

ACTUAL PROBLEMS OF LOGISTICS IN THE CONDITIONS OF WAR

*Zahorodnia A.S., Pustilnik D.O., Kroplis Ya.V.
National Aviation University*

Abstract. *The report examines the challenges for logistics in the context of military operations in Ukraine. The author provided a brief description of the current logistics problems faced by Ukrainian businesses. You will be able to learn about the impact of the war on global logistics and how enterprises are overcoming these obstacles to maintain their profits.*

The new stage of the Russian-Ukrainian war has evolved into a commercial test. Transportation problems for freight required a quick overhaul and optimization of corporate procedures. The war has largely affected export and import logistics, so Ukrainian companies had to reformate the logistics to decrease the influence of war on Ukraine's economy.

What logistical issues confronted Ukrainian businesses? First of all, border crossing processes, the limited capacity of Ukrzaliznytsia (Ukrainian state – owned railway company) and EU railways, and the lack of both road and rail border crossings presented difficulties for exporters of agricultural products. Despite significant regulatory hurdles, energy crisis and regular missile attacks the Grain Initiative was successfully implemented in 2022. However, in order to export grain from Ukraine, both in the EU countries and in Ukraine, transshipment capacities require significant investments.

The second logistical problem is rejection of accumulation. The volume of frozen finances increases as there are more commodities in warehouses. In addition, it is dangerous to keep goods in warehouses for a long time - in the event of an attack, they can be lost. This leads to another problem - limiting the assortment of goods and, accordingly, reducing the number of suppliers.

With the beginning of hostilities, the companies were forced to change their storage conditions. One of the largest hubs in Ukraine (70–80% of professional warehouse space) is located in the Kyiv region. The majority of enterprises had to transfer their products to the west of Ukraine, where, in principle, there were no warehouses of this size. Fortunately, the EBA

Logistics Committee in Ukraine conducted a survey in late 2022. Therefore, during the post-war period, 79% of the transport sector stakeholders supported the establishment of a network of strategic universal transport hubs in Ukraine's western regions. This falls within the post-war Ukraine Recovery Plan presented last July at Lugano Conference. International experience demonstrates that industrial parks and PPP-schemes are the ideal investment tools for carrying out such large-scale projects.

No less of a problem for logistics is the blocking of seaports, roadblocks, inspections, curfews and a heavy load on the railway infrastructure. This complicates logistics operations because it is necessary to plan backup routes in advance, as there is a risk of new attacks.

The war in Ukraine and sanctions imposed on Russia have a great effect on the European logistics and the entire set of global business processes as both countries are tightly integrated into the world's economy. The war impeded the flow of goods, fuelled cost increases and product shortages, and created catastrophic food shortages around the globe. Around 500 businesses declared their decision to cut their activities in Russia because of the war. The wholesale shutdown of automotive plants in the country had a negative impact on the logistics sector. The largest shipping corporations in the world declared a halt to all deliveries to Russia. As a result, traditional routes and chains seem to be broken. Another issue is that the airspace over Ukraine is closed to avoid danger for civil aircrafts. This prohibition has led to the changes in routes and has made them longer. Costs and hazards will significantly increase as a result of this. Trucks, ships, and airplanes are just a few of the modes of transportation that have been impacted by the conflict, therefore 3PL and 4PL suppliers must adapt their performance.

A lot of businesses are still operating in spite of the issues. Entrepreneurs import items from outside, primarily from Europe and America, and sell them in Ukraine. European and American manufacturers are impressive with their assortment, quality of goods and affordable prices, which makes importing products profitable, even taking into account logistics costs.

Due to the Russian-Ukrainian war, businesses began to create collaborations and partnerships to maintain the "last mile". This is a concept that means the last stage in the delivery of goods from the manufacturer to the customer. It is on this path of the supply chain that the risks are greatest. Whoever is closer to the client wins. Therefore, the demand for PUDO (pick up drop off), or mini-points for receiving and issuing parcels, is increasing.

Another example of collaboration is combining loads in order not to send half-empty cars (LTL logistics).

Unfortunately, today's business profits are decreasing and the question of cost reduction and maximum efficiency immediately arises. In order to manage the situation in the online mode and search for optimization areas, the issue of digitization is acutely growing. As a result, business and logistics process digitization becomes increasingly important.

Conclusion

War is a business stress test that will cause weak and small businesses to close and sell off their assets. However, companies are also looking at new international markets. Realizing that the sales market in Ukraine is shrinking, Ukrainian enterprises are starting to explore for new markets and niches. This cross-border model will have a significant impact on logistics, because the demand for the transportation of goods abroad will increase.

References

1. *How the War in Ukraine Transforms European Logistics and Affects Prices.* URL: <https://wellpack.org/how-the-war-in-ukraine-transforms-european-logistics-and-affects-prices/> (Assessed: 07.10.2023).
2. *Russia-Ukraine war: global impact on logistics.* URL: <https://www.gep.com/blog/mind/russia-ukraine-war-logistics-impact> (Assessed: 08.10.2023).
3. *The War, Logistics Challenges, and Ukraine's Response.* URL: https://arzinger.ua/en/press-center/publications/the_war_logistics_challenges_and_ukraines_response/ (Assessed: 08.10.2023).
4. *Логістика під час війни: як українському бізнесу організувати транспортні потоки.* URL: https://www.ukrinform.ua/rubric-other_news/3566470-logistika-pid-cas-vijni-ak-ukrainskomu-biznesu-organizuvati-transportni-potoki.html (Assessed: 09.10.2023).