CLECAT AND FEPORT CALL ON THE EC TO END THE SPILL-OVER EFFECTS OF TONNAGE TAX FOR SHIPPING

CLECAT and FEPORT, on behalf of thousands of European freight forwarders, port companies and terminals, call on the European Commission to avoid market distortions in the EU and to unbundle the activities eligible for favourable tax treatment under tonnage tax schemes.

The call follows last week’s decision of the European Commission, clearing the Italian maritime industry state aid. The special tax regime will not only be applied to a shipping company’s core revenues from shipping activities, such as cargo and passenger transport, but equally to certain ancillary revenues that are closely connected to shipping activities.

In recent letters to Commissioner Vestager, the associations invite the EU Commissioner to clarify the state aid rules in order to avoid risks of distortion of competition and to ensure a level playing field. The associations believe the Commission should ensure that ancillary services, which are also offered
by other parties in the maritime logistics supply chain, are excluded from the scope of eligibility for tonnage tax and that the decisions including those provisions are amended accordingly.

Lamia Kerdjoudj-Belkaid, Secretary General Federation of FEPORT, noted: ‘The privilege granted to the shipping companies, allowing them to benefit from preferential tax treatment for their cargo handling activities, distorts competition between integrated terminals and independent ones. We believe that it is the role of the Commission to clarify the rules to avoid risks of distortion of competition and to ensure a level playing field. This is particularly important when exceptions to the general rules on State Aid are benefiting one sector as it is the case for maritime transport.’

Nicolette van der Jagt, Director General of CLECAT, added: ‘There are now clear cases that more vertically integrated carriers can benefit from tax schemes, which provide incentives for carrier haulage (door-to-door transport arranged by the carrier) rather than merchant haulage (door-to-door transport is arranged by the shipper or freight forwarder), which obviously is not acceptable to us.’

Whereas the Commission has noted that it “ensures that there is no spill-over of the favourable tax treatment of shipping companies into other sectors unrelated to maritime transport”, both associations have serious doubts regarding the Commission’s methodology when assessing the risks of spill over into their sectors. They therefore call on the Commission to follow the recommendations proposed by the ITF OECD report on “Maritime Subsidies” to amend the EU Maritime State Aid Guidelines and to unbundle the activities eligible for favourable tax treatment under tonnage tax schemes.

Adding to the above, FEPORT and CLECAT noted: ‘We have tried to demonstrate during the review of the Consortia Block Exemption Regulation (CBER) how a sectoral instrument can impact well beyond the beneficiary industry. Today, we express again our concern on the distortion of competition for our members by giving competitive advantages to shipping companies through generous state aid rules.’

**ECA REPORT ON EU TRANSPORT INFRASTRUCTURE MEGAPROJECTS**

On 16 June, the European Court of Auditors (ECA) published a special report on the implementation of EU co-funded transport flagship infrastructure megaprojects (TFIs), which cover four railways, one waterway, one motorway and two multi-modal connections across 13 countries, with the total cost of €54.0 billion.

According to the ECA, it is likely that six out of the eight TFIs analysed will not be able to operate at full capacity by 2030, including access lines, as planned in 2013. Since the TFIs and their access lines are key links in the core network corridors of the TEN-T, it is therefore also unlikely that the connectivity of the EU core transport network will reach its full capacity by 2030, which implies that neither the EU transport network nor the expected network effects will be delivered by that time.

The report also found that the planning of some key elements of the eight TFIs the ECA looked at needs improvement and that there was a risk that traffic forecasts were overoptimistic, with half of them not well-coordinated. Moreover, for all eight TFIs, none of the cost-benefit analyses were used properly as a decision-making tool. There was no cost-benefit analysis covering all of the proposed work for an overall TFI before providing EU co-funding.

Furthermore, the implementation of TFIs is not efficient, according to the European auditors. Across all eight TFIs, changes in design and scope over time have to date led to cost increases of €17.3 billion
(or 47%) compared to initial cost estimates. There have also been very long delays: for the main parts of the TFIs, without taking into account the time needed for their connecting infrastructure, the average delay in entering into operation has been 11 years.

To support sound financial management when providing EU co-funding to TFIs, the ECA recommend that the Commission should: (a) revise and apply the current tools to enforce the long-term planning; (b) require better analysis before deciding to provide EU co-funding for megaprojects (similar to TFIs); (c) strengthen its management practices in relation to EU co-funding for actions that are part of megaprojects (similar to TFIs); and (d) further develop the implementing decision tool by proposing such a decision for each cross-border TFI and strengthen the role of European Coordinators.

CLECAT AIR INSTITUTE MEETING

CLECAT’s Air Logistics Institute met this week on-line to discuss a wide range of issues, including the Commission’s evaluation of the Ground Handling Services Directive. As a special guest, the group had invited Ariaen Zimmermann, Executive Director of Cargo iQ. Mr Zimmermann gave a presentation on how Cargo iQ introduces quality processes in air freight from shipper to consignee through the iQ quality standards. Mr Zimmermann explained how recent developments create more transparency for the ground service operators, better management of diversified service offerings and adds process control to shipment care. Mr Zimmermann highlighted that Cargo iQ not only serves its membership, but the industry as a whole.

Talking about the impact of COVID-19, Mr Zimmermann noted that the air cargo industry has risen to the enormous challenge of our current crisis through resilience: utilising industry standards and digital tools to continue to operate efficiently, even under previously unknown circumstances. CLECAT Members also exchanged views on the impact of COVID-19 during the past few weeks. While parts of aviation came to a complete standstill, at the same time, the world came to rely heavily on air cargo to meet its needs.

CLECAT SECURITY INSTITUTE MEETING

CLECAT’s Security Institute meeting had an exchange of views with the responsible person within DG MOVE on secure parking areas. CLECAT was pleased with the exchange of views between its Members and DG MOVE and looks forward to the inclusion of the views expressed into the delegated act.

CLECAT already secured its active involvement in the European Commission’s Expert Group on Safe and Secure Truck Parking Areas (SSTPAs). The aim of the Expert Group is to provide advice and support to the Commission on the implementation of the recommendations of the Study on safe and secure parking areas for trucks. Moreover, the Expert Group will also be consulted by the Commission on the creation of a delegated act, within the remit of the 1st Mobility Package (Driving Hours and Rest Times), which should address SSTPAs.

Through the delegated act, the Commission should develop standards for SSTPAs, which should contribute to promoting high-quality parking areas. Amongst others, the Commission should provide information on SSTPAs through a user-friendly website, to allow drivers to locate SSTPAS. The website has already been created but needs to be
improved to include valuable information on the SSTPAs. In view of the work on the delegated act and the website, the Security Institute discussed the requirements which should be included in the implementation of the SSTPA standards, as well as the information elements which should be added to the website. These include, inter alia, the total number of parking spaces, the number of free spaces, the rates (e.g. hourly or daily), and most importantly, the possibility to do online bookings.

CLECAT continues to highlight the urgent need to set up sufficient safe and secure parking facilities across Europe to allow drivers to take compulsory rest breaks and will continue to promote the establishment of such facilities.

Road

UTIKAD WEBINAR ON INTERNATIONAL ROAD TRANSPORT

On 17 June, CLECAT took part in a webinar organised by the Turkish Association of Forwarding and Logistics Service Providers (UTIKAD) on the effects of the COVID-19 outbreak on road transportation on a national and international scale, as well as on the predictions for the future.

Having presented the impact of the COVID-19 pandemic on the road-dependent supply chains and freight forwarders in the EU, as well as CLECAT action throughout the crisis and the response by the EU institutions, Ms Migle Bluseviciute, Policy Manager at CLECAT, concentrated on the way forward and the priorities of the freight forwarding industry for post-crisis recovery. She stressed that the EU Single Market and trade with other countries was impossible without open borders; it was therefore important to go back to the pre-crisis situation gradually, in a phased approach.

Moreover, she noted that it was crucial to maintain the ‘green lanes’ and other operational measures for freight and logistics once passenger transport resumed. The continuous protection of truck drivers and cargo handling personnel also had to be ensured. Most importantly, harmonisation at EU level was needed with respect to the lifting of temporary crisis measures and the future recovery planning in different countries in order to avoid a patchwork of national rules, which was one of the biggest hurdles during the crisis. There was also a need for financial support and investment to help companies recover in a sustainable, Green Deal-friendly way, Ms Bluseviciute emphasised.

EUROPEAN ROAD FREIGHT CAPACITY DIPS AFTER ALL-TIME HIGHTS

On 18 June, CLECAT joined the webinar by Transporeon on road transport market developments. According to Transporeon, European available road freight capacity on the spot market hit record levels in April and May to the backdrop of COVID-19, although the current month has brought some relief in the supply-demand imbalance. However, while available capacity in the first two weeks of June was up 30.1% on the same month in 2019, it showed a fall of 22.5% on the previous month. Prices in June are so far down 14.3% on a year ago but are up 3% on May 2020.

“Over the corona months, February and March and especially April and May, (available) capacity increased dramatically over previous years,” commented Tim Consult’s managing director Oliver Kahrs. “We had 70-75% more capacity in some of these months, compared to last year, which had a
dramatic effect on carriers and the market. “The capacity levels we saw in April and May were the highest we have ever seen since we began monitoring the sector in 2008 and are due to COVID-19 effects,” he said.

As for prices, some stability had been observed in February and March, but price levels declined sharply from April as the COVID-19 kicked in and available capacity increased significantly. One branch of the road freight market which has not followed the general trend with regard to capacity and pricing during COVID-19 has been FMCG and foodstuffs in particular, with the lockdowns buoying demand for such goods.

Looking ahead, Mr Kahrs said that the slight increase in spot prices in June (compared to May) and the ongoing increase in industrial output is expected to have a positive impact on available capacity and might also result in further price stabilisation. However, a return to pre-crisis levels is not foreseen, at least for the next six to eight weeks, and will depend on how the pandemic evolves.

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**Rail**

**SILENT BRAKES ENFORCED IN SWITZERLAND AS OF 1 JULY**

As of 1 July, Switzerland will enforce the ban on the use of railway wagons with cast iron brake blocks, arguing that these trains are much noisier than those with composite brakes. Violators of the new rule should expect fines of up to 50,000 euros. The country has required the use of composite brakes since the beginning of 2020 but has so far tolerated wagons with cast iron brake blocks. The rules will now be strictly applied.

Source: Railfreight

**ERTMS DEPLOYMENT NEEDS RETROFITTING STRATEGY FOR ROLLING STOCK**

The European Railway Traffic Management System (ERTMS) is being gradually deployed across Europe. To accelerate the process, the EU and the Member States need to pay more attention to several key issues. One of them is the modernisation of rolling stock, the European Coordinator for ERTMS from the European Commission’s DG MOVE, Matthias Ruete, noted during an event on 18 June.

The ERTMS deployment on the European railway corridors should be completed by 2030. This shall allow replacing the wide range of signalling solutions across Europe into one unified system. Nevertheless, the current situation in this area is more similar to a patchwork, Mr Ruete noted. “I’m very convinced that in terms of the ERTMS, we have the islands, holes, and we don’t think about the network. We have to focus in the coming period on the interconnections between the Member States. We have to step up and get to the objective of 2030, which means that we need to have some ETCS and trackside deployment at
some 400 kilometres average per year in the next 10 years if we want to get there,” the ERTMS
Coordinator explained.

Mr Ruete highlighted several important issues that need to be addressed in the ERTMS deployment,
including rolling stock and speed. On rolling stock, he noted that “a normal onboard retrofitting
strategy” was urgently needed. Regarding speed, he mentioned many successful examples in
deploying ERTMS across Europe. However, he argued that there is plenty of work to be done in order
to equip all the TEN-T corridors with ERTMS by 2030.

Source: RailTech

Maritime

MORE BLANK SAILINGS FOR Q3 AS DEMAND REMAINS WEAK

Container lines last week announced further significant service cancellations to take effect from the
third quarter, which starts next month, as ocean freight carriers try to maintain the freight rates they
have achieved in recent months despite the drop in demand due to the coronavirus pandemic.

Consulting group Sea-Intelligence said there had been a sharp increase last week in the number of
service cancellation announcements for the third quarter across the combined major deep-sea trades
from Asia to Europe and North America. For these trades alone, around 15% more capacity is being
removed from the market in the announcements of the past week, taking the total amount of
announced blank capacity for this year so far from 3.4 million TEU to almost 4 million TEU.

“It is very clear that the plateau we had reached for the second quarter has now seen a drastic
upwards change,” Sea-Intelligence CEO Alan Murphy said. “This also means that the amount of
capacity removed from the market in 2020 is now more than three times larger than the amount of
capacity which was removed due to Chinese New Year – principally driven by a sharp increase in blank
sailings for the third quarter.”

Although some blanked sailings have been reinstated on certain trades over the past few weeks, these
had only served to reduce the number of cancellations and “by no means indicate a reversal to normal
market status”, Sea-Intelligence said. “The data clearly shows that reinstatement of capacity cannot
in any way be interpreted as a sign of strong demand. That we are now seeing full ships on some
trades, and even cargo rolling in ports in Asia, is clearly an indication that too much capacity had been
removed, but not an indication of a reversal to norm,” Sea-Intelligence explained.

The total of more than 3 million TEU cut from the market in weeks 5-26 this year on the main
intercontinental trades is equivalent to between 15% and 20% of capacity during the equivalent period
of 2019. Good capacity management has served carriers well during this year’s crisis in terms of
maintaining and even increasing freight rates. The World Container Index assessed by Drewry, a
composite of container freight rates on eight major routes to and from the US, Europe and Asia, is
currently around 22% higher than a year ago, with Shanghai-Rotterdam prices up around 16% in the
first week of June compared to a year earlier.

Source: Lloyd’s Loading List
**EASA GUIDELINES ON OPERATORS’ MANAGEMENT SYSTEM**

On 16 June, EASA published new guidelines for air operators on the role of operators’ management system in the COVID-19 recovery phase. A team of experts from EASA, industry representatives and national authorities worked together to develop a document aimed at supporting air operators in identifying the safety threats associated with their return to normal operation.

The operators’ management system needs to be robust and resilient in order to identify and mitigate risks generated by COVID-19. It highlights the importance of:

- The safety risk management process;
- The compliance monitoring function;
- The safety performance monitoring and measurement;
- The management of changes.

The document further focuses on operational and airworthiness aspects, taking into consideration organisational and human factor elements. The guidelines form the core document and will be complemented by a number of annexes describing practical safety scenarios with hazards, consequences and possible mitigations. These scenarios contained in the annexes are currently being developed, taking also into account relevant safety issues outlined in the Agency COVID-19 Risk Portfolio, and will be published individually as they become available.

Source: EASA

**IATA ANALYSIS ON ECONOMIC IMPACT OF COVID-19**

On 17 June, the International Air Transport Association (IATA) revealed new research showing that the impact on the European aviation industry and on economies, caused by the shutdown of air traffic due to the COVID-19 pandemic, has worsened over recent weeks.

According to IATA’s analysis, airlines in Europe are set to lose $21.5 billion in 2020, with passenger demand declining by over half. This would put at risk between 6-7 million jobs supported by aviation in Europe alone. Therefore, IATA argues that an accelerated recovery of air transport in Europe is vital if the worst of these impacts is to be avoided. According to IATA, this can be achieved through government action in two priority areas: Firstly, a coordinated restart of air travel, with opening up borders and operating rules based on the health guidance set down by the International Civil Aviation Organization (ICAO) and at European level by the European Aviation Safety Agency (EASA) and the European Centre for Disease Control (ECDC). Secondly, through continued financial and regulatory support, particularly direct financial aid, an extension of the waiver to the 80-20 slot rule, and relief from taxes and charges.

On extending the waiver from the 80-20 use-it-lose-it rule in the Worldwide Airport Slot Guidelines, IATA has argued in a previous press release that in these extraordinary times, airlines need much more flexibility to plan schedules and business critical decisions should not be compromised by slot allocation guidelines designed for normal times.
Supply Chain Security

ROADMAP ON SECURITY UNION STRATEGY 2020-2024 PUBLISHED

On 16 June, the European Commission published a roadmap for the EU Security Union Strategy, which is open for feedback until 15 July. The Commission notes that the threat landscape facing the EU continues to evolve. In recent years, new, increasingly complex cross-border and cross-sectorial security threats have emerged, highlighting the need for closer cooperation on security.

In this context, the 2020 Commission Work Programme foresees a new EU Security Union Strategy in order to set out the areas where the Union can bring added value to support Member States in ensuring security – from combating terrorism and organised crime, to preventing and detecting hybrid threats, to cybersecurity.

The strategy shall provide a framework for the Commission initiatives in the field of the Security Union, covering the entire security spectrum, and promoting an enhanced cooperation and exchange of information at EU level. It will cover the initiatives already announced for 2020, such as the additional measures on Critical Infrastructure Protection and the review of the Directive on security of network and information systems (NIS Directive).

TAPA WARNS OF A SIGNIFICANT SPIKE IN CARGO THEFTS

Manufacturers and logistics service providers must be prepared to protect their supply chains from a projected significant spike in cargo thefts as COVID-19 lockdowns begin to be lifted across the Europe, Middle East and Africa (EMEA) region, the Transported Asset Protection Association (TAPA) has warned.

With the imposition of the COVID-19 containment measures, including border controls and ‘stay-at-home’-orders since the beginning of March, cargo thieves have found it much more challenging to target goods in warehouses or onboard trucks.

TAPA’s Incident Information Service (IIS) has received reports of over 400 thefts of products from supply chains between 1 March-29 May 2020, valued at more than €16.4 million. These crimes took place in 37 countries across the EMEA region, with the average value of major cargo crimes of €100,000 or above exceeding €840,000. However, the 2020 figures show a significant drop over TAPA’s IIS statistics for the same period of 2019. Then, over the course of the corresponding 90 days, the Association’s incident database was notified of over 2,500 cargo thefts with a total value in excess of €33 million.

With communities and businesses across EMEA now starting to return to some kind of normal, a substantial rise in criminal activity, adding to the financial and reputational pressures on the supply chain sector, can be expected.

Source: TAPA
REVISED GUIDANCE ON CUSTOMS AND COVID-19

On 16 June, the European Commission published a revised version of its Guidance on Customs issues related to the COVID-19 emergency. The latest version of the guidance and other relevant materials, such as an overview of exceptional measures taken by Member States’ Customs authorities during the crisis, are available on DG TAXUD’s dedicated webpage on Customs guidance for trade.

The latest version of the Guidance clarifies that the Union Customs authorities at the customs offices en route or destination could authorise the continuation of a TIR transport even if the validity period of the approval certificate for the road vehicle or the container for the transport of goods under customs seal is exceeded. In this case, the holder should be in position to justify that he or she requested the renewal of the certificate from the competent national authority at departure (e.g. by email, letter, official mention on the certificate or on the TIR Carnet etc).

CLECAT took an active role in the multiple revisions of DG TAXUD’s Guidance document on Customs and COVID-19 towards providing as much clarity and facilitation as possible for both national authorities and economic operators. In this regard, CLECAT encourages its Members to continue informing the Secretariat on COVID-19 related developments at national level and associated issues and concerns.

EU TRADE BARRIERS REPORT

On 18 June, the European Commission published its 2019 Trade and Investment Barriers Report. The report offers a detailed analysis of the 438 active trade and investment barriers registered across 58 EU trading partners, the types of barriers causing most problems to EU’s companies and the sectors where results have been achieved. Those barriers can take various forms: from fully-fledged import bans and unlawful taxes applied at the border to some internal disproportionally burdensome or discriminatory regulations.

The EU report finds that the 43 new barriers reported in 22 third countries in 2019 signal there is a continuing and significant increase in protectionism that has become a structural feature of international trade relations. The report shows the rising importance of border measures (65% of the total number of 2019 new measures) over behind-the-border measures (28%). Overturning a long-term trend, EU trade partners appear to be more comfortable with these blatantly protectionist measures rather than counting solely on more sophisticated behind-the-border measures.

China remains the country with the highest number of recorded barriers, with 38 obstacles hindering EU export and investment opportunities. Russia comes second with 31 barriers currently in place, followed by Indonesia (25), and the United States (24). India and Turkey share the fifth place, with 23 reported measures. Other countries with ten or more trade barriers registered include Brazil (19), Republic of Korea (19), Australia (14), Algeria (12), Thailand (12), Mexico (11), Egypt (10) and Malaysia (10). New barriers hit in particular industrial sectors: industrial products account for 85% of all affected EU exports. Information and communications technology, automotive and electronic sectors were the most affected.

Source: European Commission
LAUNCH OF MAJOR EU TRADE POLICY REVIEW

On 16 June, the European Commission announced the launch of a major review of the EU’s trade policy, including a public consultation seeking input from the European Parliament, Member States, stakeholders and civil society. The Commission’s objective is to build a consensus around a fresh medium-term direction for EU trade policy, responding to a variety of new global challenges and taking into account the lessons learned from the coronavirus crisis.

The consultation covers all relevant topics to the EU trade policy, with a special focus on: Building a resilient and sustainable EU economy after the coronavirus; Reforming the World Trade Organization; Strengthening of trade and investment relationships with key trading partners; and Improving the level playing field and protecting EU business and citizens. Written comments to the public consultation can be submitted by 15 September 2020 to the functional mailbox: trade-policy-review-2020@ec.europa.eu.

The results of the consultation will feed into a communication to be published towards the end of the year. The final review will be the result of a transparent and inclusive process including the online public consultation, discussions with the European Parliament and Member States, as well as engagement with relevant stakeholders and civil society representatives.

Source: European Commission

General

EU FUNDING FOR TRANSPORT OF MEDICAL GOODS

The European Commission announced that the European Union countries can now apply for additional funding via the Emergency Support Instrument to transport essential goods, medical teams and patients affected by the coronavirus. This comes in addition to support already available via the EU Civil Protection Mechanism and deliveries of protective equipment through rescEU.

On 18 June, a pilot operation has successfully delivered over seven tonnes of personal protective equipment to Bulgaria. The cargo includes over 500,000 protective masks, purchased by Bulgaria with transport costs covered by the EU. “The Emergency Support Instrument helps to get vital health equipment to where it is needed and supports Member States in the transport of medical personnel or in welcoming patients from other Member States demonstrating European solidarity. After the successful shipment to Bulgaria of protective equipment, more operations will follow in the next weeks”, said Commissioner for Crisis Management, Janez Lenarčič.

Forthcoming Events

EVENTS AND MEETINGS

CLECAT Customs and Indirect Taxation Institute
23 June 2020, Online Meeting
CLECAT Board Meeting
9 July 2020, Online Meeting

CLECAT Air Logistics Institute
22 September 2020, Location TBC

CLECAT Supply Chain Security Institute
22 September 2020, Location TBC

EU MEETINGS

Council of the European Union

Environment Council
22 June 2020, Luxembourg

European Parliament

European Parliament Transport Committee
23 June 2020, Brussels

Extraordinary European Parliament Plenary
17-18 June 2020, Brussels

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