"SHAP" TALK

July 2013 Issue No. 135

In this issue:

Baltimore Headquarters
100 N. Charles St, Ste 1200
Baltimore, MD 21201

Phone
1-888-you-1915

www.shapiro.com

you@shapiro.com

SHAPIRO SEMINARS

Save the Date! Our Annual Crab Feast Seminar Will be Held August 8th

Samuel Shapiro & Company, Inc.'s popular summer seminar will be held August 8th in Baltimore at the Hotel Monaco. Our customers and industry professionals are invited to join us for this sought-after event. The topic this year will be supply chain management. This seminar will provide an introduction to logistics metric design and improving supplier performance. This entry-level overview will highlight key areas of concern such as transit, freight cost, vendor on-time shipping, and claims.

Plan on attending our seminar in the morning and enjoying the crab feast in the afternoon! The Baltimore Crab Feast attracts thousands annually and is arguably the most popular industry event of the year. It draws participants from New York to Norfolk and beyond to enjoy all-you-can-eat steamed crabs and plentiful networking opportunities at Conrad Ruth's Villa, a waterfront park on Middle River. The feast is a fundraiser for the Propeller Club, enabling the group to make significant contributions to various non-profit maritime organizations. We hope you don't miss this opportunity for a day filled with learning and fun!

Date:
Thursday, August 8th, 2013

Time:
8:30-9:00: Registration and continental breakfast
9:00-12:00: Seminar

Cost (includes continental breakfast, seminar materials, and refreshments):
$90.00 per person
$60.00 for each crab feast ticket

Location:
Hotel Monaco – Athens Room
2 North Charles Street
Baltimore, MD 21201
Venue Telephone: 443-692-6170

Registration:
Please contact us at seminars@shapiro.com to register.

TRADE NEWS

Customs to Begin ISF Enforcement July 9, 2013

U.S. Customs and Border Protection (CBP) has announced that they will begin full enforcement of the Importer Security Filing (ISF or 10+2) on July 9, 2013. To date, CBP has been applying a measured and commonsense approach to ISF enforcement. While there may be multiple errors on an ISF transmission, in accordance with the guidelines for the assessment and cancellation of claims for liquidated damages for failure to comply with ISF requirements, CBP will limit the liquidated damages to $10,000 per ISF with a maximum of $5,000 per ISF violation and two violations per filing.

The ISF is required to be filed at least 24 hours prior to vessel sailing. ISF's filed less than 24 hours prior to sailing or after vessel departure will be considered untimely and may be subject to liquidated damages. ISF's that contain errors may also be subject to liquidated damages.

Customs has seen a recent decline in ISF compliance and thus decided to proceed with enforcement measures. Customs is particularly concerned with shipments that arrive in the U.S. with no ISF having been filed.

Customs has stressed that every liquidated damages enforcement action instituted at the port level will be reviewed by CBP headquarters for a period of at least one year. Customs will take an importer's ISF history into account when deciding whether or not to issue liquidated damages. Customs may also look at the total number of errors or late filings compared to the importer's overall ISF record.

Information, including FAQ's, regarding ISF may be found on the Customs website at http://www.cbp.gov/xp/cgov/trade/cargo_security/carriers/security_filing/.

Reminder: GSP is Due to Expire July 31, 2013

The Generalized System of Preferences (GSP) program is slated to expire on July 31, 2013. As of this writing, it appears unlikely that Congress will extend the legislation prior to the expiration date. Add in the Congressional summer recess and we may be facing another late renewal of GSP, albeit hopefully with retroactive status.

We recommend our importers visit the Renew GSP Today website. Over 230 companies joined with the GSP coalition in mid-June to send a letter to Congress urging renewal.

http://renewgsptoday.com/

We will keep our readers advised as we learn more about GSP's fate.

The CBP message regarding GSP expiration may be found at:
http://www.cbp.gov/xp/cgov/trade/trade_programs/international_agreements/special_trade_programs/gsp_gen_system/gsp_expire.xml

Baltimore Headquarters
100 N. Charles St, Ste 1200
Baltimore, MD 21201
www.shapiro.com

Phone
1-888-you-1915
you@shapiro.com

European Commission Launches New Website on How to Export to the EU

On May 27, 2013, the European Commission launched a new website to inform users how to export to the EU - www.exporthelp.europa.eu. This website is a source of information on the compulsory material a business needs to reach the EU market. It has a database on trade in goods and all of the information is provided in 6 languages - English, French, Spanish, Portuguese, Arabic and Russian.

There is no fee for this system and it does not require a password. Some of the information the EU helpdesk provides:

- *The full list of requirements your product needs to fulfill to enter the EU market*
- *Calculation of the import tariff applicable to your product and information if a preferential tariff applies in your specific case*
- *Preferential trade agreements applicable to your product and country, along with information on how to implement them*
- *How to prove the origin of your product*
- *List of EU trade contacts*
- *Detailed statistics on products to assist with market research*
- *EU product classification system*
- *EU import procedures*
- *Documents for customs clearance*
- *EU Customs Union*
- *Value Added Tax (VAT)*
- *Excise duties*
- *Binding Tariff Information*
- *Duty relief and suspensions*
- *Quotas or antidumping duties*
- *EU Rules of Origin*
- *What has to appear on the label?*
- *How to certify your product as "organic"*
- *Which chemical dyes are banned in the EU*
- *Where to check if the import quota has already been filled*

The website touts that in just in a few clicks, businesses can find the EU requirements, taxes, tariffs, preferential arrangements, rules of origin and statistics that apply to their products. A 3-minute video tutorial explaining how to use the Export Helpdesk can be accessed at: http://www.exporthelp.europa.eu/thdapp/index.htm

FDA's Centralized Entry Review Pilot

The Food & Drug Administration (FDA) has announced that they will be conducting a Centralized Entry Review Pilot beginning August 12 through November 4, 2013.

FDA is limiting the scope of the test to the following ports of entry which are courier hubs:

- *FedEx in Memphis, TN (2095)*
- *DHL Los Angeles, CA (2791)*
- *DHL-hub in Riverside, CA (2792)*
- *UPS in Ontario, Canada (2795)*
- *DHL Worldwide Express in San Francisco, CA (2870)*
- *FedEx in Oakland, CA (2895)*
- *FedEx in Anchorage, AK (3195)*
- *UPS hub in Anchorage, AK (3196)*
- *UPS in Newark, NJ (4670)*
- *FedEx in Newark, NJ (4671)*
- *UPS in Miami, FL (5295)*
- *DHL Worldwide Express in Miami, FL (5296)*
- *FedEx hub in Miami, FL (5297)*
- *IBC hub in Miami, FL (5298)*

FDA expects that any requested entry documents will be submitted electronically through FDA's Import Trade Auxiliary Communication System (ITACS).

FDA will provide contact points and hours of operation as the start date for the pilot approaches.

Entry filers who have questions about the pilot can contact a pilot entry reviewer at CERpilot@fda.hhs.gov.

Instructions on how to submit documentation through ITACS can be found on the FDA website at the following link: http://www.fda.gov/ForIndustry/ImportProgram/ucm296314.htm.
Questions on ITACS can also be directed to itacssupport@fda.hhs.gov.

NCBFAA Comments on EAR Regulation for Routed Export

After considerable confusion among exporters surrounding the routed export definition in the Bureau of Industry (BIS) Export Administration Regulations (EAR), the National Customs Brokers & Forwarders Association of America (NCBFAA) Transportation Committee Export Compliance Subcommittee requested permission to present a comment during the June 11, 2013 BIS Regulations and Procedures Technical Advisory Committee (RPTAC) meeting.

Baltimore Headquarters
100 N. Charles St, Ste 1200
Baltimore, MD 21201
www.shapiro.com

Phone
1-888-you-1915
you@shapiro.com

NCBFAA Representative Liz Gant of Samuel Shapiro & Company, Inc. presented the Association's recommendation that the export regulations address the acknowledgement of the agent of the Foreign Principal Party in Interest (FPPI) when handling routed licensed export shipments. Under 15 CFR 758.3 (b) Routed export transactions, the regulations assign responsibility for determining licensing requirements and obtaining license authority to the U.S. Principal Party in Interest (USPPI) unless the USPPI obtains a "writing" from the FPPI where the FPPI expressly assumes this responsibility. The text of the full recommendation from NCBFAA can be found on the NCBFAA website at: http://www.ncbfaa.org/userfiles/file/0967_001.pdf

In its comments to RPTAC Chairman Keith Melchers, the NCBFAA noted that:

- *The FPPI rarely, if ever, understands the responsibilities associated with signing the writing.*
- *In many cases, the FPPI's writing conflicts with an already existing agreement.*
- *In most cases, the FPPI's forwarder does not become aware of the writing (if at all) until the time of shipment when they may be notified by the USPPI, creating a situation where licensable cargo could be moved as NLR.*

To address this concern, the NCBFAA recommends that for transactions in which the USPPI wishes to obtain a "writing," the regulations require that, early in the process and before the writing can become valid, the FPPI demonstrates to the USPPI that the forwarder or any other hired party act as the agent for EAR purposes: 1) confirms that they offer that service; and 2) accepts the responsibility in writing. These steps will ensure that both the FPPI and their agent are making an informed decision and that the agreements between USPPI and FPPI, as well as the forwarding agent and the FPPI are aligned.

This regulation is often confused with the Bureau of Census, Foreign Trade Regulations "routed export" regulation that appears in 15 CFR 30.3. This is an entirely separate regulation and comments were not included regarding the FTR "routed export" section.

The NCBFAA comment was based strictly on the EAR. The full text of the EAR citation under 15 CFR 758.3(b) can be found on the Gpo.Gov website at: http://www.gpo.gov/fdsys/pkg/CFR-2012-title15-vol2/pdf/CFR-2012-title15-vol2-sec758-3.pdf

Processes to be Handled by CEEs

In a webinar hosted on May 28th, U.S. Customs & Border Protection (CBP) provided a listing of processes that are to be handled by CBP's Centers of Excellence and Expertise (CEE).

There are currently approximately eighty importers partnered with CEEs; although the listing of participants is confidential and has therefore not been made public. Ten CEEs are now operational and include commodities such as automotive and aerospace products, pharmaceuticals and health chemicals, apparel, footwear, and textiles, base metals, and electronics. They are operating in ports all over the country including New York, Miami, Chicago, Los Angeles, and San Francisco, among others.

CBP advised that there are no recommendations to move admissibility, cargo release functions, in-bonds, warehouse entries, or bonded warehouse oversight to CEEs. CEEs may eventually handle drawback claims, but that decision has not been made at this time.

Functions and processes that will be handled by CEEs include:

- *Entry summaries, both ACS & ACE*
- *EIP/RLF*
- *Census warnings*
- *Rejections and cancellations*
- *Revenue collection*
- *Quota entries*
- *Reconciliation entries*
- *TIBs*
- *Entry liquidation*
- *ADD/CVD*
- *CBP forms 28 & 29*
- *Internal advice*
- *Prior disclosures*
- *Post entry actions such as post entry amendments through ACS, post summary corrections through ACE, and protests*
- *Penalty notice petitions*

Bangladesh to be Suspended from GSP Program

Effective 60 days from the date of publication of a Presidential Proclamation in the Federal Register, Bangladesh will be suspended from the Generalized System of Preferences (GSP) program. Lawmakers have been calling for the suspension in the wake of the recent tragic building collapse that killed over 1100 workers.

Reminder: Andean Trade Preference Programs to Expire July 31

The Andean Trade Preference Act/Andean Trade Preference Drug Eradication Act (ATPA/ATPDEA) programs are set to expire July 31, 2013. Customs does not have information at this time whether the programs will be renewed, or if they are renewed after the expiration date whether there will be a retroactive clause providing for refunds of claims made during such a period.

Ecuador is the only country under the ATPA/ATPDEA. Members of Congress have stated renewal is in jeopardy should Ecuador grant asylum to Edward Snowden, the government contractor who leaked National Security Agency classified information.

The Customs notice on the program expiration may be found at: http://www.cbp.gov/xp/cgov/trade/trade_programs/international_agreements/special_trade_programs/atpa/atpdea_expire.xml

Baltimore Headquarters
100 N. Charles St, Ste 1200
Baltimore, MD 21201
www.shapiro.com
Phone
1-888-you-1915
you@shapiro.com

TRANSPORTATION NEWS

July 2013 Update

INDUSTRY NEWS:

Carriers' Finances Strain against Supply and Demand Imbalance

A recent analysis by Drewry of the shipping industry with a focus on the Asia container liner finances reveals that carriers' finances continue to be severely strained, and for several carriers their shareholder values continue to erode.

The financial position of many carriers awaits the fate of the July 1 Asia to Europe general rate increase. The collapse of freight rates in the Asia to Europe market highlights how fragile the industry's demand vs. supply balance remains. Steamship industry profitability has become increasingly tied to its actions with short-term capacity management. Total steamship industry debt has more than doubled in the past five years to $100 billion. Industry analysts have realized that the only way to minimize losses is to address effective capacity right away. This comes at a time when larger vessels are coming into the market.

USA Exports Expected to Rise with China's Middle Class Growth

If a new bilateral U.S.-China study on the growth of the middle class in China is to pan out, the U.S. and other nations are in for a windfall of exports in the years ahead. The study reveals that China's middle class is expected to triple by the year 2022 from 230 million last year to 630 million.

China's middle class growth is a result of rising wages in the manufacturing sector, and this is causing a rise in demand for high-end goods such as cars and electronics that are often made in the United States and in Europe. By 2022, U.S. exports to China are expected to generate over 2.5 million U.S. jobs, an increase of 1.8 million over 2010.

By 2020 about 60 percent of China's population is expected to live in urban areas. Chinese families are leaving the rural farming areas for better jobs. China's agricultural sector will become increasingly modernized as they have become the world's largest importer of agricultural products to feed its population. Demand for food products and especially dairy from the U.S. is increasing as China's population becomes more affluent while it also wrestles with its own food safety concerns.

U.S. exports could be expected to exceed U.S. imports as soon as 2016 and on a yearly basis by 2020. These projections do require a greater urgency for better support from the U.S. government for infrastructure upgrades. The change in equipment practices by the carriers to cover export loads will be an increasing challenge.

The bilateral study highlighted a need for a Free Trade Agreement, more established Intellectual Property Rights, and a Bilateral Investment Treaty between the United States and China.

USA Importers Remain Cautious About Increasing Inventories This Summer

U.S. imports remain anemic to mirror slow economic growth in the U.S. Importers generally forecast growth to remain weak for the next four to six months which means that the normal Peak Season for imports from Asia will not mean the normal windfall of demand on space this summer. Many retailers report that they plan to hold off on stocking up their inventories until this fall. As a result, significant increases in volume might not be seen until as late as October of this year when importers will have a better realization of what to expect for holiday demand.

Cheaper Ocean Freight Rates Will Have a Downside for Shippers

As carriers wage rate wars with each other to grab market share they will need shippers to pay the price in another way to return to profitability. Carriers' levels of service will suffer as they will be required to once again slow down ship speeds to save fuel and to create more of a demand on space in order to increase demand and rates ultimately. In the meantime, shippers will have to live with a decrease in carrier reliability because the incentive for carriers to offer more reliable services will be severely hampered. Unfortunately, less cash for the carriers equals less service for shippers.

Economists believe that carriers will have to lay up between 1.5 and 2 million TEUs of capacity in order to tighten capacity enough to have a positive cash flow for the carriers as this would cause enough demand to allow for an increase in rates. At the same time, more post-Panamax mega vessels are being delivered to carriers making the capacity game that much more difficult.

Baltimore Headquarters
100 N. Charles St, Ste 1200
Baltimore, MD 21201
www.shapiro.com

Phone
1-888-you-1915
you@shapiro.com

OCEAN FREIGHT

Maersk, MSC, and CMA Combine Forces to Secure Best Position in East-West Trade

On June 18, Maersk, MSC, and CMA stunned the shipping world by announcing that they will form a long-term alliance on the major east-west trades. This alliance will be called the P3 Network which will operate a fleet of 255 ships with a total capacity of 2.6 million TEUs on 29 services for the Asia-Europe, Trans-Pacific, and Trans-Atlantic trades.

The partnership is surprising because these three carriers have traditionally been fierce competitors. Slow volume growth and fears caused by overcapacity have highlighted a need for improved operations and efficiency in the industry. This partnership ensures the strength of these three carriers as having the best chance to ride out the current eastbound freight rate wars that are waging right now. The partnership is designed so that these carriers will have the ability to share capacity and enable them to reduce the chances for disruptions for customers caused by the inevitable canceled sailings that will be planned in the coming months.

Maersk will contribute approximately 42 percent of the capacity of the alliance, while MSC will provide 34 percent and CMA will contribute 24 percent. All combined, the three carriers will control 36 percent of the trans-Pacific trade capacity with a global market share of 33 percent. CMA CGM and Maersk are among the most profitable lines in the business, however MSC's financial performance isn't known as they are privately owned.

TSA Carriers Pin Hopes On July 1 General Rate Increase

The Transpacific Stabilization Agreement (TSA) carriers still report that their depressed rate levels are not covering their rising costs. The announced $400 per 40' container from Asia to the US West Coast and $600 per 40' to all destinations is the amount that the TSA is officially making public. The TSA agrees that they can no longer extend off-season rates for 12 months or longer in contracts and remain economically viable. TSA is a discussion group that has no enforcement powers so its announcements are generally considered to be just industry guidelines.

Current capacity issues continue to thwart plans for the announced increases and if history repeats itself, the desired target capacity may not be met.

Indian Sub-Continent General Rate Increases See Delays

The announced July 1 GRI for India at $320/20', $400/40', and $450/40'HC is holding for NYK as of this writing but Hapag Lloyd has announced that they will delay the GRI until July 15. Other carriers may follow Hapag's lead on the delayed GRI.

Mediterranean to U.S. Trade Subjected to General Rate Increase

Carriers operating vessels from the Mediterranean ports to the U.S. ports have announced a July 1 General rate increase of $250/20' and $300 per 40'. This is roughly half the amount that was originally announced.

AIR FREIGHT

China Southern Airlines Announces Reduced Capacity and Service

Due to low demand of import cargo from China to the United States, China Southern Airlines will reduce its freighter schedule from Shanghai to Chicago from 6 flights weekly to 3 flights weekly effective July 1. The lower capacity traditionally means higher rates in the marketplace.

DOT Proposes Expanded Air Service from 4 U.S. Cities to Sao Paulo

The U.S. Department of Transportation (DOT) is proposing that new or expanded U.S. air carrier rights be granted from Los Angeles, Atlanta, Detroit, and Charlotte to Sao Paulo Brazil. If this DOT proposal is made final, American Airlines will begin a daily nonstop service between Los Angeles and Sao Paulo, while Delta would add a second daily flight from Atlanta. The tentative decision will also enable Delta to continue its daily service from Detroit, and it will allow US Airways to continue to operate a daily flight from Charlotte. The DOT said that these additional flights are the result of a U.S. –Brazil agreement reached in March of 2011 where certain restrictions on air routes, destinations, and fares between the US and Brazil would be lifted. The additional hubs would allow for connecting passengers to have up to 150 additional cities with access for swift travel to Brazil.

DOMESTIC

LTL Trucking Companies Aim to Increase Rates

The large LTL carriers have been announcing General Rate Increases that will initially apply to the non-contract tariff-bases portion of their business, but this is a barometer of change that could eventually apply to its contract customers. The LTL trucking industry has been depressed due to the price wars in recent years. LTL carriers say that they need more money from profits to reinvest in their aging fleets, terminal networks, and for better technology for better efficiencies.

LTL rates will most likely climb faster than truckload pricing over the next couple of years because the LTL companies have further to go to recover from their prerecession margins. LTL carriers have shown a willingness to take the time it needs to climb out of bargain basement pricing, even if it takes a few years to do so.

Baltimore Headquarters
100 N. Charles St, Ste 1200
Baltimore, MD 21201
www.shapiro.com

Phone
1-888-you-1915
you@shapiro.com

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Employee of the Month

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. 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 Chris Carlton, Senior Import Coordinator in Charleston, for his outstanding performance and contributions.

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

WE WANT TO HEAR FROM YOU!

Do you have suggestions for an article? Is there a topic you'd like us to cover in a future issue? Please let us know! Send your feedback to shaptalk@shapiro.com.