

## **COVID-19 Alters Global Shipping – US Senate Offers Some Economic Relief**

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The coronavirus' impacts on global shipping are growing every day. While borders around the world generally remain open for cargo at this time, the cost of trans-Pacific and -Atlantic shipping of goods has increased substantially as a result. A primary factor is that international passenger flights have essentially ground to halt. In a typical year, passenger airlines transport 35% of global trade by value or almost US\$7 trillion worth of goods per year. While American Airlines announced it would run some cargo-only flights between the United States and Europe, it is generally not economical for airlines to make such runs. Airlines are reportedly drafting plans for a voluntary shutdown of essentially all passenger flights in the US, an act that could severely undercut even domestic airfreight operations.

With limited passenger planes in the air, the demand for services offered by express shippers like FedEx, UPS, and DHL has increased, but those options are typically more expensive and could struggle with current demand. During an interview on Sunday, FedEx CEO Fred Smith said the grounding of many international passenger flights has “created significant backlogs coming into this country and a significant amount of traffic going back to China...the same thing's true across the Atlantic.” The third coronavirus stimulus package unveiled by the Senate on March 25 includes up to US\$4 billion in loans and loan guarantees for cargo air carriers, as well as another US\$4 billion in financial assistance for cargo air carriers to continue payment of employee wages, salaries, and benefits. Ocean freight continues without the same level of disturbances but is a slower option for companies looking to quickly replenish inventory.

The US trucking industry is benefiting from the heightened demand resulting from increased consumer purchases of basic goods. However, it could face further disruptions if states begin placing restrictions on road travel and should they face delays crossing borders due to reduced staffing as customs officials fall ill or limit operations to ensure adequate distancing.

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