

SHAP TALK

October 2013 Issue No. 138

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TRADE NEWS

Government Shutdown Update

The following is an update from various sources regarding the current government shutdown.

U.S. Customs – CBP operations are proceeding as normal. Ports of entry are open and clearance of cargo is ongoing with minimal impact according to Customs. Cargo security and revenue functions will remain operational.

The Customs broker licensing exam scheduled for Monday October 7th will take place.

The Centers for Excellence and Expertise (CEE) are operational, but some personnel are furloughed. The Centers are doing their best to handle the tasks at hand.

The unit that handles manifest confidentiality requests has been furloughed.

Bond processing will be delayed.

The CBP client representative offices are closed.

Foreign C-TPAT validations will not take place since foreign travel is no longer authorized.

It is too soon to tell whether the Customs Trade Symposium scheduled for October 24th and 25th will take place. This will depend on the length of the shutdown.

FDA – FDA is operating with reduced staffing. Import entries are still being processed, but there could be delays, particularly with document reviews and exams.

APHIS – The website is shut down. The ePermits System remains operational. Permit applications must be sent electronically. USDA is not receiving mail at this time.

USDA – Inspections of meat, poultry and egg products will continue. The USDA website is not available.

Fish & Wildlife – The FWS website is down. FWS declarations must be submitted manually on paper forms.

Harmonized Tariff – The U.S. International Trade Commission has shut down its website for the Harmonized Tariff System.

Steel licenses – The steel license issuing system is closed. Those importers requiring a steel license should use a temporary code STEELX103 until further notice.

International Trade Commission – In addition to the above information regarding the Harmonized Tariff and steel licenses, the ITC has shut down its investigative activities for antidumping and countervailing duty cases. Schedules and deadlines for ADD and CVD cases will be tolled which means postponement and extension of the dates until the government reopens.

Schedule B – The Census Bureau has shut down its website for Schedule B. However, the [Schedule B search engine](#) is still operational.

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Census – The Census website is down.

AES Direct – The system is operational.

Bureau of Industry and Security – BIS is no longer accepting export license applications, classification requests (CCATS), encryption reviews, encryption registrations, or advisory opinion requests. Similarly, BIS will not be issuing any final determinations. The SNAP-R application on BIS's Website is not available and will not reopen until the shutdown ends. All pending export license applications, commodity classification requests, encryption reviews, encryption registrations, and advisory opinion requests will be held without action by BIS until the shutdown ends.

Applicants may request emergency processing of export license applications for national security reasons by submitting email requests to Deputy Assistant Secretary for Export Administration Matthew Borman at Matthew.Borman@bis.doc.gov. The subject line of the email should read "Request for Emergency License" and the email must identify the applicant (including point of contact), intermediate and ultimate consignees, and end user(s), items, end use, and national security justification for the emergency processing.

The Office of Antiboycott Compliance personnel have been furloughed.

U.S. Export Assistance Center is closed.

State Department – After Friday October 4, licenses will be accepted only for emergency processing.

FMC – The FMC has suspended operations. Its systems will be unavailable to accept electronic filings for service contracts and NVOCC Service Arrangements (NSAs), and service contract and NSA amendments during the shutdown period.

The White House has posted a [list of contingency plans](#) for the various federal agencies. You can also consult the [USA.gov website](#) for shutdown details. Shapiro will continue to provide updates to keep you informed.

DDTC Releases Specially Designed Decision Tool

As part of the Directorate of Defense Trade Controls (DDTC) outreach efforts for the initial implementation of Export Control Reform final rule published on April 16, 2013, DDTC has developed a new web-based decision tool that will assist users in understanding and applying the new rules and regulations as established in Federal Register Notice [78 FR 22740](#).

On September 18, 2013, the State Department posted to its DDTC website, a [Specially Designed Decision Tool](#). This tool is effective for exports on or after October 15, 2013. It applies only to commodities and software related to United States Munitions List (USML) categories that have been revised in accordance with the President's Export Control Reform (ECR) initiative. DDTC notes on its website that an Order of Review tool is coming soon.

Along with the specially Designed Decision Tool are [Key Term](#) and [References](#) lists.

For additional information, visit the DDTC website at: <http://pmdtdtc.state.gov/index.html>

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State Department "Order of Review Decision Tool" Posted for Comments

The Directorate of Defense Trade Controls (DDTC) has posted a Beta Version of DDTC's "[Order of Review Decision Tool](#)" and it is being made available to provide feedback to the Directorate. Use of this tool is for evaluation purposes only. Along with the Order of Review comes [Reference on the current ITAR](#) and [Reference to the Revised ITAR as of 10/2013](#).

All questions and comments (subject line: Specially Designed Decision Tool Feedback) should be sent to the DDTC Response Team at (202) 663-1282, or DDTCResponseTeam@state.gov no later than 12PM EST on Monday, October 7th, 2013.

TRANSPORTATION NEWS

October 2013 Update

INDUSTRY NEWS:

Rate Trends Please Shippers While Carriers Threaten To Reduce Service

Ocean shippers in the Trans Pacific market have enjoyed rates that have been trending downward but there is a downside to this that may cause shippers to be not so giddy about this. The unfortunate truth is that carriers may have to reduce services to reduce costs on routes where they are losing money and this could very well disrupt supply chains supported by those very same carriers.

The launch of the P3 Network of carriers formed by Maersk, Mediterranean Shipping Company, and CMA due next spring will make it very difficult for the smaller carriers to compete. Many shippers have been complaining that the carriers are consistently announcing GRIs only to cancel them later in the same month. The announced upcoming GRI of \$400 per 40-foot container on the eastbound Asia to U.S. lane may be the last chance for the carriers to raise rates this year.

Ships have been sailing reasonably full at about 90 percent capacity on the Asia-Europe and trans-Pacific trades in September, however there is still more than enough capacity to accommodate demand according to shippers. Many point out that the peak season has fallen short of expectations as inventories were beefed up earlier in the year by many importers. Importers are fully expecting that the October GRI will be dismissed not long after it is implemented even though carriers point out that U.S. import demand is picking up before holiday sales.

U.S. Exports Weaken In Summer of 2013

Containerized exports fell 6.1 percent in June 2013 as compared to June 2012 according to preliminary figures from PIERS. This is the first time that the monthly volume fell under 1 million TEUs since January. The volume for June fell 12.5 percent from the previous month this year.

Asia is the main source of the weakness in U.S. exports. The largest declines were seen in automobiles, down 36 percent, animal feed, down 35 percent, and auto parts, down 32 percent. Shipments to Indonesia declined the most and were down 43 percent followed by Singapore and Vietnam which showed decreases of 22 and 16 percent respectively.

Areas where U.S. exports saw growth were the Netherlands, which saw an increase of 16 percent, and Belgium and India both saw increases of 14 percent in volumes.

ILA Changes Its Stance on Chassis Handling

The International Longshoremen's Association has dropped its plans to enforce a contract provision that would allow the union to refuse to handle chassis pool equipment that is maintained or repaired in port areas by non-ILA workers. The ILA is seeking a less confrontational way to ensure that companies are not going around their jurisdiction for maintenance and repair of chassis.

The three main chassis leasing companies – TRAC Lease, Flexi-van, and Direct ChassisLink Inc. – have each pledged to use ILA labor for their maintenance and repair work. As carriers have stopped providing chassis and have shifted their chassis to leasing companies, the ILA had insisted that the union retain its jurisdiction.

FMC Looking into Chinese VAT

The Federal Maritime Commission (FMC) is looking into the implications of China's new VAT of 6% levied on transportation and logistics services conducted or billed within China. The VAT went into effect August 1st. As mentioned in last month's Shap Talk, there is much confusion in the trade community as to the applicability and scope of the VAT. We will continue to monitor the issue and let you know of any updates.

Chinese Exports Face Challenges As China Currency Appreciates

Chinese exporters are facing increased competition from neighboring countries in Asia due to the strengthening of the Chinese currency at a time when other currencies in the region, such as the Indian Rupee and Japanese Yen, have depreciated over the last few months. Depreciation of foreign currencies can make the economy of a country more efficient and competitive by reducing wholesale and component prices according to Viktor Schvets, analyst with Macquarie Equities Research.

Currently China continues to enjoy export growth that has outstripped most forecasts as shipments to the United States have seen significant expansion over this past summer. Exports to the U.S. grew around 6 percent this summer versus the previous summer, and shipments to the EU saw increases of around 2.5 percent over the same period. If China's currency continues to appreciate, it may become overvalued which could lead to an erosion of competitiveness despite productivity gains made by many Chinese manufacturers at a time of rising labor costs there.

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Econocaribe Acquired by Allcargo Logistics/Ecu-Line

Miami-based Econocaribe has been purchased by Allcargo Logistics, the parent company of Ecu-Line. Econocaribe is currently the third largest NVOCC in the United States. Econocaribe provides freight consolidation and FCL service to Latin America, Caribbean, Europe, the Mediterranean, the Middle East, Africa, and Asia. The NVO also provides import LCL/FCL service into the United States and Puerto Rico from points worldwide. Econocaribe is a neutral NVO that partners with other NVO's worldwide. Ecu-Line is one of Europe's largest NVOs with extensive coverage to Africa, the Middle East, Asia, and the Indian Sub-Continent. Ecu-Line is very pleased to gain a foothold in North America and particularly in the U.S. so they can extend their business to the world's largest economy.

OCEAN FREIGHT

IMO Approves Proposal Requiring Weight Verification Prior to Shipment

The International Maritime Organization (IMO) subcommittee voted on September 20 to advance a proposal that would require container weights to be verified before fully loaded containers are allowed to be placed on board vessels. This proposed rule could be approved by the IMO's Maritime Safety Committee in May 2014 and if approved it could be implemented as early as July 2016.

Under the proposal the shippers would have to either (a) weigh the fully loaded containers to confirm the declared weight is in fact valid or (b) use a "calculated verification" method by combining the individual weights of all packages and cargo items, including pallets and dunnage. This second option is subject to some scrutiny, however it may be a good compromise because the practice of weighing each container simply cannot be done in every part of the world.

Sailing Cancellations Forecasted For Winter Season

Advisors from Drewry expect that with the formation of the P3 group comprised of Maersk, MSC, and CMA-CGM sharing vessel space, there will be increased sailing cancellations during this winter season. Sailing cancellations were already announced in September and during that month reductions in capacity of 2.8 percent were seen. It is expected that October will see similar reductions in capacity and later months could see higher percentage reductions. Due to the cancellation trend, shippers are advised to pay more attention to strategic planning over the next six months rather than assume that a contracted carrier will usually have the space they need for the exact port pairs required.

MSC Challenges Maersk for Top Carrier Spot

Mediterranean Shipping Company (MSC) will be challenging Maersk Line for the right to be called the world's largest steamship line as MSC currently has the largest order booked for new vessels according to industry analysts from Alphaliner.

There are no signs of carrier consolidations through mergers in any of the top twenty steamship lines in the near future. Eighteen of the top twenty steamship lines have placed orders for new vessels totaling 344 vessels with an aggregate capacity of 3.4 million TEUs since 2009 with a price tag of \$34.1 billion. Two carriers in the top 20, Zim and NYK, are the only carriers that have not contracted for new ships in the past four years.

General Rate Increases (GRI) from Asia to USA delayed until October 15

All shipping lines that ship from Asia ports to the USA have announced a GRI effective October 15:

To All US Destinations:

US\$ 320 per 20' container

US\$ 400 per 40' container

US\$ 450 per 40' HC container

US\$ 510 per 45' container

General Rate Increase (GRI) from North Europe and the Med to USA Cancelled for October 1

The carriers in the North Europe and Mediterranean to USA trade have cancelled the announced a GRI effective October 1 at US\$ 150 per 20' container and US\$ 250 per 40' container.

China Shipping Will No Longer Provide Chassis to Major Sea Ports and Inland Ports

China Shipping will no longer provide free chassis at ports and inland locations in the U.S. They will phase out providing chassis in two phases.

a. Phase 1

All cargo from Far East to ports and inlands in USA, and/or USA inland ports effective November 1, 2013 as follows: Atlanta, GA; Buffalo, NY; Charleston, SC; Charlotte, NC; Dallas, TX; Denver, CO; El Paso, TX; Front Royal, VA; Indianapolis, IN; Jacksonville, FL; Laredo, TX; Louisville, KY; Memphis, TN; Mobile, AL; Nashville, TN; New Orleans, LA; New York, NY; Norfolk, VA; Oakland, CA; Omaha, NE; Pittsburgh, PA; Portland, OR; Salt Lake City, UT; San Antonio, TX; Savannah, GA; Seattle, WA; Tampa, FL; Arcadia, WI; Baltimore, MD; Boston, MA; Worcester, MA; Miami, FL; Philadelphia, PA

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b. Phase 2

All cargo from Far East ports to USA ports and Inlands effective May 1, 2014 as follows: Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbus, OH; Detroit, MI; Houston, TX; Kansas City, KS; Minneapolis, MN; St. Louis, MO; Los Angeles, CA; Long Beach, CA

A Chassis Usage Charge (CUC) of USD 50.00 per container shall apply to all shipments in which a carrier-provided standard chassis with not more than 2 axles is used in the United States. Interchange day plus 4 business days will be free of detention charges, but after that charges for dry containers are \$85 per day for days 1-5 after the free time, and from day 6 the charge is \$100 per day for dry containers only.

AIR FREIGHT

Air France Closes Cargo Center and Cancels Freighter Services

Due to decreased cargo volumes, Air France is phasing out three of its 747 freighters and is closing one of its cargo centers at Paris Orly Airport. Additionally, 2800 jobs will be cut in 2014. Air France claims they don't need the freighters any longer due its large number of passenger aircraft with significant cargo space while the demand for the additional freighter capacity no longer exists.

Emirates SkyCargo Adds Daily Flight from JFK to Milan

Effective October 1, 2013 Emirates Sky Cargo will fly a daily non-stop 777 from JFK to Milan (MXP)

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Receives Women's Business Enterprise Recertification

Shapiro has been approved for recertification as a Women's Business Enterprise (WBE) through the Women's Business Enterprise National Council (WBENC). WBENC is the nation's largest third party certifier of businesses owned and operated by women in the United States. WBENC certification is accepted by more than 1,000 corporations representing America's most prestigious brands, in addition to many states, cities and other entities.

WBENC is a resource for the more than 700 U.S. companies and government agencies that rely on WBENC's certification as an integral part of their supply diversity program. WBENC's national standard of certification, implemented by the Women Presidents' Educational Organization (WPEO), is a meticulous process including an in-depth review of the business, including a site inspection. The certification process is designed to confirm the business is at least 51% owned, operated and controlled by a woman or women.

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Since becoming a WBENC member in 2012, Shapiro has been leveraging its certification through participation in local and national events. In March of 2013, Shapiro attended WBENC's Summit & Salute in Baltimore, MD, a two-day program filled with important business growth principles, informal business development opportunities, and one-on-one networking sessions with Corporate Members. Not only did Shapiro gather key prospecting contacts, but also founded a vendor relationship with Cynthia Brown, President of Advertising, Premiums & Incentives (API). In the midst of Shapiro's rebranding initiative, API became a valuable partner in meeting deadlines for quality promotional materials. In June of 2013, Shapiro attended its first WBENC National Conference & Business Fair in Minneapolis, MN. The four-day conference is the largest event of its kind in the nation for women's business enterprises, bringing America's corporate and federal government buyers face-to-face with America's women-owned business suppliers.

Shapiro has been active in attending local Regional Partner Organization (RPO) events that provide an opportunity to connect with corporate and government council members, meet regional and national WBE representatives, and learn best practices in leveraging its WBENC certification. Shapiro actively participates in the Greater Women's Business Council's (GWBC®) marketing committee and recently attended the RPO's signature Power of Partnering Conference in August. The company is also looking forward to attending the upcoming Ladies Achieving Continuous Excellence (LACE) Awards in November in Atlanta, GA.

"Our first year of certification was filled with outstanding opportunities to connect with business leaders and has opened doors we didn't even know existed," stated Brunella Reid, Senior Manager of Marketing & Customer Development. "We are thrilled to continue in this path of mutual growth with WBENC's Corporate Members and our fellow WBEs."

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 Marley Tanno, Import Manager in Baltimore, for her outstanding performance and contributions.

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

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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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