Samuel Shapiro & Company, Inc.

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# “SHAP” TALK

## October 2009 Issue No. 90

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## TRADE NEWS

### 10+2 Could Cost Importers Billions

Have you estimated how costly Importer Security Filing (ISF) will be for your business? Have you strategically implemented all necessary changes to reduce delays in filing ISF?

According to a recent study conducted by The National Association of Manufacturers (NAM), full enforcement of ISF will add an estimated average of 2.8 days of delay to the import process, costing around $17.2 billion a year. The study also estimates that 10+2 will increase operational costs by $3.5 billion annually. This leaves total costs for ISF requirements to be more than $20 billion a year. “To put the cost in perspective, it is virtually the equivalent of doubling the import tariffs that manufacturers now pay to bring products and components into the United States,” noted NAM President John Engler.

In a similar study, research conducted by the American Shipper, Beth Peterson Enterprises, and the International Compliance Professionals Association concludes that ISF compliance is a challenge for nearly 60% of companies. The data also shows that obtaining complete ISF information is a struggle for nearly 40% of importers and around 20% have problems with the accuracy of the information they provide. These numbers are concerning considering the penalties for non-compliant importers. According to10+2 regulations, an importer can be fined $5,000 per occurrence if ISF is submitted incomplete, late, or inaccurate, and up to $10,000 per occurrence for two or more violations.

Considering NAM’s study on the potential cost of 10+2 and CBP’s emphasis on secure trade legislation and fund generation, Samuel Shapiro & Company, Inc. encourages all of our customers to become fully aware of ISF’s impact on their own job responsibilities and on their company as a whole. Every importer should understand the necessity for a complete structural implementation to accurately and timely file ISF. Studies show that it takes the average company *three months* to get comfortable with ISF filing; January 2010 will be here before you know it.

In order to reduce time and costs associated with filing ISF, Samuel Shapiro & Company, Inc. has created and maintained a state-of-the-art programming system to fully accommodate the 10+2 requirements and automatic transmission of data. When Shapiro manages the transportation of your cargo (and not just the clearance), the added advantage is the ease with which we can collect ISF data on your behalf. Information about your cargo and each of your purchase orders can be managed through our Shapiro 360 P.O. Management System. In addition to facilitating collection of ISF data, the P.O. Management System greatly increases control and visibility of your supply chain, allowing you to place and negotiate orders with your suppliers in an electronic platform.

What if you get hit with a penalty? According to Customs, one mitigating factor is the importer's participation in C-TPAT (Customs-Trade Partnership against Terrorism). C-TPAT importers not only enjoy a reduced the number of inspections and border wait times, but are also offered mitigated penalties for violations of ISF. If you would like more information about joining C-TPAT, please contact us. We offer a do-it-yourself C-TPAT kit or we can handle the entire application on your behalf.

For more information on ISF Filing and/or C-TPAT certification, please us at 800-695-9465 x290 or compliance@shapiro.com.

**Heads up! GSP and ATPA/ATPDEA May Expire December 31st**

The Generalized System of Preferences (GSP) program and the Andean Trade Preference Act/Andean Trade Promotion and Drug Eradication Act (ATPA/ATPDEA) for Colombia, Ecuador, and Peru are scheduled to expire December 31, 2009. Some years, GSP is extended very quietly. Other years, the extension is a nail biter, right down to the wire. And, yes, there have been some years where the program did indeed expire which caused great disruption to trade followed by a storm of post entry filings when GSP was reinstated retroactively. We can't assume both GSP and ATPA/ATPDEA will renew automatically and prior to the end of this year. With Congress focusing on health care and the economy, we are uncertain when and if legislation to renew these programs will be considered.

**Requesting Manifest Confidentiality**

Did you know that the information that appears on ocean bills of lading is available to the public? Do you want your competitors to know what products you are bringing in and where you source them? Do you want your competitors to know what products you are exporting and the names of your customers? The Code of Federal Regulations Title 19 section 103.31 provides an importer, exporter or consignee the right to request confidential treatment of its name and address and the names and addresses of their shippers contained in inward and outward manifests. This includes confidential treatment of marks and numbers that may reveal the name and address of the importer, exporter or consignee.

The request must be made to the Disclosure Law Officer at Headquarters, U.S. Customs & Border Protection, 1300 Pennsylvania Avenue, NW, Washington, DC 20229. A separate request should be filed for confidential treatment on inward manifests and for outward manifests. There's no required format for the certification request, but it must include the importer's, exporter's, and consignee's IRS number, if available. To ensure that the information is deleted from all public disclosure the names identified should include all variations of the names and their spellings that may be shown on shipping documents such as bills of ladings, purchase orders, etc. For example, ABC Corp. and ABC Corporation. It does not have to include proof that any disclosure may cause substantial harm to the competitive position of the importer or consignee.

Customs & Border Protection (CBP) will respond to the request with a confirmation status letter. The certification will be valid for two years from the date of receipt by CBP. Renewal certifications are required to be filed with CBP at least 60 days prior to the expiration of the current certification.

Please note that the information contained in the Customs entry, in the 10+2 Importer Security Filing, and in the AES export record is confidential and cannot be released to the public.

**Treasury Amends Cuban Assets Control Regulations**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued a final rule amending the Cuban Assets Control Regulations to implement the President's Initiative on Family Visits, Remittances, and Telecommunications and issued a Fact Sheet relating to these changes.

The OFAC amendments are aimed at the following areas:

***Family visits.*** OFAC has eased restrictions on travel-related transactions for visits to "close relatives" who are nationals of Cuba by issuing a general license.

***Remittances.*** OFAC has also eased restrictions on remittances (including from inherited blocked accounts) to "close relatives" who are nationals of Cuba by issuing a general license.

***Telecommunications.*** Certain telecommunications services, contracts, related payments, and travel-related transactions are authorized by general licenses. The CACR amendments ease the telecommunications rules in three broad areas, as well as allow travel-related transactions for the specific purpose of conducting business in all three areas.

***New general license for TSRA travel-related transactions.*** The new amendments to the CACR also implement provisions of the Omnibus Appropriations Act, 2009. Pursuant to section 620 of the Omnibus Appropriations Act, 2009, which amended the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA), there is a new general license for travel-related transactions incident to agricultural and medical sales under TSRA.

The Office of Foreign Assets Control guidance and entire OFAC Fact Sheet on the revised Cuba regulations is located at:
http://www.treas.gov/press/releases/tg273.htm

The full Federal Register Notice dated September 8, 2009 is located at: http://edocket.access.gpo.gov/2009/pdf/E9-21440.pdf

**New BIS License Exception C58 - Consumer Communication Devices (CCD)**

The Bureau of Industry and Security amended the Export Administration Regulations (EAR) to implement the President's April 13, 2009 directive to make it easier for Americans with family members in Cuba to visit and send gifts to their relatives. The measures are designed to improve prospects for democracy and enhance human rights on the island.

This new action will allow items normally exchanged between individuals as gifts to be included in gift parcels going to Cuba and remove the requirement that gift parcels be sent only to members of the donor's immediate family. Gift parcels may now be sent from an individual in the United States to an individual or an independent religious, educational, or charitable organization in Cuba. The value limit for gift parcels was raised from $400 to $800 and increases the number of parcels that an individual donor may send each month from one parcel per household to one parcel per donee.

As a result of these measures, a new License Exception, C58 for Consumer Communication Devices (CCD), has been added to the Automated Export System (AES).

The Bureau of Industry and Security has created this new exception under §740.19 of the EAR to authorize exports and reexports to Cuba of certain donated consumer communications devices, computers and software. Under License Exception CCD, exports of eligible commodities and software may be made to individuals in Cuba and to independent non-governmental organizations in Cuba. Exports or reexports under License Exception CCD may not be made to organizations administered or controlled by the Cuban Government or the Communist Party or to designated officials of the Cuban Government or Communist Party.

One of the following Export Control Classification Numbers must be reported along with this new license exception and the country of ultimate destination must show Cuba (CU): 4a994, 4d994, 5a991, 5d991, 5a992, 5d992 or EAR99. Export information codes that may be used are OS (all other exports), OI (other impelled exports), CH (goods donated for relief or charity), or CI (goods donated for relief or charity (impelled))

You can find the BIS press release, Federal Register notice and FAQ's on the BIS website located at: http://www.bis.doc.gov under *IN THE NEWS* dated September 3rd.

### Additional Duties in EU Beef Hormone Dispute Cancelled

In our March Shap Talk issue (http://www.shapiro.com/docs/ShapTalk/ShapTalk83.pdf), we wrote about certain European Union food products subject to additional duties in the beef hormone dispute. The duties were to be imposed March 23, 2009. The implementation date was delayed several times until September 24, 2009, when the U.S. Trade Representative issued a notice terminating the additional duties announced earlier this year. Additional duties do remain in effect on a reduced list of products such as certain meats, Roquefort cheese, truffles, wool grease, chocolate, lingonberry and raspberry jams, and juice. The list with HTS numbers may be found in the Federal Register notice at: http://edocket.access.gpo.gov/2009/pdf/E9-23000.pdf.

## TRANSPORTATION UPDATE

### October 2009 Update

**ASIA**

Asia freight rates seemed to have "topped out" in September, and October is predicted to see rates stabilize or even fall somewhat in some cases. Fuel costs are on the rise, which may result in some "net" increases as of October 1st but we are hopeful that carriers will be looking for cargo support by mid-late October and through the end of the year, which can result in some rates decreasing particularly on the inbound Asia trade to the U.S.

**Chinese Holiday may create early end to the Peak Season**

The Chinese government has decided to close all factories and commercial offices from October 1st through October 8th in honor of the 60th anniversary of the founding of the People's Republic of China. Normally something like this would cause a panic in the shipping community, however due to weaker than normal volumes for Chinese exports, the shippers have responded with more calm than expected. In addition to the China National Day celebration China is also celebrating their annual autumn festival. U.S. importers and carriers have responded with a lack of concern and it is rumored that the volumes are so weak this year that carriers may end the Peak Season Surcharge in October instead of the end of November or later as was experienced in the past. Prior to the holiday, some carriers report being overbooked and some cargo is being "rolled" because importers have allowed their inventories to dissipate and orders have temporarily increased for the factories in China. Carriers welcome this boost in business; however, this year's peak season will surely fall short of making this a profitable year for the carriers.

**Peak Season**

Several carriers from Asia reduced their Peak Season surcharge for shipments from Asia to the U.S. to a 50% PSS amount of $160/$200/$225 per 20'/40'/40'HC. These reductions have been offset by announced Bunker Fuel rate increases that will occur on October 1st. Each carrier has its own increased level; but the increases seem to average around $250 per 40' container. We expect to see volumes drop off by late October particularly for cargo going to and via the U.S. West Coast, so we could see some rate reductions in some cases by November. Rates to the U.S. East Coast will mostly likely see fewer reductions as ships to the U.S. East Coast have been running close to full due to capacity cuts by the carriers.

**Airfreight**

Nearly 12 percent of the worldwide all-cargo fleet has been grounded by global airlines due to the lower cargo volumes in the past year. The International Air Transport Association estimates that the world's airlines will lose $11 billion this year after losing $16.8 billion in 2008. These capacity cuts have been necessary for the airlines to try to stem their losses in operating expenses. The capacity cuts have caused a backlog in cargo waiting to fly from major airports such as Hong Kong for this Peak Season which has caused a spike in rates. Fuel costs are on the rise as well, which will impact the total rates to the U.S.

**Ocean Freight**

CMA, Maersk and MSC, the world's largest shipping companies reorganized 2 loops between Asia and the U.S. West Coast by merging their Central and Northern China services effective September 16, 2009. One service has been suspended for North and Central China and the existing service will be expanded. This joint reorganization will allow these carriers to rationalize existing services and capacity to meet market needs. In other words, they will maximize their vessel capacity so that their remaining services are running at a higher volume capacity while still providing direct calls to Southern California ports.

Bunker Fuel levels from Asia to the U.S. have increased as of October 1, 2009 at an average of $250 to $300 per 40' container to the U.S. East Coast and approximately $120 per 40' container to the U.S. West Coast.

On October 1st, Mediterranean Shipping Company will begin to use Port Newark Container Terminal (PNCT).

**INDIA SUBCONTINENT/MIDDLE EAST**

Due to lower than anticipated volumes for import shipments from the Indian Subcontinent; Peak Season Surcharges (PSS) have largely been delayed until October 15th for most carriers with the exception of CMA and Evergreen, who started their PSS in September. The actual PSS amounts differ per carrier, but just as in Asia, the amounts have been mitigated in most cases.

**SOUTH AMERICA**

Pressure on space for the South America East Coast to the East Coast of the U.S. will hit hard effective October 1, 2009. CSAV has decided to cut its capacity out of South America's East Coast by half. CSAV has decided to deliver two of its vessels from the South American East Coast rotation to chartering brokers and they will start joining Hamburg-Sud and MSC's existing two vessel service out of that region, leaving only 3 vessel services from the South America East Coast to the U.S. East Coast. Other carriers in that region that will slot charter with the remaining vessel services are Hanjin, K-Line, Yang Ming and NYK. Additional carriers such as Zim and CMA can offer services to the U.S. East Coast via Caribbean ports. This is mainly due to a reduction of volumes of containerized exports from Brazil to the U.S. as a result of the economic downturn.

IMPORTANT: Shapiro recommends that importers who bring in cargo from the South American East Coast ports provide a forecast of forthcoming orders with supplier and ex-factory date details to their Shapiro representative so that we will be able to requests bookings as early as possible.

**NORTHERN EUROPE**
Effective October 1, 2009 Yang Ming Line will implement a GRI from U.S. East Coast ports to Europe of $100 per 20' and $200 per 40'. For import cargo to the U.S. East Coast the GRI amount will be $200 per 20' and $300 per 40'.

Cosco, Yang Ming, Hanjin, K-Line and Evergreen have launched a cooperative service between Northwest Europe and the U.S. East Coast, cutting capacity for those lines in this trade route. A new Trans Atlantic Express (TAE) service is a combination of two existing trade lanes and this TAE service will operate with a total of four vessels with a capacity of 2400 x 20' containers. The port rotation is as follows: Antwerp-Bremerhaven-Rotterdam-Le Havre-New York-Norfolk-Charleston-Antwerp.

**EAST/WEST MED**
Maersk and Safmarine have announced that their "unsustainable" rates will jump by $300 per container from the Mediterranean and North African regions to the United States effective October 1st. Maersk has stated that this rate increase is necessary in order to continue to operate in this trade lane.

**DOMESTIC**
Based on the American Trucking Association (ATA) index; truck tonnage has increased 2.1% in August over the month before. They claim that the gains in tonnage in July and August may reflect a growing economy and depleted inventories. The ATA forecasts a modest growth in the months ahead.

## SAMUEL SHAPIRO & COMPANY, INC. NEWS

### Employee of the Month

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company. This month, we would like to recognize Dorothy Reed, Domestic Specialist for Atlanta, 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.