Shap Talk

May 2018
Issue No. 193

In this issue:

WE WANT TO HEAR FROM YOU!

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TRADE NEWS:

More Protection for Your Importer Number-Business Identity Theft-Freeze Program

U.S. Customs and Border Protection (CBP) is providing one more option for business identity theft with the Freeze Program.

The Freeze Program allows importers to designate the name/title/position of the individual(s) in their company authorized to effect name/address changes to the Importer's Record Number (IRN). By limiting who can effect a name change for your company, this will put a "freeze" or safeguard on your account and only the Surety Bonds & Accounts Team (SBAT) at CBP can process a name/address change on a "frozen" account.

If a CBP Form 5106 is submitted to the SBAT, a name/address change will only be made if the form is signed by one of the authorized individuals. Participation in the Freeze Program is voluntary, but it is one more tool to combat business theft identity, which is on the rise.

In order to participate in the Freeze Program, a request must be made in writing, on business letterhead paper signed by the importer of record or his agent, whose name and title are clearly indicated. The letter must also contain the following:

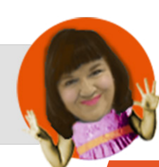
- *The mailing address and/or physical location address of the company where Customs notifications are to be directed*
- *Reference the US Customs Regulation 19 CFR 24.5 (f) "Freezing" importer identification information*
- *The specific IRNs and suffixes to be frozen*
- *The name and title/position of the individual(s) in their company authorized to effect name/address changes to the IRN*
- *Sample Freeze Letter*

If at any time the importer wants to discontinue in the Freeze Program, a request must be made in a separate writing on business letterhead paper signed by the importer of record or his agent, whose name and title are clearly indicated. The letter must also contain the following:

- *The mailing address and/or physical location address of the company where Customs notifications are to be directed*
- *Reference the US Customs Regulation 19 CFR 24.5 (f) "Freezing" importer identification information, and request to be removed from the Freeze Program.*
- *The specific IRNs and suffixes to be unfrozen*
- *Sample Unfreeze Letter*

The letter to participate or discontinue the Freeze Program should be sent via email to: bondquestions@cbp.dhs.gov using the naming convention 'Frozen IR #XX-XXXXXXXX' or mail to 6650 Telecom Drive Suite 300 Indianapolis, IN 46258. Attention: Surety Bonds & Accounts Team.

Liz Gant, LCB
Corporate Regulatory Compliance Analyst



Why Invest in a Compliance Program?

Does your company have a trade compliance program? In today's fast-paced marketplace, lack of awareness about the benefits of a trade compliance program can be very costly. Companies can save a substantial amount of money if they know how to apply and take advantage of free trade agreements, preference programs, drawback, first sale valuation, tariff engineering, foreign trade zones and mitigation of penalties.

The goal of a compliance program is to prevent, detect, correct and ensure that importers and exporters are compliant with the international trade laws. Think of a compliance program as a security blanket that protects the company and its employees by having a structure in place.

So where to start? The first step is to have written policies and procedures. Establishing and following written compliance guidelines will translate as "we care!" to CBP.   Failing to follow internal compliance polices may cause substantial penalties for importers and exporters.

Basically, when writing these procedures, they should match import/export operations as they exist and shouldn't be overly specific or vague. The key format of who, what, when and how should be followed. Here is a basic example: "All internationally shipped goods must be accompanied by documentation to meet Customs and other government agencies' rules and regulations. Consult XYZ Trade Office to review the documentation for shipments originating from or bound for the U.S. as well as for general guidance on international shipping procedures and processes, including documentation, Customs valuation, country of origin, tariff classification, right to import, import duties/taxes, Free Trade Agreements and other special programs, Incoterms and any other aspects of international trade."

Another key element in a trade compliance program is investing in internal training. Keep your team up-to-date with the most current information that will help to understand regulations, compliance responsibilities and stay away from fines and penalties. Remember, compliance must be proactive. "Change after a problem is discovered" is no longer acceptable.

Shapiro's experienced compliance consulting professionals are ready to assist you to develop a compliance program tailored to your needs. If you have questions, or would like to learn more about our Regulatory Compliance Services, please contact us at compliance@shapiro.com.

Patricia Carvalho
Compliance Analyst

What FBA Sellers Should Do to Prepare for the Verdict of Amazon Sales Tax

The Supreme Court is currently hearing a case that could dramatically change the landscape for online retail. In South Dakota vs Wayfair Inc., the State is asking the Supreme Court to overturn a 1992 Supreme Court decision which affirmed that states cannot require retailers to collect state sales taxes unless the businesses have a physical presence in the state. Amazon and other online ecommerce stores have benefited from this ruling in the past.

So, how does this affect small ecommerce business? Requiring online sellers to collect sales tax increases the monetary burden on these small businesses, forcing them to deal with a complicated tax process that they have limited control over. Fulfillment By Amazon (FBA) sellers do not have any control over which Amazon warehouse their product is moved, stored, or sold from. As such, they'll likely rely on a third party to collect sales tax and remit that money to the proper state governments. Overturning the ruling would benefit states, as they would receive more income from these taxes for parties that greatly impact their local economies.

A decision is expected to be reached in June; however, no matter how the Supreme Court decides, many online retailers will still have to worry about future sales tax collection requirements. So, what can you do as an ecommerce online retailer to prepare for the verdict? I'm glad you asked! Retailers should begin immediately working with their tax advisors to identify which states are already collecting sales tax (as Amazon has released this information to some states already) and determine if and how much retroactive liability may exist. Each state has their own requirements and regulations. Retailers are urged to work with tax experts and programs to ensure they become and remain compliant in those states through the ecommerce market that they are using.

Tanisha Harper
E-commerce Account Specialist

Importers of Shrimp and Abalone to Require Fisheries Permit by December 31, 2018

NOAA has lifted its stay on shrimp and abalone in the U.S. Seafood Import Monitoring Program – known as SIMP. By December 31, 2018, it will be mandatory for foreign shrimp products to be accompanied by harvest and landing data for shrimp and abalone imports entering the U.S., and for importers to maintain chain of custody records for shrimp and abalone imports.

Importers of shrimp and abalone species will be required to obtain an International Fisheries Trade Permit and submit harvest and landing information on those products into the Automated Commercial Environment (ACE) at the time of entry. Importers must also maintain supply chain records from the point of harvest to the point of entry into U.S. Commerce for a period of two years after entry.

Be prepared to provide your Customs broker with all the above information for any entries dated 12/31/18 or after.

The inclusion of shrimp – the largest US seafood import – and abalone in SIMP nearly doubles the volume and value of imported fish and fish products subject to its requirements. For a detailed list of affected HTS numbers and requirements, please refer to the Federal Register Notice dated April 24, 2018.

Liz Gant, LCB
Corporate Regulatory Compliance Analyst

NYSHEX Delivers New Technology to Improve Customer Experience

As news comes that the world's largest carrier, Maersk, recently joined the New York Shipping Exchange (NYSHEX), many begin to question the purpose of this online marketplace, and how it may benefit all stakeholders within the supply chain industry.

There is constant ambiguity as shippers fail to deliver the cargo they were obligated to send, or when shippers do not transport cargo, and instead leave customers' valuable cargo at the docks. With the NYSHEX, accountability between shippers and carriers is enforced. By using NYSHEX, either the shipper or carrier will be responsible if they do not uphold their part of the agreement. Via the NYSHEX, the shippers and carriers sign a contract, and if either fails to fulfill their commitments, the party at fault would be subject to a 30% - 40% penalty of the agreed shipping cost.

The NYSHEX could be of great value for Shapiro customers with its array of benefits. NVOCCs can secure fixed rates, equipment and cargo space from ocean carriers up to six months in advance. With shipment protection, cargo space is secured and equipment is guaranteed, which creates assurance and improved supply chain reliability for shippers and forwarders.

Carriers that have joined the NYSHEX include Maersk, COSCO, Hapag-Lloyd, OOCL and CMA CGM.

NYSHEX is free to use for shippers and NVOCCs while carriers pay a $5 per TEU transaction fee. There are no additional fees from NYSHEX as their goal is to make the connection between all parties, and manage the contract execution.

Per the president of Maersk Line NA, Omar Shamsie, "The time is now to create a more collaborative environment for all participants in the ocean transportation industry, and increase visibility and certainty for shippers which we hope will result in a better end-to-end experience for our customers."

Katrina Benny
Global Logistics Specialist

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President Issues Proclamations Adjusting Imports of Steel and Aluminum into the U.S.

Negotiations are ongoing as President Trump issues two proclamations just hours before the May 1st deadline on additional steel and aluminum tariffs coming into the United States.

Steel: Imports of all steel articles from Argentina, Australia, Brazil, and South Korea* shall be exempt from the additional duty of 25% established with no expiration date at this time until details of agreements with these countries can be finalized and implemented. Imports of all steel articles from Canada, Mexico, and the member countries of the EU shall be exempt from the additional duty established until 12:01 a.m. eastern daylight time on June1, 2018.

*South Korea Quota: Iron or steel products imported into the United States, country of origin, South Korea, effective for goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 eastern daylight time on May 1, 2018 is subject to absolute quota. The Trade may refer to quota bulletin (QB) 18-118 for details on South Korea absolute quota categories. Related quota information may also be found at https://www.cbp.gov/trade/quota.

Aluminum: Imports of Aluminum into the United States, from Argentina, Australia, and Brazil remain exempt from the additional 10% tariff with no expiration date at this time until details of agreements with these countries can be finalized and implemented. Imports of aluminum from Canada, Mexico, and member countries of the EU shall be exempt from the additional duty established until 12:01 a.m. eastern daylight time on June1, 2018.

No drawback shall be available with respect to the duties imposed on any aluminum or steel article pursuant to Proclamation 9704 & 9705 as amended by this proclamation.

Chapter 98: Imports subject to Section 232 duties imported under subheading 9802.00.60 shall be assessed Section 232 duties based upon the full value of the imported article.

Foreign Trade Zones: Any steel or aluminum article, except those eligible for admission under "domestic status" as defined in 19 CFR 146.43, subject to the Section 232 duties, that is admitted into U.S. foreign trade zones on or after 12:01 a.m. eastern daylight time on March 23, 2018, must be admitted as "privileged foreign status" as defined in 19 CFR 146.41, and will be subject upon entry for consumption to any ad valorem rates of duty related to the classification under the applicable HTSUS subheading.

Any steel or aluminum article, except those eligible for admission under "domestic status" as defined in 19 CFR 146.43, subject to the 232 duties, that was admitted into U.S. foreign trade zones under "privileged foreign status" as defined in 19 CFR 146.41, prior to 12:01 a.m. eastern daylight time on March 23, 2018, will likewise be subject upon entry for consumption to any ad valorem rates of duty related to the classification under applicable HTSUS subheadings imposed by the Proclamations.

Generalized System of Preferences (GSP) and African Growth and Opportunity Act (AGOA): GSP and AGOA-eligible goods that are subject to Section 232 duties may not receive GSP or AGOA duty preference in accordance with 19 USC 2463(b)(2).

On imports subject to Section 232 duties, in addition to the Section 232 duties, importers should pay the normal trade relations (column 1) duty rates and not submit the GSP Special Program Indicator (SPI) "A" or the AGOA SPI "D."

Although Brazil and Argentina are GSP countries, they are exempt from Section 232 per the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 99, Subchapter III, U.S. Notes 16(a) and 19(a); therefore, they may claim GSP.

Other Trade Preference Programs and Free Trade Agreements: Trade preference may be claimed for all preference programs with the exception of GSP and AGOA, as stated above. Importers making a trade preference claim under a program other than GSP or AGOA may continue to receive the preferential duty rate and any MPF exemption that may apply in accordance with 19 CFR 24.23(c). Section 232 duties must be paid on imports subject to Section 232 even if trade preferences apply.

Refer to U.S. Customs and Border Protection message issued 04/30/2018 at 11:19 PM: CSMS#18-000315 for all details.

List of affected tariffs:

"Steel articles" are defined at the Harmonized Tariff Schedule (HTS) 6-digit level as: 7206.10 through 7216.50 (including ingots, bars, rods and angles), 7216.99 through 7301.10 (including bars, rods, wire, ingots, and sheet piling), 7302.10 (rails), 7302.40 through 7302.90 (including plates and sleepers), and 7304.10 through 7306.90 (including tubes, pipes and hollow profiles), including any subsequent revisions to these HTS classifications.

"Aluminum articles" are defined as (a) unwrought aluminum (HTS 7601); (b) aluminum bars, rods, and profiles (HTS 7604); (c) aluminum wire (HTS 7605); (d) aluminum plate, sheet, strip and foil (flat rolled products) (HTS 7606 and 7607); (e) aluminum tubes and pipes and tube and pipe fittings (HTS 7608 and 7609); and (f) aluminum castings and forgings (HTS 7616.99.5160 and 7616.99.51.70).

Liz Gant, LCB
Corporate Regulatory Compliance Analyst

TRANSPORTATION NEWS

"Open Choice" Chassis Pool to be Initiated in NY/NJ

Later this month, the port of NY/NJ is scheduled to launch a fourth chassis pool, affording truckers greater flexibility by allowing them to utilize chassis from several providers, rather than one specified by the ocean carrier. This will likely create an environment of improved efficiency as an increasing percentage of mega-vessels are predicted to call the gateway.

The new pool is slotted to go into operation on May 14th, and will start with 500 new or refurbished chassis each equipped with radial tires, ABS brakes, and LED lights. Based on comments from Rich Mazur, director of Eastern Region pools for NACPC, "the gray pool (at the port) will improve equipment utilization and allow a trucker to use any chassis between any start and stop location in the port area."

Supporters of "Open Choice" argue that the program will stimulate competition in cost, service and overall quality of equipment as port volumes continue to grow. Since the raising of the Bayonne Bridge to 215 feet above mean high waters last year (enabling the larger mega-vessels to call on the port), import container volumes have increased by 15.5% and export volumes by 15% (Q117 v. Q118).

Colin Chapman
Director, Commercial Development

Russia Sanctions & China Trade Tariffs' Effect on Air Cargo

In first two months of 2018, reporting year over year, air cargo started off with a 7.7% increase. Considering 2017's positive growth, that number bolsters analysts' predictions that 2018 will be another year for steady growth. But will the latest US / China trade tariff posturing and Russia sanctions dampen this outlook? It's not hard to conclude that higher tariffs will mean less trade between the US and China as it puts pressure on prices, but how do proposed increases on navigation fees in Russia affect cargo? The Russian Federal Anti-Monopoly (FAS) is proposing an increase in air navigation fees for international cargo carriers by five percent made in response to recent sanctions imposed by the US and several allies. The navigation fee increase is aimed at US and EU aircraft with a takeoff weight heavier than 400 tons. In addition, the Russians are looking to restrict airspace, affecting air carriers that fly over Russia. With few alternative routes available, some costing up to 30% more, Russia sees room to turn up the heat. These costs will trickle down to shippers, negatively affecting competitiveness.

Cindy Freitas
Air Pricing Supervisor

Pier Pass OffPeak Program Overhaul Leads to Appointment System and Flat Fee

After an 18-month process of consultation with industry stakeholders, PierPass has announced that it will overhaul the model used by the OffPeak program used for truck traffic mitigation at the Ports of Los Angeles and Long Beach, replacing the current off-peak incentives structure with an appointment-based flat fee model for day and nighttime container moves. The change comes as port users request additional flexibility and the port continues to struggle with the bunching up of trucks that regularly occurs before the start of nighttime shifts. PierPass President John Cushing noted that the new model will address the inflexible nature of the original off-peak model, with the appointment-based model offering a much more scalable approach to address changing industry needs.

The new program will replace the current two-tier fee structure with a single flat Traffic Mitigation Fee (TMF) with a flat TMF for both day and nighttime shifts, relying instead of appointments to spread traffic across each shift. By levying the TMF on both day and nighttime container moves, the TMF cost will be reduced by 55 percent from $72.09 per TEU (twenty-foot equivalent unit) to $31.52 per TEU (twenty-foot equivalent unit) and $63.04 for all other containers.

The changes are subject to regulatory approval, but the updated OffPeak program is expected to begin in August of this year. Stay in the know on Pier Pass and terminal and rail ramp updates with Shapiro Shap Talk and Shap Flash updates.

Devin Turner
Implementation Manager

Sun Is Shining on Air Export

Summer is upon us, and with it has come an increase in fun, seasonal destinations for your cargo. American Airlines announced the start of several tasty new routes beginning this week, the following a sampling but not limited to: Charlotte to Barcelona, Paris, Dublin, Rome, and Madrid. AA Philadelphia is adding Budapest and Prague and several other popular summer destinations. Iberia has announced a San Francisco to Madrid service operating 3 times weekly. Summer brings increased passenger travel, which increases the size of your planes and frequency of international flights that we can benefit from. Also consider that summer brings tons of luggage, heat, higher fuel prices and weather conditions that can weight restrict a flight, so plan your cargo trips accordingly.

Cindy Freitas
Air Pricing Supervisor

Seeking Differentiation, Carriers Launch Faster, Guaranteed Services

Container shipping executives are more motivated than ever to differentiate their services in a more commoditized business. This is testing their creativity and leading to a new range of offerings from carriers. These offerings include quicker ocean transits, booking guarantees, and fixed prices.

The new assortment of offerings spans all major trade lanes. Ocean Alliance recently announced the inauguration of its "Day Two Product." Day Two Product integrates 41 services amongst seven trade lanes. Maersk is growing its online platform to include China-Mediterranean shippers. APL is also expanding its Eagle Guaranteed premium services to the trans-Atlantic and Asia-Oceania networks.

These newly developed services are in reaction to Hyundai Merchant Marine's re-entry into the Asia-Europe trade with the Asia Europe Express this past April. Mediterranean Shipping Company is also now offering a speedy service on the trans-Atlantic as volume increases. This has revised their schedule, taking four days off the travel time for Mediterranean-US East Coast ports.

Although it has been a year since revised carrier alliances took off, shippers remain doubtful about the benefits of the offerings. Shippers often complain about schedule reliability, lack of carrier and alliance choices, and more transshipment. In reaction to these complaints, carriers are welcoming new strategy ideas and digital solutions.

CMA CGM, an Ocean Alliance member, recently announced that the carrier is introducing land solutions and logistics in all countries with a customer presence. This customer offering will consist of road, rail, and inland waterway options. They hope that this provides shippers with a solution to incorporate supply chain and allow door-to-door services.

In addition, Cosco Shipping Holdings has introduced an integrated strategy which it has been pushing for the past two years to expand into landside logistics. Maersk also announced that they are extending their online platform.

To address the issue of container no-shows and cancellations, Maersk's online platform will now include China-based shippers to all Mediterranean locations. This service extension will be added to its current North China ports that serve West Africa, South Africa, and the east coast of South America. The service will be available to customers in China who either go through a booking agent or book directly themselves.

No-shows and cancellations have been an issue within the industry for several years. Maersk Line hopes to reduce customer commitment problems by offering enforceable contracts through the New York Shipping Exchange. The New York Shipping Exchange is a company that offers a platform where not showing up for scheduled loadings results in penalties for shippers.

APL is extending its Eagle GO Guaranteed program to the trans-Atlantic and Oceania routes, assessing customers a surcharge to participate. However, customers can be refunded if the carrier fails to meet the delivery date. Shippers who pay the premium rate are guaranteed equipment and vessel space.

Christina Bongiovanni
Business Development Intern

SHAPIRO NEWS

Save the Date: Shapiro's Supply Chain Summer Seminar!

Shapiro is excited to host its annual summer seminar in Baltimore, MD on Thursday, August 9th, 2018.

Come join us and our panel of leading industry experts that will cover the hottest topics affecting the logistics and compliance industries today.

Topics for discussion include:

- *Domestic Freight*
- *International Freight*
- *Compliance*
- *Technology*

Location

Royal Sonesta Harbor Court

550 Light Street | Baltimore, MD | 21202, USA

Date & Time

Thursday, August 9th, 2018

8:30 AM – 12:00 PM

Just prior to the Propeller Club Crab Feast

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 Teresa Spencer, Ecomm 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.

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!

After a dreadful 2017 loss of over $1B and two solid years of bad press, Hyundai announced a new building program that will launch 20 large containerships and 250,000 TEUs of new capacity. The move signals Hyundai's plans to re-enter the Far East to Europe and the Trans-pacific markets as an operator and not just a wholesaler of slot charter space on the 2M. The trade is still eyeing Hyundai closely for improvements in their financial performance overall...

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