

SHAP TALK

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TRADE NEWS

Update on the West Coast Congestion and Labor Discussions

On January 5, 2015, the International Longshore and Warehouse Union (ILWU) joined the Pacific Maritime Association (PMA) in their request to bring in federal mediation to resolve contract negotiations. This announcement comes after eight months of the ILWU working without a contract, stalled talks between the two groups, high tensions, and rising congestion along the West Coast. Although the PMA requested intervention in late December, the ILWU only joined in this request yesterday. The Federal Mediation and Conciliation Service (FMCS) will send in a senior negotiator as soon as possible. Although the FMCS cannot dictate and enforce an agreement, the representatives will help to bring the issues of both sides to resolution.

The PMA stated that rumors and statements made that they are “close to a deal” with the ILWU are false. The ILWU insists that PMA member carriers sitting on PMA’s Board of Directors need to come to the negotiating table so that constructive dialogue between key decision makers can take place. “Sure, my counterpart, Jim McKenna, has been involved in negotiations from the start, but all the decisions are made by the carriers sitting on PMA’s Board of Directors,” stated Robert McEllrath, ILWU President and Chairman of the Union’s Negotiating Committee.

In eight months of bargaining, PMA’s principal decision makers have not yet had a single face to face meeting with union negotiators. On the other hand, the Union has its decision makers, a member-elected Negotiating Committee comprised of local union representatives and International officers, at the bargaining table. “Indirect negotiations won’t get us over the finish line. The few issues that remain unresolved relate directly to the carriers and these key carriers need to come to the table,” said McEllrath.

A few weeks ago, PMA member employers in the ports of Seattle and Tacoma refused to work night shifts for import/export cargo in an apparent effort to provoke an even deeper congestion crisis that they hoped to blame on the ILWU. By refusing to order manpower for night shifts, PMA unilaterally and self-servingly restricted work to eight hours a day at the peril of both importers and local exporters. At the same time, PMA member terminal operators in the container ports of Portland, Oakland, Los Angeles and Long Beach continued to work night shifts.

PMA’s Texas based public relations campaign against the ILWU in late October backfired given the numerous, non-labor related causes of the ongoing congestion at West Coast ports. “The men and women who work the docks up and down the West Coast can’t fix the current supply chain failures and industry experts know it,” said McEllrath. “The irony of PMA’s slowdown allegation is that, in addition to dishonestly blaming workers for current congestion problems, it obscures the fact that PMA member companies are working behind the scenes to trigger labor disputes in order to cut labor costs and consolidate more control over workers on the docks. We’ve seen all this before. Our singular focus at this moment is getting a good contract for the members of the ILWU. I think we’re almost there.”

The impact of the work slowdowns at west coast ports as a result of no deal being made has been disastrous for many importers and exporters and it has hit the agricultural industry especially hard. Meat exporters have reported that they have had to airfreight meat overseas to meet their customers’ demands. Peter Friedmann, executive director of the Agriculture Transportation Coalition, said that the ILWU is

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ultimately weakening the future employment prospects of dockworkers by staging work slowdowns resulting in shipping companies avoiding use of the west coast ports.

Congestion remains a constant problem for all container terminals. Vessels remain queued up in Los Angeles and Long Beach waiting for berths, and there are delays in getting containers moved in and out of terminals all the way up to Vancouver and Prince Rupert, British Columbia. The ILWU has stated that the congestion is due to other serious issues such as the mismanagement of truck chassis and the new oversized ships that are overwhelming the container yards with higher volumes of cargo.

We will continue to monitor the situation and provide updates as additional information becomes available. Please contact your Shapiro representative with any questions.

President Announces Forthcoming Changes for Cuba-U.S. Relations

On December 17th, President Obama and Cuban President Rafael Castro announced a “new course” and the beginning of a normalized diplomatic relationship after months of negotiating. Even though the embargo remains, President Obama has vowed to loosen restrictions through executive action on trade, travel, finance, and remittances, which many see as a first step in the right direction.

Changes to the Cuba sanctions program will be implemented by the Department of Treasury, Office of Foreign Assets Control (OFAC) via amendments to the Cuban assets Control Regulations. The Department of Commerce will implement the remainder of the changes via amendments to the Export Administration Regulations (EAR). These changes are expected to be published in the coming weeks. It’s important to note that none of the changes referenced by the White House will take effect until the new regulations are issued and an effective date is issued for these changes. You can sign up for [email updates](#) on Cuba sanctions from OFAC.

U.S. sanctions on Cuba have been in place for over 50 years and they are still in place today until the U.S. laws are changed. President Obama began the Cuba reconciliation with a prisoner swap between the two countries. Cuba released Alan Gross, a U.S. contractor who was sentenced to 15 years in prison for espionage in 2009, a U.S. intelligence agent, held for more than two decades, and 53 political prisoners. In return, the U.S. released three Cubans convicted by the U.S. on charges of conspiracy in 2001.

The White House has issued a [Fact Sheet Charting a New Course on Cuba](#) outlining the steps to further U.S.-Cuba diplomatic and economic relations. As the Fact Sheet points out, these changes are meant to establish diplomatic relations with Cuba, help Cuban citizens, the developing Cuban private sector, U.S. national security interests, U.S. citizens travel and trade with Cuba and financial transactions in certain situations, Cuba’s private residential construction, agricultural equipment and training for farmers, and help update and establish communications-related systems.

Some of the highlights from the White House Fact Sheet include:

- *The U.S. will reestablish an embassy in Havana.*
- *U.S. will be a staunch supporter of improved human rights and conditions in Cuba.*
- *Travel for 12 categories will be allowed under a general license-(1) family visits; (2) official business of the U.S. government, foreign governments, and certain intergovernmental organizations; (3) journalistic activity; (4) professional research and professional meetings; (5) educational activities;*

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(6) religious activities; (7) public performances, clinics, workshops, athletic and other competitions, and exhibitions; (8) support for the Cuban people; (9) humanitarian projects; (10) activities of private foundations or research or educational institutes; (11) exportation, importation, or transmission of information or information materials; and (12) certain export transactions that may be considered for authorization under existing regulations and guidelines.

- Authorization of expanded commercial sales/exports from the U.S. of certain goods and services, such as building materials for private residential construction, goods for use by private sector Cuban entrepreneurs, and agricultural equipment for small farmers.
- Licensed American travelers can now bring back to the U.S. from Cuba \$400.00 worth of goods (no more than \$100.00 can consist of alcohol and tobacco products combined). So don't plan on visiting and bringing back a big stack of boxes of your favorite Cuban cigars. It remains illegal to bring back Cuban cigars purchased in a third country.
- U.S. credit and debit cards will be permitted for use by travelers in Cuba.
- New efforts to increase internet and cellular communication. Cuba has an internet penetration of about 5 percent - one of the lowest in the world.
- Change in financial transactions from the U.S. and U.S. owned entities in third countries.

Cuba will also be removed from the State Sponsors of Terrorism list which will further loosen banking and finance restrictions, one of the biggest impediments to Cuban-U.S. trade.

With these steps many see a potential opportunity for trade with the communist country. Licensing and banking/finance restrictions were big obstacles to trade with Cuba. Companies were required to get paid upfront in cash through a third party financial institution. With the new executive actions announced by President Obama, companies will finally be able to issue credit to their partners with access to U.S. banks in Cuba.

In 2013, according to the Journal of Commerce, U.S. food exporters shipped US\$348.7 million worth of chicken, soybeans, corn, pork, butter, and other commodities, compared to 2008 when trade had reached US\$710.1 million. Trade has been falling over the years as Cuba has sourced from countries that can extend credit such as Brazil and Canada.

As the official trade sanctions are still in place, imports from Cuba are still embargoed. Without returning goods, ocean carriers will likely charge a premium for freight going to Cuba.

Shapiro will update these ongoing changes in future issues of Shap Talk once the Departments of Treasury and Commerce issue their new regulations.

U.S. Prohibits Transactions with Crimea Region of Ukraine

President Obama issued an Executive Order on December 19, 2014, prohibiting certain transactions with the Crimea region of Ukraine. The importation into the United States, directly or indirectly, of any goods, services or technology from the Crimea region of Ukraine is prohibited. Similarly, the exportation, re-exportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, services or technology to that region is prohibited.

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The Office of Foreign Assets Control (OFAC) has given U.S. companies until January 31, 2015, to “wind down operations” that were in effect in the Crimea region prior to December 20, 2014.

More information may be found on the OFAC [website](#).

Antidumping News

U.S. Customs and Border Protection (CBP) has issued its antidumping/countervailing duties enforcement statistics for fiscal year 2014. CBP collected \$508.5 million in ADD/CVD cash deposits, an increase of 12 percent over 2013. There were about 280,000 ADD/CVD entries made.

Customs conducted 78 audits of importers with ADD/CVD merchandise and identified discrepancies with a value of \$14.5 million plus \$10.1 million in disclosures, penalties, and interest.

In other antidumping news, Customs posted a [warning](#) on its website about an email scam that purports to help importers evade ADD/CVD. The sample email reads, “Please do not worry about the dumping duties. This order will be operated through the intermediary trade. We will send the goods to a third country; the forwarder will repack our goods for export with other company title from that third country. It is a legit business.”

We are telling our readers this is certainly not “legit business,” and that engaging in activities to evade antidumping or countervailing duties is a federal crime. Don’t let this happen to you!

Triennial Report for Licensed Brokers Due February 2015

This is a reminder for our readers who are licensed brokers. Your triennial report plus the \$100.00 fee is due to Customs in the port where your license was issued by the end of February 2015.

TRANSPORTATION NEWS

January 2015 Update

INDUSTRY NEWS:

Truck Queue Times at Nhava Sheva Terminal Worsening

Jawaharlal Nehru Port Trust (JNPT) in Nhava Sheva is currently experiencing severe congestion along the truck queue leading into the port complex. Although congestion along the truck queue isn't uncommon in the area, backups this long are very concerning. Over the weekend after Christmas the traffic queue extended nearly nine miles with a round trip taking nearly 48 hours to complete. Vehicles are taking an average of seven to eight hours to complete offloading/loading at the port complex. Delays began worsening in late October when the port authority partially closed down the Jawaharlal Nehru Container Terminal to install three new super post Panamax gantry cranes. The cranes are expected to be fully operational by January 19, 2015, following major delays caused by the arrival of the cranes.

To help solve the congestion issue, the JNPT kicked off bidding for a new 27 mile expressway. This project will connect the harbor with the interstate highway system. The goal of this \$300 million project is to speed up the flow of containers to and from the harbor to improve port performance. This project will be fast-tracked by the new Narendra Modi-led government. JNPT encompasses three container terminals which account for 60% of India's total containerized cargo moving via major state owned ports.

OCEAN FREIGHT

Ocean Rates Rise with New Round of General Rate Increases

The ocean carriers are experiencing extremely high demand currently which is driving ocean rates upward. The Asia import market into the U.S. will be seeing the biggest rise in rates in years in January 2015 - rates are due to rise by at least \$480 per 20' and \$600 per 40' container on January 15. The General Rate Increase is expected to take hold in January for the U.S. east coast market in particular as ships are completely full right now, and it is expected that the ships will be full through Chinese New Year into late February. Importers can expect to see rates topping the \$5000 mark from China to U.S. east coast ports in January and February. Importers should prepare now for these increases as the market shifts from a buyer's market to a seller's market.

Other markets such as Turkey to the U.S. are expected to see increases of \$200 to \$300 per container. Export markets will see a raise in rates on February 1 of at least \$80 per 20' and \$100 per 40'. The Latin American import market is expected to see a rise in rates in early 2015 as well as Hapag Lloyd completes its merger with CSAV.

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2M Alliance and Its Effect on Transpacific East Coast Services

Maersk Line and Mediterranean Shipping Co. (MSC) have revealed the finalized network for their 2M Alliance. Announced in July 2014, this 10 year Vessel Sharing Agreement (VSA) comes after the failed attempt of both carriers to form the P3 network with CMA CGM. The 2M agreement includes 23 service strings that will cover the globe. Significantly, Maersk Line will have a direct call from the Far East into the port of Baltimore. The agreement also results in changes to some existing services including the T12 service which will now call New York, Norfolk, and Baltimore before sailing back to the Mediterranean.

2M sailings will begin January 16, 2015. The beginning stages will include only shared vessels. This will result in no net capacity change as no new vessels will be added into the rotation. Since it is announced that Maersk will be using space on MSC vessels on the strings that call Baltimore, we are still unsure how this will affect our current space situation with MSC.

The biggest change that will affect transpacific east coast service is the elimination of MSC's Golden Gate Service which is essentially being split into 2 separate services, the America and the Empire. The same rotations will be called the TP12 and TP11 service by Maersk.

Empire Service (MSC) /TP11 (Maersk): New York, Baltimore, and Norfolk

America Service (MSC) /TP12 (Maersk): - New York, Charleston, Savannah, and Miami

Other changes are improved transit times from South China by an average of 2 days plus a new Miami call. Jacksonville will continue to be serviced by MSC albeit outside of the new 2M services.

Please see the most recent schedule matrix below comparing the existing Golden Gate service to the new 2M services:

New TP1 /Empire						
		Arrives				
		New York	Savannah	Charleston	Miami	Freeport
Departs	Shanghai	33	36	37	39	40
	Ningbo	31	34	36	38	39
	Chiwan	29	32	33	35	36
	Yantian	28	31	32	34	35
	Singapore	23	26	28	30	31

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Previous Golden Gate Coverage (MSC)						
		Arrives				
		New York	Savannah	Charleston	Miami	Freeport
Departs	Shanghai	33	39	36		
	Ningbo	35	41	38		
	Chiwan	32	38	39		41
	Yantian	29	35	36		38
	Singapore					

Previous Golden Gate Coverage (MSC)						
		Arrives				
		New York	Savannah	Charleston	Miami	Freeport
Departs	Shanghai	33	39	36	X	X
	Ningbo	35	41	38	X	X
	Chiwan	32	38	39	X	41
	Yantian	29	35	36	X	38
	Singapore	X	X	X	X	X

Previous Golden Gate Coverage (MSC)				
		Arrives		
		New York	Norfolk	Baltimore
Departs	Shanghai	33	35	36
	Ningbo	35	37	38
	Kaoshiung	X	X	X
	Chiwan	32	30	31
	Hong Kong	34	36	37
	Yantian	29	31	32
	Singapore	X	X	X
	Salalah	X	X	X

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AIR FREIGHT

Air Carriers See First Strong Peak Season Since 2010

The air import market had its first strong Peak Season since 2010. Notably there was no major “move at any cost panic” and the market cooled in early December. Now, without any new major electronic launches, the capacity is open for spot rates again. Despite strong volumes, worldwide capacity is increasing still in 2015 in both wide body and freighter aircraft hindering growth. Fuel decreases are helping air shippers and air carriers depending on the carrier fuel structure. Some carriers won't be able to pass on those savings for a few months. IATA reported 5.6 % growth for international air cargo traffic year over year. Regionally however, the growth tips heavy in the Middle Eastern, Africa, and Central America market.

Lufthansa Pilots Strike in December

Lufthansa was awash in cancellations early December due to one day pilot strikes that extended 3 days. The pilots' sticking point is retirement pay for new pilots and changes proposed to compete in the domestic/inter-Europe travel against low cost carriers.

United Announces New Flights from San Francisco to China

United Airlines has announced new flights between SFO, Shanghai and Chengdu starting May 6th to October 24th. SFO-Shanghai increases from one to two flights daily in this period, and Chengdu is going from 3 times weekly to daily.

United also announced it will replace all of its LD3 containers with the newly designed Herculight S by Zodiac Aerospace. The increased efficient design is expected to reduce fuel consumption by two million gallons and CO2 emissions by more than 19,400 metric tons per year. United will be working with local vendors to recycle the 200 pounds of material each retired LD3 contains. Might make a good container garden?

“Nutgate” Hits Korean Air

The Korean Ministry threatened fines and suspensions against Korean Air for trying to persuade the cabin crew to make false statements downplaying the macadamia nut incident where an airline executive was furious her nuts were served in a package and not on a platter and made the taxiing passenger jet return to the gate delaying the flight. It is reported the now ex-executive and daughter of Korean Air president made the stewards kneel and apologize.

DOMESTIC NEWS

Heavy Truck Trailer Orders Reflect Increased Truck Demands in 2015

Truck trailer orders in the U.S. have reached their second highest point in history after hitting an all-time high in October. This strength in the market reflects expectations of extremely heavy demand in trucks in 2015.

Trucker Availability at USWC Port Terminals Reaches Critical Point

In December, both large and small importers have been grappling with the growing problem on the West Coast of the lack of draymen and lack of trucks available to handle pickups and deliveries. The lack of drayage services available at U.S. west coast ports, particularly in Los Angeles and Seattle, has reached a breaking point. In many cases importers have no choice but to wait for days to get their cargo picked up for local delivery in the west coast cities. Truckers are giving their services to the highest bidder in many cases as demand has far exceeded supply, particularly in Los Angeles. Importers and exporters in this market are bracing themselves for further work slowdowns at the ports as the talks continue, and ongoing delays in drayage services on the west coast.

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SAMUEL SHAPIRO & COMPANY, INC. NEWS

The Baltimore Sun Names Shapiro as a Top Workplace for the Fourth Year in Row

Shapiro has been named one of Baltimore's best places to work for the fourth year in a row by the Baltimore Sun. Firms were nominated and then evaluated using confidential surveys conducted by Workplace Dynamics, a leading research firm on organizational health and employee engagement, which focused on gauging employees' satisfaction in multiple categories, including corporate direction, execution, pay/benefits, and engagement.

The Baltimore Sun invited 1,160 companies to participate and surveyed 154 of them. In total, 41,606 Baltimore-area employees received surveys and 20,182 responded, either on paper or online. Employers were then categorized into size bands and ranked within their size band based solely on employee responses to 22 survey questions.

Shapiro ranked as number 63 on the small employers list. The company employs a little over 50 employees in its headquarters office in Baltimore and also has offices along the East Coast in Rosedale, New York; Philadelphia, PA; Charleston, SC; Atlanta, GA; and Dulles, VA, with a total of approximately 127 employees. Shapiro is now in its third generation of family ownership and management under Margie Shapiro, the company's president and CEO.

"Samuel Shapiro & Company is very honored to be selected as a 'Top Workplace' for the fourth consecutive year by the Baltimore Sun and, most importantly, by our family of employees," said Shapiro. "Our mission statement is 'We Deliver. Problem Solved.' This promise to our customers continues to be delivered by passionate, creative people with the fire and commitment to design the best logistics solutions in the business."

The Baltimore Sun published the complete list of Top Workplaces on Sunday, December 7. For more information about the Top Workplaces lists and Workplace Dynamics, please visit www.topworkplaces.com and www.workplacedynamics.com.

Shapiro Helps in the Battle against Hunger by Supporting Non-Profit WhyHunger this Holiday Season

Shapiro recently selected [WhyHunger](http://www.whyhunger.org) as this year's recipient of its annual holiday endowment. WhyHunger works to support community-based grassroots organizations to end poverty and hunger by providing universal access to nutritious and affordable food. Founded in 1975, WhyHunger has grown from a simple commitment between two friends, founders Harry Chapin and Bill Ayres, to an award-winning global non-profit leading the movement to end hunger and poverty through creating a sustainable food systems. WhyHunger provides capacity building services, technical support, and access to information and financial resources to community organizations implementing new ideas and developing groundbreaking projects to transform their communities.

Shapiro, whose philanthropic work can be traced back to its humble beginnings in 1915, has been providing holiday donations on behalf of its customers for the past six years, in addition to incorporating

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charitable activities throughout the year. In lieu of a traditional holiday gift, the company authored a cookbook, filled with authentic employee recipes, to accompany the WhyHunger donation. The books were distributed to Shapiro customers and all Shapiro employees, with a contribution being made to WhyHunger in honor of each recipient. Aptly named "[Our Secret Spice](#)," the cookbook exemplifies the company's culture, values, and what truly sets it apart: its family of employees. Shapiro, which was recently named one of Baltimore's Top Workplaces for the fourth year in a row by the Baltimore Sun, completes its community support program by allowing employees to volunteer once a year on company time and matches employees' donations dollar-for-dollar to most non-profit organizations.

"We are excited to present something that not only demonstrates our commitment to the communities we serve, but is also a reflection of the Shapiro culture," noted Margie Shapiro, Shapiro's president and chief executive officer. "Shapiro is proud to support an organization that provides valuable services to so many in need."

Download Shapiro's [Our Secret Spice](#) Cookbook now!

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 Nicola Phillips, FBA Manager 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.

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