RESEARCH LUXEMBOURG
COVID-19 Task Force

WORK PACKAGE 13
SUPPLY CHAINS AND LOGISTICS

LOGISTICS NETWORKS DISRUPTION SURVEY (APRIL 2020) PRELIMINARY REPORT

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GRAND-DUCHY OF LUXEMBOURG

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1 Introduction

This document provides a preliminary overview of the key insights from the survey on “Logistics Networks Disruption” launched in April 2020 by Work Package 13: Supply chains and logistics (hereinafter referenced as “WP13”) of the Research Luxembourg COVID-19 task force[1].

The main objectives of the survey are:

- Identify the needs and challenges faced by various logistics service providers during the COVID-19 pandemic; and
- Analyse, synthesize and produce aggregate reports (such as the present document) and circulate them to relevant stakeholders.

Sixty-three (63) Luxembourg-based companies from the logistics sector or providing immediately related services to the logistics sector such as specific IT solutions, received an invitation to participate in an online questionnaire. Thirty-five (35) of them took the time to answer it in spite of the complexity of running their operations at the moment. With a response rate of more than 55%, it is clear the industry is eager to voice their needs and concerns. The profile of respondents ranges in size of companies from 2 to 4,000 employees, with a median of 27. The collected data has not been weighted statistically according to the profile of the respondents. The questionnaire was designed by the WP13 members and pre-tested with some of the most significant Logistic providers in Luxembourg. The self-administered survey has been conducted during week 16 of this year (April 13 to 19, 2020). This report summarizes the input provided by the respondents and therefore reflects the assessment by the companies of the situation in that week. Questions asked in the survey related among others to the impact of the COVID-19 crisis on the operations, service level and workforce of the surveyed companies, the main challenges as well as to their way to respond to the present crisis.

The WP13 members plan to evolve this preliminary survey into a regular one, in order to monitor the evolution of the situation of the sector along the different stages of the COVID-19 pandemic and the gradual lifting of the containment measures across the globe. Another survey focusing more specifically on supply chain disruptions will be launched soon.

Three of the WP Members, namely LIST, the University of Luxembourg/LCL and INCERT received a grant by the special COVID-19 Call of the Luxembourg National Research Fund (FNR)[2] for the ACTING NoW project, aiming to build on these surveys to deploy a "national control tower" to assess and monitor the status of the logistics networks and essential supply chains.

It is a necessary, though not sufficient, condition to inject more resilience into the sector. This additional resilience will serve our country in the event of new COVID-19-related lock-downs and of currently unforeseen crises of a different nature.

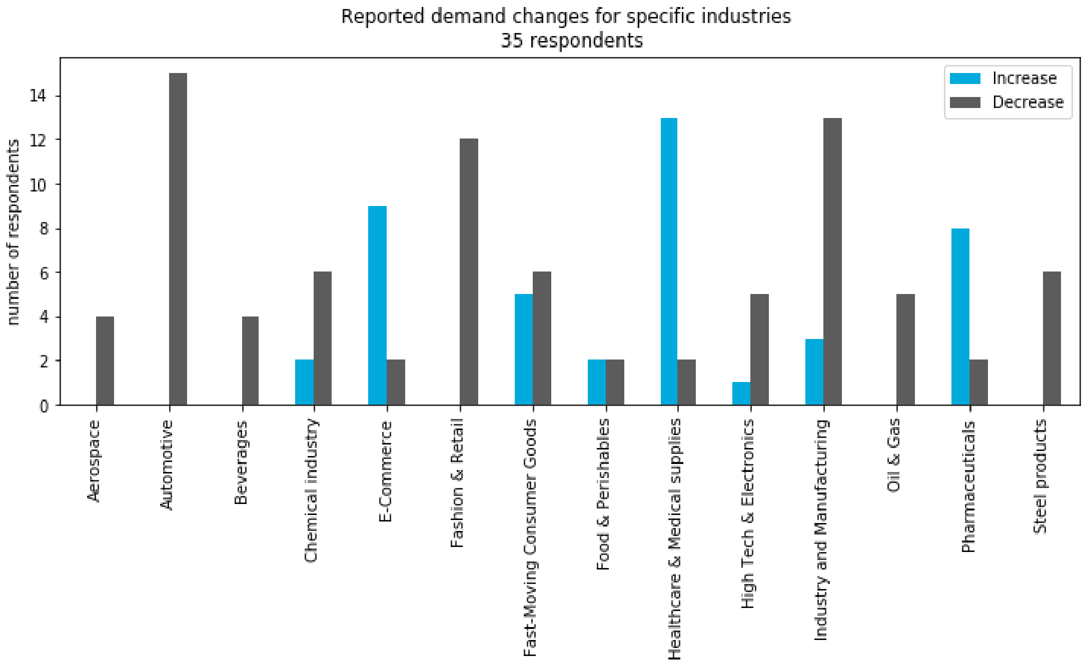
[1] Further information on the task force can be found at https://researchluxembourg.lu/covid-19-taskforce/

[2] See https://www.fnr.lu/research-luxembourg-results-fnr-covid-19-call/

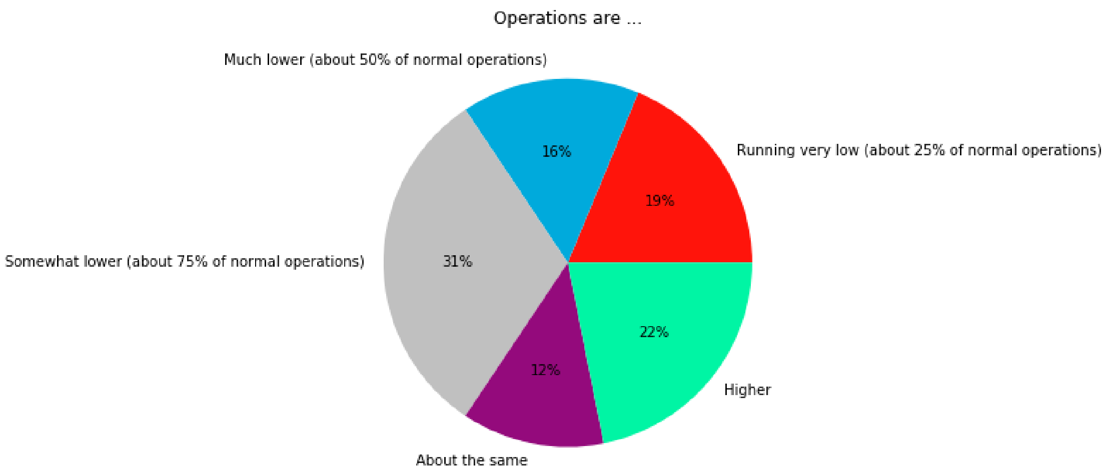
2 Logistics in Luxembourg during COVID-19

Key observations

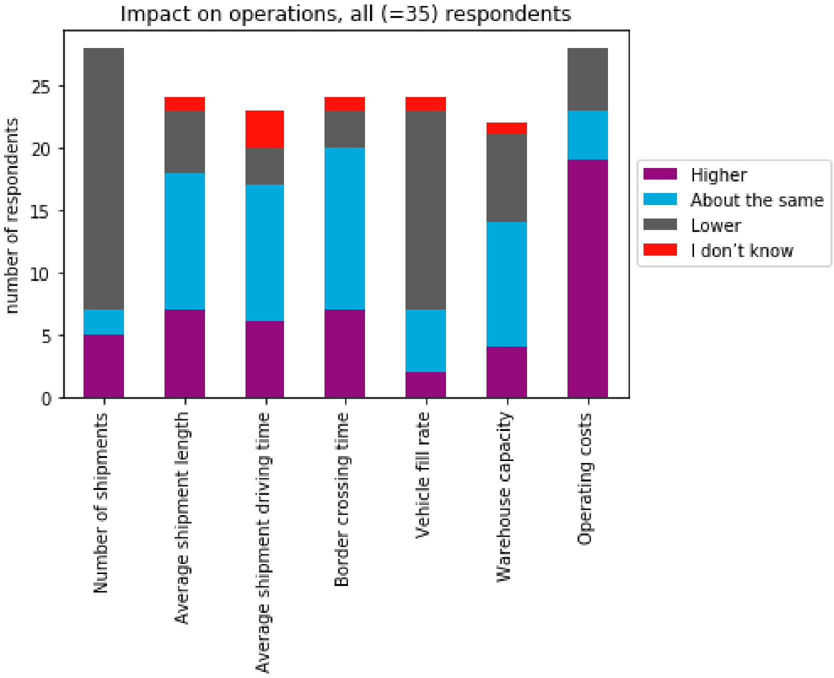
Most survey participants experience a **sectorial shift in demand**, i.e. the relative weight of client sectors in terms of sales has changed due to the COVID-19 pandemic. There is a strong decrease in services for the automotive and steel industry as well as fashion and retail, and an increase in demand for e-commerce, healthcare and pharmaceuticals. Almost all effects are heterogeneously distributed across respondents with some participants reporting an increase while some other ones noticing a decrease.



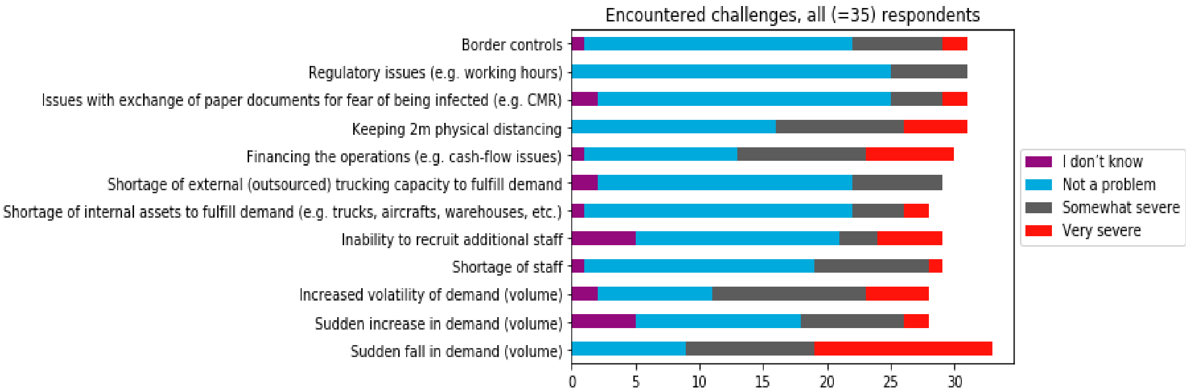
About **35% of participants** experience **severe impacts on their operations**, **43%** report **no or limited negative impact**, and **22%** experience **increased activity**.



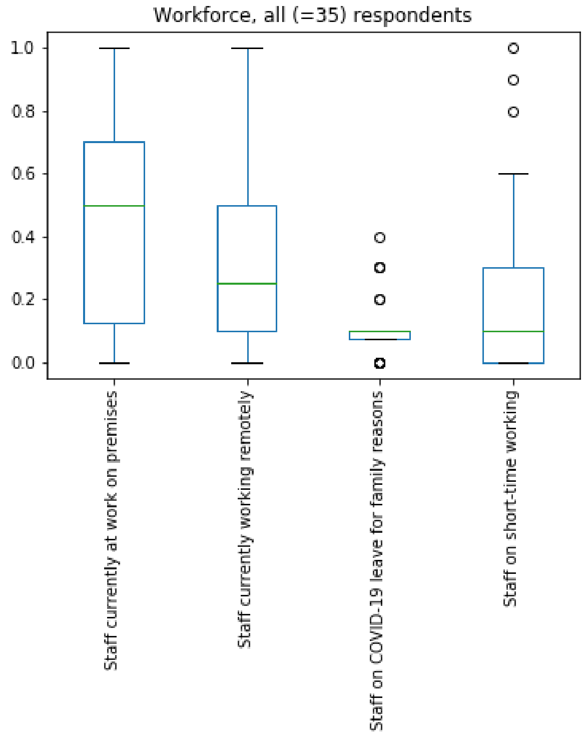
In concrete terms, the impact on the operations can be observed mainly through a **lower number of shipments**, a **lower fill-rate of vehicles** and **higher operating costs**.



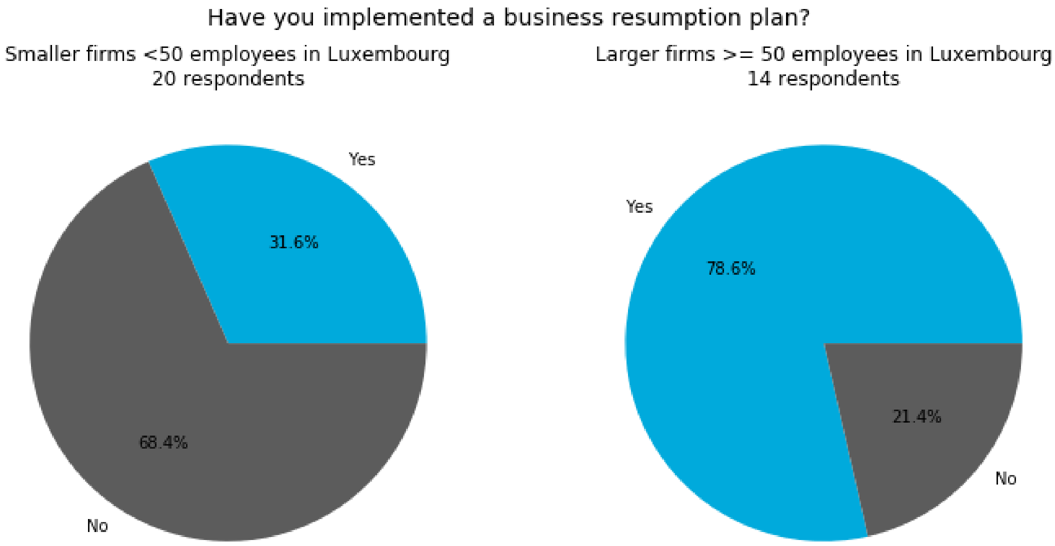
The **market uncertainty** (sudden increases or falls in demand, increased volatility) is on the **top of participants' minds**. **Regulatory impacts** (such as paperwork, border controls, job regulation) **do not seem to be a key concern**. More operationally, **decrease in revenues and cash flow** seems to be a **key challenge**, in particular for the small organisations and the fast-growing ones such as the startups.



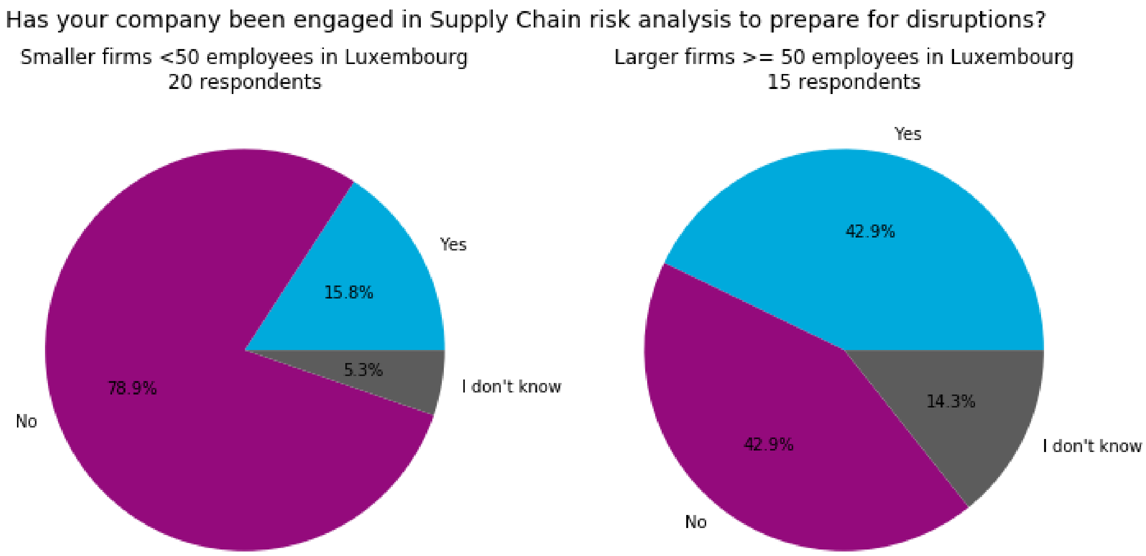
73% of the workforce is, on average, **available for running the operations** of the companies at **regular workload**.



Larger firms (with 50 employees or more) are 2.5 more likely than smaller firms to **implement a business resumption plan**.



Almost **half of the organisations with more than 50 employees** have been **engaged in supply chain risk analysis** to prepare for disruptions, while **more than three quarters of organisations with less employees have not.**



3 What the respondents are asking

Several respondents used open-ended questions to highlight urgent needs and to deliver specific messages to the authorities. Some expressed the wish that this survey and the work of WP13 are used as a channel for bilateral communication between them and the different teams working on crisis management within the Grand-Duchy. In order to support this request we have grouped their feedback into five clusters. While this message has been swiftly delivered to the authorities, we also plan to contact the respondents bilaterally to understand some requests in more detail and discuss if and how our team could be of more help.

Issues with staff

Some participants are struggling to get higher amounts of orders prepared and shipped with less people. They also look with concern at an uncertain future. Hiring and training staff can take six months or more and it is extremely difficult to understand how much staff will be needed in the near future and what skills will be key. There will probably be a need to retrain part of the current workforce so that they can adapt to changing business requirements. Last but not least, some respondents would like to be reassured about the continuation of current exceptional arrangements such as "short-time" provisions or agreements with the bordering countries about the taxation of the many cross-border commuters (*frontaliers*) currently teleworking from home.

Issues with liquidity and finances

"Keeping the money fluid and afloat" is seen as a challenge. Customers deciding to postpone payments without an agreement are just one of the issues provoking shortage of liquidity. The situation seems to be particularly critical for startups that might face tough choices such as leaving products half-baked despite large investments having already been put into them, or firing recently acquired talents risking not being considered trustworthy and stable employers in the future. Some companies lament that they do not fit well in any of the standard categories identified by the state aid measures, which suggests that an ad-hoc approach might be necessary for them.

Issues with Personal Protective Equipment (PPE)

Getting enough PPE for their workers is still a struggle for some of the respondents. This should be mitigated by the Government initiative to allocate free-of-charge a kit of five masks per employee to companies with the help of the Chamber of Commerce and by the recent launch of the EPI-Covid19 platform (https://www.epi-covid19.lu/), an initiative of Luxinnovation in collaboration with the wedo.lu team of the Fédération des Artisans, with the support of its partners and under the aegis of the government. Its purpose is to connect the national supply and demand of personal protective equipment (PPE) in the context of the health crisis related to COVID-19.

Issues with borders

One of the respondents reports that it is still difficult for people and goods to move across borders, and that the adoption of a single and standardised cross-border document for the whole of Europe would help significantly in the present circumstances. A recent decision by the European Council[3] goes in this direction but the road to actual implementation is still long and potentially bumpy.

Wish for a consolidated approach at national or EU-wide level

Some respondents suggested to devise a more coordinated approach in all kinds of logistics for sensitive goods, collecting the priority needs from hospitals, the airport, food and beverage providers etc. and organising public requests for quotations in order to avoid the delays or the rise of transport rates that are currently common. We note that this mandate is in part covered by the Cellule Logistique COVID-19 inside the Ministry of Health. One suggests to plan for Luxembourg to become the European hub for the distribution of the vaccines or other treatments for COVID-19 when they will hopefully be available. Independence of European countries from providers of key stuff based in other continents is also seen as a priority.

[3] See https://www.consilium.europa.eu/fr/press/press-releases/2020/04/07/digitalisation-of-freight-transport-information-council-adopts-new-rules/

4 List of available support tools

The following tools provide guidance and information supporting the handling of the COVID-19 pandemic effects.

https://coronavirus.gouvernement.lu/en/entreprises.html for information on support measures for companies and other recommendations from the Government.

https://www.epi-covid19.lu/ for connecting the national supply and demand of Personal Protective Equipment (PPE).

https://covid-19.sixfold.com/ for real-time information on border crossing times provided by Sixfold.

https://www.itf-oecd.org/covid-19 for a list of transport policy responses and other resources curated by the International Transport Forum at the OECD.

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