stores Guide’, the world’s

leading reference tool for maritime purchasing and supply. The IMPA has simplified the process of identifying and sourcing products and has made it accessible to global players. The result is that trade between buyers and sellers has been accelerated and closer working relationships have been established.

The Marine Stores Guide is currently used by 12000+ vessels and it is likely that this number will increase in the wake of the pandemic as more and more operators seek faster and simpler solutions to the procurement of supplies.

Suppliers who already use and understand the 6 digit simplified code system will be in a better position to support the industry into the future as electronic processes become more widespread. Carsten Schmidt believes that the restrictions on movement that the industry has experienced as a result of COVID-19 means that buyers are looking for supply sources that are closer to where they are¹².

⁹ Interview with Freddie Ingemann (17/11/20)

¹⁰ Interview with Kevin Shakespeare (2/10/20)

¹¹ *ibid*

¹² Interview with Carsten Schmidt (30/09/20)

Larger businesses will be more resilient to external pressures due to the fact that they have more advanced and better-developed systems and processes in place

Location is going to matter more than ever and suppliers that hold a diversity of stock in a wide range of locations are going to be more successful than those which don't.

In times of crisis, reliability of supplies is even more important and Schmidt makes the point that business partners need to be able to rely on each other so that they can each deliver on their promises to their customers. Schmidt also notes that a level of resilience to external factors is important when navigating a crisis. The larger businesses will be more resilient to external pressures due to the fact that they have more advanced and better-developed systems and processes in place.

It's clear that all business have had to adapt quickly to the global challenges presented by the pandemic and Kevin Shakespeare reported that the Institute of Export and International Trade has responded by organising webinars and training and providing insights and updates about how COVID-19 is impacting different international trade disciplines and supply chains.

Shakespeare also explained how the Institute of Export and International Trade has had to adapt to increase their provision and how they've given a lot of additional support to their members in the way of information. He also noted that quite a few in the maritime community are now home-working and so the need for online training is even more important¹³. It's obvious that the key to survival is using technology as much as possible and this includes the 'track and trace' technology that has been specifically designed to track the pandemic. For Shakespeare, efficiency and collaboration will be key to navigating the pandemic.

Adrienne Snowdon, Senior Technical Officer at Bernhard Schulte Shipmanagement, makes the point that vessels are still being built and require a huge number of electrical components to be supplied¹⁴. Although, in her experience, COVID-19 has made it more difficult to source and procure products, she's found that there has not been as much disruption as feared because the larger, global suppliers already have the infrastructure in place to enable them to supply the parts that are required¹⁵.

Increased Costs

COVID-19 has impacted on the availability of transport and made it more difficult to ship items around the world. Snowdon stated that there has been both a 'significant increase in costs and a significant reduction in availability'. In regards to the crew, it's very difficult to get crew on and offshore because of all the movement restrictions.

Snowdon puts the increased costs down to having less availability of products. Airlines are also charging more per kilo of weight because a lot of cargo is shipped on passenger flights. Because the number of passenger flights has reduced, the capacity for storing cargo has also reduced, meaning that space on the cargo planes is now at a premium.

¹³ Interview with Kevin Shakespeare (2/10/20)

¹⁴ Interview with Adrienne Snowdon (08/10/20)

¹⁵ *ibid*

If parts are not supplied on time, or if a vessel stops and misses a load or a discharge, it presents an astronomical cost to the shipping company

The pandemic has also resulted in missed deliveries and moving time-scales which also increases costs. With shipping, everything is time critical and if time-lines are missed you might not be able to get the critical parts to the vessel on time. The implication of missed time-scales can be disastrous because if vessels do not leave port on time it can incur huge costs further down the line.

If parts are not supplied on time, or if a vessel stops and misses a load or a discharge, it presents an astronomical cost to the shipping company. If the vessel needs repairs and the parts are not available when required this will also delay the vessel's disembarkation and again there are huge costs involved when this happens.

Movement of crew and passengers

Carsten Schmidt explains that the pandemic has also had a 'severe impact on the crew'¹⁶. It continues to present a significant problem because crew changes

are a part of operating a vessel. For Schmidt it's a major issue because crew members cannot fly unless they are quarantined which means they are not able to leave the vessel. When they are allowed to leave they often can't get home due to national lockdowns and localised restrictions on movements.

As Snowden has found, it's becoming increasingly more difficult to attract and retain qualified staff because the people who work in the maritime sector are generally not willing to come ashore and work in an office, which they are now being asked to do.

Local restrictions make it even more difficult to navigate crew difficulties because the situation is constantly changing and there is no set way of doing things. It may be that you can do something in one country one week but the next week it will change. The flight situation is constantly changing and crew changes are difficult to facilitate. Snowden believes that until the transport side is resolved and countries opened up again to international trade and movement, the problems will be ongoing. There is simply no solution to them.

Freddie Ingemann reported that currently in Manila¹⁷, Moscord has 30 people working from home but that because Moscord has improved its online provision and has improved internet connections for those working in home offices, they have 'not seen any drop in efficiency'¹⁸, and that in many ways 'it's been a very positive experience'¹⁹.

Reduction of port calls

Schmidt found that some liner operators and container vessel operators reduced the frequency of their port calls in the light of the pandemic²⁰ and this observation is further evidenced by the EMSA in their report into port calls.

¹⁶ Interview with Carsten Schmidt (30/09/20)

¹⁷ December 2020

¹⁸ Interview with Freddie Ingemann (17/11/20)

¹⁹ *ibid*

²⁰ Interview with Carsten Schmidt (30/09/20)

The global cruise industry is facing a challenge that is ‘unprecedented in scale’

When EMSA analysed the number of ship calls at EU ports it found that the number declined by 14% in the first 41 weeks of 2020 compared to the same period in the previous year²¹. Perhaps unsurprisingly, the study found that the most significantly affected sectors have been cruise ships, passenger ships and vehicle carriers, which have seen a huge reduction in trade due to COVID-19 imposed travel restrictions. The report also found that the countries most affected are Croatia, Iceland, Slovenia and Spain as they are some of the most popular cruise destinations.

The study concluded that there was less of an impact for Bulk carriers, Containerships, General Cargo, Oil tankers and Ro-Ro (Roll-on, roll-off) cargo vessels which only experienced a small decrease of up to 5% of capacity²².

However, even this small decrease has a large impact for the maritime sector as losing even 5% of its capacity represents a significant loss in global terms.

Restrictions for the cruise industry

Cruise ships and passenger liners have been hit particularly hard because even though the vessels are not sailing anywhere, they still require constant maintenance. Many of the cruise vessels have been placed in ‘hot storage’ which means they’re being maintained at ports so they are able to resume operations at very short notice once restrictions are lifted.

Other vessels have been placed in ‘cold storage’ which is when a decision is made to shut down the vessel completely because it’s not going to operate again in the foreseeable future. This is currently what is happening with many offshore vessels.

The Cruise Lines International Association (CLIA) has stated that the top priority for the entire cruise community continues to be the health and safety of passengers, crew and communities and it’s developed

a number of resources designed to help its members and partners navigate the pandemic.

According to the CLIA, the global cruise industry is facing a challenge that is ‘unprecedented in scale’²³. The cruise industry supports over 1.17 jobs around the world²⁴ and the suspension of services due to COVID-19 has resulted in the loss of thousands of jobs in travel agents, suppliers and service providers across a range of industries.

However, CLIA are also keen to point out that despite the impact of COVID-19, people love to cruise and the association is confident that ‘people will return to the seas when the time is right’²⁵. Despite the current challenges, the industry is resilient and CLIA are optimistic that the cruise community will emerge from this crisis ‘stronger and even better than before’²⁶.

²¹ ‘COVID-19- Impact on Shipping’ by European Maritime Safety Agency. Published 16th October 2020 Page 4

²² *ibid*

²³ ‘Cruise Industry COVID-19 Facts and Resources’ by Cruise Lines International Association.

²⁴ *ibid*

²⁵ *ibid*

²⁶ *ibid*

Working together

Relationships between shipping companies and their suppliers have become increasingly important during the pandemic and Freddie Ingemann has found the biggest positive change is that people are working together across the maritime sector to find solutions to common problems²⁷. He also makes the case that in many instances remote working is working very well and has enable businesses to cut some of their operational costs. Because crew members are not flying out to meet vessels, and operatives are working from home, many businesses have reported notable savings which go some way towards mitigating the economic impact of the pandemic²⁸.

Kevin Shakespeare makes the point that communication with customers and suppliers is going to become more and more important and understanding that industry problems are shared problems will make it easier for the maritime sector to work together to resolve the issues presented by COVID-19²⁹.

Looking to the future

On 20th May 2020, the British Ports Association published an economic recovery plan designed to revive the UK economy after the pandemic. The report documents how ‘*investment in ports can play a key part*³⁰’ in the UK’s economic recovery and detailed how the UK government would be investing heavily in the maritime sector to help it get back on its feet once the pandemic was over. It’s to be concluded that it will be a similar story globally, giving hope for the future of the maritime sector as international governments each pledge to support the maritime industry moving forward.

Navigating the pandemic with RS Components

It’s clear that COVID-19 has already had a significant impact on the maritime sector, but RS Components are confident that our knowledge and expertise of global shipping places us in the best possible position to be able to help our customers to confidently navigate the pandemic.

Our purchasing processes are streamlined and because our customers only have to work with one supplier, both time and money will be saved which will alleviate some of the costs associated with COVID-19.

As Adrienne Snowdon, found, because we’re a contracted and approved supplier, having already gone through a vetting process with their supply chain management, when requisitions are submitted to us for costings, the prices have already been agreed which means that our customers don’t have to shop around trying to find the best price for our products³¹. This reduces both time, cost and anxiety for our customers.

As a large, well-established global supplier, we can also provide both the stock and the export services that smaller suppliers might struggle with.

²⁷ Interview with Freddie Ingemann (17/11/20)

²⁸ *ibid*

²⁹ Interview with Kevin Shakespeare (2/10/20)

³⁰ ‘Ports Coronavirus Hub’ by British Ports Association

³¹ Interview with Adrienne Snowdon (08/10/20)

Relationships between shipping companies and their suppliers have become increasingly important during the pandemic

Our global supply chain network includes distribution centres across Europe and we're investing £30m in additional stock in order to improve our service. This means that we're in a stronger position than most to assist shipping companies who are struggling to navigate the crisis.

We play a vital role in our customers' supply chains which includes the provision of personal, protective equipment (PPE) where stock allows and many of our employees, particularly those working in our distribution centres, are fulfilling an important role in maintaining the flow of these essential supplies. While we continue to support these important organisations, we are adhering to advice from government health agencies including the World Health Organisation and the health, safety and well-being of our people and customers is our number one priority and remains at the heart of everything we do at RS Components.

We have received many requests from customers who provide essential services (food producers, medical suppliers and utilities providers) asking for our

assurance that we can continue to supply them, and we're confident that we can, regardless of COVID-19 developments.

How we can help

1) We offer thousands of products for which product technical data sheets and support resources are available. They can be easily downloaded from the technical reference areas on the product pages of the RS websites, or from the Product Data Library available on DesignSpark. **export.rsdelivers.com**

2) International shipments and billing are handled by our award-winning Export Department **www.rs-exportsolutions.com** who can manage all of your export and custom documentation such as CoO, Chamber Certificates and export licenses. We also specialise in hazardous packaging to IATA standards and our processes and paperwork are designed around your needs, helping you save up to 20% on costs and 15% in time efficiencies³².

3) Our Export Department also provides various purchasing and payment options, including the choice of currency in addition to technical support offered by qualified engineers. Our knowledge extends to cross referencing support using the **IMPA Marine Stores Guide**.

4) RS Pro **export.rsdelivers.com/ourbrands/rspro** is RS's own brand product range offering over 65,000 industry-leading products.

³² Calculated by the Institute of Export and International trade, comparing the RS Components Export service to an average exporter.

Working together to navigate the future

We're playing a critical role in several of the UK Government initiatives around vital equipment medical equipment ventilators and personal protective equipment (PPE) and we're proud of the role we're playing in helping our customers during these challenging times.

We continue to work closely with our partners and suppliers to provide maritime customers with the relevant brands and products for all their repair and maintenance procedures, whatever the future holds.

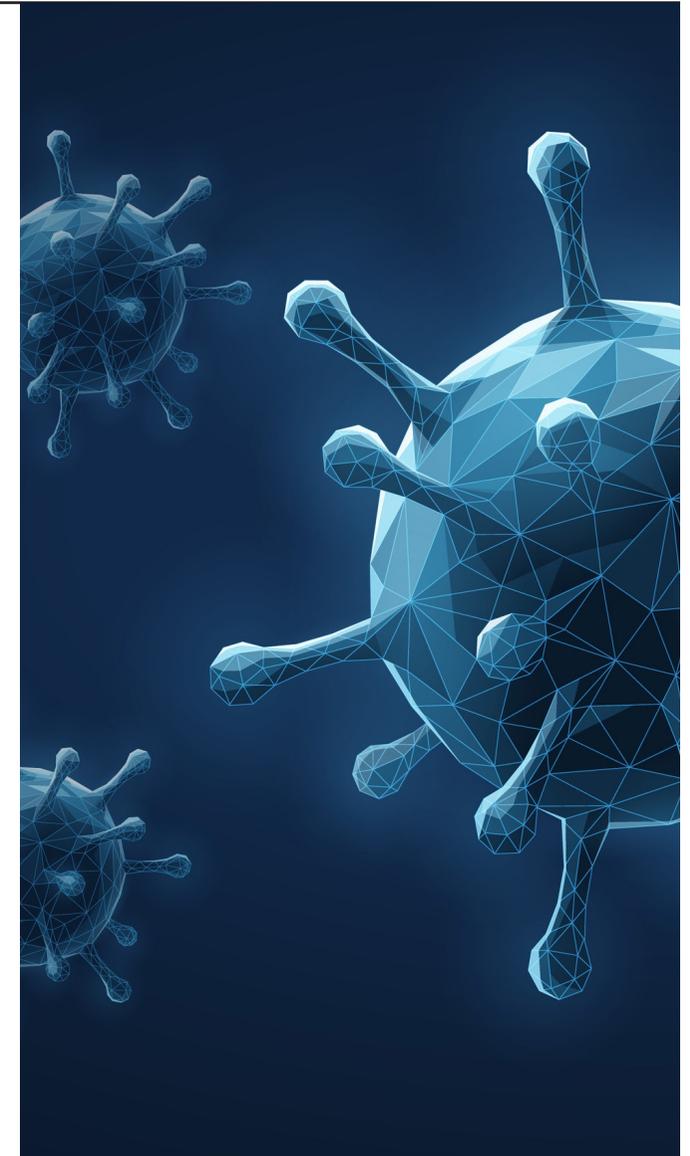


Shipserv are an e-commerce trading platform which connects buyers to suppliers. We're proud to have Shipserv as a strategic partner and we're in the process of integrating our catalogue into Shipserv.com so that we can link seamlessly with all purchasers and so reduce the time and cost of purchase ordering.



RS Components is working closely with Moscord, the recognised marketplace for the maritime and shipping industry, and is recognised by Moscord as a key supplier. Because RS have both the range of stock and the export experience to provide an expert service, it's anticipated that money spent on operating costs will be reduced due to the streamlining of purchase processes and having one single point of purchase.

Our priority throughout the pandemic is to do what we can to minimise disruption, so you receive a high level of service and support when you need it most.



Sources

'COVID-19- Impact on Shipping'. European Maritime Safety Agency. Published 16th October 2020

'Cruise Industry COVID-19 Facts and Resources' by Cruise Lines International Association.
<https://cruising.org/en-gb/cruise-industry-covid-19-facts-and-resources>. Accessed 09/01/21

'Guidance for Shipping and Sea Ports on Coronavirus (COVID-19)' by Gov.UK. Updated 24 September 2020. Accessed 09/01/2021

'Ports Coronavirus Hub' by British Ports Association.
<https://www.britishports.org.uk/coronavirus>. Accessed 09/01/2021

'Review of Maritime Transport 2018' by United Nations Conference on Trade and Development. <https://unctad.org/webflyer/review-maritime-transport-2018>. Accessed 09/01/2021

'Shipping and World Trade: Top Containership Operators' by The International Chamber of Shipping. ics-shipping.org. Accessed 09/01/2021

Interviews

Freddie Ingerman- Interviewed by RS on 17th November 2020

Kevin Shakespeare- Interviewed by RS on 2nd October 2020

Carsten Schmidt- Interviewed by RS on 30th September 2020

Adrienne Snowdon- Interviewed by RS on 8th October 2020

About the Author

Kate Bradshaw is Industry Sector Manager for RS Export Solutions. You can contact Kate at kate.bradshaw@rs-components.com

Date of Publication: January 2021

No part of this publication can be reproduced wholly or in part without the express written permission of RS Components Ltd.