

SHAP TALK

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TRADE NEWS

Biennial Food Facility Registration Begins October 1st

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 on the FDA registration main menu will not be available until the registration is renewed.

Personal Liability for CBP Entry Violations

On September 16, 2014, the Court of Appeals for the Federal Circuit ruled that under 19 USC 1592 (a) (1) import managers, business owners, compliance officers, and other company individuals can be held personally responsible for fraudulently or negligently providing information on a company’s importations. Under the decision the court defined the differences between those who enter goods, e.g. the importer of record vs. those who introduce goods on imports. The definition of those who introduce has been expanded to include new categories of individuals who are subject to penalties under the referenced law.

The law prohibits any person from fraudulently or negligently entering, introducing, or attempting to do so into U.S. commerce any goods by means of any document or electronically transmitted information, written or oral statement, or act that is materially false, or any material omission.

The court case, U.S. vs. Trek Leather, Inc. and Harish Shadadpuri, involved the failure to include the value of an assist on imported shipments of men’s suits. Trek’s president and sole shareholder Shadadpuri argued that he could not be held individually responsible for the failure to declare the value information as he personally didn’t act as importer of record. The court found Shadadpuri grossly negligent in introducing the goods, although he didn’t enter the goods as he was responsible for transferring ownership of the goods while in transit to a company he designated to be importer of record, and he provided to the Customs broker that cleared the shipment invoices that undervalued the shipment. As such he personally violated the law and is not relieved of liability because he acted on behalf of another party even though he was not the importer of record. The court advised that the law applies to any person whether or not acting as importer of record as there is no basis for limiting the language or meaning of the law, which plainly covers a human being. Both the company and the individual were issued penalties.

Whether Shadadpuri intends to appeal the decision remains unknown at this time.

The decision is a wakeup call for all individuals who are involved in the clearance entry process at the importer level as the decision holds trade compliance professionals liable for the acts of a corporate importer of record. The decision also speaks to the urgency of identifying and correcting entry errors quickly and of having a compliance program and procedures in place to actively do so rather than reactively addressing entry errors.

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Foreign Trade Regulations Enforced Compliance Begins October 3, 2014

As published on [March 14, 2013](#), revisions to the Foreign Trade Regulations (FTR) that govern the Electronic Export Information (EEI) required to be filed in the Automated Export System (AES) will end the period of informed compliance on October 2, 2014.

The date of the informed compliance period ran from April 5, 2014 through October 2, 2014 to ensure companies were ready to submit the new regulatory changes. Please remember effective October 3rd, these items are mandatory and if there is non-compliance a penalty may be issued.

The export statistical information is reported to the U.S. Census Bureau, and is also used by various U.S. Government agencies, such as the Department of Commerce and the State Department, to enforce U.S. export laws.

Highlights of the changes to the Foreign Trade Regulations may be found in our [April 2014 edition of Shap Talk](#).

Company Losses Due to GSP Expiration

On September 16, 2014, a study released by the Coalition for the Generalized System of Preferences (GSP) advised that U.S. importers are facing sometimes irreversible losses and climbing costs as the GSP program remains expired. The coalition advised that lawmakers are losing touch with the importance of the program and the ill effects of the program's expiration since the lapse of the program has been ongoing for over a year.

It was stated that since lawmakers assume that the renewal will include a retroactivity provision for obtaining refunds, the renewal lacks urgency. Unfortunately companies have to deal with the added costs presently and there is no guarantee that when/if the program is reinstated that importers will be able to obtain retroactive refunds on duties paid to U.S. Customs and Border Protection (CBP).

Companies pay approximately \$2 million daily in import duties and have paid approximately \$700 million since the program's expiration.

Of the 240 companies recruited for the study, most have reported decreased sales primarily due to decreased imports. Companies are faced with increasing their prices to try to offset the additional costs or are decreasing their importations as their products are no longer competitive in the U.S. market. More than two thirds of the companies surveyed stated that they can't purchase previously applicable GSP products in the U.S. market.

Renewal legislation could be included in any omnibus trade package introduced, but that has been an ongoing observation since the program's expiration. It's unlikely that any package would be introduced until after the November 2014 elections.

Offsets for GSP can only come from Customs user fees. The funding is less of a concern if the renewal can be included in an omnibus package.

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C-TPAT Now Open for Exporters

U.S. Customs and Border Protection has expanded the Customs-Trade Partnership Against Terrorism (C-TPAT) program to include U.S. exporters.

Exporters must meet the following criteria in order to apply for C-TPAT:

- *Be an active U.S. exporter out of the United States.*
- *Have a business office staffed in the United States.*
- *Have a documentable employer identification number (EIN) or Dun & Bradstreet (DUNS) number.*
- *Have a documented export security program and a designated officer or manager who will act as the C-TPAT program main point of contact. An alternate point of contact should also be designated.*
- *Commit to maintaining the C-TPAT supply chain security criteria as outlined in the C-TPAT exporter agreement.*
- *Create and provide CBP with a C-TPAT supply chain security profile which identifies how the exporter will meet, maintain, and enhance internal policy to meet the C-TPAT exporter security criteria.*
- *Have an acceptable level of compliance for export reporting for the latest 12 month period and be in good standing with U.S. export regulatory bodies such as Department of Commerce, Department of State, Department of Treasury, Nuclear Regulatory Commission, Drug Enforcement Administration, and Department of Defense.*

More information on C-TPAT for exporters, including the exporter minimum security criteria and a C-TPAT exporter factsheet may be found on the Customs [website](#).

If you are interested in applying for C-TPAT, please [contact us](#).

Census Reinstates Filing Exemptions for Carnets and TIB's

The Census Bureau's Foreign Trade Division (FTD) is announcing the publication of an [Interim Final Rule](#) revising the Foreign Trade Regulations (FTR), Title 15, Part 30. This rule reinstates the previous filing exemptions in Sections 30.37(q) and (r) of the FTR for temporary exports, including carnets, and goods that were imported under a Temporary Importation Bond (TIB) for return in the same condition as when imported.

After several comments from the trade and the exporting community regarding the difficulty the loss of these temporary exemptions imposed, U.S. Customs and Border Protection (CBP), the Bureau of Industry and Security (BIS), and Census worked together to have these exemptions reinstated. This rule is effective immediately, September 12, 2014.

The Census Bureau and CBP will continue to review these exemptions and may publish a Notice of Proposed Rulemaking to address temporary exports, carnets, and TIBs in the future. U.S. Customs and the Foreign Trade Division of Census are looking forward to comments on the interim rule published in the Federal register on September 12, 2014.

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First Sale ICP Revisions Scrapped

In our [July 2014 Shap Talk](#) we discussed the controversial proposed changes to the Customs Informed Compliance Publication “Bona Fide Sales & Sales for Exportation to the United States.” In brief, Customs was proposing a lengthy list of documents to support an importer’s first sale claim. In a first sale transaction, an importer can lawfully pay duty on the price from a manufacturer to a middleman, rather than on the price the importer pays to the middleman as long as the goods are irrevocably destined for the United States at the time of the first sale. The trade overwhelmingly opposed the changes and Customs has now backed off its intentions to update the ICP.

TRANSPORTATION NEWS

October 2014 Update

INDUSTRY NEWS:

Severe Chassis and Labor Shortages Plague LA-Long Beach Port

Truckers in the Los Angeles-Long Beach Port area are facing an uphill battle on two fronts. First there are severe labor shortages on the docks working the vessels, and second there is an acute shortage of chassis required to handle the daily cargo volume. Both problems add up to extreme congestion at America’s largest port complex.

Consolidators that ship LCL cargo into the LA-Long Beach gateway, which controls about 70 percent of Asian inbound cargo, are now charging a \$3 weight or measure surcharge for congestion because container dwell times have risen dramatically. Terminals are now reporting delays of 10 days to get containers moved off the terminal or onto a rail car for points inland as compared to the normal 3 days. One carrier admitted that containers were sitting as long as 20 days to wait for on-dock rail for points inland.

Due to the labor and chassis shortages, truckers are also taking four to six hours to turn around a container in the port area. The standard turn-around time at LA-Long Beach was one hour previously.

One major issue is that carriers are arriving with bigger ships that arrive with as many as 5000 to 8000 containers that need to be unloaded. The larger vessels have created a chain reaction that affects the unloading and reloading of vessels with increased yard congestion and long truck lines. With the increased amount of containers arriving per vessel, there are constant chassis shortages at the terminal that also contribute to the delays and congestion.

As if all of the above were not enough, there is a shortage of rail cars in Los Angeles and a lack of terminal space required to build on-terminal rail trains requiring more containers to be drayed to locations where they can be placed on the rail which puts further pressure on the overuse of chassis in the port.

It is also estimated that the LA-Long Beach port area is operating with 30% fewer available truckers since the Clean Truck Program was initiated, further compounding the problem.

Maersk Reduces Spending to Offset Low Freight rates

As freight rates begin to drop in the Asia-Europe market, Maersk has decided to offset this loss in revenue with cost-cutting efforts such as slow sailing. Maersk handles 15 percent of the global container trade and has reduced spending this past year so that it could continue to raise profits. Maersk has announced recently that it will not add any new ships until 2017, but it expects that the global container shipping demand will grow 7 percent in 2015 and between 4 and 6 percent in 2016. In 2017 to 2019, Maersk expects to spend \$3 billion on new ships with a combined additional capacity of 425,000 TEUs which will enable the world's largest carrier to grow its footprint even larger.

ILWU and Port Management Still In Talks with No Contract

Even though West Coast port laborers have been without a contract since July 1, the ports have been operating with no strikes. The ILWU and PMA (Port Management) have been keeping their progress out of the news. We do know that both sides have reached a tentative agreement in the critical issue of medical benefits. The work prospects for the ILWU have been strong as the longshoremen at West Coast ports have worked 25 percent more hours on average this September as compared to September 2013.

Productivity issues plaguing the ports are the current most important topic as chassis shortages and late rail car deliveries continue to hamper progress at the ports making it more critical for the negotiators on both sides to agree on process changes that will allow improvements in productivity. The PMA sees automation as a way to major improvements in productivity but the ILWU worries that this will lead to reduction of jobs by as much as 40 to 50 percent. For this reason, negotiation on manning requirements for automated processes at the port as well as training of longshoremen for the emerging opportunities caused by automation are very important.

It is unknown when the talks will be completed as both the ILWU and PMA only report that the talks are ongoing.

OCEAN FREIGHT

Exporters Can Expect Increased Container Supplies Nationwide

Exporters can let out a sigh of relief now as the U.S. Department of Agriculture's Agricultural Marketing Service's Ocean Shipping Container Availability Report shows evidence that the carriers expect increased container supplies in most locations nationwide with the exception of the Pacific Northwest, Oakland, and Minneapolis. Also there are shortages of 40-foot dry containers in Houston and 40-foot high cubes in New Orleans. Increased supplies for containers will mean fewer delays for exporters in getting their cargo booked, loaded, and shipped.

Trans Pacific Import GRI Announced for October 15

Carriers in the Transpacific and Indian Subcontinent to USA market have announced a General Rate Increase (GRI) on October 15 at \$480/20', \$600/40', \$675/40'HC, \$760/45'. The exact amount per carrier will likely not be known until October 14. Please contact your Shapiro representative for details.

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AIR FREIGHT

iPhone 6 Drives Airfreight Demand to Short Spike

During the first eight months of 2014, the Asia airlines have registered a 5.1 percent increase in air cargo demand as a result of China's improved economy and an increase in exports to the United States and Japan. Millions of iPhone 6 units have shipped from Apple's factories in Zhengzhou and Shenzhen which has led to a moderate increase in airfreight pricing from China. The air carriers are hoping the modest increase in pricing will remain in effect through the upcoming holiday season. The rush of cargo prior to China's "Golden Week" holiday the first week of October has kept the peak air rates in effect. The carriers continue to report "very challenging" business conditions and worry that the current demand may not be sustained in the long-term.

DOMESTIC NEWS

Pier Pass Puts Stress on LA-Long Beach Area Truckers

The Pier Pass Program was started in Los Angeles-Long Beach originally to encourage a more consistent flow of truck traffic in the largest U.S. port complex. The problem is that importers and retailers have pushed their truckers to avoid the Pier Pass fee of \$133 per 40' container by going into the pier during "off-peak" hours. So in effect, the "off-peak" hours are becoming yet another peak in trucker congestion at the port. The lines are long between 4 and 6 pm because the truckers know it will take 3 hours to get into the terminal to arrive at "off peak" hours to eliminate the fee. New proposals for a staggered Pier Pass fee starting mid-afternoon have been brought to the table, but more research is needed to determine if the staggered fee would bring around those shippers who currently wait for the fee to expire at 6 pm.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Announces Appointments of Brunella Reid and Marina Tasiopoulos to Directorial Positions

In a strategic move to round out and expand the executive leadership team, Shapiro announced the promotions of Brunella Reid and Marina Tasiopoulos from senior to executive management in their new directorial roles at its headquarters in Baltimore, MD.

Brunella Reid started her career with Shapiro 15 years ago, immediately after graduating from the College of Charleston, and has held diverse roles within the organization. Reid began in import operations and was quickly promoted to import team leader before moving to corporate training and compliance. Upon receiving her MBA from The Citadel in 2005, she switched gears and began her work in the marketing field, creating a functional business development and marketing department. Once promoted to senior manager of marketing and business development in 2010, Reid led the corporation's first major rebranding initiative, which resulted in a renewed image for the company, including a new logo, a user-friendly website with fresh content, and a presence in major social media channels. In her new position as director of marketing

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& business development, Reid sets marketing, communications, and business development strategies and participates in senior level groups that define the company's strategic and innovative development.

"After 15 years, I am thankful for the opportunity to continue to grow with the Shapiro family," says Reid. "I am fortunate to work with remarkable people and for a company that truly cares about its customers and employees. It is a marketer's dream to work with a brand that lives up to its values and sets the bar in the industry."

A graduate of Temple University, Marina Tasiopoulos joined Shapiro 17 years ago as an import coordinator and quickly rose to import manager upon receiving her Customhouse Broker (CHB) license. After serving as the Philadelphia branch manager, Tasiopoulos' leadership and commitment to customer service led to her appointment as regional manager, tasked with the growth and development of both New York and Philadelphia branches. In her new role as director of branch operations, Tasiopoulos is responsible for ensuring superior customer service, developing the operational and branch management team, and assuring adherence to Shapiro's established processes and procedures. Under the direction of the president, this position will ensure efficient, compliant, and innovative Customs brokerage offerings and will also work cooperatively with Shapiro's senior level groups in developing and implementing corporate strategy.

"I am very excited and honored to begin my new role," says Tasiopoulos. "We have such a talented and creative company that working with all other branches and departments more closely to achieve the same goals and common vision of outstanding performance and customer service will be inspiring and motivating."

Shapiro Educational Scholarship Committee Selects Recipients of its Annual Student Scholarship Program

The Shapiro Educational Committee announced the first winners of an annual student scholarship program. The scholarship, open to all Shapiro employee's children, involved a rigorous evaluation process comprised of academic achievement records, letters of recommendation, a personal statement and an essay from each candidate. The winner, Jasmine Gibson, received a \$2,500 scholarship and runner up, Emily Reese, was presented with a \$500 prize. Shapiro's commitment to education extends deep into the community contributing to the University of Baltimore's Export Import Management course for the Merrick School of Business. The company even launched an internal educational platform, Shapiro University, in 2013 for employees to learn and cross-train in varying career paths.

The winner of Shapiro's student scholarship, Jasmine Gibson, is a sophomore at the University of Baltimore's Digital Communications program and daughter of Senior Import Analyst, Sharon Brown. Gibson has been interning with Shapiro since the age of 14 using a work permit. Gibson started her Shapiro career with simple filing, however, through hard work and commitment, gained responsibilities to file Importer Security Filings (ISF), cargo tracking, data entry and working with the [Shapiro 360°](#) tracking and reporting tool. Even with a full course load, Gibson works 29 hours per week in the company's import department assisting with high-level accounts. Gibson hopes to leverage her public relations concentration into a career working with the Baltimore Ravens in a marketing capacity in the future.

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“Hands down, Shapiro has the best job environment ever, maximized by the personalities in the Import department” says Gibson. “I have never met such caring individuals. Working with Imports has made me weary of starting my career outside of Shapiro because you will never meet co-workers who will design shoe-styled cupcakes for your birthday celebration. These people really embody the idea of a team.”

Runner-up Emily Reese, the daughter of Belinda Henson, Global Logistics Supervisor at Shapiro, received a scholarship of \$500 from the Educational Scholarship Committee. Reese is a Biotechnology major at Shippensburg University and is currently assisting in research mapping developmental genes of a local unstudied salamander species. Reese started with Shapiro in 2011, assisting Shapiro’s Global Logistics Group completing filing, onboarding, billing and special projects.

“My favorite thing about working at Shapiro was being able to help my mom and spend time with her,” says Reese. “She would joke that I was her personal assistant since I knew her expectations and how she liked her paperwork done. It also just made me happy to give extra help where it was needed.”

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 Edna Hovanisian, Pricing Specialist in Baltimore for her 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!

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