# SHAP TALK

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*In this issue:*



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# TRADE NEWS:

## *March 20 Deadline Announced for TSCA Blanket Certification*

As previously reported in January's Shap Talk, U.S. Customs and Border Protection (CBP) issued a final rule regarding the importation of chemical substances and mixtures subject to EPA's Toxic Substance Control Act (TSCA), eliminating the old TSCA Blanket Certification process. While the original effective date was temporarily postponed, CBP has announced an implementation deadline of March 20, 2017.

The new ruling will require importers to provide an electronic certification in the Automated Commercial Environment (ACE) for each entry indicating a Positive (+) or Negative (-) declaration required by the EPA, along with the name, phone number and email address of the TSCA certifier.

This information should be provided as a written declaration on the commercial invoice; through a letter of instructions; or in an email – for each individual shipment. In addition to the declaration, the importer must provide the name, phone number and email address of the TSCA certifier.

As a reminder, here are the certification statements:

Positive Certification: I certify that all chemical substances in the shipment comply with all applicable rules or orders under TSCA and the importer is not offering a chemical substance for entry in violation of TSCA or any rule or order under TSCA.

**Certified by:** Full name, phone number, and email address of TSCA certifier.

**Negative Certification:** I certify that all chemicals in the shipment are not subject to TSCA.

**Certified by:** Full name, phone number, and email address of TSCA certifier.

The final rule also allows importers to provide electronic notice of exportation and abandonment as an alternative to the paper-based written notice process in the existing regulations.

Be sure to read the full Federal Register notice dated 12/27/2016.

## *ACH Refunds from U.S. Customs Border and Protection (CBP)*

*ACH Refund is an option available for importers with a federally-assigned taxpayer identification number and a U.S. bank account to receive refunds, resulting from overpayment of Customs duties, taxes, and fees, electronically through Automated Clearinghouse (ACH).*

*The refund is automatically deposited directly into the importer's bank account to eliminate the process of depositing checks as well as the delay and risk associated with receiving Treasury checks through the mail. ACH refunds normally originate on the Monday after the liquidation date; i.e., the date a refund request is transmitted to Treasury. The bank should receive the transaction the following day.*

*Within 1-2 weeks after receipt of enrollment forms, all refunds CBP issued to that federally assigned taxpayer identification number will be sent electronically to the designated bank account.*

*Enrollment forms are available by fax or email from the Revenue Division.  Please call the ACH Refund Help Desk at (317) 298-1200, extension 1178 or an inquiry can also be made via email at GMB.ACHREFUNDSUPPORT@CBP.DHS.GOV.*

## *CBP Issues Requirements on 9801.00.10 and Foreign Goods Returned to the U.S.*

As reported in the June Issue of Shaptalk, legislation passed under the Trade Facilitation and Trade Enforcement Act of 2015 allows duty paid products regardless of origin exported from the U.S. and returned in the same condition can be imported back into the U.S. free of duty."

The expansion of subheading 9801.00.10 under the Harmonized Tariff Schedules includes all products exported from and returned to the United States, regardless of country of origin.  For U.S. origin products, there is no time limit on filing a claim.  For foreign origin products, there is a 3- year time limit.

On January 31, 2017, CBP issued CSMS # 17-000046 as guidance for what documentation that CBP may ask to prove export and return to the U.S.

1. For either U.S. manufactured goods or foreign origin goods (for formal entries valued over $2,500 only): Declaration by Foreign Shipper indicating that the products were not advanced in value or condition while outside the United States. A certificate from the master of a vessel stating that the products are returned without having been un-laden from the exporting vessel may be accepted in lieu of the declaration by the foreign shipper;

2. For U.S. manufactured goods (for formal entries valued over $2,500 only): for U.S. goods formally entered that are not clearly marked with the name and address of the U.S. manufacturer, CBP may require a Manufacturer's Affidavit confirming that the articles were made in the United States;

3. One of the following documents will be deemed sufficient proof of export from the United States for U.S. manufactured goods or foreign origin goods, provided the information contained therein proves an export from the United States: a) Copy of the entry into the foreign country; b) U.S. export invoice or bill of lading/airway bill; or, c) Electronic Export Information (EEI) or the Automated Export System (AES) filing exemption.

There are also specific requirements for aircraft, aircraft parts, and Foreign Military Sales (FMS) aircraft, and State Department Licenses. Filers are encourages to read the entire CSMS Message #17-000046 to review all requirements.

## *WTO to Investigate Chinese Plywood for AD/CVD*

In early January, the International Trade Commission (ITC) reached a unanimous vote to proceed with an investigation into plywood products manufactured in China. The unanimous vote rendered by the ITC hints that U.S. businesses have been materially injured by Chinese subsidized plywood products, which range from furniture and cabinetry to recreational vehicle components.

As a result of the ITC's vote, the Department of Commerce (DOC) will conduct full-scale antidumping and countervailing duty investigations into Chinese plywood imports. A countervailing duty ruling is expected around February 13th and an antidumping ruling will follow around April 27th. If the rulings issued determine that dumping was occurring, then the addition of these costs could be levied against importers of record.

The Coalition for Fair Trade in Hardwood Plywood (FTHP), who initially brought these dumping activities to the attention of the ITC, is seeking duties of more than 100% and believes they have a strong case given the ITC's unanimous ruling. On the other end of the spectrum is the American Alliance for Hardwood Plywood (AAHP), which represents plywood importers and manufactures and is opposed to the investigations. The AAHP believes the evidence presented will demonstrate that plywood products being sold at fair market value and that pricing is competitive but not unlawful.

## *U.S. Beef Exporters Find Success in Indonesia Amid New WTO Ruling*

Last spring, the World Trade Organization (WTO) issued a ruling contending that Indonesia's import restrictions on beef, and a myriad of other products, infringe on particular statutes the country must abide by as an active member of the WTO. The ruling led the Indonesian government to relax many of its more restrictive sanctions on beef imports, opening up an entirely new market for U.S. beef exporters. As a result, U.S. exports to Indonesia achieved a new annual record of $33 million USD.

The Indonesian government began to lift restrictions last spring, but the uptick in trade only became significant in late 2016. The biggest benefit to U.S. beef exporters came as a result of the type of beef products that could be imported – previously banned products such as knuckles, particular loin/hind-quarter cuts, livers and hearts are now accepted by Indonesian commerce.

While the initial WTO ruling has had an immediate, positive impact on U.S. beef exporters and Indonesian importers, there are much larger benefits for U.S. exporters that should help alleviate more fickle and laborious Indonesian import policies over time.

## *FDA Ban on Powdered Gloves*

On January 18, 2017, FDA issued a final rule to ban all powdered surgeon's gloves, powdered patient examination gloves, and absorbable powder for lubricating a surgeon's glove because these products present unreasonable and substantial risk to health care providers, patients and other individuals.

The effective date applies to devices already in commercial distribution and those already sold to the ultimate user, as well as to devices that would be sold or distributed in the future. Section 501(g) of the FD&C Act (21 U.S.C. 351(g)) deems a device to be adulterated if it is a banned device.

Importers and manufacturers should take note that powdered surgeon's gloves, powdered patient examination gloves, and absorbable powder for lubricating a surgeon's glove offered for import into the United States will be subject to refusal of admission.

For more information, please visit the FDA Medical Device Bans webpage. Questions regarding FDA's ban of powdered surgeon's gloves, powdered patient examination gloves, and absorbable powder for lubricating a surgeon's glove should be directed to FDA's Center for Device and Radiological Health CDRH OC Import mailbox at cdrhocimport@fda.hhs.gov or 240-402-4020. Questions regarding FDA's import processes can be directed to FDA's Division of Import Operations at FDAImportsInquiry@fda.hhs.gov.

## *New Support Documents Required for Hong Kong Routed Control List Goods*

The Bureau of Industry published a Federal Register notice on 1/19/2017 with an effective date of April 19, 2017, requiring persons intending to export, or re-export, cargo routed through Hong Kong, subject to the Export Administration Regulations (EAR) and controlled on the Commerce Control List (CCL) for national security (NS); missile technology (MT); nuclear nonproliferation (NP column 1); or chemical and biological weapons (CB) reasons, to obtain **a copy of a Hong Kong import license, or a written statement from the Hong Kong government that such a license is not required, prior to export or re-export.**

Exporters will need to address how they will comply with this new recordkeeping requirement. The rule does not impose any new license requirements, just recordkeeping "proof" requirements for the U.S. exporter to ensure there is a valid license that has not expired or, something in writing from the Hong Kong government that a license is not required. The documents required must be retained and made available to the U.S. Government upon request.

## *CBP Drawback Simplification Newsletter First Edition*

In support of upcoming drawback program changes mandated by the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA), U.S. Customs and Border Protection (CBP) has published an initial Drawback Simplification Newsletter on CBP.gov. This newsletter provides TFTEA drawback development and deployment information for the trade community. CBP intends to update the publication monthly on its website through February of 2019.

The newsletter outlines some of the major changes from the TFTEA legislation:

- Eight Digit HTSUS/Schedule B Substitution Standard
- Drawback Refunds
- Electronic Filing
- Drawback Recordkeeping
- Drawback Filing
- Supporting, Transfer Documents

The Act provides CBP with two-years from the date of enactment to fully implement the new law. As such, the changes promulgated by the Act will not take effect until Feb. 24, 2018, applying to drawback claims filed on or after that date. Until then, drawback claims must be filed under the drawback laws in effect prior to the enactment of the Act.

The Act also provides for an additional one-year transition period, from Feb. 24, 2018 to Feb. 23, 2019, during which claimants may elect to file new drawback claims under either the existing, pre-Act or Act drawback regulations. As of Feb. 24, 2019, at the end of that one-year transition period, all drawback claims then must be filed according to the new rule.

These changes are exciting, but will either change the way your drawback program works or provide an opportunity to start your own drawback program. Contact Shapiro's compliance gurus by emailing consulting@shapiro.com for further information on drawback opportunities.

## *Official Notice of Extension, Suspension, and Liquidation*

Liquidation is the final computation of duties or drawback accruing on an entry. All entries covering imported merchandise, except temporary importation bond entries and those for transportation in-bond or for immediate exportation, are liquidated.

Effective January 20, 2017, CBP electronic bulletin is available to allow importers to search notices of extension, suspension and liquidation of entries. Postings will be kept online for 18 months after which requests will need to be made to CBP in order to view a past liquidation.

Importers with an ACE Secure Data Portal account may run the AM-100 Courtesy Notice of Liquidation report to monitor the liquidation of entries and view extension and suspension records.

To access this information, please visit CBP's electronic bulletin.

# TRANSPORTATION NEWS

*Industry News:*

## *U.S. Trade Policy under Trump Baffles Trade Partners*

President Donald Trump hit the ground running during the first week of his presidency with a protectionist U.S. trade agenda in tow. Shortly after President Trump's inaugural address declared "America First," the new administration began picking apart the U.S.'s current international trade policy.

First on the chopping block, and only after only two days in office, the President began dismantling the North American Free Trade Agreement (NAFTA), as promised during his 2016 campaign, calling it "the worst deal ever." Changes or the removal of NAFTA would still require Congressional approval and re-negotiations with two of the U.S.'s primary trading partners, Mexico and Canada. But NAFTA isn't the only trade agreement on the chopping block. Trump also signed an executive order to withdraw from the Trans-Pacific Partnership (TPP) in favor separate, individually beneficial deals between the U.S. and the 11 Pacific member nations. The goal is to improve trade access to the 11 countries, which control more than half of total global GDP, with strategic focus on intellectual property rights, labor rights, the environment, and internet use.

Next, the President promised to levy a "significant" tax on imports in an effort to move production back to the U.S. and punish manufacturers that choose offshore labor markets. Unfortunately for conservationists, the administration will push to reduce environmental regulations on U.S. factories in an effort to keep or encourage production back to the United States. President Trump has stated intentions to "cut regulations by 75 percent, maybe more" much to the chagrin of environmental advocates.

If removing the U.S. from a standing 23-year running trade deal, NAFTA, didn't get enough international attention, Trump also announced plans for a sweeping 20% tariff on imports from Mexico, creating tension with our southern neighbors. The Mexican government has taken great exception to the new administration and diplomatic relations have been strained, with the potential for retaliation against U.S. exports. In the end, these decisions have U.S. consumers worried that they will be ultimately paying for Trump's U.S.-Mexico border wall.

A protectionist stance and expected heavy investment in America's infrastructure could have trade benefits by increasing U.S. exports and balancing out the current trade deficit. Senator John McCain, however, expressed concern that backing out of the TPP would damage relations to the fastest growing consumer market in the world, Asia. Ron Moore, president of the American Soybean Association (ASA), echoed

McCain's sentiments and expressed disappointment at losing U.S. agriculture's shot at a lucrative new soy bean market. Many business leaders are hopeful that some of these measures will lead to increased domestic business investment, better U.S. jobs, and a more equalized trade balance.

## *2017 Fulfillment by Amazon U.S. Fee Changes*

U.S. Fulfillment by Amazon (FBA) recently announced changes to their 2017 fulfillment fee schedule starting February 22. For more information about these and other fee changes, visit Amazon's official notice.

**Effective February 22, 2017**

Amazon is consolidating their cost-tier structure into single-price lanes for certain types of fulfillment products. Here are some of the changes you can expect:

- 'Zero-fee' fulfillment items will no longer receive discounts for 'standard-sized items that sell for $300 or more' and will have fees reportedly based off of their applicable product size tier.
- Order handling, pick & pack, and weight handling fees will move into a single, per-unit charge.
- Media and non-media items will also be consolidated into a single standard-size tier instead of two separate fees; Amazon found "the cost for Amazon to fulfill a media item is similar to the cost to fulfill non-media items."

**Effective March 1, 2017**

Starting in March, "the monthly inventory storage fee for standard-size items will increase" for items that are stored in fulfillment centers (FC) during the months of January through September. This increase for standard-size items will not affect oversized unit storage fees at FCs during those months.

**Effective July 19, 2017**

Effective July 19th, Amazon plans to increase the number of FC locations FBA sellers are asked to send product to during the shipment creation process. If sellers are not interested in shipping to multiple locations, they may opt to use the Inventory Placement Service, which incorporates a per-item service charge to reduce the number of destinations.

**Effective October 1, 2017**

Amazon is increasing their peak season to include the month of October, causing fees goods shipped in October to align with the peak season charges set forth for November and December. Amazon also mentioned that "if you reduce the storage space you use in October, you have the opportunity to pay lower total FBA fees in October." This change will also cause monthly inventory storage fees to increase for product stored in October, in order to match the rates set for storage fees for November and December.

## *Alibaba Creates a Freight Forwarding Marketplace*

Alibaba, a major global online retailer, has expanded into the freight forwarding arena by adding logistics services to its platform. Partnering with WCA Ltd, one of the world's largest network of freight forwarders, Alibaba will integrate these vetted forwarders into a marketplace platform and allow them to compete for freight bookings.

Ecommerce giants Alibaba and Amazon have long identified the integration benefits of providing logistics solutions for their sellers, galvanizing accessibility and change in a traditionally antiquated environment. Alibaba boldly announced plans to "invest nearly $16 billion dollars in logistics over the coming 5 to 8 years." The investment is Alibaba's not-so-silent reply after its biggest international competitor, Amazon, entered the world of freight forwarding as an NVOCC last year.

As a non-vessel operating common carrier (NVOCC), Amazon will ultimately be able to provide freight services to Chinese suppliers and subsequently grow its buying power with steamship lines. Alibaba's approach uniquely differs in that it uses its platform to connect shippers directly with forwarders, allowing them to compare rates and routings for their bookings, and ultimately make their own choice. Only time will tell if the expansion of these two giants into vertical market integration will ultimately succeed and expand to create even more integrated offerings.

As supply chain services expand and grow, it is important to evaluate logistics service providers, scope of their services, and industry experience whether you are a new, or seasoned seller. Importers unaware of customs regulations or delivery requirements can be exposed to risk and surprise costs.

Shapiro's eCommerce team specializes in educating sellers on all facets of the importing process and will walk you through each step. From experienced customs brokers to logistics experts, we consider all details of your shipment from start to finish. Reach out to us directly by emailing ecomm@shapiro.com.

## *India Puts Amazon in Unchartered Ecommerce Territory*

Among one of the world's mostly densely populated and youngest populations, India is a potential ecommerce gold mine. "Online buyers in India were estimated to exceed 100 million by the end of 2016 compared with 50 million in 2015," according to a study conducted by Google and Forrester Consulting, India. Most notably, India has the youngest population in the world, "with more than 50 percent younger than 25 and more than 65 percent younger than 35." Together, these variables present a unique, untapped market for ecommerce expansion.

However, where India shines in rich consumer metrics, it significantly lacks in infrastructure to support such growth. Technologically, only 35% of the population has access to the internet – millions of shoppers simply cannot reach online marketplaces. Shoppers that do have access to the internet, shop online primarily to avoid logistical headaches. As the JOC explains, "Congested roads, traffic jams, the unavailability of parking space, and the pleasure of shopping without leaving their comfort zones were seen as the primary reasons 65 percent of buyers in India are compelled to shop online." Online payment adds another layer of complexity; credit card use in India is minimal. Without the technological ability to assess credit risk, most purchases are made with cash, which is not available for online purchases.

Etail giants not only realize the untapped potential of the Indian market, but also are actively taking measures to remedy these infrastructural barriers. It is expected that ecommerce companies will invest "$6-8 billion in logistics, infrastructure, and warehousing over the next few years." Through these initiatives, more consumers will be able to not only shop online but also benefit from an improved distribution system that can fulfill their goods as needed. As these changes are implemented, this will certainly be the next ecommerce market to watch.

## *Hidden Logistics Costs Threaten India's EXIM Growth Goals*

According to a joint study released this month by Maersk Line and the Confederation of Indian Industry (CII), India has the potential for double-digit container trade growth in a relatively stagnant projected world trade forecast (1-2%); however, hidden costs may stifle ability to capture this ripe market share.

India's government has long identified its trade weaknesses, specifically the additional logistics costs accrued by shippers due to poor infrastructure; regulatory delays; and manual port and customs processes, but have been challenged implementing solutions. In 2015, the Indian federal government attempted to privatize public, port trusts, however failed after dockworkers threatened an indefinite nationwide stoppage after the controversial corporatization plan was announced. In 2016, India's Directorate of General Shipping attempted to abolish shipping surcharges, but only managed a watered down policy after firm resistance from steamship lines.

The study claims that "a 10 percent reduction (in logistics costs) can boost India's competitiveness and contribute additional revenues of up to $5.5 billion annually (for Indian exports)." The country's export portfolio is comprised primarily of textile & garments, pharmaceuticals, electronics and auto components – all of which are subject to significant hidden supply chain fees.

Indian Prime Minister Narendra Modi's goals echo the study's findings calling for lower logistics costs, the elimination controversial shipping surcharges, improve inland infrastructure and port connectivity, establishment of deep-sea hub ports to capture transshipment business, and streamlined port and customs processes.

## *Forwarders Push for FMC Relief on Port Charges*

U.S. freight forwarders and Customs brokers are joining with U.S. importers to push the Federal Maritime Commission (FMC) to take action against excessive demurrage and detention costs. Importers have seen a continuing increase in shipments accruing storage costs at U.S. terminals caused by events outside of their control and usually end up footing the bill. Often associated with extreme weather conditions, labor issues, and/or port congestion, these delays have result in tens of millions of dollars in annual feed that importers must pay as a result of terminal and carrier excessive container policies.

Late last year, a group of importers petitioned the FMC to issue a rule requiring steamship lines and terminals to extend the free time given for storage or equipment use when they are impacted by these events. Customs brokers and freight forwarders have since joined by issuing their public comments in support of the proposed regulation.

While demurrage and detention fees are traditionally designed to encourage the timely pickup and return of the container, there is an increasing belief among importers and forwarders that ocean carriers and terminals are using these fees as a profit center. To magnify the issues, there has been an increase in terminal disruptions over the last several years caused by strains to port infrastructure and labor issues which has led to an even larger increase in these fees.

In a 2015 report by the FMC on these fees, the commission requested that importers and brokers provide evidence of these unreasonable charges. This request also drew the ire of the industry as many felt it was unreasonable and time consuming to have to bring each of these invoice complaints to the agency and have instead pushed for a uniform rule governing the carriers and terminals. Terminals and carriers continue to rebuff these claims and are expected to resist FMC action.

The election of President Trump, and the subsequent change in the makeup of the FMC, has led to questions on what direction the commission will take on this on-going issue. Industry feedback will continue through the end of February, at which time the FMC will review the report and issue their findings.

## *Brazilian Customs Strike Finally Comes to an End*

The Brazilian port labor strike, stemming from a July 2016 dispute between the government and Customs workers, has finally drawn to an end. The deal, struck by Brazilian President Michel Temer's administration, granted nearly all union demands including a 20% increase in pay.

A provisional measure has been passed in Brasilia and is awaiting congressional approval. An official statement has not been announced by the Customs union, but is expected once congress inevitably approves the measure. The port of Santos alone has suffered losses of over $1 billion BRL ($309.9 million USD) as estimated by Sao Paolo shippers' association, SINDAMAR.

## *U.S. Ruling Strengthens Brazil's Beef Export Push*

The U.S. Department of Agriculture's Food Safety and Inspection Service (FSIS) has ruled that Brazilian beef has attained the high food safety standards aligned with those of the United States. The ruling alludes that other developed markets with similar quality restrictions, such as Canada; Mexico; Japan; and South Korea, may also open their markets to the world's largest beef exporter. Minerva Foods, a Brazilian beef producer, is already beginning to expand internationally on the back of the U.S.'s regulatory ruling.

According to Minerva, in the 12 months between September 30, 2015 and September 30, 2016, Minerva exported 24,500 TEUs of beef. Approximately 80 percent of Brazilian beef is exported from Santos, including Minerva's exports. The company also has room for flexibility by utilizing the ports of Vitoria and Salvador, which recently added Frisa Frigorifico Rio Doce in northeastern Brazil to its growing capacity. Additionally, Minerva is expanding its operations to South America and is working towards buying an Argentine beef producer in order to capitalize on the vast beef stocks of the world's sixth-largest producer and ninth-largest exporter of beef.

# OCEAN FREIGHT NEWS:

## *Overcapacity to Continue into 2017*

Overcapacity is term importers and exporters have become quite familiar with over the past year. As more mega vessels enter the market, carriers have attempted to mitigate this surge by restricting sailings, consolidating services, and creating alliances to curb the effects of their own making. While shippers continue to reap the benefits, lower rates in a saturated market, carriers aren't seeing a light at the end of the tunnel.

Alphaliner reported that roughly 78 percent of new vessels to be delivered in 2017 will have a 10,000+ TEU capacity. This 3.4 percent growth in the global container-ship fleet, compared to 1.5 percent growth rate in 2016, will only compound issues for carriers. However shippers shouldn't celebrate just yet. The instability of long-term financial losses threatens the industry as ocean carriers struggle to survive. A grave example is the recent collapse of Hanjin, the world's seventh-largest steamship line, wreaking havoc on shippers who opted for low rates over stability, and even more damage to victims of vessel sharing agreement (VSA) utilizing space on Hanjin vessels.

Increased consolidations are a direct consequence of overcapacity, but this reduces market competition and allows larger alliances to dictate market pricing. While the road to market stabilization and reestablishing profitability in the container market will be slow and arduous, only time will tell how the market will react to these changes.

## *The Year of the Rooster Outlook*

The year of the rooster is upon us. The Chinese New Year holiday, which began on January 27th, will see effects on Trans-Pacific freight rates and restricted capacity lasting though mid-February. Although there was not the typical extreme surge of volume leading up to the earlier than normal holiday, ships were still full and space remains tight.

The temporary removal of sailings from the ocean carrier rotations have helped keep January GRI's in place and rates steady. Looking head the Lunar New Year in late February, rates may begin to deteriorate the 2nd half of the month as they settle in March. Mid-February GRI's have been announced by some carriers in the $600/40' range; however a lack of demand will likely going to postpone or mitigate them altogether.

## *Trans-Atlantic Market Drops in Ranking*

Trans-Atlantic trade dropped to 4th place in volume ranking as U.S. importers source more business from Southeast Asia. According to Drewry Shipping Consultants, total volumes on the Trans-Atlantic trade topped 5 million TEU's for 2016 as imports to the U.S. grew 2%. Traditionally the Trans-Atlantic market has remained fairly stable, especially in relation to the more volatile rate and volume mood swings of U.S. Trans-Pacific trade. That stability also reflects a trade market that has seen little development over the past decade as U.S. importers and exporters focus on the explosive growth in the Far East and Southeast Asia. The Mediterranean market has also experienced growth in tandem with the U.S. housing market, creating increased demand for tile and stone from the region.

The strong U.S. dollar and continuing economic recovery in the EU has driven down demand for U.S. exports, but with the Trump administration making strong moves in the oval office, such as warming relations with Russia, some look for optimistic growth in Trans-Atlantic trade.

## *Rumors Surrounding OOCL Buyout On-Hold*

For quite some time, there have been rumors regarding a potential buyout of 4th largest container carrier in Asia, Orient Overseas Container Line (OOCL). Suspected buyers included both China's COSCO and Taiwan's Evergreen. As the industry continues to suffer a global downturn, rumors intensified late January 2017 – claiming COSCO would be drafting a bid to purchase OOCL from Orient Overseas International Limited.

Adding fire to speculation, other large carrier consolidations and mergers in the past year signal that market conditions are ripe for action:

- CMA CGM's acquisition of APL – June 2016
- Hanjin's announced bankruptcy – September 2016
- UASC's pending merger with Hapag-Lloyd – Q1 2017

Despite this rumor gaining significant traction over the past month, it appears the talks have been temporarily halted. Orient Overseas International Limited advised its investors that there has been no bid presented to purchase OOCL.

Per Orient Overseas International Limited's filing to the Hong Kong Exchange (HKEx):

"The company has noted certain recent media reports which mentioned that there may be a potential bid for the company's subsidiary, Orient Overseas Container Line (OOCL) by other shipping companies.

The company wishes to clarify that the company and OOCL is not aware of, nor is it involved in any bid relating to the company or to OOCL."

Stay tuned as speculation surrounds other potential bidders such as COSCO, CMA CGM, and Evergreen – though all three have either declined to comment, or claim to have no knowledge of any bid in progress.

# AIRFREIGHT NEWS:

## *Update on e-Freight for Air Cargo*

In 2006, the e-Freight program was launched for air carriers, freight forwarders, ground handlers, shippers, Customs brokers and Customs authorities in effort to reduce the use of paper trail on air cargo shipments. The program sought to bring together international governments to create an e-Freight network supporting electronic Customs procedures and paperless filing, including the digitalization of the air waybill and transport documents.

To work, freight forwarder must be able to communicate electronically with airlines and handle a set of standard messages, however the process is leaving behind many small-to-midsized forwarders who do not have the technological EDI capability to transmit or receive the required data.

At the end of 2016, International Air Transport Association (IATA) reported 46.1 % penetration of e-AWB use on usable trade lanes. To boost usage in 2017, IATA is working with electronic platforms to recommend as an easy-to-use solution for the freight forwarding community. This is a bright development as the benefits of the e-Freight program are substantial with operational efficiency; saving time, cost-effectively reducing supplies needed for paper air waybills, improved data quality accuracy, reduced environment impact, and streamlined regulatory compliance.

## *First Asian Low Cost Carrier Finally Coming to the States*

AirAsia X, a Malaysia-based affiliate of AirAsia was granted approval from the Department of Transportation (DOT) to operate services to any destination within the U.S. The airline currently offers services to destinations in Australasia and other cities in the Asia-Pacific region. With a brand new market to expand into, AirAsia may expand routes through Hawaii, generating increased tourism. The airline will operate the route via Osaka, Japan in order to tap into the Japanese outbound market into Hawaii. AirAsia plans to offer a four times weekly service, increasing to a daily frequency in the summer.

## *Turkish Cargo Plane Crashes in Kyrgyzstan*

A Boeing 747 cargo plane owned by ACT airlines, crashed Monday, January 16th on approach to Manas International airport in Bishkek Kyrgyzstan amidst heady fog. The Turkish company, operating under MyCargoAirline, stated that the crash was not a result of "technical reasons or loading related factors." All four crew members, and 34 local villagers were killed, and more severally wounded. The flight TK- 6491 was carrying cargo from Hong Kong to Istanbul.

Preliminary reports state the aircraft overshot the runway and crashed through fencing at the end of the runway into the small village destroying seventeen houses and damaging six more. There is yet to be any confirmed information as to the cause of the crash, however the flight data recorder and the cockpit voice recorder have been recovered and are reportedly being reviewed by Accident Investigation Board of Turkey (KAIK), U.S. FAA, U.S. National Transportation Safety Board, Boeing, Kyrgyzstan authorities and ACT Airlines representatives.

## *Emirates Airlines Launches New York Services*

Under the U.S.-UAE Open Skies agreement, Emirates Airlines plans to launch its 2nd service to New York from Dubai via Athens, Greece starting in March. This is Emirates' second non-stop route from Europe to the United States; Emirates already services JFK from Dubai via Milan under this agreement.

With the growing economy of Greece and a large Greek diaspora in the U.S., this service is commercially and operationally feasible per Tim Clark, president of Emirates. Emirates will operate a Boeing 777-300ER on the route with a 19 tonnes of belly-hold cargo capacity.

## *Singapore Airlines Adds New U.S. Services*

Singapore Airlines decided to make a significant change to their Singapore-to-Houston service. The 5 times weekly flight, formerly operated via Moscow, has been operating through Manchester. Due to the Russian economy and opportunities available following Brexit, Singapore Airlines sought to strategically target oil industry workers in connecting Houston to the UK. Singapore Airlines also plans to bring back its non-stop flights to New York and Los Angeles as early as 2018; it is currently serving Los Angeles via stops in East Asia.

Gulf traffic rights under this agreement are vital to air cargo operators such as FedEx, which operates its hub in Dubai. The deal allows for access to Asia, India, the Middle East, and serves as gateway into Africa.

## *AeroUnion Adds New Miami Services to Latin America*

Miami International Airport (MIA) is the world's largest gateway to Latin America and the Caribbean, handling over 83% of all air imports and 79% of all exports to/from the region. It serves as a distribution hub for perishable goods, high-tech commodities, textiles, pharmaceuticals and industrial machinery.

Since its launch in December of 2016, Mexico's AeroUnion has become the fourth new all-freight airline to provide a twice weekly roundtrip triangular service between Mexico City, Mérida and Miami. U.S. air carriers, Northern Air Cargo and 21 Air, and Canadian airline KF Cargo also began routing into Miami International in November and April of 2016, respectively, in order to gain access to multiple South American markets.

"AeroUnion joins our roster of what currently includes 43 all-cargo carriers and 109 total airlines, which is the most at any U.S. airport," Miami-Dade Aviation Director, Emilio T. González, proudly announced.

Starting this year, Miami plans to attract additional freighter airlines by modernizing its cargo operations under the Cargo Optimization, Redevelopment and Expansion (CORE) Program which is expected to double Miami's cargo infrastructure and capacity.

# DOMESTIC NEWS:

## *For Some Shippers, Pool Distribution Becomes Ecommerce Solution*

An old supply chain strategy known as 'pool distribution' is being revitalized by a growing ecommerce market seeking more flexibility in their fulfillment systems, integration with sophisticated product management programs, and real-time, tracking technology. Pool distribution operates like a hybrid between less-than-truckload (LTL) and small parcel deliveries, focusing on a 'hub and spoke' system that uses a regional distribution network to move and track customized carton shipments to local stores or fulfillment locations.

This method allows for companies and online retailers to have a higher degree of control and flexibility over their product routing.  Instead of shipping large quantities to brick-and-mortar stores that require additional overhead costs, companies are alternatively shipping product to regional pool sites that consolidate the product into smaller, mixed-carton shipments. These 'carton-level' shipments let stores unload the delivered goods right onto the sales floor without the hassle of backroom inventory, bulky palletized shipments, and warehousing issues associated in-house stock.

Throughout the pool distribution model, cartons are constantly scanned and tracked with data feeding directly into customized supply chain systems. This gives retailers near real-time information on their product quantity and location, allowing for precise control over inventory flow. Businesses can select which products needs to go where for rapid re-stock, nimbly re-direct goods to another location, easily handle returns by storing at the pool site, and manage "buy-online, pick-up-in-store" orders within the same network.

Pool distribution is especially attractive to newer ecommerce businesses competing to meet consumer delivery expectations set by larger, established retailers such as Amazon. The ability of pool distribution networks to provide quick fulfillment and flexible options will continue to increase as we see more retailers, logistics providers, and carriers get involved.

## *U.S. Shippers Footing the Bill for Higher Truckload Rates*

Trucking carriers experiencing slow demand and low market spot rates are finally starting to get some traction.  Some of the largest U.S. truckload carriers have finally begun seeing rates rise in December and are expected to climb higher as we progress into 2017. This is a great sign for U.S. truckers since low consumer demand and overcapacity cut into profits throughout much of 2016.  As the U.S. truckload market slowly gains profitability, rising global and domestic industrial outputs, growing consumer confidence, and lower retail inventory-to-sales ratios all point to healthy continued progress.

It's still unknown how the U.S. economy will react to certain policies and regulations being put into place, but industry experts have so far forecasted positive year-over-year growth. Although we are beginning to see higher truckload rates being paid by U.S. shippers, the carriers still face an uphill battle to increase revenue with volume as the key variable of sustained growth.

## *LA-LB Terminals Productivity Deteriorates as Day Becomes Night*

New analysis performed by Sal Manzo, co-founder of InfoMagnus, reports that truckers experience very good service at the ports of Los Angeles and Long Beach during the day, but that service deteriorates during the night, causing shippers and truckers to wonder how the extended-gate program can be improved.

During the month of November, truck times in the morning and early afternoon were roughly 60 minutes, which truckers consider to be within 'good service.' During night shifts, however, truck times rocket to 90 minutes, even though daytime traffic is almost twice the volume.

The Harbor Trucking Association (HTA) data even shows that he ports' overall average truck visit times have increase for the second consecutive month, as terminal operators coped with the peak-season surge in container volumes and the big impact of Hanjin Shipping's bankruptcy. The average truck visit time in November was 93 minutes, up from 90 minutes in October and 87 minutes in September.

Per Manzo's analysis, the total average visit time would improve dramatically if terminals can offer the same quality of service at night that they do during the day. In the morning hours between 7 a.m. and 9 a.m., the average turnaround times are slightly more than 60 minutes. From 9 a.m. until the noon lunch hour, wait times increase to the low 70s and drop back down to 60 minutes from 1 p.m. to 4 p.m. The problems begin around 4 p.m. when trucks begin to line up outside the terminal waiting for the night shift to start. When truckers line up early to be at the head of the queue when gates re-open at 6 p.m., visit times are typically longer.

The HTA believe the fluctuations in service are due to fewer night-shift employees, competing resources with existing evening operations, and the use of part-time labor that are not as experienced than the day shift workers.

## *New York Terminal Appointment System Model Shows Promise*

A new appointment system, implemented by Global Container Terminal in Bayonne, NJ at the beginning of the month, is seeing great success. The new system requires all trucks entering the terminal between 6 a.m. and 8 a.m. to make an appointment.

But the New York-New Jersey terminal isn't the first to try an appointment system to improve container and truck flow in and out of terminals. Seven of 13 container terminals in the Los Angeles-Long Beach ports also utilize a similar appointment system. Oakland International Container Terminal, started an appointment system last year and a voluntary truck reservation system has been in operation for several years at Virginia International Gateway.

Per John Atkins, initial analysis shows that the appointment system has helped cut turn times at the terminal by 40 percent compared with turn times after 8 a.m., after which no appointments are required. To make an appointment, a trucking company must register its drivers through the terminal website with a radio frequency identification tag assigned to the driver and the truck's license plate. Appointments must be made on the website before 3 p.m. the day before the intended pick-up and last the duration of an hour.

The idea of an appointment system was one of the key initiatives recommended by the port's council to improve efficiencies.  Truckers, however, are hesitant to expanding the system into regular hours citing too many uncontrollable variables can prevent a river to arriving within the allocated window. At the moment truckers have not experienced any major issues in the system, but it is too early to evaluate the program's potential performance.

# 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 Sandy Poffenberger, eCommerce Domestic Analyst in Baltimore for her outstanding performance and contributions.

We encourage you to provide us with employee feedback! Please email us at hr@shapiro.com.