

Captain Livingstone: One If By Land, All If By Sea

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Containers are loaded onto a ship, as the global outbreak of the coronavirus disease (COVID-19) continues, in the Port of Los Angeles, California, U.S., April 16, 2020. REUTERS/Lucy Nicholson

By Captain George Livingstone – As we witness the COVID-19 crisis spread around the world it seems this big problem could morph and spread into a myriad of problems with the end result being collectively bigger than the original. The crux of the matter being there no clear horizon looking forward.

According to [livescience.com](https://www.livescience.com), In the United States on 4/13/20 there were about 550,000 cases nationally of COVID-19. On 4/20/20 there were about 750,000, a national increase of nearly 30% in one week. At present 15 states are seeing a decline in cases while 35 states are still reporting increases. Numbers don't lie, 15 states are about to turn the corner demonstrating success, 35 states should be watching and learning. Most of the stabilization is occurring on the west and east coasts. This makes sense, coastal states reported some of the early cases. It seems logical that the spread is working its way to the middle of the country, time will tell.

Economic Impact

The economic impact is severe, the perplexing aspect is the somewhat disjointed, random effect of it. Although many segments of world business have been affected, there seems to be clear losers within specific industries. Some are holding up better than others through no action of their own and some are losing through no fault of their own. We're between a rock and a hard spot, dammed if we do, double dammed if we don't and it may or may not be it takes longer to reach safe harbor than thought. Confused? Join the club.

International Transportation

One of the most affected industries has been international transportation as the world's population began sheltering in place. Nothing is being spared, cars, trucks, trains, planes and ships, they are all moving less and it is having a dramatic effect across the globe. On the positive side? The world breathes easier, less pollution. The negative? Don't ask, its depression, I mean depressing.

Oil Tankers

In marine transportation, the world's tanker fleets are seeing day rates for hire/charter reaching to the sky creating a clear winning situation in a trade that has struggled for nearly a decade. This is due to high demand for tank ship storage. Current oil curves are in very deep contango, meaning traders believe prices will rally in the future thus the idea is to store oil on ships until the price improves. In fact, oil is filling up shoreside facilities as well, not by intention, but lack of demand. The supply chain is still working, oil tankers are moving but we may be nearing the point of a full national tank and then the supply chain stops as do the ships. This will create a dichotomy for marine oil transportation, one great, one horrible, depressing I know.

Container Ships

The international container fleets are facing the worst crisis since 2009 when nearly 40% of container ships were laid up globally. According to Sea-Intelligence 384 sailing have been canceled so far this year. The first half of 2020 could see a 25% drop in the international container trade. Given the present situation, we may again face the lay-up of a significant percentage of the international container fleet. If things don't improve for container shipping, the scrapping of older ships would follow. Of course not the hundreds and hundreds of the newer Ultra Ultra-large ships, those must be utilized. Which begs the question can they be used on the present international trade routes? If the above scenario occurs, will trade routes remain the same or will they change? If they change who will benefit and who will not?

Cruise Ships

The cruise ship industry is virtually stopped, cruise ships are not moving and there is no revenue coming in for this giant segment of marine transportation. On the marine transportation side, the cruise industry seems to have taken the brunt of the worldwide COVID-19 crisis. The high visibility of cruise ships and the density of passenger carrying capacity has stopped this global segment of marine transportation. It was a highly profitable business and the industry feels it can withstand a shutdown through the end of 2020. Even so, the Saudi Sovereign-Wealth Fund recently purchased an 8.2% stake in Carnival Cruise Lines, the world's largest cruise operator, shoring up against possible cracks in the financial dam. Still, the cruise industry faces daunting challenges moving forward and all in marine transportation wish them the best as we all navigate uncharted waters.

Car Carriers

Auto-carrying ships (car ships) have already seen a drop in demand in the United States and Europe. They are projections of a significant slowdown in the area of 30%, still, given the situation, not a disaster if things stabilize by the end of 2020. That's correct, stabilize not improve, one step at a time.

Ports

Ports around the world are in a similar situation, some weathering the storm while others suffer greatly. Geographic port areas that are diversified may see sustainable losses, the opposite may be the case for ports that are reliant one single segments of marine transportation like container ships or cruise ships unless the port has something other to offer those very customers. A continuing lack of demand for oil nationally will have serious repercussions adding to the pressure on ports heavily reliant on the movement of oil, especially gasoline which is at historic low demand. And of course, if a port is struggling,

so too will all businesses associated with that port, tugs, pilots, agents, chandlers, bunkering, etc., Through no fault of their own.

Unsung Hero's

It seems to this mariner/writer that if anything has been exposed through this crisis, it's the vital importance of trade by sea. Let's face it, air cargo just can't replace by volume nor can trucks and trains even move without the world's fleet of oil and cargo vessels getting there first. As of this writing, it could be argued that ship trade is keeping the world from the abysses. As leadership around the world struggles with how to overcome and beat the COVID-19 Pandemic, herculean efforts should be directed toward ensuring the expedient movement of ships worldwide, as well as serious efforts by nations toward allowing the free movement of the 1.6 million professional merchant mariners getting to and from their ships globally. Those very mariners, as of this writing, are stuck on ships for extreme periods of time due to well-intended but convoluted restrictions on travel due to COVID-19. Mariners are among the unsung heroes of this entire sorry affair. There is a legitimate argument to be made that professionals manning the world's shipping fleets are bearing the brunt of keeping world trade functioning, thus the world...lest we forget.

To more arrivals than departures-

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