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News from Brussels

CLECAT CALLS FOR TRANSPARENCY AND DIALOGUE ON FAIR BUNKER CHARGING DURING COVID-19 CRISIS

Over the last two months, the liner industry has benefitted from a freefall in the price of very low-sulphur fuel oil (VLSFO), accelerated by the widespread economic impact of COVID-19. The collapse of marine bunker prices came as a surprise soon after the steady rise in costs last year caused by the IMO 2020 low-sulphur regulation.



This should be good news for all those who have been hardly hit by reduced volumes and shrinking demand due to the impact of COVID-19 crisis. However, the reality is that because of the one-to-two months lag in the calculation of bunker fuel surcharges, cargo owners and freight forwarders have not yet had a relief from the 35% drop in fuel prices of very low-sulphur fuel oil (VLSFO). The time-lag of adapting the fuel indexes is usually long when the fuel prices drop and short when the prices rise. Currently, with the drop of fuel prices,

carriers are tied up to the bunker surcharge indexes based on high fuel prices.

Mr Willem van der Schalk, President of CLECAT, commented on the concerns of the European freight forwarding community: 'This gives rise to the suspicion that carriers are using the bunker adjustment factor (BAF) as a revenue-raising tool as well as a cost-recovery during the COVID-19 crisis.' He continued: 'Whereas freight forwarders understand that carriers are facing increased costs to secure continuity of services, all other parties in the logistics supply chain are facing disruption and fall-outs, not the least our clients, the shippers.'

CLECAT maintains that fair play and sharing of the burden should remain the guiding principle during the crisis. 'We will continue to live in uncertain times for quite a while, but this should not prevent us from seeking to introduce higher levels of transparency in the calculation of fuel costs. This should be part of normal relationship and continuous dialogue between the parties in the maritime logistics supply chain.'

ROADMAP TOWARDS LIFTING COVID-19 CONTAINMENT MEASURES

On 15 April, the European Commission, jointly with the Council of the EU, released the [Joint European Roadmap towards lifting COVID-19 containment measures](#), calling for a coordinated approach across the EU on the basis of common principles.



Next to general and health-specific recommendations for Member States, the roadmap also provides some provisional guidance related to the transport services. It recommends a “phased approach” in order to restore the Schengen area functionalities, committing to issue an additional guidance for the transport services in the near future.

More specifically, it describes a phased approach for the opening of internal and external borders as necessary for eventually restoring the normal functioning of the Schengen area. Internal border controls should be lifted in a coordinated manner. Therefore, the Commission noted that it has been working continuously with Member States to limit the impact of the reintroduction of internal border controls on the functioning of the internal market and on free movement. The aim is to minimize the impact of the current situation on the transport sector, including operators.

Moreover, it describes that the travel restrictions and border controls currently applied should be lifted once the border regions’ epidemiological situation converges sufficiently and social distancing rules are widely and responsibly applied. The gradual re-opening of borders should give priority to cross-border and seasonal workers and should avoid any discrimination against EU mobile workers. Neighbouring Member States should stay in close contact to facilitate this in close coordination with the Commission.

In the transition phase, the efforts to maintain an unobstructed flow of goods and to secure supply chains should be reinforced. Restrictions on travel should first be eased between areas with comparably low reported circulation of the virus. Moreover, it notes that the European Centre for Disease Prevention and Control (ECDC) will, in cooperation with Member States, maintain a list of such areas.

The Commission noted that it would also put forward more detailed guidance on how to progressively restore transport services, connectivity and free movement as swiftly as the health situation allows it, also in view of planning summer holiday travel.

Source: [European Commission](#)



Road

EP SECOND READING ON THE 1ST MOBILITY PACKAGE

On 17 April, the Council's first-reading position on the social and market access aspects of the 1st Mobility Package, adopted on 7 April, was announced at the European Parliament's extraordinary plenary session. This marks the beginning of the second reading, with the 3-month deadline for the EP to submit its second-reading position.

Given the unprecedented effects of the COVID-19 effects on the road transport in Europe, CLECAT believes that the legislation contained in the 1st Mobility Package should be carefully assessed, taking into account the current situation. Once the Council's positions are announced at the upcoming EP's Transport Committee (TRAN) extraordinary meeting on [21 April](#), CLECAT will communicate the industry concerns to the Members of the EP (MEPs) as they will have a possibility to submit final amendments at second reading.

To note, the package consists of a regulation governing access to the road haulage market and to the profession of road haulage operator; a regulation on maximum work and minimum rest times for drivers and positioning by means of tachographs; and a directive revising enforcement requirements and laying down rules on posting of drivers. The final first-reading Council's positions on these regulations can be found [here](#).

Customs & Trade

REVISION OF EU EXPORT RESTRICTIONS OF MEDICAL EQUIPMENT

On 14 April, the European Commission announced that a consultation had been initiated with the EU Member States on a draft regulation to adjust the export authorisation scheme which was set up on 15 March and expires on 25 April. The revised rules cover one single product category, protective masks, as the Commission has found that this is the only remaining category, where an export authorisation is necessary. The new implementing regulation will be adopted soon following the corresponding procedure.

The new scheme proposes some further changes with respect to its geographical scope. In addition to previously existing exceptions, it exempts from the authorisation requirement exports to Western Balkans as well as Gibraltar and territories of Member States excluded from the EU customs union. The rules now explicitly require Member States to authorise exports of emergency supplies in the context of humanitarian aid and to process the relevant applications in an expedite manner.

The regulation obliges Member States to consult the European Commission when assessing whether to issue an export authorisation. The Commission shall issue an opinion within 48 hours from the receipt of the request. In this context, the purpose of a newly set up Clearing House will be to coordinate efforts to match supply and demand in the EU and ensure that available supplies of materials go where they are most needed.



The revised rules are set out to apply for a limited period of 30 days, as of 26 April 2020. The draft regulation also includes a review clause that will allow the Commission to adjust the product scope or the duration of the provisions in light of possible new developments.

Source: [European Commission](#)

PUBLIC CONSULTATION ON EU-CHINA CUSTOMS AGREEMENT

The European Commission has opened a public consultation to collect the views and opinions of key stakeholders as to how the customs cooperation and mutual assistance agreement between the EU and China has been working in practice. In particular, the consultation aims to evaluate to what extent the agreement helps EU customs authorities to accomplish their mission of facilitating legitimate trade, carrying out efficient controls, ensuring safety and security and preventing illicit trade and fraud. The consultation targets customs and other relevant authorities in Member States, businesses and all citizens concerned about trade with China and cooperation on customs matters in general, as well as General Administration of China Customs and other relevant administrations.

You can contribute to the consultation by filling in an online questionnaire, accessible [here](#). Questionnaires are available in some or all official EU languages. You can submit your responses in any official EU language.

PRIVATE SECTOR ADDRESSES COVID-19 IMPACT ON GLOBAL TRADE

On 13 April, the WCO Private Sector Consultative Group (PSCG) submitted a [paper](#) to the WCO Secretary General outlining some observations, priorities and principles to be considered by the WCO and its Member Customs administrations during this unprecedented time of the COVID-19 pandemic.

The PSCG notes that private sector input is essential as governments consider and analyse options to manage this crisis and implement strategies and programmes that address the current emergency and position national economies for recovery. The paper lists several observations and recommendations divided in four categories: expediting the clearance of essential goods and key workers to support and maintain vital services; applying the “social distancing” principles to border processes; striving for efficiencies and simplification in all clearance procedures; and supporting business resumption and recovery.

The PSCG paper will aim to contribute to the agendas of the relevant WCO working bodies in the months to come, as well as relevant national and regional border authorities.

For more information on the actions the WCO has undertaken to address the impact of the pandemic you can visit the [WCO dedicated COVID-19 webpage](#).

WTO INTERIM APPEAL ARBITRATION ARRANGEMENT

On 15 April, the EU Council approved a multi-party interim appeal arbitration arrangement (MPIA), which is a new system that will allow the EU, together with other participating WTO members, to overcome the current paralysis of the WTO’s Appellate Body and solve trade disputes amongst themselves. The new arrangement will be temporary and mirrors the main features of the WTO appeal system.



The new appeal arbitration arrangement was [agreed already on 27 March 2020](#) among Australia, Brazil, Canada, China, Chile, Chinese Taipei, Colombia, Costa Rica, the European Union, Guatemala, Hong Kong, Mexico, New Zealand, Norway, Singapore, Switzerland, and Uruguay. The MPIA will enable the participating members to benefit from a binding resolution of trade disputes and have the right to an independent and impartial appeal review of panel reports, as it is the case in the WTO system. The MPIA is open for any WTO member to join.

Source: [EU Council](#)

Air

SUSPENSION OF LOCAL RULE 2 AMS FOR THE REMAINDER OF S20

On 15 April, Airport Coordination Netherlands (ACNL) announced that, given the actual wide availability of slots as a result of the COVID-19 outbreak, it would suspend the Local Rule 2 (LR2) at Amsterdam Airport Schiphol (AMS), effective immediately, for the remainder of the Summer Season 2020 (S20).



The purpose of Local Rule 2 (LR2) at AMS is to provide sufficient ad-hoc capacity for full freight airlines. Since the outbreak of COVID-19, ACNL reported a significant reduction of the waitlist. Especially in the past two weeks, the number of slots that were handed back has exceeded the actual waitlist demands by far. ACNL argued that, in the current exceptional circumstance caused by the COVID-19 crisis, the LR2 works contra-productive, noting that under LR2 the number of

slots available for reallocation is limited and the way of reallocation is inflexible.

Slots that have been returned to the pool will be offered shortly based on the regular priorities of the remaining S20 AMS waitlist. Hereafter, there will be sufficient (day)slots available for the remainder S20. Slot requests will be handled on a first come first served basis, respecting the parameters of the capacity declaration, including those for the night.

Source: [Airport Coordination Netherlands](#)

Maritime

SHIPPING LINES FACE THE RISK OF POTENTIAL INSOLVENCY

A new study by the shipping market analyst Alphaliner has explored the potential risk of a container line bankruptcy, similar to the demise of Hanjin Shipping. The study found that the deteriorating global economic outlook in the wake of COVID-19, which has pushed container shipping lines to withdraw an unprecedented amount of capacity in April and May, will hurt carriers' operating cashflows and further weaken already fragile balance sheets.



Using the Altman Z-score method to measure the likelihood of bankruptcy across a selection of leading container lines at the end of 2019, Alphaliner found that seven out of the top eleven carriers had Z-Scores of less than 1.3, indicating a “very high” risk of potential insolvency. “The other four carriers – Hapag-Lloyd, Maersk, OOIL and Wan Hai – had healthier Z-Scores of 1.72 to 1.92 points but could also come under pressure if the demand contraction is stretched over a prolonged period,” said Alphaliner.

The analyst explained that carriers with elevated leverage ratios were especially vulnerable, in particular those with high levels of short-term debt that are due this year. Of the eleven carriers surveyed, at the end of 2019, six had negative working capital – defined as current liabilities exceeding current assets – including CMA CGM, Hapag-Lloyd, HMM, PIL, Yang Ming and Zim. “Carriers with poor track records of negative earnings are also particularly at risk, with three carriers’ (HMM, Yang Ming and Zim) Z-scores lowered due to their negative retained earnings.

Since the end of March, credit rating agency Moody’s has changed the credit outlook for Hapag-Lloyd, Maersk, MOL and NYK from “stable” to “negative” and placed CMA CGM’s credit ratings under review for potential downgrades. “Moody’s highlighted the high dependency that container carriers have on world trade, as well as industrial and consumer demand, which would all be negatively impacted by the lockdowns and quarantine measures being implemented around the world,” added Alphaliner.

The full commentary on the Alphaliner study can be accessed at [Lloyds’ Loyding List](#).

Rail

EC CLEARS CREATION OF JOINT VENTURE BY ÖBB-TS AND LTE

On 15 April, the European Commission approved, under the EU Merger Regulation, the creation of a joint venture by ÖBB-Technische Services-Gesellschaft mbH (“ÖBB-TS”) and LTE Logistik- und Transport-GmbH (“LTE”), both of Austria. The joint venture will provide light maintenance services for rolling stock in one facility based in Gramatneusiedl near Vienna.

ÖBB-TS is a provider of maintenance services for rolling stock, while LTE is a logistic company that provides cargo train services. Therefore, the Commission concluded that the proposed acquisition would raise no competition concerns, given the minor business activities of the joint venture. The transaction was examined under the simplified merger review procedure.

More information is available on the Commission's [competition](#) website, in the public [case register](#) under the case number [M.9614](#).

Forthcoming Events

CLECAT MEETINGS

CLECAT Customs and Indirect Taxation Institute

21 April 2020, **Online Meeting**



CLECAT Road Logistics Institute

22 April 2020, **Online Meeting**

CLECAT Maritime Logistics Institute

23 April 2020, **Online Meeting**

EU MEETINGS

Council of the European Union

Transport, Telecommunications and Energy Council

4-5 June 2020, Luxembourg

Environment Council

22 June 2020, Luxembourg

European Parliament

Extraordinary European Parliament Plenary

16-17 April 2020, Brussels

13-14 May 2020, Brussels

European Parliament Transport Committee

21 April, Brussels

27-28 May 2020, Brussels

European Parliament Environment Committee

21 April, Brussels

27-28 May 2020, Brussels

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