



**The Chartered  
Institute of Logistics  
and Transport**



## **Global Shipping and the Supply Chain - the Short and Long Term Response from CILT SL**

- Diversity of supply chain
- Digitalization of the shipping industry and its related chain

The diversity of supply chain and digitalization of the shipping industry and its related chain can be identified as results of COVID19 pandemic.

- **Diversity of supply chain**

China contributes 12-13% to the global trade where 21.7% of its contribution is for intermediate goods for other countries. This evidence the dependence of sourcing in global trade from a single large location. When China came to a standstill during COVID19 pandemic, entire global trade was affected. New opportunities have opened in other locations such as India, Vietnam, Kenya, and some other African countries. Now is the time all multi-nationals to re-look at diversifying sourcing to different locations rather than depending too much on a single location.

### **Short-term response to Supply Chain**

Multitier transparency of supply chain

- Mapping the end to end supply chains beyond the tier 1
- Determine the origin of critical components – risks of continuous supply and look at the possible alternative sources.
- Optimizing production and distribution capacity – assess impact on operations and availability of resource capacity – ensure safety of employees and clear communication
- Re-asses customer demand – work closely with the sales and operation teams to re-assess the actual requirements.
- Control of inventory
- Logistics capacity – need to change the mode of transport where necessary

### **Long term response to Supply Chain**

- Developing rapid response capability to fulfil consumer demand
- Further digitalisation of the Supply Chain – facilitate online demand.

- Automate manufacturing and warehousing processes as much as possible – this will eliminate risk of facing such pandemic situations as COVID19.
- Reconfigure supply networks to ensure resilience
- Ability to develop demand sensing capabilities through machine learning to identify trends early, fast and react

Transportation is the lifeblood of global supply chain whether it is raw materials, CKD's (Completely knocked down), SKD's (Semi knocked down) or FBU's (fully built -up). The movements of these goods from one location to another are handled through various modes of transport where 90% of the global trade is handled by sea.

### **Response to Global Shipping industry**

Shipping is the key to the Global trade. Especially, 52% of goods are moving through shipping containers globally. These are mainly finished goods, which includes, foodstuff, consumables, medicines, and medical equipment etc.

What we have experienced during this pandemic is mainly to ensure how we get our essential items across the oceans. Ships can be operated with tight safety precautions and whatever the finished goods too can be loaded on these ships but most importantly, shipping documentation has got slowed down in many locations, which resulted delays in clearing processes of essential items. This is where further digitalisation of the shipping industry and its related services.

### **Short term Responses**

- Facilitate all staff to work from home with all required connections and facilitate the essential staff to attend offices wherever necessary.
- Constant communication with all customers, terminal operators, and Customs to facilitate clearing of import containers and consider waivers on liner detention and port demurrage wherever possible to expedite the clearing process.
- List down the uncleared shipments and constantly talk to customers to clear the goods soon. This will help the shipping lines to reduce dwell time of containers as well as congestion in ports.
- Coordination with the trucking companies and container depots to efficiently facilitate release of cargoes.
- Use the online banking facilities as much as possible to facilitate customers to make payments.
- Closely follow up with government authorities and terminal operators to make things happen through prompt action
- Safety of the seafarers' - proper protective clothing must be provided wherever they contact with people outside their ships – crew must be provided with medical facilities at ports and constant checking on their conditions.
- Boarding offices should be equipped with proper protective clothing.
- Closely follow the legal obligations on contracted cargoes.
- Facilitation of crew exchange – the onset of the pandemic has led to a freeze on crew changes at most international ports which has been exacerbated by the closure of airports and cessation of flights. This has left sea-farers (over 1.6 million globally) that are very much essential workers in a precarious situation. A pragmatic solution to be developed

by considering initiatives by countries such as Sri Lanka in offering Galle as a crew exchange hub that can operate under the guidelines of the WHO and IMO.

- Sri Lanka is predominantly a transshipment hub port, and transshipment volumes are capacity led. Its imperative that the port capacity enhancement which is already few years behind schedule to be expedited, although the capacity crunch is temporarily eased off due to the volume drop during the Covid crisis.

### **Long term Responses**

- Electronic Bills of lading despatch using block chain technologies
- Electronic delivery orders to be issued
- All banking / financial sector to accept electronic documentation on a legalised platform.
- Customs, Ports/terminals to accept electronic documentation to release / accept goods.
- Banking services to facilitate to identify the fund transfers.
- Automate shipping documentation to minimise human intervention – systems to be upgraded – processing of bookings to releasing of BLs.
- Identification and swift facilitation of low-cost global centres for laying up of assets – ships, containers, etc. to mitigate costs (e.g. Trincomalee Harbour in Sri Lanka)
- Considerations to be given on establishment of a global shipping fund to assist mid-tier ship-owners and operators that may otherwise get wiped out by the ensuing economic crisis.
- Tapping into the evolving global supply chain networks in view of relocating manufacturing operations from China to India and to other Asian locations. (eg: Opportunity for Hambantota port to position itself as a global supply chain hub by expanding the infrastructure with multi modal connectivity )
- Large manufacturing companies will re-consider their current just-in-time inventory management and their reliance on global networks of suppliers.
- Raw material stocks will be increased as additional reserve cushions in order to prevent exhausted inventory and production disruption due to a global shutdown. Logistics hubs will also be re-considered so that they are better geographically positioned
- Digitizing the buyer-supplier relationship is a fundamental element for building strong supply chains, and will make identifying and recruiting new suppliers far less time-consuming. With technologies like artificial intelligence and the Internet of Things, supply chains could quickly switch to alternative providers when regular suppliers face disruption.
- The rail network in Sri Lanka can also be used in the long term for movement of cargo. There does already exist connectivity from the port. Countries like India have successfully, moved many containers via rail through the period of COVID