Shap Talk

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WE WANT TO HEAR FROM YOU!

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TRADE NEWS:

Hurry! Deadline for Filing GSP Retroactive Duty Refund Request is September 19th

Customs and Border Protection (CBP) has published an official reminder (CSMS 18-000505) to file Generalized System of Preferences (GSP) refund requests for goods entered or withdrawn from a warehouse for consumption during the lapse period of January 1, 2018 through April 21, 2018.

The three phases of the retroactive duty refund plan are as follows:

Phase I – CBP has completed the auto refund processing of importations entered during the lapse with special program indicator (SPI) "A" and checks are forthcoming.

Phase II – CBP began processing manual refunds of importations entered during the lapse with the SPI "A" that may be subject to additional review.

Phase III – Importers wishing to claim GSP preference on importations entered during the lapse period without the SPI "A" must submit a Post Summary Correction (PSC) or protest requesting the GSP refund no later than September 19, 2018.

CBP will deny all GSP duty refund requests received after September 19, 2018 (unless the request is a re-submission of a request made prior to the September 19th deadline).

If you have shipments that were eligible for duty free treatment under GSP that were not entered with the SPI "A", then please contact us to submit either a Post Summary Correction (PSC) or formal protest to CBP on your behalf.

Janice McEachern
Classification Specialist

Customs Bond Sufficiency

Additional Tariffs of 10%, 25% and 50% have a major impact on your Customs bond!

Customs and Border Protection (CBP) is urging importers, brokers and sureties to be proactive in determining bond sufficiency based on the implementation of additional tariffs. CBP has advised that the numbers of insufficient bonds have almost doubled thus far in September.

How does this impact the importer?

Shipments can be delayed if Customs deems a bond to be insufficient and an additional bond will have to be put in place before Customs can clear the shipment. No one wants to see a shipment delayed, especially after it has already been subjected to an additional tariff!

Customs is working closely with the main sureties to perform long term projections, so importers will be sufficiently bonded for a 12-month period. If your goods are subject to the additional tariffs (steel, aluminum, Section 301), Customs is seeking a proactive forecast for the next 12 months, as opposed to the customary 10% of total duties, taxes and fees from the previous 12 months.

While the additional tariffs are in place, bond sufficiency should be monitored by the importer closely. Importers will start to see their Customs broker or surety reach out to them regarding their bond sufficiency. Importers should be prepared to discuss and act quickly to resolve the issue if their bond sufficiency is in question. Customs typically allows an importer 10 days to form a response.

Don't forget to include antidumping/countervailing duties when calculating the bond amount and remember to increase the limit at your bank for withdrawals of Customs Duty.

Liz Gant, LCB
Corporate Regulatory Compliance Analyst

High Likelihood of 4th Round of Tariffs on Chinese Imports

As the Trade War between the United States and China continues to escalate, the potential for another round of tariffs imposed against China (totaling $267 billion worth of Chinese imports) was announced by President Trump in early September. These latest tariffs, which many pundits are already referring to as "List 4", are said to be "ready to go" and would only serve to add more fuel to a fire that is well on its way to being out of hand.

On Wednesday, September 5th, in regard to the impending List 3 tariffs, President Trump told reporters on Air Force One that, "The $200 billion we are talking about could take place very soon depending on what happens with them. To a certain extent it's going to be up to China. And I hate to say this, but behind that is another $267 billion ready to go on short notice, if I want."

List 3 and "List 4" provide a distinct competitive advantage to the U.S. in this trade war against China as the sheer monetary value of these lists significantly overshadows the annual dollar value of goods that China purchases from the U.S. Hence, China cannot match the tariffs tit for tat and must resort to other measures (possibly increasing taxes on U.S. businesses with a presence in China) to effectively combat these latest tariffs.

Though talks between high ranking economic officials from both the U.S. and China are set to resume later this month, it seems highly unlikely that any resolution will occur given the steadfast beliefs of each countries' governing bodies.

McKenzie Dillon
Marketing Analyst

TRANSPORTATION NEWS

ILA-USMX Reach a Six-Year Agreement at the Cost of Automation

The International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) have reached a master contract for six years for East and Gulf Coast port operations, ensuring labor stability through September 30th, 2024, which extends two years beyond the West Coast contract agreed upon by the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA). The ILA/USMX agreement also extends beyond the more basic wage, pension, and contract issues outlined in the ILWU/PMA agreement by directly addressing the issue of automated terminals and managing terminal operations in today's mega-ship environment.

Terminal automation issues ranked as the primary contract concerns for the ILA when approaching negotiations and were the cause of stalled negotiations in December due to disagreement between the two parties as to what constituted fully-automated versus semi-automated terminal operations. In the words of Dennis Daggett, President of the Atlantic Coast District ILA, "the final agreement emphatically states that no fully automated terminals and no fully automated equipment will be implemented during the life of the contract." This is a major departure from the 2012-2016 contract, which created a New Technology and Automation Committee that was charged with evaluating the impact that new technology had on jobs while simultaneously aiding displaced workers.

The new contract language is most troubling for major East and Gulf Coast ports who planned to leverage automation technology to improve efficiency, particularly in the face of mega-ships. The lack of port automation could result in a shift in cargo volumes back to the West Coast, which the East and Gulf Coast ports obtained following labor threats on the West Coast in 2014 and 2015.

Nevertheless, the contract does allow some support for ports still grappling with the operational woes of mega-ships by providing terminals with greater flexibility to reduce the mandatory work period when large vessels do not arrive on schedule. The new ILA/USMX contract is set to go in effect following the expiration of the existing contract on September 30th, 2018.

Devin Turner
Implementation Manager

Golden Week 2018

China's Mid-Autumn Festival is rapidly approaching and will be followed by Golden Week, both of which will create cargo delays for shipments arriving in and departing from China and Hong Kong. This year, the Mid-Autumn Festival takes place from September 22nd to September 24th, while Golden Week, also known as the National Day Holiday, will commence on October 1st and last through October 7th.

In observance of Golden week, production will halt on October 1st and resume on October 8th. Cargo will still depart during this period, but only if the deadlines outlined below are met. September 28th will be the last working day to receive cargo and have it cleared through Customs. Though September 29th and 30th are still considered working days, it is likely that staffing will be limited.

Departure Deadlines During Golden Week:

Shipment	*Last Day*	*Action*	*Other Notes*
FCL	9/28/2018	Must be gated into the port	Sat/Sun are buffer days to correct document issues
Consolidated FCL	9/24/2018	Must be received at warehouse	Allows time for container stuffing
Shipments departing after 10/8	9/28/2018	Must be booked and confirmed by carrier	Stuffing/customs clearance, etc. can be done after holiday
LCL with Co-Leader	9/24/2018	Must be received at Co-Loader's Warehouse	Allows time for container stuffing
Air Freight	9/28/2018	Must be delivered to airport	Allows time for customs clearance for ETD during holiday

So, when will your cargo sail?

Typically, carriers' schedules don't change, it's just the schedules on and after Golden Week that will be prone to blank sailings. However, this year we are noting a significant uptick in blank sailings immediately following Golden Week, which implies carriers are expecting a significant slowdown in October – likely a combined result of impending tariffs and the holiday.

Thus far, 2M, OA and THE have all confirmed blank sailings for weeks 40 and 41, with THE also confirming blank sailings all the way through week 52. As it stands, week 41 will provide the largest hit to shippers as announced blank sailings already account for over a 66,000 TEU reduction in capacity. Keep in mind that even more blank sailings for Week 41 and the weeks following Golden Week are likely to be announced the week of September 17th.

Merritt Trigg
Business Development & Marketing Manager

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Peak Season - Space - Tariffs - Relief?

There are many factors contributing to the current space shortage that is being experienced on Eastbound Pacific vessels; early shipping due to tariff uncertainties, an unprecedented 4 typhoons in Asia in the month of August that threw vessels off schedule, not to mention the carriers deliberate pull of capacity which affected on time performance while drastically increasing carrier profitability.

The struggle for space is real, with importers of all sizes being forced to pay $400 to $600 above already inflated spot rates to get space on overbooked vessels that are rolling containers weekly. To add to the mayhem, Peak Season is upon us and will only lead to worsened conditions in the coming weeks.

What is the outlook for the coming months and early 2019?

BCO's, NVOCC's and carriers are projecting a short slack time in late Fall and expect imports to pick back up with renewed fervor in December. Chinese New Year (CNY) falls on February 5th in 2019. To prepare for the CNY closings, let's hope that carriers plan to invest in increased capacity for the pre-CNY push, which coincides with the expectation of a rising import market.

Tammy Sandridge
Global Logistics Manager

Early Peak Season for China to U.S. Airfreight?

Just as everyone is catching their breath from the whirlwind of ocean carrier service cuts, continued space issues, and constant rollings, we will need to begin bracing ourselves for yet another scramble as importers vie for air space over the coming weeks. We predict this could cause an earlier than usual air peak.

In anticipation of the increased tariff rates on List 3, we foresee shippers rushing to import last-minute goods prior to the deadline, which has yet to be determined. We will surely begin to see rate spikes, as well as congestion and space issues as an effect of this push.

We have also learned of an insufficient charter service in the market. This can cause more constraints on space as Apple is launching a new product this Fall and is forced to move on scheduled freighters.

Upcoming holidays could also put a damper on your air freight plans – pay special attention to the Mid-Autumn Festival and Golden Week!

Though the above list of hazards seems daunting, it does not take into consideration any other delaying circumstance, such as harsh storms out of origin/transfer ports. It is typhoon season, after all.

To best prepare for this air crunch, please provide Shapiro with your shipping requests as soon as possible. Once we understand your cargo ready date and complete details, we will use our Shap-like reflexes and get your cargo booked and moved so quickly that you won't even realize the effects of the high demand air freight market.

Marley Cooper
Global Logistics Manager

Shrinking Supply Chain, A Surprise ELD Cost

The Electronic Logging Device (ELD) mandate, implemented at the end of 2017, has presented a variety of challenges to shippers, carriers and forwarders a like, but not in the ways originally expected.

Prior to the ELD implementation, there was a lot of speculation as to how ELD's were going to affect trucker capacity, and the industry has fallen prey to a significant employment reduction. However, an argument could be made that the largest impact has been felt by shippers requiring longer transit times as ELD has forced truckers to strictly adhere to their Hours of Service (HOS) requirements.

According to an analysis by Zipline Logistics, transit times for long haul moves have increased 16.2% since the ELD mandate took effect in December 2017. Though the ELD mandate didn't amend any of the existing HOS requirements, truckers are cutting back driving time to avoid HOS violations in the new electronic environment.

The 11-hour rule has been in place since 2004, but ELD compliance has forced drivers to more strictly adhere to these hours. In some instances, drivers stop ahead of time to ensure they have a place to rest, adding extra hours to the supply chain.

Per the Federal Motor Carrier Safety Administration (FMCSA), the percentage of driver inspections resulting in at least one HOS violation dropped from 1.19% to 0.64% percent from December 2017 to May 2018. Given all the above, it is not surprising that truckers are giving precedence to shorter hauls where they can make more moves and profit.

Maria Bettini
Domestic Pricing Supervisor

SHAPIRO NEWS:

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 ***Mariya Miller, 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 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!

SEPTEMBER 2018: WINTER IS COMING AND CURRENT RATE ENVIRONMENT

WINTER IS COMING: TWO INTERPRETATIONS OF CARRIERS' ACTIONS THIS FALL

Number One: Future demand depression is forcing an industry beleaguered by escalating fuel costs to store their acorns early for a long hard winter

The arguments for interpretation Number One are as follows:

• Steamship profits were indeed miserable for the first two quarters of 2018, and ONE, Yang Ming, and Hyundai all lost over $100M in Q2 (with Hyundai setting off alarm bells as they reported a loss of $317M in Q2).

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