

# SHAP TALK

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## TRADE NEWS

### *PMA and ILWU Strike Agreement over Chassis Problems*

On January 26th, the International Longshore and Warehouse Union (ILWU) and the Port Management Association (PMA) member carriers came to a tentative agreement over the chassis issue. ILWU members will handle the quality control and repair of chassis at designated areas at the terminals. Now that shipping companies are out of the chassis game, leaving the equipment to be provided by third party leasing firms for the majority of carriers, there has been a shortage of chassis, which has been a large factor in the slowdown experience at the West Coast ports. With this tentative agreement over chassis, there is some hope that the two sides are closer to an actual contract.

Meanwhile, the lack of draymen and trucks available to handle pickups and deliveries continues to vex importers.

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### *President Announces Forthcoming Changes for Cuba-U.S. Relations*

Effective January 16, 2015, the [Department of the Treasury's Office of Foreign Assets Control](#) (OFAC) and the [U.S. Department of Commerce's Bureau of Industry and Security](#) (BIS) issued final rules in the Federal Register opening up limited trade and travel with Cuba. OFAC has amended its Cuban Assets Control Regulations and the BIS has amended the Export Administration Regulations. BIS has implemented a new "Support for the Cuban People" license exception (SCP).

The final rules were effective immediately on January 16, 2015 without an opportunity for comments since these regulations involve a foreign affairs function of the U.S.

The amendments cover the following areas:

- *Travel to Cuba for 12 authorized purposes under a general license. Travel is not permitted for tourist activities. Permission does not have to be obtained from OFAC for the following specific reasons; travel for 12 categories will be allowed under a general license. (1) family visits; (2) official business of the U.S. government, foreign governments, and certain intergovernmental organizations; (3) journalistic activity; (4) professional research and professional meetings; (5) educational activities; (6) religious activities; (7) public performances, clinics, workshops, athletic and other competitions, and exhibitions; (8) support for the Cuban people; (9) humanitarian projects; (10) activities of private foundations or research or educational institutes; (11) exportation, importation, or transmission of information or information materials; and (12) certain export transactions that may be considered for authorization under existing regulations and guidelines.*
- *Facilitate the provision by travel agents and airlines of authorized travel services and the forwarding by certain entities of authorized remittances.*
- *Raise the limit on certain categories of remittances to Cuba.*
- *Allow U.S. financial institutions to open correspondent accounts at Cuban financial institutions to facilitate the processing of authorized transactions, authorize certain transactions with Cuban nationals located outside of Cuba.*

- Allow a number of other activities related to telecommunications, financial services, trade, and shipping. U.S. credit and debit cards will be permitted for use by travelers in Cuba.

There are many specific questions as to what is now allowed. [Commerce](#) and [Treasury](#) have put together a list of FAQ's to assist the public with questions.

A few of the most popular questions being asked about the new regulations are included below as reference.

**Can I purchase Cuban cigars any time I want?** An authorized traveler to Cuba is allowed to purchase merchandise not exceeding \$400.00 per person as accompanied baggage into the U.S. Of this \$400.00 value, no more than \$100.00 of the merchandise may consist of alcohol or tobacco products for personal use only.

**Can you now export mobile phones to Cuba?** Yes, exports to Cuba of certain consumer communications devices such as mobile phones, computers and related hardware and software may be sold to Cuban government owned, operated or controlled companies and corporations for resale to the Cuban people. Please note that such items are limited to those designated as EAR99 or controlled on the CCL only for anti-terrorism (AT) reasons; other items require a license.

**Can I export telecommunications and infrastructure items to Cuba?** License Exception SCP authorizes the export and reexport to Cuba of certain items, including equipment, intended to improve the free flow of information to, from, and among the Cuban people. These items may be either sold or donated, for telecommunications, including access to the internet, use of internet services and infrastructure creation and upgrades. Items eligible for export or reexport to Cuba are limited to those designated as EAR99 or controlled on the CCL only for anti-terrorism (AT) reasons. Additionally, License Exception Consumer Communications Devices (CCD) (15 CFR § 740.19) now authorizes the export and reexport to Cuba of certain donated or commercially sold consumer communications items for use by eligible recipients. License Exception CCD specifies the eligible items by description and Export Control Classification Number (ECCN).

**Can I export building materials to Cuba without a license?** New License Exception Support for the Cuban People (SCP) (15 CFR § 740.21), among other provisions, authorizes the export and reexport to Cuba, without a license, of certain commercially sold categories of items:

- *Building materials, equipment, and tools for use by the private sector to construct or renovate privately-owned buildings, including privately-owned residences, businesses, places of worship, and buildings for private sector social or recreational use.*
- Tools and equipment for private sector agricultural activity.
- Tools, equipment, supplies, and instruments for use by private sector entrepreneurs.

Items eligible for this provision must be designated as EAR99 or controlled on the Commerce Control List (CCL) (15 CFR Part 774, Supplement No. 1) only for anti-terrorism (AT) reasons.

**How much cash can I bring to Cuba?** The amount of authorized remittances authorized travelers to Cuba may carry has been increased to \$10,000 per trip.

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**Can I import commercial items from Cuba to the U.S.?** No. Cuba is still under a comprehensive embargo. Items brought back in baggage from Cuba are limited to no more than \$400.00 in value, of which only \$100.00 can be alcohol or tobacco.

As mentioned in our [January Shap Talk](#) Issue, the comprehensive embargo with Cuba continues. Most transactions between the United States, or persons subject to U.S. jurisdiction, and Cuba continue to be prohibited, and OFAC continues to enforce the prohibitions. As the US-Cuba relations move forward, this may or may not change, and remains to be seen as the world watches these developments. We do expect Cuba policy to continue to evolve. Stay tuned to Shap Talk.

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## *New SVI Procedures with C-TPAT Portal 2.0*

U.S. Customs and Border Protection (CBP) [unveiled its Customs-Trade Partnership Against Terrorism \(C-TPAT\) Portal 2.0 in December](#). C-TPAT members are encouraged to log in and familiarize themselves with the new screens and layout.

The biggest change is the handling of partner monitoring through the Status Verification Interface (SVI). Under the original C-TPAT portal, C-TPAT members obtained the SVI number from their business partner, entered the number into the portal, and the portal would display the partner's current C-TPAT status.

Portal 2.0 does away with SVI numbers. Moreover, the company being monitored must request that the C-TPAT partner monitor them. Thus Importer A can no longer get an SVI number for Steamship Line B, enter the number, and see Steamship Line B's C-TPAT status. Now, Steamship Line B must send a request through the portal to Importer A that asks A to monitor B. Importer A must flag its portal to allow its name to be searched for SVI purposes.

In summary, Importer A cannot send a request to Steamship Line B to ask if A can monitor B. Importer A can only send a request to Steamship Line B to ask if B can monitor A. Gone are the days of "I want to monitor you." The new portal only allows "I want you to monitor me."

This change in the process came from CBP's Office of Chief Counsel. It eliminates the possible misuse of a C-TPAT member's SVI number, and ensures companies are monitored only by those with whom they wish to share their C-TPAT status.

The Portal will show the partners the member is monitoring, and the partners monitoring the member. Any partner that was previously being monitored will still be reflected in Portal 2.0. However, new partners to be monitored must go through the request procedure.

Another change with Portal 2.0 is the involvement of company officers. The C-TPAT program has always required a company officer among the points of contact. However, Customs found that the officer was not always involved or sometimes not even aware that the company participated in C-TPAT. Under Portal 2.0, all agreements must be signed by a company officer, and only a company officer can submit data to the portal. The C-TPAT Portal 2.0 [Trade User Manual](#) defines a company officer as a "person who holds an office of authority, and acts in an official capacity on behalf of a company."

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## *Container Weight Verification Starting July 1, 2016*

The International Maritime Organization (IMO) has adopted the Safety of Life at Sea (SOLAS) requirement that the weight of all containers must be verified by the shipper as a condition for vessel loading. This global requirement goes into effect July 1, 2016. As previously reported in [Shap Talk](#), misdeclared container weights have presented safety hazards for port workers and on American roads.

Starting July 1, 2016, the vessel operator and marine terminal operator will be in violation of the SOLAS Convention if a container is loaded on a vessel without weight verification. The shipper will be responsible for weighing the container after it has been packed. Estimated weights are not permissible. The shipper must sign a weight verification. If there is no signed shipper weight verification, the container must be weighed at the port. If the port is unable to weigh the container, it may not be loaded on the vessel.

U.S. importers need to be sure their shippers are aware of this new requirement. Carriers and ports will likely not accept cargo for loading without the signed shipper verification form. More information may be found on the World Shipping Council's [website](#).

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# TRANSPORTATION NEWS

## *January 2015 Update*

### *INDUSTRY NEWS:*

#### *DOT to Allow Mexican Cargo Trucks to Operate in United States*

The U.S. Department of Transportation (DOT) recently concluded a three year pilot program that tested and validated the safety of Mexican trucking companies with long-haul operations in the United States. DOT will now allow approved Mexican trucking companies to apply to make long-haul cross border runs into the U.S. DOT called this a "significant milestone" with the North American Free Trade Agreement (NAFTA) as this decision gives those companies the same rights in the U.S. as their Canadian counterparts, fulfilling a 20-year-old NAFTA obligation. The change will also lead to Mexico terminating its retaliatory tariffs on U.S. goods.

The agency explained that the pilot program which ended in October showed that companies from Mexico had the same levels of safety as American or Canadian carriers. In the pilot, 15 Mexican trucking companies were allowed access to U.S. roads. After drivers and trucks passed safety checks, they crossed the border more than 28,000 times, traveled more than 1.5 million miles in-country, and underwent more than 5,500 safety inspections by American officials.

As expected, the decision outraged the Teamsters union and others opposed to licensing Mexican carriers in the U.S., but is not clear whether they have any means to block the decision. The Teamsters union called it a "mistake of the highest order."

# OCEAN FREIGHT

## *Violent Protests at Nhava Sheva Port Lead to Negotiations*

The Port of Nhava Sheva has returned to operating at near normal levels after a recent violent protest. The protest was led by container trailer drivers who are frustrated with intermittent gate shutdowns that create mile-long lines of trucks. Gate delays have intensified recently after unionized crane operators launched a go-slow action on January 17th to press for a new wage contract. Negotiations are currently underway. With all of the disruptions at the port, cargo backlogs could take weeks to clear up. The backlogs are in part caused by a 12% increase in container volumes at the port over the past three fiscal quarters and a limited landside infrastructure. Delays at the port have led to carrier surcharges ranging from \$125 to \$225 per TEU, for all import cargo heading to northern inland depots.

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## *Pre-Chinese New Year Ocean Rates to Rise with New Round of General Rate Increases*

The ocean carriers currently are experiencing extremely high demand which is driving ocean rates upward. The Asia import market into the U.S. will continue to see a rise in rates on February 9th after experiencing some moderate drops over the last few weeks. Rates to the LA/Long Beach port areas have seen drops by as much as \$500 in the past month due to the labor issues looming there.

Rates are due to rise by at least \$480 per 20' and \$600 per 40' container on February 9th. The General Rate Increase is expected to take hold for the US east coast market in particular as ships are completely full right now, and it is expected that the ships will be full through Chinese New Year into late February. Importers can expect to see rates topping the \$5000 mark again from China to US east coast ports in February. Importers should prepare now for these increases as the market shifts from a buyer's market to a seller's market prior to Chinese New Year.

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## *MSC to Resume Service from Northern Europe to Boston and Philadelphia*

Weeks after receiving clearance from the Federal Maritime Commission (FMC) on its east-west trades 2M vessel sharing agreement (VSA) with Maersk Line, MSC has announced that it will also independently provide direct services between North Europe and the ports of Boston and Philadelphia. "While the 2M vessel sharing agreement will deliver outstanding operational benefits for MSC clients, the proposed schedule did not include direct services to Boston or Philadelphia," said the line. MSC considers it strategically important to maintain services into Boston and Philadelphia, and states that these updated routes will ensure it offers complete coverage of North American ports, seamless continuity of service, and faster transit times. How this decision by MSC will be viewed at Maersk remains to be seen.

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## *Northbound Volumes Overtake Southbound Volumes in U.S. East Coast/South America*

### *Trade*

As reported in the Journal of Commerce, the tides are shifting for U.S. east coast-South American trade. This trade lane has continually altered every decade or so for the last century. This change is dictated for the most part by currency exchange between the U.S. Dollar and Brazilian Real. Brazil, the largest South American market, dominates this trade and often commands the direction of surplus trade for this region. Before the financial crisis of 2008, the northbound leg was the dominant trade lane fueled by the cheap Real and the U.S. construction boom. Now, the Brazilian Real has been rapidly weakening against the dollar, and with the dollar able to buy more Brazilian goods, the shift in trade is becoming inevitable and should continue for the next few years.

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## *Sea Star Line Launches New Service to Puerto Rico*

With the exit of Horizon Lines at the end of December and 30% of the U.S.-Puerto Rico market up for grabs, Sea Star Line launched a new service to Puerto Rico ahead of schedule due to strong demand to fill the hole left by Horizon Lines. The American Shipper reported that Sea Star Line's new weekly barge service to Puerto Rico was inaugurated one week earlier with two 800-TEU barges that began on January 22nd.

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## AIR FREIGHT

### *Chinese New Year Requires Early Air Bookings*

A pre-Chinese New Year run up in air rates is traditionally expected in the first two weeks of February. However it is predicted that it will not be as active as the pre-Christmas peak was. We urge our air shippers to book as early as possible.

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### *Turkish Airlines Expands Freighter Services*

Turkish Airlines has been expanding considerably the past few years, in particular with their North America service. Starting in February, shippers can benefit from a weekly U.S. freighter from Chicago departing Fridays with a stop in Maastricht, and arrival on Saturday in Istanbul. Turkish Airlines has a decent freighter network out of Istanbul with 115 direct freighter flights according to the Official Airline Guide (OAG). With O'Hare being the world's busiest airport in number of takeoffs and landings, this expansion should ease Turkish Airlines' access to over 100 destinations.

Turkish Cargo will provide more road feeder services through the U.S. by expanding its surface transportation network. The new Turkish Cargo truck service agreements cover about 200 destinations spread throughout the U.S. The truck network is operable from and to the direct flight destinations in Los Angeles, Chicago, Washington, and New York. These cities are going to act as regional surface transport hubs and will provide direct connections to offline points.

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### *Could There Be an End to Air Surcharges?*

Emirates Qatar and SAS Cargo have announced plans to convert to an all-in pricing model, incorporating fuel and war risk into their freight pricing. This follows the shift of other carriers applying these surcharges to chargeable weight instead of gross. We may see more to come of this trend. hubs and will provide direct connections to offline points.

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## *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 Paula Loewer, Accounting Analyst, for her outstanding performance and contributions.

We encourage you to provide us with employee feedback! Please email us at [hr@shapiro.com](mailto:hr@shapiro.com).

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## **WE WANT TO HEAR FROM YOU!**

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](mailto:shaptalk@shapiro.com).

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