

SHAP TALK

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TRADE NEWS

GSP Renewal Legislation Finally Introduced

Nearly two years after the expiration of the Generalized System of Preferences (GSP) program, Congress has finally introduced renewal legislation. The bill would renew GSP through December 31, 2017. GSP would be made retroactive to August 1, 2013, but Congress added language that would prevent retroactive renewal for Russia and Bangladesh. Russia was removed from GSP in October 2014 and Bangladesh in September 2013.

Should GSP be renewed under the current language of the bill, retroactive refunds would be issued to importers without payment of interest.

We encourage importers to contact their Congressional representatives to urge passage of this bill. Congressman Sander Levin (D-MI) said that GSP's "renewal is both welcome and long overdue."

The legislation also includes an extension of the African Growth and Opportunity Act (AGOA) to September 30, 2025. The AGOA program is set to expire September 30th of this year.

Customs Issues 2014 Seizure Statistics

U.S. Customs and Border Protection has announced its fiscal year 2014 seizure statistics. Seizures declined slightly from 2013, yet still managed to total \$1.2 billion in retail value.

The top ten counterfeit commodities seized are:

1. Wearing apparel/accessories
2. Consumer electronics
3. Pharmaceuticals/personal care
4. Handbags/wallets
5. Footwear
6. Watches/jewelry
7. Optical media
8. Computers/accessories
9. Labels/tags
10. Toys

Wearing apparel and accessories account for 28 percent of seizures with watches and jewelry as the top items by value. It's no surprise that China is the primary source of counterfeit and pirated goods, representing 63 percent of all IPR seizures by value.

More details may be found [here](#) on the Customs website.

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Registration Open for Customs West Coast Trade Symposium

U.S. Customs and Border Protection will be hosting its West Coast Trade Symposium on May 27, 2015 in Tacoma, WA. The theme will be “Advancing Trade through Partnership and Enforcement.”

Registration is now available [here](#).

An east coast Trade Symposium will be held at a later date.

Export Control Reform Continues with USML Category XII

In the May 5th Federal Register, The Department of State and The Department of Commerce published proposed bookend rules to move control of certain items from the United States Munitions List (USML) Category XII to the Commerce Control List (CCL). These include items used for military fire control, range finders, and military optical and guidance. These items were deemed by the President to no longer warrant control under the USML, and to provide U. S. businesses with more of a level playing field in the international arena.

New Export Control Classification Numbers have been proposed and this also includes changes for certain night vision items which are already subject to the Export Administration Regulations (EAR). For more information, contact Dennis Krepp, Office of National Security and Technology Transfer Controls, Bureau of Industry and Security, Telephone: 202-482-1309, Email: Dennis.Krepp@bis.doc.gov.

Comments must be received by July 6, 2015.

The Bureau of Industry and Security proposed rule can be found [here](#).

The Department of State, Directorate of Defense Trade Controls rule can be found [here](#).

Note: On Wednesday, May 6, 2015, the Department of Commerce Deputy Assistant Secretary for Export Administration, Mathew Borman, will provide an overview of the proposed rule and will answer written questions in a special ECR teleconference at 2:30 EST.

Questions should be emailed to ecrweekly@bis.doc.gov.

To dial into the teleconference, please call 1-888-455-8218 and use passcode 6514196.

If you are calling in from overseas the number is 1-212-547-0330.

TRANSPORTATION NEWS

May 2015 Update

INDUSTRY NEWS:

L.A.-Long Beach Ports Reaches Post-Congestion Milestone

In late April, the largest port complex in the United States, L.A.-Long Beach, achieved a major milestone in their efforts to rebound from the congestion and labor crisis there: zero container vessels at anchor offshore waiting to berth.

L.A.-Long Beach has suffered through severe congestion problems for over a year now beginning with the brutal winter of 2013-2014 which created major backlogs in intermodal rail services within the U.S. and Canada; the intermodal slowdown quickly led to port backlogs and inefficiencies. As time went by, the congestion was aggravated further by chassis shortages and empty container dislocations and by a surge in deployment of 10,000 plus container vessels at a time when the terminals were ill-equipped to handle the larger volumes.

The final blow was delivered in early November 2014 when the International Longshore and Warehouse Union (ILWU) slashed their labor output by 60 percent so they could create leverage in coast-wide contract negotiations. On the heels of this, port congestion also forced carriers to alter vessel schedules; those vessel rotations are still not fully back on track to date. The trade community is hopeful that vessel schedules will be normalized before the end of May.

Cargo volumes are coming back to the big ports of the west coast, but it seems impossible at the moment that they will gain back all of the market share when at least six new services will be introduced to U.S. east coast ports as Peak Season begins to arrive. As reported last month, many industry experts estimate that 15% of the volume diverted from the west coast during the crisis will remain on east coast routings since shippers feel to need to spread their supply chain risk more carefully after they watched transit times and total costs skyrocket in 2014.

China-Europe Intermodal Rail Service Sees Increased Demand

Logistics companies experimenting with rail service connecting China, Russia, and Europe have found growing demand, as reported in Inbound Logistics.

This intermodal land bridge connects the Eurasian continent between China, Russia, and Europe and reduces shippers' total transit times from 36 to 13 days. Computer manufacturers and automotive manufacturers are already taking advantage of this transportation link (though costs are still relatively high compared to sea freight). As western Chinese manufacturing and India continue to develop, the demand for an expansion of services across Eurasia will grow.

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USDA Announces Improved Market Access to Peruvian Ag Products

As reported in the JOC on April 24th, the USDA has published a final rule that allows the importation of fresh papayas and oversized mangoes. The USDA and Peruvian Ministry of Agriculture met in Washington, DC to finalize details of this expanded market access and to continue working on other broader issues. They are also working to expand access to U.S. markets for fresh Peruvian peppers and citrus fruits.

In addition, the USDA is working to eliminate trade barriers for U.S. cattle and cattle products to Peru that were imposed after past detection of bovine spongiform encephalopathy (BSE). USDA is working to expand access of U.S. agricultural products across the world. In 2014, the U.S. exported a record \$152.5 billion of agricultural and food products.

OCEAN FREIGHT

Trans-Pacific Market Faces General Rate Increases in New Contract Season

The carriers in the Trans-Pacific import market are pushing for a General Rate Increase (GRI) of \$480 to \$540/20', \$600/40', \$675/40'HC, and \$760/45' for June 1. The May 1 increase at the start of many new contracts was modest and affected mainly Asia to USWC and IPI (inland rail) destinations with an increase of \$200 to \$300 per container. The rates to the USEC ports showed modest increases or no increase at all on May 1. Rates varied greatly by ocean carrier, contract size and commitment due to a nearly 10% jump in capacity levels into the USEC ports coupled with cargo shifting back to west coast ports post-crisis.

The carriers in the Trans-Pacific import market also announced a Peak Season Surcharge (PSS) of \$360/20', \$400/40', \$450/40'HC, and \$506/45' for July 1, 2015. If history repeats itself (and it does), the GRI and PSS increases will be combined into one increase only. The Trans-Pacific export market saw modest increases in April but no increases in May.

We are carefully monitoring these developments and will alert our customers immediately when news breaks.

L.A.-Long Beach Container Volumes Return

Container volumes at the Los Angeles and Long Beach ports came roaring back in March. The ports reported an increase in container traffic of 24% compared to March 2014. In March 2015, Los Angeles had a total container volume of 791,864 TEU's and Long Beach had a container volume of 630,084 TEU's. The totals include both import and export loaded containers as well as empty containers. Import container volume increased by 36%; export container volume decreased by 21% since March 2014. The export volume decrease is due to the strong U.S. dollar value and weak economic performance among major export partners in Asia and Europe.

March 2015 was the second busiest month for Los Angeles port's history behind October 2006 when the economy peaked before the long U.S. economic recession. Long Beach reported that March 2015 was the busiest month in the port's history.

Although there have been volume increases, both ports year to date volume is down due to the west coast congestion related to the labor disruptions.

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Brazilian Authorities Lobby to Deepen Santos Port to Accommodate Larger Vessels

The Santos 17 Campaign, named for its goal to deepen the Santos harbor to 17 meters, is gaining steam with terminal operators and local port authorities now backing the project.

The campaign is working to lobby Brazilian authorities for permission to deepen the Brazilian harbor to handle larger container ships already being utilized in other trade lanes.

The port terminals in Santos account for 28% of Brazil's container volume.

AIR FREIGHT

TAP Pilots Call For Strike on May 1

TAP Portugal's pilots union, SPAC, announced a 10-day [strike](#) beginning May 1 to protest the on-going [privatization](#) process. The industrial action is reportedly projected to cost TAP Portugal up to €70 million (\$75.6 million) and strongly affect overall operations.

The airline, which endured many years of financial hardship during the first decade of the century, had registered five successive years of profits up until the end of the 2013 financial year. Due to failed plane purchases and a series of strikes in 2014, TAP has once again seen its financial results drop into the red.

Pilots have told the government and the airline's administration that they are willing to back down under two conditions, the government must agree to offer them a share of the company and reinstate a longevity subsidy. Observers think both of these demands would see the company's accounts take another negative hit and reinforce losses for 2015 going forward.

TAP CEO Fernando Pinto warned the pilots the adverse effects this strike will have on the company and its long-term future. Immediate losses are estimated at 5 million euros for every 24 hours of strike action. On the other hand, the workers, and especially the pilots, stress that the only way the airline will be profitable again is if their demands are taken into consideration which would cost less than the financial damage caused by strikes. In addition, should TAP attempt to sell, the strike action will affect the bottom line potential buyers are willing to pay.

With a second phase of the privatization process starting, Mr. Pinto said the company would engage in more formal contacts in the run-up to the May 15 deadline for submitting binding bids before dismissing any discussion as to those potentially interested in buying on the grounds of confidentiality.

Airlines Ban Lithium Ion Bulk Shipments

Without waiting for governmental regulatory action, airlines took matters into their own hands and banned bulk shipments of lithium ion batteries. The International Civil Aviation Organization (ICAO) is set to discuss the lithium battery agenda this month. Many airlines are not waiting for formal guidelines and are responding to tests performed by the Federal Aviation Administration (FAA) which show the fire dangers present in lithium batteries cannot be suppressed by current aircraft fire fighting capabilities. Cathay Pacific, Qantas, Delta, United, Virgin, and Cargolux are some of the carriers that have announced new bans on lithium ion batteries. It remains important to check with the each carrier's directives; the ban does not generally apply to lithium ion batteries packed with or contained in equipment.

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DOMESTIC NEWS

L.A. and Long Beach Draymen Face the “New Normal” in Wait Times

The congestion at the LA/LB port complex is significantly less severe than it was during the winter months when the International Longshore and Warehouse Union (ILWU) and Pacific Maritime Association (PMA) were involved in contract disputes and negotiations. Nevertheless, the average truck turn time at the port is still very high. Truckers are spending about 102 minutes per trip to the port; that is lower than the 112 minutes during the winter disruptions, but it is up from 75 minutes in early 2014. Is 95 to 100 minutes the new normal?

Terminal operators say it all comes down to the impact of big ships operated by vessel-sharing alliances on their yard operations. They point out that the big ship conundrum, while certainly not limited to Los Angeles-Long Beach, is most noticeable in southern California because of the uniquely heavy cargo surges that are generated in Asia-Pacific services.

Terminal operators in Los Angeles-Long Beach therefore face decisions that will consistently result in pleasing some members of the supply chain while angering others. A terminal can concentrate its efforts on quickly turning the big ships or on overall trucker efficiency, but it struggles to do both simultaneously.

PierPass Inc. has studied the possibility of [trucker appointment systems](#). Several terminals that had appointment systems suspended them during the four months of severe congestion, but most have been reinstated. Terminals not using such systems are investigating appointment systems aggressively.

Trucker appointment systems help terminals to plan their labor needs and spread trucker trips throughout the day, but many truckers say the complexity of operating trucks on congested roadways and in the complex port environment makes it almost impossible to keep to appointed times.

Some truckers perceive the PierPass traffic mitigation fee as a cause of congestion. Truckers will often begin lining up at the terminal gates at 4 p.m., and wait until the fee is waived at 6 p.m. The extra two hours spent in line outside the gate inflates the average truck turn time numbers.

The eventual consolidation of terminal operations into fewer but much larger facilities could be one of the measures that improves operations and reduces congestion. This kind of operation could support the use of seven cranes, and the yard could more easily handle the surge of containers and their temporary storage on its larger geographical footprint.

L.A. Long Beach Faces Port Trucker Strike

Short haul truckers that handle moves within the L.A.-Long Beach terminal area conducted a strike after walking off the job on Monday April 27th. The carriers affected by the strike were Pacific 9 Transportation, Intermodal Bridge Transport, Pacer Cartage, & Harbor Rail Transport. The truckers are protesting against these four drayage companies over wage theft and overall employment status.

Port authorities have stated that the strike action has not had a noticeable impact on total cargo flow since and it only affected these four firms or roughly 4% of the total trucker pool registered in LA/LB.

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The Teamster union has announced it is backing the truckers and if targeted companies enter the port terminal, picket lines will go up. Dockworkers could choose to honor the picket lines and halt the flow of goods, but terminals have assured the public that they are refusing to accept trucks from the four firms.

SHAPIRO NEWS:

A Fond Farewell to Jane Taeger

Jane Taeger, Director of Compliance at Shapiro, has decided to try life “on the other side of the desk” and is leaving Shapiro May 7 to work for a large multi-national importer. Jane offered Shapiro ten great years of service and is well known for her engaging and informative seminars and webinars and for her warm customer touch. Also, Jane has been at the helm of Shap Talk for the last decade, and we can only do our best to fill her shoes.

From all of us at Shapiro and so many of our grateful customers, thank you Jane and good luck!

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 Kari Kishiyama, Corporate Accounting Department in Baltimore for her outstanding performance and contributions.

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.

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