"SHAP" TALK

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In this issue:

TRADE NEWS

Importer Security Filing Enforcement Strategy

U.S. Customs and Border Protection (CBP) has outlined its strategy for enforcing the Importer Security Filing (ISF, also known as 10+2). Full enforcement for ISF, including the requirement for bonds, went into effect January 26, 2010, however CBP will be phasing in enforcement over the next several quarters. By using a graduated, escalated approach to enforcement, Customs hopes to increase compliance with ISF. However, Customs will still take appropriate measures to maintain cargo security with do not load messages, shipment holds and examinations as they deem necessary.

During the first quarter of 2010, Customs will not issue any liquidated damages for failure to file the ISF timely, inaccurately, or incompletely. In fact, Customs stated during a webinar not to worry if the ISF is filed a day or two late. However, submitting an ISF a week or more after vessel departure is considered a compliance error. When reviewing inaccurate ISF's, Customs is looking primarily at the tariff number filed compared to the tariff number on the Customs entry. Customs will keep track of such errors and other ISF issues and will notify the importer and/or filer in writing or by phone using informed compliance. CBP has stated they will work with importers who are having trouble filing ISF. Customs will use the data collected during this first quarter, or the lack of filings or inaccurate filings, when stricter enforcement takes effect later this year.

In the second quarter of 2010, Customs will begin to place holds on shipments where no ISF has been filed. Customs will also use document reviews, non-intrusive inspections, and physical examinations for cargo with no ISF.

Customs will take a stronger enforcement posture in the third and fourth quarters by issuing liquidated damages in addition to placing holds, requesting documents, and performing exams. Importers who received warning letters and calls during the first quarter and did not improve their performance will be more likely to receive liquidated damages claims.

When assessing liquidated damages, Customs will not use the ISF data from 2009. However, the importer's ISF filing history in 2009 will be a mitigating factor. Lack of an ISF filing history in 2009 will be an aggravating factor. While each liquidated damages claim will be considered on a case by case basis, an importer's ISF record in 2009 will be an indicator of compliance.

Liquidated damages claims will be initiated at the ports, but all claims will be reviewed and processed by CBP Headquarters to ensure consistent treatment.

Matching the bill of lading number filed with the ISF to the Automated Manifest System (AMS) continues to be the trade's greatest challenge. If the bill of lading is not matched, the ISF will be non-compliant and subject to liquidated damages. Close communication with the carrier and freight forwarder is essential for successful ISF filings.

How are you doing with ISF?

Now that we are in the enforcement phase for the Importer Security Filing (ISF), you will want to be sure to stay on top of your filings. Customs will continue to issue the ISF report cards. Please contact us at compliance@shapiro.com to sign up to receive your monthly ISF progress report. You can also view your ISF data and shipment details on Samuel Shapiro & Company, Inc.'s online tracking system, Shapiro 360. If you would like access to Shapiro 360, please contact your Shapiro account representative.

Shipping Charity Goods to Haiti

On January 26th, the Foreign Trade Division of the U.S. Census Bureau issued guidance for exporting charitable goods to Haiti. For your convenience, we have reprinted this guidance in full for your review.

In this guidance, the Census Bureau advises that your information may be filed through the free internet based system AES Direct or with a forwarder or agent who may be more familiar with export licensing and regulations. We would certainly caution any organization about filing information through AES Direct without specific knowledge of the Foreign Trade Regulations or the Export Administration Regulations. The Foreign Trade Regulations (FTR)have strict time frames for filing the Electronic Export Information (EEI) and the information required for the EEI, and carry penalties if not filed timely or properly.

Please see the guidance reprinted below:

On Tuesday, January 12, 2010, a major earthquake struck southern Haiti. Many U.S. residents and organizations are generously donating food, water, medicines, and other supplies to aid in the relief efforts. In order to facilitate the movement of these goods, we offer the following guidance that applies to any good not requiring a license, such as food, clothing, and medicines.

There are four Schedule B numbers that can be used when exporting humanitarian goods. Those numbers are found in Chapter 98 of the Schedule B Manual, under the subheading 9802.

Schedule B	**Description**	**Unit of measurement**
9802.10.0000	Food Products	X no unit required
9802.20.0000	Medicinal and pharmaceutical products	X no unit required
9802.30.0000	Wearing apparel (including footwear and headwear)	X no unit required
9802.40.0000	Donated articles, not elsewhere specified	X no unit required

Any shipment valued over $2,500 per Schedule B number or that requires a license must be filed in the AES. However, if the shipment is valued less than $2,500 per Schedule B number and does not require a license, then the low value exemption (NOEEI FTR 30.37 (a)) can be used. In this case, food, clothing and medicines do not require a license; however, medical equipment and tools may require an export license.

The Export Information Code to be reported is "CH" for shipments of good donated for relief or charity. The value to be reported is the market value. If the value is not known, estimate how much you would receive if you sold the goods. The value should be consistent with the goods being exported, to avoid confusion and possible delays with U.S. Customs and Border Protection officer at the port of export.

There are different ways to file your export information. The most common is to report through the Census Bureau's free Internet based filing system called AES*Direct* which can be accessed at:
http://www.census.gov/foreign-trade/aes/exporttraining/videos

Another option is to file with a forwarder or agent who may be more familiar with export licensing and regulations. With so many individuals and first time exporters shipping donated goods to Haiti, the exporting process may seem overwhelming. However, we at the Census Bureau are available to help make the process as smooth as possible.

If you need more information, we are available at 800-549-0595. Select Option 1 for help with the AES, Option 2 for Classifications, and Option 3 for Regulations. You can also send us an e-mail at askaes@census.gov or askregs@census.gov.

Please continue to support those in Haiti during this time of tragedy. Your assistance is greatly appreciated.

If you have any questions regarding exporting, please contact your Shapiro account coordinator for more information.

"Global Reach" Blog by Census

The Foreign Trade Division of the U.S. Census Bureau has created and published its official blog, "Global Reach." The blog is designed to discuss the Foreign Trade Regulations, Export Filing (AES), Trade Data, and other trade related topics. FTD advises that posts are current and relevant to you as the filer, exporter, data user, or curious blog reader.

You can access the posts and sign up for the blog's feed at
http://blogs.census.gov/globalreach/

SME's Role in Exports

In a news release on January 19, 2010 from the United States International Trade Commission (USITC), U.S. small and medium-sized enterprises (SMEs) accounted for almost 30 percent of U.S. merchandise exports between 1997 and 2007.

The bulk of these exports were computer and electronic products, machinery, and chemicals. According to the report, the largest portion of these was exported to Canada and Mexico.

The USITC is an independent, nonpartisan, fact-finding federal agency. This report was at the request of the U.S. Trade Representative. The USITC provided an overview of SME characteristics, including their role in generating domestic jobs and economic activity; described the value of overall SME exports; listed the principal products, industries, and destination markets involved; and highlighted data gaps that inhibit a complete understanding of SMEs' role in U.S. exports.

Below are highlights from the USITC report:

- SMEs accounted for approximately 30 percent of known U.S. merchandise exports between 1997 and 2007 and about half of private non-agricultural gross domestic product (GDP) between 1998 and 2004.
- Top merchandise export categories for SMEs in 2007 were electrical products, machinery, and chemicals; these goods were primarily exported to Canada and Mexico. Wood products and apparel and accessories were the sectors with the highest concentrations of SME exports.
- Canada and Mexico were the largest destination markets for U.S. merchandise exports from firms of all sizes, including SMEs, in 2007.
- Much of the growth in SME merchandise exports between 1997 and 2007 was attributable to an increase in the number of net new market entrants SMEs that were new to exporting. Export growth from large firms, by contrast, resulted almost exclusively from increases in the value of exports by existing firms.
- Judging by patterns of cross-border exports and the operations of U.S. affiliates abroad, it is likely that Canada and the United Kingdom were among the largest markets for U.S. SMEs' services exports in two important fields (finance/insurance and professional services) in 2006-2008.
- The lack of information concerning the size of the manufacturing firms that provide SME wholesalers with their goods for distribution and the absence of published data on SME services sector exports have inhibited a more extensive analysis of the role that SMEs play in U.S. exports.

The USITC's report is available at:
http://www.usitc.gov/publications/332/pub4125.pdf. The report is also available on CD-ROM and in print; call 202.205.2000 for more information.

TRANSPORTATION UPDATE

February 2010 Update

On the heels of the worst losses in the history of the steamship industry, the carriers are using a series of staggered rate increases in an attempt to return to profitability by the end of this year.

On January 15th the carriers successfully imposed a $320 per 20', $400 per 40', and $450 per 40'HC Emergency Revenue Charge (ERC). This particular rate increase came at a time that is supposed to be the slowest period of the yearly shipping cycle. This supposedly "slow" period has proven not to be so slow after all as carriers have drastically reduced their capacity causing a higher demand on space than is currently available at the onset of the Chinese New Year on February 14th. The capacity crunch began because the carriers were caught with significant excess capacity when imports suddenly waned due to the recession of 2009. The carriers had no choice but to respond by removing vessels from the Trans-Pacific trade by combining their services with other carriers in vessel sharing arrangements or by slowing up the transit times of their ships. Now we are dealing with the space constraints as a result.

The space situation was compounded in January as a result of the traditional surge in cargo to be booked prior to the Chinese New Year celebration. On top of the ERC mentioned above, some carriers are asking shippers, importers, and NVOCCs to pay an additional $200 to $400 per 40' in order to provide "guaranteed space."

Importers are hopeful that the import surge will end after Chinese New Year and the rolling of cargo from vessel to vessel will end. This remains to be seen while carriers look forward to a rate increase of $800 per 40' to U.S. West Coast ports and $1000 per 40' to U.S. East Coast and interior points effective May 1st. Some scenarios claim that the increase may be half as much as long as the January 15th ERC is successfully taken in stride.

The carrier's road to profitability will be affected directly by whether or not the U.S. economy continues to move forward. If the ships do not sail full, then it will be increasingly difficult to realize a profit.

Airfreight:
New York's JFK international Airport reported its first year-over-year expansion by month in freight tonnage in November since 2007 after 29 straight months of steady declines in freight volumes. The steady growth has been made by gains in international freight. It's also important to note that the airport experienced a drop of 24.9 percent in freight traffic for the first 11 months of the year as compared to a year earlier.

Expect capacity to be very tight among air carriers in the Asia to U.S. market in the second half of January and the first half of February due to the glut of urgent freight that importers are hoping to get shipped to them prior to the Chinese New Year shutdown of factories from February 14th through February 19th.

Air carriers in Hong Kong have announced that they will increase the applicable Fuel Surcharge on February 1, 2010 to HDK4.80 or USD0.62 per kilo. Air carriers handling exports from the United States report they will impose a USD0.05 per kilo increase in rates as of February 1, 2010.

Ocean Freight:
The average "spot" rate market for shipping a 40' container from Hong Kong to Los Angeles jumped 17.9 percent in the week ending January 18th compared to a week earlier due to the "Emergency Rate Charge" (ERC) that was implemented on January 15, 2010.

Effective March 1, 2010, MSC will increase their rates by $200 per 20' and $300 per 40' container from all ports in Greece, Turkey, Romania, Bulgaria, Georgia, South Russia, Ukraine, Egypt, Lebanon, Syria and Cyprus to all U.S. ports.

Effective March 1, 2010, MSC will increase their rates by $150 per 20' and $250 per 40' container from all U.S. ports to Northern European and Scan-Baltic ports.

Effective February 13, 2010, MSC will increase the bunker fuel costs for service from Saudi Arabia, Bahrain, Kuwait, Iran, Qatar, Oman, and UAE to the United States to a rate of $350 per 20' and $700 per 40' container.

Effective February 15, 2010, COSCO announced a General Rate Increase (GRI) in the amount of $120 per 20' and $150 per 40' from all U.S. ports and inland locations with the exception of Long Beach/Los Angeles where the GRI will be $80 per 20' and $100 per 40' container.

Effective January 15, 2010, Evergreen will have a GRI of $400 per 20' and $500 per 40' and 40'HC container from U.S. ports to all ports in the Mediterranean and Black Sea.

Effective February 1, 2010, carriers will begin to implement a Suez Canal Fee of $9 per 20' and $18 per 40' container on all cargo transiting the Suez Canal.

Dock Workers in France have set a mid-February deadline to respond to their demands for more waterfront jobs or they will strike at French ports. Work stoppages could start on February 12th if the French government doesn't honor its pledge to create up to 30,000 jobs as part of a reform of publicly owned docks.

Acts of Piracy and armed robbery against ships increased 38.6 percent in 2009 which is attributed primarily to attacks by Somali pirates. As a result, several nations have sent their naval vessels to protect shipping in the waters off the coast of Africa and in the shipping lanes between Africa and Southeast Asia.

Domestic:
Less-than-truckload rates fell even lower in the past month as motor carriers competed more aggressively for every possible shipment to fill their trucks. The first quarter of 2010 might see rates go down a bit further as it is typically the weakest quarter for freight volumes. LTL rates are now trending 5 to 15 percent lower than they were at this point last year.

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 Tracy Jones, Charleston Import Manager, 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.