
# "SHAP" TALK

## November 2009 Issue No. 91

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## SEMINARS

**Don't Miss Shapiro's Last Seminar of the Year on NAFTA - Register Today!**

Do you currently import/export from/to Canada and/or Mexico? Or planning on it or thinking about it?

If so, don't miss our last seminar of the year on NAFTA (North American Free Trade Agreement)!

The NAFTA seminar is being presented at the time most companies are preparing their annual NAFTA certifications. We will walk you through what is required when you "hafta" do NAFTA. Topics include NAFTA objectives, how to determine eligibility, rules of origin, how to properly complete a NAFTA certificate, potential red flags, and post entry NAFTA claims, among many others.

Training is an important investment for importers and exporters even in a troubled economy. During a Customs & Border Protection or Bureau of Industry & Security audit, the agent will ask what kind of training your import or export staff has received. Did you know that the lack of training is a key cause leading to penalties? Spending a little bit of money on training now will lead to significant cost savings down the road.

Finally, we know companies are keeping a tight rein on spending this year. For this reason, we are introducing our budget friendly seminars. For every person who attends our seminar, your company will receive a free entry fee or free forwarding fee. This is our way of thanking you for supporting our seminar series.

**Date:**
November 10, 2009

**Time:**
9:00-12:00

**Cost:**
$90.00 per person includes continental breakfast and seminar materials.

**Location:**
Sheraton Baltimore City Center
101 West Fayette Street
Baltimore, MD 21201
Hotel telephone: 410-752-1100

To register today, visit our website at
http://www.shapiro.com/html/2009SeminarSchedule.html or call Jane Taeger at
800-695-9465, ext. 290.

So far we have had a very busy and successful year with our outreach seminar program. We appreciate your support and have enjoyed seeing you at our classes!

## TRADE NEWS

### Customs Issues Updated FAQ's for 10+2

U.S. Customs & Border Protection has posted updated Frequently Asked Questions for the Importer Security Filing (ISF) program, also known as 10+2. This is the first update to the FAQ's since they were originally published last January.

New information includes:

How do I handle shipments sold on the water?
The ISF does need to be updated with the new buyer information.

Can I amend the bill of lading number on the ISF?
Yes, the ISF can be updated with a new bill of lading number.

A section on antiques shipments has been added.

There is a new question pertaining to garments on hangers. The ISF needs to include the 6 digit tariff number for hangers if the ISF importer is aware of their existence. Otherwise, the ISF should be updated as soon as the importer becomes aware that hangers are shipped with the garments.

The bond section has been expanded to include information on ISF bonds. A bond will be required for ISF filings as of January 26, 2010. If an importer does not have a continuous bond, they will either need to obtain one or use a stand-alone ISF bond which can be for a single transaction or continuous. The single transaction ISF bond limit of liability will be $10,000. The limit of liability for a stand-alone continuous ISF bond is still under consideration by Customs. The continuous ISF bond must be submitted to and approved by Customs in advance of ISF filings. A bond to cover ISF filing requirements will not be required for household goods or personal effects, government and military shipments, diplomatic shipments, carnets, or international mail.

Customs has also added more information regarding duplicate ISF filings. Customs allows one ISF filing with a unique combination of bill of lading number and importer of record number per ISF filer. If a duplicate ISF is filed by a different filer, Customs will accept the duplicate ISF and send a warning message to the initial ISF filer that a duplicate was filed. An "accepted with warning" message will be sent to the second ISF filer to let them know the ISF was previously filed by another party against the same shipment. Customs expects the filers to contact the ISF importer to ascertain which ISF is the accurate one.

It is absolutely critical that you file ISF for all applicable shipments now. Full enforcement with penalties begins January 26, 2010. Customs will be looking at your ISF track record in 2009 when determining penalty mitigation in 2010.

If you have any questions or would like a copy of your ISF report card, please contact us at compliance@shapiro.com. If you are a validated C-TPAT member, you can receive your report card directly from Customs. Requests for the report card should be sent to: Progress_Report@cbp.dhs.gov. Please provide your company name, Importer of Record number (IRS number), point of contact, point of contact telephone, and email address to which the report should be sent. Also include if you are a C-TPAT Tier 2 or 3 importer. CBP does not typically respond to registration requests unless there is a problem with the information submitted. You can expect your first report in the first week of the month after you sign up. Each report provides information going back to January 2009.

The updated FAQ are available at:
http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/carriers/security_filing/10_2faq.ctt/10_2faq.doc

**AES Verify Messages**

In the October AES newsletter, the U.S. Census Bureau explained to the trade community the "Verify Messages" that we receive from time to time via the Automated Export System (AES) when we transmit the Electronic Export Information (EEI). We thought we should share this with our exporters so they know when we email them or call them, it is because of the Census Bureau message we received.

Verify messages are transmitted to the filer if information was transmitted for a specific commodity that falls outside the normal U.S. Census parameters for that particular tariff code.

There are 44 different types of Verify Messages, and detailed descriptions can be found in Appendix A of the Automated Export System Trade Interface Requirements. If we receive an error message, the first thing we do is check to see if all information input to the AES system is correct from your commercial invoice.

One of the most commonly received Verify Messages is Message 8H1, "Value/Quantity 1 Out of Range – High." This message serves as an alert that the ratio of the value reported and the quantity reported fall outside of the expected range for that commodity code. We would verify that the value and quantity reported are accurate. Transposition of two numbers or adding an unnecessary zero to a value is very common.

Some other Verify Messages are:
Value/Quantity 1 Out Of Range – Low
Shipping Weight/Quantity 1 Out Of Range

Shipping Weight Too High For Vessel Shipment
Foreign Origin Versus In-Transit

At times, we will contact our customers to verify that the invoice value, quantity, weight, and Schedule B/HTS Number are correct as stated. Once the information referenced in the Verify Message is verified (and if necessary, corrected and resubmitted), no further action is required.

The Census Bureau also allows a parameter change request submitted when there are at least five (5) separate transmissions that have the same verify message for the same Schedule B/HTS number within a one-month period.

All of the verify messages are found in Appendix A (AES Common Error Messages): http://www.cbp.gov/linkhandler/cgov/trade/automated/aes/tech_docs/aestir/june04_intro/appendices/apndx_a.ctt/apndx_a.doc

If you have any questions regarding the above information, please contact compliance@shapiro.com.

**Forwarder as the U.S. Principal Party in Interest (USPPI)?**

For cases where there is <u>no</u> U.S. owner, purchaser, or primary beneficiary to the export transaction, the customs broker or freight forwarder will be reported as the USPPI. Popular opinion may say that a forwarder or Customs broker can be shown at any time as the USPPI. This is simply not true.

The Foreign Trade Regulations (FTR) are specific about reporting the USPPI. Section 30.3 of the FTR states: (iv) If a customs broker is listed as the importer of record when entering goods into the United States for immediate consumption or warehousing entry, the customs broker may be listed as the USPPI in the EEI (electronic export information) if the goods are subsequently exported without change or enhancement. (v) If a foreign person is listed as the importer of record when entering goods into the United States for immediate consumption or warehousing entry, the customs broker who entered the goods, may be listed as the USPPI in the EEI if the goods are subsequently exported without change or enhancement.

In cases where the customs broker or freight forwarder is identified as the USPPI, but is not the party completing the Automated Export System (AES) record, it must provide the information specified in Section 30.3 to the party completing the EEI.

Please remember this is only for cases when there is truly no U.S. owner, purchaser, or primary beneficiary to the export transaction. If the customs broker or freight forwarder is used when there is clearly an U.S. owner, purchaser, or benefactor your firm may be found in violation of the FTR.

If you have any questions regarding the above information, please contact compliance@shapiro.com.

## TRANSPORTATION UPDATE

**November 2009 Update**

**Airfreight:**
The space situation for air freight shipments from China and Asia in general to the U.S. has tightened up so that there are now backlogs with almost all air cargo/airline options. This situation has been caused by an increase in cargo growth by air coupled with many air carriers cutting back on their service capacity. The major airports in Asia are inundated with cargo right now and sufficient space for cargo simply is not available to meet the demand. Hong Kong and Shanghai are the most affected airports with backlogs of 4 days after cargo is received. Due to the lack of space available we have seen airfreight rates increase over the last few weeks and the airlines are continually raising rates as the demand continues to grow. Some airlines are reporting backlogs and are not accepting bookings for up to 5 to 10 days. In order for import clients to increase chances of getting their cargo on board timelier, agents and airlines are requesting that bookings are made between 5 to 10 days in advance of the desired flight date. Airlines are charging Premium/Express rates for critical cargo but of course those rates are higher than the normal rate. Even with advance bookings in place, cargo is not guaranteed to move. We are hopeful that within the next two months the market rates will come down as demand weakens and perhaps the airlines will increase some of their capacity in the market.

**Ocean Freight:**

**India Subcontinent/Middle East**
Peak Season Surcharges (PSS) have largely been delayed until November 1st for most carriers with the exception of CMA and Evergreen, who started their PSS in September. Now the carriers have announced that they are going to try to impose a GRI as of November 1st from the India Subcontinent market to the U.S. in the amount of $400/500/565 per 20/40/40'HC.

**Asia Imports and Peak Season**
As predicted, inbound Asia freight rates have stabilized and have fallen in some cases as some carriers have ended their Peak Season Surcharge (PSS) in October; the rest should end their PSS by the end of November. However, fuel costs did rise as of October 1st resulting in some carriers reducing their base ocean rates to keep the rates as attractive as possible. We expect to see rates to U.S. West Coast and inland rail locations increase in the coming months as carrier capacity cuts have caused vessels to be overbooked. Shipment rates from Asia to the Eastern U.S. will be more attractive using "all water" services directly to U.S. East Coast ports. Some carriers may elect to extend their PSS for U.S. West Coast and inland rail locations but this remains to be seen.

**Asia Exports**
MSC has announced that as of November 16th they will increase export rates from the U.S. market to Asia. The increase will be $150 per 20' and $200 per 40' container from all points in the U.S. For reefer cargo, rates will increase $190 per 20' and $250 per 40'.

Zim has announced rate increases for exports from the U.S. to Asia on November 1st at $100 per 20' and $200 per 40'.

**Northern Europe**
Effective December 2009, four carriers have announced that they will cut capacity and services in the trans-Atlantic trade. Maersk Line, APL, Hyundai, and MOL have made this decision to cut capacity to better suit market demands. The carriers explain that they are making enhancements on other trade routes.

Zim announced a rate increase for exports from the U.S. to North Europe in the amount of $50 per 20' and $100 per 40'.

MSC announced new Bunker Fuel levels for exports to Europe at $150/TEU from the U.S. East Coast and $175/TEU from the U.S. West Coast.

MSC also introduced effective November 8, 2009, an Equipment Imbalance Surcharge (EBS) of $400 for 20' containers from Northwest Europe ports to North Atlantic ports due to an overstock on the U.S. East Coast. The rotation of the North Atlantic Service is Bremerhaven -Felixstowe-Antwerp -Le Havre -Boston -New York -Philadelphia -Baltimore -Norfolk -New York

**East/West Mediterranean**
Maersk Line will replace its 5000-TEU vessels with smaller 2900-TEU capacity ships during November in its continuing efforts to align their network of vessels to match customer volume requirements.

Zim announced a rate increase for exports from the U.S. to the East and West Mediterranean at $50 per 20' and $100 per 40'.

**DOMESTIC**
The Associated Press announced that during the past 12 months the U.S. Trucking industry has lost 120,400 jobs.

The average price of diesel has jumped more than 10 cents per gallon recently while petroleum closed above $81 a barrel on national commodities markets for the first time in more than a year. Fuel surcharges are due to increase in the coming weeks.

## SAMUEL SHAPIRO & COMPANY, INC. NEWS

**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 Ebuni Phillips, Baltimore Import Coordinator, 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!

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.