

SHAP TALK

November 2016 Issue No. 175

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Employee of the Month

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TRADE NEWS:

Beware of Customs Bearing Gifts: Informed Compliance Letters!

It's the ole' Trojan horse scenario. Just when you think Customs is being helpful sending out Informed Compliance Letters to your business with information to "assist" your company with ensuring compliance, they will state in the document that since this information has been provided to your company, violations that may occur in the future could result in penalties and/or seizure and forfeiture of imported merchandise. That doesn't sound much like a gift to us. It sounds like an official warning that the importer who received this letter must immediately take action to ensure their house is in order.

In today's Automated Commercial Environment (ACE) world, there is much more transparency; it is easier for Customs to identify areas of possible or probable non-compliance as they review all of the data in ACE. While it appears that Customs is targeting the top 1,000 importers at this time, other importers cannot be far behind. Being proactive and ensuring a compliant internal program is essential for importers maintaining compliance with all Customs regulations.

Here is some advice on achieving good internal controls:

- *Analyze your ACE Data. More specifically, review any Post Summary Corrections (PSC) that have been made and any CF28 (Requests for Information) and CF29 (Notices of Action) that have been received;*
- *Ensure your recordkeeping meets Customs expectations;*
- *Review your shipments vis-à-vis the high risk areas that Customs is currently concentrating on: Valuation, Free Trade Agreements, Antidumping and Countervailing duties, Textiles/Wearing apparel, country of origin, Duty free provisions, Classification, and Intellectual Property Rights;*
- *Analyze the root cause of any errors that are uncovered and implement corrective action plans to prevent these errors from recurring;*
- *Monitor/Audit import entries for timeliness and accuracy;*
- *Implement compliance and control policies and procedures;*
- *Develop a culture of informed compliance with continued education and communicate these policies within your organization.*

In February of this year, the president signed the Trade Enforcement and Trade Facility Act, with the goal of protecting economic security through trade enforcement. We are now seeing the results of this initiative. If you implement good sound internal controls taking into account Customs laws and regulations, you won't be afraid when Customs rolls that Trojan horse to your door.

If you need help getting there, please contact compliance@shapiro.com for help.

Chinese Furniture Manufacturers Seek Relief in Vietnam

Following the Department of Commerce's 2015 imposition of anti-dumping tariffs (some as high as 120 percent) on a plethora of Chinese wooden furniture products, many Chinese furniture manufacturers have turned to Vietnam as a new manufacturing haven. Recent statistics suggest that one-third of the

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Vietnamese furniture manufacturers that utilize and accept foreign investment are now Chinese-owned.

Chinese manufacturers in Vietnam are in a lucrative position and may be able to create an environment mirroring those of their Chinese heydays. This is especially true given the recent passage of the EU-Vietnam Free Trade Agreement (EVFTA) and pending the passage of the Trans Pacific Partnership (TPP), which would create free trade between the U.S. and Vietnam for a myriad of goods.

The presence of Chinese-owned furniture manufacturers has many Vietnamese manufacturers worried as they face a sizable threat when trying to maintain a competitive position with new lower-priced manufacturers flooding the market. It is likely that long-standing Vietnamese furniture manufacturers will begin to drop their prices in order to compete with the newly formed Chinese manufacturers, thus having a negative ripple effect on the \$4 billion per year Vietnamese furniture export industry. The conditions created by the presence of Chinese furniture manufacturers in Vietnam are a veritable perfect storm that have the potential to create anti-dumping ramifications similar to those levied against Chinese manufacturers.

Global Brands Take Aim at Alibaba's Anti-Counterfeiting Efforts

The Chinese e-commerce goliath, Alibaba, is under fire as trade groups demand the marketplace be added once again to the U.S. Trade Representative (USTR) list of markets known for the sale of counterfeit goods. The American Apparel & Footwear Association (AAFA), representing over 1,000 brands, and Unifab, an anti-counterfeiting organization of predominantly French and other global brands, along with 17 other organizations urged the Securities and Exchange Commission (SEC) and USTR to add Alibaba, including its platforms Taobao, Tmall, and AliExpress, to the notorious markets list for rampant proliferation of counterfeit goods. Unifab spokesman David Saussinan commented, "Despite a dialogue with Alibaba and years of negotiations, a tremendous amount of fake items can be found. No real proactive measures have been implemented to remove fake listings."

Alibaba has been conspicuously absent from the list since they ramped up lobbying efforts from \$100,000 to \$461,000 in 2012 amidst a blossoming relationship with their biggest critic, Robert Barchiesi, the President of the International Anti-Counterfeiting Coalition (IACC). The IACC, founded in 1979, represents over 250 companies with a mission to "combat counterfeiting and piracy by promoting laws, regulations, directives, and relationships designed to render the theft of intellectual property undesirable and unprofitable." However, member brands unilaterally threatened defection after Barchiesi backed Alibaba's efforts and welcomed the e-commerce giant as a member. Michael Kors was the first to cry foul, charging that the IACC had "chosen to provide cover to our most dangerous and damaging adversary." In an anonymous email to the board, members threatened a mass walk-out over a list of concerns, including conflicts of interest between Alibaba and Barchiesi, who purchased Alibaba stock in 2014.

Alibaba maintains that it has increased efforts to address members' concerns, and are committed to building closer relationships with U.S. trade associations. The company points to Taobao's counterfeit takedown system and good faith programs as initiatives that help filter and identify intellectual property rights infringements. "We routinely collaborate with brands, associations and regulators to maintain the integrity of our marketplaces," cited an Alibaba representative. "Our recent USTR submissions describe

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our steadfast efforts to fight counterfeiters online and the sources of such production offline.” A report from the Organization for Economic Co-operation and Development (OECD) reveals that counterfeit trade amounted to 2.5% of world trade in 2013, equivalent to \$461 billion.

New “600 series” ECCNs Effective 12/31/2016

Commerce is amending Export Control Classification Number (ECCN) 7A611 and creating new “600 series” ECCNs 7B611, 7D611, and 7E611. This final rule describes how articles the president determines no longer warrant control under category XII (Fire Control, Laser, Imaging, and Guidance Equipment) of the United States Munitions List (USML) of the International Traffic in Arms Regulations (ITAR) will be controlled under the Commerce Control List (CCL) of the Export Administration Regulations (EAR).

In addition, for certain dual-use infrared detection items, this final rule expands controls for certain software and technology, eliminates the use of some license exceptions, revises licensing policy, and expands license requirements for certain transactions involving military end users or foreign military commodities.

This final rule also harmonizes provisions within the EAR by revising controls related to certain quartz rate sensors. This rule is effective December 31, 2016.

View the [final rule](#) as posted in the Federal Register notice dated October 12, 2016.

The State Department [companion rule](#) can also be viewed on the BIS website.

Annotating an Export Shipment: Filing Citations, Exemption Legends and Exclusion Legends

On October 13, the U.S. Census Bureau published a [Global Reach blog](#) on how to annotate commercial documents for export shipments to minimize potential delays at the port of export. With more and more U.S. principle parties of interest (USPPI) filing their own electronic export information, it’s important to know what should be on the transport document. A previous Global Reach blog provided an [overview on filing citations and exemption legends](#), however the newly updated iteration expanded upon the information; covering the use of exclusion legends, it gives a snap shot of the different types of citations and legends that must be clearly stated on the commercial loading documents.

Exclusion legends are used for shipments that fall outside the scope of the Foreign Trade Regulations (FTR). The types of shipments that are excluded from filing requirements are identified in Section 30.2(d) of the FTR.

It is important to remember that whether you are required to file the Electronic Export Information (EEI) or not, the correct annotation must be displayed on the commercial loading document or in a prominent location on the shipment package. Below is a snapshot describing the citations and legends that must be provided prior to exportation.

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Citations / Legends	Description	Annotation
Proof of Filing Citation	Parties to the transaction file the EEI and receive their Internal Transaction Number (ITN) before the exportation of the shipment.	Automated Export System (AES) ITN. Example: AES X20160523777777
Post departure Citation	Post departure approved U.S. Principal Party in Interest (USPPI) have the privilege of filing EEI within five days after exportation rather than obtaining the ITN in advance.	USPPI Filed: AESPOST followed by the USPPI ID and followed by the DATE OF EXPORT. Example: AESPOST 123456789 05/23/2016 Agent Filed: AESPOST followed by the USPPI ID – FILER ID and followed by the DATE OF EXPORT. Example: AESPOST 123456789 – 987654321 05/23/2016
AES Downtime Filing Citation	When the AES experiences a major failure, the AES Downtime Filing Citation is used in place of a proof of filing citation. The downtime filing citation is not to be used when the filer’s system is down, experiencing delays or for shipments subject to the International Traffic in Arms Regulations.	AESDOWN followed by the FILER ID and followed by DATE OF EXPORT. Example: AESDOWN 123456789 05/23/2016
Exemption Legends	These transactions are within the scope of the FTR, but certain details make them exempt from filing EEI in the AES. The exemptions are located in 30.36 – 30.40. Below are two of the most commonly used exemptions: Ø 30.36 – Exemption for shipments destined to Canada. Ø 30.37(a) – Exemption for shipments that are valued \$2,500 or less per Schedule B.	NO EEI followed by the corresponding FTR Exemption. Example: NO EEI 30.37(a)
Exclusion Legends	These transactions are outside the scope of the FTR and shall be excluded from filing EEI in the AES. Exclusions: Ø 30.2(d)(1) – Good transiting the U.S. under U.S. Customs and Border Protection bond from one foreign country to another.	NO EEI followed by the corresponding FTR Exclusion. Example: NO EEI 30.2(d)(1)

One Destination Control Statement for EAR and ITAR Items Effective 11/15/2016

The final “bookend” rules from Commerce and State were published in the Federal Register on August 17, 2016 with a new harmonized Destination Control Statement (DCS) effective November 15, 2016.

The newly harmonized DCS for Commerce and State reads:

“These items are controlled by the U.S. Government and authorized for export only to the country of ultimate destination for use by the ultimate consignee or end-user(s) herein identified. They may not be resold, transferred, or otherwise disposed of, to any other country or to any person other than the

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authorized ultimate consignee or end-user(s), either in their original form or after being incorporated into other items, without first obtaining approval from the U.S. government or as otherwise authorized by U.S. law and regulations.”

Both final rules are part of the president’s Export Control Reform (ECR) Initiative. As part of the ECR efforts, the agencies have sought to harmonize regulatory provisions that are intended to achieve the same purpose. The DCS is an example of this effort and it should reduce the burden on exporters.

This final rule removes the requirement to place the DCS on the bill of lading, air waybill, or other shipping documents and retains the requirement for the commercial invoice.

Effective November 15, 2016, exporters:

- *Must include the DCS on the commercial invoice*
- *Must include the DCS on the commercial invoice under the Export Administration Regulations (EAR) for all shipments of tangible items on the Commerce Control List (CCL), including exports authorized under No License Required (NLR)*
- *Must include in addition to the DCS on the commercial invoice, the Export Control Classification Number (ECCN) of each item, which must also be included on the commercial invoice for shipments of 9x515 or “600 series” items exported in tangible form*
- *Do not need the DCS for shipments designated as EAR99 tangible items or shipments under License Exceptions BAG or GFT*
- *Do not need the DCS on the air waybill, the bill of lading, or other export control documents*
- *Must also specify the country of ultimate destination, the end-user, and the license or other approval or license exemption citation, along with the DCS on the commercial invoice for shipments of defense articles in tangible form under the ITAR*
- *Must also provide the end-user and consignees with the appropriate ECCN or EAR99 classification of the items included in the shipment when exporting items subject to the EAR pursuant to a Department of State license or other approval*

Note: Licenses issued prior to November 15, 2016, will still show the requirement to put the DCS on the Bill of Lading/Air Waybill or other shipping documents but the requirement for Commerce and State after 11/15/16 is to include the DCS on the commercial invoice only. The DCS should not appear on the transport documents.

Regulation citations affecting these rules: § 758.6 of the Export Administration Regulations (EAR) & § 123.9(b)(1) of the International Traffic in Arms Regulations (ITAR)

To access the full ruling, see [BIS final rule](#) and [State final rule](#).

U.S. Fish and Wildlife Service - Non-Designated Port Permits No Longer Issued

On October 18, 2016, the U.S. Fish and Wildlife Service announced that they will no longer require the issuance of [Designated Port Exception Permits](#).

Importation and exportation of wildlife for import activity can be evaluated through the Automated Commercial Environment (ACE) as FWS begins to pilot the FWS Import Message Set.

Electronic Notice of Liquidation

U.S. Customs and Border Protection (CBP) is proposing to [no longer publish the official notice of liquidation](#) at the Customhouse or forward by mail. CBP would post these official notices on CBP website or via a CBP-authorized electronic data interchange system for entries filed electronically.

Comments must be received on or before November 14, 2016.

FDA Issues Draft Guidance on FSMA Downstream Customer Disclosure Statements

On October 31st, the Food and Drug Administration published a [draft of guidelines](#) that outlined compliance expectations for the new Food Safety Modernization Act (FSMA) regulations, which permit importers' customers to regulate safety hazards on their behalf. This new means of processing and declaration would lessen the work load for importers and provide sellers with more autonomy in regard to labeling.

In order for customers to properly regulate food safety hazards on behalf of importers, a disclosure stating that particular food hazards were not controlled by the importer must accompany their shipments. The draft does not require an exact type of disclosure, but states it will view labels, bills of lading, various certifications that accompany shipments, or any other paperwork that a safety manager at the customer level is likely to review as valid means of disclosure. The guidelines provide that importers may identify biological hazards in generic terminology, but that physical and chemical hazards must be identified in as much detail as possible.

The draft is open to comments and suggestions until May of 2017, with a final version expected to be created later that summer.

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Transportation News

Industry News:

Japanese Steamship Lines Merge to Stay in the Game

Times are tough in the steamship line industry and we are getting used to joint ventures, joint services, and carrier alliances as a 'new normal.' In a bold move, K-Line, MOL, and NYK, the three largest steamship lines in Japan, announced that they will be merging the steamship divisions of all three companies to form one operation starting in July 2017. While a new carrier name has not been announced, they expect to offer a new unified service effective April 2018. The joint venture company will also extend to terminal operations that were formerly operated individually.

As rates dropped to historic lows in 2016 the majority of carriers expect to post losses in the billions of dollars, and the industry fully anticipates more mergers to avoid another sudden collapse - as was the recent fate of South Korean giant Hanjin Lines. With a collective loss of \$484 million during the first half of 2016, the three Japanese carriers hope the agreement will save \$1 billion annually in expenses. The steamship industry as a whole is expected to lose over \$5 billion in 2016.

A newly formed fleet, which will include 256 vessels with a capacity to handle 1.4 million TEUs, will become the sixth largest carrier in the world. NYK will retain the majority of holdings at 38 percent, while MOL and K-Line will each receive 31 percent. The Japanese carriers strategically coincided the effective date of the new company with the time at which supply and demand is expected to improve to more sustainable levels.

Carrier Management Recommended to Importers

Footwear importers in Southern California have been recommended to "invest in carrier management." This year, importers have faced obstacles such as congestion at marine terminals, lack of timely performance by shipping lines, carrier mergers and acquisitions, and, of course, the Hanjin bankruptcy. According to Dan Gardner, president of Trade Facilitators Inc., an L.A.-based consultancy that specializes in the field of global logistics & supply chain management, "Shippers should focus on risk management."

Carrier management can assist in overcoming obstacles by knowing which ship is carrying the cargo, which vessel-sharing alliance belongs to the carrier, the financial strong points of the carriers in alliance, and the marine terminals that work the carrier's vessels.

The majority of footwear purchased in the United States is imported from Asia. Last year, footwear importers brought 2.4 billion pairs of shoes into the country. Most footwear types are closely tied with seasonal sales; therefore, the time to market is crucial to retailers. Matt Priest, president of Footwear Distributors and Retailers of America (FDRA) believes that the way in which the shoes are handled by shipping lines, marine terminals, overland transportation providers, and distribution centers obliges footwear importers to closely manage their supply chains.

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It is vital to be cognizant of who is carrying the cargo; although carriers may appear to be vigorous, they may participate in unhealthy practices with other lines. Effective carrier management requires timeliness, awareness, clarity, and strong carrier relationships.

Perishable Exporters Squeezed by Smaller Free-Trade Windows

The amount of 'free time' an importer and/or exporter receives varies by port and terminal throughout the United States. As new container ships with increased-capacity are released into rotation, more congestion issues are beginning to arise. In order to try and mitigate the bottlenecks, port authorities and marine terminals are reducing the amount of time an export container can be stored on the dock before being charged. Importers object to a reduction in free time since they cannot always pick up cargo as soon as it is available due to reasons beyond their control, such as excessive wait times for truckers, chassis availability, Customs holds, closed areas of the yard, appointment availability, and visibility of container readiness and shortages of available truck drivers.

This issue provides extra challenges and cost for exporters that ship perishable items. Based on these new free-time limitations, shippers are unable to deliver containers to ports for vessels arriving the following week. Companies that process perishable food items now have to find alternative ways to load and store their products to account for the shortened window in which they can deliver cargo to the terminal. Companies such as Tyson are now having to pay the extra charges to have their containers stored at container freight stations, "plug-in" charges for temperature control, along with extra chassis charges for special overweight tri-axles designed for the heavy containers.

Some terminals such as the port of Oakland have operated special gates and or extended hours to assist truckers at times of congestion. Others suggest that temperature controlled units should be prioritized over other containers due to the sensitivity of perishable cargo. Regardless of what side of the tracks you may stand, it holds true that mega-sized vessels and the amount of volume they bring to a port will continue to pose new challenges and opportunities to everyone in the shipping community.

Porto Central Mega-Port Project Underway in Brazil

Plans, budget, and partners have been announced for a new mega-port that will give much needed deep-water access to Central Brazil. The new port, called Porto Central, is a joint venture between the Port of Rotterdam and TPK Logistics with construction scheduled to start at the end of 2017. Porto Central will be investing 5 billion reals (\$1.6 billion USD) as the sole owner of the port real estate while terminals will be built and operated by other global private terminal firms. As part of the infrastructure investment, local roads and rail links will connect to the 15 planned berths with drafts up to 25 meters (82 feet) for container, bulk, break-bulk, and offshore oil operations.

Porto Central has ambitious goals to reach a capacity of over 1 million TEUs, eventually making it the largest hub along the South American East Coast. The large capacity is crucial because of its close proximity to Sao Paulo, Rio de Janeiro, Vitoria, and most importantly rail access to Brazil's land-locked

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resource rich areas such as the state of Mato Grosso and national capital, Brasilia. Port of Vitoria shippers should be especially excited as current rates from this area remain high due to draft restriction of just 10.5 meters (35 feet) which limits much of its capacity and operations of costly feeder services.

Ocean Freight News:

Carriers' Thanksgiving Recipe: Increased Rates with a Side of Stability

Halloween is behind us, and what ended up being a not-so-spooky end of October peak season surge. Ocean carriers pulled from their regular bag of tricks, such as reducing capacity and announcing GRIs in order to force rate increases, while exploiting the Hanjin void on the transpacific trade. Leading into November, carriers and shippers alike will find things to be thankful for; shippers will notice a more stable rate market with China to U.S. rate levels holding steady despite a lower than announced early November GRI.

Ocean carriers, on the other hand, will give thanks for that small rate increase that brings them closer to their goal of restoring rates prior to Chinese New Year 2017. West Coast capacity is expected to remain unchanged in the near term, while East Coast will continue to be tight as carriers keep excess capacity out of the market, resulting in ships running full. Carriers have announced a \$600/40' GRI, but not until December, allowing shippers to feast on an entire month of stable rates.

Hanjin Rejects Shipper Effort to Freeze Owed Freight Payments

Consequential to Hanjin's bankruptcy, customers have been hostile towards the carrier over the matter of retrieving their cargo and other damages. Specifically, Ashely Furniture Industries requested in federal court that they be allowed to withhold damages from freight payments they currently owe the carrier. However, Hanjin is refusing to release any cargo until it is fully paid.

Ashely Furniture claims that Hanjin has yet to take responsibility for the chaos it has caused after its bankruptcy. The furniture maker seeks help to recover major monetary damages owed by Hanjin for having to pick up cargo that was shipped to the incorrect ports. During the hearing in Newark, NJ, Ashely Furniture's attorney requested Judge Sherwood of the U.S. Bankruptcy Court to allow an "administrative freeze" on payments owed to Hanjin for only providing partial service, thus violating its contract.

The lawyer representing Ashely Furniture argued that after the bankruptcy the company was forced to store empty containers that would normally have been sent back to Hanjin and now, as a result, is accruing a daily charge to store these containers, which are also taking up needed space at U.S. ports.

Hanjin's lawyer responded to Ashely Furniture's argument by stating that Hanjin has a right to withhold the return of the cargo until it is fully paid. "Everybody's suffering here, and everyone's not going to be made whole," said Judge Sherwood. He agreed that Hanjin needs to receive compensation before it releases the cargo.

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Impacts of Mega-Ships on U.S. Infrastructure

As the mega-vessels continue to bring thousands of containers to the U.S., ports are still struggling to handle the heavy loads. Vessel bunching, in which numerous vessels call on the same port in a small window, has become a significant problem. Los Angeles and Long Beach have been experiencing this over several years, but many U.S. ports are not accustomed to the high influx of cargo. The arrival of multiple mega-vessels puts a strain on the cranes, port workers, chassis demand, and truckers.

Los Angeles and Long Beach terminals have extended their gate hours, implemented appointment systems for truckers, and changed the way that import containers are stacked in an effort to keep productivity from falling. These small steps can combat the rising container volume received at the ports, but long term solutions must be put into place. The good news is that the larger vessels have increased productivity from a carrier standpoint, and once the ports can handle the rising volume of containers per vessel, everyone's supply chain will be more cost effective and efficient.

Equipment sharing, appointment systems for truckers, and other measures are being discussed to find ways to ease the stress many U.S. ports are experiencing. Time will be a huge factor, but as many ports continue to adopt the practices implemented in Los Angeles, terminal operators are hopeful that the solutions will alleviate the current congestion issues at hand.

Airfreight News:

IAG Cargo Launches First Ever Direct Flights to New Orleans from London

A new Cargo Aircraft lane will be served by a British Airways Boeing 787-8 aircraft four times a week from London to New Orleans, starting March 26, 2017. The service offers a number of benefits to businesses and new export routes with a diverse premium product portfolio including an "absolute guarantee to fly" for emergency shipments, says David Shepherd, commercial director at IAG Cargo. New Orleans is the largest city in Louisiana, with perishables, oil and machinery parts being key export commodities from the region.

The airline will become the only carrier to fly direct from its London Heathrow (LHR) hub to New Orleans International Airport (MSY).

FIATA-IATA Sign Historic Accord

On October 7th, two organizations publicly signed a historic accord in Dublin, Ireland forming a governance board for air cargo. FIATA, the International Federation of Freight Forwarders Associations founded in Vienna, Austria on May 31, 1926, is a non-governmental organization representing forwarding and logistics firms. IATA, the International Air Transport Association, founded in Havana, Cuba in April 1945, is the trade association for the world's air carriers, representing airlines and many areas of aviation activity to help formulate industry policy on aviation issues.

"Freight forwarding companies operated within the IATA Cargo Agents' rules for several decades; their services gradually evolved in time from being "selling-agents" for the airlines' services to becoming their

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purchasing customers. IATA and FIATA having joined forces to review, refine, and re-engineer this agency program to reflect these changes, the IATA FIATA Air Cargo Program was adopted by both organizations in 2016. The brand new program moves decision-making on the rules governing the airline-forwarder relationship to a governance body jointly managed by forwarders and airlines, which reflects today's market conditions.

The IATA-FIATA Air Cargo Program addresses modernization of the airline/freight forwarder relationship, modernizing technology, ensuring today's industry standards are relevant, endorsements of freight forwarders, safe/secure and efficient transport of air cargo. Canada is expected to be the pilot country for the new program starting early 2017 with global reach by the end of 2018.

A special note: AFA (Air Forwarders Association), has not joined FIATA. AFA, formed in the U.S. in 1990, is an alliance of indirect air carriers, cargo airlines, and affiliated businesses located throughout the global transportation community, dedicated to moving cargo throughout the supply chain.

Domestic News:

U.S. Intermodal Margins Continue to Fall

Falling trucking and intermodal prices are cutting into the margins of some large transportation providers, and forecasts predict the trend won't be changing any time soon. J.B. Hunt and the Hub Group are just a few intermodal providers that are feeling the pain. Many truckload carriers are facing the same problems, and have been pressured to lower rates amid high inventories, weak consumer spending, and an excess in truckload capacity. To make matters worse for intermodal haulers, falling trucking rates and declines in fuel surcharges are making over-the-road transportation options more appealing to companies needing to move their goods. This is evident in the data showing the Cass Intermodal Price Index has dropped for 20 months straight.

Due to the soft freight demand, rates have continued to fall, which is leading to lower profit margins. J.B. Hunt Transport Services saw its first decline in profitability this year when net profit dropped 5% in the third quarter. The Hub Group's CEO, David Yeager, stated that demand is declining and the peak season has not kicked off with the clout they expected. Although both companies have been able to cut into their competitor's market share, pricing had to be sacrificed in order to keep existing business and gain new customers in the increasingly competitive market amongst the U.S. intermodal providers.

The Future of L.A.-Long Beach Ports' Pier Pass

The Pier Pass Off-Peak program is the longest-running formalized program of extended gates at U.S. ports. Pier Pass Inc. was founded in 2006 by the 13 container terminal operators in Los Angeles- Long Beach area in response to community pressure to relieve some of the daytime port-generated truck traffic.

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The majority of the port stakeholders agree that Los Angeles-Long Beach can handle the high container volume if terminals keep the gates open only on regular hours (8 a.m. to 5 p.m.), Monday through Friday. However terminals insist that extra costs for off-peak gates do incur and they want to be compensated.

The fee issue has generated several complaints by BCOs, truckers, freight forwarders, and the chairman of the Federal Maritime Commission (FMC) who believes the terminals are not being transparent about the extra costs of extra gate hours and believe the Pier Pass program has turned into a profit center.

BCOs and truckers also believe the traffic mitigation fee in Los Angeles-Long Beach port is contributing to the port congestion. For example, in order to avoid the extra fees, trucks begin lining up outside the terminals at about 4:00 p.m. each day - by 6 p.m. the lines are long and congestion ensues.

A working group created to study and consider potential changes to the program will focus on three potential solutions: dynamic and variable pricing, a flat traffic mitigation fee coupled with a trucker appointment system, and a port-wide peel-off program.

Some stakeholders have suggested a dynamic and variable pricing mechanism in which the fee would be higher at times of high gate activity and lower when gates are less busy. Other stakeholders have proposed a flat fee charge on all containers and linked to a trucker-appointment system. Yet another suggestion is to establish a port-wide peel-off or cargo free-flow operation. A Pier Pass advisory committee will analyze the measures in the coming months and will issue a final draft of its recommendations in April 2017.

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 Chrisana Green, Import Analyst in Charleston for her outstanding performance and contributions.

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

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