

OEC NEWS

OUR EXPERTISE YOUR ADVANTAGE

TARIFFS, TRUCKING, AND TECHNOLOGY,
2018 IN REVIEW

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OEC GROUP

Tariffs, Trucking, and Technology,

2018 IN REVIEW

Within the logistics industry, 2018 was an exceptional year that was largely characterized by trade tensions between the U.S. and China, domestic trucking shortage, and technological innovation. Despite the challenging market conditions presented this past year, OEC Group witnessed tremendous growth and worked tirelessly to provide our clients with expert logistics services.

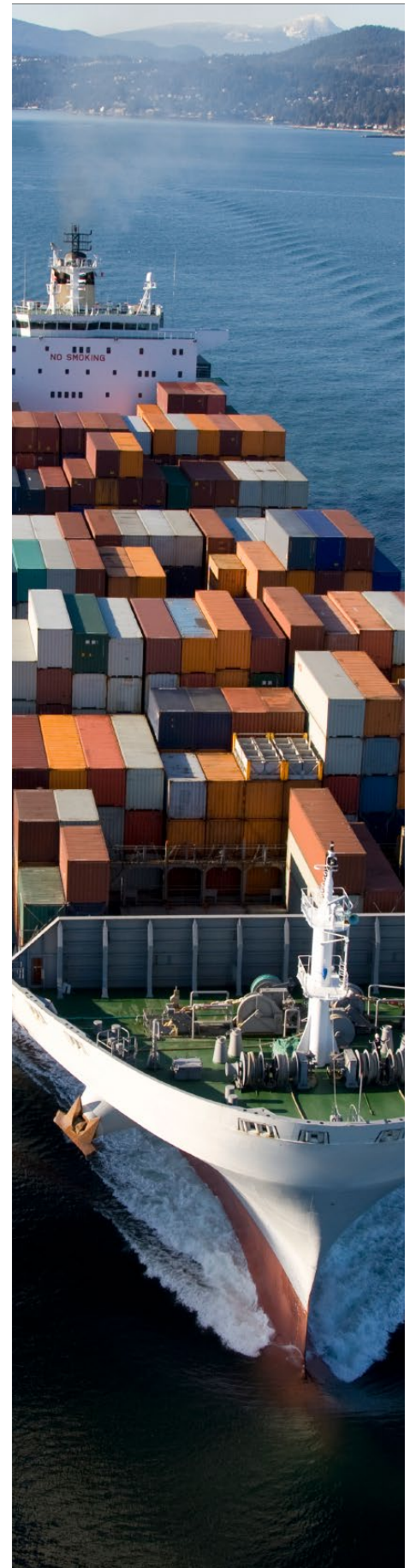
TARIFFS

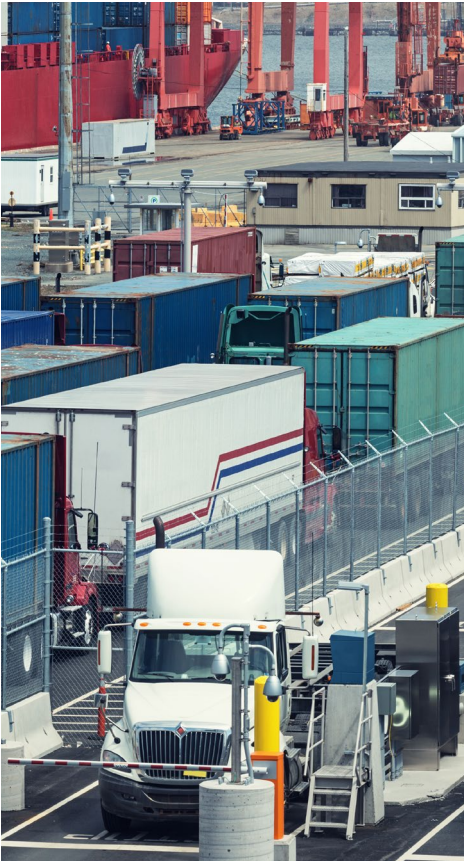
Beginning in April with the White House announcement of protectionist tariff policy, Trans-Pacific Trade in 2018 was defined by additional duty placed on \$250 billion of imported goods from China. At the start of last summer, the Customs Border Protection began collecting 10% duty on List 1 and 2 products, with a combined total value of \$50 billion in imports. In September, List 3 tariffs were implemented and a 10% duty rate was levied on \$200 billion in consumer products imported from China. Originally scheduled to escalate to 25% on January 1st, the increase was postponed to March 1st pending the outcome of trade negotiations between the USA and China.

In response to the announcement of Section 301 tariffs, U.S. businesses

began importing goods ahead of schedule to prevent paying additional duty. The resulting surge in import volume during the second half of 2018 sent ripples down international supply chains and is responsible for the unusually prolonged and strong peak season witnessed during the last quarter.

The postponement to increase the List 3 duty rate from 10% to 25% until March 1st will play a role in the evolving market in the first quarter of 2019. Approaching this deadline and Lunar New Year, we anticipate tight capacity to continue throughout January as importers rush cargo out of China before factories shut down for the February 5th holiday.





TRUCKING

Last mile delivery continued to be a major bottleneck in many shippers' supply chains throughout 2018. Persisting issues of equipment availability, driver shortages, and terminal congestion have plagued the trucking industry for years. Despite attempts to address them through measures like raising driver pay and introducing grey chassis pools, a truly impactful solution remains unknown.

The most poignant development in US domestic trucking last year was the nationwide mandated implementation of Electronic Logging Devices (ELDs) on April 1. By enforcing truck drivers to switch

from paper log books to electronic devices, the ELD mandate serves to monitor the hours of service and ensure drivers do not work beyond regulations. Early estimates predicted a "3-5% decrease in industry-wide productivity and up to a 16% decrease in the average miles per day a driver can cover."¹ Tightening regulations compounded with short capacity in the market allowed sustained rate increases for last mile delivery throughout most of 2018.

Looking forward to 2019, many experts agree that spot rates will remain high as industry obstacles perpetuate.

TECHNOLOGY

In recent years, more investors began noticing a swarm of technologies seeking to resolve persistent issues such as shipment visibility and equipment control. Throughout 2018, blockchain was inarguably the most buzzworthy of these technologies with its potential to revamp the entire supply chain processes by providing a highly secure ecosystem of shipment information.

Many carriers began to take notice of blockchain's potential benefits and have started exploring the technology's applications. One stark example of this is Maersk and IBM joining forces to create a global trade blockchain platform in August 2018 called TradeLens, which onboarded over 100 companies to use its streamlined system.² CMA CGM also demonstrated interest in blockchain when they, along with eight other carriers and terminal operators agreed to develop the Global Shipping Business Network.³ In more recent news, ZIM successfully piloted their eB/Ls platform, a blockchain technology replacing the transfer of physical shipping documents with electronic transactions.⁴ The emergence of these, along with many other iterations of blockchain, demonstrates the potential value this technology can bring to the logistics industry.



Sources:

1. <https://talkinglogistics.com/2018/04/04/truck-capacity-shortage/>

2. <https://blog.tradelens.com/blog/ga>

3. <https://www.cmacgm-group.com/en/news-medias/top-ocean-carriers-and-terminal-operators-initiate-blockchain-consortium>

4. <https://cointelegraph.com/news/israels-top-cargo-shipping-firm-zim-opens-blockchain-platform-to-all-clients>

5 THINGS TO CONSIDER WHEN SHIPPING DURING LUNAR NEW YEAR

Lunar New Year is one of the most important holidays not only in China, but in many other Asian countries as well. Falling on February 5th in 2019, many businesses, factories, and government agencies will close for a week or more to allow workers time to travel back home to celebrate with their families. The weeks prior to and following this extended holiday can be a logistics challenge for shippers who import from these countries. Below are 5 things to consider when planning your shipments during the Lunar New Year holiday season.



CAN YOUR CARGO WAIT?

Ocean and Air freight rates are typically higher the closer the date gets to the Lunar New Year holiday. This is due to supply and demand. Every shipper is aiming to get their cargo out of Asia before the start of the holiday. Can your cargo wait? There is usually less premium for space for several weeks after the Lunar New Year holiday lasting until production is back to pre-holiday levels.



INVENTORY

Do you have enough inventory to cover a lull of between 4-6 weeks? Although factories are usually only closed for 1-2 weeks, it takes several more to ramp production back up to the level of those prior to the holiday. Make sure your warehouses are stocked with enough inventory to cover any POs that might need to be delivered during this time.



COMMUNICATION

Replies from suppliers immediately before, during and after the holiday can be scarce or sporadic. Make sure to settle any questions or issues you may have in the weeks leading up to Lunar New Year otherwise you may have to wait until everyone returns to work.



TIMING

Work with your logistics service provider to figure out the document cut-off times, last dates to receive cargo, and last sailings before the holiday. During this time, you want to avoid waiting until the last minute and make sure you know when your final opportunities are for making your shipping arrangements. You do not want to miss a cut-off date and have your cargo sitting at the port for several weeks.



PLANNING

Lastly, it is important to remember that although the date changes, Lunar New Year happens every year. Preplanning will help to avoid issues and ensure your supply chain continues to run smoothly. The Lunar New Year will fall on January 25 in 2020. Not prepared this year? By working closely with OEC Group, we can provide our expertise to address the challenges of shipping during Lunar New Year.

Sources:
<https://www.xeneta.com/blog/chinese-new-year-supply-chain-management-tips>
<https://www.tryfleet.com/blog/shipping-for-chinese-new-year-best-practices>
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107 MILLION
PEOPLE TRAVEL
AT LEAST 30
MILES FROM
HOME TO
CELEBRATE
NEW YEAR'S.

WHILE **65%** OF
AMERICANS MAKE A
NEW YEAR'S
RESOLUTION,

80% OF THESE
RESOLUTIONS FAIL
BY FEBRUARY!

2019 NEW YEAR'S FUN FACTS

TO CELEBRATE, OVER
360 MILLION
GLASSES OF BUBBLY
ARE CONSUMED ON
NEW YEAR'S EVE!

THE AVERAGE ATTENDANCE
FOR NYE IN THE POPULAR
TIMES SQUARE IS A WHOPPING
1 MILLION PEOPLE!

ANOTHER **1 BILLION**
PEOPLE FROM AROUND
THE WORLD WATCH THE
BALL DROP ON TV!

CHINA TAKES THE WIN
FOR THE WORLD'S
BIGGEST ANNUAL
FIREWORKS USAGE
DURING MIDNIGHT ON
LUNAR NEW YEAR. IN
FACT, CHINA PRODUCES

ABOUT **90%** OF THE
WORLD'S FIREWORKS!

1.5 TONS
OF CONFETTI
IS DROPPED
IN TIMES
SQUARE TO
RING IN THE
NEW YEAR!

JUST LIKE WESTERN
HOROSCOPES
INCLUDE 12 ZODIACS,
THERE ARE 12
CHINESE ZODIACS
BUT EACH ANIMAL IS
FOR THE ENTIRE
YEAR. 2019 IS
THE YEAR OF
THE PIG!

Source:
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<https://www.chinahighlights.com/travelguide/festivals/new-year-facts.htm>



ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in Trans-Pacific Trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers from Asia to North America. With offices in over fifty countries, we take pride in being close to your cargo at all times.

Proximity of our OEC logistics professionals to your cargo enables us to stay on top of relevant market trade intelligence. Our Asia offices bridge the connection between you and your supplier, bringing additional insight to the entirety of your supply chain.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.