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SHAP TALK

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Importer Security Filing (ISF)

Before merchandise arriving by vessel can be imported into the United States, the Importer Security Filing (ISF) must be submitted electronically. The information submitted in Importer Security Filings improves U.S. Customs and Border Protection (CBP) ability to identify high-risk shipments in order to prevent smuggling and promote safety and security.

Port directors retain the discretion to enforce ISF by using cargo holds on all cargo that does not have ISF information on file prior to vessel arrivals. CBP uses an internal nationwide database to keep track of violations to identify those that warrant additional enforcement actions to include liquidated damages for repeat offenders not filing the ISF information.

Customs may ask the importer to provide extenuating circumstances as to why the "hold" should be reviewed after vessel arrival. The response must be given by the importer on company letterhead to address why the ISF was not filed timely or completely, and address what steps are being taken to ensure all future shipments are filed on time.

Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border

CBP may detain any article of domestic or foreign manufacture imported into the United States that bears a mark suspected by CBP of being a counterfeit version of a mark that is registered with the U.S. Patent and Trademark Office and is recorded with CBP.

Importations of merchandise bearing suspected counterfeit trademarks or trade names that are recorded with CBP are subject to detention up to 30 days from the date of examination for CBP to make a determination as to whether a suspected mark is counterfeit.

Since an importer may not have complete information about the marks appearing on the imported goods and/or their retail packaging, CBP will provide a sample packaging image to the importer upon request at any time after presentation of the goods for examination.

From the time merchandise is presented for examination, CBP may disclose to the owner of the mark limited importation information in order to obtain assistance in determining whether an imported article bears a counterfeit mark.

CBP may release section (b)(1) information and redacted samples (or photographs/images) to a mark owner after an importer has been notified and has had the opportunity to establish that the suspect goods bear genuine marks.

The Trade Secrets Act permits disclosure of protected information when the disclosure is otherwise "authorized by law." Markings, alphanumeric symbols, and other coding that appear on products or their retail packaging may reveal information regarding an importer's supply chain.

The "authorized by law" exception of the Trade Secrets Act allows CBP to disclose protected information to the trade mark owner for the limited purpose of obtaining the mark owner's assistance in determining infringement as to whether goods bear a counterfeit mark.

CBP will include in the disclosure to the mark owner a statement that some or all of the information being disclosed may be information protected from disclosure by the Trade Secrets Act.

Upon determination by CBP that an article of domestic or foreign merchandise imported in to the United States bears a counterfeit mark, CBP will seize such merchandise and, in the absence of the written consent of the owner of the mark, forfeit the seized merchandise in accordance with Customs laws.

Presidential Proclamation to Modify Duty-Free Treatment under GSP

Pursuant to the Trade Act of 1974, the President may designate certain articles eligible for preferential tariff treatment under the Generalized System of Preference (GSP). The countries of Seychelles, Uruguay, and Venezuela have become high income countries, consequently, the designation of these countries as beneficiary developing countries for the purposes of GSP shall terminate effective January 1, 2017.

In addition, the country "Macedonia" has been added, and general note 4(a) of the Harmonized Tariff Schedules shall be amended to reflect this change.

House Passes Ex-Im Reauthorization

The House passed legislation to reauthorize the Export-Import Bank (Ex-Im Bank) on October 27th following a series of bureaucratic votes over previous days.

The Export-Import Bank of the United States is a government agency that provides a variety of loan, guarantee, and insurance products intended to aid the export of American goods and services. The mission of the Bank is to create and sustain U.S. jobs by financing sales of U.S. exports to international buyers.

In June, the bank shut down when a group of lawmakers blocked its reauthorization, calling it corporate welfare for large corporations. Since Ex-Im Bank closed its doors to new business in June, certain business groups have warned of lost deals and the jobs they create. Views on the topic are mixed since some Representatives believe the Ex-Im Bank only benefits a small number of companies while others see the program as a way to boost U.S. exports and create jobs.

"This is an agency that for over 70 years provided financing for transactions, similar to which all of our competitor nations provide their exporting companies. In this case, American companies will have the credit tools that will enable them to cost effectively engage in international transactions that other private institutions won't finance because of political or commercial risks," said Oregon Representative Earl Blumenauer.

The Senate will need to approve the Ex-Im Bank reauthorization legislation before it can be sent to President Obama for reauthorization.

Trans-Pacific Partnership (TPP) Cuts Trade Barriers for Japan and Footwear, also Exposes Trade Impediments

Since negotiations of the Trans-Pacific Partnership concluded on October 5, two parties breathed a sigh of relief: the U.S. footwear industry and member-nation Japan. According to the TPP, footwear importers will save millions in duties if the agreement is ratified. U.S. footwear importers paid almost $3 billion in duties in the past year – that's over 8% of all U.S. import duties. While China dominates footwear manufacturing, it is not a TPP member but is followed closely by member-nation Vietnam. Japan, in desperate need to stimulate trade, is just as eager to see the Trans-Pacific Partnership ratified. In the long term, Japan will remove tariffs on over 95 percent of imports, but Japanese exports will benefit from reciprocal reductions in import duties throughout the TPP.

Manufacturing associations across a spectrum of commercial industries used the opportunity to criticize unjust trade practices such as import balancing, which requires importers to export a percentage of their product. The World Trade Organization also reported India and Brazil consistently maintain tariff rates three times higher than U.S. equivalents. India, the most egregious offender, was cited for having 300 percent higher duty rates for textiles. In the meantime, India's exports have plunged to 2009 levels. The Information Technology Industry added their concerns towards data localization and the restriction of free and open information availability.

The Trans-Pacific Partnership completed negotiations between its 12 member nations -- Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam – in an effort to eliminate and reduce tariffs and non-tariff barriers on industrial goods, and to eliminate or reduce tariffs and other restrictive policies on agricultural goods. The five larger overarching goals of the TPP are comprehensive market access, regional approach to commitments, addressing new trade challenges, inclusive trade, and service as a platform for regional integration.

Transatlantic Trade and Investment Partnership (TTIP) Resumes Negotiations

U.S. Trade Rep Dan Mullaney and EU Trade Rep General Ignacio Garcia Bercero resumed negotiations on the Transatlantic Trade and Investment Partnership (TTIP) in late October of this year. The current conditions of the proposal would dismiss duties on 97 percent of existing tariff lines, leaving only the most valuable 3 percent up for discussion during the next round of negotiations. Once instated, the TTIP would serve to further invigorate trade between the U.S. and the EU, whose annual trade with one another already surpasses $1 trillion.

TTIP negations commenced between the U.S. and EU over 2 years ago, and this latest exchange marks the 11th round of talks. Though many details remain ambiguous, both sides hope to have reached an agreement prior to the end of the Obama administration.

This particular round of negotiations occurred amidst a backdrop of EU scandalization and risk of losing the UK, one of its strongest members. These current socio-economic happenings have helped ignite the arguments of many critics of the TTIP who feel that both parties have been too secretive about the deal.

The EU did release a few documents pertaining to the deal, but the U.S. has yet to follow suit. However, both parties have acknowledged that the path forward will need to be paved with transparency to create a more democratic process.

U.S.-Canada Softwood Lumber Agreement to Terminate

The U.S.-Canada Softwood Lumber Agreement expired on October 12, 2015 eliminating the additional duties and quotas that have restricted Canadian softwood exports to the U.S. CBP will no longer enforce the Export Permit Number, Region of Origin requirements, or original Maritime Certificate of Origin. Customs will continue to enforce the SLA 2008 reporting requirements for shipments of softwood lumber products shipped from any country into the United States. The Export Price, Export Charge and Importer Declaration are reported electronically upon filing the CBP Form 7501 entry summary. Filers should enter a dummy SLA 2006 permit number, "P88888888", in the Export Permit Number Field.

TRANSPORTATION NEWS

November 2015 Update

INDUSTRY NEWS:

U.S. Exporters and Importers Prepare for End of Embargo on Cuba

Just two months ago, U.S. Secretary of State John Kerry lifted the U.S. flag outside the U.S. Embassy in Havana, but the 64-year-old embargo of trade with Cuba remains in place. Those who are investing in Cuba right now are hoping to see huge returns on their investments as soon as the embargo is finally lifted.

Cuba's neighbors are already watching them with a keen eye as they have the potential to become a massive market that will compete globally in commodities produced in the region. Cuba is preparing to upgrade their infrastructure by improving their port facilities. Cuban officials are focusing on building a new modern port facility at a cost of $957 million at Mariel Bay, 28 miles west of Havana. In 2000 Crowley Maritime became the first U.S. carrier to call Cuba's port near Havana after the ban on agricultural exports to Cuba was lifted, and Crowley expects to grow its volume of containerized cargo at Mariel Bay. In addition, shippers and carriers anxiously await the completion of a massive dredging project that is going to allow the larger vessels call the new port.

As a result of the economic activity in Cuba; The Dominican Republic, Jamaica, the Bahamas, and Panama are all rushing to improve their own port facilities as they face their new competition.

One issue that is outstanding in Cuba is the need for the United States to see marked improvement in human rights. If human rights issues are not resolved, there is little chance that the U.S. Congress will vote to fully lift the embargo.

"Made in Vietnam" Asia's Future in Sourcing Giant

Long An, Vietnam, a rural area south of Ho Chi Minh City, is quickly becoming a popular sourcing center for global trade. Many factories have already sprung up to manufacture goods for well-known companies such as sportswear maker, Nike Inc. Not surprisingly, the majority of Vietnam's workforce is younger and are salaried at about half the pay compared to their Chinese counterparts.

The largely agricultural province is expected to grow its manufacturing base steadily and rapidly. This growth will accelerate if the U.S. and 11 other Pacific Rim nations ratify the Trans-Pacific Partnership agreement. The agreement should eliminate certain tariffs (especially high tariffs on footwear) between members which will boost exports for Vietnam.

Several American firms are looking to take full advantage of the TPP even before ratification. For example, Avery Dennison Corp, one of the largest biggest makers of clothing labels and tags, has recently opened a 300,000 square-foot facility in Long An. Since Avery is in an industry that complements so many sub-verticals, they believe the investment is only logical. Similarly, South Korea's mammoth Samsung Electronics is investing heavily in Long An and beyond in Vietnam and S.E. Asia.

Chinese Exports Continue to Decline

The latest trade figures show that exports from China have started to decline, although not as sharply as the industry predicted. This reduction in Chinese exports shows that the market for Chinese goods has softened considerably.

China exports contracted 3.7% overall compared to last September, and reports from the HSBC found that exports to the EU and Japan deteriorated even more severly. Additionally, China's imports have contracted by more than 20% this year compared to 2014, and the Q3 reduction of 5.9% was a larger than both Q1 and Q2. It is easy to speculate that falling Chinese imports of raw materials are directly connected to lower demand for Chinese exports.

The downturn, especially to the EU, is set to continue to have impacts on the container shipping business into 2016. It has also been hurting China's GDP growth which expanded by 6.9% over last year in Q3: the slowest pace of growth since the Global Financial Crisis. China's forecast for GDP growth in 2016 has been reduced by the investment bank, Nomura, from 6.7% to 5.8%.

New Container Weight Rules to Impact All Shippers

Upcoming changes to container weight reporting regulations are going to have a big impact on shippers worldwide. These regulations, approved by the International Maritime Organization, are due to take effect July 1st, 2016 and will require that all loaded containers have their weights certified prior to being allowed to load onto a vessel. Misreported container weights is a problem that has long plagued the industry. A recent and dramatic example was the partial hull collapse in 2007 of the MSC Napoli in the English Channel. A subsequent inquiry after the accident found that a large percentage of the containers were significantly over the weights that were reported by shippers, and this extra weight was a significant factor in the vessel breach. By requiring that correct weights are certified prior to loading, the industry is looking to improve the safety of the all parties involved in container traffic.

Starting July 1st, shippers will be required to either have a loaded container weighed at a certified weighbridge or scale, or to provide documentation certifying the weight breakdown of the items loaded in the container. Once the weight has been confirmed, the terminal operator and carrier will determine if and where the container will be loaded on the vessel. While U.S. port terminals have weighed outgoing containers for a number of years, many other terminals worldwide do not follow this practice. With the July 1st deadline fast approaching, there are many questions about how these regulations will be implemented and what the effects will be on shippers.

National administrations are working now at defining clear guidelines for their respective countries, while shippers and importers are looking to understand how these new regulations will be implemented locally. One thing is for certain, there will be much more to come on this topic as we get closer to the July effective date.

OCEAN FREIGHT

Philadelphia's Southport Development Moving Forward

As other Gulf and East Coast ports worked tirelessly to expand port capacity and efficiency prior to the completion of the Panama Canal expansion, the Philadelphia Regional Port Authority has continued to move forward with an ambitious redevelopment of the former Philadelphia Navy Yard to make way for a new Southport container terminal. While the redevelopment effort has been stalled twice in the past due to the economic downturn and the collapse of a private partnership, the port authority has once again restarted the effort and is actively searching for bids from private developers for the site.

The potential future use of Southport continues to be a point of contention with analysts and business leaders focusing on automotive Roll-On/Roll-Off (RORO) or energy and petrochemical terminal development while maritime officials and labor leaders favor container-focused development. In spite this debate, port officials have moved forward with pre-construction on the site and are on track to compete a dredging project of the Delaware River that will increase the depth of the river's shipping channel from 40 feet to 45 feet when the project is completed in 2017.

Brazil's Top Ports Struggle to Maintain Draft Depth as Panama Canal Expansion Looms

With Brazil's top ports struggling to maintain their current draft depth, the government is trying to keep up with future draft depth demands. Santos is Brazil's (and South America's) largest port, holding 38% of the market and handling over 1.37 million TEUs last year. Its current depth of 34 feet with planned deepening to 49 feet, must be continually dredged in order to maintain that depth. Itajai, Brazil's second largest container terminal at 1.1 million TEUs last year is threatened by El Nino influenced weather patterns that has increased rainfall for the region. Originally at 41 feet, the channel depth has been reduced to 36 feet due to silting from heavy rainfall upstream. Both ports can only handle up to 9,000 TEU ships fully loaded and some larger vessels partially loaded. With larger Triple-E 18,000 TEU carriers being put into service and the Panama Canal expansion allowing up to 13,000 TEU vessels, Brazilian ports must catch up. Political discontent, the current Brazilian recession, and shrinking budgets are further hurting chances of ever expanding draft depths to accommodate larger ships.

Plans to dredge the Santos port to 49 feet have already been approved by port authorities and are currently in the process of awarding contracts. Port interests in the area have banded together to lobby the government to dredge further to 17 meters (56 feet) in order to stay competitive. Forming "The Santos 17" movement, they argue the deeper depth and the ability to handle new Panamax vessels of 13,000 TEUs, is important to staying competitive as Brazil's largest port by volume. Civil engineers have struggled to dredge the Santos port channel to competitive depths as erosion of nearby beaches into the Santos estuary continuously backfills their efforts. Engineers have proposed building a large "tourist" jetty to help stop erosion of local beaches but further complex and lengthy studies need to be done on long term effects. These proposals take time for civil engineers to study the effectiveness and impact.

Heavy rains over the end of September have devastated the port of Itajai leading to a 10 day closure of the nation's second largest port. Two vessels were stranded at the port and carriers already diverted cargo to other nearby harbors of Itapoa, Sao Francisco do Sul, and Paranagua. Typical river flow sped up from the usual .5 knots up to 5 knots resulting in dangerous currents and harbor pilots closing the southern Brazilian port. Draft depths have been reduced down to 36 feet as a result of silting due to the heavy rain up river. The Brazilian government is working to provide emergency funding to clear the heavy silting that has effectively closed the port. All vested interests agree that quick action and more funding is needed to recover original required depths of 41 feet.

Ocean Carriers Report 2015 Profit Outlooks Amidst Weak Market Conditions

Two of the major ocean carriers, Maersk Line and Hapag Lloyd, have reported their financial forecasts for 2015.

Citing a weak and declining container market, Maersk group has slashed their profit outlook by over $600 million. The world's largest carrier now expects 3.4B in profits for 2015, down from their $4 billion budget. The carrier noted that they do not expect the container market to improve through the end of 2015 and predicted that rates will continue to be very low.

German carrier Hapag Lloyd, on the other hand, announced that they still expected to achieve their forecasted profits for 2015. Hapag is in the midst of an initial public offering, and they have been integrating their operations with CSAV. One imagines they want to avoid a gloomy forecast ahead of their IPO. Hapag says the integration of CSAV will reduce costs and increase synergies which will allow them to continue to meet their profit expectations despite the weakening container market.

Specifically, Asia-U.S. containerized trade, continues to weaken. Recent attempts to impose Peak Season Surcharges and General Rate Increases have proven to be unsuccessful. Carriers still have excess capacity and expect this trend to continue through the end of the year.

AIR FREIGHT

US Airways Bids Adieu

After two years and many final flight routes, US Airways' business came to an end on Oct 17th as the last scheduled flight landed in Philadelphia.

American airlines merged with US Air in 2013 and they have managed the complicated task of blending their services and people. Flight 1939, named after the airlines founding year, was a red eye from San Francisco arriving in PHL at 6:00 am. The flight, making several stops prior to its last leg, had champagne toasts and many gate side festivities. As the brand slowly fades, there will still be airplanes with the US Airways logo, and there will still be US Airways uniforms which will be phased out in the coming year. We shall tip our hats as we did for Pan Am, TWA, Northwest, and Continental and remember them all with nostalgia.

UPS Pilots Threaten to Strike

The UPS pilot union voted highly in favor of a strike if negotiations fail after four years at the table. The pilots would need to be released from federally mandated mediation conditions in order to carry out a strike. The International Brotherhood of Teamsters, representing UPS ground employees, has pledged their support. Fed Ex recently ratified their pilots' contract and with the approach of the busy shipping season this is reported as opportune timing. Rest time, salaries, and benefits are all points on the table being worked out, and UPS officials are confident that this is a negotiation tactic and that the negations will be worked out without a strike.

The Air Peak Season Fails to Materialize

China airfreight peak season is here, yet shippers haven't felt the pinch. Demand has been weak leading up to the typically busy holiday shopping season. Passenger demand has remained strong, and this keeps a lot of belly hold capacity on the market. Nearly all origins showed an increase leading up to the China National Holiday Oct 1-7th which is usual before a week long closure. However, that demand looks like a spike only this year.

We do expect air carriers to reach for higher rates on Nov 1st but there is little evidence of major forces that will drive rates higher. Air rates from China are based on capacity and as demand for space increases due to pre-holiday shipping most carriers will increase rates weekly or even daily. We have multiple options for moving your cargo, and we will work to keep checking for the best rates up to departure. It is essential to accurately estimate cargo estimated ready dates and your delivery deadlines so we can source the best priced option to fit your needs.

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DOMESTIC NEWS

The NY-NJ Port Authority Works towards Truck Replacement for Clean Air Initiatives

The Port Authority of New York and New Jersey is working on finding solutions and options for replacing thousands of older model trucks in order to meet the deadline for the ports' clean-air plan. Motor carriers are doubtful on how the 2017 deadline can be met without disrupting operations in East Coast's business ports. An estimated 80% of port trucks are owned by owner-operators, many of whom say they can't afford new trucks. The port authority is standing by the 2017 deadline, but the agency is open to working with the appropriate stakeholders on finding solutions to move this program forward.

One solution would require any newly registered trucks at the port to have a 2007-or-later engine. This action would reduce the number of trucks that eventually would need to be replaced. Truck replacement is the most challenging phase of the clean-air program the port launched in 2006 looking to improve the metropolitan area's air quality. Motor carriers complain that the truck replacement program could increase driver shortages. Pre-2007 trucks banned from the port could still operate legally, causing some drivers to stop calling the port and opt to move cargo in other areas.

The port authority is pursuing federal and state grants to help alleviate the cost of replacing older models. In the last five years, the port has helped replace 429 older trucks. The current program will allocate a $2 million federal grant to help cover up to 50% of the cost of a new truck. The port authority will implement other programs in the next few years with $200,000 of previously announced funds from its own coffers and an additional $7 million in expected federal grants.

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 Linda Serio, Global Logistics Specialist in Baltimore for her outstanding performance and contributions.

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