



THE EFFECT OF COVID-19 ON COASTAL SHIPPING IN MEDITERRANEAN AND BLACK SEA

Ismail Bilge Cetin, Ph.D. (primary author)

Dokuz Eylul University, Maritime Faculty, Izmir, Turkey

Donald Maier, Ph.D. (secondary author)

California State University-Maritime Academy, Dean, School of Maritime Transportation, Logistics, & Management, California, CA , USA

ABSTRACT: The aim of this study is to analyze the effect of the COVID-19 pandemic on coastal shipping in the Mediterranean and Black Sea with emphasis on short sea bulk and general cargoes. In this study, as a methodology semi-structured interviews have been conducted with ship-owners, and shipbrokers. The result of the study shows that the first quarter of 2020 due to the effect of COVID – 19, ship-owners and charterers significantly reduced sailing with some ceasing operations altogether. Trade stopped, factories shut down, ports slowed down and yet port congestions occurred. Shipyards and even scrapyards also faced similar reduction in operations. Freight rates declined to new record lows (for a brief period of time). Some ship owners laid-up vessels. Crew change problems were faced and still continuing. By the third-quarter of 2020, as demand for raw materials and finished good inventories increased, so did the demand for charters. Fortunately for charterers, the increase in demand also caused an increase in freight rates.



Methodology

This study employs a qualitative research in an attempt to explore the Effect of COVID-19 on Coastal Shipping in Mediterranean and Black Sea. Using a qualitative approach provided a deeper insight regarding the issue through responses gathered from those interviewed. In this study, a semi-structured interview method was used to provide reliable qualitative data. The same questions were asked to the participants and interviews were conducted either by telephone or a questionnaire was sent to the participants by e-mail. Three telephone and 7 e-mail interviews were conducted and responses were received during April and May 2020 from 7 ship-owning, 2 shipbroking, and 1 maritime research company in Turkey (See Table 1 and Table 2 for participants and interview details). Participants were recruited by purposive sampling methods. All participants were asked if they were willing to participate in a research study and notified of the purpose of the study was publication. Respondents also had the option to not be interviewed and were provided the opportunity to submit anonymous responses. The study was explained and an oral informed consent was obtained. For purposes of this study, when similar responses reached ten, a study saturation was reached.

FINDINGS: Mediterranean & Black Sea Trade - Volume came to a standstill, great decreases occurred in the freight market and almost all ships had to wait for cargo and even ship-owners, who went to a short – term lay up solution. However, in September 2020, with intense demand trade resumed at in volume and transportation demand.

Effect on Shipping Market: Rates hit historic low at outset of COVID yet by the fourth quarter, ISTFIX coaster freight Index based in Istanbul reached a historic 748 points with the high seasonal cargo demand, The demand for vessels continued in early first-quarter 2021, with the index point of 662 exceeding 2019 vessel rates.

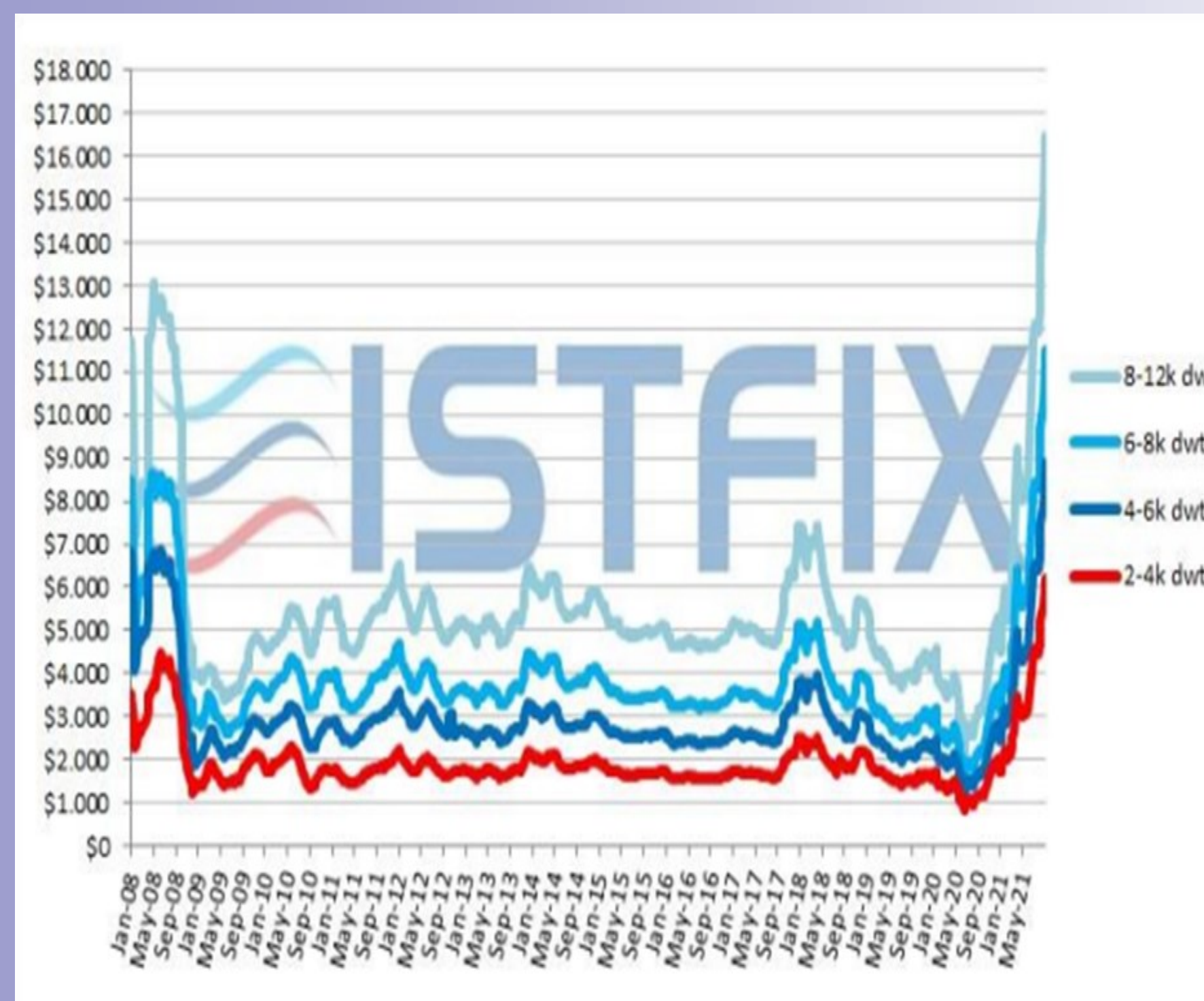
Effect on Ports: Port operations came to a near stand-still at the beginning of the pandemic. As operations began to operate under less than normal operating conditions and labor, delays were reported from a high of 7 to a low of 1 day.

Effect on Cash Flow: Some respondents faced cash flow problems, but most of the ship-owners did not. Cash flow problems were met through equity sale.

Effect on Crew Changes: Seafarers (and families) were most affected by COVID. Crew changes were not allowed in most countries. Crew had to remain on-board until the ships arrived in the ships home port even though contracts expired.

Effect on Office & Organizational Operations: A significant majority of respondents reported moving office personnel and operations to a remote environment. Significant precautions were implemented for those working on-site; fortunately few to no layoffs of office personnel occurred with a few respondents suggested an increase in office personnel.

Comparison of 35 th Week freight rates with previous weeks.



Source : ISTFIX, 2021, Coastal Charter Rates



Source : ISTFIX (Istanbul Freight Index), 2021

USD / day	2-4k dwt	4-6k dwt	6-8k dwt	8-12k dwt
This Week	6.200	8.864	11.477	16.472
Last Week	5.560	7.949	10.293	14.772
Last Month	4.690	6.705	8.682	12.461
Last Year	1.151	1.646	2.131	3.058

Source: ISTFIX, 2021



CONCLUSION: The purpose of this study is to analyze the impact of the COVID-19 pandemic on coastal shipping in Mediterranean and Black Sea. The study reveals that in the first two quarters in 2020, freight volume decreased to the lowest level. Ship owners operated with lower margins and net loss. Ship-owners forced to lay up vessels. Delays in the ports at the beginning, the congestion later disappeared, while returning due to an increase in global trade. Significant disruption with crew changes. After the six-month period, trade increased with a strong demand for raw materials and food, and freight volume increased. At the outset of the pandemic, ship-owners minimized the number of employees in the office and the staff learned to work remotely. While operations for ship-owners and charterers eventually normalized, in the end, the crew and their families suffered the most.