"SHAP" TALK

August 2010 Issue No. 100

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SEMINARS

"Supply Chain Innovation" Seminar – There is still time to register!

Samuel Shapiro & Company, Inc.'s popular summer seminar is scheduled for August 12th in Baltimore. Our customers and industry professionals are invited to join us for this sought-after event, which will be followed by the Annual Propeller Club Crab Feast.

This year, bring a fresh perspective to your logistics program with our half-day course, **Supply Chain Innovation: Find the Missing Efficiencies in Your Business Model.**

At this half-day seminar, you will learn about:

- Supplier PO placement and negotiation
- Product sourcing and research
- Ocean and air market update
- Transportation options and cost analysis
- Supply chain security update

Plan on attending our seminar in the morning and enjoying the Crab Feast in the afternoon! The Baltimore Crab Feast attracts over 4,000 people annually and is arguably the most popular industry event of the year. It draws participants from New York to Norfolk and beyond to enjoy all-you-can-eat steamed crabs and plentiful networking opportunities at Conrad Ruth's Villa, a waterfront park on Middle River. The feast is a fundraiser for the Propeller Club, enabling the group to make significant contributions to various non-profit maritime organizations. We hope you don't miss this opportunity for a day filled with learning and fun!

Date:
Thursday, August 12th, 2010

Time:
8:30-9:00: Registration and continental breakfast
9:00-12:00: Seminar

Cost (includes continental breakfast, seminar materials, and refreshments):
$90.00 per person
$60.00 per ticket per person for Crab Feast (optional)

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

Registration:

Online at http://www.shapiro.com/html/SupplyChainSeminarSchedule.html
Via email at seminars@shapiro.com or call Brunella Reid at 843-813-4499.

TRADE NEWS

100% Air Cargo Screening Effective August 1, 2010

Below are some comments from the Transportation Security Administration regarding air cargo screening effective August 1, 2010.

The *Implementing Recommendations of the 9/11 Commission Act of 2007* is a Congressional mandate requiring 100 percent of cargo transported on a passenger aircraft be screened beginning August 1, 2010. Simply stated, all air cargo must be screened at the piece level prior to transport on a passenger aircraft for flights originating in the United States. On August 1, 2010, this mandate will be thoroughly enforced by the Transportation Security Administration (TSA), and inspectors will be actively ensuring compliance.

US Origin Cargo
The Certified Cargo Screening Program (CCSP) was established by TSA effective February 1, 2009, enabling Indirect Air Carriers (IAC's), shippers and Independent Cargo Screening Facilities (ICSF's) to screen cargo for flights originating in the US. Participants are fully regulated and inspected for compliance. We also encourage participation in the CCSP program by applying online at www.tsa.gov/CCSP.

International Origin Cargo
TSA can only directly regulate carriers flying into the U.S. (not countries), and cannot establish a supply chain (CCSP-type) approach in foreign countries to accomplish 100 percent for *inbound* cargo. Supply chain programs do exist in most countries where cargo is uplifted to the U.S., but they are established under a host country (national) program. To date, TSA has had limited access to foreign programs, which hinders their ability to determine if they provide a commensurate level of security.

To accomplish the mandate for inbound international cargo, TSA increased screening requirements for airlines effective May 1, 2010.

What Lies Ahead
The August 1 deadline stands firm, and TSA will not issue an extension for domestic or international outbound cargo. As of August 1, 2010, cargo that is not screened will not be permitted to be transported on a passenger aircraft for flights originating in the U.S. Some airlines have indicated that cargo which they receive that is not screened in the CCSP program may be subject to delay, or earlier acceptance cut-off times, primarily at the major gateway airports.

Visit the TSA website for the full text of the comments above at www.tsa.gov/ccsp

Bill before Congress to Require Registered Agent for Imported Goods

The Foreign Manufacturers Legal Accountability Act of 2010 (H.R. 4678) contains a provision to require foreign manufacturers of imported products to have U.S. registered agents authorized to accept to service of process. The Act would prohibit importation of products by a manufacturer without a registered U.S. agent.

Numerous trade organizations oppose this legislation as it demonstrates a lack of understanding of the international supply chain where the identity of the actual manufacturer is not always known, and because the bill could lead to similar measures for U.S. exporters. Small and medium sized exporters can ill afford to be subject to such likely actions in every country in which they do business.

Nevertheless, H.R. 4678 is being pushed through Congress and has already been approved by the House Energy and Commerce Committee. Congress could vote on the bill before the August recess. We urge you to contact your representatives to vote against this legislation which could potentially do great harm to both imports and exports.

Incoterms 2010

The 2010 revision of Incoterms® will go into effect January 1, 2011. The International Chamber of Commerce (ICC) Incoterms® are international rules regarding the costs, risks, and responsibilities of both the buyer and the seller in a transaction. These terms are updated every 10 years by the ICC and used by companies to define their responsibilities in an international transaction. ICC training sessions in the U.S. will start in September. For a list of the training sessions, please visit:
http://www.uscib.org/calendar.asp?cat=Incoterms

Here is a preview of the terms that will be in effect in January 2011.

Incoterms for any Mode or Modes of Transport:
EXW – Ex Works
FCA – Free Carrier
CPT – Carriage Paid To
CIP – Carriage and Insurance Paid
DAT – Delivered At Terminal (new)
DAP – Delivered At Place (new)
DDP – Delivered Duty Paid

Incoterms for Sea and Inland Waterway Transport Only:
FAS – Free Alongside Ship
FOB – Free On Board
CFR – Cost and Freight
CIF – Cost, Insurance and Freight

The following Incoterms 2000 will be eliminated for the 2010 version:
DAF – Delivered at Frontier
DES – Delivered Ex Ship
DEQ – Delivered Ex Quay
DDU – Delivered Duty Unpaid

Importer Security Filing Update

U.S. Customs and Border Protection has recently changed the timeliness section in the Importer Security Filing (ISF) progress report. Previously, the report showed a single line labeled "ISF Submissions Not Measured" with the legend "Replaces, Deletes, Rejections, Unmatched Adds, Unknown Departure Dates, Vessels Not Departed."

Starting with the July ISF report card, there are now two lines labeled "ISF's Not Measured For Timeliness" with the first line for "ISF's not matched to bills" and a second line for "ISF's with no VDM or not yet measurable." ISF's that were rejections, replacements or deletions are no longer included in this section.

ISF's not matched to bills – When the ISF is transmitted with the bill of lading number, Customs makes an attempt to match the B/L number with what the carrier has reported via the automated manifest system (AMS). If there is no match in AMS, subsequent match attempts are made after 5, 20, and 30 days. If there is no match at the time the ISF progress report is run, then it will fall into the category "ISF's not matched to bills." When an AMS match is made, the filer receives a notification from Customs. The lowest level bill of lading (house bill or regular bill) on file in AMS is the bill of lading to be reported with the ISF.

ISF's with no VDM or not yet measurable – VDM stands for vessel departure message. ISF's on this line have been matched to the bill of lading on file in AMS, but the vessel has not yet sailed, so the timeliness cannot be measured.

ISF timeliness is based on vessel departure date minus 24 hours.

Starting in August, all of the 2009 data will be combined into one column on the progress report.

Your ISF progress report may be obtained by contacting compliance@shapiro.com.

Customs is in the process of developing a data warehouse that will allow importers to create and extract ISF reports, including transactional data. Customs is making every effort to deploy this capability to Tier 2 and Tier 3 C-TPAT importers this fall. The reports will be available via ACE.

U.S. Customs and Border Protection has updated the Importer Security Filing (ISF) Frequently Asked Questions document. The FAQ's are available at:

http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/carriers/security_filing/10_2faq.ctt/10_2faq.doc

The Year in Trade 2009 Issued by USITC

The United States International Trade Commission has issued its 2009 Year in Trade Report. This report is the 61st in a series of annual reports submitted to the U.S. Congress under the Trade Act of 1974 (19 U.S.C. 2213(c)) and its predecessor legislation. The Trade Act of 1974 states that "the International Trade Commission shall submit to the Congress at least once a year, a factual report on the operation of the trade agreements program."

This report is one of the principal means by which the U.S. International Trade Commission provides Congress with factual information on trade policy and its administration for calendar year 2009. The trade agreements program includes "all activities consisting of, or related to, the administration of international agreements which primarily concern trade and which are concluded pursuant to the authority vested in the President by the Constitution" and congressional legislation.

This 222 page report is a comprehensive look into U.S. trade with our major trading partners and products and the trade agreement programs and negotiations.

Some highlights from the report include:

- There were 21 new antidumping investigations in 2009 and 15 new countervailing investigations
- Imports under GSP totaled $19.8 billion. Nearly one third consisted of petroleum products. Angola was the leading GSP beneficiary in 2009.
- Two-way trade between the U.S. and Free Trade Agreement partners was $832.5 billion, which amounts to about one third of U.S. trade with the world. Excluding NAFTA, the United States registered a trade surplus with the rest of its FTA partners of $6.7 billion.
- The EU is the largest two way trading partner with the U.S. for goods and services.
- Canada is the largest single country trading partner, with China coming in second. China is our largest trading partner for imports at $295.5 billion.

You can view the entire report on the USITC website at: http://www.usitc.gov/publications/332/pub4174.pdf

TRANSPORTATION UPDATE

August 2010 Update

INDUSTRY NEWS:

Air and ocean freight volumes surge for both imports and exports

According to a recent forecast from the publication "Global Insight," global trade by sea, land, and air is projected to grow by 8.1 percent in 2010 after declining 7.2 percent last year. By contrast, global ocean container trade only increased 3 percent in 2008 and declined by 8 percent in 2009. This strong growth in the east-west trade is due to the restocking of depleted inventories in North America and Europe.

Air cargo traffic jumped 26.5 percent in the month of June with volumes 6 percent higher than the level of traffic during the pre-recession peak in early 2008, according to the International Air Transport Association. Cargo capacity rose only slightly above this increase in demand.

Many freight analysts expect this surge to slow down soon as the increase in inventories does not reflect a particularly surging economy. The world economies are still in a very slow growth pattern so if this continues this will surely put the carriers' new found confidence to the test! It remains to be seen whether or not the carriers will maintain their current inflated freight rates at a time when carriers are increasing capacity to meet increased demands. If volumes slow when carriers have just increased capacity then the question will be, will the carriers go back to their old practices of grabbing market share by dropping rates? We will just have to wait and see.

OCEAN FREIGHT:

Ocean carriers are making moves to get out of the chassis business

Evergreen and NYK Lines are now joining a growing list of carriers that are making moves to stop providing chassis for both import and export cargo in the United States. Both carriers announced in July that they will begin to phase out providing chassis in parts of the East Coast and gradually expand the program to the rest of the country.

Evergreen will stop providing chassis in Boston as of August, 15, 2010.

NYK will no longer provide chassis in Boston, Baltimore, Pittsburgh, Philadelphia, and Miami as of August 1st for both export and import shipments. NYK expects to extend this policy to the port of Oakland on September 1st and eventually to other parts of the country.

Carriers are saying that this move will improve efficiencies in operations and will free up terminal space, reduce pollution, and allow for quicker turnaround times for truckers and their customers. Carriers point to the fact that the U.S. is the only country where ocean carriers provide chassis and they say it is no longer efficient or economical to do so.

In 2009 Maersk Lines began charging trucking companies for use of its chassis in the ports of NY/NJ and has since rolled out the same program to its other ports and terminals throughout the country.

Atlantic Container Lines (ACL) stopped providing chassis on June 1, 2010 and OOCL announced recently that they will phase out providing chassis in Baltimore, Philadelphia, and Pittsburgh on September 1st. CMA announced they are following suit.

Truckers will either provide their own chassis, or they will lease chassis or pickup chassis from a port "chassis pool" which may not be located at the same terminal where they need to pick up the containers. These extra chassis costs will have to be borne by importers and exporters.

MSC reintroduces Eagle Service for increase in capacity
MSC has responded to market demand by the reintroduction of their Eagle Service which covers the following vessel rotation: Kaohsiung, Hong Kong, Xiamen, Shanghai, Qingdao, and Long Beach, then back to Kaohsiung. This is a response to cover the strong market demand up to and including the Peak Season to deploy 6 vessels of 6,500 TEU capacity each. The first sailing will be the MSC Luisa on July 10th from Xiamen.

India ports suffer congestion and truckers threaten to strike
Please be informed that due to serious port congestion in Nhava Sheva (Mumbai/Bombay area port), all carriers will impose a Port Congestion Surcharge of $150/20' and $300/40' for all inbound cargo to Nhava Sheva. LCL carriers will charge an extra $6/cbm or $10/Mton to cover this additional charge as well.

In addition to the congestion problem in Nhava Sheva, the All India Motor Transport Congress (AIMTC) has threatened to impose an indefinite strike in the country starting August 1st to protest against the spiraling increases in the cost of road tolls there. The Southern India Motor Transport Association (SIMTA) has also announced its plans to strike starting midnight of August 1st. South India truckers have suffered as the highway system in that area is run by a public-private partnership and the private companies are charging a far higher toll than the transportation industry there can bear. The truck strike in the southern states could trigger a similar response in the Delhi region.

The transport strike in India comes during a time of soaring food inflation that will certainly have widespread implications if this strike takes hold. Many of the top important food commodities that feed the country come from various parts of southern India.

Peak Season Surcharges increases effective August 1 takes hold on imports from Asia and India sub continent
Here is the PSS Summary for August. Note: some individual contracts may vary from what is shown below, but this is the public notice amounts:

Carrier	Peak Season Surcharge (PSS)	Effective date
CSCL	USD 320/400/450/505 per 20'/40'/40'HC/45'	1st June 2010
Evergreen	USD 320/400/450/505 per 20'/40'/40'HC/45'	15th June 2010 to 31st July 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45' (USWC/Group 4 points)	1st August 2010
	USD 640/800/900/1013 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	1st August 2010
NYK	USD 320/400/450/505 per 20'/40'/40'HC/45'	1st July 2010 to 6th July 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45'	7th July 2010 to 31st July 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45' (USWC/Group 4 points)	1st August 2010
	USD 640/800/900/1015 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	1st August 2010
Maersk	USD 320/400/450/510 per 20'/40'/40'HC/45'	15th June 2010 to 31st July 2010
	USD 640/800/900/1020 per 20'/40'/40'HC/45'	1st August 2010
CMA-CGM	USD 320/400/450/510 per 20'/40'/40'HC/45'	15th June 2010 to 3rd August 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45' (USWC/Group 4 points)	4th August 2010
	USD 640/800/900/1015 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	4th August 2010
ANL	USD 320/400/450/510 per 20'/40'/40'HC/45'	15th June 2010 to 3rd August 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45' (USWC/Group 4 points)	4th August 2010
	USD 640/800/900/1015 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	4th August 2010
Cosco	USD 320/400/450/506 per 20'/40'/40'HC/45'	15th June 2010 to 31st July 2010
	USD 560/700/788/886 per 20'/40'/40'HC/45' (to/via USWC)	1st August 2010
	USD 640/800/900/1013 per 20'/40'/40'HC/45' (to/via USEC)	1st August 2010
Hanjin	USD 320/400/450/506 per 20'/40'/40'HC/45'	21st June 2010 to 1st August 2010
	USD 640/800/900/1015 per 20'/40'/40'HC/45'	2nd August 2010

Yang Ming	USD 320/400/450/506 per 20'/40'/40'HC/45'	15th June 2010 to 31st July 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45' (USWC/Group 4 points)	1st August 2010
	USD 640/800/900/1015 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	1st August 2010
Zim	USD 320/400/450/510 per 20'/40'/40'HC/45'	15th June 2010 to 31st July 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45' (USWC/Group 4 points)	1st August 2010
	USD 640/800/900/1015 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	1st August 2010
MSC	USD 320/400/450 per 20'/40'/40'HC (USEC/RIPI)	15th June 2010
	USD 400/500/563 per 20'/40'/40'HC (USWC/IPI/MLB)	15th June 2010
K Line	USD 320/400/450/505 per 20'/40'/40'HC/45'	17th June 2010 to 24th July 2010
	USD 560/700/790/890 per 20'/40'/40'HC/45' (USWC/Group 4 points)	25th July 2010
	USD 720/900/1015/1140 per 20'/40'/40'HC/45' (USEC/RIPI/IPI/MLB)	25th July 2010
OOCL	USD 320/400/450/505 per 20'/40'/40'HC/45'	15th June 2010 to 18th July 2010
	USD 480/600/675/760 per 20'/40'/40'HC/45'	19th July 2010
HMM	USD 320/400/450/506 per 20'/40'/40'HC/45'	15th June 2010 to 31st July 2010
	USD 640/800/900/1013 per 20'/40'/40'HC/45'	1st August 2010

LCL Cargo affected by August Peak Season increase

LCL import rates from Asia will have an increased PSS as of August 1 to $12 per 1000 kgs or per cubic meter (whichever greater) for shipments to the U.S. West Coast and $16 w/m per 1000 kgs or per cubic meter (whichever greater) for shipments to the U.S. East coast and interior.

Bill filed in the U.S. Senate would put 100 percent scanning of ocean containers on hold

The Murray-Collins bill was introduced on July 27, 2010 to the U.S. Senate to eliminate the 2012 deadline Congress enacted in 2007 which states that every container coming into U.S. terminals must be 100 percent scanned or screened. If the Secretary of Homeland Security decides that a risk-based approach can be just as effective the bill would put the 100 percent scanning enforcement on hold. The lawmakers working on this bill are attempting to prove that until a new method of X-raying containers is invented a layered approach to cargo security is a more reasonable method to secure cargo. The Murray-Collins bill also extends the port security grant for five years at $400 million a year to protecting our ports by paying for maritime security measures.

Rapid containership deliveries hit record
To meet the rising demand of cargo, containerships are being built at a record pace. In July a record-setting 200,000 TEUs of cargo space on vessels are being delivered to carriers following a record-setting 747,000 TEUs in the first half of the year. This could stall the recent rise in ocean freight rates if the demand on space does not keep up with the newly added capacity.

AIRFREIGHT:

American Airlines launches new Brazil service
American Airlines received approval from the U.S. government to launch service for 11 new weekly flights to Brazil including New York to Rio on November 18th and from Miami to Brazil on November 19th.

DOMESTIC

Truckload capacity is so tight right now there will be no relief in the recent rate hikes for the foreseeable future. This is due to a diminished truck fleet that occurred during the recent economic downturn. There are simply fewer trucks available to carry the increase in cargo flowing into and out of the U.S. As a result, the U.S. railroad industry has benefitted as many shippers have turned to rail for moving domestic cargo.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

An Editorial from Sig Shapiro on the Occasion of Our 95th Anniversary

On August 15th this year, Samuel Shapiro & Company, Inc. will be 95 years old. The firm, which my dad Sam said he started with a "five dollar roll top desk," has grown "from strength to strength" under the leadership of its third generation President and Chief Executive Officer, Margie Shapiro. It's been a stunningly interesting evolution, embracing two world wars, a couple of recession/depressions, and yet, through it all, steady growth.

It's thrilling for me to see our progress since I joined the company on a full time basis in 1948, after "apprenticing" off and on during school years as I tried to decide whether to be a jazz drummer/pianist or work in a less glamorous arena. I had both, since international trade offered me a change to travel and learn, while "gigging" from time to time.

95 years! Whew! And we're still growing! As they used to say in World War II, "Keep 'em flyin'."

Shap Talk Celebrates Issue Number 100

It's a happy coincidence that we are publishing the 100th issue of Shap Talk as we also celebrate Samuel Shapiro & Company, Inc.'s 95th anniversary.

Our first issue was in April 2002 and we discussed the Steel 201 tariffs (the tariffs are now gone, but steel licensing remains), a possible U.S. Singapore Free Trade Agreement (it went into effect January 1, 2004), and the uncertainty of GSP renewal (some things never change!).

As we publish our 100th issue, we are still grappling with securing our supply chain (C-TPAT was in its infancy in April 2002) as Customs moves to stronger enforcement of the Importer Security Filing and TSA is requiring 100% screening of all cargo on passenger aircraft. Eight new Free Trade Agreements have come into effect, 3 more are pending (Colombia, Korea, Panama), and negotiations have started for a new regional Asia-Pacific trade agreement. After dramatic declines in import volumes in 2009, shipments are on the rise and are approaching 2007 levels.

We look forward to providing you with trade, compliance, and transportation news for another 100 issues and beyond!

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 Cindy Freitas, Corporate Pricing Specialist, 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.