“SHAP” TALK
July 2010 Issue No. 99

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WE WANT TO HEAR FROM YOU!

SEMINARS

"Supply Chain Innovation" Seminar – Register by July 12th and Save!

Mark your calendars! Samuel Shapiro & Company, Inc.'s popular summer seminar is scheduled for August 12th in Baltimore. Our customers and industry professionals are invited to join us for this sought-after event, which will be followed by the Annual Propeller Club Crab Feast.

This year, bring a fresh perspective to your logistics program with our half-day course, **Supply Chain Innovation: Find the Missing Efficiencies in Your Business Model.**

At this half-day seminar, you will learn about:

- Supplier PO placement and negotiation
- Product sourcing and research
- Ocean and air market update
- Transportation options and cost analysis
- Importer Security Filing (ISF) regulations

Plan on attending our seminar in the morning and enjoying the Crab Feast in the afternoon! The Baltimore Crab Feast attracts over 4,000 people annually and is arguably the most popular industry event of the year. It draws participants from New York to Norfolk and beyond to enjoy all-you-can-eat steamed crabs and plentiful networking opportunities at Conrad Ruth's Villa, a waterfront park on Middle River. The feast is a fundraiser for the Propeller Club, enabling the group to make significant contributions to various non-profit maritime organizations. We hope you don't miss this opportunity for a day filled with learning and fun!

Date:
Thursday, August 12th, 2010

Time:
8:30-9:00: Registration and continental breakfast
9:00-12:00: Seminar

Cost (includes continental breakfast, seminar materials, and refreshments):
$75.00 per person for **early-bird registrations** by July 12th
$90.00 per person for registrations after July 12th
$60.00 per ticket per person for Crab Feast (optional)

Location:
Sheraton Baltimore City Center
101 West Fayette Street
Baltimore, MD 21201
Hotel telephone: 410-752-1100

Email us at seminars@shapiro.com to pre-register by July 12th and guarantee your seat.

TRADE NEWS

Important Notice from Customs Regarding ACH Payments

U.S. Customs and Border Protection has issued a notice stating that Pay.gov's ACH settlement provider will be implementing a new payment processing system on June 30, 2010. There will be a NEW routing number for Pay.gov transactions. This change may affect agency customers utilizing debit block services from their financial institution. These customers will need to unblock the new routing number 041036046 in addition to the current Pay.gov routing number which is 042736141.

All debit payers will need to notify their financial institution to have them unblock both routing numbers 041036046 and 042736141. Please note that debit blocks can be removed by either unblocking Originating Depository Financial Institution (ODFI) routing numbers or by unblocking the ten-digit Company ID numbers, which Pay.gov calls the ALC+2. Agencies and customers that unblock their accounts using only the Company ID will not be affected by this change as these ID numbers will not be changing.

Customers should monitor their accounts to ensure that their payments are being debited from the account. Any ACH Debit rejections caused by ACH Debit payers who fail to notify their respective banks of this change will be subject to all penalties currently imposed by law.

This change will not affect agencies and customers that process only credit card transactions.

For Questions, please contact the ACH Helpdesk at 317-298-1200 ext 1098 or email at ACH-Customs@cbp.dhs.gov.

Consumer Product Safety Commission Issuing Its Own Detention Notices

On June 14, 2010 the Consumer Product Safety Commission (CPSC) started to issue its own detention notices for violations of its regulations as provided for under the Consumer Product Safety Improvement Act of 2008. The detention process applies to all CPSC regulated products including toys, children's products, lighters, sleepwear, fireworks, etc. Such notices were issued previously by U.S. Customs & Border Protection (CBP), which also detained CPSC regulated products on behalf of the CPSC. Going forward CBP will act as custodian of the products only and the CPSC will detain the products under its own authority.

Detention notices will be issued by the CPSC directly to the importer within five business days after the shipments are presented for examination. Copies of the notices will be provided to CBP and the Customs broker. All contact will be addressed with the CPSC investigator listed on the form. There will be no contact with CBP on CPSC matters. The notice will also include a description of the violation and its respective statute.

The importer will have five business days to provide information and/or documentation to the CPSC investigator to resolve the detention issue(s). CPSC policy is to have the detentions resolved within thirty days, although extensions may be granted on a case-by-case basis. The CPSC is not bound by the thirty day requirement like CBP, so importers will not be able to file protests on shipments held for over thirty days.

The importer will also have the option of destroying or exporting the shipment before a detention notice is resolved. Such actions will be considered on a case- by-case basis and would be at the importer's expense under CBP supervision. Even though exportation may be possible, the Consumer Product Safety Improvement Act designates destruction as the appointed preference.

The importer will also have the option of a hearing under the Administrative Procedures Act, which is a slow process, and the shipment will continue to be held by CBP at the importer's expense until a decision is made following the completion of the hearing.

If a shipment is detained by both CBP and CPSC, two notices will be issued and both agencies will have to be addressed to secure release of the shipment or resolution of the violations. A CBP decision to seize a shipment resolves any CPSC detention, but the CPSC may pursue the violation and implement a penalty case against the violator.

The CPSC may allow a conditional release of shipments under bond pending testing and examination depending on the nature of the violation, the availability of a necessary appropriate storage facility, etc.; although a conditional release of products that present a significant health hazard is unlikely. Shipments under conditional release cannot be distributed and must remain intact. CBP may issue redelivery notices for shipments within thirty days after the conditional releases. The shipments are subsequently subject to seizure, destruction, or possibly exportation under CBP supervision again on a case-by-case basis, and failure to redeliver will result in liquidated damages at three times the value of the goods.

Shipments not approved for conditional release must remain in a bonded warehouse facility until the detention is resolved.

The CPSC will be posting FAQs on their website at www.cpsc.gov. Additional information concerning CPSC detention notices can also be viewed by visiting the website or by calling the CPSC at 301-504-7923.

Canada Announces New Air Cargo Security Measures

Canada's Transport Minister John Baird announced new air cargo security measures on May 24, 2010 intended to boost the security of air cargo at Canada's airports. The $95.7-million plan will be phased in over five (5) years and fully implemented by 2015. The plan includes new technology to screen cargo intended for air shipment. Baird said Canada must prepare and remain vigilant when it comes to terrorism, and the new initiative will help to ensure that air cargo shipments are resilient from the threat of terrorism, and builds on all the measures put into place since 2006 to enhance the safety and security of air travellers.

The Program's intent is to ensure that those companies screening cargo have received thorough security checks and that all cargo screening is completed and verified at the highest standards using the most effective technologies. The plan is to have screening that is fully compatible with other trading partners, including the United States. The U.S. Transportation Security Administration (TSA) has a target of August 2010 for 100% screening of all air cargo.

The background information on the new security program noted this will involve a new regulatory plan that will reach four important goals:

- There will be an obligation for all cargo shippers, freight forwarders and air carriers in the supply chain process to ensure that cargo screening is completed and verified;
- Shippers, freight forwarders and air carriers will use newer and more effective technologies and processes to screen cargo;
- All companies involved in screening cargo will require thorough security checks; and
- Canada's air cargo screening will be fully compatible with other trading partners; having a security regime that aligns with our major partners will sustain and improve trade between our nations.

The background information noted that new funding will:

- Allow for the use of screening technology;
- Ensure the Government has oversight capacity with the new inspectors;
- Enhance training programs; and
- Support shippers, agents/freight forwarders and air carriers in complying with the new Program in this five-year timeframe.

These measures are aimed at further protecting Canadians while helping exporters move cargo in a secure, timely and efficient way, while helping to solidify Canada's reputation as a strong partner in combating global terrorism.

The fact full sheet and background information can be found on Canada Transport's website at: http://www.tc.gc.ca/eng/mediaroom/releases-2010-h063e-5951.htm

Tax Implications for Penalty Mitigation?

U.S. Customs and Border Protection has been issuing IRS Form 1099-C, Cancellation of Debit, when a penalty or liquidated damages have been mitigated. Does mitigation count as a cancelled debt? Customs seems to think so. Your tax advisor may have other ideas. If you receive a 1099-C for a mitigated Customs penalty or mitigated liquidated damages, be sure to notify your tax preparer so that the information can be correctly reported with your tax return.

BIS Updates Encryption Export Rule

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) has revised its rules regarding the export of most mass-market electronic products that contain encryption functions and other encryption products.

"This revised rule enhances our national security and cuts red tape by eliminating the review of readily available encryption items, like cell phones and household appliances, and allows the Government to focus its resources on more sensitive encryption items," Assistant Secretary of Commerce for Export Administration Kevin Wolf said.

Exporters and manufacturers of the encryption products may now self-classify the products and then export them without a license if they register on-line with BIS. BIS also requires submission of an annual self-classification report. This rule is expected to decrease technical reviews by approximately 70 percent and semi-annual reporting by up to 85 percent.

The rule amends the encryption provisions of the Export Administration Regulations (EAR) to streamline procedures for (1) less sensitive encryption items eligible for export under License Exception ENC and (2) most mass market encryption products (mass-market encryption products are those that are sold in large quantities and are generally available to the public through common retail methods). The rule also implements the Wassenaar Arrangement's decontrol of items that perform "ancillary cryptography" in the Commerce Control List.

The Interim Final Rule published in the Federal Register on June 25, 2010 can be found at: http://www.bis.doc.gov/news/2010/fr_06252010.pdf

The BIS Summary of the new rule can be found at: http://www.bis.doc.gov/news/2010/encryption_rule_summary.pdf

Additional Information on Export Administration Controls for items that use encryption can be found at: http://www.bis.doc.gov/encryption/default.htm

CITES Species Listings Update

The U.S. Fish and Wildlife Service has updated its listing of protected species in CITES Appendix I and Appendix II. The amendments go into effect June 23, 2010. Any specimens of these species imported into, or exported from, the United States on or after June 23, 2010 will require CITES documentation as specified under the amended listings. The import, export, or re-export of shipments of these species that are accompanied by CITES documents reflecting a pre-June 23 listing status or that lack CITES documents because no listing was previously in effect must be completed by midnight (local time at the point of import/export) on June 22, 2010.

The list of affected items may be found at:
http://www.fws.gov/le/PubBulletins/PB6-08-10COP15Changes.pdf

TRANSPORTATION UPDATE

July 2010 Update

Industry News:

Container Market surges in Trans-Pacific
The phenomenal growth of container shipping from Asia to North America in 2010 has caught both carriers and their customers by surprise. This surge in imports from Asia is expected to continue through the autumn peak season. In May 2010 TSA member carriers reported increases in volumes from Asia of 30.8 percent to the U.S. East Coast and 24.1 percent to the U.S. West Coast over May of 2009. This year's summer-fall peak-shipping season is expected to be especially busy and the TSA is projecting a 12.6 percent increase over volumes for the same period last year with June and September to have increased volumes of 15 percent compared to the same months in 2009.

The Carriers are claiming that their revenues are still not high enough to pull them out of the hole they dug in 2009 where they collectively lost $15 billion. Carriers are getting creative this year to make up for last year's shortfall in revenues by creating increased Peak Season Surcharges, GRIs, and Emergency Equipment Surcharges as demand outstrips the supply of containers available in the marketplace. Rate increases are described below.

Despite news that the carriers feel they need to increase rates even more to make up for last year's losses, the rates in Trans-Pacific trade have increased to hit a five year high and they are up 182 percent over the last twelve months. A new factor behind the rate increases is the shortage of container equipment in the market which carriers are calling a "global challenge." The shortage of containers in the market is pushing prices even higher and it is feared that production will not be able to meet the surging demand. Carriers and leasing companies are hurrying to place new orders for equipment and prices for purchasing new containers have surged to their highest levels in 20 years. The current price for a producing a new TEU has reached $2,750 compared to less than $2,000 at the end of 2009. All of these factors add up to higher ocean freight rates. One extreme example in the Asia to Europe market: Maersk is now selling a "priority service" based on supply and demand that would cost between $200 to as much as $3000 in addition to the normal rate from Asia to Europe for priority space.

Ocean Freight:

FMC continues investigation of carrier capacity
The Federal Maritime Commission has granted an extension of three more months to investigate claims by U.S. exporters that they were unable to secure container equipment and chassis from the carriers due to the fact that carriers reduced schedules in order to curtail vessel capacity. A congressional hearing was held on March 17, 2010 and FMC Chairman Richard A. Ladinsky Jr. originally announced this fact finding mission at that time.

Additional Trans-Pacific services restored by Maersk, CMA, and MSC
The three largest container lines are adding an additional 39,000 TEUs to the trade lane in time for Peak Season due to tight capacity in the market. The three lines have brought back a joint service from Asia ports to the U.S. West Coast that they had previously suspended last October. Maersk, CMA, and MSC separately announced they would put the vessel sharing agreement back into service as of July 10. The service will consist of six 6,500-TEU vessels, of which MSC will control three, Maersk Lines will control two, and CMA CGM will control one. The Eastbound (import) rotation will be from Kaohsiung Taiwan, Hong Kong, Xiamen, Shanghai, Qingdao to Long Beach, CA port. The Westbound (export) rotation will be from Long Beach to Kaohsiung, Hong Kong, Xiamen, Shanghai, and Qingdao. The joint service will begin on July 10 with the departure of the MSC Luisa from Xiamen.

COSCO offers additional Peak Season service
COSCO has started a Peak Season express service from China to the U.S. West Coast. This additional service includes five deployed ships and covers an overflow of business from Fuzhou, Xiamen, and Shanghai to Long Beach and return to Shanghai for exports.

MSC imposes General Rate Increase (GRI) from Asia to North America
Due to tight capacity and strong demand entering the Peak Season, MSC has announced a general rate increase (GRI) effective July 18 for all cargo from the Far East to United States and Canada.

For cargo from the Far East to the U.S. East Coast and intermodal points via the U.S. East Coast the increase will be $320 per 20', $400 per 40', and $450 per 40'HC.

For cargo from the Far East to the U.S. West Coast and intermodal points via the U.S. West Coast the increase will be $400 per 20', $500 per 40', and $563 per 40'HC.

China Shipping imposes new Emergency Equipment Surcharge (EES)
Due to the extreme shortage of equipment in Asia ports for imports into North America, China Shipping has imposed an Emergency Equipment Surcharge (EES) as of July 1, 2010.

For cargo discharging at U.S. West Coast ports on a port to port service basis only or delivered to inland ports by truck via U.S. West Coast ports the amounts to be charged will be $80/20’, $100/40’, $115/40’HC, and $130/45’.

For cargo discharging at U.S. East and Gulf Coast ports or delivered by truck via U.S. East or Gulf Coast the amounts to be charged will be $200/20’, $250/40’, $385/40’HC, and $320/45’.

For cargo discharging at the IPI Ramps of Chicago, IL, Houston, TX, Kansas City, KS, and Minneapolis, the EES will be $80/20’, $100/40’, $115/40’HC, and $130/45’.

For cargo discharging at the IPI Ramps of Cincinnati, OH, Cleveland, OH, Columbus, OH, Denver, CO, Detroit, MI, Louisville, KY, Omaha, NE, and St. Louis, MO the EES will be $160/20’, $200/40’, $225/40’HC, and $253/45’.

For cargo discharging at the IPI Ramps via USWC of Atlanta, GA, Baltimore, MD, Charleston, SC, Charlotte, NC, Dallas, TX, El Paso, TX, Jacksonville, FL, Laredo, TX, Memphis, TN, Miami, FL, Nashville, TN, New Orleans, LA, New York, NY, Norfolk, VA, Philadelphia, PA, Pittsburgh, PA, Salt Lake City, UT, San Antonio TX, Savannah, GA, Tampa, FL, and Worcester, MA the amount will be $320/20’, $400/40’, $450/40’HC, and $506/45’.

Peak Season Surcharges rise as space continues to tighten
Carriers in the Trans-Pacific and Indian Sub-continent markets are raising their Peak Season Surcharges (PSS) as market pressures on space rise on higher than anticipated demands. Carriers that are increasing the PSS and levels as of August 1, 2010 are updated as follows:

APL: As of August 1, the PSS will be $480/20’, $600/40’, $675/40’HC, $760/45’ to U.S. West Coast and IPI locations and $640/20’, $800/40’, $900/40’HC, and $1015/45’ to U.S. East Coast and inland locations via the East Coast.

Evergreen Lines will raise their PSS on August 1 to the following levels:
From Far East (except India) to USWC: $520/20’, $650/40’, $731/40’HC, $823/45’. To USEC, inland via East Coast and IPI locations via USWC: $640/20’, $800/40’, $900/40’HC, $1013/45’HC. Out of India to the USA, the PSS will be slightly higher yet.

NYK Lines will increase their PSS on July 7 to $480/20’, $600/40’, and $675/40’HC from Asia and India sub continent.

Hapag Lloyd will increase their PSS on July 27 to $540/20', $675/40', $760/40'HC from Asia and India sub continent to the U.S. East Coast and $460/20', $575/40', $647/40'HC from Asia and India sub continent to U.S. East Coast.

Maersk Lines is imposing a very hefty PSS of $750 per 20' and $1000 per 40' in the Asia to Europe trade.

MSC will have a PSS from the Indian Sub-continent of $300/20', $350/40', and $375/40'HC effective July 5, 2010.

We expect to see other carriers follow suit in August.

Mediterranean rates to USA on the rise
Turkon Lines has announced that their rates from Turkey, Lebanon, Israel, Egypt, and Italy both to and from the United States will be subject to GRIs of $240/20' and $400 per 40'/40'HC effective July 1. MSC has made a similar announcement. MSC's rates will rise by $300/20' and $500/40'. United Arab has also announced a GRI of $300/20' and $600/40'.

Chaos in Bangladesh
Port conditions in Chittagong, Bangladesh have deteriorated to such an extent that vessels are lined up to berth due to schedule delays, berth restrictions, and reduced load factors. Due to this, Hapag Lloyd has announced a $100 per TEU Congestion surcharge starting June 26 for all cargo exporting to Chittagong.

Haitian earthquake causes surge in exports in aftermath
Due to the fact that Port-au-Prince terminal sustained major damage as a result of the recent earthquake in Haiti, a provisional floating pier has been deployed in order to support the import of goods at Haiti by sea. This temporary arrangement has caused carriers to implement a Temporary Floating Pier Surcharge of $155 per TEU ($310 per 40') effective June 21, 2010 payable by the consignee in Haiti.

Airfreight:

Asia airfreight volumes rise to record high
Airfreight traffic jumped up by 39 percent in May as compared to May 2009. May 2010 was the busiest month for air cargo traffic ever reported according to the Association of Asia Pacific Airlines. Air carriers increased capacity by 22.2 percent in the same period. Air freight services have been reinstated due to strong growth in both passenger and freight traffic.

Cathay Pacific to start new round-the-world freighter service
Hong Kong's Cathay Pacific Airways will begin a new round-the-world freighter service on July 9. The service will fly from Hong Kong to Anchorage, Chicago, Amsterdam, Dubai, then back to Hong Kong. Also in response to the global surge in air cargo, Cathay Pacific has stepped up the frequency of freighter service from Hong Kong to

Houston and Miami. From July 2, Cathay will fly four times a week to Houston and five times a week to Miami.

Domestic:

Growth of import cargo challenges the trucking industry
In Norfolk, VA, the steady increase of container traffic has put pressure on the area truckers in both Norfolk and Richmond metro areas. Drayage companies serving Virginia are struggling to hire enough drivers and to have enough equipment to meet the surging demand. Container traffic at Virginia's ports is up 14.2 percent in May and 12.5 percent in the first five months of 2010 over last year's volumes. Virginia port area truckers are dealing with business at similar levels as in 2008 but the same volume of drivers is no longer available. This mirrors what is happening at many major port areas around the country. Last year many harbor area truckers laid off workers and cut owner-operator truckers out of their list of available drivers and suddenly these companies are facing double digit growth.

Terminal congestion in the Los Angeles-Long Beach area is increasing so rapidly that some harbor truckers are beginning to panic. Truckers are waiting at terminal gates in L.A. and Long Beach sometimes for several hours because the terminals are also overwhelmed with high volumes. During the downturn in traffic last year, the terminals eliminated early-morning and late afternoon "flex" gates and began closing terminals for an hour during lunch. Southern California truckers are saying that these policies have not kept up with the new influx in business and now they say that they are setting themselves up for gridlock unless they change their policies to reflect the demands in business.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Employee of the Month

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. 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 Mike Baker, Corporate Programmer/Analyst, for his outstanding performance and contributions.

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

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.