Shap Talk

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In this issue:

WE WANT TO HEAR FROM YOU!

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TRADE NEWS:

Commerce & State Proposed Rule Concerning Transition of USML Categories I-III to CCL

Commerce and State have issued a proposed rule regarding changes to Categories I-III (firearms, close assault weapons and combat shotguns, guns and armament, and ammunition/ordnance).

The Commerce proposed rule describes how articles determined by the President no longer warrant control under United States Munitions List (USML). Categories I-III would be controlled under the Commerce Control List (CCL). They have also published Categories I-III Rules Myths Versus Facts.

The State proposed rule revises Categories I-III of the USML to precisely describe the articles warranting continued control on the USML.

Articles that satisfy one or both of the following criteria will remain on the USML.

1) Inherently military and otherwise warrant control on the USML

2) If of a type common to non-military firearm applications,

- *a. Possess parameters or characteristics that provide a critical military or intelligence advantage to the United States*
- *b. Are almost exclusively available from the United States*

Articles that do not satisfy either of these criteria have been identified in new Export Control Classification Numbers (ECCNs) and are included in the Commerce proposed rule.

Commerce and State will accept comments regarding the proposed rules for a 45-day period following publication in the Federal Register. Exporters and manufacturers of articles currently controlled under USML Categories I-III should review the proposed rules to determine their specific impact. Comments on the Commerce proposed rule may be submitted via the Federal eRulemaking Portal: http://www.regulations.gov, search BIS-2017-0004 or via mail or delivery to the Regulatory Policy Division, Bureau of Industry and Security, U.S. Department of Commerce, Room 2099B, 14th Street and Pennsylvania Avenue, NW, Washington, DC 20230. Refer to RIN 0694-AF47. Comments on the State proposed rule may be submitted via email to DDTCPublicComments@state.gov with the subject line, "ITAR Amendment – Categories I, II, and III" or via the internet at http://www.regulations.gov, search RIN (1400-AC90).

Perijo Bennett
Regulatory Compliance Specialist

CBP Issued an Update on the Steel/Aluminum Exclusions

When the importer of record receives an approved product exclusion from the DOC, they must provide the company's name, address and importer of record number, and the associated product exclusion number, to CBP at traderemedy@cbp.dhs.gov

Exclusions granted by DOC are retroactive to the date the request for the exclusion were posted for public comment at regulations.gov

To request an administrative refund for a previous import of excluded products a PSC may be filed. The PSC must include the product exclusion number in the Importer Additional Declaration field.

Once products are excluded from the Section 232 measures, importers may claim GSP or AGOA on eligible goods. If GSP or AGOA duty preference was received on previous imports of excluded products, a request for the refund of duties can be requested through a PSC.

Billie Graves
Import Ambassador

China Customs Advanced Manifest (CCAM) Launched June 1st

On June 1st, 2018, China Customs launched a new advanced manifest effort for imports and exports to expedite clearance for both air and ocean shipments. The new manifest process requires electronic manifest submission 24 hours prior to loading at the port of export, which must accurately and completely reflect the goods under the bill of lading.

The manifest also requires both the shipper and consignee to provide their relevant company enterprise codes, such as one from the below list of examples. The notify party on the bill of lading must also be included on the manifest with enterprise codes.

- *China - USCI (Unified Social Credit Identifier), OC (Organization Code)*
- *UK - Company Number, VAT Number*
- *USA - CIK (Central Index Key), EIN (Employer Identification Number)*

Shapiro is working with our close partners in China during this change, but please feel free to contact your Shapiro team for any additional information on the new manifest requirements or if you require Shapiro's EIN for shipments where Shapiro is the notify party.

Devin Turner
Implementation Manager

Increase in Wood Packaging Material Penalties

CBP has recently issued penalties to several importers who imported non-compliant WPM. The penalties assessed were for the full value of the imported merchandise and not just the value of the WPM.

The purpose of the WPM requirement is to prevent the introduction of exotic timber pests. These pests lack the natural environmental controls that may be found in their native land to keep them in check in the United States. If not kept in check, the pests can cause widespread tree mortality and have an economic impact for the lumber, fruit, and nut industries. It can be very expensive to eliminate these pests. Therefore, preventing the introduction of the pests is critical to the environment.

CBP is responsible for enforcing the regulations at ports of entry. Responsible parties with a documented WPM violation may be issued a penalty under Title 19 USC 1595a(b) or under 19 USC 1592. This is a change from the previous published threshold of 5 violations. There will be no yearly reset for calculating repeat violations as each WPM violation may incur a penalty.

The importer is treated as the responsible party with respect to WPM compliance by CBP. Importers need to remind their foreign suppliers of the requirements and their responsibility under the PO/contract.

Potential Penalty amounts are:

- *Negligence*
  - o *The penalty will not exceed the lesser of*
    - *Domestic value of the merchandise*
    - *Two times the lawful duties, taxes, and fees of which the United States is or may be deprived*
- *Gross Negligence*
  - o *The penalty will not exceed the lesser of*
    - *Domestic value of the merchandise or*
    - *Four times the lawful duties, taxes, and fees of which the United States is or may be deprived*
- *Fraud*
  - o *Penalty will not exceed the domestic value of the merchandise*

Any questions contact compliance@shapiro.com

Billie Graves
Import Ambassador

TRANSPORTATION NEWS

U.S. Metropolitan Regions Show Export Increases in 2017

American metropolitan regions continued to grow exports in 2017, according to the Brookings Institute's Brookings Export Monitor, a project focused on the international competitiveness of U.S. metro regions. According to the project, the United States exported almost $2 trillion in goods and services in 2017, a 2.3 percent increase over 2016 and 0.1 percent below average GDP growth. U.S. metropolitan regions accounted for the majority of export activity, accounting for 11 million of the 12.7 million export-related jobs in 2017. Three quarters of the country's metropolitan regions noted export growth, particularly regions focused on the energy sector. Slower growth occurred in regions focused on aircraft and pharmaceuticals.

Looking to 2018, the prospects for export growth are less clear. The principal concern will be the potential of a trade war with China, which could directly and indirectly impact over 2 million jobs across the United States. New to exports or concerned about mitigating logistics disruptions to your supply chain? Contact your Shapiro team to help you navigate the waters (or skies) of today's logistics market and develop a plan to mitigate your logistics risk.

Devin Turner
Implementation Manager

June 1 Emergency Bunker Surcharges Likely

Several carriers have said they will impose an Emergency Bunker Surcharge effective June 1st, 2018.

The price of fuel has increased dramatically since the beginning of the year and particularly in April as it reached its highest level since 2014. "With the fuel price currently exceeding 440 USD/ton in Europe, the bunker cost increase for Maersk Liner Business is more than 20 percent since the beginning of 2018," says the carrier. There are now a few carriers stating an EBS (Emergency Bunker Surcharge) will be implemented on June 1 for all ocean shipments with the exception of exports from China. Sealand is stating with the higher bunker price globally, they are no longer able to recover rising fuel costs through the standard bunker adjustment factors. CMA CGM also announced what they are calling emergency bunker recovery measures due to the "significant increases" in bunker prices. Hapag Lloyd stated they will not follow suit and will not be imposing a June 1 EBS.

Soaring fuel costs have helped push some container lines back into the red and carriers hope these fuel increases will help them to recover quickly.

China exports will stay the same until the new quarter starts on July 1 and new quarterly BAF charges become available.

Tammy Sandridge
Global Logistics Manager

U.S. - UAE Open Skies Reaffirmed

On May 11th the 2002 UAE-US Air Transport agreement was reaffirmed, including current and future rights by the US and UAE, their open skies initiative and fifth-freedom rights intact.

Open Skies agreements between two or more nations seek to support a freer international market platform for air carriers, reducing government intervention. Agreements between nations include unrestricted landing rights on the others soil. Many US Flag carriers have complained that the government owned Middle East carriers violate the Open Skies agreement because of their government backing. While others who benefit from the fifth-freedom rights, operating hubs between the two countries, enhances trade and economic expansion.   The UAE US Agreement, although officially no changes, according to Washington officials Emirates and Etihad have agreed to be more transparent in divulging financial statements.
Each carrier has also expressed no plans of adding fifth-freedom passenger routes but key to note, the agreement does not prohibit this in the future. For now both sides report to be happy with the outcome.

Cindy Freitas
Air Pricing Supervisor

Some ELD Work Rule Flexibility Added by U.S. Regulators

Last week the U.S. Federal Motor Carrier Safety Administration (FMCSA) announced it will now allow truckers who are running out of legal driving hours while waiting to load or unload at a client facility, to be able to drive to the closest safe location for parking without being in violation of hours-of-service-rules.

"That time behind the wheel can be counted as off-duty personal conveyance," an FMCSA authority stated at a recent press conference.

This represents a significant reprieve for the trucking community as well as for those who are either shipping or receiving cargo that do not have suitable parking at their locations.

Joe DeLorenzo (Director of Enforcement/FMCSA) commented that, "If there's not parking, it's not a reasonable safe place for you to get your rest. We want drivers to use common sense and document what they do in their ELD. It's incumbent on the driver and carrier to ensure they have adequate rest before going on duty the next day."

This added flexibility comes at a time when demand for trucking is at critically high levels, carriers are at near capacity, and recent over-the-road regulatory measures have aggressively confronted the importing/exporting community.

Colin Chapman
Director, Commercial Development

Maersk First Quarter Falls Short of Expected

Maersk Group missed the mark for quarter one, due to a mix of lower-than-expected volume, soaring fuel costs, and low freight rates.

Maersk recorded a net loss of $220 million for the first quarter, a much greater deficit than other container lines like Hapag-Lloyd, who recorded a loss of $40.5 million in the first quarter. Maersk Group CEO Soren Skou described the first quarter results as "unsatisfactory" but still expects the company's 2018 profit to be greater than the 2017 profit of $356 million. "At the same time, on the short-term performance, our result especially in the ocean-related part of the business was unsatisfactory," said Skou. "In response to the current challenging market conditions we are implementing a number of short-term initiatives to improve profitability and we reiterate our guidance for 2018."

The Group announced in their first quarter interim report that they are in the early phases of a goal to stray away from freight rates, in order to become one integrated container and logistics company. Maersk has said that they are planning to offer end-to-end direction, acquiring a 25% stake in Ceva. This strategy is making Maersk more rate volatile compared to other container lines, due to the unknown of end-to-end business.

2018 first quarter global container demand rose 3-4%, a slowdown compared to 2017 first quarter numbers. Year 2017 proved strong growth rates but this year's rates show a weakening of the global economic environment.

The rise of bunker fuel up 21.6% higher than at the start of 2017 at ports Rotterdam, New York-New Jersey, and Shanghai, contributed greatly to the unsatisfactory first quarter numbers. As a result of the rising fuel prices, unit costs were up 12%.

McKenzie Dillon
Marketing Analyst

PierPass Reform Leads to Less Traffic and a Decrease in Air Pollution

Although changes to the PierPass OffPeak system have received negative responses from multiple stakeholders, two organizations representing drayage truck drivers and the Port of Los Angeles, Harbor Trucking Association (HTA) and the California Trucking Association's Intermodal Conference (CTA), are "generally supportive" of the revisions.

A traffic mitigation fee (TMF) is currently applied for containers that are picked up and delivered during the day at the terminals, and is paid by the shippers. This has caused shippers to perform container transactions at night or on Saturdays, and provided the terminals with funds to offset operating costs for longer hours. The TMF has helped shift about 50% of truck traffic at the two busiest ports in the United States to off-peak hours. The HTA and CTA concur that, "We see the efforts to smooth out truck traffic between day and night shifts, the reapplication of the TMF to all cargo at a lower price and the emphasis on appointments to ensure smooth operations at the ports' container terminals generally constructive."

President of PierPass, John Cushing, states that the proposed new TMF of $31.52 for a 20-foot container and $63.04 for a 40-foot container (or larger) would bring about the same amount of revenue as the current PierPass rates, but with half the cargo being moved during the daytime, and the other half during the evening. Other groups still oppose the charges as they are not applied at other ports or they see no benefit of the charges, but Cushing asserts that, "Other ports don't have a program where all of the terminal operators are working together to have scheduled open extended gate shifts to collectively address a common issue impacting the freeways and roadways as we do to serve the ports of Los Angeles and Long Beach."

Another benefit of the PierPass program is that on top of a reduction in traffic congestion, air pollution is also minimized, which ties into the ports of Los Angeles and Long Beach's focus on funding clean air technologies. For more than a decade via the Technology Advancement Program (TAP), the two ports have allocated over $21 million to progress the commercial availability of technology that can assist with lowering health risks caused by air pollution from vessels, trucks, locomotives, and equipment used on the harbor and for handling cargo.

Compared to twelve years ago, air pollution in the San Pedro Bay has seen an 87% decrease for diesel particulate matter, 56% from nitrogen oxides and 97% from sulfur oxides.

Many positive changes and cleaner air to come for the California ports!

Katrina Benny
Global Logistics Specialist

The Messy Matrix: Amazon, USPS and Trump

If you've been following news in the trade world, you've probably heard of the executive order issued by President Trump in April ordering a task force to investigate the business model and finances of the United States Postal Service. In recent months, Trump has suggested that the rate at which USPS is charging Amazon for shipping their boxes is too low and that because of this, the USPS is losing billions of dollars in potential revenue each year. Adding to this argument, Trump has suggested that the USPS is getting ripped off by Amazon and that the USPS is being used as a delivery boy in an uneven exchange between the two parties.

The President's new task force has been given until the end of the summer to present their findings. To alleviate and offset these losses in potential revenue by the USPS, it is reported that President Trump has personally asked the U.S. Postmaster General, Megan Brennan, to double shipping rates for Amazon deliveries. However, Brennan has denied these requests.

What does this mean for consumers? Some experts have speculated that to offset the increase in shipping prices by USPS – if this were to be implemented – Amazon may look to further increase the Prime subscription account prices by $20 on top of the scheduled increase to $120 as of June 2018. However, at this point much of this remains unclear. No action will likely be taken until the task force has completed their findings and presented the President with information on their investigation. These findings will likely be the deciding factor in President Trump's decision regarding any increase in the rates that USPS charges Amazon for shipping, and what this will mean for FBA Sellers and Amazon shoppers. Time will tell how this relationship in the messy matrix will unfold.

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E-Commerce Account Specialist

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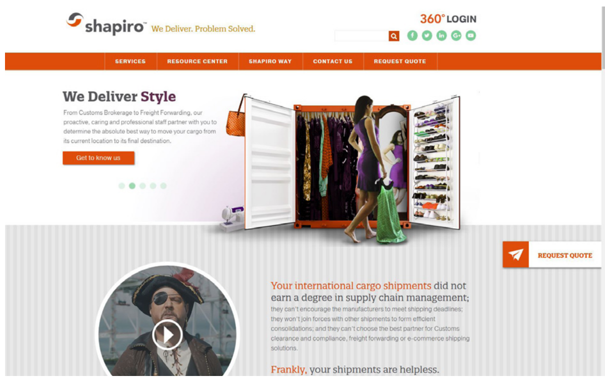
SHAPIRO NEWS:

Shapiro's New Website Look Unveiled

Shapiro is excited to unveil our new website design! If you access www.shapiro.com, you might notice the website layout looks a little different. We decided it was time for a transformation to the site, and it was crucial to make sure our "quirkiness" wasn't lost. Adjustments to change can be tough at times, but have no fear! All the same customized information, tools, and resources are still available right at your fingertips! The biggest alteration made is that visitors will no longer be asked to choose either Amazon/Ecommerce or Commercial Cargo from the homepage. All the content for our unique customers is now combined together under services pages. We hope you enjoy the new experience!

If you have difficultyaccessing the new site, clear your browsing data and then Click Shift and the Refresh button.



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 ***Tarsha Judge, Import Manager in Charleston*** 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 to 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!

Indusrtry Eyes Maersk Line Strategic Vision

On May 17th, Maersk Line announced poor Q1 financial results and faced their investors in a shareholder meeting. Historically, such meetings have been highly focused on talk of market share domination and the weakness of Maersk's competition. In a somewhat radical shift in tone and strategy, the May meeting emphasized the following talking points:

A. Maersk has not and does not plan to order new vessels in 2018
B. Deep Focus on integration between ocean carrier, port, and logistics operations....

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