ET Auto

METRIC GLOBAL

TRUCKING DURING CORONA PANDEMIC

The ongoing COVID-19 pandemic, has every segment of economy hard. But perhaps not so apparent is the plight of the Trucking sector, the road transport which keeps the nation running.

In order to understand their pains and predicaments, **METRIC GLOBAL & ET AUTO** conducted a study during the first week of April, 2020.

RESEARCH METHODOLOGY & FIELD WORK

The primary inputs for this study came from a nationwide telephonic survey done by METRIC GLOBAL field team of 249 Goods Transport operators on All India basis along with 20 key informant interviews of experts and Freight Sector leadership.

The responding fleet operators were selected on willing to be interviewed basis and there was a specific quota for each segment of operators as indicated below

SAMPLE PROFILE	EAST	NORTH	SOUTH	WEST	ALL INDIA
Fleet Size (More than 100 Trucks)	13	17	7	11	**48**
Fleet Size (6 to 100 Trucks)	26	26	16	31	**99**
Fleet Size (2 to 5 Trucks)	14	11	8	17	**49**
Owner Driver (One Truck)	13	13	10	16	**52**
Grand Total	**66**	**67**	**41**	**75**	**249**

RESEARCH METHODOLOGY & FIELD WORK

The questionnaire consisted of extent of stranded drivers and the problems faces by them and their feelings. Along with this we have also captured the feelings and main problems of Truck Owners operating from the head office. In the second section we have tried to ascertain the assessment of Truck owners as to how long they estimate the crisis will go on assuming the pandemic is brought under control in efficient manner and what will be strategies required to get going from a cold start.

The third and last section deals with the issue of economic recovery and reaching the new normal and the strategies of Truck operators to get on their feet and support required by them.

NATURE OF BUSINESS

FLEET SIZE	MORE THAN 100 TRUCKS	6 TO 99 TRUCKS	2 TO 5 TRUCKS	OWNER DRIVER (ONE TRUCK)	ALL INDIA
Within City	0%	0%	18%	63%	17%
Within State	11%	27%	59%	27%	30%
Interstate (National)	89%	73%	22%	10%	53%

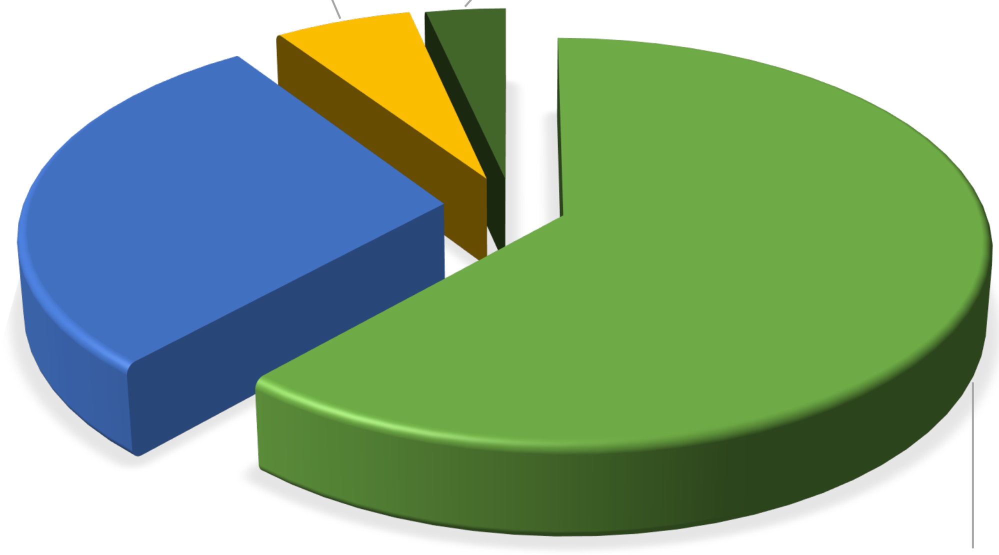
FINDINGS

STRANDED TRUCKS SULKING DRIVERS

Truck Drivers who were in transit on the day the national lock out are treated as stranded and most of them are at some state border. The magnitude of Stranded Trucks can be guessed from the table below

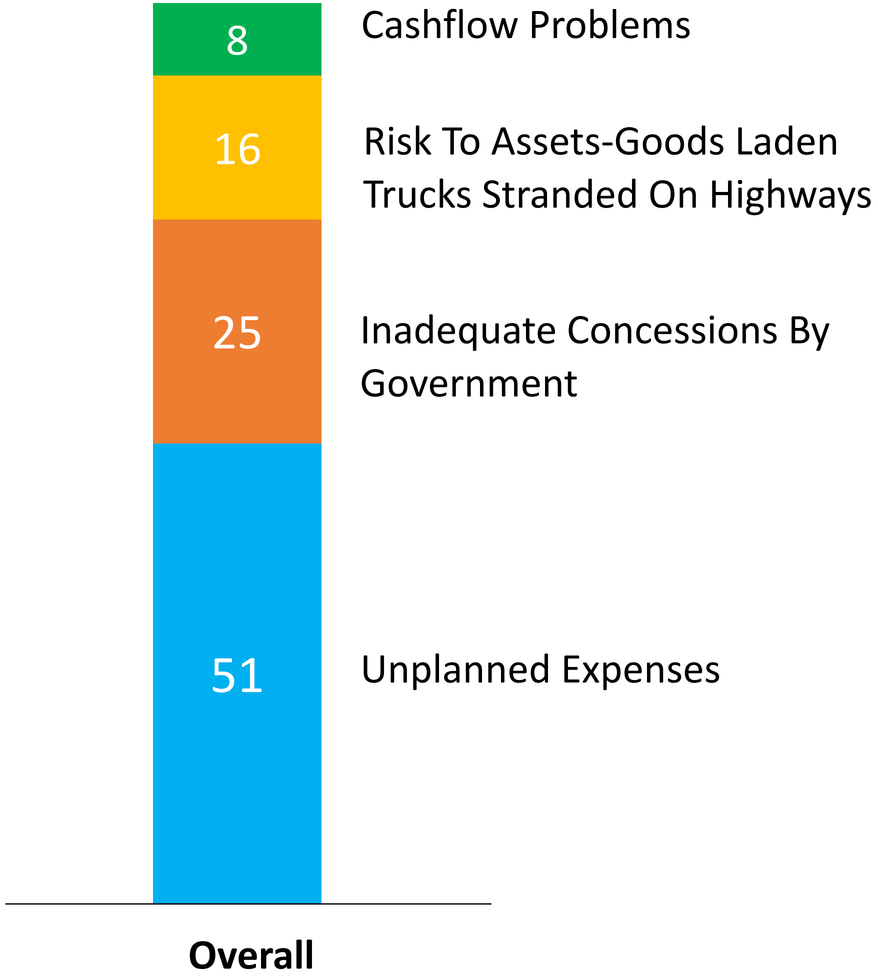
	MORE THAN 100 TRUCKS	6 TO 99 TRUCKS	2 TO 5 TRUCKS	OWNER DRIVER (ONE TRUCK)	ALL INDIA
Category wise percentage of fleets with stranded trucks (Figures in PCT of column total)	29%	31%	8%	4%	20%
Median Number of stranded trucks per fleet	8	5	2	1	5

STRANDED TRUCKS SULKING DRIVERS (contd.)



The problems faced by the drivers are equally acute. Suddenly the routinely frequented and familiar landscape has become unfamiliar and indifferent if not hostile. Not only the favorite ones but most of the *Dhabas* are closed and deserted. The landmark tyre shops and friendly mechanics have closed their shops and left for their home towns. Pocket money carried with normal planning is exhausted mostly because of price gouging by opportunist restaurateurs. Many drivers are now penniless because even ATMs are closed. In few instances Drivers face police harassment on the issues of parking, border issue and entry permits expiry. Their only source of any authentic information is the *Malik* at head office and to ensure that this line of communication remains active they have to always keep mobiles charged a small issue in normal course that has become a new challenge at many places.

PROBLEMS AT HEAD OFFICE



Back in the Head Office the Fleet Owners are struggling with different but equally severe issues.
For them the ongoing yearlong slowdown and now the pandemic has been like a double whammy

With outstanding payments delayed beyond reasonable limits, their coffers are reaching bottom. And now they have to not only sustain ongoing fixed expenses but also fund the stranded drivers and resolve their issues & keep their morale high.

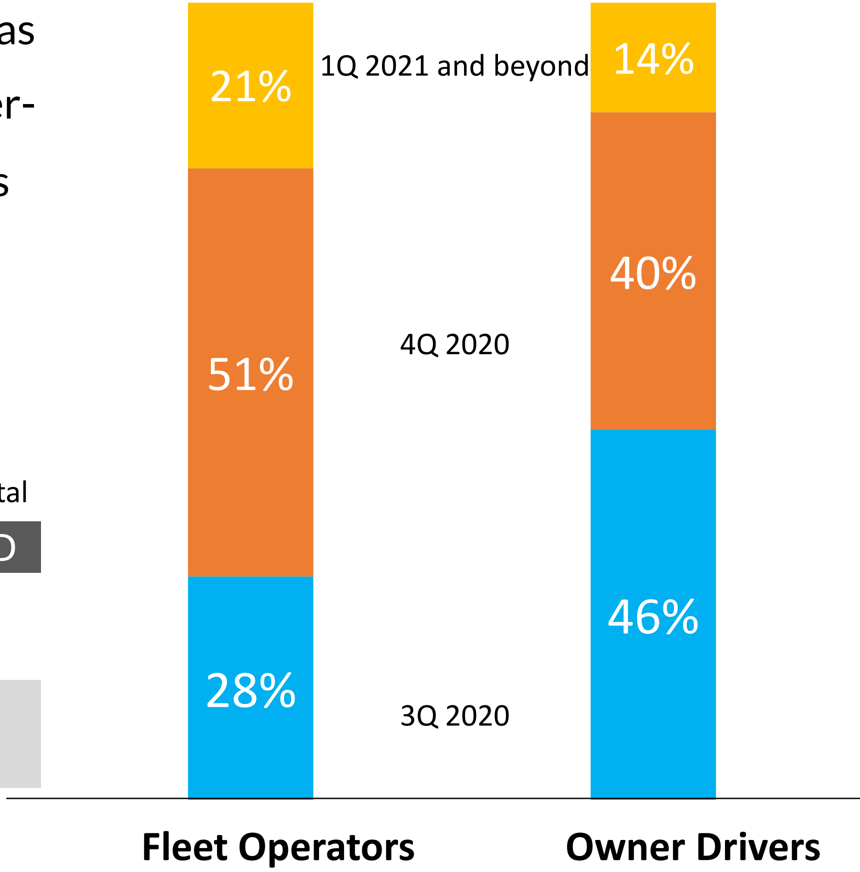
No wonder unplanned expenses is one of the top most issue which also gets reflected as cashflow problems. They are not happy with the moratorium on the EMI payments. Besides there is no concrete initiatives by Government to facilitate reaching their intended destination the stranded cargo laden trucks which with passing day posing increasing risk. In case of any law and order deterioration their assets will be the first casualty. It looks as if the entire nation has forgotten about them.

EXPECTATIONS REGARDING RESUMING NORMALCY

We further asked the fleet owners as to assuming that the epidemic subsides as expected, when do they think business will resume and reach normal per-pandemic levels of operation and the table illustrates their optimistic estimates

Figures in percentage of row total

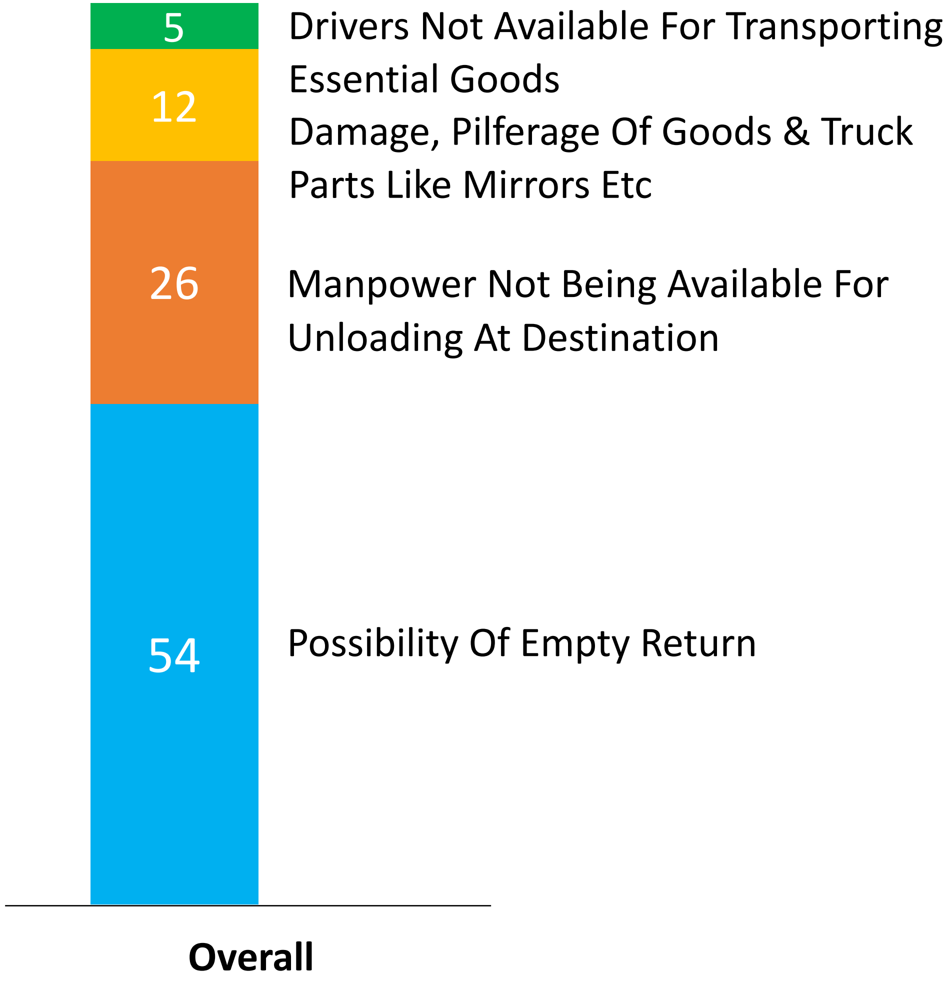
	3Q 2020	4Q 2020	1Q 2021 AND BEYOND
Fleet Operators	28	51	21
Owner Drivers	46	40	14



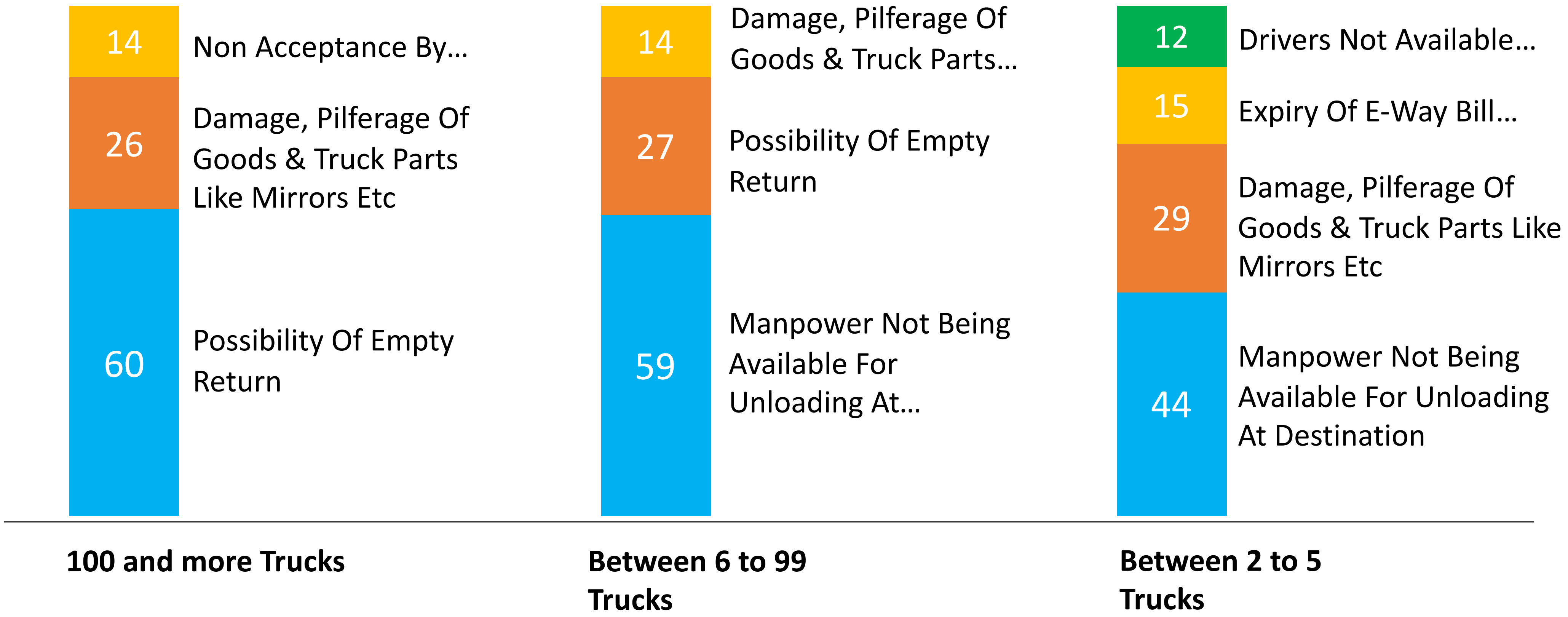
MAJOR OPERATIONAL APPREHENSIONS DURING THE PANDEMIC PERIOD

By now, all of us have realised that Corona is here to stay. Coming to terms with a life with Corona and evolving strategies to cope with it and conquer it is part of being human . So we quizzed the Fleet owners as to what the major operational apprehensions they have during fleet operations in this period

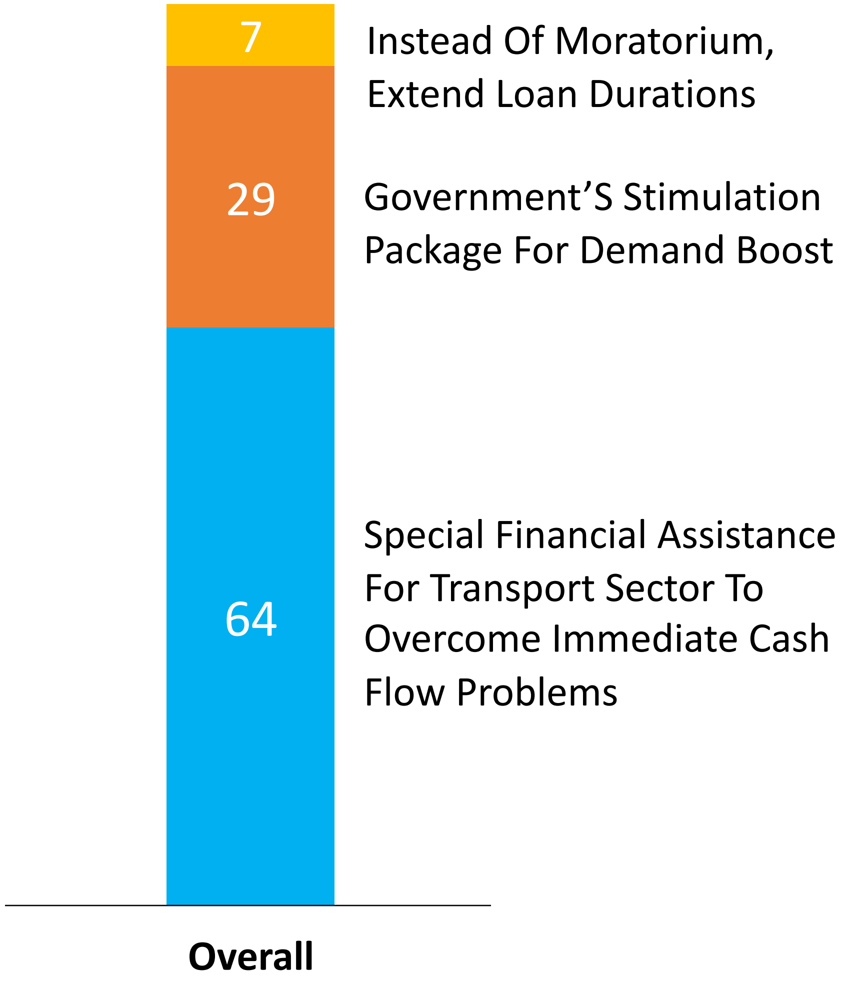
The common view among large operators irrespective of size and reach was the issue of empty return something with transporters have to deal with everyday even in normal circumstances. This problem may become slightly more acute because the regular spot markets at various locations will be disrupted and getting return load may be even more challenging. In case of small fleets the priority problem is availability of manpower at the unloading end



MAJOR OPERATIONAL APPREHENSIONS DURING THE PANDEMIC PERIOD- BROKEN DOWN AS PER FLEET SIZE



IMPORTANT PRE-REQUISITE FOR A SMOOTH RESTART



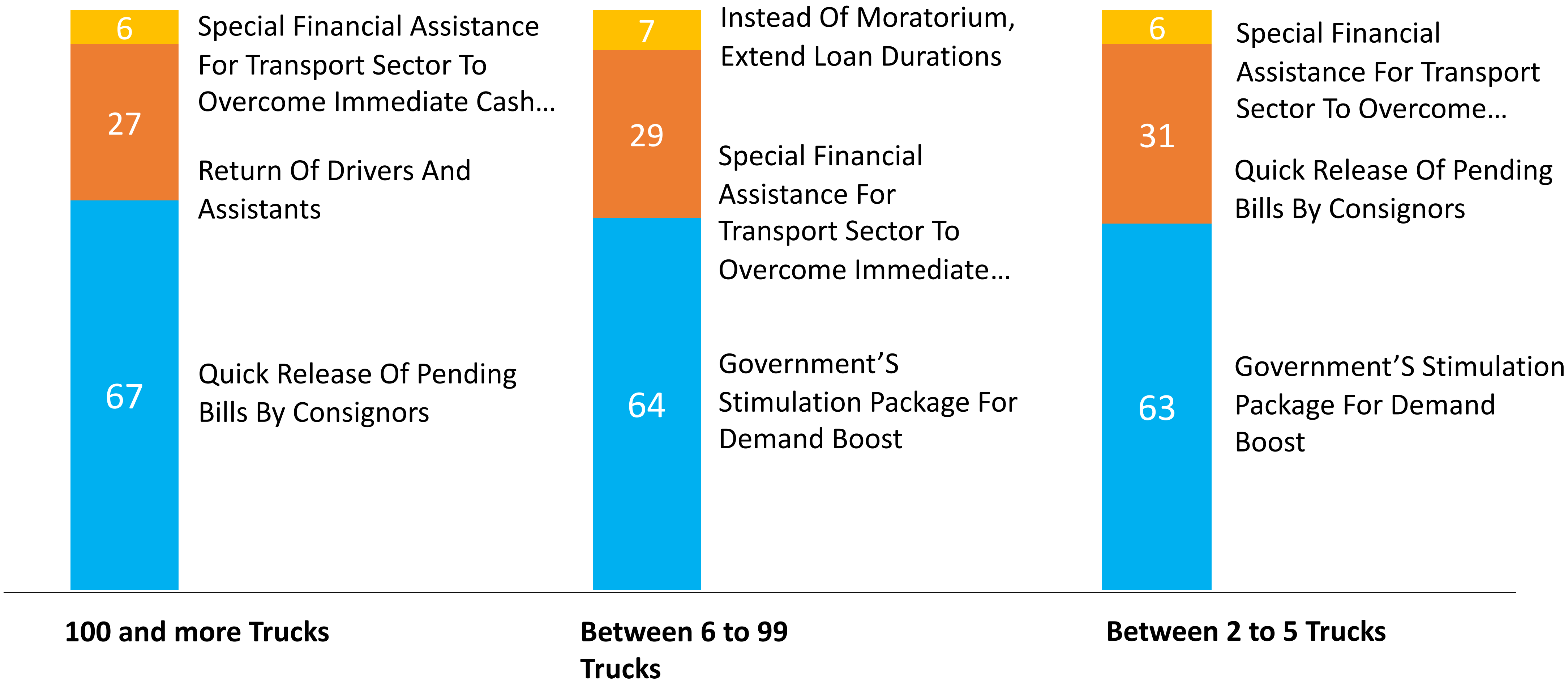
There is an across the board consensus on a focussed package for transport sector as the key Ingredient. The rationale articulated by Industry leaders is the following

Overall demand stimulus is needed but it will not work unless supplemented by a focussed package for Goods Transport sector for the following reasons.

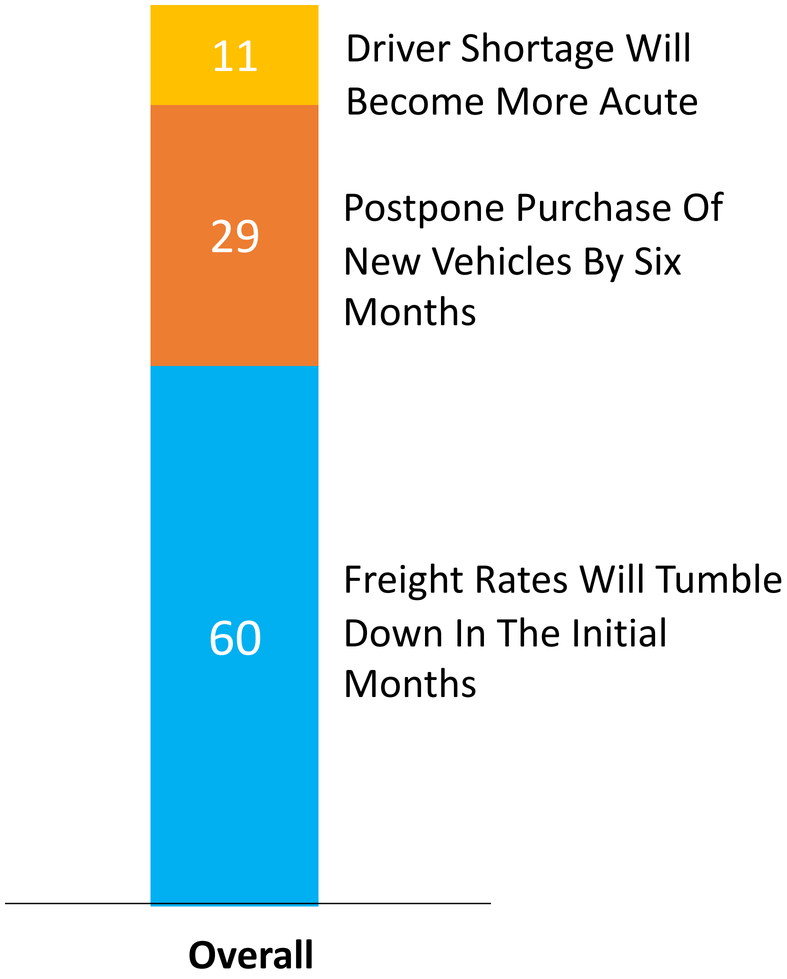
The crisis of pandemic has arrived after a long period of economic slowdown where there was acute liquidity crisis. Being at the rear of value chain most of the cash crunch was passed on to the transporters. Consequently the transporters have walked into the crisis absolutely cash starved. Hence unless there is some way of liquidity injection into this sector, the freight operators will find it very difficult to mop up rest of the resources and get going.

PROBLEM AREAS- SEGMENT WISE

The poignancy of the issue will become apparent if we have a closer look at the segment wise break up of Problem Areas



MAIN APPREHENSIONS COPING STRATEGIES FOR POST PANDEMIC MARKET SCENARIO



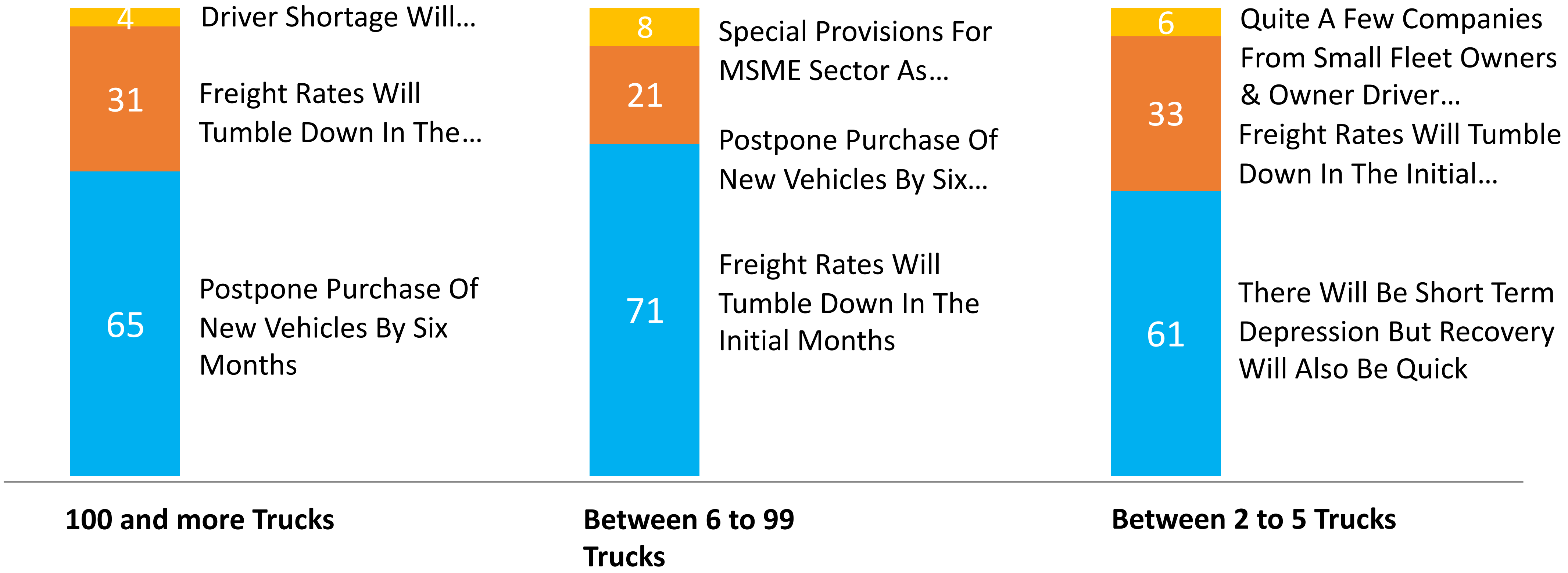
Experts with ear to ground claim that, the Post Pandemic Market Scenario will be a ferocious one with a new set of realities. never seen before

The demand generated by a top down economic stimulus will be devoured by the large national operators with intense competition and freight rates will tumble down. Freight Aggregators the new animal in town with their technology prowess will further intensify the prices competition. Already there are claims that Indian freight cost which is 15 % of GDP is much higher than that of other developing nations which is around 8 %.

Besides, the NBFCs, will start claiming for their unpaid EMIs with implicit threat of towing the vehicle away. The only coping up strategies presently foreseen by Fleet Operators is to postpone the purchase of new vehicles and implied is any new investment means Tyres, Batteries etc

MAIN APPREHENSIONS COPING STRATEGIES FOR POST PANDEMIC MARKET SCENARIO (contd.)

A more nuanced picture can be seen if we look care fully at the segment wise break up of the problem areas

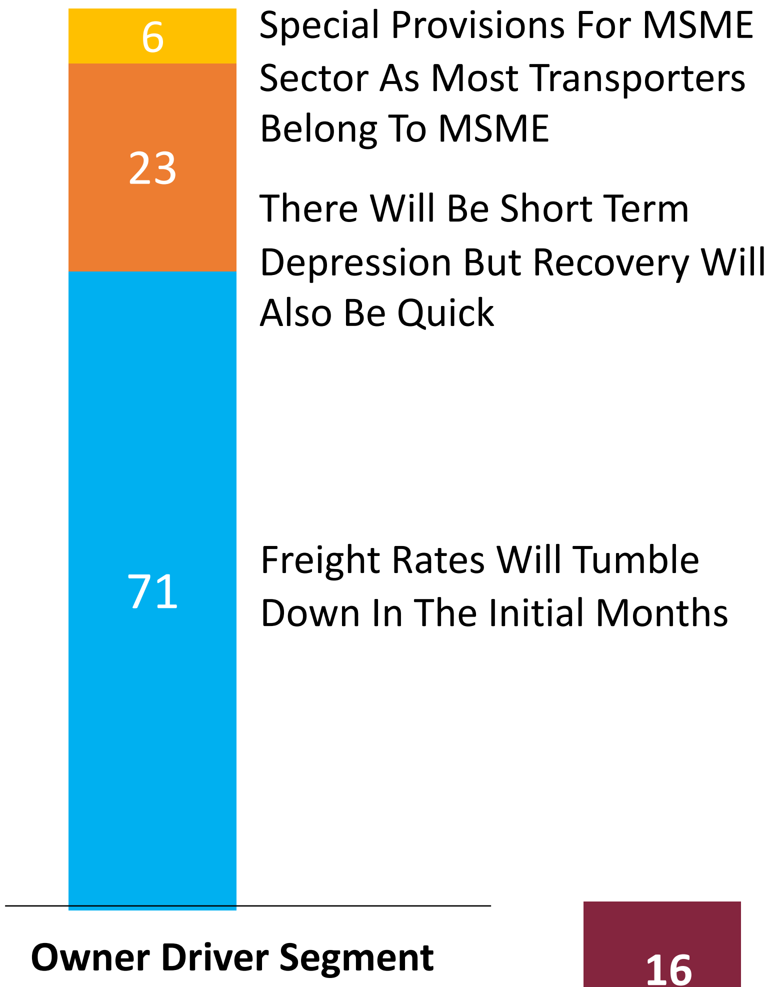


It must be noted from the disaggregated picture above that the large operators with fleet size above 100 anticipate that a whopping 60 % of them feel that postponement of new vehicles as inevitability . Most of their business is on contracts basis so the tumbling down of freight rates is only for return leg and with many of them having nationwide presence will get less affected. For them it will be availability of drivers a problem area

LIKELY POST PANDEMIC MARKET SCENARIO

The medium size freight operators with fleet size between 6 to 99 vehicles will be hard hit by falling freight rates. Mainly because of their relatively higher fixed costs spread over smaller fleet. The only cost they can control is new purchases which 21 % operators are counting on.

As compared with these segments the smaller operators will be much more flexible on cost front and hence expect a quick recovery.
However it must be remembered that these are state or regional players mostly depending on local spot market and modest quick turnaround expectations. Interestingly the Owner-Driver segment also displays identical concerns.

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