OUTSOURCE

VOLUME 9, ISSUE 5 May 2021

THE SOURCE

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FedEx piles on peak surcharges with increases set for June

Published May 24, 2021, By Matt Leonard, Reporter SupplyChainDive.com

Dive Brief:

- FedEx will increase three peak surcharges on Express and Ground shipments beginning June 21, the carrier announced in an update Friday.
- Affected surcharges include the additional handling surcharge, a residential delivery surcharge and a peak surcharge on Ground Economy. Oversized peak surcharges remain the same.
- FedEx cited high volumes and tight capacity, stemming from the pandemic, as reasons to increase the surcharges.

Dive Insight:

FedEx's network has been dealing with elevated volume over the last year that has resulted in a series of surcharges meant to aid in capacity management. But it all comes at a cost for companies shipping with FedEx.

Trevor Outman, the co-CEO at Shipware, noted the surcharges will have a "significant impact to FedEx shippers. This is not a small increase!"

FedEx's surcharges

Surcharge	Relevant service	Amount	Effective date
Peak Oversize Surcharge	U.S. Express Package Services, U.S. Ground Services, International Ground Service	$30 per package	Jan. 18, until further notice
Peak Additional Handling Surcharge	U.S. Express Package Services, U.S. Ground Services, International Ground Service	$3 per package	Jan. 18 – June 20
		$3.50 per package	June 21 until further notice
Peak Surcharge	FedEx Ground Economy Package Services	$0.75 per package	Jan. 18 – June 20
		$1 per package	June 21 until further notice
Peak Residential Delivery Charge	FedEx Express and FedEx Ground U.S. domestic residential packages	$0.30 per package	Feb. 15 – June 20
		$0.60 per package	June 21, until further notice

SOURCE: FedEx

The residential surcharge could be especially impactful for e-commerce shippers, Outman said in an email. "The Residential Surcharge increases 100% to $0.60 per packages," he said. "This will have a direct impact on all direct to consumer eCommerce businesses; doubling their current residential surcharge costs!"

UPS has also increased surcharges over the course of the pandemic. This month, UPS increased surcharges on international shipments from multiple locations

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FedEx Peak Season Surcharges

Front Page article continued

— including Hong Kong, China and Taiwan — to the U.S. Rob Martinez, the founder and other co-CEO at Shipware, said his company is trying to figure out how the increased fees will impact its client base. But he noted the current environment is increasingly eroding retailer's margins, a reality that will need to give at some point. "The lack of competitors delivering parcels in North America (90%+ volume handled only by FedEx, UPS, and US Postal Service) has led to sky-rocketing margins for the carriers, and out-of-control rates for shippers," Martinez said in an email.

Shippers have spoken about the rates and margins as they report their financial performance. "Embedded in our earnings outlook is the continued impact of incremental shipping surcharges and higher commodity prices on our gross margin," The Container Store CFO Jeff Miller said on the company's earnings call last week. And at the end of last year, Williams-Sonoma's CFO noted that the company's margin expansion "was partially offset by higher shipping costs year-over-year, driven by the substantial shift to e-commerce sales in the quarter as well as shipping surcharges from our third-party [providers]." Nate Skiver, the founder of consulting firm LPF Spend Management, said carrier diversification is one tactic to combat the peak surcharges, particularly for medium to large shippers. "By moving volume to alternate carriers, shippers can either reduce expense or remain below volume thresholds which trigger FedEx and UPS peak surcharges," Skiver said in an email.

But even regional carriers have set some peak surcharges over the last year, as they follow the pricing standard set by FedEx and UPS, Skiver said. Last summer, FedEx executives referred to the surcharge ecosystem as "the new normal." With the surcharges set to increase further, that philosophy appears to still be solidly in place. "As we plan for peak of fiscal year 2022, our peak surcharges will continue to play a critical role," FedEx Chief Marketing and Communications Officer Brie Carere said in March. Skiver and parcel consultant Jerry Hempstead said similar increases could now follow from UPS. Skiver said the two logistics companies have "moved in tandem with issuing peak surcharges."

Ways Outsource Logistics Can Transform Your Supply Chain through Managed Logistics

It's easy to overlook the role that Service Providers play in the overall global economy and, at the same time, enable your business to operate and compete. That was never clearer than during the past 14 months of the pandemic as goods continued moving to the right place at the right time. Logistics was genuinely essential to people being able to continue their lives, no matter how disrupted they were. The pandemic highlighted the complexities of the modern supply chain and the need for companies to engage with a Service Provider to succeed. Companies of all sizes engage with 3PLs and 4PLs to ensure access to technology, capacity and strategic insights.

3PL vs. 4PL

During the pandemic, companies found it difficult to access and manage capacity on their own. They turned to 3PLs with deep carrier relationships which can find space when they need it. However, the 3PL provider is often seen as transactionally focused. That's where the 4PL or managed transportation relationship comes into play. Under a managed transportation relationship, a company partially or fully outsources its logistics and transportation functions, including managing other 3PLs. Companies look to 4PLs to manage their freight operations and service providers through supply chain planning, day-to-day execution and strategic recommendations that reduce company freight costs, improve operational processes and give businesses a competitive advantage.

1. Technology – Visibility to daily shipments
2. Multi-modal Expertise - Using multimodal shipping services and logistics solutions helps mitigate capacity challenges and meet customer delivery expectations. The 4PL has access to a broad range of carriers and transportation services that can be combined to create custom logistics solutions for your business.
3. Carrier relationships - A strong carrier network is essential to a company's supply chain. Many shippers have varying needs for specific lanes to move freight.
4. Tap external expertise to assess supply chain risks and develop plan s to adapt to them. At Outsource we work with your vendors to ensure that inbound freight is being handled properly and is moving to the right place at the right time and manage the outbound moves to the end customers.

Supply Chain Transformation - The vital role that 3PLs providers play in a supply chain is to connect carriers and shipper customers. While that seems like a simple statement to make, it's a difficult concept to execute. Our goal at Outsource Logistics is to find new ways to decrease cost, increase efficiency, provide a competitive advantage for your business and help you increase your service levels with your customers.

Number of the Day

$3.09

Average cost per mile for refrigerated transport in the truckload spot market so far in May, up about 20% since February and the highest price on record, according to DAT Solutions.

Answers to Trivia

Number of the Day

3.452

The Cass Freight Index for domestic U.S. shipping expenditures in April, a record level that was up 45.1% from a year ago, and a 2.2% increase from March and an 18.7% increase from April 2019.

Blog Post **(American Trucking Association)**

Reagan was Right on Infrastructure

MAY 20, 2021, By ATA Staff https://www.youtube.com/watch?v=my0tJ8m_RWU (Reagan's speech)

Take a moment to listen to what Ronald Reagan had to say about his proposed federal fuel user-fee during an 11/27/82 radio address supporting his Highway Legislation proposal — his solution to maintaining America's roads and bridges and funding infrastructure improvements. It's easy to understand why President Reagan twice oversaw increases in the so-called "fuel tax": Because there's no tax that safeguards taxpayer dollars as vigorously as the fuel user-fee does. Contrary to the demagoguery surrounding this policy, the "fuel tax" is a model example of federal revenue efficiency.

That's because it's collected at the wholesale level long before gasoline reaches the retail pump. There are roughly 1,300 wholesale racks across the country collectively operated by less than 270 entities – meaning fewer than 300 entities actually remit this tax. The result is a tried-and-true system that minimizes overhead costs and maximizes efficiency – value – for road users. Ninety-nine cents of every dollar collected flows directly into the Highway Trust Fund. Compare that to alternatives like tolling or vehicle-miles tax systems, where as much as 20 cents of every dollar is lost to administrative, collection and overhead costs costs.

It is deficit-neutral, generating hundreds of billions of dollars in new revenue without adding a dime to the federal budget deficit. The apparatus to administer it already exists, which means no new government programs or bloated bureaucracy are required. It's time for Americans to reclaim our roads and bridges. We deserve infrastructure fitting of the world's greatest economy. What it takes is real money — not fake funding. We urge Washington to take action to repair our nation's roads and bridges. It's time to get America moving again.

More carriers up ante on driver pay

Higher per-mile rates, simplified pay plans and more home pay all part of the lure

By Todd Maiden, Freight Waves, May 13, 2021

Load opportunities are abundant but drivers remain in short supply, prompting a few more carriers to announce pay enhancements. Frozen Food Express, the nation's largest temperature-controlled less-than-truckload carrier, announced its biggest pay increase in company history. Team drivers can now earn a starting salary of $95,000 per year and drivers with experience can earn up to $150,000 annually, or $300,000 per team. The carrier raised its starting pay rate to a range of 72 cents to $1 per mile, depending on experience, from a range of 60 cents to 80 cents per mile, effective Monday. FFE is also paying new team drivers a $10,000 sign-on bonus, $20,000 per team. Drivers will receive a paid salary while they are off duty and during home time. Teams will also get a new late-model tractor to operate every year in addition to a full benefits package.

Obstacles attracting driver talent have been high with most fleets unable to seat additional equipment and cash in on the freight boom. Capacity is very tight as there are more than 200,000 fewer drivers than a year ago. COVID concerns have led to early retirements, driver schools are operating at restricted capacity and increased Drug & Alcohol Clearinghouse compliance has forced some operators out of the business. Transportation and warehousing provider WEL Companies recently announced its second pay increase of the year. Effective May 2, all company drivers received a 4 cent-per-mile increase on dispatched miles. Including the increase earlier in 2021, total pay has risen by 7 cents per mile. The De Pere, Wisconsin-based carrier also increased dedicated driver pay, adding $10 to daily minimum rates. The company has also rolled out a guaranteed pay model and increased holiday and vacation pay this year. The pay hikes are part of WEL Companies' plan to add 75 units to its more than 500-truck fleet in 2021.

USA Truck announced Friday it has simplified its driver pay structure after receiving feedback from drivers that the old plan was too confusing. The new program allows drivers to earn a higher per-mile rate without qualifiers and a complicated bonus structure. The Van Buren, Arkansas-based carrier has also lowered health care premiums and increased paid time off and per diems in 2021. "We are delighted for the opportunity to continue to improve our culture at USA Truck. We have listened to the feedback from our drivers and are responding to that feedback. Our new simplified pay package is a significant improvement to the lives of our drivers," said Blair Ewell, SVP of truckload.

TRIVIA QUESTIONS

1) Memorial Day was first known as _____?
A. Flag Day **B.** Decoration Day **C.** Remembrance Day **D.** Dead Soldiers Day

2) Memorial Day was first recognized on what date?
A. May 30, 1868 **B.** June 20, 1919 **C.** May 26, 1799 **D.** May 27, 1921

3) In what year was Memorial Day named that by the Federal Government?
A. 1894 **B.** 1954 **C.** 1946 **D.** 1967

4) Arlington National Cemetery was formerly a plantation owned by whom?
A. Jefferson Davis **B.** Robert E. Lee **C.** Stonewall Jackson **D.** Abraham Lincoln

5) Why was May chosen to celebrate Memorial Day?
A. Not too Hot **B.** The end of spring **C.** Flowers in Bloom **D.** Superstition re Heaven

6) Which historical monument was dedicated on Memorial Day in 1922?
A. Vietnam Memorial **B.** Unknown Soldier **C.** Washington Monument **D.** The Lincoln Memorial

Answers Later In The Newsletter

FUEL REPORT

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) http://www.eia.gov/petroleum/gasdiesel/

	05/10/21	05/17/21	05/24/21	Change from week ago	Change from year ago
U.S. National Average	$3.186	$3.249	$3.253	↑0.004	↑0.863

.Lion Electric chooses Illinois for first U.S. plant

By Fleet Owner.com May 12, 2021

Lion Electric Company (Lion) has selected Joliet, Ill., for the construction of its first U.S. manufacturing facility, aiming to fulfill the market's demand for "Made in America" zero-emission vehicles while simultaneously bringing production closer to its customers. As part of its agreement with the Illinois state government, Lion has committed to an initial investment of at least $70 million over a three-year period. The 900,000 sq.-ft. facility, for which building ramp up is anticipated in the second half of 2021, is expected to add a minimum of 745 clean energy direct jobs to the region over the next three years, with an annual production capacity of up to 20,000 all-electric buses and trucks. According to Lion, this additional production capacity will help scale electric bus production as the U.S. market moves to electrify a large portion of its school bus fleet, as well as to produce a larger number of heavy-duty zero-emission trucks as governments and operators throughout the U.S. look to decarbonize freight and transportation fleets. Lion anticipates that the first vehicles will roll off the production line in the second half of 2022. "This significant expansion into the U.S. market will not only allow us to drastically increase our overall manufacturing capacity of electric trucks and buses but to also better serve our customers, while adding critical clean manufacturing jobs that will form the backbone of the green economy," said Marc Bedard, CEO and founder of Lion. "I also want to acknowledge the crucial role that P33 and Intersect Illinois, civic groups committed to developing a long-term roadmap for the local tech industry, played in connecting Lion with the Chicago area's business and civic community to help further commercial traction, as well as engagement with key workforce and supplier partners."

The Will County region in Illinois has a rich history of manufacturing, and Lion plans add to the local supply chain within the area. In addition, the Joliet location offers Lion a geographically centralized base of manufacturing and operations, with access to key infrastructure and distribution channels. "Lion's historic investment to bring its largest production facility to Illinois represents not only a win for our communities, but a strong step forward in our work to expand clean energy alternatives and the jobs they bring to our communities," said Illinois Governor J.B. Pritzker. "The new Joliet facility will put Illinois at the forefront of a national movement to transition to zero-emission vehicle use, advancing our own goals of putting one million of these cars on the road by 2030. In Illinois, we know that a clean energy economy is about more than just vehicles – it's about healthier communities and jobs for those who live there. We are excited to welcome Lion to the Land of Lincoln and look forward to their future success here."

Maersk Posts Record Profit, Steps Up Buyback Program

Danish container-shipping giant launched a new $5 billion share buyback program; 'It's been our best quarter ever,' CEO says

By Costas Paris and Dominic Chopping, JOC staff, May 5, 2021

A.P. Moller-Maersk A/S said it would launch a roughly $5 billion share-buyback program as unrelenting demand for manufactured goods helped the Danish shipping company post a record profit for the first quarter. Maersk said net profit surged to $2.7 billion, up from $197 million in the first quarter of last year, boosted by big retailers such as Walmart Inc. and Amazon.com Inc. restocking inventories that were depleted early last year after the coronavirus pandemic hit. The result came in above the average forecast of $2.38 billion of 10 analysts surveyed by FactSet. Maersk is the world's No. 1 containership operator, moving nearly 17% of all container capacity, according to data provider Alphaliner, and its performance is considered a barometer of global trade. "It's been our best quarter ever," said Maersk CEO Soren Skou. He said demand is driven by a race to replenish low U.S. inventories with consumers spending Covid-19 related stimulus checks mostly for online shopping. "That won't change anytime soon as the American and other major economies are recovering fast," he said.

Revenue rose 30% to $12.44 billion, in line with guidance provided by the company last week. Maersk said shipping volumes rose 5.7% year-over-year in the quarter and that average freight rates were 36% higher. The company's shares surged 6.4% on the Copenhagen Stock Exchange to 15,945 kroner after the strong earnings report. Maersk last month concluded the 3.3 billion kroner, equivalent to $533.6 million, first phase of its current 10 billion kroner share-buyback program, and plans to buy back the remaining 6.7 billion kroner between by the end of September. A new program of up to 31 billion kroner, worth approximately $5 billion, will be executed over two years when the current one is finalized, the company said. The expanded share buyback is "supported by the strong earnings and free cash flow generation seen in both 2020 and 2021," the company said. Mr. Skou said he expects the boom for container ships that began late last summer to continue until the end of the year. "Demand from our customers for space on ships is very high up in the third quarter. The freight rates will normalize at some point, but we expect the current strong market to continue into the fourth quarter," Mr. Skou said. "The pandemic continues to impact the industry with a temporary economic upside, along with significant operational challenges." The cost of shipping a container from China to Los Angeles surged to $4,140 in April from $1,579 a year earlier, and the cost of moving one from Asia to Europe rose to $3,934 from $741, according to the Shanghai Containerized Freight Index.

Maersk last week increased its forecast for container demand growth to between 5% and 7% this year from a February forecast of 3% to 5%. Mr. Skou said container ships still face long delays to unload at congested ports around the world, including the U.S. West Coast gateways of Los Angeles and Long Beach, and that the capacity crunch will continue after 50 of Maersk's ships were stranded in the Suez Canal for almost a week in March when a giant boxship, operated by a competitor, ran aground. Unlike many smaller carriers, Maersk has been focusing on long-term contracts, rather than relying on spot rates. Operators that agree to prices in the spot market can benefit from short-term spikes, but also lose out when rates fall, often below operational costs.

The company said it already has completed roughly 80% of its contract deals for this year, with the remainder to be settled by the end of this month. Long-term contract coverage will increase 20% compared with 2020, the company said. The earnings boost will accelerate Maersk's investment into its inland logistics business. Since 2016, when Maersk set out to become an integrated logistics operator, the conglomerate has sold its oil-and-tanker businesses and invested tens of millions of dollars in warehousing and customs-clearing services globally. Revenue from the company's logistics and services division rose 42% year-over-year in the first quarter to $2 billion. "The benefits from the extraordinary freight market will disappear at some point," Mr Skou said. "What is the growth we've seen in our logistics business. Our strategy to offer inland logistics to our ocean customers is playing out and wie are supercharging that part of the business."

Savannah serves largest vessel ever, the 16,000+ TEU Marco Polo By: AJOT | May 26 2021

The largest container ship to ever serve the U.S. East Coast called on the largest single container facility in North America Wednesday. As the massive 16,000-TEU vessel docked at the Port of Savannah's Berth 9, a team of logistics professionals tackled the CMA CGM Marco Polo with seven ship-to-shore cranes and hundreds of men and women on the ground and aboard the vessel to load and unload an estimated 6,000 TEUs of cargo. The CMA CGM Marco Polo crosses in front of the Tybee Island Lighthouse to enter the Savannah River channel Wednesday, May 26, 2021. The Port of Savannah served the CMA CGM Marco Polo, the largest vessel to ever call the U.S. East Coast, on Wednesday. The vessel has a carrying capacity of more than 16,000 twenty-foot equivalent container units.

Featuring nearly 10,000 feet of contiguous dock space, 30 ship-to-shore cranes, and 1,345 acres of container yard space, the Port of Savannah's Garden City Terminal is perfectly suited to handling vessels in the 16,000-TEU class. Outgoing GPA Board Chairman Will McKnight, said "There is a reason Garden City Terminal has become the hub for global commerce in the Southeastern U.S: 30 cranes, nearly 10,000 feet of contiguous dock space, and a 1,345-acre container yard." With the longest single container terminal dock in the U.S., GPA was scheduled to work five other vessels simultaneous to the CMA CGM Marco Polo on Wednesday.

To expand the Port of Savannah's ability to serve vessels in the Marco Polo's class, GPA has started construction to straighten a bend at Berth 1 of Garden City Terminal. This will allow the Port of Savannah to simultaneously serve four 16,000-TEU vessels, as well as three additional ships. Berth 1 renovations will add an estimated 1 million TEUs per year of berth capacity by 2023.

The CMA CGM Marco Polo, built in 2012, is 1,300 feet long – or more than four football fields – and more than 175 feet wide. The vessel is deployed on the AWE3/Columbus service, which connects the U.S. East Coast and Asia via the Suez Canal, with cross-Pacific links to the U.S. West Coast.

No break from high truckload spot rates for US shippers

William B. Cassidy, | JOC.com Senior Editor | May 25, 2021

US spot market truckload capacity slackened last week, one of the few times more capacity has become available to US shippers since last June. However, that's not a sign the overheated US freight market is by any means cooling. Spot market truck posts rose and available loads dropped in reaction to the end of International Roadcheck 2021, a three-day truck inspection blitz that typically constricts capacity. The International Roadcheck, which ran from May 4 to 6, constricted already tight capacity at a moment of mounting demand, as the spring retail season kicks into high gear. Large numbers of truck drivers either park their rigs or take time off during the Commercial Vehicle Safety Alliance (CVSA) program, which means truck supply can tighten for one or two weeks on either side of the event. This year throw in faster US economic growth, a rising tide of US imports, a manufacturing recovery, and a fuel pipeline shutdown in the east, and pressure on truck capacity is hitting new heights. Despite a 9.5 percent drop in load posts and a nearly 24 percent increase in available trucks on DAT Freight & Analytics load boards, spot market dry van rates rose 1.6 percent in the week ended May 23.

The average DAT US dry-van spot rate for May to date is $2.69 per mile, including fuel surcharges. That's up from $2.59 per mile in April and $2.65 per mile in March. Overall, spot rates are hitting new highs in May, according to DAT. Technology company and load board operator Truckstop.com saw a similar trend last week, with loads falling and the supply of trucks rising, and spot rates up 1.2 percent.

Truckstop.com's all-in shipper-paid market rates rose last week to $3.10 per mile, a 77 percent year-over-year increase, the company said Monday. Dry-van rates averaged $2.72 per mile in what was the 20th week of 2021. That's the highest average dry-van rate for Truckstop.com this year, and the highest weekly average rate since the last week of December, when the dry-van price hit $2.78 per mile.

US drayage drivers quitting as rail ramp congestion crimps pay

Ari Ashe | Senior Editor | May 19, 2021

Drivers who dray ocean containers in the Midwest and South Central US are quitting in alarming numbers this year because rail terminal congestion has lowered their daily productivity and, in turn, their paychecks, according to trucking executives. Although trucking companies have raised rates for drayage service and increased driver pay, it has not been enough to compensate drivers for completing fewer jobs per day. Drayage providers in Chicago, Cleveland, Columbus, Dallas, Kansas City, and Memphis have seen as much as one-quarter of their drivers quit because of their decline in income. Average local drayage driver pay has fallen about 20 percent this year compared with 2019 because drivers get paid per completed job — not per hour or per mile — according to trucking executives in Chicago, Dallas, Kansas City, and Memphis.

With chassis shortages, terminal congestion, and restrictions on export loads and returning empty boxes, drivers have lost as many as three turns per day compared with 2019 and early 2020, the executives told JOC.com. "I dread coming into the office some mornings because there is so much freight, and not enough equipment," said Tina Cozzi, CEO of Land Transportation, a drayage provider in Chicago and an agent of The Evans Network of Companies. "We are struggling to keep the drivers we have happy." On the least productive days, pay is down as much as 50 percent for Land Transportation drivers compared with two years ago, she said.

Meanwhile, truckload spot rates have reached record levels and drivers in those sectors are making more money than ever. Drivers hauling ocean containers have noticed and are taking advantage of those opportunities, said Brad Elam, vice president of Texas-based drayage provider Gulf Winds International. "It is very challenging working in intermodal, especially right now. If drivers can pull a van or a flatbed, it's a little bit less stress on them, and they're also bringing in more money," Elam told JOC.com. Dry van rates rose more than 50 percent year over year in March and were 75 percent higher compared with the dip in truckload rates April 2020 — the early days of the COVID-19 pandemic — according to a JOC.com analysis of data from DAT Solutions, LaneMaster, digital freight broker Loadsmart, and a survey of truckload brokers. Flatbed spot rates are up more than 65 percent compared with a year ago, according to DAT.

Losing drivers to the truckload market, or other industries, is exacerbating an overtaxed international supply chain. International intermodal volume rose 17 percent year over year in the first four months of 2021, according to the Intermodal Association of North America (IANA). IANA reports volume jumped 18 percent in the Midwest and surged 26 percent in the South Central US during this same period. "We are having to do more work with fewer drivers," said Mike Burton, CEO of C&K Trucking, a drayage provider in several US inland markets, including Chicago. "I need at least a 30 percent increase in our driver workforce to effectively handle the volume we're seeing today, instead we have lost 20 percent. There are other opportunities available right now for drivers that are less complex and less frustrating where they can make more money." With fewer drivers, trucking companies are struggling to get all the import boxes out of rail yards before the free time expires, and shippers may not be able to get deliveries or pickups as quickly as two years ago, fleet executives told JOC.com.

EU Suspends Plans to Raise Tariffs on U.S. Whiskey, Other Goods

Two sides to begin talks aimed at ending American levies on steel, which triggered retaliation by European Union

By Josh Zumbrun, WSJ, May 17, 2021

WASHINGTON—The European Union on Monday agreed to postpone plans to raise tariffs on American whiskeys, motorcycles, boats and other items set to take effect June 1 as it begins talks with the Biden administration aimed at lifting U.S. steel tariffs. In a joint statement, the U.S. and EU said they would begin formal discussions to address problems plaguing the global steel and aluminum industry, and "agreed to chart a path" toward resolving the dispute that led to tariffs. They said the talks would include discussions on how overproduction in China depresses prices and threatens the viability of domestic metal producers. "The United States and EU Member States are allies and partners, sharing similar national security interests as democratic, market economies," said the joint statement released Monday from the European Union's trade directorate, the Office of the U.S. Trade Representative, which is President Biden's top trade agency, and the Commerce Department. The U.S. and EU "can partner to promote high standards, address shared concerns, and hold countries like China that support trade-distorting policies to account," the statement said.

The EU's tariffs pending for June would have hit about $4 billion in U.S. exports to Europe. They were first announced three years ago, when the Trump administration imposed global tariffs on steel and aluminum. The EU retaliated at the time and scheduled further retaliation to begin in June of this year if no progress was made at resolving the trade spat between Brussels and Washington. The suspension of tariffs was quickly greeted with relief from American exporters who were poised to be affected, including U.S. whiskey makers. "Distillers across the United States are breathing a huge sigh of relief after bracing for a 50% tariff on American Whiskeys in just a matter of days that would have forced many craft distillers out of the EU market," said Chris Swonger, the president of the Distilled Spirits Council, a trade group.

The Trump administration's steel and aluminum tariffs and the European Union's retaliation have been a major sticking point in trans-Atlantic trade relationships in the three years since the tariffs were imposed. In imposing the tariffs, the Trump administration had used trade authorities under Section 232 of the Trade Expansion Act of 1962. It was the first time since 1983 that the U.S. had imposed tariffs under the law, and so symbolized a break with a decadeslong period in which U.S. trade policy had worked to lower tariff barriers. In order to impose tariffs, the U.S. had to declare that such imports threatened U.S. national security, a claim that riled officials in Brussels and other capitals such as Ottawa and Mexico City, which viewed themselves as close security allies of the U.S. While Canada and Mexico eventually negotiated the removal of the tariffs as part of agreeing to a new U.S.-Mexico-Canada trade agreement, the European Union had no success getting the Trump administration to drop the tariffs. "The EU is not a national security threat to the U.S.," said Valdis Dombrovskis, the European Union's trade commissioner. "But the distortions created by global excess capacity—driven largely by third parties—pose a serious threat to the market-oriented EU and U.S. steel and aluminum industries and the workers in those industries."

For now, the U.S. tariffs on steel and aluminum remain in place, as does the European's first round of retaliatory tariffs from three years ago. No specific action to do anything about overcapacity in China's steel and aluminum industry was announced. The U.S. and EU said they are "committed to engaging in these discussions expeditiously to find solutions before the end of the year." Despite a de-escalation, finding a solution to the issue that satisfies both trade partners, as well as the domestic steel and aluminum industries, could be difficult. The U.S. steel industry has strongly supported the tariffs. Mr. Biden's top advisers on the issue—U.S. Trade Representative Katherine Tai and Commerce Secretary Gina Raimondo —have both said they believe the tariffs helped save American jobs. Those statements set a high bar for removing the tariffs without taking other steps to bolster the industry.

Kevin Dempsey, president of the American Iron and Steel Institute, which represents U.S. manufacturers and supports the tariffs, said that his organization is "grateful for the administration's commitment to addressing this crisis." Mr. Dempsey added that "to be successful, the bilateral discussions must take into account that, while China is the single largest source of global steel oversupply, subsidies and other market distorting policies in many countries are contributing to the overcapacity crisis. Injurious surges in imports have come from every region of the world," Mr. Dempsey said.

US import disruption opens up LTL transload opportunities

William B. Cassidy, | JOC.com Senior Editor | May 21, 2021

US importers stymied by shortages of chassis at inland intermodal railyards and limits on excess intermodal cargo are looking for space in over-the-road trucks as they struggle to get product to shelves or assembly lines. That is creating an opportunity for less-than-truckload (LTL) carriers to increase the amount of transloaded containerized freight moving through their terminals near ports. Transloaded container freight has always represented a portion — albeit a very small portion — of LTL freight, especially in cities where LTL carriers have had terminals close enough to ports to cross-dock the occasional container for customers. But much of that freight did not naturally fit into LTL networks, or LTL terminal yards, and importers found it easier and cheaper to transload to intermodal rail.

That is changing under the pressure of e-commerce and the import surge driven by the COVID-19 pandemic. Although much transloaded freight moves from 40-foot international containers to 53 foot domestic intermodal containers, especially on the US West Coast, port congestion and intermodal delays are forcing more importers to look for space in 53 foot over-the-road trailers to move cargo. Shippers who discussed transloading with JOC.com say the equation is simple: if the goal in transloading is to save money, they will use intermodal rail, but if the goal is to speed the velocity of a shipment and get goods on a shelf on a tight deadline, they will use truck. "This is about optimizing the entire supply chain for speed and efficiency," said Satish Jindel, president of SJ Consulting Group.

E-commerce spurs action

The of expansion of e-commerce is driving the shift, said Jindel. "There's a need to stock merchandise closer to the consumer and fulfill on a shorter time frame at a lower cost," he said. "You can't have one container of merchandise at one warehouse, you need product at five or eight or ten of them. So why not transload at the entry port and have an LTL carrier move goods directly to 30 or 40 facilities?" Historically, there have been reasons for LTL carriers not to focus on transloading. One factor is space, both in the yard and on the trailer. Transloading, which can fit freight from three 40-foot containers into two 53 foot trailers, requires a large amount of yard space to handle and store that equipment, more space than many LTL carriers may have at older terminals in built-up urban areas such as northern New Jersey or Southern California. The freight coming out of the container also may not be the right fit or "mix" for an LTL operation. In the past year LTL carriers have had to carefully manage the influx of truckload or partial-truckload shipments into their terminals as truckload capacity tightened. Taking on too much of that freight creates cost imbalances that can upset operating margins, reducing profitability. That leads to higher pricing, sometimes prohibitively high pricing, for those out-of-the-norm shipments. However, when all pricing seems prohibitively high and on-time deliveries are the exception, importers are willing to pay more if they can expedite freight, deliver on time, and avoid late fees from their retail customers. In that sense, current market conditions may trump many objections to LTL transload.

Still, there is not a whole lot of excess LTL capacity available. Although LTL carriers typically build "surge capacity" into their networks, the current freight demand is eating into that layer of capacity. Not only are LTL trucking companies dealing with labor shortages, they are also facing elevated demand for trailers, as more shippers want trailers dropped at warehouses and factories for preloading. As with so many aspects of freight transportation, however, the most common objection to changing how things are done is that things "have always been done this way." In the case of transloading to LTL, drayage and LTL cargoes have rarely met, let alone connected; if international containerized freight eventually made its way into an LTL trailer, it was farther downstream from the port, possibly after one or two intermodal moves inland.

Coping with container chaos

But the chaotic ocean shipping market, sustained demand, and accelerating e-commerce expansion are forcing shippers to think "outside the traditional 40-foot ocean box," trucking companies say. Modal lines, and related procurement roles, that were once set in stone are blurring, and LTL trucking companies that recognize this are taking advantage of the opportunity to expand their business with customers. "Shippers typically have folks that deal with LTL, and others that specialize in distribution or warehousing," said Frank Granieri, chief operating officer of supply chain solutions for Northeast regional LTL carrier A. Duie Pyle. "When we find ways to bridge the traditional siloes in corporate logistics departments, we can unlock value that otherwise would go undiscovered." One such value is the ability to determine the destination of product later in a shipment and reroute goods closer to that destination. Transloading is becoming more "an exercise in inventory management than logistics," allowing for "the postponement of the allocation of inventory until goods get to a US port," Dan Gardner, president of Trade Facilitators, said during JOC's virtual TPM21 conference.