"SHAP" TALK

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SEMINARS

What Would You Like to Hear About in 2011?

We are currently planning our 2011 seminar series. When choosing topics for our seminars, we try to appeal to a broad spectrum of importers. We also select the seminar locations where we have a good concentration of companies that may attend. Inevitably, we hear from some of you with questions such as "When are you going to do a seminar on [fill in the blank]?" or "When will you be in my city?" So now we are opening the floor up to you! If there is a topic that you would like to hear about, or if you want to know if we will be hosting a seminar in your area, please contact us at seminars@shapiro.com.

If you are unable to attend our public seminars, we do offer private onsite seminars on a variety of subjects. You may contact us at any time at compliance@shapiro.com.

Be on the lookout for an announcement for our webinars on the new 2010 Incoterms!

TRADE NEWS

Cargo Security Heightened

In light of the recent bombing attempts via packages on courier planes, the Transportation Security Administration (TSA) has issued a notice of heightened cargo screening and additional security at airports and cargo terminals. We do not know if these added security measures will result in any delays with your cargo. The TSA says to "expect an unpredictable mix of security layers."

GAO Report on 10+2 Importer Security Filing

The Government Accountability Office (GAO) has released a report on the progress made in implementing the Importer Security Filing (ISF, also known as 10+2). The report discusses the status of Customs and Border Protection (CBP) efforts to integrate the 10+2 data elements into its targeting strategy.

Compliance & Implementation

Customs has been using the information it has collected to help improve compliance with the ISF rule. CBP has collected and assessed a variety of information, such as daily compliance reports, and has shared information with the trade industry, through importer progress reports and outreach events, to help improve compliance with and implementation of the 10+2 rule. CBP is generally satisfied with the status of ISF implementation, based on CBP data that indicate that approximately 80 percent of shipments in July 2010 were compliant with the ISF requirement. CBP's goal is to increase the compliance rate to 95% this fall. CBP is also using information it has collected to monitor and help improve implementation of the rule, for example, by posting the “Frequently Asked Questions” document on its Web site that addresses some common problems.

Flexibility Options and Amendments

Fewer than 2 percent of ISF filings are using the flexibility options. The limited overall use of flexibilities, as well as the high rates of incorrect use (over 60 percent of ISF’s filed with the flexible options were incorrect or unnecessary), will be considered in determining whether Customs will eliminate, modify, or maintain the existing flexibilities associated with the 10+2 rule.

Due to the limited use of the flexibilities, CBP officials currently question their utility. The amendment process is more amenable and actually provides greater “flexibility” than the “flexible” options. If an importer uses the flexible option, the ISF must be followed up with a final filing, whether or not the information changes. With the amendment process, the importer files what they reasonably believe to be true and then files an amendment if any of the information changes before the vessel arrives in the United States.

ISF and Targeting

One of the purposes of the GAO report was to address to what extent CBP has used 10+2 data to identify high-risk cargo for inspection and enhance cargo security while minimizing the impact on trade flow. CBP has updated its targeting system to incorporate the additional 10+2 data elements to identify shipments that could pose a threat to national security, but has not yet finalized its targeting criteria. CBP has not established time frames or milestones for when integration of a finalized weighted rule set will be completed. CBP will be performing testing first before rolling out the 10+2 targeting module. CBP’s use of inspections and shipment holds to enforce 10+2 rule compliance has not impacted overall trade flow. CBP has made some progress to assess submitted 10+2 data elements in its targeting system for risk factors that could indicate a shipment is high risk. A preliminary analysis indicates that the collection of the 10+2 data could improve the determination of risk scores earlier in the supply chain process.

Additionally, according to CBP officials, access to information on vessel stow plans has enabled CBP to identify more than 1,000 unmanifested containers—containers that are inherently high risk because their contents are not listed on a ship’s manifest—on ships bound for U.S. ports.

Do Not Load Messages

The goal of the 10+2 rule is to prevent dangerous shipments from being loaded onto U.S.-bound vessels and CBP may issue “Do Not Load” orders for shipments identified as high risk based on analyses of shipment data. CBP has yet to issue any “Do Not Load” orders as a result of the 10+2 rule and does not plan to begin issuing such orders for ISF noncompliance any earlier than January 2011.

Monthly Progress Reports
The monthly progress report will indicate the number of rejected ISF's for an importer, but it does not provide transaction-level data, such as which bills of lading had rejected ISF's. CBP has no plans to include transaction-level data for progress reports other than for validated C-TPAT member importers. In addition to its other outreach efforts, CBP is also working to address concerns regarding the information contained in ISF progress reports, specifically the number of ISF's that cannot be measured for timeliness. According to CBP data, about 50 percent of the ISF's it analyzed for the May 2010 progress reports could not be assessed for timeliness because they could not be matched to vessel departure messages. For example, an ISF may not be matched to a vessel departure message if the bill of lading number on the ISF does not match the automated manifest filed with Customs. In order to improve the number of ISF's that can be matched to vessel departure messages, CBP is making adjustments to allow filers to query bill of lading numbers. According to CBP officials, this will enable importers and filers to ensure that the bill of lading information is correct before submitting an ISF.

In-Transit Cargo
Compliance for in-transit cargo has been far below expectations – only 24% in July 2010. CBP has identified issues with the implementation of the ISF for in-transit cargo, such as lack of clarity regarding the party responsible for filing the ISF for two types of in-transit cargo (immediate exportation and transportation and exportation) shipments, and CBP officials said that they plan to revise the requirements through future rulemaking.

The GAO report is available at http://www.gao.gov/new.items/d10841.pdf

Please contact us at compliance@shapiro.com if you are a C-TPAT member and would like to receive your ISF progress reports with transactional data directly from Customs.

CBP Commissioner Envisions Future of Trade Community Relationship

On October 23, 2010 at the annual Western Cargo Conference of the Pacific Coast Council of Customs Brokers and Freight Forwarders Associations (WESCCON), Customs & Border Protection (CBP) Commissioner Alan Bersin presented his vision of the future for CBP's relationships with the trade community and Customs brokers.

Priorities include:

- A refocus on CBP's trade mission to maintain trade facilitation and global competitiveness. Commissioner Bersin advised that facilitation and security can both be achieved through risk segmentation, which will improve the economy, improve U.S. businesses, and increase economic global competitiveness. Risk segmentation can be utilized to expedite legitimate trade as well as help with security. Risk segmentation will also allow CBP to allocate its enforcement resources to high risk cargo and persons. Using shipper and traveler programs that segregate low risk vs. high risk cargo and persons will be essential for targeting possible threats.

- A broader view of border management of North America by working with Canada and Mexico to be accomplished by what was termed a "grand bargain" in which the trade community would provide advance information in exchange for expedited clearances of safe cargo, by modernizing existing and creating new entry ports, by expanding standing security programs such as C-TPAT, FAST, etc., and by moving the processing from the actual physical border to secure corridors which would provide pre-screening and pre-inspection functions and would help decrease congestion at border crossings. CBP will also commit to making the participation in security programs and their resulting benefits more meaningful and valuable to the trade community.

Concepts that are currently in early phases of development include risk based account management which would focus on areas of risk vs. volume, simplified entry and financial processes which would provide for earlier release determinations and a streamlining of information and payments, the development of centers of expertise which would provide uniform guidance, and providing methods for Automated Commercial Environment (ACE) to support account management.

These concepts will be added to standing programs and initiatives that are currently in place which already help expedite legitimate trade, secure imports, protect intellectual property rights, and protect the trade community from unfair competition.

Customs brokers in a new role will be called upon to provide account management rather than shipment by shipment processing, which would improve overall efficiency in clearances and security of cargo.

Commissioner Bersin's complete remarks can be viewed by visiting the CBP website at the following link:

http://www.cbp.gov/xp/cgov/newsroom/speeches_statements/remarks_bersin.xml

BIS Requests Comments on SME Understanding of and Compliance with the Export Administration Regulations

The Bureau of Industry and Security (BIS) on October 6, 2010 issued a Notice of Inquiry to solicit comments from the public regarding small and medium enterprises' (SMEs) understanding of and compliance with export controls maintained pursuant to the Export Administration Regulations (EAR).

BIS anticipates that input from the public will help it administer and enforce export controls in a manner consistent with U.S. national security while facilitating and even increasing legitimate trade involving SMEs and the exporting community in general.

BIS intends to use the information to evaluate the need for innovations and revisions to the EAR. Given SMEs' strategic position in export trade, the EAR must continue to address SMEs' concerns in a manner that promotes compliance without adversely affecting competitiveness.

BIS would like to see comments that identify issues and make recommendations regarding SMEs' awareness and understanding of the EAR, as well as their experiences in complying with the EAR.

BIS invites the public also to submit comments on the following:

1. The principal challenges SMEs face in trying to comply with the EAR, including any challenges that SMEs uniquely face and approaches to overcoming these challenges;
2. The value of current BIS outreach, education and counseling to SMEs in understanding and complying with the EAR;
3. Ways to improve or expand SMEs' awareness, knowledge and understanding of the EAR and increase their capacity to comply with them; and
4. Data, including comparative international data, that support comments and recommendations related to items (1) through (3) above; and that provide examples of effective methods of administering and enforcing export controls with special attention to SMEs.

Comments must be submitted on or before December 6, 2010.

View the complete Federal Register Notice, dated October 6, 2010 at: http://www.bis.doc.gov/news/2010/notice%20of%20inquiry_10062010.pdf

Trade Deficit Increases in August 2010

The U.S. international trade deficit increased to $46.3 billion in August 2010, as imports increased more than exports. While exports increased slightly, from $153.5 to $153.9, imports were up $4.1 billion to $200.2 billion. The increase in exports was driven by an increase in services exports (up $0.3 billion), as well as exports of foods, feeds, and beverages (up $1.2 billion) and industrial supplies (up $0.6 billion). Imports saw increases in consumer goods (up $1.4 billion), capital goods (up $0.9 billion), and record-high imports of foods, feeds, and beverages ($7.8 billion, up $0.1 billion).

The import increase came largely from Canada (up $2.1 billion) and China (up $2.0 billion). Toys, games, sporting goods, cell phones, and computer accessories drove the increase in imports from China. The result was a record high $35.3 billion in imports from China, outpacing the previous high, set in October 2008, by $1.3 billion. The $28.0 billion trade deficit with China was the largest monthly deficit we have ever had with one country, surpassing the $27.9 billion deficit with China from October 2008.

View the full report from Census at: http://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf

TRANSPORTATION UPDATE

November 2010 Update

INDUSTRY NEWS:

Asia Peak Season Ends Early This Year and Rates Stabilize For Now
Ocean carriers are now reporting they are running between 85% and 95% capacity. Some ships are still full, but in general, backlogs are under one to two weeks for Asia inbound cargo. Instances of having containers "rolled" from vessel to vessel have decreased, and rates are inching down as carriers are decreasing or waiving their Peak Season Surcharges. It is important to note that as we head into the carrier's "winter program," the capacity lull and freight rate decreases will end as carriers pull vessels out of capacity resulting in skyrocketing demand, driving freight prices up.

Airfreight forwarders report that airfreight rates are relatively stable after two years of sharp fluctuations. In a recent survey, the vast majority of freight forwarders report airfreight pricing to stay flat or grow only modestly in the coming month.

Government Export Initiative Gets a Much Need Boost
President Obama's initiative to double U.S. exports in the next five years (see our April and October 2010 Shap Talks for more information on the export initiative) is getting a much needed boost from Federal Reserve Chairman Ben Bernanke. Federal officials report that they are steering the central bank toward a second round of economic stimulus by driving down long-term U.S. interest rates which will drive down the price of the U.S. dollar in foreign markets. This move will make U.S. goods available at more competitive prices in foreign markets.

It is expected that the dollar's slide could continue for awhile which will keep the Federal Government putting extra money into the economy while the recovery gains much needed strides. This comes at a time when U.S. trade figures show the value of U.S. exports rose 17.9 percent this year through the month of August. If the current pace can be sustained to 2010 this would double the value of U.S. export sales and Obama's target could be met. The government is expected to come up with new policies to spur exports and the Export-Import Bank is ramping up its financial aid.

The U.S. continues to import much more than we sell abroad and so far this year, import growth has outpaced export growth as a result of the global trade rebound that was sharper than anyone anticipated.

OCEAN FREIGHT:

List of Carriers to Cease Providing Free Chassis Grows

Yang Ming Lines has joined several other major carriers to cease providing chassis in nine U.S. cities. Effective November 1st, Yang Ming will no longer provide chassis in Baltimore, Buffalo, Jacksonville, Miami, Tampa, Philadelphia, Pittsburgh, S. Kearny, NJ, and Worcester, MA.

Other carriers that have announced they are getting out of the chassis business or reducing their capacity for providing chassis include Maersk, Cosco, CMA, NYK, OOCL, ACL, Evergreen, and Hyundai.

The carriers are spinning this to report that by getting out of the chassis business they "will improve efficiencies on many levels within the international and local supply chain. Truckers will have greater flexibility, and terminal congestion will be reduced, greatly protecting the environment from fleets of idling trucks," according to the Journal of Commerce. So in effect, it is an opportunity for the carriers to "go green." Nonetheless, Samuel Shapiro & Company, Inc. will choose truckers that share in this spirit of flexibility which in some cases can increase trucking costs to an extent while improving the turnaround time for getting the containers picked up.

Export General Rate Increase (GRI) to Asia Delayed or Reduced

Ocean carriers had intended to increase export ocean rates from U.S. ports to Asia ports on November 1st, but due to lower than expected capacity the GRIs have been delayed until December 1st.

Horizon Lines Adds New Asia-U.S. Service

Horizon Lines announced this month that they will be adding approx 12,500 new containers to their shipping network by launching a new weekly liner service between China and the U.S. in December. Horizon Lines feels that they are entering the market at a very good time as U.S. importers are diversifying their shipping contract options to adjust to constant capacity fluctuations in the Transpacific Trade. The new route will serve Shanghai and Ningbo to Los Angeles and Oakland, California, and Horizon will use five new vessels in its rotation that will each have a capacity of 2,824 x 20-foot-equivalent container units. This service will provide a transit time of 11 days from Shanghai to Los Angeles. The first voyage on this service is sailing on December 13th and is already 45 percent booked.

Evergreen Orders 10 More Ships

Evergreen ordered 10 new container ships with capacity of 8,000 20-foot-equivalent units in addition to a recent order of the same size in July. Evergreen had refrained from ordering new ships when most other lines were still ordering large vessels during the last years before the global recession.

MSC Announces General Rate Increase (GRI) from Turkey to U.S.

MSC announced that effective November 1st, they will increase all rates from Turkey to all U.S. ports by $225/20' and $300/40'.

AIRFREIGHT:

Air Forwarders Adapting to 100 Percent Screening

In a recent survey, 67 percent of all indirect air carriers (forwarding companies) reported no problems at all after the August 1st rule the Transportation Security Administration (TSA) put in effect requiring that all cargo moving aboard passenger aircraft be screened before loading. Another 28 percent reported minor problems with the new rule. Some forwarders say they opted for using more all-cargo carriers that are not subject to the same screening rule. Nearly 50% of forwarders reported that they were unhappy about the lack of uniformity between the methods each air carrier handles shipments on skids. Most forwarders said that they left the screening responsibilities to the airlines and the balance said they use in-house facilities or independent screeners or a combination thereof. All-in-all, forwarders claim they are sufficiently satisfied with the existing screening program and they don't want Congress to change it. There is proposed legislation for the TSA to set up its own screening facilities. The majority of forwarders surveyed felt that this would be a waste of money.

Issues that air shippers have had to deal with are the increased security charges and increased AWB fees. Lufthansa claims that its security costs have risen tenfold since 2000. Lufthansa increased its security fee in Hong Kong from HKD 1.20 to HKD 1.50 per kilo based on chargeable weight as of October 1, 2010, and it has also increased its AWB fee from HKD 13.00 to HKD 15.00 per Master AWB.

Lufthansa Freight Volumes Soar

Lufthansa reported that it moved 20.5 percent more cargo in September 2010 as compared to September 2009, and it outpaced its main European rivals. The Lufthansa group's American traffic was particularly strong and saw an increase of 25.6 percent in the same period. Asia traffic is heavy and Lufthansa plans to double the number of weekly freighter flights to Japan to 12 – seven to Tokyo and five to Osaka in this winter season.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Announces University of Baltimore's International Business Scholar Program

Samuel Shapiro & Company, Inc. is proud to announce we will be working with the University of Baltimore to develop a new International Business Scholar Program. The new program was first announced at Shapiro's 95th Anniversary Gala in August by Robert Bogomolny, University of Baltimore President. While the full curriculum details are still under development, the goal of the program will be to promote and advance the logistics field, provide academic and financial support, and shape the next generation of supply chain industry leaders.

This two-year program will be available to sophomores based on academic achievement and a demonstrated interest in international business. Under this program, the selected student will be awarded both a stipend to support studies and a paid internship at Samuel Shapiro & Company, Inc. to provide the scholar with real-life business experience and résumé building opportunity. Shapiro is also considering providing the student with a prospect to travel abroad to work for a time with one of the company's foreign agents.

Shapiro will be working with an assigned advisor to define academic requirements and will provide scholastic support by making company professionals available to host class sessions. The program will include a multi-disciplinary approach with introductory classes in a variety of subjects likely to include import/export law, business management, international economics and finance, among others. It will also encourage the presentation of a Senior Honor thesis on a topic of interest to the student and the company under the advice of the academic advisor.

"This program supports one of our core values, which is positively contributing to our community," said Margie Shapiro, Samuel Shapiro & Company, Inc. President and CEO. "There is no better way to do that than investing in education and 'building the bench' for the next generation in Baltimore, the roots of our company and my family." The International Business Scholar Program has been greatly supported by her parents, Sigmund and Barbara Shapiro, who have very strong ties to the City of Baltimore. "The University of Baltimore looks forward to this collaboration with Samuel Shapiro & Company, Inc.," noted Bogomolny. "This partnership will offer our students a strategic advantage by gaining insight into the import and export dimensions of international trade from the region's leaders."

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 Joseph Shepanek, Corporate Pricing Specialist, 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.