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

NEWSLETTER

Issue 27
24 July 2020

Table of content

News from Brussels

CLECAT CALLS FOR MORE TIME FOR PUBLIC CONSULTATION ON SMART AND SUSTAINABLE MOBILITY STRATEGY

CLECAT and a group of stakeholders have sent a joint letter to Commissioner Vălean on the public consultation on the upcoming Smart and Sustainable Mobility Strategy. The Strategy will be important to tackle the challenges faced by the transport sector in support of the shaping of an economically, socially and environmentally sustainable sector. The associations express their concern that the COVID-19 outbreak has considerably shortened the consultation procedure as announced in the Commission's Roadmap. In the letter, the stakeholders note that 'the complexity of the transport sector and of the challenges ahead, notably those stemming from the COVID-19 crisis, require a thorough discussion with stakeholders. We believe that more time is needed for properly running the consultation, to allow our organisations and the EU Member States to properly evaluate the consequences of the crisis.' CLECAT calls for an extension of the public consultation until the end of October.

DG MOVE STUDY ON THE RETURN OF VEHICLES

Following the co-legislators' agreement on the 1st Mobility Package, the European Commission will be carrying out a study on the impact of one of the most controversial measures of the whole package, namely the mandatory return of vehicles.

The study conducted by Ricardo will aim at identifying and assessing the impacts of the measure concerning the regular return of truck to the Member State of establishment every 8 weeks. The study will also take into account the new obligation for the regular return home of the driver and reflect on how these two measures might coexist.

CLECAT had an exploratory interview with Ricardo to support them at the early stage of the evaluation and help gain a better understanding of the current situation and issues in relation to the return of trucks, to identify and explore the possible scenarios of how the market might respond to the measure and to discuss the overall stakeholder engagement approach. CLECAT will be further supporting the consultancy in piloting the survey throughout the summer.

The finalised targeted stakeholder consultation, incorporating CLECAT suggestions, is expected to open on the 24th August for the period of 5 weeks.

2020 EUROPEAN ROAD FREIGHT TRANSPORT SURVEY

German cloud-based logistics software provider Transporeon has conducted a survey of 1,200 road freight forwarders, which found three quarters of companies experiencing a decline in transport volumes due to the COVID-19 and almost four in ten anticipating full year sales declines.

More specifically, while 67% of the surveyed forwarders reported increased turnover in 2019, only half that amount (32%) expect business revenues to grow in 2020. In fact, 38% of service providers expect a decline in turnover for the current year. By way of comparison, only 10% of the companies recorded declining revenues in 2019. The actual extent of the losses at the end of the year will depend on how quickly the economy recovers from the restrictions of recent months, whether new waves of infection can be contained, and the shutdown measures further eased, the report highlighted.

With respect to transport capacity, about 77% of those surveyed are experiencing a decline in transport volumes due to the COVID-19, which is having a significant impact on transport capacity. Almost 30% of the forwarders surveyed currently see more free capacity on the market due to the crisis. This trend is confirmed by the Transporeon's Transport Market Monitor, which recorded a historic high in capacity in spring 2020. Transport prices remain at a correspondingly low level during the same period. Reacting to this development, only 28% of forwarders plan to increase their transport capacity in 2020. Last year, the figure was 46%.

On a brighter note, the report found digitalisation as a positive development, with 74% of forwarders saying it will improve their business. Nearly 50% said the best optimisation would be cutting waiting and unloading times, while the second most important measure was time slot management. Emissions, however, remain a problem. Nearly 43% of respondents are unable to calculate them, while 72% said less than 10% of their customers ask for emissions data.

The more detailed survey results can be accessed [here](#).

Maritime

FMC WANTS CLOSER BLANK SAILING MONITORING

Two of the five US Federal Maritime Commissioners say they want to take a closer look at how the agency monitors blank sailings even as the FMC has stepped up its monitoring of how alliances cut and add capacity in response to the pandemic-driven decline in container volumes. Commissioners Carl Bentzel and Daniel Maffei say they aren't looking for a formal investigation but say a review of how the agency tracks blank sailing and impacts the market is warranted. In an interview, Bentzel said he "wasn't completely satisfied" with the timeliness with which carriers notify the FMC of blank sailings. FMC commissioners receive periodic briefing and recommendation from staff on their review of alliances' behavior.

Under the Shipping Act of 1984, container shipping alliances can cancel or blank sailings as long as it's done to adjust capacity to match lower volumes and they don't cause an unreasonable reduction in transportation services or unreasonable increase in costs. Citing "the unusual circumstances and challenges created by the COVID-19 pandemic together with trade agreement changes," the FMC said in a statement it has heightened its scrutiny of how alliances lower capacity.

Container lines reduced container slot space on the trans-Atlantic and trans-Pacific trades following double-digit declines in container volumes, leading to elevated container spot rates, rolled cargo, and premiums to ensure that cargo will be loaded onto the ship as scheduled. Some forwarders and cargo owners have accused carriers of cutting capacity too aggressively so they can maintain — and even increase — spot freight rates, which as of July 17 were up nearly 70 percent year over year in the eastbound trans-Pacific, as well as secure premiums. Container lines argue that they are adjusting capacity as best they can based on shaky volume forecasts from forwarders and shippers, as the COVID-19 pandemic thwarts the latter's attempts to accurately predict demand beyond the next four to eight weeks.

"Both sides have a point. It's not one of those things where we clearly see abuse going on like with detention and demurrage," Maffei said in an interview. The FMC in late April formalized interpretive rulemaking aimed at helping it gauge whether levied demurrage and detention fees truly incentivize the retrieval of cargo and return of containers.

The full story published in the Journal of Commerce, July 22, 2020 is available here.

DREWRY WEBINAR ON CONTAINER SHIPPING MARKET OUTLOOK

CLECAT has joined the webinar organised by container shipping consultancy and analyst Drewry to explore some of the key findings from its the latest Container Forecaster Report. The presentation provided an update on the container shipping market outlook and gave guidance on freight rates and carrier profitability.

While container lines have done relatively well financially during the COVID-19 pandemic, cargo owners and forwarders have faced greatly inflated transport costs and lower service quality, with many shippers and forwarders reporting cargo roll-overs and carriers prioritising higher-paying spot cargo, according to Drewry. The firm said that container shipping lines' positive financial performance risks them appearing to be profiteering from the crisis and may lead to carrier-shipper animosity.

Drewry indicated that it did not believe lines have been profiteering but that they needed to do more to develop a better shipper-carrier dialogue.

The Drewry noted that, "despite a sudden fall off in demand for their services, lines look set this year to make more money than they have in a long time as their crisis-management tactics – essentially blanking voyages – has paid off handsomely. In our latest Container Forecaster report, Drewry estimates that the industry secured an operating profit (EBIT) of around $1.4 billion and margin of 3.2% in 1Q20, pretty much on par with the same quarter of last year."

Drewry specified that, while the first quarter was not a full test of the industry's COVID-19 coping mechanism as most countries did not enter lockdown until quite late in the period, "all signs point to operating carriers having not only survived the market shock, but even benefitting from it, with spot market rates soaring and a number of previously guarded companies now upgrading quarterly and full-year guidance".

Drewry will organise another webinar on 11 August for shippers and forwarders. Drewry surveys of shippers and carrier schedules have shown that shippers have been subject to a high incidence of container roll-overs since March (up to 20%) and have had to manage sudden carrier changes in capacity, services and "cancelled sailings" on a much higher scale than before.

In this webinar, Drewry's Philip Damas and Stijn Rubens will review the operational problems, the recent service quality findings, the impact on shippers and the importance of measuring carrier performance against agreed Key Performance Indicators. You can register here to register to attend the webinar.

Rail

MORE THAN EUR 1.6 BILLION FOR RAILWAY PROJECTS

Recently, 64 railway projects received over EUR 1.6 billion funding under the 2019 CEF Transport call which has allotted a total of EUR 2.2 billion to 140 key transport projects. It is expected that all these funded transport projects would generate EUR 5 billion in investments. EUR 1.6 billion were allotted to 55 rail infrastructure projects and 9 ERTMS received a EUR 49.8 million funding under the 2019 CEF Transport call. The ERTMS projects includes locomotives upgrades as well as trackside deployment to create the unified European train control system that will boost safety, decrease travel times and optimise track usage.

Austria, Belgium, Bulgaria, Czech Republic, Germany, Denmark, Greece, Spain, Finland, France, Croatia, Hungary, Ireland, Italy, Luxembourg, Latvia, Netherlands, Poland, Romania, Sweden, Slovenia and Slovakia are the 23 EU countries which have received the European funding for the railway projects.

In addition, CEF funding was also provided for cross border railway projects between Germany and Austria, Italy and Austria, Germany and Czech Republic – the Dresden-Prague project. "The type of projects we invest in ranges from inland waterways transport to multimodal connections, alternative fuels to massive railway infrastructure. The Connecting Europe Facility (CEF) is one of our key instruments in creating a crisis-proof and resilient transport system – vital now and in the long run," EU Commissioner for Transport Adina Vălean said.

Ten out of the 140 projects are among the first to be selected under the new and innovative Connecting Europe Facility Transport Blending Facility rolling call, a specifically devised instrument to blend private funding with EU support, helping to fund European projects through a mix of private and public investment.

Under the CEF programme, €23.2 billion is available for grants from the 2014-2020 budget to co-fund Trans-European Transport Network projects in the EU Member States. Since 2014, the first CEF programming year, six waves of calls for project proposals have been launched. In total, CEF supports 794 projects for a total amount of EUR 21.1 billion in the transport sector.

FRENCH RAIL FREIGHT REVIVAL PLANNED

President Macron has recently announced a strong commitment to support boosting French rail freight. Both SNCF and its freight subsidiary, suffered from poor industrial relations in the past year. The coronavirus crisis has left the sector in need of investment. "We are going to redevelop rail freight massively", Macron said last week. "We are going to redevelop night trains. We are going to redevelop small train lines because all that saves money and it reduces our emissions."

Air

AIR FREIGHT RATES LOOKING UP AS PASSENGER-FREIGHTERS LEAVE THE MARKET

Air freight rates have ticked up after the declines of the past weeks, with forwarders reporting further increases on the way. One forwarder noted: "Rates have jumped by up $1 per kg this week from Shanghai to Europe, and carriers announced increases yesterday and today. We expect further advice tomorrow and for the weekend." He said the rate rises were due to falling capacity as passenger-freighters leave the market, weak passenger demand, rising PPE requirements for some countries seeing more Covid cases and an increase in general cargo. Medium-term expectations show both demand and capacity likely rising.

Source and full article: Loadstar

Sustainable Logistics

ANALYSIS OF LOGISTICS EMISSIONS DISCLOSURE GAP

The Smart Freight Centre has analysed the state of logistics emissions disclosure to the Carbon Disclosure Project (CDP), using the 2019 CDP disclosures of 2,604 companies. The key conclusion is that there is a lack of transparency due to under-disclosing of transport and logistics emissions by both transport suppliers and buyers, with stark differences between modes and between industrial sectors that rely on freight transport.

Only 110 freight transport and logistics service providers report their direct, or scope 1 emissions, amounting to less than 20% of global freight emissions. The majority of that comes from aviation, while the high-emitting road freight sector is barely represented. Looking at supply chain, or scope 3, emissions, just over 500 companies report these emissions, accounting for only 10% of global transport emissions. Furthermore, no carriers specifically address well-to-tank emissions, which highlights a gap in understanding of the emissions required to produce and distribute transportation fuels – an important element of the low-carbon transition, especially as alternative fuels like biodiesel, natural gas or hydrogen increase their market shares.

To support companies, the report provides additional guidance on best practices for disclosing freight transport emissions to CDP for scope 1, 2, and key categories of scope 3 for transportation, in line with the GLEC Framework. Finally, five recommendations are provided to close the logistics emissions disclosure gap:

1. Invest in disclosing by road freight companies.
2. Ask companies to disclose carbon intensities.
3. Improve capturing of well-to-tank emissions from transportation fuels.
4. Give guidance on how to provide meaningful comments in CDP reports.
5. Encourage companies to look beyond disclosing.

This additional guidance is entirely in line with the GLEC Framework.

The full report can be downloaded here.

Brexit

UK COMMUNICATION ON READINESS

On 13 July, the UK Government published a new Border Operating Model. The Model aims to provide more clarity for the border industry and businesses, including technical details on how the border with the EU will work after the transition period and the actions that traders, hauliers, ports and carriers need to take. The operating model covers the processes and systems, across government departments, that will be used at the border. It provides clarity on the end to end journey for moving goods across the border – with information about controlled goods and new government systems that will support trade.

As part of the preparations for the end of the transition period, the UK Government announced additional support of £705 million for new infrastructure, jobs and technology to ensure border systems are fully operational as of 1 January 2021. The funding will include £470 million to build infrastructure such as border control posts, and £235million for IT systems and around 500 more Border Force personnel. This package is on top of the £84 million already provided in grants to boost the capacity in the customs intermediary sector.

The additional funding package came along with the launch of a new public information campaign, as part of which more detailed guidance will be given to businesses and individuals explaining what they may need to do to prepare for the end of the transition period. The campaign will run across the full range of communication channels, including TV advertising and radio, out of home, digital, print, and direct channels such as text messages and Webinars. The campaign will also see the launch of a field force team which will give one-to-one support in person or over the phone to businesses and their supply chains to minimise disruption to the movement of goods.

The UK Government also announced the start of formal negotiations on UK's future relationship with the European Free Trade Area (EFTA) countries that are in the EEA (European Economic Area). More information regarding progress of the UK-EEA EFTA states future relationship negotiations process can be found here.

Customs and Trade

PUBLIC CONSULTATION ON A CARBON BORDER ADJUSTMENT MECHANISM

On 23 July, the European Commission launched a public consultation on the creation of a Carbon Border Adjustment Mechanism (CBAM) for certain sectors which would aim to ensure that the price of imports reflects more accurately their carbon content. Such a mechanism had been identified in the European Green Deal as means to help with the transition towards a greener and more sustainable economy.

The European Green Deal emphasized that "should differences in levels of ambition worldwide persist, as the EU increases its climate ambition, the Commission will propose a carbon border adjustment mechanism, for selected sectors, to reduce the risk of carbon leakage". Risk of carbon leakage means either that production is transferred from the EU to other countries with lower ambition for emission reduction, or that EU products are replaced by more carbon-intensive imports. If this risk materialises, there will be no reduction in global emissions, and this will frustrate the efforts of the EU and its industries to meet the global climate objectives of the Paris Agreement.

The public consultation targets all stakeholders, including national administrations in the EU and in the rest of the world, businesses, trade associations, non-governmental organisations, citizens, workers associations and trade unions. It is addressed to all sectors most notably to energy intensive industries and related economic activities.

You can contribute to this consultation by filling in an online questionnaire.

EC PROLONGS DUTY AND VAT RELIEF ON PROTECTIVE EQUIPMENT

On 23 July, the European Commission decided to prolong the temporary relief for customs duties and VAT on the import of medical devices and protective equipment from third countries until 31 October 2020. This allows imports carried out during the incipient phase of the COVID-19 outbreak to also benefit from the exemption.

The duty and VAT free importation applies to state organisations (state bodies, public bodies and other bodies governed by public law including hospitals, governmental organisations, communes/towns, regional governments, etc.); and charitable or philanthropic organisations approved by the competent authorities of the Member States.

The Commission has published a Guidance Note that provides explanation on the application of the Commission Decision on relief from import duties and VAT exemption on importation granted for goods needed to combat the effects of the COVID-19 outbreak during 2020. The Guidance Note specifies that the Decision also provides for an extended scope in the sense that imports done on behalf of the authorised organisations will qualify for the relief/exemption. The Commission has also made available an indicative list of goods falling under the Commission Decision.

Source: European Commission

UPDATED LIST OF COUNTRIES APPLYING THE REX

The European Commission published an updated list of countries applying the Registered Exporter System (REX). In particular, the transition period for Haiti, Madagascar, Senegal and Vietnam has been extended until 31 December 2020 due to the COVID-19 pandemic. This extension comes in light of Implementing Regulation, published by the Commission on 5 June, extending the transition period for the application of the REX system to 31 December 2020. This measure was taken as the COVID-19 pandemic led to some countries experiencing serious difficulties respecting the 30 June 2020 time-limit for the application of the REX system.

The REX system will progressively and completely replace the current system of origin certification based on certificates of origin issued by governmental authorities and on invoice declarations. The global transition period from the current system of origin certification to the REX system started on 1 January 2017. In case a beneficiary country does not apply the REX before the end of its transition period or has not requested an extension to the transition period, the preferential origin will not be established, and duties will have to be paid.

Source: European Commission

General

DHL STUDY ON TWO-PHASE TRANSITION TO A NEW NORMAL

Supply chains are likely to go through a two-phase transition to a post-coronavirus ‘new normal’ that will involve adjustments to transport flows and warehouse networks, fresh impetus to digitalisation and automation initiatives, and moving from an era dominated by procurement for cost to an era marked by procurement for resilience, according to a new study.

According to the 'Transition to a new normal' white paper on post-corona supply chains, created by DHL and supply chain expert Richard Wilding, industries and supply chains will not be the same post-coronavirus as they were before. While today only the outlines of the exact formation of that 'new normal' can be seen, industries will not immediately move into a post-corona phase and return to business as usual, the report highlights.

With scientists searching diligently for a vaccine against the disease and many businesses are still managing the crisis, "any iteration of normalcy is still a distant goal", it notes. "In the meantime, an interim phase – the pre-new normal – will bridge the gap between lockdown and the new normal." Obviously, some industries were hit harder by the pandemic than others and thus will recover more slowly, it notes. However, the report states that various implications for businesses, supply chains, and supply chain leaders can be subsumed under four categories: Resilience issues, Demand-related issues, Transportation & Warehousing-related issues; and Workplace-related issues.

Richard Wilding, professor of Supply Chain Strategy at Cranfield University, commented: "As in every crisis, the strengths but also the weaknesses of the system become visible. To become better, it is important to learn from such emergency situations. In the new normal, if your supply chain is the same as the one that you had pre-coronavirus, you're probably doing something wrong."

On the basis of the anticipated two-phase transition to a 'new normal', the study notes that in a pre-new normal world, supply chains will be re-shaped to make them more resilient. "For instance, the fact that both manufacturing and warehouse locations were equally affected by regional lockdowns and varying regulations will result in more distributed manufacturing, storage, dual sourcing, re-shoring, and near-shoring in the future," it noted. "Instead of focusing solely on tier 1 suppliers, supply chain leaders will have to take a closer look at tier 2 and tier 3 suppliers as well to check if they are able to keep up with the flow of goods. Furthermore, the demand will be more volatile and consumer tastes may erratically fluctuate, increasing the need for flexible and alternative transportation flows and warehouse networks."

It also highlighted that configuring post-coronavirus workplaces to meet social distancing and sanitation guidelines will also affect the work styles in both warehouses and offices."For remote working, information systems will need to be robust and capable of supporting a distributed workforce by providing access to appropriate data and systems," it notes. "Warehouse processes need to be adapted to the new standards, such as one-way systems, distributed picking faces, or socially distanced packing areas. Just as procuring for resilience will become an increased focus, remote working will disrupt established processes, providing fresh impetus for digitalization and automation initiatives."

The complete White Paper is available here.

Forthcoming Events

EVENTS AND MEETINGS

CLECAT Board/General Assembly Meeting
10 September 2020, Online Meeting

CLECAT Air Logistics Institute
22 September 2020, Location TBC

CLECAT Supply Chain Security Institute
22 September 2020, Location TBC

CLECAT Freight Forwarders Forum
12 November 2020, Location TBC

CLECAT Board/GA
13 November 2020, Location TBC

EU MEETINGS

Council of the European Union

Transport Council
28 September 2020, Brussels

Environment Council
23 October 2020, Luxembourg

European Parliament

European Parliament Transport Committee
2-3 September 2020, Brussels

European Parliament Plenary
14-17 September 2020, Strasbourg

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_EU
www.CLECAT.org

CLECAT
European Association for Forwarding, Transport, Logistics and Customs Services