

SHAP TALK

September 2013 Issue No. 137

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TRADE NEWS

Update on ISF Enforcement

Full enforcement for the Importer Security Filing (ISF also known as 10+2) went into effect July 9, 2013. The full enforcement is to be applied to shipments where the ISF was due on or after 7/9.

Thus far, Customs and Border Protection's (CBP) focus has been on egregious offenders who are not filing ISF or who have repeated late filings. About 100 liquidated damages cases have been issued, most for ISF's that were filed after vessel arrival. At this point, CBP's concern is more with timeliness than with errors.

Customs will not release cargo until the ISF is on file. Unfortunately, this means that in a consolidated container, if one house bill of lading does not have an ISF on file, the entire container can be held, even for C-TPAT participants.

Although the ISF is known as 10+2, it is really 10+2+1 where the additional data element is the bill of lading number. This is how Customs is able to tie the ISF to the vessel manifest and to the Customs entry. Nationally, filers continue to have issues where the bill of lading number transmitted with the ISF does not match any bill numbers on file with Customs. Sometimes this is due to the ISF filer sending the ISF before the carrier has filed the manifest. Once the manifest is filed, Customs will send a bill of lading match message. However, sometimes the number does not match because the incorrect bill of lading type was sent with the ISF. Or the number itself is just wrong. Customs is unable to verify ISF timeliness unless the bill of lading number is matched. Customs must receive the match at least 24 hours prior to arrival or else the ISF will be considered inaccurate and could be subject to liquidated damages.

If the bill of lading number sent with the original ISF transmission was not correct, the filer can update the ISF with the correct number. This will not make the ISF late as long as the original transmission was timely.

If an importer receives an ISF penalty, past ISF performance will matter greatly when requesting mitigation. Customs will want to know at what point did the importer start filing ISF, and what the importer's overall timeliness has been.

Liquidated damages will be issued for up to \$5,000 per violation with a cap of \$10,000 per ISF transaction. First violations can be mitigated to \$1,000. Second violations can be mitigated to \$2,500. Customs will consider all available information in a petition, taking into account any mitigating, aggravating, and extraordinary factors, in determining the final assessed claim for liquidated damages. Importers who have C-TPAT Tier 2 or 3 status will receive the benefit of additional mitigation up to 50% of the normal mitigation amount.

Customs plans to update its [ISF FAQ document](#) in September. The last update was in July 2010.

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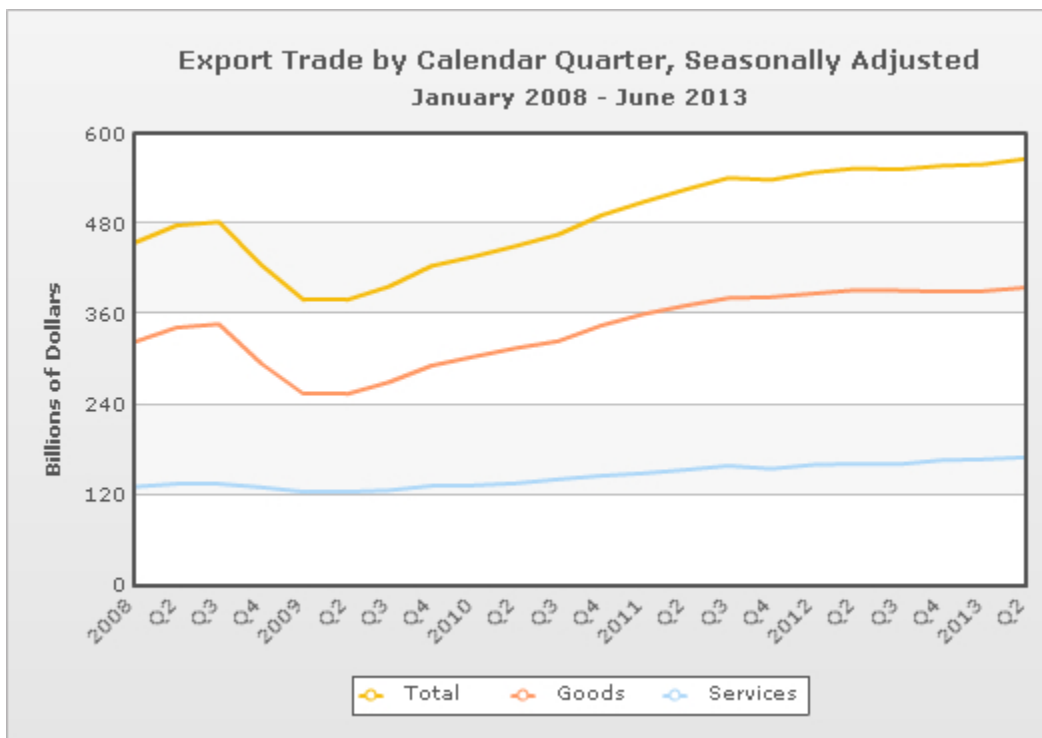
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Second Calendar Quarter Sets Export Records-International Trade in Goods and Services

In June, the nation's international trade deficit decreased to \$34.2 billion from \$44.1 billion in May (revised) as exports increased and imports declined. Exports increased \$4.1 billion to a record high \$191.2 billion primarily due to increases in industrial supplies and materials (\$1.5 billion) and capital goods (\$1.5 billion) which also set a record high (\$46.2 billion).

Imports decreased \$5.8 billion to \$225.4 billion, primarily driven by decreases in industrial supplies and materials (\$2.5 billion) and consumer goods (\$1.6 billion).

With the highest on record goods (\$134.3 billion) and services (\$56.9 billion) exports in June, the second calendar quarter of the year closed with both record high exports of goods (\$395.7 billion) and services (\$170.1 billion). As seen in the graph below, these quarterly records led to the highest quarter exports on record (\$565.8 billion). For additional statistics and historical trade data visit the [Bureau of Economic Analysis website](#).



CBP's Document Image System

TU.S. Customs and Border Protection (CBP) has published a document on their website outlining the procedures for utilizing their Document Image System (DIS), which is currently undergoing pilot testing. The DIS is expected to provide for faster, more efficient cargo review by CBP and other government agencies including the Animal and Plant Health Inspection Service (APHIS) whose forms were made available for electronic transmission through the system as of July 23rd. The purpose of the DIS is to establish a single window for all trade information to federal agencies through the Automated Commercial Environment (ACE).

The procedure for DIS use includes:

- *CBP sending the filer a document request such as a Form 28 for additional documents or information, a documents required message for an entry summary, or another government agency message for a specific document requirement.*
- *The filer will respond by submitting the documents requested and any associated data electronically through the DIS. CBP and/or another federal agency will review the document image and associated data.*
- *Upon review the document image will be accepted or rejected. If accepted the filer will receive an acknowledgement message that the transmission has been accepted. If rejected the filer will receive a message as to the reason why and the filer will be required to retransmit the document. For documents required entry summary messages the filer will be required to submit the ACE action number and the entry summary number shown on the action message.*
- *CBP advises that the filer is still responsible for submitting the Form 3461 and other documents not supported by the DIS to the entry port. In this case the 3461 should be marked on the form with the notation "DIS" to advise CBP that supporting documents have been submitted to the DIS.*
- *A similar process will occur for requested APHIS documentation required at the time of manifest. The difference being that CBP will place a hold on the shipment and will notify the filer on behalf of APHIS.*

APHIS Announces Lacey Act Web Governance System

On August 5th the Animal and Plant Health Inspection Service (APHIS) announced its submission platform, the Lacey Act Web Governance System (LAWGS), which is an electronic online tool to submit Lacey Act Plant and Plant Product Declarations (PPQ Form 505); therefore eliminating the requirement to mail paper declarations to APHIS.

The platform is intended to:

- *Assist importers who currently file paper declarations.*
- *Allow filers to save declaration data in templates for future submissions.*

The platform will not replace the current ABI process which allows electronic filing of declarations used by most importers. (Please note that Shapiro files all Lacey Act declarations electronically in ABI.)

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APHIS will be conducting several webinar sessions over the coming months to introduce the system and its functionality. The number and frequency of which will depend on public interest level.

APHIS expects the new system to be launched in late 2013.

Any entity interested in participating in an introductory webinar should contact APHIS at:

Lacey.act.declaration@aphis.usda.gov

The body of the email should include the name of your organization, the type (manufacturer, importer, retailer, etc.), the number or names of participants, convenient dates and times, and whether you would be interested in more in depth training beyond an introduction to LAWGS.

Additional information and a presentation about LAWGS can be viewed by visiting the APHIS website at:

www.aphis.usda.gov or

http://www.aphis.usda.gov/plant_health/lacey_act/downloads/LAWGS%20Intro.pdf

Aerospace Market Resource Guide 2013

The US Department of Commerce, Commercial Service Aerospace team has created a reference guide for U.S. exporters for the aerospace industry. This [Aerospace Market Resource Guide 2013](#) is designed to provide valuable market intelligence relevant to your company and its export goals.

Aerospace industry specialists from 40 countries provide market intelligence reports in this free resource. This online guide provides Market Intelligence, Business Matchmaking, Trade Counseling, and Business Diplomacy for the aerospace market.

For any additional comments or questions, please contact Global Aerospace Team Leader, Melissa Grosso, at (860) 638-6955 or Melissa.Grosso@trade.gov

TRANSPORTATION NEWS

September 2013 Update

INDUSTRY NEWS:

NY-NJ Port Delays Affect Port of Virginia

By mid-August, the Port of Virginia started experiencing a heavy influx of rail cargo at Norfolk International Terminals and APM Terminals in Portsmouth as a result of the peak-season volumes coupled with the rise in rail diversions as a result of congestion in other ports such as NY-NJ. Labor is working around the clock at the rail operations and is doing everything they can to expedite cargo. The Port of Virginia has put in place a number of operational enhancements and directives in order to create additional capacity and productivity. The delays in NY-NJ port got so bad in late July that Hapag Lloyd began telling its customers to divert cargo to the Port of Virginia.

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Truckers in Oakland Port Protest Chronic Delays

On Monday, August 19, truckers virtually shut down the SSA Marine terminal at the Port of Oakland. They were protesting the chronic delays there that have kept them in line for up to six hours to load their trucks. Most of the truckers in the area are independent contractors that get paid by the load and these long waits have cut into their profits. Due to safety issues the drivers are not allowed to leave their trucks while they are waiting. When the dockworkers discovered the trucks had blocked the terminal gates, the dockworkers did not cross the picket line. Oakland police were called in to restore access to the other terminals in Oakland and the longshoremen at those terminals stayed on the job.

NY-NJ Port Considering Extended Gate Hours

Truckers in the NY-NJ area are getting up awfully early these days. The lines at the pier form around 4 a.m. and sometimes even earlier. Getting an early start gives them a better chance at the ability to deliver their first load and hopefully have time to pick up a second load during the day. This summer's congestion at the NY-NJ terminals has renewed talks of extending hours for terminal gates that normally operate weekdays from 6 a.m. to 4 p.m. Maher Terminal is keeping its gates open until 7 p.m. through August in response to the congestion this summer but they are reluctant to make this a permanent schedule. The main reason for the reluctance in extending hours is high labor costs. There is little enthusiasm in the port for a Los Angeles-Long Beach style "Pier Pass" system and the port prefers to come up with its own unique solution to better suit the port.

New China VAT Confuses Industry Worldwide

As of August 1, while it is clear that the new VAT of 6 percent is payable on all transport and logistics services conducted or billed within China, there remains widespread confusion about how this is to be applied to complex international supply chains. Shippers are simply not familiar with the latest VAT structure and implementation which is creating confusion as to how the fee should be passed along the supply chain.

Most carriers and NVOCCs are already adding 6 percent VAT onto customer bills, but it is not fully clear that international shipping services are even liable for VAT and if they are, how the payments received are being relayed to the Chinese government.

The rule is clear however that "any payment to be executed in China is subject to VAT," which means that any import shipment where payment needs setting in China (for locally paid charges) is subject to VAT. This VAT can be passed along the supply chain in China through to the end user. If the shipment involves overseas invoicing, such as when importing into China, the Chinese Tax Bureau does not recognize the overseas invoice and so this cannot be deducted from the tax payable by the ultimate customer in China.

For the airfreight sector the freight payments to the carriers for exports from China are paid to the carrier in China so the airfreight charges are subject to the 6% VAT. This charge gets passed on to the consignee because the shipper is obligated to pay the amount to the Chinese tax authorities.

OCEAN FREIGHT

CMA Orders Mega Ships

CMA-CGM is expanding the number of new 16,000 TEU vessels that it plans to order as their improved balance sheet coupled with new financing from Chinese shipyards has made this possible. CMA has orders for nine of these new mega ships and the first three will be built by Daewoo Shipbuilding & Marine Engineering in South Korea. In addition, CMA has ordered another 10 ships in a series of 9000 TEU vessels to be delivered in 2014. CMA is the world's third-largest container line as measured by capacity and currently has orders for 13 vessels with a combined capacity of 140,890 TEUs or 9.4 percent of its existing fleet as of August 1.

Trans-loading on the Rise at Los Angeles-Long Beach

The Ports of LA-Long Beach handle approximately 40 percent of all U.S. containerized imports and what happens to the cargo once it arrives at the port is now going through changes that foretell the trends in U.S. freight transportation. The growth in rail cargo traveling from LA-Long Beach (which accounts for 67 percent of all cargo arriving at LA-Long Beach) to markets in the interior has been augmented by the rise in trans-loading cargo to truck trailers in the LA area. The number of containers that moved by rail inland has declined by 23 percent of the last five years while the number of goods imported into LA-Long Beach that are trans-loaded into domestic containers then sent East have increased by 25 percent since 2006.

Once a trailer has been moved inland, it is easier for it to be reused unless it's loading export cargo. This trend highlights the grim reality for exporters that are looking to book carrier owned equipment from Midwest locations. Since carriers have been withdrawing from providing chassis for 40-foot containers at most inland locations, chassis are becoming harder to find at inland hubs. Containers moving intact to inland locations will always be a part of the cargo mix but over time their numbers will continue to be smaller.

CSAV Will No Longer Provide Chassis in Major Ports

South American carrier, CSAV will cease to provide chassis on October 1, 2013 in the ports of Charleston, Wilmington N.C., Savannah, Jacksonville, Tampa, Norfolk, and at the major inland hubs of Atlanta and Charlotte, N.C. Chassis have been phased out already in the ports of New York and Baltimore as of May 10, 2013.

General Rate Increases (GRI) to Hit Again on September 1 from Asia to USA and October 1 from USA to Asia

All shipping lines that ship from Asia ports to the USA have announced a GRI effective September 1.

To US West Coast only:

US\$320 per 20' container

US\$400 per 40' container

US\$450 per 40' HC container

US\$510 per 45' container

All other destinations:

US\$480 per 20' container

US\$600 per 40' container

US\$675 per 40'HC container

US\$760 per 45' container

It is expected that these GRI levels will be mitigated on a case by case basis due to lower than expected volumes being booked out of Asia to the USA so please contact your Shapiro representative for updates.

A GRI from the USA to Asia has been announced at US\$80 per 20' container and US\$100 per 40' container but this is expected to be delayed until October 1. Please check with your Shapiro representative for updates.

General Rate Increase (GRI) from North Europe and the Med to USA Starts October 1

The carriers in the North Europe and Mediterranean to USA trade have announced a GRI effective October 1 at US\$150 per 20' container and US\$250 per 40' container.

AIR FREIGHT

Asia Air Cargo Volumes Continue to Fall Even as Rates Fall

Asian shippers are continuing to ship as many smaller shipments via modes other than air freight as much as possible to cut their supply chain costs even though air freight rates out of Asia are now at historic lows. Many companies are under cost and labor pressure and are looking to reduce their total supply chain costs by moving their cargo via ocean freight or other transportation modes such as sea-air, air-sea and trucking. Air freight exports from Asia have fallen 2.5 percent this past year and they are now down to the levels we saw during the 2009 recession. Importers in the USA simply do not want inventories on their books and it is expected that air freight pricing will remain under pressure until the end of the holiday season this year. After the holiday season the carriers will be expected to cut capacity which will give a boost to rates.

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Emirates SkyCargo Changes Application of Fuel and Security Charges

Effective September 1, 2013 the Fuel and Security Surcharges will be charged based upon chargeable weight instead of actual weight as they have been in the past.

The Fuel Surcharge will remain at US\$0.95 per kilo as it has been for all shipments issued under an Emirates Air Waybill with an execution date on or after July 29, 2013, and the Security Surcharge will remain at US\$0.12/kg, but from September 1, 2013 the application below will apply.

- *The Fuel Surcharge (FSC) and Security Surcharge (SSC) are calculated on CHARGEABLE weight.*
 - *There is no minimum or maximum per air waybill.*
 - *The FSC and SSC charges must be inserted on the air waybill as "other charges due carrier" preceded by the code "FSC" and "SSC" respectively.*
 - *The amount must be totaled with other "due Carrier" charges in the "total other charges due carrier" box.*
-

DOMESTIC

Maersk Sells Drayage Subsidiary

Maersk Lines has agreed to sell all of its assets for its Bridge Terminal Transport (BTT) subsidiary to an affiliate of Platinum Equity. This transaction should be completed on September 1. BTT has been involved in marine drayage for 30 years in the U.S. and is one of the largest companies in the market. BTT operates at major port locations and inland rail sites through a network of 28 terminals and 25 container yards with more than 1,285 owner-operators.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Launches its Own University, Shapiro U

Shapiro unveiled its latest initiative, the creation of Shapiro University, shortly after the launch of its new brand and website.

The goal of Shapiro University, or Shapiro U, is to fulfill the company's dream of bringing higher level educational training to its employees and customers. Inside Sales Manager Perijo Bennett led the mission from beginning to launch and spearheaded several internal committees to bring the project to life. A critical aspect of the new venture was finding an easy-to-use, online-based product that would support the initiative. TrainCaster LMS lived up to the task. TrainCaster LMS was created in 1999 as a spinoff of NetCasters Inc., a full service web design and web software development company.

Once Shapiro selected its training platform, the company spent the better part of a year gathering and creating online course catalogs, with its first courses focusing on information security awareness and the company's history and cross-organizational structure. Shapiro U works much like any university with a course catalog, semesters, and online registration. Many course offerings are web-based, allowing students

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to work at their own pace, to monitor their progress, and to schedule study at a time that is convenient for them.

Shapiro U will not only reach Shapiro's employees; it will also invest in its customers and the trade community by offering educational seminars and webinars hosted throughout the year. The last webinar series, the Logistics of Importing and the Logistics of Exporting, aired in May and June of 2013, respectively.

"Our new learning management platform will allow us to offer our training on demand," says Perijo Bennett, Inside Sales Manager. "Combining online training with our fundamentally solid classroom training allows us to deliver a rich blended learning experience for our employees and customers alike."

"The creation and rollout of Shapiro U has been a long awaited dream of mine," noted Margie Shapiro, Shapiro's President and CEO. "This program directly reflects our core values to challenge and inspire our employees, as well encourages them to cross organizational boundaries. The ability to provide training and education to our Shapiro family, whether employee or customer, is an investment in each other. I couldn't be more pleased."

Shapiro's Libby Redditt Wins AIFBA Scholarship

Libby Redditt, an import account coordinator in Shapiro's Atlanta office, was announced the winner of a scholarship for Jon Fee's Brokerage Prep Course, a five-session all-inclusive tutorial on the information needed to take the Customs broker exam administered by Customs and Border Protection (CBP). The scholarship is offered semi-annually by the Atlanta International Forwarders and Brokers Association (AIFBA), a not-for-profit association dedicated to promoting business interests of Customs brokers and international freight forwarders, in partnership with Avalon Risk Management, an independent, privately held insurance broker with a multi-national presence. In order to apply, applicants must be employed by an AIFBA member company, include a letter of recommendation from an AIFBA member employer, and submit a short essay on the subject 'Why should an importer choose a licensed Customs broker over self-filing?'

Redditt came to Shapiro in April of 2011 after over a year with DB Schenker USA. Libby's primary responsibilities include coordinating the importation process for multiple high-volume accounts, handling domestic freight, classification of goods, billing, and entry filing.

"It's amazing how much support I've received from my colleagues, managers, and other brokers in the area since I received this scholarship," says Redditt. "It does add some pressure as I get ready for the exam, but I'm going to use this pressure to do the best job I can during the test."

"What an amazing accomplishment for Libby to be selected as the scholarship winner!" says Kathleen Robie, Shapiro's Atlanta branch manager. "All of us at Shapiro are very proud of Libby and know that she will make the most of this opportunity to participate in Jon Fee's class in preparation for taking the next broker's exam. I'm looking forward to seeing her continued success as she progresses her career in the International Logistics Industry."

To read Libby's winning essay, please visit the company's blog, [Shap Blog](#).

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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 Dawn Jahn, Senior Programmer, 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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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.

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