

SHAP TALK

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TRADE NEWS

December 28 Deadline Looms for Generalized System of Preferences (GSP) Refunds

Shapiro's customers (and all qualifying importers) continue to receive refund checks for retroactive GSP entries, although Customs and Border Protection seems to be slowing down with this process.

We are reconciling entries filed with the SPI indicator "A" to identify outstanding refunds that have not been received. Additionally, Shapiro is cross-checking all qualifying entries to ensure that the SPI indicator "A" was in fact designated. Customs will only consider entries claimed by December 28, 2015.

Please remember that any entries filed for Russia and Bangladesh lost GSP benefits before the legislation was passed. These origins are therefore excluded for retroactive refunds of duties paid.

Shapiro is ready to assist our customers with liquidation refund statuses on outstanding entries or with submissions to Customs for processing at the given port of entry.

To inquire, please send an email to: compliance@shapiro.com

JOC Revises Growth Forecast for U.S. Imports

Mario Moreno, a senior economist for the Journal of Commerce, has revised his previous forecast for containerized import growth for 2015 from 6.6% down to 5.4%. The revised number comes as a large number of importers are expecting less shipping activity in the 4th quarter of this year due to exceedingly high inventory levels. Moreno also revised his growth forecast for 2016 down from 7% to 5.5%. Though growth expectations may be slightly diminished, the U.S. is still on track to import over 20 million TEUs this year.

The lessened expectations are a result of shipping volumes that have still not fully recovered from the West Coast labor strikes, which essentially halted West Coast trade in late 2014 and early 2015. In order to combat the negative effects of the labor strike, numerous companies imported a surplus of goods and are now struggling to sell through their abnormally high inventories, leading to fewer containerized imports. When averaged out, U.S. businesses are nearing inventory surplus levels seen during the financial crisis of 2008. The estimated growth slowdown for imports could pose further problems for shipping lines already plagued by overcapacity as new megaships continue to enter rotation in a market where demand is still waning.

Carbon Tax Takes Center Stage at Paris Climate Change Conference, Shippers Brace

The shipping industry is bracing itself for an impending battle against taxes on carbon emission from marine bunker fuels from the global climate change conference that started in Paris Monday, November 30 and set to last through the 12th of December, according to the JOC. As the talks continue in Paris, a number of world leaders have pressed other countries to follow their lead and implement a tax on carbon.

The primary goal of this conference is to create a strategy to cap temperature growth at two degrees above pre-Industrial Revolution levels. Scientists say that above this level, the world will experience the most extreme effects of climate change.

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World leaders will have “no excuses to tell their grandchildren if they fail to reach an agreement to tackle climate change when the planet is in peril,” UK’s Prime Minister David Cameron warned.

Meanwhile, the shipping industry while not principally mentioned in the draft plan to be negotiated by delegates from 195 nations in the next two weeks, could easily become a target because of its crucial need of carbon fuels in global logistics, with approximately 60,000 vessels transporting about 90 percent of internationally traded goods.

The Organization for Economic Co-operation and Development’s (OECD) International Transport Forum suggested a shipping carbon tax of an estimated \$25 per 1.1 tonnes of fuel that would could total \$20 billion a year based on the 2012 industry consumption levels. This initiative would push carriers to streamline their operations with larger, more fuel-efficient vessels which use cleaner fuel to combat rising CO2 emissions.

To learn more about shipping fuel cost impacts, read Shapiro’s [4 Reasons Lower Bunker Fuel Prices Don’t Mean Lower Shipping Rates](#)

Star Wars Toy Imports, Rise They Will

U.S. demand for Star Wars toys, from action figures, to Lego Millennium Falcon models, to lightsabers is estimated to help raise total containerized toy imports 10.9 percent over 2014 numbers, according to JOC Senior Economist Mario O. Moreno. This is great news for U.S. retailers and Asian manufacturers, especially those in China and Vietnam.

After a three year consecutive decline, total U.S. toy imports have risen for five straight quarters beginning in the second half of 2014. Toy import growth into the U.S., however, will shrink around three percent in 2016 as the Star Wars fanaticism fades. In addition, there is a larger trend of children choosing electronics such as tablets and gaming consoles over traditional “toys.” This is problematic for the steamship industry since the electronic products take up less space which results in fewer containers being shipped. Airlines and forwarders applaud the trend since electronic goods often ship via air as well.

Asian exports have been hit by flimsy global demand this year. Chinese exports have declined in eight of the last ten months when compared to 2014. Additionally, in Vietnam, export growth has unexpectedly remained below 10% all year. Thus, the steep rise in toy exports, however brief, is welcome news for an otherwise soft export market for 2015 for both countries.

Democratic Senators Propose Bill to Crack Down on Antidumping and Countervailing Evasion

On November 19th, Democratic Minnesota Senators Amy Klobuchar and Al Franken introduced S-2299, a bill that aims to put pressure on antidumping and countervailing duty evaders, specifically with regard to textiles, apparel, and steel imports. The bill proposes that the Department of Homeland Security publish an annual list in the Federal Register of foreign producers and exporters subject to customs penalty claims for AD/CVD duties and a list of high-risk countries known for AD/CVD evasion.

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Importers who wish to source from companies or countries on either list would have to demonstrate [reasonable care](#). Finally, the bill proposes standards for identifying injury to importers in order to impose cash deposit requirements on offenders, even retroactively.

A House version of Klobuchar and Franken's bill will be introduced by a fellow Minnesota Democrat, Representative Rick Nolan. Nolan's proposition would go so far as to put a ban on foreign steel imports for five years in order to allow the U.S. steel industry to return to its full production capacity. Citing over 57,000 closed U.S. manufacturing facilities, Nolan staunchly opposes the Trans-Pacific Partnership trade negotiations and supports a reevaluation of all U.S. trade programs, including NAFTA.

New FDA Labeling Suggestions for Genetically Engineered Foods

On November 24th, the Food and Drug Administration (FDA) issued updated guidance with regard to the labeling of genetically engineered (GE) Atlantic salmon and foods containing GE plant by-products in an attempt to further eliminate improper and misleading statements. The new guidance gives preference to the terms "bioengineered", "genetically engineered" and "genetically modified through use of modern biotechnology", while disapproving phrases such as, "genetically modified" or "genetically modified organism (GMO)". The guidance also urges labelers to avoid claiming that their foods contain no GE ingredients, as no traces of any GE ingredients can be found in any portion of the food for this claim to hold true.

To access the full guide visit the [Federal Register](#).

FDA to Use Microbiological Surveillance Sampling to Target Hot Peppers and Cucumbers

The Food and Drug Administration (FDA) will begin targeted inspections of fresh hot peppers and cucumbers looking for Salmonella and E. coli pathogen contamination. The agency will collect 1,600 samples from each commodity taking care not to over-sample any one specific facility. The program seeks to pursue only fresh products; they will exclude dried, frozen, chopped and sweet peppers as well as frozen, chopped, pureed or pickled cucumbers. Importers will be notified in advance of the examinations which can last anywhere from three to eight days. If tested products are found to contain microbiological hazards, the importers may be placed on import alert or required to conduct a recall.

Cucumbers alone have led to five major outbreaks of foodborne illnesses in the past 18 years, one attributed to E. coli and four to Salmonella. A current Salmonella crisis linked to cucumbers has caused over 830 illnesses and four deaths across multiple states. A 2008 outbreak of Salmonella in hot peppers from Mexico killed two people and hospitalized over three hundred. The FDA will conduct genomic testing on any samples that test positively to help combat pathogen impact.

Testing results will be published on a quarterly basis and will include information on the sampling size, timelines, pathogen detection, and sample types. The results will be used to identify trends for exposure vulnerability and to improve food safety.

Customs to Pilot Pre-Loading ACE Export Manifests Using Rail Cargo

Customs and Border Protection (CBP) has rolled out a pilot program for export manifest filing using rail cargo through the Automated Commercial Environment (ACE). Carrier participants will provide 31 data elements at least two hours prior to cargo loading onto the rail. The pilot program is set to last two years and will determine if carriers are able to timely collect and transmit data through the ACE portal.

While CBP doesn't presently require manifest information for rail cargo, the pilot program will be used to more accurately identify high-risk cargo prior to loading for targeted examination. The two hours prior to loading will be used to connect rail manifest information to the cargo's Electronic Export Information filing.

Nine participants will be selected, all with the ability to transmit the data to ACE and receive messages via Cargo-ANSI X12 or Unified XML. Benefits of participating in the program include fewer and more targeted examinations, ACE reporting, and reduced likelihood of penalties once the export manifest program becomes mandatory.

Ocean Freight News:

Low Ocean Rates from Asia are like Christmas Cookies – They Won't be Around for Long

Over the last four months, every importer on the Asia to U.S. trade lane has been quietly smiling about the downward trend in ocean rates. While U.S. West Coast and mini land bridge (MLB) importers have seen reduction by the hundreds, their U.S. East Coast brethren have seen rate reductions of over \$1,000 for 40' containers. But how long does the industry anticipate this trend to last?

Being called "Scrooge" is seasonally appropriate as rates start to level off soon and eventually being their typical increase. Why? Because the carriers cannot financially survive at these levels. While the announced GRIs for December 15th have little chance of "surviving" more than a day or two, we can expect real increases in January and beyond.

First, in January the annual Chinese New Year shipping crunch begins when a shipper's desires to send prior to the holiday will increase demand and thus carriers obligingly increase rates to match. Secondly, carriers will start reducing capacity from certain trade lanes to artificially spur the supply/demand curve and rates will start increasing.

Will the rates return to June/July record lows? Probably not, but they will be very close and the current rates will become but a distant memory.

Let the Rumor Mill Spin! Potential Carrier Mergers on the Horizon

After several years of relative continuity, the ocean carrier industry is abuzz with talks of mergers and acquisitions. As the industry does all it can to reduce costs to compete with the 2M mega-alliance (Maersk and Mediterranean Shipping), it also faces a current market place with softening demand just as a tremendous amount of capacity comes on-line. In an already notoriously cyclical industry, the short-term financial prospects, especially for smaller carriers, is extremely bleak.

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The most substantial news on this front is that French carrier CMA-CGM's ambitions to acquire Neptune Orient Line (NOL) were solidified this week as NOL entered into exclusive talks with CMA-CGM. NOL, owner of American President Lines (APL) has been a target for CMA in part due to APL's growing history of losing money. Analysts also point to APL's 9 container terminals around the world, large book of higher-end Trans Pacific retailers, and premium brand name as attractive features for CMA-CGM. Overall, a merger would boost their trans-Pacific volumes by almost 50%.

The merger talks come at a time when CMA's reported profits have plunged 76% year-over-year. The drop was caused in part by overcapacity and resulting weaker freight rates. Asia-Europe container rates are down 63.5% from the same time last year while trans-Pacific rates are down 57%. The lower profits are a common trend among containers despite actual container volume being up 3.4%.

Other ocean carriers in merger talks include Hyundai Merchant Marine and Hanjin Shipping. Hyundai, Korea's second largest container lines, posted a loss \$20.5 million. Hanjin Shipping, who is also in a bleak financial situation, has been asked by the Korean government to consider the merger for financial health. At the same time, the Korean private sector has urged the two companies to keep operations independent for the benefit of competition and to prevent a monopoly.

Additionally, China's two main carriers, Cosco and China Shipping, appear likely to merge in some fashion or another. Because both companies are majority-controlled by the People's Republic of China, it is unlikely that the move will resemble a traditional merger or acquisition. That said, any asset rationalization or consolidation will greatly affect the steamship market. Analysts point to the Trans Pacific and inter-Asia feeder markets as the most likely to be greatly altered by any "merger" of Cosco and China Shipping.

We expect to hear much more on this subject in the coming weeks, and it is clear that a new era of steamship strategies for long-term survival is upon us.

Long Beach Port Considers a New Way to Reduce Free Container Storage Time

The Port of Long Beach is planning to change how they calculate free storage time. Changing the free storage time from four calendar days to six work-shifts will allow Long Beach port terminals to cut dwell time by an entire day. According to port authorities the storage charges will further discourage importers from treating the terminal's space as a storage hold and would increase container velocity through the port.

"When containers stack up in terminals, it leads to extra handling that makes the process slower for longshore workers, the shippers that depend on them, truckers who move the goods and ultimately the consumer. This approach will keep the system more fluid and help avoid congestion," said Jon Slangerup, Port of Long Beach CEO. The ultimate goal for Long Beach is to dramatically reduce port congestion.

The potential move also better prepares Long Beach for upcoming larger cargo vessels that will require more efficient use of the port's valuable terminal space. Currently, a large percentage of their total real estate is devoted to container stacks (both loaded and empty). The new shorter free time is also intended to encourage terminal operators to operate more consistently at night. This new program must be reviewed and commented upon by all port stakeholders before final review in the upcoming weeks by the Board of Harbor Commissioners. Check out how port dredging works in Shapiro's [Dredging the Confusion Surrounding the Harbor Maintenance Fee \(HMF\)](#)

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Airfreight News:

Crash Leads to Stricter Security in Cargo Headed to U.S.

On October 31st an Airbus A321 Metrojet on its way from Sharm el-Sheikh Egypt to St. Petersburg Russia crashed, leaving 224 people dead. Explosive traces of TNT were found during the investigation, and officials believe it was an act of terrorism that brought down the plane. As a result, the U.S. and United Kingdom have placed restrictions on cargo originating in Egypt and other foreign airports that pose a threat for the public's safety.

There are reports that two parcels destined for the U.S. were seized at Cairo Airport on November 24th and were found to contain explosive materials. The TSA has already imposed additional security requirements for planes coming from terror prone spots around the world.

Boeing Delivers its 100th 747-8 to Russian AirBridgeCargo Airlines

The Russian subsidiary of Volga-Dnepr Group, AirBridgeCargo Airlines (ABC), expanded their U.S. market presence, purchasing the 99th and 100th Boeing-issued 747-8 all-cargo planes.

The lease is a result of a deal struck between Boeing and the Volga-Dnepr group at the Paris air show earlier this year that would add up to 20 new 747-8 freighters to their fleet. This expansion to the Russian fleet echoes demand confidence for this particular air cargo market. The service will now expand to bi-weekly shipments into Atlanta connecting to Europe, Russia, and Asia cargo markets, complementing the Los Angeles service added earlier in the year.

Domestic News:

LA-LB Truckers Report Improved Turn Times Inside Terminals

According to Pier Pass Inc., the severe congestion that overwhelmed the LA-LB terminals during last year's ILWU work slowdowns is finally over. Truckers visiting the terminals are experiencing the lowest in-terminal service times since the fall of 2014. The average amount of time trucks spent inside the terminal in October of 2015 was 48.3 minutes at nights and weekends and 46.3 minutes during regular hours, Monday through Friday. This shows a great improvement compared to the average in-terminal service times of more than 60 minutes experienced in October, 2014.

But not all news is good news at the LA-LB terminals. Per the Harbor Trucking Association of Southern California, the actual truck visit times, which include truck waits outside the terminal gates plus the in-terminal service times, were longer in October 2015 than in recent months. According to the HTA's truck mobility data, the average truck visit in October was 92 minutes compared to 89 minutes.

A lot can be said about the increase of productivity inside the terminals; however, the total visit times are still higher than normal. The terminal operators claim that external factors like chassis shortages and driver habits are negatively affecting the total wait time.

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Ultra-Modern Methods Considered for Aging Rail Infrastructure

The nation's oldest and largest rail network in the Eastern USA is crumbling and is begging to be modernized with the help of space-age technology. One of the USA's largest rail carriers, CSX, is looking into using drones to inspect and record videos and high-tech photos of our nation's bridges so that the high costs of physical inspections may be minimized.

At the RailTrends conference held in New York City just prior to Thanksgiving, CSX and other rail carriers discussed the benefits of using drone technology to help expedite inspections that are very costly and time consuming when railroad employees have to do the visual inspections themselves. Unlike the nation's road network, the nation's rail network is maintained by the rail carriers themselves and not by the U.S. Government. Since the funding for such inspections does not come from the U.S. tax base, the companies that are responsible for the costly inspections have had to think outside the box to minimize the impact of inspection costs.

The drones are small enough to be effective in going underneath the structures to take a close look to identify structural issues that need to be repaired. Once identified, the actual railroad employees will know exactly where they need to take a closer look before repairs are completed. The rail industry is also looking to prevent derailments by inspecting the tracks with drones regularly, which can improve the security of moving freight (and passengers) by rail. The U.S. government agrees with the benefits of taking advantage of such technology but there are many hurdles to overcome in regulating airspace against illegal use as the technology becomes more and more commonplace.

SHAPIRO NEWS:

Employee of the Month

As previously featured in Shap Talk, Shapiro has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company. This month, we would like to recognize Yanet Merlo-Quintana, FBAccount Analyst in Baltimore for her outstanding performance and contributions.

Please email us at hr@shapiro.com.

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Do you have suggestions for an article? Is there a topic you'd like us to cover in a future issue? Please let us know! Send your feedback to shaptalk@shapiro.com.

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