Shap Talk

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In this issue:

WE WANT TO HEAR FROM YOU!

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TRADE NEWS:

Government Shutdown Affects Certain ACE Operations

Though a sigh of relief may be warranted for many as government operations are temporarily funded once again, importers are still likely to experience delays (a ripple effect of sorts) as a result of the recent furloughs.

According to the National Customs Brokers & Forwarders Association of America (NCBFAA), "[Customs and Border Protection (CBP)] expects a backlog for the Participating Government Agencies (PGA's) to work through before things get back to normal." CBP's Office of Trade has their work cut out for them as they assess the damage, set priorities and consider delays in policy implementation.

While the full scale of adjustments related to the Automated Commercial Environment (ACE) has yet to be released, CBP has announced that electronic drawback claim filing requirements via ACE have not been impacted, though certain deployments have been postponed.

ACE Drawback Filing – On Schedule

As previously reported, CBP issued the new 'Modernized Drawback' regulations in the Federal Register on December 18, 2018, as directed by the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA). These regulations establish new processes for drawback pursuant to TFTEA that liberalize the merchandise substitution standard, simplify recordkeeping requirements, extend and standardize timelines for filing drawback claims, and require the electronic filing of drawback claims.

CBP has declared that, "the mandatory filing of drawback claims pursuant to the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) is not impacted by the shutdown and will proceed as planned, regardless of funding status after February 15."

Therefore, effective **February 24, 2019,** all drawback claims must still be filed electronically in ACE as TFTEA drawback.

ACE Deployments – Temporarily Postponed

On **January 29, 2019**, CBP issued CSMS#19-000022, which notified the trade that certain ACE deployments would be delayed. The delayed portal updates include the automation of CBP Form 5106, unique identifiers for Centers of Excellence and Expertise and updates to the Generalized System of Preferences (GSP). These updates were originally scheduled to rollout on **February 9**.

Shapiro will provide additional information regarding new dates and relevant resources as they become available. If you have questions regarding ACE deployment or if delayed PGA processing has impacted your operations, then please reach out to our compliance team (compliance@shapiro.com) for further assistance.

Perijo Bennett
Regulatory Compliance Specialist

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Postponement of Enforcement Dates for In-Bond and ISF-5

An ACE bandage isn't the only remedy that Customs and Border Protection (CBP) needs to heal its shutdown wounds.

On January 18, 2019, CBP postponed enforcement of the changes to the in-bond regulations scheduled to begin on February 6, 2019 due to the hiatus in government funding. A new enforcement date will be established after full operations resume. This will allow CBP to reschedule the planned consultation and collaboration with the trade through the Commercial Customs Operations Advisory Committee (COAC) In-bond Working Group. Enforcement of new regulations is not expected prior to **March 1, 2019**.

Additionally, CBP published a rule on April 12, 2018 which expanded the definition of 'importer' for foreign cargo remining on board (FROB) shipments to include NVOCCs and booking agents as the parties responsible for ISF-5 filings. CBP had planned to begin issuing liquidated damage claims for violations of the ISF-5 requirements on January 21, 2019. Due to the lapse in funding, CBP was forced to suspend the enforcement of ISF-5 filings, but they are now expected to go live on **March 15, 2019**.

Please reach out to our compliance team (compliance@shapiro.com) with any in-bond, FROB and/or ISF-5 related questions.

Maura Perry
Marketing Strategy Specialist

What Can the ACE Portal Do For You?

Customs and Border Protection (CBP) and the Department for Homeland Security created the Automated Commercial Environment (ACE) Secure Data Portal as a centralized, web-based entry point that connects CBP, trade representatives and the various government agencies involved with the importation of goods into the United States.

Firstly, did you know that ACE houses a live feed for antidumping and countervailing duty (AD/CVD) cases? Here's a look at some of the AD/CVD case tools and other implements available to you via the ACE Portal:

Classification Assistance

Enter the country, description, Harmonized Tariff Schedule (HTS) number or manufacturer criteria for an active case. While antidumping and countervailing duties aren't based off HTS codes, this option can serve as a useful tool in determining the presence of AD/CVD.

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Case Reviews – by Company

Review the companies that are named within the scope of certain cases, as well as the current rates. If you need a copy of the most recent scope of the ruling, you can select the 'AD/CVD Messages Search' option using the specific case number. This will yield any associated cases and provide their scopes, current rates and the history of the rates. The following searches may be useful:

- Run the REF-202 AD/CVD Active Case List to view via list format.
    - Reveals case numbers, short descriptions of the item, possible HTS numbers and duty rates per manufacturer/export.
- Run the ES-109 AD/CVD Entry Summary Liquidation to check on your own active shipments.
    - Provides the current status of your entries with the ADD/CVD amount paid as well as the liquidation/closure date and status.

Section 201, 232, 301 Tariffs

Additional reporting is available within ACE for Section 232 (Steel and Aluminum), Section 301 (Additional Duties from China) and Section 201 (Solar Tariffs) given recent trade remedies.

As the potential March 1st tariff increase quickly approaches, the Section 301 report can provide beneficial information outlining details such as entry date and immediate transportation date, which will play a key role in determining whether you will pay 10%, or potentially 25%, in additional duties.

Remember, additional duties are based on the day the vessel or plane arrives in the U.S., not the day the Customs entry is submitted!

Customs Forms 28, 29

Marked increases in Customs Form 28 (Request for Information) and Customs Form 29 (Notice of Action) have accompanied the additional tariffs. These forms have strict response timelines, but ACE may be able to assist you here once again.

- Run ES-013 CBP Form 28, 29, 4647 (reject) status report to view the date the notice was issued and a status update.

Since the government shutdown, CBP has been playing catch-up in regard to reviewing entries. The above report is a good resource to keep track of your pending Customs Transactions so as to avoid penalties and additional fees.

Rather than requesting and waiting for information from your Customs broker, ACE allows users to independently access complete entry summary data and statement reports within minutes. In addition to tracking, users can personalize their portal page by selecting relevant training documents from the resource services offered within ACE.

What are you waiting for? It's time to start utilizing the ACE Portal today!

Marissa Curran
Compliance Analyst

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TRANSPORTATION NEWS

U.S. Ports Plagued by Severe Coast to Coast Congestion

Apparently, 'what happens in 2018, doesn't always stay in 2018' given the severe congestion that supply chains are still experiencing as a result of the onslaught of bookings made at the tail end of 2018. Earlier this month, we reported on the rail congestion and backlogs witnessed across many U.S. ports. Unfortunately, the situation has only grown more dire since our last report, as supply chains are replete with delays, backlogs and fees.

Who or what is responsible for the congestion?

The answer, rather than a single entity (though wouldn't it be liberating to point a finger), is actually comprised of an amalgam of catalysts that each occurred one on top of the next to create the 'perfect storm'. Diminished capacity, an unstable political climate/trade war, the holiday shipping surge, harsh global weather, equipment shortages, a government shutdown and the pre-Chinese New Year (CNY) rush all worked in tandem to create some of the worst congestion witnessed in decades.

In early November, parking lots formed at many of the West Coast ports. As shippers rushed cargo well ahead of inventory planning needs in an attempt to beat tariffs and as carriers continued to remove capacity, backlog became imminent. Add to this the resulting equipment shortages, government furlough and temperatures that could make a polar bear shiver and you've got yourself a recipe for disaster that has importers facing disadvantageous delays, backlogs and fees.

What should I expect as an importer?

Though pundits expect disruptions and delays to continue through the end of February, the noose appears to be loosening.

Shapiro continues to work diligently through these congestion problems to move our customers' cargo as efficiently as possible. However, customers should be prepared to incur demurrage and detention charges associated with any prolonged storage. We are also advising customers to steer clear of booking overweight cargo at the moment as overweight moves are being actively avoided by truckers as they attempt to fulfill as many client obligations as possible by favoring quicker legal weight moves.

Are you drowning in delays or other congestion-related issues? Contact our Shapiro routing and intermodal experts and we'll work together to keep you and your cargo afloat!

Marley Cooper
Global Logistics Manager

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E-Comm, Party of Two!

Supply chains are littered with multinational ocean carriers and freight forwarding competition spread across all industry sectors. As the volume of cooperative space-sharing and technology-driven alliances rapidly increases, so too do the efficiencies in e-commerce shipments. However, not everyone understands where to focus their integrated efforts.

Amazon and Walmart, the goliaths of the online retail world, continue to rock the traditional boat with intense technological integration, while smaller and less advanced competitors struggle to keep from falling overboard. What exactly has contributed to such success in an immensely saturated industry?

The Winners – Free Shipping and Two-Day Delivery

Today's immediate delivery options demanded by consumers and a diverse marketplace filled with small and mid-size manufacturing companies alike, have driven demand for competitive services such as Amazon Prime. Quick and cheap delivery convenience is key in today's climate.

Amazon and Walmart have shifted their investments into final mile delivery capabilities in an attempt to further their stranglehold over the competition. Both are working to enhance their final mile capabilities via increased spend on equipment and the development of new processes that simplify, yet simultaneously add more elements of white glove service, to final mile deliveries.

The Less Fortunate – Those Out of Touch with Manufacturers

The U.S. Postal Service, UPS, FedEx and other established couriers struggle to match the predictive equipment and autonomous technological capabilities offered from their successful competitors. At present, they have focused their investments into the development of a drop-off network of access points.

However, their inability to outperform the newer companies hinges greatly on a lack of communication and durable relationships with third party manufacturers. The e-commerce giants have established and developed relationships with many small and mid-size companies tasked with order fulfillment. Larger couriers do not share the same accessibility to manufacturers, and therefore struggle to avoid business disruptions incurred with meeting demand.

Will manufacturers continue to favor their Amazon and Walmart orders? Or will they realize the threat that large online marketplaces with their own manufacturing capabilities pose to their brands in the long term? The future of e-commerce rests largely on the development of sound and forward-thinking technological strategies for large couriers and the role these couriers will play (if any) in the supply chains of e-commerce behemoths.

Abigail Duffield
E-Commerce Implementation Manager

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U.S. Shippers Decry the Trend Towards "Street Turn" Fees

U.S. shippers fear recent "street turn", or round-trip fees, announced by ZIM, HMM and SM Lines could jeopardize their expressed interest in streamlining and optimizing the industry. The steamship lines announced that pre-authorization for street turns will be required and incur a fee of up to $75 per container beginning **February 4, 2019**.

Street turn is an industry term that refers to the practice of using the same equipment for both import and export. The move to impose fees threatens the equipment utilization, cost reduction, congestion reduction and favorable net emission gains associated with this methodology.

The U.S. Agriculture Transportation Coalition (AgTC) quickly condemned the move as "one of the least constructive, poorly considered steps conceivable" as it negatively impacts all parties involved by furthering port and rail ramp congestion and delays. AgTC members have accused the steamship lines of using street turn fees as another revenue stream, despite street turns being one of the few practices capable of mitigating the impact of near-constant port and rail ramp congestion in the country.

While this is the first announcement regarding the additional fees, Maersk has also announced similar, though more focused, charges for street turn requests via their booking portal Avantida. Maersk says it will charge for a street turn authorization request, but that it will credit the fee if the authorization is provided. Rejections by the carrier and cancellation requests are still subject to the fee. Maersk attributes the fees to the reduction in administrative hassle, time and savings costs and CO emissions.

Shippers' eyes are now on other steamship lines and the path each will take to either encourage or discourage the practice.

If you are already falling victim to street turn fees, then please reach out to us at web@shapiro.com and we would be happy to explore your options to quickly and painlessly mitigate these fees.

Devin Turner
Implementation Manager

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OCEAN Alliance Reaches 'Day 3' Offering

Though still in its infancy, the OCEAN Alliance has again revealed plans to revamp the space sharing agreement it established in 2017. In cooperation with its members, the group unveiled its 'Day 3' offering – comprised of 38 services, 330 container ships and a 3.8 million TEU carrying capacity.

Who belongs to the OCEAN Alliance?

- Orient Overseas Container Line (OOCL)
- CMA CGM
- Evergreen Line
- COSCO Shipping

Effective April 2019, the announcement hinges on the acquisition of an additional 11 container ships, which would bring the OCEAN Alliance's total vessel count to 330. The additional assets will increase their current 3.52 million TEU capacity by nearly 300,000 TEUs annually.

What services will the OCEAN Alliance be providing in its 'Day 3'?

- 19 Transpacific services; 12 West Coast and 7 East Coast
- 7 Asia-North American services
- 4 Asia-Mediterranean services
- 2 Transpacific services; linking North Europe to the East Coast/Gulf of Mexico (COSCO offering a third, unaffiliated service)

The first round of revisions, dubbed the 'Day 2 Product', was unveiled by the OCEAN Alliance carriers last year. By integrating 41 services across 7 trade lanes into its existing schedule, the alliance signaled a desire and capability for developmental growth.

As more players join in the quest to standardize and regulate the industry, we continue to ask ourselves if achieving universal harmony in the era of digital shipping is possible. In the dawning of today's technological and integrated global climate, successful and early advancements from the unification of carriers, such as the OCEAN Alliance, is of utmost importance.

If you are interested in learning more about carrier alliances or blockchain initiatives and the ways in which they can impact and bolster your business, please contact us at web@shapiro.com.

Tammy Sandridge
Global Logistics Manager

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UK Uncertainty Leads to Pre-Brexit Peak Volume Surcharge Implementations

As the March 29 deadline for the UK's departure from the European Union (EU) rapidly approaches, logistics providers have begun to implement "pre-Brexit" volume surcharges as a response to growing demand from domestic importers and general market uncertainty.

The anticipated influx of container shipping demand in February and March has led Icelandic steamship line and intermodal provider Samskip to implement surcharges on UK shipments as a means of temporarily controlling the forecasted uptick in volume. Existing shippers have been offered a weekly allocation void of surcharges based on last year's shipment volume, but will incur an additional **€ 243** fee on each shipment that exceeds its allotment during the peak months.

In order to ensure equipment availability, the carrier is also implementing separate demurrage charges on 45 ft dry, curtainsided and reefer containers as well as for flat-racks. Shippers will be subjected to a **€ 98** per day quay rent fee on containers not collected or delivered according to the number of free days allocated by contract. Other carriers are likely to follow suit in the near term.

Importers should expect to incur additional fees until the number of shipments begin to decline and normalize in April.

As Brexit uncertainty looms, it is time for UK importers and exporters to begin to develop contingencies should their supply chains be impacted by the final deal (or lack thereof).

Contact web@shapiro.com to see how Shapiro can assist you in booking your Pre-Brexit shipments in the most economical and efficient way possible!

Devin Turner
Implementation Manager

Air Cargo Peak Season Report

The highly anticipated air cargo peak volumes expected in December proved to be a no show. Typically, rates increase during a brief recovery period between Black Friday and the capacity shrinkage in the weeks leading into Chinese New Year (CNY). However, this shipping cycle saw a rather hard crash of post-peak rates, and only a small rate increase during the second week of January.

Did shippers stock up their warehouses early due to increased tariff deadlines? Did they book all of their cargo on ships that typically keep the cost lower per unit? These two factors, combined with a decreasing fuel index and relatively low occurrence of weather-related disruptions that typically suck capacity, resulted in a very mild pre-CNY air market for 2019.

Cindy Freitas
Air Pricing Supervisor

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The German Air Strikes – Again!

On January 15, Germany suffered its third organized air strike, proving 2019 will be another taxing year for the country's transportation aspirations. Just days into the new year, approximately 23,000 aviation security personnel walked out from Frankfurt, Hamburg, Munich, Hanover, Bremen, Leipzig/Helle, Dresden and Erfurt airports; wreaking havoc on the lives of more than 200,000 passengers.

Conversations to improve work conditions and staff wages have stalled in recent weeks. Although the talks remain behind closed doors, union organizers are relying on very vocal, public disapproval over delays and cancellations to incentivize the airlines to reach a more agreeable settlement.

Members of the Ver.di and DBB unions hope that the increase in the frequency of protests may help shed light on the ill-progressing negotiations with carriers. As expected, carriers have responded by casting the finger of blame for Germany's repeated transportation woes back on the unionized workers.

Major airlines such as Lufthansa and American Airlines announced the disruption in service ahead of time, signaling the severity and escalation of the volatile negotiations. With a longstanding reputation of being a beast full of inefficiencies, the last few weeks do not set the scene for the turning of a new leaf in Germany's aviation industry.

Cindy Freitas
Air Pricing Supervisor

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SHAPIRO NEWS:

Employee of the Month

As previously featured in Shap Talk, Shapiro has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company.

This month, we would like to recognize **Grace Flannery, Global Logistics Specialist**, for her outstanding performance and contributions.

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

Shapiro Freight Report

This high-level, monthly review of the U.S. import freight market provides key insights into the tumultuous world of international shipping. From carrier alliances to labor strikes, Shapiro covers the pertinent information logistics managers need to know. Check back monthly to ensure you don't miss key industry insights!

DRAWING A BLANK: WHAT VOID SAILINGS TELL US ABOUT THE CARRIERS' CAPACITY TO CONTROL CAPACITY

First of all, it is a rare pleasure to be drawing a blank on your article title and then come up with this one! That said, I think we can all infer and deduce quite a bit about the coming freight market and contract season from the recent capacity management moves made by the alliances. Let's peek at the after-peak weeks before and after Chinese New Year (CNY), 2019...

Click here to read more...

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