"SHAP" TALK
April 2010 Issue No. 96

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TRADE NEWS

Customs Proposes to Discontinue Mailing of Liquidation Notices

In a Federal Register notice dated March 16, 2010, U.S. Customs and Border Protection (CBP) is proposing to discontinue its practice of mailing courtesy notices of liquidation to importers. The official bulletin notice of liquidation is posted at the Customhouse at the port of entry and indicates the date of liquidation. Customs sends a paper courtesy notice to the importer of record and provides courtesy liquidation information electronically to the entry filer.

Customs is proposing to eliminate the approximately 6.5 million paper courtesy notices mailed annually in an effort to save the government $3.8 million dollars in postage, forms, and labor.

If you feel strongly about continuing to receive the paper notices of liquidation, we urge you to submit your comments to this notice of proposed rulemaking. Information on how to submit comments may be found at:
http://edocket.access.gpo.gov/2010/pdf/2010-5635.pdf

National Export Initiative

President Obama issued a National Export Initiative under Executive Order 13534 on March 11, 2010. The NEI is a multi-year effort to increase U.S. jobs by increasing the number of companies exporting and expanding the number of markets U.S. companies sell to. The Federal Government's trade promotion and export finance agencies are ready to help U.S. businesses large and small meet this challenge.

Over the months and years ahead, the NEI will:

- Work with our Strategic Partners to help companies shipping to only one market expand their sales to new markets.
- Expand the availability of credit for small and medium-sized enterprises (SME's).
- Improve online tools to make information easier to find and faster to use.
- Work to reduce trade barriers to increasing exports.

The goal of the NEI is double exports over the next five years. An Export Promotion Cabinet will be established and will report to the President on the NEI's progress.

Information on the NEI can be found on http://export.gov/nei/index.asp. This includes President Obama's speech on March 11, 2010, related videos, press releases and blog posts. The full Executive Order can be found on GPO Access at http://edocket.access.gpo.gov/2010/2010-5837.htm.

Request for Confidential Manifest Treatment Now Available Online

In our October 2009 Shap Talk, we discussed how importers and exporters could request confidential manifest treatment from Customs to avoid having their names made public with associated shipment information.
http://www.shapiro.com/docs/ShapTalk/ShapTalk90.pdf

Customs now has a form on its website where the request can be made online. The link is:
http://www.cbp.gov/xp/cgov/trade/automated/automated_systems/ams/vessel_manifest_confid_form.xml

Requests can still be made in writing to Disclosure Law Officer at Headquarters, U.S. Customs & Border Protection, 1300 Pennsylvania Avenue, NW, Washington, DC 20229, but the web form now offers importers and exporters another option. As a reminder, 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.

FMC Export Issues Page

The Federal Maritime Commission has added an "Export Issues" Section to its website. It addresses the current U.S. export and import equipment and capacity issues that have been a severe problem for shippers in the U.S. The website notes that supporting the flow of U.S. exports and imports is central to the Federal Maritime Commission's mission and they encourage shippers to contact them with details of problems.

The FMC notes that the smooth flow of international commerce is vital to the national economy in both providing access to foreign markets for U.S. exports and ensuring the availability of imported goods for domestic production and consumption.

The FMC, in an effort to assist the public in locating information on this topic and related matters, will update this page frequently to include a variety of documents, including Commission press releases, Congressional testimony, and Commission actions. We will stay tuned.

You can review the FMC website current issues and links at:
http://www.fmc.gov/home/ExportIssues.asp

TRANSPORTATION UPDATE

April 2010 Update

2010 Trans-Pacific Maritime Conference Update

Samuel Shapiro was in attendance at the 10th Annual Trans-Pacific Maritime Conference held in early March in Long Beach, CA. This yearly conference is the largest and most highly regarded symposium in the shipping industry and is attended by major carriers, forwarders, NVOCCs, importers and exporters. Many recent developments as well as forecasts in the shipping and trade industry were discussed, debated, and analyzed by top executives in the Steamship, NVOCC, Trucking, Rail, and Importer/Exporter communities. Here is a summary of what was discussed:

- Opening Keynote Speaker, Eivind Kolding, Partner and CEO of Maersk Line stated that he believes the crisis in the steamship industry is not over. He reported that in 2009 volumes were off 10% in shipments from Asia and 30% from the rest of the world which resulted in a 29% drop in rates in 2009. As the supply/demand balance deteriorated, carriers resorted to "laying up" their small and mid size ships while keeping their largest vessels operating. This has caused the current "squeeze" on space capacity but Mr. Kolding remarked that this will not change anytime soon due to the fact that the recent import volumes have surged by 13% early this year while consumer spending is only up by 1%. Carriers believe that importers are "correcting inventories" and thus the current increase in demand will not be sustained. Carriers have high hopes on "breaking even" this year but it is doubtful.

- A panel of speakers spoke of the market outlook in the steamship industry and pointed to the recent increase in rates in the Asia-Europe trade that have made this trade lane profitable for most carriers. Carriers hope that upcoming increased rates in the Asia to USA trade will bring profitability back to the carriers but they report that even with the upcoming General Rate Increase (GRI) in May, they will not quite reach the break-even point. Carriers hope that "slow steaming" or slowing vessel speed down will save costs and they have also cancelled or deferred orders for new ships to be built. Carriers believe that it will be Peak Season (summer) of 2011 before the current "oversupply" of vessels and capacity will be fully absorbed. The panel pointed out that some carriers actually increased capacity since 2009 (CMA and Zim) and they said that MSC leads all carriers in plans for adding capacity. Hapag Lloyd and MSC have no "idle" capacity in dry dock, while Maersk, NYK, Hyundai, APL, K-Line, and Hanjin lead the industry in idle capacity.

- In 2009 China became a "net exporter" with $120 billion in exports vs. $80 billion in imports. The USA continues to be a "net importer" although U.S. exports have increased with China and other countries in 2009 which is causing a severe equipment shortage in the USA to cover for the growing demand just at a time when import volumes into the USA have decreased. The carriers admit that in the interior of the USA the lack of equipment for exporters is so severe that the problem is causing a big impact on the steamship industry. It costs the lines a very large sum of money to position equipment where exporters need it and since these areas often do not coincide with the locations where imports are prevalent; this has further eroded profits. Carriers warned exporters at the conference that they are seeking penalties in upcoming contracts for any exporters or NVOCCs that make "false bookings" in order to secure space and equipment for their upcoming shipments. Carriers want to assess penalties for "overbooking" situations where the shipper consistently overstates their required volume for both equipment and vessel space. Carriers also admit that they themselves should be held responsible for their lack of space allotment based on the volume commitments made in written contracts. Both carriers and shippers agree that it must be a two way street.

- Two major importers (top management from Electrolux and Audiovox) spoke on the Shipper/Importer panel along with a couple of major NVOCCs. The importers expressed their anger and said that they "do not buy the carrier's rhetoric" and said to them "you dug your own hole." The importers said that they cannot accept volatility in rates and they said they are hoping the carriers will find a new way of contracting with the customers that rewards innovative thinkers. The importers stated "what took 5 years to destroy cannot be corrected in a few months!" One of the trade managers from MSC's headquarters in Geneva, Switzerland rebutted the claims and statements made by the importers and told them that they don't understand the business and said that their comments were deeply offensive and false. At this point there were several white elephants in the room as no other carrier dared to make any further comments.

- The forum where U.S. exporters and freight forwarders spoke detailed many of the same problems that the carriers spoke of earlier in the day. Lack of vessel capacity, equipment Imbalance, volatility in export rates, and lack of equipment in areas where high volume exporters are located were all discussed in great detail. Exporters complained that it's taking between 5 to 8 weeks to get a container booked and shipped and that bookings are being "rolled" or cancelled with no warning. Many exporters are looking for guaranteed pricing for "guaranteed space" to the tune of a several hundred dollar rate increase above their normal price. Both exporters and forwarders called for simplified pricing and a more balanced trade focus from the carriers. APL reported that there will be a 6.5% increase in U.S. exports in 2010, and they said they are hoping that exporters will see relief in capacity by April. They pointed out that the average export container weight is 21.3 MT whereas the average import container weight is only 10.3 MT. This explains why they cannot load as many full containers per vessel going out of the USA vs. import containers coming in. This is one of the main reasons for the lack of capacity seen by many exporters.

- At the TSA-Shipper forum, the TSA member carriers present announced a GRI of $800/40' to the U.S. West Coast and interior points via the West Coast and a GRI of $1000/40' to the U.S. East Coast and interior points via the East Coast for the Asia to USA trade effective May 1. The TSA claims that this increase will not get the carriers back to profitability and another GRI of approx $500/40' on August 1st will also be necessary to get the steamship lines back to being profitable companies again. The carriers said they are reluctant to add capacity back into the market until they become profitable and sustain business for the long term. Carriers believe that the current surge in demand on space for imports is an adjustment of inventory levels that were depleted during this past year's recession. TSA carriers made it very clear that they are now in "survival mode."

- Representatives of Southern California ports stated that the trucking industry there had to collectively spend $5 billion recently in order to comply with Clean Air laws and policies. The Clean Truck Program has a goal to reduce emissions by 8% in five years and both L.A. and Long Beach ports are ahead of schedule on this effort. The independent trucking industry in Southern California has been seriously impacted and many independent truckers and small trucking operations have gone out of business because they simply couldn't afford to comply. Independent truckers, by law, are not allowed to be organized, however truckers working as employees for trucking companies are allowed to be unionized. Southern California ports expressed their concerns that they are losing market share to U.S. East Coast ports as more importers in the East choose all water services to the East Coast ports over the more expensive Mini-landbridge services via the U.S. West coast. The U.S. West Coast ports and Rail Carriers are working together to re-brand themselves to stave off any further loss of market share. As of March 2010, the U.S. West Coast still has 68% of the market share of imports from Asia.

- Industry legend, Lynn Fritz shed some light on the value and power of customer service in our industry. He spoke of the current heightened visibility and viability of the logistics profession and how valuable it is for our economy. He explained how service providers such as 3PLs, OTIs, NVOCCs, Customs Brokers, and Freight Forwarders should continue to sell great customer service and technology to help make order in the midst of a chaotic industry. He explained that the lack of customer service from the steamship industry is due to the fact they are so asset based and thus cannot afford to staff at the required level to provide great customer service unless they strive to be technologically advanced. He also warned how technology has made information much easier to access with greater efficiency, however he lamented how the old notion of closeness and strong interpersonal relationships are in deep decline in our industry.

Airfreight:

Japan Airlines (JAL) to drop freighter service
Asia's biggest airline by sales will ground its freighter fleet permanently by the end of October 2010 in favor of using the belly capacity of passenger planes to move its cargo. JAL pointed to difficult market conditions for international air cargo as a result of the recession. JAL claims that their passenger fleet offers three times the cargo capacity of its freighter fleet, yet they realize there are going to be some large loads that they will be unable to handle. JAL joined Delta Airlines which also made the decision to stop its freighter service last year.

Air Capacity still insufficient in Asia for Asian Exports
Samuel Shapiro& Company, Inc.'s partner in Asia had the following news this week regarding lack of capacity by the airlines in the Asia region:

The market demand has picked up dramatically in the last two weeks and serious backlogs have formed in the major hubs. This not only directly affects the major export markets but also affects the origins that are routing the cargo via airlines that transit these major hubs. Given the daily rate fluctuations and current inability to forecast longer term rates, we are forced to quote shipments on a case by case basis.

The influx of cargo partially caused by the re-opening of factories after the lengthy Chinese New Year holidays, coupled with the unexpected surge by some major retail players who flooded the market with their massive orders.

Summary of major markets:

Hong Kong:
+600 tons backlog formed in Hong Kong.

Shanghai:
+800 tons backlog formed in Shanghai.

Beijing:
-Currently around 900+ tons backlogged for air exports to North America.
-Carriers continue to increase rates sharply and are doing so daily as the backlog/congestion worsens.
-Need to pre-book space around 8-9 days before cargo ready date
-Vast majority of carriers are already overbooked and not accepting bookings until congestion clears. Most carriers are overbooked until April.5th

Taiwan:
-No clear figures on any backlogs but space is critical and most carriers are already fully booked until the end part of next week.
-Undetermined rate increases from BR/CI/CX set to be announced in the next day or two.

United Airlines adds new U.S. to Europe services
United Cargo will begin a daily nonstop widebody service operated by Air Lingus between Washington Dulles Airport and Madrid starting March 28. Also on March 28, United Cargo will offer daily nonstop widebody service between Chicago O'Hare Airport and Brussels.

U.S. export airfreight industry surges as ocean carriers' capacity cannot handle urgent export bookings
As exporters find that ocean carriers are often booked 4 or more weeks out, there has been an increasing demand on space from air carriers to move the backlog of cargo. U.S. air carriers are working very hard to meet the demands of their customers and they have had to increase rates particularly in the "express" or "priority" category to give special care for critical shipments. Many air carriers are booked 1-2 weeks ahead of flight schedules.

Ocean Freight:

See Transpacific Maritime Conference Summary above!

Export trans-Pacific rates jump
Many carriers, including OOCL and MSC have announced a GRI of $240/20' and $300/40' from U.S. West Coast ports to Asia and a GRI of $400/20' and $500/40' from U.S. East Coast and inland destinations to Asia effective April 1, 2010.

MSC announces GRI from the Western Mediterranean to USA
MSC announced that as of April 1, they will impose a GRI of $400/20' and $500 per 40' for shipments from Western Mediterranean ports to all U.S. ports in its continuing effort to maintain service profitability.

U.S. FMC to investigate steamship carriers for inadequate vessel space and container availability
As ocean carriers have limited their capacity to cut costs and to increase their profitability, the FMC has received a growing number of complaints from importers and exporters in the U.S. regarding severe difficulties in distributing their goods due to the lack of available shipping containers and vessel space. This comes on the heels of President Obama's January 2010 launching of a National Export Initiative (see article on Page 2) with a goal of doubling U.S. exports over the next five years and an issue of his Executive Order directing the use of "every available federal resource" to get this done. A final report by the FMC of whether or not the carriers are impeding fair and impartial trade practices is due by July 31, 2010. Also, on March 17, a U.S. House of Representatives subcommittee heard testimony on the complaints in the trade regarding shortages of equipment, rolled bookings, long waits, and freight rate increases of up to 35%. FMC Chairman Richard Lidinsky noted in the testimony that the FMC has voted to launch an investigation into vessel space and equipment shortage and vowed they would explore the ways in which the agency can help resolve the current situation.

At this same hearing, Robert Sappio of APL testified that he believes the capacity problems will be addressed by a return to market stability on the heels of the worst year in liner shipping history in 2009 where rates dropped 35% for imports and as much as 40% for exports.

GRI and PSS from Asia to USA announced by COSCO
COSCO announced the following GRI and PSS notice for the new contract season. We expect the other carriers in this trade to make similar announcements.

2010 GRI effective May 1, 2010
For all cargo moving via all-water to U.S. West Coast ports and for intermodal cargo via these ports
Destined to points in the states of California, Oregon and Washington:
Per 20' CTR USD $ 640
Per 40' CTR USD $ 800
Per 40' HIGH CUBE CTR USD $ 900
Per 45' CTR USD $1013

For all intermodal cargo and minilandbridge intermodal cargo via U.S. West Coast ports destined to points other than those in the states of California, Oregon and Washington:
Per 20' CTR USD $ 800
Per 40' CTR USD $1000
Per 40' HIGH CUBE CTR USD $1125
Per 45' CTR USD $1266

For all cargo moving via all-water to U.S. East Coast and Gulf ports and for all intermodal cargo via these ports:
Per 20' CTR USD $ 800
Per 40' CTR USD $1000
Per 40' HIGH CUBE CTR USD $1125
Per 45' CTR USD $1266

2010 PSS effective August 1, 2010

USD 320.00/20' CTR
USD 400.00/40' CTR
USD 450.00/40'HC CTR
USD 506.00/45' CTR

DOMESTIC
Diesel rates climb towards $3 a gallon again!
Trucking fuel surcharges are continuing to climb as diesel fuel is forecasted to increase from an average of $2.46 a gallon in 2009 to an average of $2.96 a gallon in 2010, and $3.14 a gallon in 2011. At the same time, gasoline is forecasted to average $2.84 a gallon in 2010 up from last year's average of $2.35 a gallon. The U.S.

Department of Energy said that the forecasted increases in motor fuels are based on anticipated higher crude oil prices this year and next.

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 Russell Pinckney, Corporate Programmer, for his 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.