



**“SHAP” TALK**  
**July 2009 Issue No. 87**

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**WE WANT TO HEAR FROM YOU!**

## SEMINARS

### Register for Shapiro's Summer and Fall seminars today!

If you missed our seminar on May 5<sup>th</sup>, not to worry. You still have more Shapiro seminars coming up this summer and fall. Plan ahead and fill your calendar with valuable training for the rest of 2009.

This year we will have two new topics: FDA (Food & Drug Administration) and NAFTA (North American Free Trade Agreement). Our focus this year will also continue to be on import and export compliance.

Training is an important investment for importers and exports even in a troubled economy. During a Customs & Border Protection or Bureau of Industry & Security audit, the agent will ask what kind of training your import or export staff has received. Did you know that the lack of training is a key cause leading to penalties? Spending a little bit of money on training now will lead to significant cost savings down the road.

Our FDA seminar will feature Dean Cook, Supervisory Consumer Safety Officer with FDA in Baltimore. We will discuss what products are regulated by FDA, the FDA declaration, what FDA looks for when reviewing a shipment, the Bioterrorism Act, labelling, and more. Continuing with tradition, we will host our FDA seminar the same day as the annual Propeller Club Crab Feast. So plan on attending our seminar in the morning and enjoying the Crab Feast in the afternoon!

The Import and Export seminar will cover the basics of what you need to know to be a compliant importer and exporter. The import session will include 10+2 Importer Security Filing and the Lacey Act. You may sign up for the Import class only (morning), Export class only (afternoon), or both (all day). If you attend both sessions, lunch will be included.

The NAFTA seminar is being presented at the time most companies are preparing their annual NAFTA certifications. We will walk you through what is required when you "hafta" do NAFTA.

Finally, we know companies are keeping a tight rein on spending this year. For this reason, we are introducing our budget friendly seminars. For every person who attends our seminar, your company will receive a free entry fee or free forwarding fee. This is our way of thanking you for supporting our seminar series.

Here is our 2009 seminar schedule summary (detailed information below):

<b>Seminar Topic</b>	<b>City/State</b>	<b>Location</b>	<b>Date</b>
FDA	Baltimore, MD	<a href="#">Sheraton Baltimore City Center</a>	8/13/09
Import and Export compliance	Atlanta, GA	<a href="#">Sheraton Gateway Atlanta Airport</a>	9/29/09
NAFTA	Baltimore, MD	<a href="#">Sheraton Baltimore City Center</a>	11/10/09

## **FDA and NAFTA Seminars**

### **Dates:**

FDA: August 13, 2009 (Baltimore)

NAFTA: November 10, 2009 (Baltimore)

### **Time:**

8:00-12:00: Seminar

### **Cost:**

\$90.00 per person includes continental breakfast, seminar materials, and refreshments.

\$60.00 per person additional per Crab Feast Ticket (FDA seminar only)

### **Location:**

Sheraton Baltimore City Center

101 West Fayette Street

Baltimore, MD 21201

Hotel telephone: 410-752-1100

## **Import and Export Compliance Seminar**

### **Date:**

Atlanta: September 29, 2009

### **Time:**

8:00-12:00: Import Compliance Seminar

1:00-5:00: Export Compliance Seminar

### **Cost:**

Import Compliance Session (Morning)

\$90.00 per person includes continental breakfast and seminar materials.

Export Compliance Session (Afternoon)

\$90.00 per person includes seminar materials.

Import and Export Compliance Sessions (All day)

\$160.00 per person includes continental breakfast, lunch, and seminar materials.

### **Location:**

Sheraton Gateway Atlanta Airport

1900 Sullivan Road

College Park, GA 30337

Hotel telephone: 770-997-1100

To register today, visit our website at

<http://www.shapiro.com/html/2009SeminarSchedule.html> or call Jane Taeger at 800-695-9465, ext. 290.

## TRADE NEWS

### Harbor Maintenance Fee May Increase

New legislation could more than triple the harbor maintenance fee (HMF) from 0.125% to 0.4375%. H.R. 2355, the Making Opportunity via Efficient and More Effective National Transportation (MOVEMENT) Act of 2009 was introduced on May 12, 2009. (How much time do our legislators spend coming up with names for bills so they have a catchy acronym?)

The HMF was implemented in 1987 as a means to fund the U.S. Army Corps of Engineers for maintenance of U.S. ports. It does not have a maximum or minimum, unless the HMF calculates to \$3 or less and no other duties, taxes, or fees are due, then no HMF is due. The HMF is not owed on informal entries. The fee started at 0.04% of the value of the cargo and rose to its current rate of 0.125% in 1991 (again, a more than threefold increase). In 1998, the Supreme Court ruled the HMF on export cargo was unconstitutional.

The MOVEMENT Act also expands the scope of HMF to cover ocean cargo arriving in the U.S. via Canada or Mexico. Currently, if the vessel discharges in, say, Montreal, and is then trucked or railed into the United States, no HMF is due. Under the new bill, this cargo will be assessed the HMF at 0.3125%. Goods that *originate* in Canada or Mexico are exempt from the HMF.

If the MOVEMENT Act bill passes, the new HMF would go into effect 90 days after enactment.

### Transportation Security Administration Certified Shipper Program

On June 16, 2009, the Transportation Security Administration (TSA) issued an alert under the Indirect Air Carrier Management System urging all Indirect Air Carriers (IAC) to share the document below with their shippers to provide additional information on the Certified Cargo Screening Program (CCSP). The document is intended to promote shipper awareness regarding the impact of the August 2010 100% screening mandate. TSA is concerned about U.S. shippers' lack of impact awareness about 100% screening issues.

The CCSP is a facility-based program for supply chain entities located within the United States. Facilities that successfully apply and participate in the CCSP program will be designated as Certified Cargo Screening Facilities (CCSF) and must adhere to TSA mandated security standards. Any facility that tenders cargo directly to an air carrier or indirect air carrier (IAC) may apply to become a CCSF. This includes:

- Manufacturers
- Warehouses
- Distribution Centers

- Third Party Logistics Providers
- Indirect Air Carriers
- Airport Cargo Handlers
- Independent Cargo Screening Facilities

We do want our clients to be aware of the 100 percent screening mandate and the possible impact it will have on your domestic or international air cargo. Any questions can be directed to TSA via email to [ccsp@dhs.gov](mailto:ccsp@dhs.gov).

### **Background**

The Implementing Recommendations of the 9/11 Commission Act of 2007 legislation mandates 50% screening of cargo that is transported by a passenger carrier by February 2009 and 100% screening of cargo that is transported by a passenger carrier by August 2010. TSA is required to establish a system to ensure 100% of cargo transported on passenger aircraft is screened at a level of security *commensurate* to that of passenger baggage. *This requires screening at the piece level.* Because this screening requirement is not supplemented by congressional funding, it is the air cargo industry's responsibility to bear all costs.

Piece level cargo is the individual item within a shipment. Shipments tendered on skids and shrink-wrapped (typically transported on wide-body aircraft) must be taken apart so pieces can be screened. Most wide-body cargo flows through freight forwarders (consolidators) who typically containerize/palletize this cargo prior to tendering it to airlines. Airlines lack space/facilities to de-palletize, screen, and re-configure these shipments, so if "airlines only" must screen all such cargo, they anticipate significant delays, increased processing/cut-off times and costs. Airlines and groups such as the Air Transport Association and Air Forwarders Association continue to confirm this concern.

### **Certified Cargo Screening Program (CCSP)**

TSA's approach to assist industry in attaining the screening mandates is the Certified Cargo Screening Program (CCSP). The CCSP was created to allow screening of cargo early in the air cargo supply chain by a trusted, vetted, and audited facility; initiate and maintain the integrity of a shipment throughout the supply chain by utilizing stringent chain of custody methods; and enable entities such as shippers to incorporate physical screening into the packing process.

### **Who Can Become a Certified Cargo Screening Facility (CCSF?)**

Facilities that volunteer to participate in the CCSP program will be able to tender cargo directly to a passenger air carrier or freight forwarder. This includes: manufacturers, warehouses, distribution centers, third party logistics providers, and other similar facilities.

### **Industry Challenges for 100%**

As of February 1, 2009, 50% of all cargo is screened at the piece level prior to being loaded on a passenger aircraft.

**It may appear to shippers that the 50% mandate was met without significant challenges, but TSA believes they should consider the following issues:**

- The economic downturn caused a 35% drop in the movement of cargo compared with 2007.
- Airlines still lack space/facilities to de-palletize, screen, and re-configure large shipments.
- Some commodities were screened by an alternate means for a limited time frame (until August 31st, 2009).
- 85% of current screening entities (airlines and CCSF freight forwarders) utilize Explosive Trace Detection (ETD) as their primary method of screening. Alarm resolution for ETD (other than physical search) is challenging. **There is a high risk of a physical inspection (opening boxes and removing content) resolution as a result of “contamination” while shipments are in forwarder or airline vehicles/docks.**
- Overall, airlines would not have attained the required percentage without the screening percentages contributed by CCSP freight forwarders, who also use ETD as primary method of screening.

As a result, TSA is concerned that shippers may wait until it is too late to surmount the challenges of August 2010, when 100% of all pieces must be screened individually. TSA has already seen a decline in applications for the CCSP, and believe shippers should consider these facts:

- Screening the difficult, complex, skidded cargo still lies ahead - Most shipments screened today are not skidded/move on narrow body aircraft
- Economic recovery will lead to increased cargo volume - Screening 100% of 15 million pounds per day in August 2010 vs. screening 50% of 9 million pounds per day now represents a **300% increase in cargo requiring screening** (return to 2007 levels)
- Possible insufficient availability of screening technology (backlogs) for forwarders and airlines
- High risk of airlines/forwarders opening shipments to resolve “contamination” alarms
- If too many shippers wait until the last minute to recognize challenges and apply for CCSP, TSA may not have resources to certify them in time for the August 2010 mandate.

**TSA is providing an incentive for shippers to join CCSP now!**

Shippers who apply and commit prior to September 2009 will be entitled to additional benefits.

Early participation benefits include:

- Free onsite facility assessments by TSA
- Free Security Threat Assessments for up to 200 individuals per facility

- Free TSA consultation services – site visits, examples and templates, step-by-step guidance through certification

### **Additional Information**

For additional information or questions, shippers should visit the TSA website at: [http://www.tsa.gov/what\\_we\\_do/tsnm/air\\_cargo/index.shtm](http://www.tsa.gov/what_we_do/tsnm/air_cargo/index.shtm) or to request an application, email [ccsp@dhs.gov](mailto:ccsp@dhs.gov).

For a copy of the TSA powerpoint presentation (non-sensitive security information) on the Certified Cargo Screening Program, please contact us at [compliance@shapiro.com](mailto:compliance@shapiro.com).

### **Things to consider**

**Only CCSF shippers can ensure the integrity of their packaging and shipments in August 2010!**

**Only cargo that is 100% screened at the piece level will be uplifted on passenger planes on August 1, 2010!**

A list of Frequently Asked Questions can be found on the TSA website: [http://www.tsa.gov/what\\_we\\_do/tsnm/air\\_cargo/resources.shtm](http://www.tsa.gov/what_we_do/tsnm/air_cargo/resources.shtm)

### **TSA Consent to Screen and Additional Security Measures for Air Export Shipments**

The Transportation Security Administration (TSA) places a great deal of responsibility on the international freight forwarder when it comes to air export and domestic shipments. Most of the information is deemed by TSA as Sensitive Security Information that cannot be shared with our shippers. TSA promised the freight forwarding community that they would post something on their website so that shippers would know that certain information and forms that we request from our shippers are actually directed by TSA. TSA came through on their promise and we have reprinted the notice that appears on their website below as information for shippers.

“TSA ensures the security of the air cargo supply chain by mandating air carriers and freight forwarders to implement specific security measures. These security measures contained in the various carrier security programs are Sensitive Security Information (SSI), which is prohibited from public distribution. Although some of the security measures required by the carriers are readily visible to the public, most are carried out behind the scenes. Security measures issued by TSA in the various carrier security programs are SSI and may not be distributed to the public.

On October 23, 2006, TSA issued additional enhanced cargo security measures that may subject your cargo to inspection. The new security measures related to air cargo

directly and indirectly require additional procedures to be implemented by several portions of the air transportation supply chain including air carriers, freight forwarders, and shippers. On December 24, 2008, TSA issued seven new security programs to the air carriers, all-cargo carriers, and indirect air carriers. The effective date for implementation of the requirements in the security programs was February 1, 2009. The new security programs involve cargo security changes that affect all modes within the air cargo supply chain.

Some of the new requirements implemented on February 1, 2009, may require shippers to provide personal information/data to their transportation service providers and provide consent to screen authorization. A shipper's refusal to provide this information and consent to screen may have the carrier refuse the shipment and decline subsequent air transport."

This notice has been reprinted from the TSA website and is available at: [http://www.tsa.gov/what\\_we\\_do/tsnm/air\\_cargo/programs.shtm#known](http://www.tsa.gov/what_we_do/tsnm/air_cargo/programs.shtm#known)

## **TRANSPORTATION UPDATE**

### **July 2009 Update**

Samuel Shapiro & Company, Inc has full service LCL services. Our Schedule for LCL cargo can be viewed on our website [www.shapiro.com](http://www.shapiro.com) under the tab labeled "Logistics Services." Please contact your Shapiro Representative for further details.

Important: Fuel prices are on the rise for all modes of transportation. Bunker Adjustment Factors (BAFs) continue to be affected for ocean transportation worldwide.

The port of Los Angeles is often used as a barometer of how our industry is doing. Container volumes at the Los Angeles port have declined 16.3 percent in May 2009 as compared to May 2008. However, both Los Angeles and Long Beach's performance in May was the best performance so far this year in containerized imports. All indications are that volumes are finally beginning to build. In the same period, exports fell only 7% from last year's levels. Retailers are scaling back on inventory so it appears that this year's Peak Season will be much lower than previous years with no cause for Peak Season Surcharges.

Industrial capacity has fallen to its lowest point ever in May. The nation's industries used only 68.3% of available capacity according to a recent report from the Federal Reserve. U.S. factory production was more than 15 percent lower than last year's levels. The largest decreases were in motor vehicles and parts and in machinery.

Idle containership capacity stood at 10.3 percent in June. There were 533 ships idle representing 1.315 million TEUs in June.

### **FAR EAST/INDIA SUBCONTINENT/MIDDLE EAST**

China's exports fell 20.5 percent in the first quarter this year as compared to the first quarter of last year, resulting in the Chinese government's introduction of export tax rebates to spur growth. China's consumer spending is still very strong, but the growth was weaker than last year. Demand for autos, housing, and computers remains strong in China which will continue to fuel the growth of the world's fastest growing economy.

Maersk Lines has announced a rate increase of \$300 per TEU from July 1, 2009, and a Peak Season Surcharge of an additional \$150 per TEU from August 1, 2009 until October 31, 2009 for services from the Far East to Europe. Maersk also advises that rates will rise soon from Asia to South American and Mediterranean markets. APL also announced a \$300 per TEU increase as of June 15, 2009 from the Far East to Europe.

Evergreen has announced a new Asia to USEC service - AUE2. The new AUE2 service will provide additional DIRECT call service from Shanghai to Savannah, Direct call from Hong Kong to Norfolk, and Direct call from Yantian to Norfolk. The port rotation will be Shanghai - Hong Kong - Yantian - Lazaro Cardenas, Mexico - New York - Norfolk - Savannah- Miami - Lazaro Cardenas - Shanghai.

Effective July 1, 2009 Evergreen may increase BAF to the following levels:

From: All Far East and India Subcontinent ports  
To: U.S. and Puerto Rico

Unless otherwise specified, all rates in this tariff shall be subject to the Bunker Charge (BAC) with effective from July 1, 2009 to September 30, 2009.

For destination: USWC, GROUP 4 and IPI

\$10.00 per R/T  
\$150.00 per 20' container  
\$188.00 per 40' container  
\$212.00 per 40' high-cube container  
\$238.00 per 45' high-cube container

For destination: USEC and RIPI

\$20.00 per R/T  
\$308.00 per 20' container  
\$385.00 per 40' container  
\$433.00 per 40' high-cube container  
\$487.00 per 45' high-cube container

**TSA Carriers in the Trans-Pacific Trade announced BAF increases effective July 1, 2009 as follows (Shapiro will keep you posted if the trade actually implements this increase; contact your Shapiro representative for details):**

This serves to advise that unless otherwise provided in individual rate items (special bullet rates), the TSA BAF will be adjusted to below quantum for all cargo moving under ranges ex Far East (Japan, Korea, China, Hong Kong, Taiwan, Singapore, Indonesia, Malaysia, Thailand, Vietnam) to all U.S. destinations with effective from July 1, 2009:-

Quantum:

Effective July 1, 2009 to U.S. West Coast:

\$150.00 per 20'

\$188.00 per 40'

\$212.00 per 40' High Cube

Effective July 1, 2009 to U.S. East Coast:

\$308.00 per 20'

\$385.00 per 40'

\$433.00- per 40' High Cube

*Note: MSC Floating BAF for July will be confirmed ASAP.*

**Safmarine Increases BAF from Indian Subcontinent (India, Pakistan, Sri Lanka, and Bangladesh) and Middle East to/fm the U.S. on July 1, 2009**

Old BAF Tariff: \$80.00/TEU; \$160.00 per 40'

New BAF Tariff: \$115.00/TEU; \$230.00 per 40'

**Due to recent changes in the market and increased operational costs, MSC has announced the following for all cargo exported from the Indian Subcontinent**

BUC:

As a result of continued increases in the cost of bunker, MSC has announced the new BUC (Bunker Contribution) level effective July 5, 2009 will be \$240.00/TEU for all cargo originating in India, Pakistan, Sri Lanka and Bangladesh to all ports in the United States.

Rule 10-A MESU - 012

GRI:

Due to the continued deterioration of rates from the Indian Subcontinent, MSC has announced the implementation of a GRI of \$200.00/20' and \$400.00/40' effective July 17, 2009 for all cargo destined to the USEC/G and USWC from India and Pakistan.

**Other Announced BAF increases from Asia to U.S.:**

MOL/CMA/APL: Current contract rates are subject to the below bunker, please refer the details as the current contract

WC/MLB: an increase of \$32/\$40/\$45 per 20'/40'/40'HQ, valid until September 30, 2009

EC/RIPI: an increase of \$61/\$76/\$85 per 20'/40'/40'HQ, valid until September 30, 2009

MSC (South China): Current contract rates are subject to the below bunker:

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MLB/WC: an increase of \$40/\$50/\$50 per 20'/40'/40'HQ, valid until July 15, 2009  
EC/RIPI: maintaining current rates, valid until July 15, 2009  
MSC (C/N. China + SE Asia): to be advised on July 1, 2009

### **BCT (British Columbia Carbon Tax) to increase**

As of July 1, 2009, the British Columbia Carbon Tax on any container that will transit the port of Vancouver or Prince Rupert will increase from \$3.00/TEU to \$5.50/TEU or \$11.00/FEU.

### **Indian Railways are experiencing a shortage of railcars:**

Please note that we have been informed by our India agents that India railways are experiencing a shortage of railcars. Combined with the upcoming monsoon season, they are expecting to see some delays in delivering cargo to the various Inland Container Depots (ICD's) in India. If you have any upcoming shipments you should be aware of possible delays coming up to and from India's inland rail terminal locations.

### **SOUTH AMERICA**

BAF Increases have been announced this month from East Coast South American ports in Brazil, Argentina, Uruguay, and Paraguay as follows:

MSC – Effective July 10, 2009:  
20': from \$440.00 to \$475.00  
40' and 40' HC: from \$880.00 to \$950.00

### **NORTHERN EUROPE**

BAF increases from Europe are on the rise for July.

From MOL: BAF Levels will increase effective July 15, 2009 for all cargo to and from the United States and Europe. The increase is \$55.00 per TEU to and from the USEC and \$115.00 per TEU to and from the USWC.

### **EAST/WEST MED**

Safmarine BAF increase from Mediterranean to and from the U.S. effective July 1, 2009:

Old BAF Tariff: \$55.00/TEU (\$110.00 per 40')  
New BAF Tariff: \$90.00/TEU (\$180.00 per 40')

MSC has announced a BAF increase from the West Med to the U.S. at an additional \$34.00/TEU effective July 1, 2009, to be added to current rates.

### **AIR FREIGHT**

E-Technology is looking to revolutionize the air shipping industry. Iberia Airlines has delivered Spain's first transatlantic air cargo shipment using the e-Freight pilot program devised by IATA, whose goal is to eliminate all paper air shipping documents. The e-Freight system consists of multiple database entries containing all relevant shipping information which can replace up to 13 different required paper documents that are currently used to complete each shipment. This system is designed to

streamline the air shipping process while offering greater reliability and money savings. Iberia was the airline chosen by IATA for heading this new technology and Madrid has become the world leader in e-Freight.

## **DOMESTIC**

The average price of diesel fuel has been increasing for six straight weeks for a total rise of 38.7 cents per gallon in the past month according to the U.S. Department of Energy. This increase will translate to ever-increasing fuel surcharges on trucking rates.

Domestic volumes in trucking, rail, inland waterways, pipelines, and airfreight have brought the U.S. Freight Index down by 8.5% since last year, which is the largest decline in the 20 year existence of the Freight Index, which is maintained by the U.S. Department of Transportation's Bureau of Transportation Statistics.

## **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 Monique Beckford, Atlanta Import Coordinator, for her outstanding performance and contributions.

We encourage you to provide us with employee feedback! Please email us at [hr@shapiro.com](mailto: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](mailto:shaptalk@shapiro.com).