NEWSLETTER

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FMC SEEKS TO LIMIT OCEAN CARRIER'S LEVERAGE ON CONTAINER SPACE

The Federal Maritime Commission (FMC) is proposing a rule aimed at preventing ocean carriers from locking out customers from the carriers' available vessel space.

The Notice of Proposed Rulemaking (NPRM), expected to be published this week in the Federal Register, will give the public 30 days to comment on a provision included in the Ocean Shipping Reform Act of 2022 that prohibits ocean carriers from unreasonably refusing to deal or negotiate with respect to vessel space accommodations." The NPRM proposes a burden-shifting regime that would allow ocean common carriers to establish why it was not unreasonable to refuse vessel space to a complainant."

The proposal stems from the complaints by shippers as well as trends over the past 2 years revealing dramatic changes in the U.S. import-export balance.

Shippers have alleged and the FMC has documented that carriers have been taking advantage of more lucrative import rates at the expense of reasonable rates and service provided to exporters.

"While some export markets have been affected by trade shocks, the drop in total exports carried cannot be fully explained, neither do safety concerns over ship loading," the FMC states in the proposal.

The proposed rule would provide a way for ocean carriers to justify their vessel space allocations through certification.

Although the proposal does not require a certification, the FMC stated it is considering whether to make certification by a U.S.-based compliance officer mandatory.

Class 8 bookings rebound in August as OEMs crack open orderbooks

Month-over-month orders for Class 8 trucks nearly doubled in August. But fleets are still not getting all the new equipment they want, even in a slowing economy.

FTR reported preliminary North American Class 8 net orders for August jumped 98% over July to 21,400 units as OEMs began to fill build slots for the first quarter of 2023. But caution remains to avoid a repeat of late-2021 cancellations due to overbooking colliding with supply shortages.

"OEMs felt the need to start filling in their Q1 production schedules for their prime customers," said Don Ake, FTR vice president of commercial vehicles. "The supply chain is still clogged, so they still are unable to book all the commitments they still have."

William “Rusty” Rush, chairman, president and CEO of mega-dealer Rush Enterprises, told FreightWaves the pent-up demand for new Class 8 trucks was 80,000 to 100,000 units earlier this year. That number may have declined a little, but demand remains strong for replacement of trucks kept beyond their normal trade cycles.

Rolling shortages of key components, most recently power window regulators, volatile pricing of commodities like steel and aluminum, and general inflation, contributed to OEMs keeping a lid on new orders.

At the same time, “The industry has responded well to the supply shortages but will need an increase in production in 2023 to begin to balance out,” Ake said. “Some fleets have run their trucks well past their planned replacement cycles and desperately need new trucks.”

Bookings should grow in the next few months, the typical new order season, as OEMs fill remaining build slots. August orders were 46% below the same month a year ago, when OEMs were taking in more orders than they could fulfill.

The backlog of trucks awaiting production has been falling in recent months as manufacturers essentially accepted one new order for each truck produced. The Class 8 backlog should fall by around 8,900 units when complete August data are released, said Eric Crawford, vice president and senior analysts at ACT Research. That is less than the average 12,400-unit decline in May, June and July.

Because major customers place multiple-year orders, a true picture of backlogs beyond the next 12 months is an industry secret, according to Kenny Vieth, ACT Research president and senior analyst.

OnTrac and DHL's e-commerce unit roll out peak season surcharges

The parcel carriers join larger competitors like FedEx and UPS in adding home delivery fees for shippers during the holidays.

OnTrac and DHL eCommerce Solutions have announced home delivery surcharges for the 2022 peak season, joining larger competitors in adding fees during the busiest stretch for parcel carriers.

The cost of OnTrac's peak residential surcharge, active from October 30 to January 14, 2023, depends on how much more home delivery volume a shipper is sending during peak versus its baseline volume, according to its website.
DHL eCommerce Solutions' peak season surcharges begin earlier and end later than OnTrac, starting Oct. 2 and running through Jan. 21.

For OnTrac, the baseline volume is the customer's average weekly residential volume from June 5 to July 2. However, if the average from September 4 to October 1 is less than 80% of the June to July volume, OnTrac will use that period as the baseline volume instead. This approach mirrors UPS' peak season surcharges for large shippers.

OnTrac also has an additional handling surcharge ($6.50) and a large package surcharge ($70) active from October 2 to January 14, 2023.

"These temporary adjustments help offset increased operating costs and apply to all service levels on a per-piece basis," according to OnTrac's website. "Peak period surcharges are in addition to our published accessorial fees."

OnTrac, which delivers to eight states in the western U.S., is in the midst of a merger with eastern U.S.-focused LaserShip. The carriers launched in July a transcontinental service delivering packages between their coverage areas. LaserShip did not respond to a request for comment on if the OnTrac surcharges will apply to transcontinental deliveries.

Meanwhile, DHL eCommerce Solutions, the logistics giant's parcel shipping-focused division, is imposing fees as high as $3.20 per package for its SmartMail products, depending on shipping speed and distance. SmartMail relies on the Postal Service for final-mile delivery.

DHL is also introducing peak surcharges on SmartMail Return products.

DHL eCommerce Solutions and OnTrac add to the slate of carriers that have recently announced their peak season delivery surcharges. Larger carriers FedEx, UPS, the Postal Service and Amazon have all announced their own surcharges or rate hikes to help them deal with the expected surge in volume.

Experts are forecasting a smoother peak season this year as shippers move volume earlier and e-commerce growth cools off from the heights it reached in 2020 and 2021. However, capacity constraints remain a concern as carriers like FedEx and UPS prioritize more profitable volume, such as business-to-business and healthcare shipments.

CMA CGM creates $1.5 billion fund to accelerate move to more sustainable shipping

Shipping giant CMA CGM has announced that it is creating the 'Special Fund for Energies' initiative backed by a US$1.5 billion budget to accelerate the company's transition to achieve net zero across its supply chain by 2050.

The money from the fund will go to the development of new fuels with a lower carbon profile than traditional shipping fuels. CMA CGM will also be funding low emission mobility solutions across its entire business, including maritime, railroad, air freight, port, and other logistics services.

The Special Fund for Energies will invest in new projects to secure the supply of renewable energies and explore new prototypes to meet decarbonization targets.

The company has already begun to respond to human-caused climate change by using liquefied natural gas (LNG) as its transitional maritime fuel.

The Special Fund for Energies initiative will drive forward the emergence of industrial-scale production facilities for biofuels, biomethane, e-methane, carbon-free methanol, and other alternative fuels.

A concern for the group will be to ensure that its sustainable initiatives are not causing harm to the environment, as is a concern from sustainability company Transport & Environment, which conducted a study showing that LNG-powered vessels can leak great amounts of unburned methane into the atmosphere through combustion, according to Reuters.

Retailers Start Selling Something New : Logistics Services

American Eagle Outfitters and Gap want other merchants to use their supply chains, raising questions about control, competition and data privacy

Apparel sellers Gap Inc. and American Eagle Outfitters Inc. are betting their logistics expertise can bring in revenue with the sales of jeans and T-shirts, at a time when strains in supply chains are raising the importance of delivery reliability and speed.

The retailers want other businesses, including rival merchants, to use their warehouses and distribution networks to manage their flow of goods. The efforts echo the strategy undertaken by Amazon.com Inc., which operates its Fulfillment by Amazon warehousing and shipping service for third-party retailers even as it sells its own retail products online.

Supply-chain experts, however, say the retailers face hurdles pushing into the logistics market, including concerns prospective customers may have about data privacy and potentially giving up the competitive edge they may have when controlling their own logistics network.

"The customer fulfillment activities are so core to any retailer—any company, but a retailer in particular," said Michael Dominy, vice president of supply-chain research at research firm Gartner Inc., because "you're delivering that customer experience. So turning that over to somebody else is always challenging."

San Francisco-based Gap recently launched what it calls GPS Platform Services, a logistics and fulfillment network open to other businesses. AEO, based in Pittsburgh, created a subsidiary called Quiet Platforms after acquiring logistics companies Quiet Logistics and AirTerra last year. Quiet Platforms offers fulfillment, logistics and transportation services to other brands.

The two companies are launching the platforms as questions over control of logistics operations have grown more urgent in the wake of pandemic-driven supply-chain disruptions that included port bottlenecks and other challenges.

Some large retailers like Walmart Inc., Target Corp. and Costco Wholesale Corp. have moved to take greater control of their supply chains in the wake of the disruptions, including by chartering their own cargo ships to import goods.

Target added a third-party distribution component with its acquisition of Shipt in 2017 and offers the same-day delivery to other businesses.

Walmart entered the market in August 2021 with GoLocal, an effort to create a revenue stream by leveraging its own investment in rapid delivery to service the needs of other merchants. The company last week said it had reached more than 1 million shipments in the first year of operation.

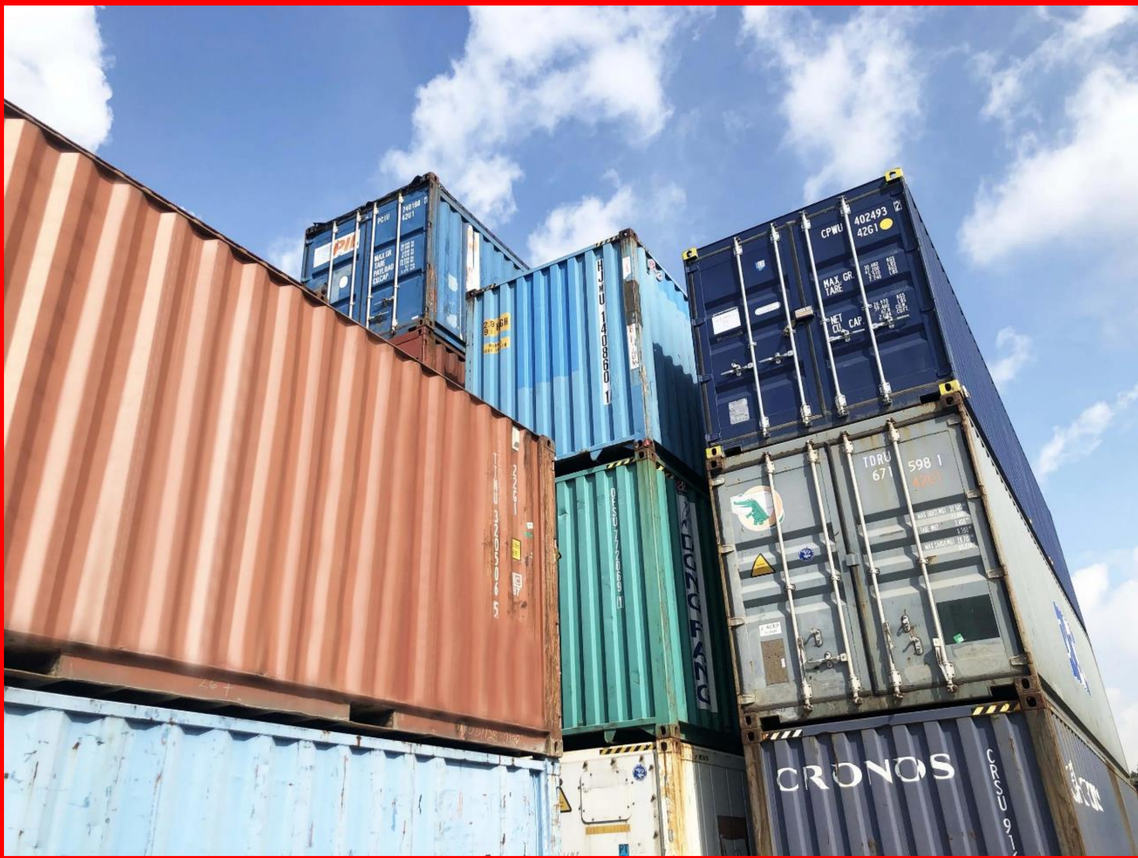
Dale Rogers, a professor of supply-chain management at Arizona State University's W.P. Carey School of Business, said the services from Gap and AEO are an attempt by the retailers to maintain control of their own networks while mitigating the costs. "By sort of being the captain of the logistics services, and being able to spread some of the costs over other players, they can ensure that they get good service," Mr. Rogers said.

Quiet Platforms said it is working with sports goods retailer Fanatics Inc., shoe brand Steve Madden Ltd. and discount outlet Saks Off Fifth. Gap said it is working with Fortune 500 brands and didn't disclose client names.

Shivi Shankaran, chief operating officer of Saks Off Fifth, the discount retailing sister business to luxury merchant Saks Fifth Avenue, said the brand decided last year to diversify its carriers, leading it to begin working with AEO's AirTerra and later to sign on with Quiet Platforms. The moves have expanded Saks Off Fifth's capacity and shipping options and speeded up delivery times, Mr. Shankaran said in a statement.

A Gap spokesperson said the company provides visibility to its clients, in line with other logistics providers. An AEO spokesperson said clients of Quiet Platforms have full visibility into their supply-chain operations. Besides, the Gap spokeperson said the retailer employs data protections, and information is only available to authorized logistics operators and personnel. Meanwhile, the AEO spokesperson said Quiet Platforms is run as an independent subsidiary with its own client-related technology team and systems, and said AEO doesn't access client data.

Merchants considering other retailers' networks may also have data privacy concerns, particularly if they are competitors, said Cathy Roberson, president of research and consulting firm Logistics Trends & Insights LLC.



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CONTACT US
TEL: +86-21-32506989 FAX: +86-21-32506989
E-MAIL: MARKETING@SHA.PREMIERE- LOGISTICS.COM
WEBSITE: WWW.PREMIERE-LOGISTICS.COM
ADDRESS: RM. 603&304, BUILDING B, NO. 28 XUANHUA RD. CHANGNING DISTRICT, SHANGHAI, 200050, CHINA

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