SNAPSHOT OF MARKET ACTORS' PERSPECTIVES: RAKHINE STATE TRANSPORT PROVIDERS (OCT. 7-12, 2020)

Mercy Corps - Market Analysis Unit

October 21st, 2020

During October 7-12, 2020, Mercy Corps' Market Analysis Unit (MAU) conducted phone interviews with 25 transportation providers serving humanitarian and commercial clients in Rakhine State. This included seven Yangon-based interstate providers and 18 within-state providers covering 11 townships. Mercy Corps asked respondents about business conditions since August 2020. Data are based on available market actors and do not represent all providers.

Key Highlights

- Three of seven interstate providers report **business activity below 50% of 2019 levels**, and 60% percent of within-state providers report levels at least a little below 2019.
- All interstate providers say **interstate transit times are "much slower"** than 2019.
- Eighty percent of within-state providers say **within-state times are "a little slower."**
- Some interstate providers have adapted by **reducing operations and/or raising prices**.
- Interstate providers face **rising labor costs in Yangon** (also warehousing / vehicles).
- Providers report **isolated labor shortages for (un)loading** in Rakhine State.
- Negative **COVID testing policy is the largest challenge** for interstate providers.
- Interstate providers say **poor subnational coordination** on COVID policy is a challenge.
- Within-state providers worry most about pre-COVID **conflict-related checkpoints**.
- Interstate providers have adapted to COVID restrictions by **increasing waterway transit** to Rakhine State, yet many remain reliant on roads.

I. Impact of COVID-19 on Rakhine State Transport Providers

Business Activity – Reduced business activity is a serious concern for interstate providers and, to a lesser extent, within-state providers. Three interstate providers currently operate below September 2019 levels, with all three citing reductions greater than 50%. Sixty percent of within-state transport providers said activity is lower, although most currently operate above 50% of 2019 levels. Among all 25 providers, three said activity is higher now than this time in 2019. Looking forward, as of October 12 two-thirds of interstate and within-state respondents have secured at least one contract for the month of October.

Transportation Times – Slow transit times have severely affected interstate providers and, to a lesser extent, within-state providers. All interstate operators said transit times are now "much slower" than in September 2019. They attribute this to new regulatory hurdles (awaiting COVID tests) and labor shortages (awaiting replacement drivers). Eighty percent of within-state providers said transit is "a little slower" than 2019, with just one in Sittwe saying it is "much slower."

Warehousing – Only three of 25 providers supply warehousing to clients, but those who do report higher demand but also new logistical challenges. One provider cited increased demand for warehouse space due to local distribution backlogs. However, another reported operational challenges and labor shortages due to new Ministry of Health and Sports (MOHS) regulations mandating social distancing during (un)loading.

HARP-F
Humanitarian Assistance and Resilience Programme Facility

MERCY CORPS

II. Market-Related Challenges

Limited Labor and Vehicle Supply – Some interstate providers cited limited supply of vehicles, capital and particularly labor as challenges, although this was uncommon or manageable among within-state providers. One interstate provider cited difficulty finding replacement drivers following positive COVID tests in Yangon, as drivers remain hesitant to travel long distances (particularly areas with high COVID case count, like Rakhine State). This has contributed to increased labor prices for drivers. Within Rakhine State, finding labor for (un)loading is a concern for some interstate and within-state providers, particularly outside of Sittwe and Kyaukphyu. Two interstate providers cited limited vehicle supply (one pertaining to Rakhine State and another pertaining to other interstate routes in Myanmar).

Limited Demand – Some providers pointed to weak demand as a major challenge—resulting from increased operating costs—although this was emphasized less than regulatory hurdles. Two interstate providers cited reduced demand as a major challenge, but only three within-state providers did so. Providers appear to believe that demand continues to exist, provided travel costs can be reduced to pre-COVID levels. Interstate providers cited reduced demand for transit both from China and domestic clients.

III. Regulatory Challenges

Curfews – A standing nationwide curfew from 12 to 4am continues to present challenges for some interstate providers, although few within-state providers cite this as a challenge.

- **Interstate –** Curfews continue to lengthen travel times from Yangon to Sittwe, potentially beyond the 72hr validity of negative COVID tests obtained in Yangon. While two providers cited curfew as a challenge, others did not. This may be due to completing trips while tests were still valid for 14 days, or due to greater reliance on water routes.
- **Within-State –** Within-state providers face tighter township-level curfews (often from 9 or 10pm until 5 or 6am), but few providers cite this as a major challenge. Within-state distances are shorter, and some providers already limit travel after dark due to conflict.

Route Closures / Checkpoints – No providers reported route closures, but within-state providers say (pre-COVID) conflict-related checkpoints still slow travel and increase costs.

- **Interstate –** Only one interstate provider reported difficulties with checkpoints, referring to checkpoints in Rakhine State maintained by government and Ethnic Armed Groups. On the contrary, several said that waterway transit may help remove such obstacles.
- **Within-State –** There were no reports of route closures, but a third of within-state providers cited difficulty with road checkpoints. According to one provider, this can extend Sittwe-Mrauk U travel times from four hours up to six. This includes extra scrutiny for fertilizer shipments (suspected of use in explosive devices) and humanitarian freight.

Negative COVID Test – Negative COVID testing requirements present the greatest challenge for interstate providers, although few within-state providers cite this as a challenge and only when entering Sittwe Township.

- **Interstate –** As of Oct. 12, a negative COVID test is required for all Yangon departures and is valid for 72hrs (see Box 1). A second test may be required en route if transit exceeds 72hrs and/or upon request from local authorities. Such requests may be rare, although one respondent reported testing in Mandalay (Myitnge), Sagaing, Magway, and Nay Pyi Taw. Tests are also required for waterway travel, yet providers say that MOHS has been more lenient (prioritizing road travel due to limited testing capacity). One provider cited an agreement between MOHS and the Coastal-Cargo Shipping Association to replace tests with on-boat quarantine, but testing may still be required upon return to Yangon.

- **Within-State –** The use of transshipment (i.e. swapping drivers borders) appears to have obviated the need for negative COVID tests for some within-state transit. Providers report that MOHS requires testing for entry to Sittwe, but many operate only within their own township (one provider returning from Maungdaw was tested on arrival in Sittwe).

Box 1. COVID Testing Policy / Procedures
MOHS negative COVID testing requirements for drivers continue to change by the day (as well as by the state or region in question), and policies as of Oct. 12 may soon change. Testing for drivers leaving Yangon became more available in early October, with prices around 15,000 MMK per test and a validity of 14 days. Multiple testing facilities in Yangon now provide tests for drivers, and the price has been reduced to 10,000 MMK valid for 72hrs. The process varies by facility, with some scheduling tests through an online system and others accepting walk-ins with a queuing system. Results are available in one or two days, although some facilities are capped at 50 tests per day, according to one transport provider. Some providers coordinate testing for their drivers, but the fragmented nature of Myanmar's logistics systems means drivers often arrange testing themselves. A positive test requires that the driver quarantine and the transit provider restart the process with a new applicant.

Letters / Permissions – Providers reported no special authorizations related to COVID-19, besides warehouse inspections related to COVID health measures like social distancing.

- **Interstate –** Providers reported no new permissions, although one warehouse-provider said MOHS may inspect warehouses to enforce social distancing during (un)loading.
- **Within-State –** Providers reported no new permissions, yet they still require reference letters at checkpoints (pre-dating COVID-19), particularly for humanitarian freight. This includes letters from the Ministry of Border Affairs, Rakhine State Government and clients.

Quarantine – Few providers cited quarantine as a major challenge, as past difficulties may be largely avoided through COVID testing (interstate) and transshipment (within-state).

- **Interstate –** Increased testing has reduced the impact of quarantine on providers, as COVID-positive workers are replaced before departure (although one provider reported a positive COVID test en route, which led to quarantining and stranded freight). However, one provider reported workers undergoing a 14-day quarantine for waterway transit.
- **Within-State –** Few within-state providers reported quarantine difficulties (likely due to the use of transshipment), but some emphasized that quarantine policies remain in place.

Regulatory Transparency / Coordination – Interstate providers say that opaque, shifting and fragmented COVID regulations from subnational authorities are a major challenge for road transit. According to providers, testing and quarantine policies may vary by state/region as well as by township, therefore interstate routes compound risk and can lead to accruing testing costs or entry refusal long after departure. Regulations also continue to change by the day, limiting business planning and increasing shipping costs. Water routes may limit exposure to multiple state/region policies, yet vague policies expose providers to future regulatory uncertainty.

IV. Adaptation Strategies

Clients – A quarter of within-state providers have partly shifted from humanitarian to commercial clients since August, but this is less common for interstate providers. Some have supplemented humanitarian shipping by moving fertilizer or construction materials (e.g. sand, gravel, wood). Only one interstate provider (reliant on Chinese imports) has shifted clients.

Destinations – Few providers have altered delivery destinations. Interstate providers continue to ship to Rakhine State (notwithstanding driver reluctance). A few within-state providers have shifted delivery destinations due to client needs, and one is now serving Magway Region.

Prices – All but one interstate providers have increased transit prices, and one expects prices for major Myanmar routes to remain 30-50% above normal levels for the foreseeable future. Despite low fuel costs, providers are responding to labor shortages, rising lead times and vehicle / warehouse shortages. Interstate providers also must balance portfolios beyond Rakhine state (one reported that prices for major routes like Yangon-Mandalay rose from 24,000 MMK/ton in September to 35,000 MMK/ton in October). No within-state providers report price hikes.

Vehicles – Some interstate providers have increased waterway transit in response to COVID-related challenges, but most providers remain heavily reliant on roads. Two providers report shifting to water routes to avoid maneuvering regulations of multiple subnational governments (letters, checkpoints, COVID tests). However, some within-state providers (Sittwe, Mrauk U) already operate by waterways.

Operations – Nearly all interstate providers reported reducing / stopping operations at some point since August, but no within-state providers reported this. For interstate providers this may have been alleviated by new COVID testing policy. Halting operations may be less needed for within-state providers who ship less frequently and (excluding Sittwe) often ship strictly within their own townships.

V. Implications

Market Volatility – Difficulties in Myanmar's nationwide transportation markets may have spillover consequences for Rakhine State. Shortage of labor, vehicles and warehousing is affecting interstate shipping to Rakhine State as well as elsewhere. As major Myanmar routes see prices rise, this may lead to higher commodity prices including in Rakhine State.

Supply Uncertainty – Unclear and disjunct local / regional COVID policies may confound business planning and drive transit suppliers out of the market. Some providers have cut back supply and will likely continue struggling to adapt to the new regulatory environment absent clear and consistent policies. This impacts the transportation sector but other sectors as well.

Agricultural Productivity – Rising costs for interstate providers and checkpoint delays for within-state providers may negatively impact agricultural production. Input suppliers in Rakhine State reported rising fertilizer prices in September as transport costs were incorporated into prices (see Sept. 16 Snapshot). This may lead to reduced fertilizer application by farmers, hurting agricultural productivity and ultimately food security in Rakhine State.

VI. Respondents

The MAU interviewed seven interstate and 18 within-state providers (all of whom shipped to or within Rakhine State since August except three). The tables below outline their business profiles.

Table 1. Interstate Providers

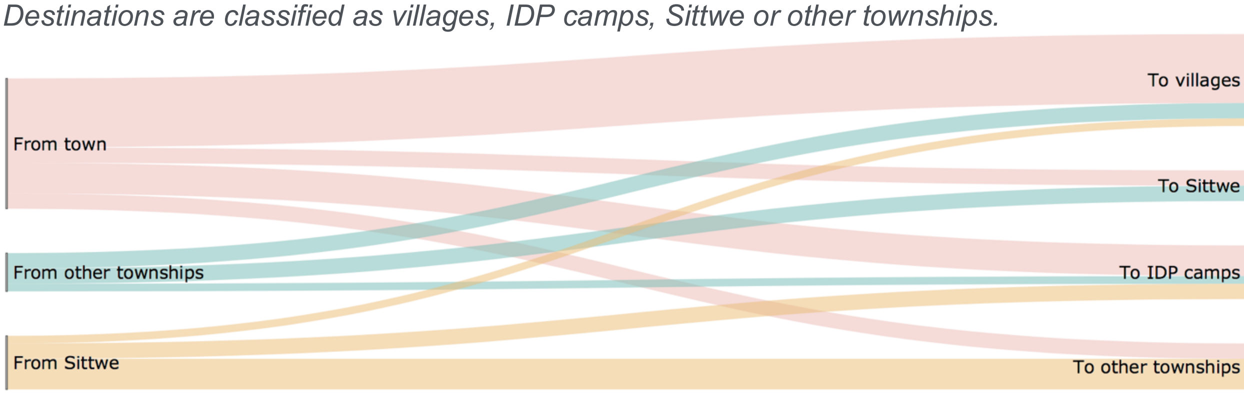
Location	All Yangon-based.
Clients	Four served humanitarian clients, and three served commercial clients.
Modality	Four ship to Rakhine State by road, while three ship by waterway.
Routes	All ship from Yangon to Sittwe, with four also shipping to other Rakhine State townships. Three carry return cargo from Rakhine State to Yangon.
Products	Products included fast-moving consumer goods (FMCG), medicines, hygiene products, fertilizer, etc.
Frequency	All ship to Rakhine State several times per month.
Other	Two also supply warehousing and sourcing of goods (shelter, FMCG, medical).

Table 2. Within-State Providers

Location	Buthidaung, Gwa, Mrauk U, Kyauk Taw, Maungdaw, Minbya, Pauk Taw, Ponnagyun, Sittwe, Thandwe and Toungup.
Clients	Two-thirds serve humanitarian organizations, 50% serve commercial clients.
Modality	Two-thirds ship by road, while just over half ship by waterway.
Routes	Two-thirds operate within their own townships (i.e. town-to-village) and a quarter serve neighboring townships, most notably Sittwe (see Chart 1).
Products	Most ship rice and dry goods, as well as a variety of other nonperishable goods.
Frequency	Half shipped several times per month since August, and half shipped only once.
Other	One provides warehousing, one provides sourcing for rice and bulk/dry goods.

Chart 1. Within-State Providers: Transit Routes

The below chart depicts transit flows by origin / destination for the 18 within-state providers interviewed. It depicts the number of providers (not freight volume) for each flow. Flows are classified as originating from Sittwe, other townships or town (i.e. provider's own township). Destinations are classified as villages, IDP camps, Sittwe or other townships.



Mercy Corps' Market Analysis Unit (MAU)

The Market Analysis Unit provides development practitioners and policymakers operating in Rakhine State with data and analysis to better understand the present and potential impacts of COVID-19, conflict and other crises on:

- **Household purchasing power, coping mechanisms** and **access to basic needs**;
- **Value chains,** including **trade** (ag. Inputs, machinery, supply), **cross-border dynamics,** and **market functionality** (particularly as it relates to **food systems**);
- **Financial services**, including **financial services providers,** household and business **access to finance** and **remittances**; and
- **Labor markets** (formal and informal), with a focus on agricultural labor and low wage sectors (construction, factories, food services).

CONTACT

Jonathan Bartolozzi
Director of Programs
jbartolozzi@mercycorps.org

Jonathan Keesecker
Market Analysis Unit Team Leader
jonathan.keesecker@fulbrightmail.org

4th and 5th floor of Rangoun Business Center,
No. (97), West Shwe Gon Daing Road, Bahan Township,
Yangon, Myanmar.
mercycorps.org

HARP-F
Humanitarian Assistance and Resilience Programme Facility

MERCY CORPS