"SHAP" TALK

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TRADE NEWS

Customs to Discontinue Mailing Liquidation Notices

In an effort to save the government money on postage and handling costs, U.S. Customs and Border Protection (CBP) has issued a final rule announcing that courtesy notices of liquidation will no longer be mailed to importers. CBP estimates the annual savings will be $3.8 million.

Importers will need to obtain liquidation information through the Automated Commercial Environment (ACE) Secure Data Portal using the reporting tool, or from their Customs brokers. Customs is in the process of programming ACE so that importers can monitor their liquidation via their ACE Portal Account. Importers can also obtain liquidation information along with complete entry information in an ITRAC (Importer Trade Activity) report. The report is free for Importer Self Assessment members.

Customs will discontinue mailing the liquidation notices the first day on or after September 30, 2011 that CBP can provide importers with complete liquidation reports, including liquidation dates, electronically through the ACE Portal.

Final rule: http://www.gpo.gov/fdsys/pkg/FR-2011-08-17/pdf/2011-20957.pdf

ACE Portal application information:
http://www.cbp.gov/xp/cgov/trade/automated/modernization/ace_app_info/

ACE Portal reports information:
http://www.cbp.gov/xp/cgov/newsroom/fact_sheets/trade/ace_factsheets/ace_portal_reports.xml

ITRAC report information: http://www.cbp.gov/xp/cgov/admin/fl/foia/itrac/itrac.xml

Are We Moving Forward with Free Trade Agreements (FTA)?

The U.S. Senate announced a procedure to consider three Free Trade agreements – Korea, Panama, and Colombia. However, there is a dispute as to when and how to vote on (TAA) Trade Adjustment Assistance which has delayed submitting the FTA to Congress.

There are certain Senate leaders who would rather hold separate votes on the TAA and FTA instead of packaging them together. The FTA supporters are hoping there is a breakthrough to allow for voting on the FTA in the fall.

There is still however disagreement by both the Democrats and Republicans as to which should pass first - (TAA) or (FTA). If passed the 3 FTA could pump up to $14 billion into the U.S. economy and add job growth upwards of 250,000. The agreements would also include retroactive renewal of GSP and the Andean Trade Preferences. These programs are critical for businesses seeking to remain competitive in the US market. Similar FTA's are being signed by other countries which puts U.S. companies at a disadvantage in the growing markets.

New Textile Enforcement and Security Legislation Introduced in House

On August 1, 2011, the Textile Enforcement and Security Act of 2011 (H.R. 2754) was introduced in the House of Representatives. Its intent is to provide greater enforcement, security measures, and compliance requirements for textile and apparel importers in relation to the proper payment of duties and free trade agreement program utilization.

Highlights of the bill include the following:

- New textile and apparel importers with fewer than three years of importing history will be required to be identified in a centralized database. As part of the database, bond amounts for said importers will be figured based on a defined risk level.
- Nonresident importers will not be allowed to serve as importer of record on entry transactions unless they identify a resident agent who's authorized to accept service of process, provide a commercial invoice which lists the name, address, and contact information for all parties involved in the transaction, and can certify that the appointed agent has assets to meet U.S. Customs & Border Protection (CBP) liabilities.
- CBP personnel will be increased to include a minimum of one branch chief and six operations employees, three of whom will cover the CAFTA-DR countries, in the Textile Operations Branch. The Quota Branch will be increased to include a minimum of one branch chief and four operations employees. The Textile Apparel/Policy & Programs Division will be increased to a minimum of one branch chief, three operations employees, and two textile trade analysts. Additional import specialists will be assigned and all import specialists will receive training in trade preference verification, undervaluation issues, and fraud.
- The possible creation of an electronic system for tracking imports and exports under U.S. free trade agreements.
- The creation of a centralized database registry which will identify U.S. manufacturers of threads, yarns, fabrics, and apparel items who supply said products to U.S. companies and/or countries in the Western Hemisphere that are involved in free trade agreements.
- CBP will be required to publish the names of parties outside the U.S., manufacturers, sellers, exporters, etc. who have been penalized by CBP for duty circumvention, and various violations of trade preference programs and quotas.
- The President will be required to publish the names of countries where activities occur to circumvent duties or violate trade preference programs unless the named countries cooperate to abolish such illegal activities.

- Shipment seizures and forfeitures will occur on shipments where trade preference claims are invalid, where the importer doesn't verify the country of origin before making a preference claim, or where an importer knowingly provides false physical address information.
- Any amounts received by CBP for any fines, penalties, or forfeiture actions would be utilized to reimburse CBP for expenses related to investigations and criminal/civil enforcement of any applicable laws, to reward parties who give information leading to the arrest, conviction, civil penalty determination, etc. against parties who engage in illegal activities, and to provide additional training to CBP employees who are involved in enforcement activities.

Next Generation of C-TPAT Benefits

In May, 2011 the U.S. Council for International Business (USCIB) and the American Association of Exporters and Importers (AAEI) provided U.S. Customs & Border Protection (CBP) with a listing of 18 additional C-TPAT benefits which should be available to Tier 2 and 3 participants. The USCIB and AAEI contend that the additional benefits will increase C-TPAT participation and will help CBP reach its goal of increasing participation from approximately 10,000 to 40,000 program members within the next 7 years.

The benefits coincide with CBP's recent action on C-TPAT to move toward account based vs. transaction based security methodologies.

Proposed benefits include:

- Utilizing an account based approach for collecting and comparing data to improve data flow and to minimize expenses associated with the collection/retention of data.
- Providing for paperless CBP entries with the exception of other government agency entries which may require hardcopy documents.
- Basing cargo releases on 10+2 data and allowing a monthly entry filing to correlate with Periodic Monthly Statement (PMS) filing.
- Allowing multiple suffixes on IRS numbers to be presented on the same PMS statement. The current practice only allows one IRS number per PMS statement.
- Reducing the Merchandise Processing Fee (MPF) by 50% for Tier 2 and 3 members.
- Lowering the CBP bond liability for members to 5% of duties, fees, and taxes paid in the previous year for continuous bonds, and calculating single entry bonds on a lower starting value.
- Providing for no inspections in regard to compliance enforcement.
- Rather than having CBP hold an entire shipment when only 1 container is being examined, allowing CBP to hold/exam the single container and to release the remaining containers to the importer for disposition or retention.

- Allowing inland processing to bonded warehouses before entries are submitted to CBP. Any portion required to be examined for non-security purposes would be returned to CBP.
- Providing a plan that would expedite cargo following a lockdown/shutdown at borders or sea ports.
- Reducing or eliminating the CBP Form 28 to request information from importers. Information requests would be handled by the importer's account manager and responses would be provided electronically through the Automated Commercial Environment (ACE).
- Defining the role of CBP account managers.
- Expediting binding ruling requests decisions made by CBP from 30 to 10 days.
- Allowing members to utilize the prior disclosure process or to implement a corrective plan before seizure actions by CBP, or within a period of time, say 30 days, from a seizure or penalty action to correct violations.
- Allowing penalty mitigation except in cases of fraud as recognition of due diligence in the preparation of prior disclosures, and providing a penalty discount to Tier 2 and 3 members.
- Waiving or expediting discretionary background checks for Tier 2 and 3 participants.
- Providing tax incentives for supply chain improvements/enhancement to members.
- Providing a scheme to achieve mutual recognition between the C-TPAT program and other countries' programs such as Canada's Partners in Protection Program (PIP), etc.

In summary, both associations have also stated that C-TPAT's core benefits need to be prioritized because of limited CBP resources, and should revolve around pre and post-trade supply chain events under an umbrella of an account based perspective.

The Year in Trade 2010 Report Released by ITC

The U.S. International Trade Commission has released "The Year in Trade 2010," a comprehensive report of U.S. trade-related activities. The report also includes information on antidumping and countervailing duty cases, intellectual property rights infringements, and bilateral trade issues with the U.S.'s major trading partners. Here are some highlights from the report.

U.S. Trade in Goods – Both U.S. merchandise exports and U.S. merchandise imports increased substantially in 2010, by 19.8 percent and 22.6 percent respectively, as the U.S. and world economies recovered from the downturn of 2008–09. However, merchandise imports continued to exceed merchandise exports, both in absolute terms and as a share of U.S. GDP. U.S. merchandise exports increased from $936.7 billion (6.6 percent of GDP) in 2009 to $1,122.1 billion (7.7 percent of GDP) in 2010, while U.S. merchandise imports increased from $1,549.2 billion (11.0 percent of GDP) in 2009 to $1,898.6 billion (13.0 percent of GDP) in 2010.

Machinery and transport equipment are the largest U.S. export category by value. The largest import categories by value are machinery and transport equipment; and mineral fuels, lubricants, and related materials.

Of the top U.S. trading partners, we maintain a trade surplus only with Brazil.

GSP – Duty-free U.S. imports under the Generalized System of Preferences (GSP) program totaled $22.6 billion in 2010; almost one-fourth of these imports were petroleum products. Thailand was the leading GSP beneficiary in 2010, followed by Angola, India, Brazil, Indonesia, and Equatorial Guinea.

European Union – The EU as a unit is the largest two-way (exports and imports) U.S. trading partner in terms of both goods and services. U.S. merchandise trade with the EU was valued at $532.2 billion in 2010, accounting for 17.6 percent of total U.S. trade. Leading U.S. exports included aircraft and aircraft parts, certain medicaments, petroleum products, nonmonetary gold, blood fractions (e.g., antiserum), coal, passenger motor vehicles, and medical instruments. Leading U.S. imports included certain medicaments, passenger motor vehicles, petroleum products, nucleic acids and their salts, aircraft and aircraft parts, and heterocyclic compounds. The EU is the top market for U.S. exports.

Canada – Canada was the United States' largest single-country trading partner in 2010, accounting for 15.9 percent of total U.S. two-way trade. U.S. merchandise exports to Canada were $206 billion with merchandise imports totaling $275.5 billion. Leading U.S. exports were motor vehicles and parts; energy products, such as natural gas and petroleum-related products; aircraft and aircraft parts; metal products, such as gold scrap and aluminum plate; and medicaments. Leading U.S. imports from Canada were energy products, such as petroleum-related products, natural and propane gas, and electricity; motor vehicles and vehicle parts; metals, such as gold, aluminum, and copper; wood and wood products; and medicaments.

China – In 2010, China was the United States' second-largest single-country trading partner, based on two-way trade, and accounted for 14.9 percent of U.S. trade with the world. The United States' bilateral merchandise trade deficit with China, which rose by $47.9 billion to $278.3 billion in 2010, remained higher than the U.S. deficit with any other country. U.S. merchandise exports to China amounted to $85.7 billion in 2010, and U.S. imports from China amounted to $364.0 billion. Leading U.S. exports were soybeans, metal waste and scrap, aircraft, and computer chips. Leading U.S. imports were computers and computer parts, wireless telephones, toys, and video games. China is the leading source for U.S. imports.

To view the report, visit http://www.usitc.gov/publications/332/pub4247.pdf

Goods and Services Deficit Increases in June 2011

On August 11, 2011, the Commerce Department issued the June 2011 numbers for goods and services. The nation's international trade deficit in goods and services increased to $53.1 billion in June from $50.8 billion (revised) in May, as exports decreased more than imports. Below are the highlights from the report:

Goods and Services
Exports decreased to $170.9 billion in June from $175.0 billion in May. Goods were $121.2 billion in June, down from $125.3 billion in May, and services were $49.6 billion in June, down from $49.7 billion in May.

Imports decreased to $223.9 billion in June from $225.8 billion in May. Goods were $188.8 billion in June, down from $190.7 billion in May, and services were $35.1 billion in June, virtually unchanged from May.

For goods, the deficit was $67.6 billion in June, up from $65.4 billion in May. For services, the surplus was $14.5 billion in June, down from $14.6 billion in May

Goods by Category (Census basis)
The May to June decrease in exports of goods reflected decreases in industrial supplies and materials ($2.0 billion); capital goods ($1.5 billion); foods, feeds, and beverages ($0.8 billion); and other goods ($0.5 billion). An increase occurred in consumer goods ($0.7 billion). Automotive vehicles, parts, and engines were virtually unchanged.

The May to June decrease in imports of goods reflected decreases in industrial supplies and materials ($2.2 billion); automotive vehicles, parts, and engines ($0.2 billion); capital goods ($0.1 billion); and consumer goods ($0.1 billion). Increases occurred in other goods ($0.7 billion) and foods, feeds, and beverages ($0.1 billion).

Services by Category
Services exports were virtually unchanged from May to June. Decreases in passenger fares ($0.1 billion) and other transportation ($0.1), which includes freight and port services, were mostly offset by an increase in other private services ($0.2 billion), which includes items such as business, professional, and technical services, insurance services, and financial services. Changes in the other categories of services exports were small.

Services imports were virtually unchanged from May to June. The changes in all categories of services imports were small and mostly offsetting.

International Trade in Goods and Services: June 2011, can be found at: http://www.census.gov/indicator/www/ustrade.html

Inspector General's Report on Bond Efficacy

The Office of Inspector General for the Department of Homeland Security has issued a report "Efficacy of Customs and Border Protection's Bonding Process." The report found that while Customs has strong controls over continuous bonds, it does not have adequate controls over the single transaction bond (STB) process, and its method for determining and applying STB's is ineffective. The report estimates that $8 billion of $12 billion in STB's accepted by Customs in fiscal year 2009 contained errors that may result in non-collection. Additionally, the analysis shows $1.5 billion at risk of loss for imports subject to other government agency requirements; the report states that Customs should have required $1.5 billion more in STB's during FY2009 to cover import risk for goods subject to other government agency requirements.

While the continuous bond process is centralized with CBP's revenue division, there is no centralized CBP office responsible for overseeing and administering the STB program. The report states that CBP cannot identify the number of STB's, has inaccurate and incomplete bonds, does not maintain and review bonds as required, underutilizes its bond authority and does not adhere to its monetary guidelines for entries with other government agencies. Customs is planning a centralization process for STB's.

Some of the issues with the STB's are caused by the limitations of CBP's Automated Commercial System (ACS) with the end result of a largely manual tracking process for STB's. Customs is working on automating the STB process as part of its ACE (Automated Commercial Environment) development.

The full report is available at
http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_11-92_Jun11.pdf

Contest to Create a Video: My U.S. Export Story

The Small Business Administration and Visa are sponsoring a contest for exporters to create a video telling the story of your small business success in exporting. The videos will inform small businesses about the advantages of exporting and increase awareness of government assistance available to support small business exporters through the first-person stories of successful entrepreneurs.

One video in each category will receive a prize. A total of five prizes in the form of cash, airfare and hotel to participate in an awards ceremony in the continental United States, and Gold Key matching service and/or various other trade related events funds will be awarded to the first, second, third, fourth and fifth place winners as follows:

First place: $12,000 award, includes cash; an expenses-paid trip to be honored at the National District Export Council Conference in Las Vegas, Nevada from November 2-5, 2011; and $1,000 towards a Commerce Department Gold Key service, *and/or various other trade related events.*

Second place: $10,000 award, includes cash; an expenses-paid trip to be honored at the National District Export Council Conference in Las Vegas, Nevada from November 2-5, 2011; and $1,000 towards a Commerce Department Gold Key service, *and/or various other trade related events.*

Third place: $8,000 award, includes cash; an expenses-paid trip to be honored at the National District Export Council Conference in Las Vegas, Nevada from November 2-5, 2011; and $1,000 towards a Commerce Department Gold Key service, *and/or various other trade related events.*

Fourth place: $6,000 award, includes cash; an expenses-paid trip to be honored at the National District Export Council Conference in Las Vegas, Nevada from November 2-5, 2011; and $1,000 towards a Commerce Department Gold Key service, *and/or various other trade related events.*

Fifth place: $4,000 award, includes cash; an expenses-paid trip to be honored at the National District Export Council Conference in Las Vegas, Nevada from November 2-5, 2011; and $1,000 towards a Commerce Department Gold Key service, *and/or various other trade related events.*

All contest rules and detailed information can be found at: http://www.sba.gov/exportvideocontest

Increase and Expansion of Cotton Fee

The Agricultural Marketing Service (AMS) of the U.S. Department of Agriculture has issued a final rule to increase and expand the cotton fee which is collected for use by the Cotton Research and Promotion Program.

The cotton fee is currently $0.01088 per kilogram. The new fee will be $0.012665 per kilogram effective September 30, 2011. The cotton fee was last raised in August 2009.

Additionally, the number of tariff numbers covered by the cotton fee will increase from 706 to 2,371 to assess all imported cotton and cotton-containing products.

The list of affected tariff numbers may be found in the August 31st Federal Register at http://www.gpo.gov/fdsys/pkg/FR-2011-08-31/pdf/2011-22159.pdf

Scope for Petroleum Wax Candles from People's Republic of China

The Department of Commerce has issued a notice concerning final results on the scope of antidumping order A-570-504 for candles from China. The Department now considers all candle shapes identified in the scope of the order (tapers, spirals, and straight-sided dinner candles, rounds, columns, pillars, votive and various wax filled containers) to be within the scope of the order, regardless of etchings, prints, moldings or other artistic or decorative enhancements including holiday-related art. All candle shapes, including novelty candles, are considered to be within the scope of the order, even those shapes not listed on the order. In addition, birthday, utility (household emergency candles) and figurine candles are excluded from the scope. “Figurine” is narrowly defined by Commerce as a candle in the shape of a human, animal, or deity.

Previously Commerce had excluded certain holiday-themed candles and candles in identifiable shapes from the antidumping case.

The entire notice can be viewed at:
http://www.gpo.gov/fdsys/pkg/FR-2011-08-02/pdf/2011-19529.pdf

TRANSPORTATION UPDATE

September 2011 Update

INDUSTRY NEWS:

Annual Reports Designate China U. S. Fastest Growing Export Market since 2000
The US.-China Business Council, annual report has announced that U.S. export growth to China between 2000 and 2010 quadrupled to $91.9 billion, surpassing outbound trade with the rest of the world. Since 2000, exports to China, the U.S. third largest trade partner grew 468%, or nearly $76 billion compared with 55% export growth with the rest of the world. In 2010, exports to China rose at a rate higher than any of America’s top five export destinations.

The Business Council’s 2000-2010 annual reports compared this rate of growth to U.S. top trading partners, Canada and Mexico, which grew $69.3 billion and $52 billion respectively. The Council report also notes that growth rate in exports to China since 2000 have consistently met or exceeded the Obama Administration’s goal of doubling American exports by 2014.

U.S. Container Imports Fall 5.4 Percent in July
The Port Import Export Reporting Service (PIERS) July report showed a 5.4% slump in U.S. containerized imports from July 2010, coming after a 1.7% year-over-year decline the previous month. Journal of Commerce economist, Mario O. Moreno, attributes a “soft demand for home goods” to the lagging growth rate.

Containership lines hope the fall peak season will reverse an across the board dip in profitability, as the National Retail Federation and Hackett Associates predict year-over-year growth at top container ports resuming in September after summer declines.

PIERS data shows July’s import volume totaled approximately 1.5 million TEU’s, and according to Moreno, these numbers suggest “an ‘anemic’ buildup to the annual peak season for holiday imports.” Moreno also suggests that year-to-year comparisons were affected by July 2010 comparisons when importers booked early to avoid capacity constraints, but were met with retailers and consumers cautious in a shaky economy.

PIERS also reports an 8% decline in the imports of furniture and furnishings, which account for approximately 10% of containerized imports. Sheets, towels, and blankets were down 13%; kitchenware 12%; lamps and parts 8%, also toys 18%; computers 9%; apparel 4.5%; and footwear down 3%. Conversely auto parts were up 14% and tires were up 7%.

Imports from China, accounting for nearly half or U.S. containerized imports, fell 6.5% to 689,632 TEU's in July. South Korea fell 10.6% to 57,027 TEU's. Imports from Hong Kong dropped 16% to 41,936 TEU's.

Imports from Japan rose 3.6% to 46,706 TEU's, with India up 7.4% to 33,190 TEU's, and Italy up 5.9% to 29,294 TEU's.

Hapag-Lloyd GRI Takes Effect October 1

German ocean carrier Hapag-Lloyd announced general rate increases (GRI) effective October 1st for shipments between the U.S., Canada and Mexico and North Europe and the Mediterranean.

Eastbound and Westbound trans-Atlantic shipments to and from the U.S. and Canada are set to rise by $240 per 20-foot container and $300 per 40-foot container.

Rates between Mexico and North Europe and the Mediterranean will increase by $200 per 20-foot container and $250 per 40-footer.

Alphaliner Supports Predictions of Prolonged Slump for Ocean Carriers

Research analyst Alphaliner predicts that container shipping is headed toward a slump that could possibly last longer than the 2009 downturn, and suggests that oversupply of capacity and weak demand growth in Europe and the U.S. are contributing factors.

In its latest report, Alphaliner suggests that the lull in container ship orders between fourth quarter 2008 and the first quarter of 2010, reduced the order book from 60 percent to 26 percent of the existing fleet, but did little to solve the problem of overcapacity.

Record earnings in 2010, (an aggregate $17 billion according London based consultant Drewry's), helped to restore 2009 balance sheets, triggering a rush of orders totaling 2.3 million TEU's since June of 2010, boosting the order book to 4.5 million TEU's, aggravating the overcapacity problem.

Alphaliner advises that even slight reductions in the idle fleet, to just one percent of total capacity, masks weak utilizations rates through most of 2011, and cautions against underestimating container ship overcapacity based, "misleading" supply growth figures of 7 percent for 2011 and 2012, and a capacity shortage in 2013.

India Experiences July Export Surge of 82 Percent
Latest provisional figures from the Indian Commerce Ministry show India's exports rising to 82 percent year over year to $29.3 billion in July. Total exports from April through July increased 54 percent to $108.3 billion from the previous year.

Imports for July grew 51.5 percent to $40.4 billion on a year-on-year basis, creating a trade gap of $11.1 billion. April-July imports grew 40 percent to $151 billion, and trade deficit for the four months to the end of July was estimated at $42.7 billion.

India's Commerce Ministry officials advise that growth rates will definitely slow down from August due to a demand contraction in U.S. and European markets, and also states that there are indications those monthly exports are likely to fall to less than $25 billion making it tough to achieve $300 billion for the entire fiscal year. The ministry attributes this export growth to the shipment of engineering goods, finished garments, petroleum products and pharmaceuticals. Ministry statistics show that India exported $246 billion worth of goods in fiscal 2011, and aims to boost outbound trade to $450 billion by 2014.

APL Urging Shippers to Reroute Cargo Away From Congested Chennai
Singapore-based ocean carrier APL is urging shippers to reroute their cargo to other India gateway ports on the southeastern coast-Cochin and Tuticorin - and away from severely congested Chennai seaport, advising that, "The congestion at Chennai Port is getting worse and as a fall-out, inland container movements are severely affected." The carrier advises that it has reached a point where "the situation is now totally out of [our] control and time guarantees cannot be met".

Reportedly, export boxes arriving at the rail yards early in July have not yet been shipped out because equipment operators have been unable to retrieve them.

Chennai's port-terminal authority has been forced to temporarily restrict export carting times to three days from four days, forcing several carriers, including Hapag Lloyd, citing operational costs, to impose congestion surcharges, ranging from $50 to $65 per 20 foot container, on all export and import cargo handled at the port.

The Chennai backlog followed a series of strikes, from early this summer, by container truck drivers protesting increased vehicle turnaround times.

It has also been reported that Jawaharlal Nehru Port (Nhava Sheva), has been having similar congestion problems during this same time period.

Baltimore Moves Up In National Port Rankings
Maryland Governor Martin O'Malley announced that the port of Baltimore has moved up in rankings of U.S. ports in 2010, in terms of dollar value and the tonnage of cargo handled, and is now ranking 11th nationally, (up from 12th), in the total dollar value of cargo and 13th, (up from 15th), in tonnage of cargo handled, according to a recent report from the U. S. Census.

Dollar value of cargo moving through Baltimore totaled $41.5 billion in 2010, a 37 percent increase from 2009, and the tonnage of foreign trade handled by public and private terminals was 33 million tons, a 47 percent increase from the previous year.

The Port moved into the No. 1 rank for trucks, (a move up from second place in 2009), for imported salt (sixth in 2009), and imported iron ore (second in 2009).

Still the number one port in the nation for handling roll-on, roll-off cargo (farm and construction machinery), imported forest products, imported gypsum and imported sugar, Baltimore's ranking moved from third to second for autos, exported coal and imported aluminum handling.

Maryland Port Administration Executive Director James J. White attributes these positive results to the Port's ability to "maintain and grow market share in several key categories throughout the economic downturn."

Seal Number Accuracy Requirements in China

The email below was forwarded to customers of COSCO Container Lines Americas, Inc. and in the interest of keeping our readers current with new developments, and to preserve the clarity of the content, we have decided to print it in its entirety for your reference:

COSCO Container Lines Americas, Inc.
Dear Valued COSCO Customer,

Due to an increase in penalties and fines imposed in China because of seal number discrepancies, we are requesting that you take extra care to ensure seal numbers are verified and reported correctly on all documentation.

Please also advise your truckers and suppliers to pay special attention and ensure the correct seal numbers are reported on truck bills and when reporting to the terminals upon turning in the loaded containers.

If a seal number discrepancy is found, please advise us immediately so we may make the necessary corrections in our system.

Any discrepancies resulting from wrongful declaration on the master bill of lading, all costs including but not limited to, Customs fines, extra operation costs, and storage will be for the account of the cargo. Cargo will not be released until all costs have been collected.

Thank you and kind regards,

COSCO

OCEAN FREIGHT:

Evergreen Announces GRI for Europe to USA Traffic

As part of its "income recovery process," Evergreen has announced a GRI for Europe to USA trade effective October 1st: USD 350/20' standard and USD 450/40' standard and high cube.

Hapag-Lloyd Second Quarter Profit Drops 87 Percent

Citing declining rates and higher fuel costs that offset a 3.3 percent increase in container volume, Hapag-Lloyd's second quarter profit dropped to $37 million from $294 million in the second quarter of 2010.

The German container line said that it expects continued growth in the medium to long term, but also expects that "short-term results will be influenced by high crude oil prices and pressure on freight rates as a result of tougher competition, particularly in the Asia-related trades."

Soft demand for transport services in Japan following the March earthquake and tsunami, along with the dollar's weakness against the euro, are also, according to Hapag, indicators that have affected the carrier's profit margin. Revenue for the quarter totaled $2.1 billion.

Profits Fall 68 Percent at Maersk

A.P. Moller Maersk first half profits fell to 67.9 percent year-over-year to $393 million, prompting the Danish group to repeat its warning for, "slow economic growth and market volatility to continue for the coming quarters.

The company expects that demand for seaborne containers will continue to grow between 6 and 8 percent in 2011, but expects, "[the] global supply of new tonnage to grow more than the freight volumes, especially on the Asia-to Europe trade."

Peak Season 2011: A Glass Half Full?

Industry stakeholders, analysts, and forwarders are all weighing in with projections of how the holiday peak season will impact year-over-year gains.

Year-over year increases are expected to resume in September with Port Tracker forecasts at 1.48 million TEUs, up 10.4 percent; October is forecast at 1.46 million TEU's up 8 percent; November at 1.31 million TEUs, up 6.2 percent and December, 1.18 million TEUs, up 3 percent, supporting some industry analysts' forecasts that peak season will positively impact growth and volume increases.

Port Tracker said the summer's growth statistics have, "been undercut by tough year-to-year comparisons with strong numbers last year, when many shippers booked holiday orders early to ensure space on ships."

Port Tracker co-sponsor Ben Hackett, of Hackett Associates, cautions that there are still key indicators that raise concerns about cargo growth. "Industrial production in

China is weak, bulk commodity imports are declining and ports are beginning to report reduced export volumes," said Hackett. "In the U.S., we have lower private consumption, lower government expenditure and lower indices like the purchasing managers' index. This is cause for concern because it could lead to lower growth of trade volumes."

Ports in the Global Port Tracker survey finished the first half of 2011 with 7.15 million TEUs, up 3.9 percent. The full-year forecast 15.28 million TEUs, up 3.6 percent. Imports during 2010 totaled 14.7 million TEUs, a 16 percent increase over unusually low numbers in 2009.

After a two month delay the Transpacific Stabilization Agreement announced the August 15th implementation date, citing "positive indications of a peak season on the horizon as retailers begin restocking shelves and businesses resume global sourcing of materials and components."

Many analysts and forwarders are doubtful that PSS implementations will happen right away, citing slow business growth, and overcapacity that could offset increased volumes.

Some analysts say that load factors from Asia's main ports are still poor for carriers. The Journal of Commerce reports that the average spot rate for shipping a container from China to the U.S. West coast is now, "at its lowest point in 20 months, as excess vessel capacity continues to be felt."

Peak Season Surcharge amounts have been mitigated by carriers from the original level of $400 per 40' down to as low as $100 per 40' for shipments to and via the USWC. Some carriers such as MSC are quoting the PSS only on a weekly basis during August. Paul Tsui, chairman of the Hong Kong Association of Freight Forwarding and Logistics, admitted that carriers could see more success with PSS in September but added that, "We will have to wait to see if they'll even manage to implement a PSS this year at all….the market has still not picked up even though volumes are higher this year, there is just too much new capacity."

TSA in announcing the PSS said that U. S. retailers were restocking and demand is now increasing. According to TSA executive administrator Brian M. Conrad, "Carriers have recently experienced a steady increase in traffic that suggests steady, stronger demand in the three months to come." This remains to be seen.

Asia Shippers Council Chairman Predicts Onset of Rate Wars

John Lu, chairman of the Asian Shippers Council remarked in a recent interview that in the absence of capacity reduction options, container lines will be forced into tough competition over rates that will push some "to the brink of bankruptcy," and many more into price wars.

He said over confidence among container lines, prompted to place orders for "ultra-large new buildings," when main line rates shot up last year, have been met with the order book and the poor economic outlook for Europe and the U.S. which are barriers to rate recovery. This pressure on carriers has resulted in reported losses or significant profit slides in the first half of 2011.

The August 15th date for peak season surcharges set by the Transpacific Stabilization agreement is viewed by the liner companies as "positive indications" for demand, and this optimism is supported by the National Retail Federation reports that "demand this fall should be relatively strong." But Lu contends that "ship capacity will outpace demand from retailers and manufacturers,...[and continuing] overcapacity [combined with] financial turmoil in Europe, the U. S., and on the stock market will lead inevitably to a crash, and price wars between carriers as the only option."

Lu believes that attempts to recover by adding more surcharges and possibly attracting smaller shippers will not offset the need that carriers will have to compete for larger shippers. Lu predicts that this competition will bring them down.

AIRFREIGHT:

Airfreight Price Index

In June, average international air cargo prices fell 2.6% from the previous month. Average air freight rates were down 9.9% year-over-year, the eighth consecutive month of decline. The Drewry Air Freight Price Index is based on the average of rates ($US per kg) for cargoes of 100+kg to 1,000+kg cargoes from Shanghai to London, Moscow, Prague, New York, and Los Angeles.

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Shapiro 360

The logistics industry is constantly changing and monitoring all of the moving pieces can be a challenge. Shapiro 360 is designed to be our customer's sole-source solution, providing you with real-time visibility of your shipments moving through the supply chain. Armed with this information, our customers are able to make better and faster decisions while managing the logistics process.

Benefits to our Customers

- Value-added service - free of charge.
- Central point of information - no need to use or rely on multiple tracking sites.
- Real-time information - accessible 24/7!
- Better logistics event management - ability to identify areas of concern and address them immediately.
- Fast and easy access to shipment & customs documents.
- Reduces administrative costs by allowing information sharing among multiple business units.

Personalized View; One size does not always fit all!
We recognize everyone's area of responsibility is different and have built Shapiro 360 to allow every individual the ability to personalize and view events to suit their particular needs. The result is a customized and efficient experience; there is no need to spend time looking at events that are not relevant or impactful to you.

Up to twenty columns can be displayed from ninety-one available shipment events. Our customers can choose to look from a broad perspective, viewing events such as export sailing, in-transit or arrival information, clearance and delivery information, or drill down to obtain greater levels of information such as ISF status, steamship line and U.S. rail automated messages, Customs ABI Messages, or even Shapiro entered status notes.

Easy Search and Sort Features
Information can be searched and sorted in a variety of ways:

- With a simple click of the mouse each column can be sorted in ascending or descending order.
- Each column can be filtered, using basic or wild card searches to display a group of information.

Access to Shipment Documents and Customs Forms
Shapiro 360 offers more than just real-time visibility to shipment events; it also provides you with direct access to shipment documentation. As each shipment and Customs document becomes available it will be stored and accessible via Shapiro 360. This will drastically reduce the time spent gathering documents from multiple sources, or distributing to multiple sources within your company.

Email directly from Shapiro 360
In the interest of efficiency, Shapiro 360 provides the ability to email questions directly to your Shapiro Customer Service Team, without the need to jump from one system to another and without having to retype reference numbers over and over.

Analysis Reports & Tools
Customers using Shapiro 360 have direct access to a variety of standard industry reports, along with any customized reports created for your use.

Your Shapiro Customer Service Representative can sign you up for Shapiro 360. Contact us today!

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 Mercedes Perry, Import Supervisor in Baltimore, for her 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.