



VIRTUAL ROUNDTABLE DISCUSSION – JULY 14, 2020

Freight Logistics: How to Strengthen Cities and Supply Chains in a Post-COVID-19 World

Introduction

VHB's Virtual Roundtable on July 14, 2020, brought together freight transportation industry leaders along the East Coast to explore the impacts of COVID-19 on freight logistics and supply chains. Participants represented a wide variety of public and private industry perspectives, including port authorities, state and local departments of transportation (DOTs), metropolitan planning organizations (MPOs), trucking associations, and freight railroad operators. A summary of challenges, concerns, ideas, and creative thinking that were shared during the conversation are detailed below.

Summary

The discussion revealed the vast impacts of COVID-19 on freight transportation and highlighted the vulnerability of international and domestic supply chains. Industries were affected in different ways when the pandemic first appeared. Air travel plummeted and created a drop in cargo capacity. Maritime freight was hampered by blank sailings and incidents of longshoremen contracting COVID-19. Freight rail became a critical mover of food supplies. Trucking was already experiencing a shortage of drivers, which was immediately accelerated.

The world of freight planning is front and center now due to the pandemic. Globalization means the world is smaller and more complex. Our freight community plays an increasingly important role as the public and private sector learns how goods are moved from producers to distributors. Most people never thought about where paper towels or other daily goods came from before COVID-19, but now they do.

Roundtable participants expressed thanks for the opportunity to share concerns and best practices for responding to the pandemic with their peers, and a desire to not go back to the “muscle memory” of doing business pre-COVID. The roundtable discussion was robust and leaves us with hope for continued innovation in global supply chain and freight transportation in the future.

Topic 1: Immediate Response to COVID-19 and Current Efforts

PORT AUTHORITIES

The first major change observed by port authorities was the significant increase in e-commerce and online shopping. Early on, there were concerns about regional warehouse capacity to handle an influx of goods given high demand by consumers. Soon after, however, maritime demand shrank, resulting in blank sailings, which helped to rebalance warehouse capacity. **The designation that goods coming into the port were essential, coupled with proactive communication to partners that the ports were open, proved critical for the continued flow of materials.**

Ports also observed the aviation industry's pivot to accommodate freight. With [global air travel demand reduced](#), fewer passenger flights were offered, resulting in less capacity for air cargo which is often held in the “belly” of passenger planes.

The immediate pandemic response also strengthened partnerships between the ports and local offices of emergency management. Ports worked collaboratively to help streamline the permitted movement and storage of emergency COVID-19 goods (i.e., tents, medication, and PPEs) to large metropolitan areas in need.

TRUCKING INDUSTRY

COVID-19 accelerated the driver shortage for the trucking industry across the U.S. Fear of contracting the illness, especially for high-risk or older drivers, prompted early retirement for some. At early onset, confusion on regulations also complicated many things. In areas of high-infection rates, like New York City, a 14-day self-quarantine was required, which disincentivized truckers from driving into the city. Additionally, state rest areas and parking areas were closed. Thankfully, truck drivers were deemed essential and did not need to self-quarantine. Instead, they could deliver critical supplies to stores and residents.

The trucking industry had to adjust quickly. Working with local partners, the industry identified back-up plans with a local economic development corporation to make certain supplies were still able to get where they needed to go, especially in large metropolitan areas. Clarification on self-quarantining requirements was obtained early on from regulators. Working with DOTs, rest stops were reopened in many states. Parking relief was also provided by local authorities and essential deliveries were made by adjusting hours and locations.

STATE AND LOCAL DEPARTMENTS OF TRANSPORTATION

For DOTs, the immediate focus during COVID-19 was serving their communities by getting people and supplies where they needed to go in a safe manner. Rest areas and service areas were a priority to provide cleanliness and accessibility. Pre-COVID-19 scenario planning that addressed bottlenecks and supply chain disruptions helped in the initial response, although these prior efforts did not account for a pandemic. COVID-19 has now shifted how work gets done. **For example, “last mile” truck activity is shifting from serving distribution centers in industrial areas to more residential areas. In dense urban environments, this poses a challenge given the competition for space at the curb.**

Because of COVID-19, precious roadway space is being used for outdoor dining. Even before COVID-19, DOTs were working with the private sector to find creative solutions for goods delivery. New York City launched a cargo-bike pilot program last year with Amazon DHL, and UPS to reduce truck vehicle miles travelled (VMT), reduce congestion, and improve air quality. Now, this program is even more useful given trucks have less access to storefronts and residential buildings.

Another successful New York City initiative is the neighborhood loading zone program, which provides dedicated space for e-commerce curb deliveries. Due to COVID-19, businesses like Instacart, a grocery delivery service, has seen [increase in demand by 300 percent](#). The new approach to curbside management has allowed for these new business models to flourish. It was also noted that even Baldor, a food distribution business, is now offering delivery services direct to consumers given the change to online purchases during COVID-19.

The pandemic provided an opportunity for DOTs to better understand industry trade needs, to address business-to-business and business-to-government collaboration, and workforce development.

RAILROADS

For freight rail operators, changes were made both in how the railroad deployed its own personnel, as well as how it moved its fleet of locomotives and railcars. Within the railroad itself, social distancing was key, as train crews typically include two people per locomotive. A variety of safety measures were also implemented: extra procedures for cleaning trains and crew rooms, crew changes on locomotives were limited, as were hotel stays by those crews. In addition, interchanges became mostly touchless and required no human interaction, with switching operations in yards and terminals managed via remote control.

Freight rail was devastated by COVID-19. 200 locomotives and 400,000 railcars were put in storage due to the drop in demand. At record-breaking levels of storage, the cost to store rail cars (at a typical lifespan of 40 years per) has come into play. As of July 2020, freight rail demand has slowly returned, resulting in the return of employees, locomotives, and railcars.

On the positive side, railroad operations did become more fluid. **As passenger demand on commuter railroads decreased on shared passenger and freight tracks, it cleared the way for freight trains to more easily make deliveries to large cities.** At some larger ports, overall rail volumes were sustained during the initial impacts from COVID-19 given the high demand for containerized, intermodal cargo. However, there were losses in merchandise traffic moving in gondola, hopper, and boxcars. On the bright side, the crisis helped to facilitate collaboration within the rail industry and with government agencies to help navigate the response.

METROPOLITAN PLANNING ORGANIZATIONS

Given MPOs are not operations-focused agencies, during COVID-19, the focus was on processing emergency funding for transit operators. **The MPO became a framework for facilitating communication and coordination, as needed, and was actively engaged in a multi-state consortium.**

Early in the health emergency, truck rest areas closed which impacted supply chains in dense, metropolitan areas. The MPO conducted a driver survey to understand rest stop usage, which later helped facilitate the reopening of rest areas in key states. An emphasis on the regional perspective was needed during COVID-19, rather than a focus solely on urban epicenters.

Topic 2: Future Scenarios

Uncertainty remains around the pandemic, especially with cases rebounding nationwide this summer. As such, impacts to the supply chain continue to evolve and the freight industry will shift to accommodate. Roundtable participants shared their views on the future and best practices to navigate potential changes and strengthen the global supply chain.

ENHANCE FLEXIBILITY AND ADAPTABILITY

- » Volumes, origins, and destinations will change when product options vary.
- » Inbound freight volumes may pick-up from Asia this summer, although that hinges on consumer demand.
- » Expect an **uptick in proposed multi-story, rail-served warehousing** in the New York City region.
- » Rail operators are considering closer moves (less than 500 miles) to accommodate the e-commerce demand and compete with the trucking industry.
- » With the **acceleration of e-commerce**, it may be harder for some modes to compete with delivery needs, like rail, with just-in-time delivery. For regions that rely heavily on a single mode, this could be problematic. How can the freight industry balance the modes to not get overrun with truck miles? Significant change could be coming to help offset the imbalance.
- » Rail industry seeks to update its business model given the rise in e-commerce, and potentially deliver smaller packages using existing regional/suburban drop-off locations.
- » Look for **streamlined processes for reopening manufacturing facilities** following changes to and/or new product lines, notably for emergency goods.
- » Capital programs are at risk. Investment at the federal and state level will keep capital projects moving forward and increase jobs and infrastructure. Future stimulus funding to bolster freight and transportation needs will require good data and analytics. If more goods are produced domestically it will also impact the global supply chain.

LEVERAGE TECHNOLOGY

- » E-commerce will continue to accelerate quickly and distributed manufacturing trends such as 3-D printing will also quicken.
- » 50 percent of logistics providers have **shortened technology roadmaps** to respond quicker. This is an area for even greater improvement.
- » State departments of motor vehicle online registration and permitting for commercial drivers would provide greater efficiency, especially during supply chain disruptions like pandemics.

PROMOTE VISIBILITY, COMMUNICATION, AND EDUCATION

- » Expect further education for the public and industry partners on how the supply chain works.
- » The industry could **elevate visibility on supply chain and tracing** to understand how fragmented the chain is and the number of players involved.
- » Communication and collaboration on the local, regional, and national scale will help to identify weaknesses in the system, allow for informed decision-making, and enable supply chain planners to plan for the long-term. **Undoubtedly, money, time, and infrastructure are needed to make these systems more resilient.**

DIVERSITY IN FREIGHT PLANNING AND SUPPLY CHAIN MANAGEMENT

Diversity in the freight world is important and something the industry should address. NYC has a food resiliency group focused on diversity and scenario planning that raises big questions like who has access to food? Who has access to capital? Who are the owners/farmers? Where do food deserts exist? Compound these questions with populations that are disproportionality impacted by emissions from truck or commercial activity and access to transportation, the importance of diversity in the freight world is significant. It is problematic that supply chain decision makers do not represent the communities that are impacted. **Many perspectives are needed.** Some industries, like trucking, are introducing a younger, more diverse population (even in charter schools) to the trucking industry to educate them about opportunities.

Next Steps: Future Discussions

We want to stay connected! VHB will be hosting several virtual roundtable discussions, connecting varying perspectives across geographies. Future questions and discussions around this roundtable topic include:

- » Are we approaching a new era of globalization?
- » How will this affect trade across borders?
- » How do we increase resiliency to mitigate future disruptions?
- » Can we leverage technology to push for greater transparency?

Connect With Our Transportation Thought Leaders



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