CLECAT
european association for forwarding, transport, logistics and customs services

NEWSLETTER

Issue 20
19 May 2017

Table of content

News from Brussels

ELP DEBATE "THE LOW-EMISSION MOBILITY STRATEGY"

European Logistics Platform

MEPs, policy makers and other interested parties can still register for the upcoming ELP dinner event taking place on the 30th May on the '*implementation of the low-emission mobility strategy in urban areas*'. The debate which will be hosted by MEP Michael Cramer and hear the views of two industry speakers and *Herald Ruijters,* Director at DG MOVE.

Public debate throughout Europe is demanding action to improve local environments, particularly concerning emissions and traffic congestion, and freight transport and logistics is expected to play a role. Various cities have started to announce timelines for the introduction of permanent vehicle bans or restrictions, with clear consequences for urban freight delivery. The debate will hear from DB Schenker about the impact of policy actions concerning diesel vehicle emissions in cities and urban areas. Volvo Group will provide a view on the alternatives for freight, now and in the future, by means of new vehicle technologies.

You can register for the event here.

NEW STATE AID RULES FOR PORTS AND AIRPORTS

The European Commission has approved new state aid rules that exempt certain public support measures for ports, airports, culture and the outermost regions from prior Commission scrutiny. The objective is to facilitate public investment for job creation and growth whilst preserving competition

Commissioner Margrethe Vestager, in charge of competition policy, said: "We want to ensure that companies can compete on equal terms in the Single Market – and we want to do so in the most efficient way. EU state aid rules are the same for all Member States. Today's changes will save them time and trouble when investing in ports and airports, culture and the EU's outermost regions, whilst preserving competition. They also allow the Commission to focus attention on state aid measures that have the biggest impact on competition in the Single Market, to be "big on big things and small on small things" to the benefit of all European citizens".

The 2014 'General Block Exemption Regulation' enabled Member States to implement a wide range of State aid measures without prior Commission approval because they are unlikely to distort competition. As a result, about 95% of state aid measures implemented by Member States (with a combined annual expenditure of about €28 billion) are now exempted.

As regards airports, Member States can now make public investments in regional airports handling up to 3 million passengers per year with full legal certainty and without prior control by the Commission. This will facilitate public investment in more than 420 airports across the EU (which account for about 13% of air traffic).

With regard to ports, Member States can now make public investments of up to €150 million in sea ports and up to €50 million in inland ports with full legal certainty and without prior control by the Commission. The Regulation allows public authorities to cover the costs of dredging in ports and access waterways.

The initiative aims to reduce administrative burdens for public authorities and other stakeholders in the context of the Commission's Regulatory Fitness and Performance of EU Legislation (REFIT) agenda. It forms part of the Commission's effort to focus state aid control on bigger cases that significantly impact competition in the Single Market, to the greatest benefit of consumers. The Amending Regulation will enter into force 20 days after publication in the Official Journal of the European Union. The Amending Regulation, together with an explanatory note, is available here.

Source: European Commission

Maritime

CLECAT AT THE GLOBAL LINER CONFERENCE IN HAMBURG

CLECAT's Director General Nicolette van der Jagt participated in a panel debate on the shippers' and forwarders' response to the current market conditions at the Global Liner Conference in Hamburg this week. The two-day event brings together industry leaders, analyst and other stakeholder to debate developments in liner shipping.
CLECAT addressed the recent wave of consolidation and alliance-forming in the container shipping sector which has coincided with a dramatic shortage in capacity, particularly on services from Europe

to Asia. Over the last months, forwarders and shippers have reported heavy delays in shipping goods to Asia, with waits of several weeks for goods to be loaded, as well as blank sailings, uncertainty over which goods will eventually be loaded and a need to find alternative carriage options at short notice. Furthermore, spot rates have increased in line with these developments, sometimes in dramatic proportions. In addition, Ms van der Jagt addressed the impact of mega-ships, alliances, vertical integration referring to potential restriction of competition, choice and the possible impact on rates potential dominant position. Whilst recognising that users need a stable service and a sustainable liner shipping industry, also from a financial perspective, she alerted to the other implications of the mega-vessels, such as terminal congestion which creates a risk of unpredictable transit times and an increasing trend in missed sailings.

With the forwarders having access to most of the information, they have an opportunity to becoming more attractive to shippers as the logistics supply chain becomes increasingly complex. The forwarders can add value by providing more and consistent information. Digitalisation is the key to improving these efficiencies. This was also highlighted by Felix Heger, Vice President and Head Ocean Freight Europe, DHL.

A panel of speakers including FMC Commissioner Dan Maffei and Stephan Simon from DG Competition looked at the regulatory response to current and foreseeable market developments. The European Commission noted that at this stage they see not seen a competition issue in the recent alliances. However, the Global Shippers' Council issued concern that the current EU regulatory framework is not adapted to the new dynamics in the liner shipping industry.

FURTHER CONSOLIDATION LIKELY

Speaking at the Global Liner Shipping conference in Hamburg, Maersk Line Europe chief executive Karsten Kildahl said that liner shipping had been unprofitable for several years, leading to the disappearance of seven of the top-20 carriers from the market.

"The rate war of 2015-2016 pushed a lot of carriers into significant financial difficulties," Mr Kildahl said. "The balance sheets of those remaining are still unhealthy. Unless profitability is restored there is likely to be more consolidation. Balance sheets do not offer carriers the ability to go through another period of time without being profitable."

Consolidation meant the industry was left with fewer but stronger networks, and led to a change in thinking from customers, Mr Kildahl said. "They realise that we as carriers do not sit on a huge pile of money," he said. "Cost reductions have to come from unlocking savings together and forming stronger partnerships between carriers and customers."

This could come from data exchanges, accurate forecasting and increased use of digitalisation. These moves could help reduce the perennial problem of overbooking and no-shows that led to high transaction costs and low trust between carriers and customers, Mr Kildahl said. "New platforms are being tested that lock prices or demand deposits or ensure adherence to a deal. The industry needs a new model and we hope digitalisation will provide the solution. We are open to whatever ideas are out there. Maersk has already seen the percentage of its bookings conducted over its e-commerce channels rise from 70% in 2010 to 98% in 2016.

Source: Lloyd's List, James Baker, 16/05/2017

CAPACITY REDUCTION ANSWER TO LINER INDUSTRY'S PROBLEMS

Digitalisation was another big topic at the Global Liner Conference. Several sessions debated how digitalisation and the use of new technologies could raise productivity levels, cut costs and reshape processes. While clear benefits can be achieved from their use, several speakers indicated the best solutions to solving the container shipping industry's current problems are cutting overcapacity and closer engagement with customers.

Hermann Klein, COO of Claus-Peter Offen, one of Germany's largest ship owners said the current problems are "entirely due to the huge over-supply of capacity" and the expansion of shipyard's capacity. James Frew, a senior analyst at UK-based Maritime Strategies, agreed. He pointed to the rapid expansion of shipbuilding berths in China in the past 10-15 years and stressed that "shipyard capacity was the 'elephant in the room'. "When it comes to container shipping's recovery prospects these could prove 'stillborn' if ordering activity picks up," he said.

While also sharing concerns over ocean carriers returning to yards and ordering new tonnage, Drewry Maritime Advisors's director of container research Neil Dekker, stressed that the biggest challenge currently was managing cascading properly. He said: "Our research shows that 68 ships of about 13,500 TEU will need to be repositioned from the Asia/Europe/Asia trade over the next four years or so to make room for ULCV tonnage. This is an acid test for carriers and they have to get it right if a sustainable supply/demand balance in the industry is to be achieved."

LT ASIA-EUROPE OCEAN FREIGHT RATES MORE THAN DOUBLE

Long-term contract prices for Asia-Europe ocean freight services negotiated in the last three months are averaging more than double their rate levels at the same time last year and are 10% higher in the second quarter than they were in Q1, according to new data from market intelligence firm Xeneta.

Xeneta highlighted a clear increase in the pricing level of long-term contracts for China main ports to North Europe main ports routes negotiated in the last three months, with an average rate of US$1,396 for a 40ft box shipping in mid-May – an increase of 120% compared with mid-May 2016. "What's more interesting is that long-term contracts for sailings so far in Q2 versus Q1 have increased 10%, on the market average price," noted Xeneta CEO Patrik Berglund.

World container traffic has also grown much more strongly than anticipated in the first quarter of 2017, growth that will require an upgrade to analysts' full-year forecasts, container shipping specialist Drewry observed this week. Provisional trade lane data from Container Trades Statistics (CTS) indicates that world box traffic surged by 10% year-on-year in 1Q17, with intra-regional trade as the primary driver of growth, with volumes up by 17% versus 7% for deep-sea traffic.

According to the World Container Index assessed by Drewry, spot rates on the benchmark Shanghai to Rotterdam lane held fairly firm last week, slipping back by around 3%. But at US$1,869, they remain around 39% higher than the same time past year. That follows a 23% increase in ocean freight spot rates for containers on the benchmark Shanghai-Rotterdam lane the previous week. Drewry expects rates to fall further this week "as GRIs are getting discounted".

Source: Lloyd's Loading List, 17 May

Road

NEW FRENCH DECREE: 40€ FEE FOR TEMPORARY WORKERS

On May 5 a new French decree (2017-751 of 3-5-2017: OJ 5), published in the 'Journal Officiel de la République Française', determines a fixed 40€ fee for every worker operating in France on a temporary basis and employed by a foreign company. The aim of the fee to contribute to the costs of the new online system (SIPSI-portal). It will enter into force once a ministerial order has been issued, but no later than January 1st 2018. In order words, the newly appointed French government has the power to reverse this decree.

In 2016 the Loi Macron established that all truck drivers in France ought to be paid according to the same wages and social security as exists in France. France bases this decision on the principle of territoriality. This applies to all cabotage and international transport operations to and from France. Transit operation are excluded.

When foreign employees are posted in France by foreign companies, employers have to present a declaration of secondment prior to the posting of the employee. Since the beginning of this year all documents concerning the posting of workers to France must be uploaded and collected via the new online portal, the SIPSI-portal. The new decree will additionally require a fee of 40€ *per posted employee* (including drivers).

Currently the wording '*per posted employee*' is the cause for confusion. It is unclear whether this is a one-off payment per employee, or whether this fee has to be paid for every new certificate (also for the same employee). CLECAT will keep its members informed on developments.

TAPA REPORTS ON HIGH ROAD FREIGHT CRIME

The Transported Asset Protection Association's (TAPA) latest cargo crime intelligence highlights that more secure parking sites are urgently needed at strategic points across the EMEA region. The Association says freight losses reported to its Incident Information Service (IIS) rose 59.6% year-on-year in the first quarter of 2017 to 709, a rate of nearly eight a day. The total value for the 62% of incidents providing financial data over the three months was €43.4 million, and over 72% of all crimes occurred when trucks stopped in unsecured parking locations. This follows a 72.3% rise in recorded freight crimes in EMEA in 2016.

Tony Kavanagh, who leads TAPA EMEA's Secure Parking Working Group, says: "European freight crime, in particular, is at an unprecedented level, and the biggest threat occurs during road transportation, specifically when drivers need to take mandatory rest breaks. The lack of a database of trusted and secure parking places means vehicles end up parked in lay-bys and on industrial estates, which can make them an easy target for cargo thieves operating in those areas.

To combat this issue TAPA is launching a new Secure Parking Programme in the EMEA area in summer 2017. TAPA is now approaching about 520 truck parking operators to start the programme. Truck park owners in Europe are missing out on substantial new revenues because their locations are not recognised as being secure enough by manufacturers and logistics service providers transporting high-value, theft-targeted products, according to TAPA. TAPA believes many of these parking places already meet the minimum requirements for the new standard.

Source: Lloyd's Loading List, 18 May

EC CLOSES INFRINGEMENT PROCEDURE AGAINST GERMANY

The European Commission decided this week to close the infringement procedure initiated in June 2015 against Germany regarding the introduction of a road charge for passenger cars ("Pkw Maut"). Following the adoption by Germany in March of an amended law on the road charging scheme, the Commission has come to the conclusion that Germany has addressed its concerns by removing any discrimination based on nationality. The Commission has decided to close the case. The Commission will now continue to monitor the correct implementation and application of the law. In December 2016 the Commissioner had reached an agreement with Germany regarding the discriminating nature of the toll. This agreement received a lot of backlash from MEPs and Germany's neighbouring countries, who felt the proposal was still discriminating.

Source: European Commission, 17 May

Customs

WTO COMMITTEE ON TRADE FACILITATION MEETS FOR FIRST TIME

WTO members gathered on 16 May for the inaugural meeting of the Committee on Trade Facilitation, the body responsible for overseeing implementation of the WTO's historic Trade Facilitation Agreement (TFA). Concluded at the WTO's 2013 Bali Ministerial Conference, the TFA entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership. Since then, six additional WTO members — Dominican Republic, Guatemala, Armenia, Fiji, Costa Rica and Sierra Leone — have submitted their instruments of TFA acceptance to the WTO, bring the grand total to 118 WTO members.

In line with the Agreement, the Committee on Trade Facilitation was established in order to provide WTO members a forum to consult on matters related to the operation of the TFA and the advancement of its objectives. The committee will develop procedures for the sharing of relevant information and best practices among members. After four years, the committee will review the operation and implementation of the TFA. A seminar will be held on 2 June at WTO headquarters to commemorate the entry into force of the TFA.

Source: WTO, 16 May

Air

FUEL SURCHARGES CAUSE FOR CONCERN

The Loadstar issued an article this week noting that forwarders are again expressing concern, as some airlines re-introduced fuel surcharges. Some perceive this as an effort to increase rates. Emirates, which had led the charge to all-in pricing two years ago, turned trailblazer again with its decision to bring back a surcharge to account for fluctuations in fuel costs.

The Middle Eastern carrier implemented its new pricing structure late last month, declaring that the all-in price set-up had not been dynamic or flexible enough to adapt to changing conditions in a volatile market, and that it needed to reflect the impact of fuel price fluctuation on its operation. Since then, several other carriers have moved towards a fuel surcharge, forwarders report. Other airlines have since stated they prefer the use of all-in rates and would instead adjust these when it is necessary.

Airlines claim adding fuel surcharges makes prices more accurate and transparent. However, forwarders argue that carriers do not publish the indexes surcharges are based on and in the past the link between fuel prices and surcharges was unclear.

CLECAT has argued that surcharges are highly questionable. Fuel surcharges ought to be linked to oil prices. However, reality has shown that surcharges are often fixed and do not fluctuate over time (as oil prices do) and instead tend to increase. CLECAT voiced these concerns already in a press release in 2015 and called for more transparency in air cargo rates.

Source: The Loadstar, 18 May

COMMISSION CLEARS AIRLINES FROM EU AIR SAFETY LIST

The European Commission updated the EU Air Safety List, the list of non-European airlines that do not meet international safety standards, and are therefore subject to an operating ban or operational restrictions within the European Union. The EU Air Safety List seeks to ensure the highest level of air safety for Europe.

Following the update, all airlines certified in Benin and Mozambique are cleared from the list, following further improvements to the aviation safety situation in these countries. On the other hand, the airlines Med-View (Nigeria), Mustique Airways (St. Vincent and the Grenadines), Aviation Company Urga (Ukraine) and Air Zimbabwe (Zimbabwe) were added to the list due to unaddressed safety deficiencies that were detected by the European Aviation Safety Agency during the assessment for a third country operator authorisation. Following the update, a total of 181 airlines are banned from EU skies.

Source: European Commission, 16 May

BRUSSELS AIRPORT LOSES AIRLINES DUE TO NOISE FINES

Brussels Airport has received written confirmation that a second cargo airline is quitting the Belgian gateway as a result of the noise fines imposed by the regional government authority. "After the departure of the Chinese full-freighter carrier Yangtze River Express in February of this year, Air Cargo Global has now also decided to leave Brussels Airport as a result of the legal insecurity and the financial risks caused by the decision of the Brussels Capital Region to drop the tolerance margin of the noise fines." it said in a statement. The noise restriction above Brussels results in fines for noisy planes if they take off over the Brussels area.

At the same time the cargo demand at Brussels airport has increased by almost 12% against 2015. Brussels said the improvement was driven by a 32.9% improvement in freighter volumes, as it added Ethiopian Cargo as a customer in March, and a 5.4% increase in express. However, the hub also pointed out that its growth levels were behind that of European rivals because of ongoing uncertainty regarding noise fines. Arnaud Feist, CEO of the Brussels Airport Company, indicated that the noise regulation, the fines and the accompanying uncertainty threaten cargo volumes at the airport.

Sources: Lloyd's Loading List and Air Cargo News, 12 May

Sustainable Logistics

CO2 EMISSIONS FROM NEW VANS IN EU CONTINUED TO FALL

Average carbon dioxide (CO2) emissions of new vans registered in 2016 in the European Union (EU) fell by 4.5 grammes (g) per kilometre, compared to the previous year. The reported fuel efficiency improved by 2.7%, according to preliminary data published today by the European Environment Agency (EEA). This is the highest annual reduction since 2013.

The average van registered in the EU in 2016 emitted 163.8 g CO_2/km, which is 4.5 g less than in 2015. This reduction brings the EU average emissions 6.4% below the 2017 target of 175 g CO_2/km. This target was already met in 2013. Further efficiency improvements are still needed to reach the EU's more stringent target of 147 g CO_2/km set for 2020.

The EEA collects and regularly publish data on new light commercial vehicles registered in Europe, in accordance with Regulation (EU) No 510/2011.

Source: European Environment Agency

EU MEMBER STATES AGREE ON VECTO

Last week EU member states agreed on a new procedure to determine CO2 emissions from new Heavy Duty Vehicles, at the European Commission's regulatory committee (Technical Committee on Motor Vehicles). The new regulation will require CO2 emissions from new trucks to be calculated using harmonized and certified procedures. Emissions data will be calculated using the computer tool VECTO. The regulation is applicable to all new vehicles produced as of January 1st 2019.

VECTO is a computer simulation tool that will model CO2 emissions and fuel efficiency for a wide variety of complete truck and trailer configurations. VECTO can provide these vehicle-specific CO2 figures for various mission profiles, taking into account variables such as specific usage patterns, vehicle configurations and different payloads. Using VECTO data, the EU legislation on the calculation of CO2 from trucks will require a declaration of CO2 values for each vehicle produced for the EU market, providing a credible, standardised way of comparing fuel efficiency across all brands.

SAMSKIP LAUNCHES EMISSIONS CALCULATOR

Logistics services provider Samskip unveiled an online CO2 carbon footprint calculator designed to visualize the benefits when using multimodal transport versus road transport. The online tool and app allows users to compare the emissions of road transport to those of an alternative route using multimodal transport. Available routes are limited to Samskips service network in Europe. The calculations are based on the CE Delft "STREAM International" study, which uses recognized CO2 calculation methods. The 2016 study contains an overview of vehicle-specific emissions in several market segments in the international freight transport; measured by tonne per kilometre.

General

MEPS DEBATE BREXIT NEGOTIATIONS

The European Parliament Plenary debated the Brexit negotiations on Wednesday this week. MEPs welcomed the unity of the 27 Member States and the EU institutions with regard to Brexit and also called for a reform of the EU to benefit all its citizens. The President of the European Council Donald Tusk presented to MEPs the Guidelines for Brexit negotiations agreed by the Member States at the summit on 29 April. He welcomed the alignment with the 'red lines' set by the European Parliament. The detailed negotiating mandate will be presented for adoption at a Council meeting on 22 May, pointed out the President of the Commission Jean-Claude Juncker.

In line with negotiator Michel Barnier, most MEPs emphasised the unity between the EU institutions and the 27 Member States, who are determined to act together to reach a balanced agreement with the United Kingdom. MEPs underlined the importance of unity and trust so that, in parallel to negotiations being carried out for an 'orderly withdrawal' of the UK, the reform of the Union can take place to rapidly respond to citizens' concerns and make the benefits of European integration much more visible. In light of the rise of populism and nationalism in Europe it is important to respond to all citizens' expectations.

Source: European Parliament, 17 May

BREXIT: UK AND EU FIRMS PREPARE TO SEVER SUPPLY CHAIN TIES

According to a study by the Chartered Institute of Procurement & Supply (CIPS), companies on either side of the English Channel are preparing contingency plans that would allow them to sever supply chains between the UK and the European Union (EU) after Brexit.

The survey of more than 2,000 supply chain managers found that 32% of UK businesses that work with non-UK EU suppliers are actively looking for alternative suppliers based in the UK as a response to the UK's Brexit referendum when it leaves the EU in 2019. And businesses elsewhere within the EU are even more advanced in their preparations, with almost half (45%) of those that work with UK suppliers in the process of finding local replacements.

CIPS underlined that with exit negotiations in their early stages, the most pressing supply chain challenge for UK businesses thus far has been currency fluctuation. Almost two thirds (65%) have seen their supply chains become more expensive as a result of a weaker Sterling, with nearly a third (29%) re-negotiating some contracts as a result.

At the same time concerns about border congestion due to customs checks have come up again. Ireland's revenue commissioner, Liam Irwin, this week gave evidence to the Irish parliament's finance committee and warned that, under EU law, 6-8% of all freight crossing the border would need to be checked.

Source: Loadstar, Lloyd's Loading List, 17 May

Forthcoming events

CLECAT MEETINGS

Customs and Indirect Taxation Institute
16 June, Lisbon

Board and General Assembly
16 June, Lisbon

Road institute meeting
28 June, Brussels

Supply Chain Security Institute
24 October, Paris (tbc)

Air Logistics Institute
24 October, Paris (tbc)

CLECAT Freight Forwarders Forum 2017
24 November, Barcelona

OTHER EVENTS WITH CLECAT PARTICIPATION

ELP dinner event on the Implementation of the low-emission mobility strategy
30 May, Brussels

ESPO Conference
1-2 June, Barcelona

Forum for Mobility and Society: Decarbonisation of Road Transport
7 June, Brussels

UIC/FIATA Market Place Seminar
14-15 September, Duisburg

EP/COUNCIL MEETINGS

European Parliament
Transport and Tourism Committee
30 May, Brussels
19-20 June, Brussels

Plenary Session
31 May – 1 June, Brussels
12-15 June, Strasbourg

Transport, Telecommunications and Energy Council

8 -9 June 2017, Luxembourg

Contact

Nicolette van der Jagt

Director General CLECAT

Rue du Commerce 77, B-1040 Brussels, Belgium

Tel +32 2 503 4705 / **Fax** +32 2 503 47 52
E-mail nicolettevdjagt@clecat.org / info@clecat.org

CLECAT
european association for forwarding,
transport, logistics and customs services