SHAP TALK

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In this issue:

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TRADE NEWS

CBP Overhauls Focused Assessment Program

A major overhaul of U.S. Customs and Border Protection's (CBP) Focused Assessment (FA) program became effective on October 1, with the first significant changes to the program in over 11 years.

The Focused Assessment program includes comprehensive risk based audits of importers based on assessments of internal controls in an effort to determine whether importers pose an acceptable risk for adherence to CBP laws and regulations. The program promotes voluntary compliance by addressing internal issues, which therefore allows CBP to determine whether subsequent collection or enforcement actions are necessary.

The expected negative results include a greater paperwork burden for importers in requested entry documents, more targeted questions by CBP, and longer audit cycle times. Positive actions include parameters and techniques that reflect changing U.S. and world economies such as uniform government auditing standards, business practices, the consideration of material significance in making audit decisions, and greater flexibility by CBP to tailor audits to the circumstances of importers which as a result may allow the emphasis on larger importers to be internal controls and on smaller importers to be compliance.

The phases and general processes of the FA will remain unchanged, but changes include:

- A revised process during the Pre-Assessment Survey (PAS) will provide for specific information such as written policies and procedures and a chart of accounts earlier in the process so that CBP can better tailor the initial PAS questionnaire.
- There will be no formal advance conference as CBP will provide materials and explain the audit process informally.
- CBP will no longer make a risk assessment at the start of the PAS process, but will make that assessment later in the audit process.
- There will be an emphasis on materiality in determining areas to be included or excluded from the FA. It's possible that some initial included areas may be later eliminated from the audit.
- CBP will no longer require classification and valuation areas to be included in the scope of the audit, but it's unlikely that those areas will be completely eliminated.
- Entrance conferences will include an increase in "walkthrough" entries, which are entries that are made available for review at the conference to allow CBP to better identify potential problem areas or perceived risks. The conference can also include a discussion of sampling plans if known at that time.
- CBP is replacing its sampling matrices with more general guidelines, which is likely to increase sample volumes.
- The final risk assessment will allow CBP to evaluate inherent, control, and detective risks to be able to adjust the type and number of procedures used to reduce a risk of determining an inappropriate or inaccurate conclusion.
- Although formal written policies and procedures may decrease compliance testing, CBP has changed its approach to requiring such written documentation as good practices and procedures can still be in place and effective as part of an importer's internal controls.

- The risk profile of an importer will be adjusted to reflect the formality of internal systems required to ensure compliance. For example, large importers generally have more resources, but pose a larger risk so they are likely to require a formal control system vs. small importers who pose a lower risk, and therefore may require a less formal system.
- The checklists used by auditors to evaluate internal controls have been replaced with general questions auditors may consider in assessing those controls.
- Deficiencies and unacceptable risk conclusions will be determined based on materiality of the noncompliant issue.

Steps that importers should take in preparation of the mentioned changes include:

- The development of documented policies and procedures e.g. an import manual, and accompanying internal controls that demonstrate that the policies and procedures are being followed.
- The identification of and demonstration of action on all possible and realized risks.
- Continued monitoring and testing of internal controls by third party individuals, and the documentation of the results and any actions taken.
- Maintaining and tasking internal import compliance personnel.

If you would like assistance with drafting an import manual, please Contact Us for a quotation.

Customs Proposes Major Changes to Importer ID Form

The Customs Form 5106 Importer ID Input Record is the means to identify an importer and consignee to Customs and Border Protection (CBP) with the importer's IRS number or Social Security Number, name, and address. The 5106 form can also be used to request a Customs assigned importer number, typically for non-resident importers.

In a Federal Register notice dated October 9, 2014, Customs is requesting comments through December 8th on a proposed revised 5106 form which would collect far more information from importers. The new data elements are:

- *If you are an importer, how many entries do you plan on filing in a year?*
- *How will the identification number be utilized?*
- *Program Code (for future use)*
- *Type of address (for mailing address)*
- *Type of address (for physical location)*
- *Phone Number*
- *Fax number*
- *Email address*
- *Web site*

- *A brief business description*
- *The 6-digit North American Industry Classification System (NAICS) code for this business*
- *The D–U–N–S Number for the Importer*
- *The filer code if submitting as a broker/self-filer*
- *Year established*
- *Primary Banking Institution*
- *Certificate or Articles of Incorporation—(Locator I.D.)*
- *Certificate or Articles of Incorporation—(Reference Number)*
- *Business Structure/Company Officers*
    - *Company Position Title*
    - *Name*
    - *Direct Phone Number*
    - *Direct Email*
    - *Social Security Number*
    - *Passport Number*
    - *Passport Country of Issuance*
    - *Passport Expiration Date*
    - *Passport Type*
- *Broker Name*
- *Broker Telephone Number*

Customs states that the additional information will enhance CBP's ability to make an informative assessment of risk prior to the initial importation, and will provide improved awareness regarding the company, its officers, and previous business practices. The officers whose information will be submitted on the 5106 form should have importing and financial business knowledge of the company, and the legal authority to make decisions on behalf of the company. The form would be renamed the Create/Update Importer Identity Form.

Each month, 20,000 to 25,000 new importers are reported to Customs. The new form will allow CBP to compare an importer's corporate information to the agency's databases. Customs wants to ensure that the importer is legitimate.

The proposed notice is already generating controversy amid privacy concerns and securing the integrity of the data CBP wishes to collect. Customs brokers typically complete the current 5106 form. Importers may not be willing to share such detailed information with their broker, let alone with U.S. Customs.

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Reminder: Biennial Food Facility Registration Required by December 31st

The Food Safety Modernization Act requires food facilities to renew their registration between October 1st and December 31st in even-numbered years. Domestic and foreign food facilities that manufacture, process, pack or hold food must renew their registration by December 31, 2014. Registrations that are not renewed by December 31st will be invalidated and subsequent entries will be held.

Food importers should contact their suppliers to ensure the registrations are renewed promptly. More information on the renewal process may be found on the FDA website. FDA reminds food facilities that "updating" the registration is not the same as "renewing" the registration. The "Update" button will not be available until the registration is renewed.

BIS Sending Letters to Exporters for "NLR" Designation

The Department of Commerce's Bureau of Industry and Security (BIS) evaluates many aspects of the Electronic Export Information (EEI) that is transmitted to the Automated Export System (AES). As most exporters are aware, BIS is currently monitoring all "600 series" Export Control Classification Numbers (ECCNs) and all uses of the Strategic Trade Authorization (STA) exception. Compliance reviews on these exports are increasing. BIS is following up with new exporters using the STA exception to ensure they are in compliance. The new exporters have found this to be very helpful.

BIS is also looking at No License Required (NLR) declarations. The Export Management and Compliance Division of BIS has sent out approximately 80 letters to exporters advising that the NLR designation does not seem accurate. Another batch of 132 letters is scheduled to go out. This is not an enforcement letter. It is more of a why did this happen and you need to correct it letter. If the same item appears on the BIS report again, BIS will send an additional outreach notice to the exporter. If that same item is on the report for a third time, it will be referred to the enforcement division of BIS. BIS is taking the informed compliance approach first and then stepping it up to enforced compliance.

If your company receives a letter, it should not be taken lightly. We suggest that you thoroughly review the letter and your shipments, and involve an outside expert for advice on how to proceed. Please Contact Us if you need assistance.

Russia Removed from GSP Program

Russia was officially removed from the Generalized System of Preferences (GSP) program effective October 3rd. The country has sufficiently advanced in economic development and thus is no longer eligible for GSP treatment.

Will Russia's removal from GSP hasten the program's renewal? This is unlikely. The United States does very little trade with Russia, so the removal will not have much impact.

If GSP is renewed and if the renewal is retroactive, entries of Russian goods will still receive refunds for those entered up to October 3, 2014.

USDA Unveils New Portal for Electronic Lacey Act Declaration

The United States Department of Agriculture's Animal and Plant Health Inspection Service has launched a new system for filing Lacey Act Declarations electronically. Importers who were previously filing paper Lacey Act forms with USDA may now submit the declaration via a portal called the Lacey Act Web Governance Systems (LAWGS). LAWGS allows importers to save frequently used declaration data in templates, select standard information from drop-down menus, and upload merchandise information in XML format to auto-populate the form.

Importers who are currently sending Lacey Act declarations through ABI via their broker should continue to do so.

TRANSPORTATION NEWS

November 2014 Update

INDUSTRY NEWS:

L.A. Port Director Claims Tentative Port Labor Deal Coming Soon

The head of the Port of Los Angeles has recently declared that contract negotiations between the Pacific Maritime Association and 20,000 dockworkers at West Coast ports are progressing toward a tentative agreement in November. The L.A. Port Director said he talks daily to the negotiators from both sides and he reports that both sides have much mutual respect. He said he truly feels that a tentative agreement will be reached "within weeks." The spokesman for the ILWU said only that the negotiations are ongoing and he did not offer a timeline for settlement.

Frequent Sailing Schedule Changes Challenge Shippers

During this past summer, there were approximately 22.5 million global sailing schedule changes on more than 1.3 million schedules from 20 carriers, emphasizing the challenges of shipment planning. Of all the changes in the last three months, 57% occurred at Asian ports, 18% at European ports and 12% at North American ports, according to a report by CargoSmart.

In Asia, the ports with the most schedule changes included Singapore, Shanghai and Hong Kong. The changes at the port of Singapore reached more than 7% of all changes in Asia. As a result of all the productivity challenges in Singapore, the Maritime and Port Authority of Singapore and PSA Corp. (Singapore's port operator) agreed to spend $24 million on technology that will help terminal operations in the future.

In Europe, the ports with the most schedule changes include Rotterdam, Hamburg and Le Havre. The schedule changes at Rotterdam alone were 20% of the total changes in Europe. Rotterdam experienced severe congestion this summer following an increase in the number of mega-container ships calling the port.

In North America, the three ports with the most were Norfolk, New York and Oakland. The schedules changes at Norfolk accounted for more than 9% of the total schedule changes in North America.

Holiday Shipments Delayed at L.A./Long Beach Ports

The delays at the Ports of Los Angeles and Long Beach are threatening timely deliveries for holiday goods being delivered to retailers. Delays are reported to be 2-3 weeks. These delays are being felt by everyone including major retailers such as JC Penney, Macy's, Kohl's, Nordstrom, American Eagle, and Ralph Lauren. To avoid the delays at Los Angeles and Long Beach, some companies have diverted cargo to other west coast ports. Wal-Mart, for example, has already diverted 300 TEUs to Oakland.

Many retailers tried to be proactive because of the labor negotiations and scheduled holiday shipments early. In doing so, another problem was created with the large volume of vessel arrivals. The delays at the ports are mostly for shipments from Asia. According to the National Retail Federation, chassis shortages are the primary reason for the chronic delays. The issues at the Ports of Los Angeles and Long Beach have led to a domino effect for the holiday season.

Most recently, several ships have been waiting in the harbor to berth, and the number of vessels waiting continues to increase. We can expect the long delays at Los Angeles and Long Beach ports to continue at least until the end of 2014.

CKYHE Carrier Alliance Will Service the U.S. Market

Still pending regulatory approval, the CKYHE alliance has announced that it will enter the U.S. market. The Alliance consists of Evergreen Marine Corp, China Ocean Shipping, Kawasaki Kisen Kaisha ("K" Line), Hanjin Shipping, and Yang Ming Marine Transport. Successfully operating in in the Asia –Europe trade, as well as the Mediterranean, the Alliance said in a statement that it "plans to follow the same model in the U.S. trade." The Alliance hopes that this new cooperation will result in greater operational flexibility, permitting them to offer broader port coverage, increased frequency of sailings and stable transit times. The target date of implementation is spring 2015.

Hamburg Sud and United Arab Shipping Company Form New Collaboration

A global cooperation agreement has been signed between Hamburg Süd and the United Arab Shipping Company (UASC). "This cooperation will allow Hamburg Süd and UASC to build on their core expertise, as well as on their existing networks, and to thereby offer the customers of both lines more comprehensive coverage and even better and more reliable services," said Dr. Ottmar Gast, Chairman of the Executive Board of Hamburg Süd.

In December 2014, Hamburg Süd will enter the traffic between Asia, the Western Mediterranean and northern Europe, and in January 2015 the services between Asia and North America, while UASC will enter the Europe - South America East Coast and Asia - South America East Coast trades effective from mid-2015. The initial goal is to share container space, and then later ships will also sail in the services of the other partner.

Four Chassis Operators to Form Chassis Pool at Los Angeles-Long Beach Ports

According to the Journal of Commerce, four companies that control approximately 95% of the chassis in the Los Angeles–Long Beach ports agreed to create a neutral chassis pool, with a phased rollout scheduled to begin on February 1, 2015. The four companies include the three largest chassis pool providers in the harbor: Direct ChassisLink (DCLI), TRAC Intermodal, and Flexi-Van. SSA Marine is the fourth company to be part of this agreement; it operates three container terminals and has its own chassis pool. According to the article, DCLI has roughly 30,000 chassis, Flexi-Van has 19,000, TRAC has 37,000, and SSA Marine 9,000. This agreement brings some hope to shippers as the ongoing chassis shortage continues to be a major contributing factor to the severe vessel/cargo backlog at the Southern California port complex. The four companies will have a conference call with their legal counsel to get the process started next week.

For the full story, please review the JOC article titled, "Four chassis operators agree to form pool at LA-Long Beach."

OCEAN FREIGHT

MSC No Longer Providing Free Chassis

Effective November 15, 2014, MSC will join many other carriers and start charging a Chassis Usage Charge. The charge will be apply to all shipments that are destined to or passing through the United States for which a carrier-provided standard chassis with not more than 2 axles is used in the United States.

For dry standard and dry special equipment, the chassis usage charge for the day and three (3) working days not including weekends and holidays will be US$60 per container. For reefer cargo, the chassis usage charge for the day and two (2) working days excluding weekends and holidays will be US$60 per container. There will also be a per diem charge after the standard free time period depending upon the chassis required, excess time, and type of equipment.

Some notes and rules to remember are that the carrier is under no obligation to provide a chassis. The customer can provide its own chassis for no surcharge. If the carrier agrees to provide a chassis and cannot follow through with a chassis, the customer will be refunded. The charge will be assessed, applied and collected in the U.S. unless MSC is notified and agrees to overseas payment.

For cargo specifically going to or through Miami FL, Tampa FL, and Port Everglades FL, port chassis are to be supplied by the shippers, consignees or their agents. The charge will not be applicable unless the carrier is requested by the shipper or agent to provide a chassis for the removal or delivery of a container. If you have any questions, please contact your Shapiro representative.

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Trans Pacific Import GRI Announced for November 15

Carriers in the Transpacific to USA market have announced a General Rate Increase (GRI) on November 15th at $480/20', $600/40', $675/40'HC, $760/45'. The exact amount per carrier will likely be unknown until November 14th. Please contact your Shapiro representative for details.

Carriers in the Indian Subcontinent to USA market have announced a wide range of GRIs. Most recently Hapag Lloyd announced an increase of $170/20', $200/40' and 40'HC effective November 26. Please contact your Shapiro representative for full details.

G6 Carrier Alliance Announces Winter Deployment Schedule

The G6 Alliance (APL, Mitsui OSK, Hyundai, NYK, Hapag-Lloyd, OOCL) have announced the following service rationalizations commencing early November, as part of their winter deployment program on the heels of a very busy Peak Season:

US West Coast - The CC2 service will be suspended effective November 1st. The CC2 service deploys 5,900 TEU vessels in a rotation covering Ningbo-Shanghai-Los Angeles. Coverage of those ports shall then be assumed by the remaining G6 services including the CC1 and CC4. The suspension of the CC2 service will remove approximately 5% of the weekly capacity deployed from Asia to the US West Coast.

US East Coast - The NYE and SCE services will be merged from two services into one, effective early November. Both services are deployed with 4,800 TEU vessels. The revised rotation will be Xiamen – Kaohsiung – Hong Kong – Yantian – Shanghai (Yangshan) – Pusan – Panama Canal – Manzanillo – Kingston – Savannah – Charleston – New York – Norfolk – Jacksonville – Kingston – Manzanillo – Panama Canal – Balboa – Pusan – Xiamen. The rationalization will remove approximately 2% of the weekly capacity deployed from Asia to the US East Coast.

AIR FREIGHT

American Airlines and US Airways Cargo Divisions Merge

Effective October 20th, the cargo divisions of American Airlines and US Airways were merged to create one combined cargo network. All shipments going forward will be handled under American Air waybills AA 001. It's been 10 months since the official merger and the two airlines have been working hard to provide a seamless transition for shippers and forwarders. The merger brings additional capacity to Asia and South America and new destinations on the horizon.

Asia Airfreight Peak Season Strongest In Three Years

We are seeing a stronger Asia airfreight peak this season than in recent years. While growth and expansion is up, so are the rates strongly due to hot new major electronic releases as well as congestion at ocean ports. Shanghai and Hong Kong airports have reported impressive increases last month. The market is expected to keep pace through the holiday season.

DOMESTIC NEWS

The Next Intermodal Niche

There is a growing trend in the intermodal industry to move bulk cargoes in tank containers using intermodal (motor/rail combined) services instead of the traditional over the road in domestic trailers. This growing market has come about due to multiple factors such as rising costs, the ever increasing shortage of qualified drivers, and the increased ability by the railroads to provide effective and reliable service. Traditionally intermodal moves were utilized when cargoes were moving across country or long distances. Today that market is shifting. The rail system is now considered a viable, cost effective option on shipments moving even less than 500 miles. The major bulk transportation companies are finding that with an improved rail infrastructure it is more effective to move shipments in tank containers via the rail and use local regional drivers to make the deliveries. A single truck can now make multiple deliveries in a single day whereas with a non-intermodal move the truck may make one delivery a day.

A major benefit for shippers using carriers that are moving the shipper's product via intermodal service is that the shipper can move up to 4,000 pounds more cargo. The reason for the ability to increase the weight and amount of cargo being transported is due to the bulk transport companies using local day cab trucks to make delivery. Day cab trucks typically weigh less than the over the road trucks which means the shipper can load more product and still be under 80,000 pounds gross weight.

As more customers are using intermodal to move bulk materials, the major bulk transport companies are rapidly attempting to increase their fleet to meet the demands of this growing market. Quality Carriers presently has a fleet of about 100 forty foot bulk tank containers and is expecting to have a fleet of over 500 units by the end of 2015. Schneider has several hundred units in its fleet and is looking at expanding due to a 75% increase in its bulk product shipments via intermodal.

Outside of the challenge presented with the railroads having access to the proper equipment and training, this trend offers a cost effective method that uses resources efficiently. Both the shipper and the bulk carriers are benefiting from this service.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro's Jane Taeger Presents Customs Regulations and Logistics Session at the Annual Textile Bag & Packaging Association's Fall Meeting

Shapiro attended as the featured speaker at the Textile Bag & Packaging Association's (TBPA) Fall Meeting at the Westin Grand Central in New York City on October 28, 2014. Jane Taeger, Shapiro's Director of Compliance, presented the session titled, "From Rates to Regs: A Snapshot of the Logistics Industry."

The presentation, which ran from 9:00 a.m. to 10:30 a.m., provided an overview of the logistics industry as it affects importers, specifically in the textile and packaging industry. Taeger reviewed a broad spectrum of supply chain and regulatory compliance topics, including the Los Angeles/Long Beach port delays, a comparative analysis between a non-vessel operating (NVO) and a beneficial cargo owner (BCO), the Panama Canal expansion, C-TPAT certification, and various compliance program updates.

A licensed broker since 1987, Taeger joined Shapiro as the Director of Compliance in 2005 and is responsible for the company's import and export regulatory compliance and its professional consulting services division. Shapiro's Director of Commercial Development, Colin Chapman, also attended the event to support the discussion.

"With 99 years of experience, Shapiro is so pleased to be able to contribute to the supply chain and regulatory conversation with the textile community," says Taeger. "In the ever-changing logistics landscape, staying informed and educated in regulatory compliance and the freight market gives importers the power to mitigate potential dangers to their supply chains."

Representing a membership of over 140 firms around the globe, including the former Textile Bag Manufacturers Association membership, TBPA hosts conferences for its members twice yearly. Businesses from all over the world attend educational and business workshops for a free exchange of ideas including market trends, promotion of the industry, and trade issues. Since its founding in 1934, the association has grown significantly in both scope and dissemination of critical trade-related information.

For more information on TBPA, visit http://www.textilepackaging.org/

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 Merritt Trigg, Business Development Analyst in Baltimore, 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.