SHAP TALK

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In this issue:

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TRADE NEWS:

Food Importers Face FSVP Deadline, May 30, 2017

Attention food importers! The May 30th deadline to comply with the FDA's Foreign Supplier Verification Programs (FSVP) is mandatory and right around the corner.

The Food Supplier Verification Program (FSVP) rule is intended to be a flexible, risk-based program to verify that foreign suppliers are producing their food in compliance with processes that meet the FDA's standards for preventive controls and safety.

Unsure if are subject to FSVP? Just follow FDA's Am I Subject to FSVP Flowchart!

Under FSVP, an importer must:

- *Determine the known or reasonably foreseeable hazards of each food.*
- *Evaluate the risks posed by a food, based on the hazard analysis, and the foreign supplier's performance.*
- *Use the evaluation of the risk posed by an imported food and supplier's performance to approve suppliers and determine appropriate supplier verification activities.*
- *Conduct supplier verification activities.*
- *Conduct corrective actions.*

Most of the time, the FSVP Importer will be the Importer of Record (IOR). In less common cases where the IOR is a non-U.S., the FSVP Importer will be the U.S. buyer (or a U.S. entity who has agreed, in writing, to purchase the food product and meet the FSVP requirements). Importers must advise their Customs broker who will serve as the FSVP for each shipment.

A Customs broker or other intermediary is **not** to be shown as the FSVP importer, as Customs brokers do not meet the definition of a U.S. owner or purchaser with a financial interest in the imported food.

Starting with Customs entries filed May 30, 2017:

If you are **not subject** to the FSVP requirements, you must provide this information to your Customs broker, in writing, showing an Affirmation of Compliance code "**FSX**" for **FSVP Exempt** or "**RNE**" for Research and Evaluation.

If you **are subject** to FSVP, you must provide your Customs broker, in writing, the following information for each **line entry of food** product offered for importation into the United States:

- *Legal business name and address.*
- *Email address.*
- *Unique Facility Identifier (UFI) recognized as acceptable by the FDA (The Food and Drug Administration has formally recognized the Data Universal Numbering System (DUNS) number as an acceptable UFI under the Foreign Supplier Verification Program).*

When the FDA program code is **FOO** under industries (01-46, 48, 49, 50, 52, 54, 69, 70, 71 or 72) and the processing code is one of the following shown below, FSVP details **are mandatory.**

FOO – Food* Processing Codes:

- *NSF - Natural State Food*
- *PRO - Processed Food*
- *FEE - Animal Feed*
- *DSU - Dietary Supplement*
- *ADD - Additives and Colors*

For the onboarding period, FDA will temporarily allow the submission of "**UNK**" (Unknown) as the syntax for the DUNS number for the FSV Importer. "UNK" should only be used if the nine-digit, site-specific DUNS number is not available at the time the entry is transmitted. Customs will issue a message later to indicate when UNK will no longer be accepted.

The National Customs Brokers & Forwarders Association of America (NCBFAA) sent a letter to the Food and Drug Administration's Office of Enforcement and Import Operations dated April 10th expressing concern from importers over the readiness and understanding of the FSVP requirements.

For further information, please visit the following FDA resources:

- *Am I Subject to FSVP?*
- *FSVP Dates of Compliance*
- *FSVP Factsheet*

If you have any questions or comments, please contact us at compliance@shapiro.com

Custom Forms 28 & 29 Being Sent to Importer Only from Various Ports

There has been a long-standing partnership between U.S. Customs and Border Protection (CBP) and the U.S. Customs brokers that service importers. In the past, CBP would send a courtesy copy of Customs Form 28 Request for Information and Customs Form 29, Notice of Action to the broker of record for the referenced entry. The broker would promptly notify the importer of the "28" or "29" and provide guidance to the importer. This also afforded the broker the chance to appropriately review the request, and any action already taken by Customs to ensure proper documentation for avoidance of future claims. However, the tide seems to be changing and some Customs districts have not been sending a courtesy copy to the broker of record.

Without the broker "safety net" advising the importer of a "28" or "29" notice from Customs, **the importer must ensure a process is in place when the notices are received.** The receiving party has 30 days to respond to a "28" and 20 days to respond to a "29". Penalties are incurred if deadlines are missed. Inaction can have far reaching consequences and may hold up other entries as the Customs specialist waits for a detailed response on the "28" or "29".

For smooth CBP communications Shapiro suggests:

- *Ensure your address information is updated with Customs. This is done by the company that writes your bond. If the wrong address is on file, the importer may never receive the notice, or it may be delayed, causing you to miss crucial deadlines.*
- *Notify your mail room, or any employees that open mail, to give any correspondence from Customs to the proper party in your company.*
- *Review form "28" and "29" against the Customs entry referenced to ensure all information is correct.*
- *Provide a detailed response to Customs so they understand everything about your product. If you are unsure about the information, check it out first before responding or seek an expert opinion.*
- *Run an Automated Commercial Environment (ACE) report in the ACE portal "ESM 7025" to get the status of CBP Forms 28, 29, 4647 for your account.*
- *In the ACE Secure Data Portal, authorized users can receive and respond to the "28" and "29" notices. A word of caution to the importers utilizing this method: you must log in regularly or schedule a regular report to see if a new "28" or "29" is issued or responded to by CBP. We suggest daily review to ensure your response is timely. If your procedure only requires checking for notices once per week, you stand the chance to only have 15 or 25 days to respond.*
- *Important! Alert your Customs broker(s) of the notice and provide a copy of the response to Customs so your broker can update or review the information submitted and take any action necessary to comply.*

For additional information or assistance, please contact compliance@shapiro.com.

What Do Johns Hopkins, Socrates, and CBP Targeting Have in Common?

Socrates may have been one of the greatest Greek philosophers in history, but in this case, it's also a Customs pilot program. Commercial Targeting and Enforcement Directorate (CTE) is currently working with the Johns Hopkins University Applied Physics Laboratory (JHU/APL) to provide commercial trade data to enhance and identify pattern identification, entity links, and anomalies within large datasets. JHU/APL has fittingly named this new scalable graph analysis software, "Socrates".

As part of CBP's mission, the Office of International Trade (OT) identifies trade risks that may include transshipment schemes to evade the payment of anti-dumping and countervailing duties (AD/CVD), the filing of false free trade agreement (FTA) claims, and the use of identity theft to facilitate the importation of counterfeit merchandise. These risks are also known as Priority Trade Issues (PTI) for Customs.

During Fiscal Year (FY) 2016, a pilot test was completed by JHU/APL using import data. Initial test results performed on import data provided positive results of trade anomalies that will be validated for illicit trade activity during the next test phase of testing in FY 2017.

Validation is conducted by CBP analysts or subject matter experts reviewing and determining whether the analytic results compare to past CBP findings, or provide additional recommendations for further review.

Additional review of the analytics selections and in-depth determinations would be conducted for results outside of past CBP findings. Decisions about Importers of Record may be made during the validation

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phase to test the results of analytics as they are developed. Any decisions would involve requests for examination or document review.

This is one more way that CBP is targeting the information provided by importers. Importers need to ensure that all the information submitted to Customs directly or on your behalf is accurate, meets all the requirements of any Free Trade program, and does not violate any Customs regulation.

Read all about the Socrates Pilot in the 2016 Data Mining Report to Congress, April 2017.

Trump Shows Growing Concern with NAFTA Dairy Issues

President Donald Trump recently promised to protect American dairy farmers who have been hurt by Canada's protectionist trade practices. "What's happened to Wisconsin dairy farmers is very, very unfair," said Trump. He assured this "one-sided" deal against the United States will not continue.

But the U.S. is not the only nation pointing fingers; Canada's dairy sector is often criticized by other dairy-producing countries. Canada is protected by high tariffs on all imported goods and controls on domestic production which support the prices received by the farmers. Trump wants to stand up for Americans against unfair Canadian practices by setting a new tone in NAFTA trade arrangements.

In a rebuttal letter to Wisconsin and New York governors, Canadian Ambassador to the U.S., David MacNaughton, argued that Canada's dairy policies are not harming American farmers. He indicated that, according to a February U.S. Department of Agriculture study, poor U.S. sales are a result of overproduction.

Keeping his promise to fight back, Trump announced plans for a 20% tariff on softwood lumber from Canada, reawakening a longstanding trade dispute. Canadian lumber is harvested on subsidized government land and comprises 31.5 percent of the U.S. softwood lumber market, roughly $5 billion a year. The Trump administration also reaffirmed their commitment to walking away from North American Free Trade Agreement (NAFTA) if Canada and Mexico fail to renegotiate a fair deal for the United States.

FBA Market Watch: Amazon Goes Down Under

Earlier this month, Amazon announced plans to launch into the Australian market by September 2017. The retail giant has begun preparations for elaborate warehousing construction along the East Coast of the continent. While still in its infant stages, Amazon will likely be selecting Brisbane, Sydney, or Melbourne as the placement for their first AU fulfillment center.

Amazon has been slowly growing their presence in the Australian market, first introducing the Kindle and now structuring a move into full scale fulfillment. The unveiling promises to bring thousands of jobs to the market while empowering small business growth for online sellers. But there are still plenty of challenges ahead for the retail behemoth.

Amazon faces a unique set of challenges with its Australian expansion – an entirely different labor market, smaller consumer population, and larger domestic shipping distances. Australia's labor market, for example, commands premium hourly wages and is subject to higher working condition standards. Amazon however, has long sacrificed short-term revenue losses for long-term expansion. But with less consumers and greater distances, shipping costs may make Australia a costly investment for the retail giant.

A strategic move for Amazon's continued global expansion, the payoff is well worth it. Amazon now accounts for $1 billion of Australia's $300 billion annual retail sales, according to Morgan Stanley. The company currently outperforms "Australia's biggest retailers... according to news.co.au, "Amazon makes more revenue than both Woolworth's and Wesfarmers, and a handful of other Aussie retailers". Amazon's launch will focus on the highly competitive consumer electronics segment, which poses substantial threat to the Australian market given Amazon's juggernaut performance.

Shapiro's staff of FBA experts will be ready to guide online sellers down under when the Australian market opens in September.

Britain Losing Billions from VAT Fraud and Error by Online Retailers

An investigation by Britain's National Audit Office (NAO) revealed that online sellers utilizing digital market platforms, such as eBay and Amazon, have been failing to pay Value Added Taxes (VAT) on their imported goods, causing up to £1 billion in lost revenues. It should be known that online sellers are responsible for VAT compliance and should be charging their customers accordingly.

The HM Revenue & Customs service (HMRC) is turning its focus to this VAT issue to ensure compliance from all sellers. Amazon and eBay both state that "it is the legal responsibility of the sellers who trade on their platforms" to be compliant in remitting VAT. However, both companies are taking steps to make this information more prevalent on their websites in order to increase seller awareness.

With a magnifying glass focused on identifying and penalizing violators, sellers must be informed if they intend to import into UK and EU markets. Noncompliance, as with any Amazon initiative, can be swift and brutal. Both Amazon and eBay are working closely with the HMRC to assist in restricting or removing sellers taking advantage of the VAT system.

For more information about VAT, contact Shapiro's recommended vendor, Simply VAT!

Walmart vs. Amazon: Battle of the Etail Giants

Two of the world's largest retail titans are taking major steps to outshine each other as the battle over e-commerce consumers roars on. Walmart recently inked a deal with apparel retailer, Moosejaw, and is in serious talks with men's fashion brand, Bonobos, in an effort to compete with Amazon's dominance over brick-and-mortar fashion giants such as Macy's. The acquisition of Shoebuy by Walmart-owned Jet.com is another direct hit aimed at Amazon, who acquired Zappos in 2009. Meanwhile, Amazon is making moves of their own. Talks of buying Whole Foods and Walmart's bulk rival, BJ's Wholesale Club, indicate Amazon's desire to gain share in the grocery market. Amazon's strategic decision to add selective brick-and-mortar locations depending on the industry and consumer segment reflects a shift towards a mixed retail model.

Walmart is painfully aware of its tardiness entering global ecommerce. The Company's head of U.S. ecommerce operations, Marc Lore, noted that when it comes to acquisitions, "we need to catch up." Aggressive moves to join forces with apparel retailers are not the only steps Walmart is taking to position themselves for digital dominance. The recently implemented "Pickup Discount" program is quickly gaining traction and allows consumers to receive deep discounts on goods they order online but pick up in-store. This strategy, combined with Walmart's free shipping policy (to rival Amazon's Prime), enables Walmart customers to experience a combination of convenience and savings. The in-store pickup option allows Walmart to realize massive savings on shipping costs, something Amazon has struggled with in recent months.

At the moment, Walmart has the leg up in the consumer grocery segment, but that may soon change. While they may have been slow on the uptake, Amazon has seen the demand for rapid, fresh food delivery spike and is responding with programs such as Amazon Fresh. Just last year, Amazon reduced the price of their Fresh program to entice existing Prime members to join. Amazon has also been testing the grocery market with brick-and-mortar offerings under the name Amazon Go, which would allow the e-commerce giant to expand into perishables. Consumers would theoretically be able to make purchases on their smart phone and then pick up in-store or with a curbside delivery program.

These strategic moves create an interesting role-reversal; Walmart shifts to increase online sales while Amazon is investing in a more tangible presence. Consumers on both sides are certain to benefit as the retail giants jockey for position and develop new ways to streamline their supply chains.

Footwear Infrastructure Struggles in SE Asia

Manufacturing shifts from China to other Southeastern Asian countries typically occur to achieve lower costs, but are often accompanied by unforeseen supply chain expenses. In countries like Vietnam, Indonesia, India, Cambodia, and Bangladesh there are logistical limitations due to undeveloped roads, ports, and warehouses. These countries also experience frequent labor issues due to strikes as a result of underlying health and safety issues.

Sourcing from countries experiencing labor instability and poor infrastructure often results in delays and increased costs. Currently, China ranks 27th per the World Bank Index with the most modern transportation infrastructure; India ranks 35th. China exports nearly 2.4 billion pairs of shoes a year to the U.S. with Vietnam and Indonesia growing at 16 and 15.7 percent, respectively.

As footwear manufacturing grows, labor inspectors have not been able to keep up to review all factory conditions. Corruption in Vietnam and India dealing with child labor laws only aggravate sourcing concerns as these markets struggle to develop. Bangladesh has been focused on the garments industry rather than footwear after a factory collapse in 2013. Its factories have been known for deadly fires, health and safety violations, and the arrest of corrupt union leaders.

Shippers seeking alternative manufacturing to achieve lower costs should consider adding vendor performance and cost evaluations to assess supply chain impact on overall landed costs prior to significant manufacturing shifts.

Japan Pursues TPP Post U.S. Departure

Despite U.S. withdrawal from the Trans Pacific Partnership (TPP) trade agreement earlier this year, Japan is still seeking to ratify the TPP with the remaining 11 members. The formation of the TPP sans U.S. involvement has the potential to create a maelstrom of conflict, shifting trade away from U.S. importers.

Following U.S. departure, Japan had many reservations about the potential success of the trade agreement. Japan's primary export is automobiles and parts, for which the U.S. market is the largest buyer outside of domestic purchases. But now, Japan seems geared on forming new partnerships with member countries to achieve greater alignment as a means of offsetting the potential of new U.S. protectionist policies.

To move forward, the TPP will need to be amended; current policy calls for the agreement to be ratified only if endorsed by members comprising at least 85% of the mutual gross domestic product. The U.S. accounted for 60% of the mutual GDP, so Japan will need to find loopholes or engage in hefty new policy creation in order to overcome the present limitations.

Rules of Origin for Free Trade Agreements

Understanding the rules of origin is one of the keys to taking advantage of Free Trade Agreements (FTA). Each FTA has its own rules of origin that describe how exported goods shipped to a country or a region may qualify for duty-free or reduced duty benefits. The FTA rules of origin are product specific and must be followed carefully.

To receive preferential treatment under an FTA, exported goods:

- *Must be made in the FTA territory.*
- *Must meet rule of origin requirements of the FTA.*
- *Must be wholly grown, produced, manufactured, or direct cost of processing must be at least equal 35% of the appraised value.*
- *Must be documented as originating via appropriate certifications or information provided to the importer or its representative broker.*

The United States has free trade agreements with 20 countries; Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru and Singapore.

Each FTA contains a specific chapter on Rules of Origin Procedures and lists all product-specific ROOs by Harmonized System (HS) numbers.

For further information, please visit www.export.gov

If you have any questions or comments, please contact us at compliance@shapiro.com

Documentation Required for Exports or Re-Exports to Hong Kong

In January, the Bureau of Industry and Security (BIS) issued a final rule, effective April 19, 2017, requiring U.S. companies intending to export or re-export to Hong Kong any items subject to the EAR and controlled for the following reasons on the Commerce Control List (CCL): national security (NS) missile technology (MT), nuclear technology (NP column 1) or chemical and biological weapons (CB), to obtain, prior to such export or re-export, a copy of a Hong Kong import or export license or a written statement from the Hong Kong government that such a license is not required.

BIS has posted an updated list of FAQs to its website to assist U.S. companies in complying with the new regulations.

For additional information, refer to Hong Kong's Trade and Industry Department website.

TRANSPORTATION & OCEAN FREIGHT NEWS

Industry News:

New Alliance Impact on Trans-Atlantic Trade Still Uncertain

While impacts of carrier alliances and reorganization for trans-Pacific cargo have received widespread attention and analysis, less is known regarding the effects on trans-Atlantic trade. Industry analysts believe that two trends will likely emerge; a significant injection of capacity into trans-Atlantic trade lanes, particularly for westbound cargo, and a stagnation or decline in rates, as the result of that additional capacity.

Freight forwarders have yet to report significant capacity shifts following the April 1 implementations; however, analyst SeaIntel anticipates that capacity of certain trade lanes, such as the Mediterranean/ Northern Europe to East Coast lanes, will increase by 19.4 percent and 5.6 percent during the second quarter. Analyst Drewy is forecasting a more conservative increase of 1 percent year-over-year, suggesting that carriers' largest vessels will be slowly introduced over the course of the next few months in the hopes of keeping capacity increases in line with demand.

The rate at which capacity is reintroduced into the market will not increase sailing options dramatically as frequent sailings on smaller vessels are replaced with less frequent sailings on larger vessels – a trend that could aggravate port congestion for terminals lacking infrastructure to efficiently work larger cargo ships.

Dramatic rate fluctuations appear unlikely; the turbulent market conditions over the past few years have degraded shipping rates to some of the lowest analysts have seen in years. Further decreases would not be sustainable. In a more likely scenario, 2017 trans-Atlantic rates will maintain current stability with the potential of moderate increases to support trade growth.

U.S. Forwarders Collaborate Under Market Conditions

U.S. importers and brokers have started a surprising new trend, collaboration, in an effort to stave off concerns surrounding customer demands and increased issues in U.S. domestic trucking. But these are not the only market shifts. Since the explosion of online consumerism, last-mile requirements, inventory fulfillment and parcel shipping have caused the logistics industry to make slow, yet drastic shifts towards a model that is more amenable to ecommerce needs, and less focused on servicing the bulkier and less-glamorous commercial cargo. In order to find the right balance in servicing each customer type, greater collaboration amongst all parties involved must happen.

To successfully build these collaborative optimizations, U.S. shippers must place emphasis on costs versus rates to understand and align party goals. Efforts that reap the greatest benefits take time to build, making communication and consistency imperative when delivering customer value. Trust and transparency are therefore the key in unlocking collaborative goals.

Yang Ming Strategizes Around Financial Woes

After Hanjin's 2016 bankruptcy, the industry has started to pay attention to ocean carriers' financial health. Yang Mind, the Taiwan-based shipping line, resumed trading its public shares after a brief, two-week mandated stoppage during recapitalization. The company has plans to inject fresh capital but would require $300 million throughout the course of 2017. The Taiwanese government set aside $1.9 billion for its shipping industry interests and Yang Ming will be able to draw on those funds to remain solvent, as necessary.

Much like other carriers, Yang Ming saw some reprieve in 2016's fourth quarter; however it also leveraged cheap rates in the first quarter to dominate its share of the U.S. import market. The carrier is now focused on improving its operations while reducing costs by attempting to increase rates. The major issue facing Yang Ming is that they have little control over the health of freight rates in the transpacific market.

Yang Ming announced in a bulletin to customers on April 3 that its deployment of additional ships with higher capacity (14,000 TEU vessels), coupled with membership in THE Alliance (MOL, NYK, K-Line, and Hapag-Lloyd) will provide customers with better service while achieving some much needed fuel savings.

Yang Ming maintains a bullish stance on its 2017 market position and believes the shipping public will ultimately be pleased with reorganizational efforts.

Will 18K TEU Megaships Stop the Bleeding?

There are 56 container ships of 18,000+ TEU capacity scheduled for delivery by 2020; 19 of which will be completed this year, 24 in 2018, 4 in 2019 and 9 in 2020. They are intended to sail predominantly on the North Europe-Far East trade dominated by carrier alliances, freshly reshuffled in the latest April contract season.

The MOL Triumph launched in THE Alliance's Asia-Europe lane last month and called several ports during its inaugural sailing. In early April, the Madrid Maersk took title of the world's largest containership, with a 20,568 TEU capacity.

The arrival of these colossal ships comes at a vulnerable time for the industry as carriers join forces for the first time and establish consolidated agreements aimed at securing higher profits. 2016 was a wakeup call for carriers as freight rates plunged and low trade growth inflicted losses across the board. Nevertheless, with the anticipated recovery of the shipping industry, things look slightly optimistic and there is the possibility carriers will gain small profit. The addition of the mega vessels and the formation of alliance agreements has been the largest contributing factor. With competition slowly diminishing and the ability to manipulate the supply and demand balance, some carriers are optimistic and feel the worst seems to have passed.

However, the expected recovery of the container shipping market may be too weak to enable the 18,000 TEU+ ships to use their carrying capacity to their fullest. Roughly 1.7 million TEU's of projected capacity is due this year, the delivery of which remains an actual roadblock to a swifter recovery of the market.

May Asia Rates: In Like a Lion, Out Like a Lamb?

Aggressive May 1 general rate increase (GRI) levels floundered and fell apart, much to the despair of ocean carriers. The original GRI announced for the beginning of May in the $800 range quickly deteriorated to $300 levels, eventually falling apart completely as weak demand crushed carrier dreams of stability.

Ocean carriers negotiating long-term contracts are desperate to implement any increases the spot market can handle to avoid being stuck with unsustainably low beneficial cargo owner (BCO) contracts. The rate levels at which these long-term contracts are signed will be an important indicator of how spot rates will trend throughout the year. Looking ahead, the carriers have already begun to announce a June 1 GRI and mid-month peak season surcharge (PSS). Whether rates stick will likely depend on which animal May decides to leave with; the Lion or the Lamb?

International Longshore and Warehouse Union (ILWU) Pushes Contract Extension

Most companies, whether importers, truckers, or ocean carriers, remember the work slowdowns and port congestion that plagued the industry in 2014 and 2015, caused by contract negotiations with the International Longshore and Warehouse Union (IWLU). In order to avoid the harrowing effects of another labor dispute and maintain stability to the West Coast for five more years, the ILWU has begun the process of extending the current contract till 2022. This comes as a huge relief to importers and BCOs of West Coast routed cargo.

U.S. industry has seen the effects of expired contracts and prolonged negotiations on both the East and West Coasts, and while the current ILWU contract doesn't expire until 2019, starting the negotiations early is crucial. Due to the severity of the 2014/2015 contract negotiations, which eventually resulted in the involvement of former President Obama, Pacific Maritime Association (PMA) president James Mckenna has also pushed for an early extension of the contract to prevent the disruption of cargo movement. While nothing will be set in stone for quite some time, it is a good sign that all parties are looking to proactively assess and collaborate to prevent another fiasco.

Benefits of Port of NY/NJ Expansion

With the expansion of the Bayonne Bridge, the Port of New York and New Jersey will be able to handle larger vessels and regain its status as the third busiest port of call on the East Coast. Currently, the port handles between 5,000 to 8,000 TEUs per vessel; post-expansion, NY/NJ ports can expect to receive cargo ships holding up to 14,000 TEUs in the short-term and 18,000 TEUs soon after. Presently, NY/NJ port handles 57.6% of the volume for U.S. northeast ports, from Boston to Virginia, per the American Association of Port Authorities (AAPA).

In the last ten years, southern U.S. ports have outpaced their northern neighbors claiming 23% volume increases, with the Port of Savannah increasing up to 69%. With ink dry on the new Ocean Alliance, Virginia is scheduled to see its first 13,000+ TEU cargo ships – which will not be making a northern call. This alliance has developed an Asia-to-USEC routing, only calling on Norfolk, Savannah, and Charleston. Baltimore is on the verge of becoming a bigger player if Governor Hogan is successful in receiving federal funding to expand the clearance of the Howard Street Tunnel, allowing double-stacked trains to pass. Philadelphia is also making new efforts to join the port expansion plans, with Governor Wolf hoping to spend $300 million on enlarging port infrastructure. In ten years, Philadelphia's volume has exceeded 86%, making them a true competitor right in NY/NJ's back yard.

The Port of New York and New Jersey will need to continue their expansion plans as major ports along the U.S. East Coast expand to welcome increased volumes. The Bayonne Bridge, which opened in 1931, will stand 215 feet high, be equipped with new "super post-panamax" cranes, and feature deeper channels and piers.

AIRFREIGHT NEWS:

United Airlines and Lufthansa Cargo Partner in Joint Venture Agreement

A joint cargo venture agreement was announced between United Airlines and Lufthansa Cargo with the aim of providing greater flexibility and time savings to customers via thousands of new weekly route combinations and more than 600 direct connections per week between the U.S. and Europe.

United Cargo offers one of the world's most comprehensive route networks of about 4,500 flights a day to 339 airports across five continents. With U.S. mainland hubs in Chicago, Denver, Houston, Los Angeles, New York/Newark, San Francisco and Washington, DC, and an improved service to and from Asia, Australia, Europe, Latin America and the Middle East, United Cargo can transport shipments to and from every major cargo market in the world.

As for Lufthansa Cargo, the bulk of its cargo business is routed through their Frankfurt hub, which serves about 300 destinations in more than 100 countries and offers an extensive road feeder service network and its own fleet of freighters.

What is a cargo joint venture?

A joint cargo venture occurs when two or more airlines align service offerings and share costs, revenue, profit and risks over a defined route network with the goal of optimizing profitability. By bundling resources, the joint venture between UA and LH, along with their combined network and capacity, will generate a wide range of benefits to customers such as a greater flexibility and quicker and easier shipping between key locations in the U.S. and Europe.

It is important to point out the fact that external factors such as oil prices, governmental policies, competitors and world conflict play a big role in the success, or lack thereof, of an airline. With that in mind, in today's world, it is of great benefit that airlines make partnerships that allow for a more efficient operation of the entire industry.

Emirates Cutting Back

In passenger-related airfreight news, Emirates Airline announced it will reduce flights to the U.S. starting in May citing President Trump as the primary cause. The UAE airline reports demand is down since the new U.S. president came into office. Emirates states they will not vacate any of the 12 U.S. cities they fly into, but will trim their schedules back.

Earlier this year the U.S. government issued a ban on electronics, such as laptops and iPads, allowed in the passenger cabin on airlines originating from certain countries due to security concerns. Emirates was directly affected by this ban as they serve ten of the affected airports. The airline believes on-going issues of restricted entry visas, and temporary travel bans has dampened consumer demand. Fort Lauderdale, Orlando, Seattle, Boston, and Los Angeles are reported to be the cities that will be experiencing significant reductions.

The New ELD Magnet Could Mean Higher Dray Rates

The new Electronic Logging Device (ELD) requirements scheduled for implementation by December 2017 are expected to drive dray rates up. The ELD is likely to aggravate existing problems drayage operators face when dealing with chassis misplacement or long wait-times at the terminals. Under these ELD requirements, drivers may not be able to turn around as many runs at port terminals or rail yards.

The extra hours waiting at terminal gates or waiting for a container to be loaded onto a chassis could push drivers planning longer runs over the hours of service (HOS) limits. According to Edisson Villacis, an independent drayage operator in the port of New York and New Jersey, the ELD mandate won't change the rules under which drivers do their jobs, but it will enhance the ability of authorities to see what is happening and enforce the rules.

In some markets, independent dray operators will try to work under the federal short-haul exemption that allows them to operate within a 100 air-nautical-mile radius of their starting location without logging on-and-off duty time.

According to the JOC, the Los Angeles-Long Beach port complex generates more than 30,000 truck moves each day, most going to warehouses within a 60-mile radius of the harbor. However, with fulfillment warehousing trending, importers have been building distribution centers further away from the port, in some cases as far as Nevada. Under the new mandate some of these moves must be pre-pull or split shipments, thus increasing rates.

Some drivers view the ELD as a tool to improve their overall operations. The ELD, when tied to a fleet management system, will feed dispatchers truck locations, estimated times of arrival, and hours remaining, all of which lead to increased carrier utilization.

Warehousing Space Demand Continues to Rise

The growth of e-commerce has created increased demand in alternative fulfillment and has caused warehouse space availability to continuously drop every quarter for the past year. Although warehousing rates have increased roughly 4% over this timeframe, the demand for additional space and fulfillment options across the U.S. has not diminished.

U.S. import freight volume for ecommerce is on the rise as larger brands look to expand their fulfillment footprint to better serve consumer demand. According to the National Retail Federation, the e-commerce market will see an estimated 8-12% growth in 2017. Traditional brick and mortar retailers are also expanding their online sales contributing to mixed warehousing needs.

Numerous retailers that have never delved into the online shopping arena are pushing to keep pace with Amazon-style fulfillment, which allows customers to get products in 2-3 days, and in some cases, same-day deliveries. The market is adjusting to the changing consumer purchasing behaviors, and therefore, having warehousing space in strategic locations across the U.S. to get products to consumers is becoming a necessity. Amazon's FBA program saw a 70% increase in sellers in 2016 and an 80% increase in FBA units shipped. Due to the popularity for this last-mile fulfillment model, the industry is sure to see creative mixed warehouse modeling to satisfy the market.

SHAPIRO NEWS:

Shapiro Caters to eCommerce and Traditional Shippers Alike

Shapiro, the 102-year-old Baltimore-based leader of international freight forwarding and regulatory compliance, has relaunched its web presence to better cater to both its audience of online sellers and the Company's traditional, commercial importers and exporters. With a reputation for its quirky spin on supply chain, Shapiro's new website is full of customized information, tools, and resources designed to better empower importers and exporters of all sizes and all shipping needs. Visitors will be asked to choose their shipping adventure from the landing page, but can easily navigate between both sides of published content.

Ecommerce and Amazon sellers are able to access a vast array of information tailored to educate less experienced shippers through the complexities of international logistics. Chock-full of educational tools, Shapiro's increased emphasis on visual content helps to assist creative entrepreneurs expand their Amazon and ecommerce business across global markets. Online sellers will also enjoy Shapiro's "VendorLand" portal, which provides customers with categories of vetted, business solutions that mirror its exceptionally high standards of customer service.

Importers and exporters venturing through the Traditional Cargo side of the website will find easy-to-read and useful information on tailored supply chain solutions and regulatory compliance. Exclusive resources featured in our Ship Smarts and Free-Sources sections provide deep, varied, modern, and highly relevant industry content. Appreciating that there is no end in sight to tumultuous regulatory implementations and shifting freight trends, traditional shippers are invited to access and subscribe to strategic content that helps train and optimize their own supply chain operations.

"We're delighted to once again deliver a more accessible approach to logistics marketing." said Margie Shapiro, Shapiro's third-generation owner and President. "We kept it quirky and fun while filling the site with deep-dive content and powerful resources for supply chain and trade compliance management. Our site is built to assist Amazon FBA merchants and the multi-national giants coping with ACE or POM. We welcome all international shippers to experience the Shapiro difference."

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 Abby Duffield, eCommerce Account Analyst in Baltimore for her outstanding performance and contributions.

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