



THE COVID-19 PANDEMIC: IMPACT ON MARITIME ACTIVITIES

If you have read Briefing Note (BN) #27, you will know that it examined three maritime sectors – leisure (cruise ships), economic (shipping) and security (navies). This was to illustrate how the Covid-19 pandemic has had repercussions at sea, and how this has reverberated on land. The purpose of this Briefing Note is to revisit the issue, and it should be read in conjunction with BN #27.

From the early plan for a two-week shutdown to ‘bend the curve’ to address Covid, we are now in Year 2 with still only a glimmer of light at the end of the tunnel. BN #27 was written in spring 2020 when the world was first shut down. This BN will examine the situation in winter 2022. Much has changed in the past two years – most importantly, vaccines have been developed. Canada has done well with vaccination but the vaccine rollout has not been global and some places remain largely unvaccinated. The uneven spread of vaccines means new variants emerge and, combined with uneven timing of the waves of the pandemic, results in continued repercussions at sea and on land.

Leisure/Cruise Ships

Let us begin, as we did in BN #27, with the cruise ship industry. As the pandemic spread around the world in 2020, cruise ship travel was one of the first industries to be affected. There were high-profile cases of Covid-19 spreading throughout passengers and crews on ships, and several cruise ships had to remain at sea as they could not receive permission to dock. Very quickly the entire cruise ship industry shut down – Canada canceled the 2020 and 2021 cruise ship seasons.

The industry has made a modest recovery as some cruise ships began operating as early as November 2020. The United States (under a Conditional Sailing Order) and most Caribbean countries began allowing cruises in June 2021, and some European countries allowed cruises again starting in fall 2021. Canada’s ban expired as of November 2021 so (as it stands) cruise ships will return for the 2022 season, but the government continues to advise citizens against travel aboard cruise ships.¹ Most ships started with limited capacity – in some cases less than 50% capacity to limit passenger interaction² – but have since increased capacity. Some have encouraged passengers to be vaccinated, but have not mandated it.³

¹ Canada’s Ban on Cruise Ships Ends, *The Maritime Executive*, 2 November 2021
<https://www.maritime-executive.com/article/canada-s-ban-on-cruise-ships-ends>.

² Matt Hochberg, “Spotted: Royal Caribbean increasing capacity on its cruise ships,” 18 October 2021,
<https://www.royalcaribbeanblog.com/2021/10/18/spotted-royal-caribbean-increasing-capacity-its-cruise-ships>.

³ Royal Caribbean International requires unvaccinated passengers to purchase travel insurance to pick up the cost for Covid-19-related expenses after a US federal court upheld Florida’s vaccine passport ban prohibiting cruise ships from requiring vaccinations. Alison Durkee, “Covid-19 Cruise Concerns Continue: Royal Caribbean Makes Unvaccinated Passengers Buy Travel Insurance,” *Forbes*, 29 June 2021,
<https://www.forbes.com/sites/alisondurkee/2021/06/29/covid-19-cruise-concerns-continue-royal-caribbean-makes-unvaccinated-passengers-buy-travel-insurance/?sh=7897bbed271f>.

While more-or-less back in business, the companies have suffered major financial losses,⁴ and their fleets have been reduced as some older ships were sent to be broken up.⁵ There continue to be Covid cases reported on cruises – the US Centers for Disease Control and Prevention published data on 27 December 2021 indicating that nearly two-thirds of all the cruise ships reporting to the agency reported cases of Covid-19 in the previous week.⁶ But safety protocols have been improved, and few people have died. However, the cruise experience has changed for passengers with new rules about masking, testing protocols, restricted access to shore, reduced social events, etc.

The halt to cruise ships visits has made people in some places realize how disruptive the ships are to the economy and environment. This will have implications for the industry in the future. While touted as a boost to local economies, in some places the financial benefits are apparently less than advertised because cruise ship passengers are contributing little to the economy – they are not eating in restaurants, sleeping in hotels or buying local goods. This has led residents in, for example, Venice, Italy, and Bar Harbor, Key West, Juneau and Charleston in the United States to try to restrict the number of cruise ships in the future.⁷

Economic/Shipping

BN #27 outlined the interconnectedness of global supply chains and the importance of goods traveling by sea to Canada. Two years after the pandemic began, it is in this category that we see the most effects of the pandemic. BN #27 discussed the problems of supply chain interruptions when the pandemic began – i.e., Chinese factories were shut down, while Western factories were still in operation, then Chinese factories re-opened but Western factories were shut down. This reflects that the waves of the pandemic are not occurring at the same time everywhere.

BN #27 noted the delicate balance related to shipping containers. Until the pandemic the flow of containers was fairly regular and predictable; containers would arrive full of some goods and depart full of other goods. But as trade became disrupted, and stopped and started, empty containers began to be in the wrong places. The goods were in X, but the shipping containers were in Y. The empty containers began to pile up at ports.⁸ The rates to charter a container ship, and/or a container, decreased because states were shut down and production had ceased. Fuel prices fell precipitously in 2020. In theory these could have been good things – exporters love low fuel prices and low rates for containers, but not if there is nothing to ship. Then, as things

⁴ Michael Blanding, “Cruising in Crisis: How Carnival is Riding Out the Covid-19 Storm,” *Forbes*, 18 August 2021, <https://www.forbes.com/sites/hbsworkingknowledge/2021/08/18/cruising-in-crisis-how-carnival-is-riding-out-the-covid-19-storm/?sh=d517d006448e>.

⁵ A total of 14 passenger ships were beached November 2020 to November 2021 at one breaker yard in India. “Record Number of Cruise Ships Scrapped at Alang in the Past 12 Months,” *The Maritime Executive*, 11 November 2021, <https://www.maritime-executive.com/article/record-number-of-cruise-ships-scrapped-at-alang-in-the-past-12-months>.

⁶ “CDC Data Shows Two-Thirds of Cruise Ships are Reporting COVID Cases,” *The Maritime Executive*, 28 December 2021, <https://www.maritime-executive.com/article/cdc-data-shows-nearly-two-thirds-of-cruise-ships-reporting-covid-cases>.

⁷ See “Our View: Cruise ships returning, not that we have a choice,” by Editorial Board, *Charleston City Paper*, 13 October 2021, <https://charlestoncitypaper.com/our-view-cruise-ships-returning-not-that-we-have-a-choice/>; Jesse Chase-Lubitz, “Post-COVID cruising: The ships are back at sea, but where can they go?” 29 May 2021, <https://ca.news.yahoo.com/post-covid-cruising-the-ships-are-back-at-sea-but-where-can-they-go-090049162.html>.

⁸ CBC, “Container congestion in Vancouver a sign of global supply chain chaos,” 24 October 2021, <https://www.cbc.ca/news/canada/british-columbia/container-congestion-vancouver-1.6221899>.

began to re-open around the world, although at different times in different places, fuel prices climbed, and charter rates, freight rates and container rates skyrocketed.⁹ The result has been a factor contributing to inflation in many countries as shipping rate increases are passed off on to consumers.¹⁰

It is not just the uneven shut down and recovery of factory production that has affected shipping, it is also the changes in consumer behaviour that occurred because of the pandemic. As Canadians were told to stay home and work from home, they stopped paying for travel and entertainment, and they started shopping online for office equipment for their homes, work-out equipment and electronics for their leisure time (computers, phones, tvs, stereos, etc.). The demand rose quickly for certain products just as supply fell off because of closed factories and sick workers. Then as things started to open up again, bottled up demand exploded (exacerbated by the Christmas holiday season in the West) and demand exceeded available supplies. The logistics of production and delivery became a nightmare. We can see this in shortages of some materials and products.

These shortages are exacerbated by bottlenecks at ports. The pandemic led to port closures or limited hours of operation, and missing workers who were sick or isolating. Some major ports – for example, Los Angeles and Long Beach in the United States and Felixstowe in the UK – are completely clogged. Ships wait off the port for days, sometimes weeks, to get unloaded/loaded. This causes increased potential for collisions and groundings as the ships cluster, particularly if storms occur. And it should be noted that, because of the pandemic, some container ship crews have not been rotated due to travel restrictions – they thus may be stressed, tired and possibly prone to making mistakes.

Canadian ports have not faced major bottlenecks but clogs elsewhere have affected them. This means that imports are not received on time for producers and exports are delayed. Work schedules are difficult to plan as some ships arrive early, others late, others not at all because of delays in their loading/unloading at other ports.¹¹

The port delays cannot be blamed entirely on the pandemic but it has been a definite factor. Travel restrictions hampered the free movement of goods and people, workers were off sick or isolating after contact with someone who was sick, there were longstanding labour/wage/working conditions disputes with truckers, and Covid financial support programs convinced some workers to change their professions. Shortages of port workers, at ports, truck drivers, delivery people, railway/freight workers might have happened at some point, but the pandemic made it happen sooner.

⁹ For example, the average composite index of the World Container Index (WCI), 20 January 2022, for year-to-date, is \$9,551 (US) per 40ft container; \$6,656 higher than the five-year average of \$2,895 per 40ft container. In January 2022, freight rates from Shanghai to Los Angeles increased 5% in a week to \$11,197 and rates from Shanghai to New York went up 2% to \$13,987 per 40ft container. However, it should be noted that the rates are much cheaper the other way, and to different destinations. Drewry, “World Container Index - 20 January 2022,”

<https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>.

¹⁰ As well as inflation, global cargo carriers made record profits as demand rebounded and rates climbed. Lauren Etter and Brendan Murray, “Supply Chain Chaos Helped Ocean Carriers Reap \$150 Billion in 2021. Economists Warn It’s Helping Stoke Inflation,” Bloomberg, 18 January 2022. There is cause for hope in 2022, however, as the rates of increase have lessened, and for *some* routes the shipping rates have begun either to steady or decline somewhat. See Mike Schuler, “Containership Charter Rates Fall for First Time in 16 Months,” *gCaptain*, 29 October 2021.

¹¹ Callum Smith, “Port of Halifax might not have backlog of ships, but supply chain pressures challenging,” MSN 10 November 2021, <https://www.msn.com/en-ca/money/other/port-of-halifax-might-not-have-backlog-of-ships-but-supply-chain-pressures-challenging/ar-AAQxiil?ocid=msedgntp>.

Just as the supply and logistics of modern-day production are complex, so are the effects of this pandemic on them.¹² The supply lines to meet just-in-time production schedules were always vulnerable to disruption, and that's a lesson we've learned in the past two years. To repeat what was said in BN #27, although we may not think of this if we live far from the coast, the disruption to the complex web of trade via the oceans has affected us. Production, shipping, rates and timelines have all been affected. Even when we move beyond Covid-19, it will take months, possibly years, to sort out the chaos in shipping and supplies.

Security/Navies

What about navies? When public health officials first announced that the world had a pandemic on its hands, Canadian naval operations basically came to a halt. RCN ships returned home early from operations in the Eastern Pacific/Caribbean and West Africa. There were high-profile examples of navy warships with huge case counts (eg., US Navy aircraft carrier, USS *Theodore Roosevelt*). But the pause in RCN operations was of fairly short duration. Exercises with allies and friendly navies resumed, with added health measures – i.e., crews isolated for two weeks before sailing and there was limited/no contact with personnel from other navies or in local communities when port visits were made. As this is written in early 2022, crew members must be vaccinated before sailing, and there are still limited visits with other naval personnel and port contacts.

Despite exercises and operations resuming quickly, naval work has nonetheless been disrupted. As BN #2 discusses, naval diplomacy is a major role that navies play. With the pandemic, naval personnel were limited not only in the ability to go ashore but also in their ability to interact with other naval personnel and with the people and leaders of other states. This means that both navy-to-navy and people-to-people relationship-building activities have been very difficult to conduct, reducing the efficacy of the navy in its role of diplomacy.

Covid has also disrupted the schedule of the National Shipbuilding Strategy (NSS). The ship construction was behind schedule before Covid, but both Irving on the East Coast and Seaspan on the West Coast had pandemic-related shutdowns because of infected or isolating workers and/or public health mandated shutdowns. The pandemic has also affected contract negotiations and implementation of naval projects. This will push the project schedules even farther behind.

The final element discussed in BN #27 about navies and pandemics was the budget. As we know, Covid has had negative effects on the economy, and the government has spent billions of dollars to support people who have lost their jobs and businesses that have had to shut their doors off and on for almost two years. This unexpected expenditure has stretched government budgets. The implications for defence spending, and naval shipbuilding projects, remain to be seen.

Conclusions

A pandemic affects the maritime arena in a variety of ways. Canada's economy and security, and Canadians' leisure activities on the oceans, have all been affected by Covid-19. When the dust settles, it will take time to untangle, rebuild and, perhaps, rethink these maritime sectors.

¹² See Anshu Siripurapu, "What Happened to Supply Chains in 2021?" Council for Foreign Relations, 13 December 2021.