OUTSOURCE

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THE SOURCE

USPS limps away from FY 2020

Post Office posts $9 billion loss as declining mail volumes, higher costs offset the surge in package revenue

Mark Solomon, FreightWaves, Friday, November 13, 2020

Inside this issue

The U.S. Postal Service (USPS) reported Friday strong fiscal year 2020 increases in shipping and package volumes but said any lasting gains in the segment are unlikely to ever offset the top-line damage the COVID-19 pandemic has wreaked on demand for its first-class and marketing mail products. In a reflection of the extraordinary events that have turned the package-delivery business upside down, USPS' shipping and package revenue of $28.5 billion exceeded first-class mail revenue for the first full-year period in its history. USPS' shipping and package revenue soared 28.3% year-over-year as the pandemic drove e-commerce demand, and the deliveries supporting it, to unprecedented heights. By contrast, first-class mail revenue fell by $600 million to $23.7 billion, while marketing mail revenue fell by a staggering $2.4 billion to $13.9 billion. Package volume grew 18.2% to 7.3 billion pieces. First-class mail volume fell by more than 2.3 billion pieces, while marketing mail volumes dove by more than 11.4 billion. USPS posted a $9.1 billion net loss in its fiscal year, which runs Oct. 1 to the following Sept. 30. It lost $8.8 billion in FY 2019.

Louis DeJoy, just into his fifth full month as postmaster general, said in a statement Friday that the pandemic will have a long-lasting negative impact on USPS' finances. DeJoy vowed to address the crisis through legislative and regulatory reform initiatives. Elections have consequences, however, and some may wonder how comfortable DeJoy, an avid Trump loyalist, would be working in a Biden administration. Joseph Corbett, USPS' chief financial officer, said in a statement that mail volumes are likely to downshift further, and warned that they may never return to pre-pandemic levels.

USPS' so-called controllable losses totaled $3.8 billion, up $334 million from the year before. One major uncontrollable cost is the congressional mandate that it annually pre-fund retiree health benefits. Over the past 12 years, the annual cost of compliance has ranged between $1.2 billion and $5.5 billion, according to a May 2019 story in the National Association of Letter Carriers' publication The Postal Record. The article estimated at the time that USPS had set aside $47.5 billion to meet those obligations. Operating revenue rose a bit more than $2 billion to $73.1 billion, with the strong gains from the package segment neutralizing the drops in traditional mail delivery revenue. Total operating expenses rose to $82.1 billion from $79.9 billion. Transport expenses alone rose $630 million year-on-year as the massive downturn in international passenger flights deprived USPS of access to the lower-hold compartments that carry large volumes of mail at relatively cheap rates. USPS instead had to opt for higher-cost forms of expedited international transport such as air cargo charters. Compensation and benefits costs rose $1.2 billion as the agency increased manpower to handle spikes in parcel volumes. Even in normal times, parcel-handling is more time and labor-intensive than mail processing, which is highly automated and very efficient. Few people envision a day when parcel volumes, no matter how robust the demand, will ever be as profitable as first-class mail.

USPS' first-quarter narrative was no different than reported in many quarters that have preceded them. Mail volumes continued their secular decline, and USPS

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USPS is losing big money

(Front page article continued)

was pushing for new ways to fill its network with parcels amid moves by Amazon.com Inc. and FedEx Corp. to shift much, if not all, of their last-mile delivery operations in house. The start of the second quarter triggered monumental upheaval. The COVID-19 pandemic took hold, changing the delivery world for all carriers, especially USPS, which saw domestic volumes spike almost vertically even as international demand declined due to the dearth of international belly lift. COVID-19 ushered in a wholesale and immediate change in how Americans voted, pushed against USPS' delivery network during, as the fates would have it, the most pivotal general election in generations. Almost immediately into his tenure, DeJoy found himself in political hot water after downsizing some of USPS' processing and delivery apparatus a few months before Election Day. From an operations standpoint, the changes were insignificant. However, the political timing was terrible, and DeJoy was soon forced to rescind his order.

The year was also marked by Congress' seeming inability to convince the Trump administration that USPS, an essential business faced with rising pandemic-related costs, was deserving of appropriations from the $2.2 trillion Cares Act. Early in the pandemic, President Trump, who unsuccessfully demanded that USPS quadruple its parcel-delivery rates, initially warned he would not sign any legislation that contained financial relief for USPS. Trump's idea faded away as the year progressed, and USPS received up to a $10 billion loan with strings attached by the U.S. Treasury. Congressional Democrats continue to seek billions of dollars of pandemic-related aid for USPS. Over the summer, DeJoy told Congress that USPS, which processes 413 million pieces a day, could easily absorb the influx of mail-in ballots due to the pandemic. Ten days beyond Election Day, there have yet to be any substantiated complaints about USPS' performance. Ironically, mail volumes rose at the back end of the fiscal year due to a temporary, and likely non-repeatable, surge in ballot deliveries. To complete probably the most consequential year in its history, USPS now girds for a frenzied peak shipping season with the virus surging to record levels virtually across the country. Trump's demand that USPS increase its parcel rates four-fold has been seen by many as an indirect attack on Amazon — founder Jeff Bezos also owns The Washington Post, which has covered Trump aggressively and has earned his enmity. According to several experts, a move of that magnitude would have cost USPS much of its remaining traffic from Amazon. It would have also been very costly to small merchants who depend heavily on USPS' low-cost shipping model, especially in a world where much of the shipping has to be free or orders won't be placed.

JetBlue Airways joins other carriers by opening blocked seats

By: Mary Schlangenstein | Nov 12 2020 , AJOT

JetBlue Airways Corp. will join other major U.S. carriers in opening up previously blocked seats, citing increased evidence that cabins are safer from the spread of coronavirus than many indoor environments. Starting Jan. 8, the airline will make all seats available for sale, JetBlue President Joanna Geraghty told employees in a memo Thursday. It joins Southwest Airlines Co., which will free up seats after November, and Delta Air Lines Inc., which plans to make all seats available after Jan. 6.

Carriers have moved away from keeping seats off limits—which had been intended to provide social distancing and to reassure passengers—as travel demand has increased and cabin cleaning has improved. Some recent studies, including by Harvard's T.H. Chan School of Public Health and by the U.S. Defense Department, have shown the chance of coronavirus transmission on board "is extremely low," aided by hospital-grade air filters, JetBlue said. "Our phased approach has offered a thoughtful path forward while giving us the time needed to understand the science and stay true to our #1 priority—safety," Geraghty said. Airlines, which are losing millions of dollars a day as travel remains depressed by the coronavirus and changing travel restrictions, had said it wouldn't be financially feasible to hold open seats indefinitely.

TRIVIA QUESTIONS

1) Where in Philadelphia did the Marine Corps originate?
A. Brooks Lodge **B.** The Courthouse **C.** Tun Tavern **D.** Iron Hill

2) Who was the 1st Marine Corp Aviator (pilot)?
A. Tom O'Malley **B.** Darren Hunter **C.** Alfred Cunningham **D.** Sid Mahoney

3) The Marine Corps is known for amphibious landing. Where did the first amphibious landing take place?
A. Havana Cuba **B.** Nassau Bahamas **C.** Paris Island **D.** Barbary Coast

4) In which battle did the Marines earn the nickname "Devil Dogs"?
A. Iwo Jima (Pacific) **B.** Tarawa (Pacific) **C.** Chosin Reservoir (Korea) **D.** Belleau Wood (France)

5) Which jet plane did the USMC adopt as their primary jet in 1963?
A. F-16 **B.** F-4H **C.** F-2Y **D.** F-15E

6) Which Marine won 5 Navy Crosses and become the symbol of the USMC's "esprit-de-corps"?
A. Chesty Puller **B.** John Basilone **C.** Archibald Henderson **D.** Eugene Trainer

Answers Later In The Newsletter

FUEL REPORT

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

	10/26/20	11/02/20	11/09/20	Change from week ago	Change from year ago
U.S. National Average	$2.385	$2.372	$2.383	0.011	- 0.690

2020 could be a record year for U.S. wind turbine installations

By: AJOT | Nov 12 2020

According to data collected by the U.S. Energy Information Administration (EIA), project developers expect more than 23 gigawatts (GW) of wind turbine generating capacity to come online in the United States in 2020, far more than the previous record of 13.2 GW added in 2012. Only 5.0 GW of capacity has come online in the first eight months of this year, according to EIA's Preliminary Monthly Electric Generator Inventory, but as is typical with wind turbine installations, most of the annual capacity additions come online in the final months of the year. Another 18.5 GW plan to come online in September through December, according to project timelines reported to EIA by power plant owners and developers.

The 5.0 GW of capacity added in the first eight months of 2020 is already more than the capacity added in the first months of any year except 2009. Developers expect to add another 18.5 GW in the final four months of 2020: 8.9 GW in September through November and 9.6 GW in December. December is typically the month with the most wind turbine capacity additions. In the previous 10 years, 41% of the annual wind capacity additions came online in December. The impending phaseout of the full value of the U.S. production tax credit (PTC) at the end of 2020 is leading to more capacity additions than average this year, just as previous tax credit reductions led to significant wind capacity additions in 2012 and 2019. Wind turbine projects coming online through 2023 that began construction in 2019 qualify for lower values of the PTC. Texas has the most wind turbine capacity among states (29.1 GW installed as of August 2020). Project developers in Texas expect to add another 4.0 GW by the end of the year, based on reported online dates. Project developers plan to add 2.7 GW in Oklahoma, increasing the state's wind capacity from 8.2 GW to 10.9 GW.

EIA's November 2020 Short-Term Energy Outlook shows wind's share of U.S. electricity generation increasing from 7.4% in 2019 to 8.8% in 2020—more than any other renewable electricity generation source. EIA forecasts wind's share to reach 10.3% in 2021. Because most of the wind capacity comes online late in the year, each year's annual capacity additions tend to increase wind electricity generation in the following year.

Coffee Battleground During Coronavirus Era Is Your Kitchen Counter

Retail sales surge during pandemic while Dunkin' and Starbucks push to get customers back into cafes

By Annie Gasparro, WSJ, Nov. 10, 2020

The coronavirus pandemic achieved in a few weeks what the owners of Folgers and Maxwell House have been trying to do for a decade: get people to brew coffee at home again. The morning coffee ritual is one of the toughest consumer habits to change, food executives have long said. Once people got used to stopping at Starbucks or Dunkin' on their way to work, they weren't likely to switch things up, the thinking went. That is, until a pandemic forced millions of people to work from home. As Americans suddenly changed the way they spent their days and their dollars, a fierce sales battle emerged between cafes, coffee brands and makers of home-brewing machines.

At first, consumers bought whatever coffee they could find as they faced shortages at supermarkets. They got more picky as the pandemic stretched on, improving the quality of their caffeine fix. Many coffee drinkers invested in espresso machines, French presses and pour-over brewers. Retail coffee sales are up about 10% so far this year compared with a 2% sales increase in many recent years, according to data provided by coffee companies. Sales of all coffee makers, from espresso machines to Chemex Corp.'s pour-over brewer, are up 28% since the start of the pandemic, according to the market-research firm NPD.

"Consumers are trying to replicate what they were getting in a cafe at home," said Marty Thompson, president of Nestlé Coffee Partners, a division of Nestlé SA, which makes Nescafe coffee as well as Starbucks-branded packaged coffee. Mr. Thompson said the packaged-coffee industry got about three years' worth of new consumers in seven months during the pandemic. "It's our work now to get them to stick," he said.

Starbucks Corp. last month reported a 9% decrease in comparable-store sales at owned cafes in the Americas for its latest quarter. The company did benefit from higher sales of the Starbucks-branded packaged coffee that Nestlé makes. Dunkin' Brands Group Inc. returned to growth at open stores, but said it was closing hundreds of others where business was sapped by the pandemic. Dunkin' is trying to sell more blended drinks such as lattes, which are more complicated to make. The company was already installing espresso machines at its stores before the pandemic. "These are products that can't be easily made and replicated at home," Dunkin' Chief Executive Dave Hoffmann told investors last month. Inspire Brands Inc., a private company that owns Arby's and other chains, recently agreed to acquire Dunkin' Brands for $8.8 billion.

Sales of packaged coffee grew faster this year than in any since Keurig machines for home use came onto the market more than a decade ago. Keurig Dr Pepper Inc. said last month that shipments of its machines to retailers jumped 34% in the recent quarter and that it expects to be in three million new households this year, compared with two million in a typical year. Italy-based coffee maker Lavazza Group said sales of new brewers signal that people will likely continue making coffee at home even after the pandemic. "People are getting used to these new habits," said Lavazza's head of its North America business, Davide Riboni. "We are trying to capture this." People's barista skills have improved, he added. Nestlé said some customers have realized that they can make good-quality coffee at home for less than they spent at cafes. Nestlé plans next year to introduce some coffee products with a lower price tag and some sold in bulk, at a lower cost per cup. Christie Veitch, who lives near Boulder, Colo., said she is making coffee at home much more often now and is unlikely to resume frequent trips to Starbucks. "I miss the fanciness, but I don't miss it from my budget," she said.

J.M. Smucker Co. which owns Folgers and makes Dunkin'-branded ground coffee, is selling more dark-coffee roasts intended for making latte-style drinks at home without an espresso machine. "Employers are saying that people can work from home indefinitely," said Tina Meyer-Hawkes, who leads coffee marketing at Smucker, "so we expect this sales momentum to last at least for the next two or three years." The rise in sales for Folgers and Kraft Heinz Co.'s Maxwell House, which are both more than a century old, has given their owners an unexpected chance to win over younger coffee drinkers who tend to prefer sweeter coffee drinks or higher-quality beans. Folgers in recent years has tried to draw younger customers with new espresso-style varieties under the name Folgers Noir, and a pricier, premium line called 1850 by Folgers. Folgers's ground coffee sales continued to decline. In February Smucker said it expected modest sales volume declines to persist. Maxwell House tried to appeal to younger people with an iced-coffee concentrate and a higher-caffeine spinoff called MAX. The pandemic turned things around for Smucker. In its most recent quarter, Smucker's U.S. coffee retail sales rose 23% to $571 million, including double-digit growth for Folgers. Kraft Heinz doesn't disclose sales of its coffee but said in September that it aims to stabilize the business as part of its broader turnaround efforts.

YRC Posts Narrowed Q3 Loss, Will Change Corporate Name to Yellow

Jerry Hirsch | Contributing Writer, Transport Topics, November 2, 2020

YRC Worldwide Inc. narrowed its losses during the third quarter, announced plans to change its name to Yellow and expanded its board of directors. The Overland Park, Kan., motor carrier said its Q3 net loss fell 87.5% to $2 million from $16 million in the same period a year earlier. Diluted earnings per share decreased to 4 cents a share from 48 cents. Revenue dipped 5.9% to $1.2 billion from $1.3 billion. The company is undertaking some corporate restructuring that will consolidate multiple brands' operating systems into a single platform and upgrade its fleet of aged tractors and trailers. A $700 million CARES Act federal loan made to YRC in July provides the funding for the initiatives. The CARES Act loan is part of a federal stimulus program to shore up what the government considered essential businesses. YRC provides freight services for the military. The U.S. government gained a 30% stake in the company and broad federal oversight as part of the deal.

CEO Darren Hawkins said in a Nov. 2 conference call with industry analysts that the motor carrier will spend much of the money on improving YRC's fleet. The company plans to spend about $75 million in the fourth quarter on 300 new tractors, 950 new trailers and 200 used trailers. The purchases will reduce maintenance expenses, improve on-time delivery, add safety features and increase fuel efficiency, all adding to profitability, Hawkins said. YRC plans to spend another $325 million on tractors and trailers next year. Hawkins said that changing the corporation's name to its legacy Yellow brand makes sense given where the motor carrier is headed. "The YRC Worldwide name was chosen over a decade ago when the strategy of the company involved global pursuits. Over the last several years, we have been focusing on our strength of being a well-positioned North American carrier," Hawkins said. The company has never moved freight under the YRC name, he noted. The rest of its less-than-truckload brands, including Holland, New Penn, Reddaway and YRC Freight, as well as its HNRY Logistics division, will continue operating under their current names.
In other financial news, YRC said that less-than-truckload revenue per hundredweight, including fuel surcharge, fell 4% in the third quarter compared to the same period a year earlier. Its less-than-truckload weight per shipment increased by 2.2%. That netted out as a less-than-truckload revenue per shipment decline of 1.9% compared to the same period in 2019. Excluding fuel surcharge, less-than-truckload revenue per hundredweight fell 1.4% and revenue per shipment rose 0.8%. Less-than-truckload tonnage per day decreased by 4.1% compared to the prior-year quarter. Sequentially, less-than-truckload tonnage per day improved 6.2% in September over August. New contracts signed in the third quarter had an average 4% price increase, a trend that has continued through October, Hawkins said. "I am excited about where the company stands today and its future. With growing volume, improving pricing, investments in equipment and technology and strong leaders joining our management team and board, I remain confident that we are well-positioned for 2021," Hawkins said

Logistics Hiring Surges on Restocking, E-Commerce Sales

Warehousing companies added 28,100 jobs last month, while parcel and trucking employment is expanding By Jennifer Smith, WSJ, Nov. 6, 2020

Logistics payrolls soared in October as inventory restocking after coronavirus lockdowns and strong online sales fueled a hiring surge at distribution and transport companies. Warehousing, trucking and delivery operators—the logistics sectors most tied to e-commerce—added a combined 46,000 jobs last month, according to seasonally adjusted preliminary employment figures the U.S. Bureau of Labor Statistics released Friday. That marked an acceleration of a growth streak over the past two months that has boosted payrolls in those fields by 77,200. The jump comes as the U.S. economy added 638,000 jobs in October, the sixth straight month of growth, reflecting an improving labor market despite rising Covid-19 cases. The unemployment rate fell to 6.9%.

Logistics operators have been ramping up hiring ahead of the holiday peak, when growing e-commerce demand amid the coronavirus pandemic threatens to overwhelm distribution networks. Adobe Analytics, which tracks activity on thousands of websites, expects U.S. online holiday sales will total $189 billion, up 33% from last year. Warehousing and storage companies, which include the sites where workers fulfill online orders, added 28,100 jobs in October, the third straight month of gains. The sector has added 76,500 jobs since October 2019.

Parcel carriers that deliver packages to homes and businesses also notched gains, adding 8,300 jobs last month. Courier and messenger payrolls have grown by 98,800 positions since February as carriers scrambled to meet a wave of delivery demand that has some companies putting off potential new customers until next year. LaserShip Inc., a regional delivery company in the eastern U.S., put conversations with new customers on hold in July to ensure it had enough capacity to serve existing clients. "I can't burn what's in my right hand to pick up something in my left," said Josh Dinneen, LaserShip's chief commercial officer. "We're not starting new business until January."

Trucking companies, riding a wave of strong freight demand, added 9,600 jobs in October as retailers and manufacturers rush to restock depleted inventories after months of lockdown. It was the second-largest gain in hiring since April, when the pandemic brought much of the U.S. economy to a halt and the sector lost 92,000 jobs. Many trucking companies now are reporting difficulty bringing on new drivers. "The new driver funnel to the industry is significantly constrained, and that's been as a result of Covid-19 and the number of new [truck-training] graduates that are available to come into the industry," Mark Rourke, chief executive of trucker Schneider National Inc., said in an Oct. 29 earnings call.

Answers to Trivia

FedEx 2021 General Rate Increase: 6 Key Takeaways

By Matt Bohn (as it appeared in Parcel Magazine, 9/16/20)

Effective January 4, 2021, FedEx Express (Domestic, US Export and US Import), FedEx Ground, and FedEx Home Delivery shipping rates will increase by an average of 4.9%, while FedEx Freight will increase rates by an average of 5.9%. FedEx SmartPost, Ground Multiweight, and International Premium rates will also increase, but FedEx has yet to specify those increases. FedEx One Rate and Retail Rates will also change. Note that there is often a discrepancy between the announced increases and the effect that the increase has on individual shippers.

Our team at Shipware will perform a detailed analysis of the announced increases over the next week, but in the interim, here are some areas which will likely provide the most impact:

1. New For 2021, FedEx will charge 6% late payment fees. This is commensurate with current UPS late payment fees. Shippers that have trouble paying within the standard 15-day window should look to negotiate longer terms. FedEx has often touted their lack of late payment fees, so shippers used to paying a few days late could face unwanted new charges. It is more important than ever for shippers to utilize freight audit and payment providers to avoid unnecessary late payment fees.

2. FedEx continues its emphasis on penalizing large packages in its networks. The new trigger (effective January 18th, 2021) for Additional Handling – dimensions is 105" combined length plus girth (length and girth = length + 2*height + 2*width). These larger packages are problematic for carriers' conveyance systems, are difficult for their couriers to handle, and take up valuable room on trucks.

3. The ground minimum package charge (zone 2, 1 pound list rate) has increased by 6.44% to $8.76. Low weight ground packages in particular appear to be a point of emphasis this year from FedEx, with larger than 6% increases for the 1-5lb weight bucket. Note that increases will be different based on negotiated minimum charges and discounts. For example: an e-commerce shipper with a 30% 1-5lb discount shipping a 4lb, zone 5 package would take a 7% increase ($0.60 per package) on that shipment's transportation fee.

4. Two-day and three-day shipments will take larger increases. This is likely due to the "Amazon effect." FedEx knows that shippers need to compete with faster shipping from Amazon and want to be compensated when shippers need faster-than-ground (but not overnight) express services.

5. Longer zones have larger increases than shorter zones for express services. This trend continues from last year and will generally affect shippers with one coastal distribution center more significantly.

6. Surcharges have increased by more than the announced 4.9% for most of the high frequency items, and DAS ZIP Codes have changed. More ZIP Codes are considered standard DAS and less are considered extended DAS compared to 2020. Here is a link to the full list: https://www.fedex.com/en-us/shipping/current-rates/surcharges-and-fees.html

Also effective January 18th, 2021, other surcharge ratings will occur:

-FedEx Freight will introduce a **High Cost Service Area Surcharge**, which will apply to shipments not rated on FXF PZONE/EZONE or FXF 1000/501, for corresponding (yet to be released) ZIP Codes.

-**International Out-of-Delivery-Area** and **International Out-of-Pickup-Area** will be assessed based on Zip Codes from this list: https://www.fedex.com/content/dam/fedex/us-united-states/services/ODA_OPA_ZIP_changes.pdf

Effective February 1st, 2021, the FedEx Freight fuel surcharge will be assessed on the per pound rated weight of the shipment. A preview of the new table is available here: https://www.fedex.com/content/dam/fedex/us-united-states/services/fuel_surcharge_effective_2-1-21.pdf

How will this affect individual shippers? The general rate increase will affect some shippers more than others. If you're a shipper that sometimes pays late, ships large packages, low weight ground or ground residential, two or three day express, long-zone express, or incurs a large amount of accessorial charges (as a percentage of overall spend), it is likely that you will be subject to an increase much larger than the stated 4.9%. As is the case annually with rate increases it is vital to understand how all the combined changes will impact your individual characteristics and ultimately your overall shipping costs.

Walmart Adding 'Pop-Up' Centers for Online Holiday Sales

Sites inside existing distribution centers join other efforts by companies to handle an expected surge of e-commerce sales this year

By Jennifer Smith, WSJ, Nov. 12, 2020

Walmart Inc. is placing "pop-up" e-commerce fulfillment centers inside dozens of its regional distribution facilities as it braces for an expected crush of online sales during the holiday season.

The 42 sites will hold fast-moving items in sections of warehouses that are traditionally used to ship pallets of goods to Walmart stores. The network of pop-up sites will ship up to 30% of Walmart's online holiday volume, the company said in announcing the plan Thursday, adding to the fulfillment capacity at its stores and dedicated e-commerce campuses that typically contain two or more fulfillment centers.

"It is a seamless merge of stores and e-commerce, so our buildings can do either one," said Srini Venkatesan, an executive vice president at Walmart Global Technology who oversees supply-chain technology.

Putting both activities in one site also can reduce transportation costs, Mr. Venkatesan said. Walmart can use its trucks to move online orders from the pop-up sites to stores before handing them off for last-mile delivery, instead of shipping parcels from its big fulfillment centers through carriers such as United Parcel Service Inc. and FedEx Corp. "We are getting a much more distributed footprint," he said.

Soaring online orders during the coronavirus pandemic are making it even harder for retailers and third-party logistics providers to accommodate big anticipated swings in volume over the holidays.

Walmart is hiring more than 20,000 seasonal workers at e-commerce facilities. Those numbers include workers at the pop-up sites, which will also use existing regional distribution center staff, Walmart spokesman Ravi Jariwala said.

Amazon.com Inc. is bringing on 100,000 seasonal workers this year, part of a broader hiring surge in warehousing and transportation sectors tied to e-commerce. Walmart rival Target Corp., which also has tested using one site to replenish stores and fulfill online orders, is keeping its overall seasonal hiring steady with last year, but increasing the number of workers who will go to distribution centers and to bolster curbside and in-store pickup of online orders.

Walmart developed software to synchronize logistics systems for the stores with e-commerce systems and to integrate with the third-party carriers picking up loads from the sites. It also pushed out a warehouse management app that employees can use on their smartphones to pick orders.

Walmart still plans to expand its physical fulfillment capacity, but the company says the technology will help it get ready for the coming holidays faster.

"It's faster and more cost-effective to build code than it is to build and permit a building," Mr. Jariwala said.

Cargo Vessels and Cruise Ships Line Up for Scrapping

The fallout from the Covid-19 pandemic is pushing shipping companies to sell vessels in growing numbers to bring in cash

PHOTO: GETTY IMAGES
Story By Costas Paris, WSJ, Nov. 10, 2020

Cargo ships and cruise liners are being scrapped in growing numbers as operators hit by the fallout from the coronavirus pandemic look to turn their unemployed vessels into cash in the recycling market. Car-carrying vessels and iron-ore haulers lead the burgeoning fleet heading for demolition. Cruise ships, still idled by the restrictions imposed at the start of the pandemic, are joining the lineup at ship-breaking yards, where the vessels are pulled apart for their steel. The ship operators are trying to repair balance sheets that were battered by the global industrial downturn earlier this year, when factory shutdowns—starting in China and spreading throughout large parts of the world—brought a swath of shipping activity to a halt.

Vehicle sales crashed last spring along with the commodities market as China, the biggest raw-materials importer, closed down to fight the illness. Continuing bans on cruises has left dozens of luxury liners idle as storage costs have mounted. Manufacturing activity around the world has recovered this fall and automotive sales have rebounded. But global vehicle sales are still expected to fall below last year's 75-million tally to around 62 million this year, according to data provider Statista. Shipowners say the damage to their finances from the earlier shutdowns remains. "Last spring was a very difficult period for car movers," said Emanuele Grimaldi, a co-owner of Italy's Grimaldi Group SpA, which operates a fleet of car carriers and heavy equipment movers. "I returned six chartered ships back to their owners and scrapped two of our own."

Overall ship demolitions through October stood at 557, compared with 889 in all of 2019, according to U.K.-based maritime data provider VesselsValue. This year's figure is far below the 1,996 vessels recycled in 2012, when a huge overhang of shipping capacity was taken out following the 2008 financial crisis. Scrap sites were closed for three months this year, however, and ships began heading to the demolition process known as breaking as the yards reopened. "In the second quarter, you had too many ships chasing too little cargo," said Anil Sharma, the chief executive of U.S and Dubai-based Global Marketing Systems, which buys more than half of all ships heading for recycling yards. "Although the new-ship order book is pretty balanced, demand for shipping services fell off a cliff during the period."

Rising prices for steel in scrap markets this fall have also shifted economic calculations for some ship operators. "India is offering around $370 per ton of steel, up around 30% from the second quarter, but cruise shipowners are getting clobbered, with offers as low as $100 per ton, because of high demand," Mr. Sharma said. "The ships are docked in Greece waiting for a slot [at a yard] in Turkey that can take months." Vessel operators can typically get about 20% of the original purchase price for a 25-year old ship by selling it to recycling companies. With lending markets tight, owners see the scrap market as a potential source of cash for a shipping industry that will need to invest billions in coming years to develop a new generation of environmentally friendly ships.

VesselsValue says 22 ore carriers have been sold for scrapping this year compared with a dozen last year and two in 2018. Ten cruise ships were sent to recycling this year after nine were demolished over the previous two years combined. Car carrier demolitions stood at 28 this year, matching a 2016 high in records dating to 2012. Shipping executives said those three ship types represented roughly half the overall recycled tonnage this year. Several container ships were also contracted to be scrapped but were pulled back as demand to move goods surged starting in late summer thanks to rebounding manufacturing and consumer economies.