# Shap Talk

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In this issue:



WE WANT TO HEAR FROM YOU!

Baltimore Headquarters
1215 E. Fort Ave, Suite 201
Baltimore, MD 21201
www.shapiro.com

Phone
1-888-you-1915
you@shapiro.com

# TRADE NEWS:

*Who Responds to Your Importer Inquiries from U.S. Customs?*

As an importer, when U.S. Customs and Border Protection (CBP) asks your Customs broker a question about your merchandise, do you allow your broker to respond to that query or do you as the Importer of Record (IOR) respond to that query? When you receive Requests for Information (CBP Form 28), Notices of Action (CBP Form 29), and Marking Notices (CBP Form 4647) from CBP, does your broker formulate your response or do you?

As the Importer of Record (IOR), you are the most knowledgeable about your product and how and where it was manufactured.  As the IOR, Customs looks to you as the responsible party in a transaction. Information about your company or your product should only be provided to CBP with the importer's express consent.

Make this a policy with your broker to avoid any miscommunication with CBP regarding your products. Many times, communications between a broker and CBP are well-meaning, but the broker may not have all the facts.

Always respond to questions from Customs in writing, so the IOR and the broker have copies to rely on. If you, as the IOR, don't understand what CBP is asking, consult your broker for advice on how to respond to CBP. If you still don't understand what CBP wants, consult your lawyer.

It's important to be thorough when responding to CBP. Insufficient responses may lead to further inquiries or investigations by CBP. Be certain that all facts provided are accurate, and provide a copy of all correspondence to your broker, so they know that the response to CBP was timely and have full knowledge of the context of your reply.

If you have your own ACE portal account, the contact person listed in the ACE portal will be the person that CBP contacts, so be sure this person monitors emails or an email is provided in the ACE portal that goes to a "customs group" email address with more than one person within your company listed, so responses to CBP are issued as quickly as possible.

Liz Gant, LCB
Corporate Regulatory Compliance Analyst

## *GSP Renewal Bill in the Works*

A bill that would renew the Generalized System of Preferences (GSP) for three more years was introduced to the House of Representatives on February 8th, 2018. The bill was introduced by the House Ways and Means Committee (W&M Committee) and is a major step toward the renewal, which lapsed at the end of last year.

According to the W&M Committee's press release, the renewal bill includes retroactive benefits that will cover goods that were imported during the lapse in GSP. Imports that were previously duty-free before the lapse are now dutiable, which has led to increased costs for many importers. Also included in the bill is a modernized process for granting competitive need limitations waivers.

In order to claim retroactive benefits in an efficient manner once GSP is reinstated, importers should continue to use the A, A* or A+ Special Program Indicators on GSP eligible imports during this current hiatus.

McKenzie Dillon
Marketing Analyst

## *The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) Releases Electronic Research Tool*

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) recently released its electronic research tool to the public. The eRegulations tool, provides information on regulations regarding laws about federal firearms and explosives including the Arms Export Control Act, Gun Control Act, and the National Firearms Act. Regulation data is copied from the Office of the Federal Register website and the GPO FDSYS system and should not be considered authoritative, as those sources are not official legal editions of the Code of Federal Regulations.

Corey Wagner
Marketing Supervisor

Baltimore Headquarters
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Baltimore, MD 21201
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you@shapiro.com

## *AES Filing Now Required for Hazardous Waste Exports*

Pursuant to CSMS message 17-000796, U.S. exporters of manifested hazardous waste under 40 CFR part 262, universal waste (UW) under 40CFR part 273, and spent lead-acid batteries (SLABS) under 40 CFR 266 for recycling or disposal, and all exporters of cathode ray tubes under 40 CFR part 261 for recycling are now required to file EPA information for each export shipment in the Automated Export System (AES) or AES Direct in order to comply with 40 CFR 262.83(a)(6)(ii) and 40 CFR 261.39(a)(5)(v)(B). Paper processes are no longer allowed. This requirement went into effect on December 31, 2017.

The Electronic Export Information should include the following items, along with the other information required under 15CFR 30.6.

1. EPA license code (i.e., "PGAEP1" and "Y" to indicate EPA license required)

2. Commodity classification code (called Schedule B or Harmonized Tariff System (HTS) code) for each hazardous waste per 15 CFR 30.6(a)(12) (e.g., "8548.10.0540" if you are shipping spent lead-acid storage batteries from autos for recycling)

3. EPA consent number for each hazardous waste (e.g., if your consent number for waste stream one is 007071/12E/13.001, you would remove special characters and provide 0070712E13001)

4. Country of ultimate destination code per 15 CFR 30.6(a)(5) (e.g., "CA" for Canada)

5. Date of export per 15 CFR 30.6(a)(2) (i.e., MMDDYYYY)

6. RCRA hazardous waste manifest tracking number, if required (e.g., the 12 alphanumeric identifiers listed in Box 4 of the RCRA uniform hazardous waste manifest required for a shipment of manifested hazardous waste)

7. Quantity of each hazardous waste in shipment and units for reported quantity, if required reporting units established by value for the reported commodity classification number are in units of weight or volume per 15 CFR 30.6(a) (15)

OR

8. EPA net quantity for each hazardous waste reported in units of kilograms if solid or in units of liters if liquid, if required reporting units established by value for the reported commodity classification number are not in units of weight or volume.

For further information regarding this requirement, contact the EPA by phone at (703) 308-0005 or email Roy Chaudet or Laura Coughlan for assistance.

Perijo Bennett
Regulatory Compliance Specialist

## *Alcohol Imports Full Excise Tax Update*

Following our recent Shap Flash regarding the Alcohol and Tobacco Tax and Trade Bureau's (TTB) lack of guidance on new tax cuts for alcohol imports, Customs and TTB have released a message stating "all importers of beer, wine, and distilled spirits seeking to qualify for excise tax relief, based on qualifying assignments made by a foreign producer, should continue to pay the full excise tax rates." While no effective date has been provided on when the new, lower tax rates will be implemented, both agencies have specified that they will be updating their websites with guidance for alcohol importers in the near term. Importers will also have the opportunity to seek excise tax relief on entries made after the tax went into effect on January 1st.

Corey Wagner
Marketing Supervisor

# TRANSPORTATION NEWS

## *Wal-Mart Adapts Warehousing Strategy to Continue Riding eCommerce Bull with Goal of Countering Amazon*

In case you missed last month's Shap Talk on the eCommerce Warehouse boom, the demand for warehousing space is vastly increasing while the availability remains stagnant. Large private employers like Wal-Mart are making moves to adjust to the recent supply and demand dilemma by sacrificing 63 stores of their subsidiary company, Sam's Club. Many were surprised to hear the news of the closures and even more surprised to hear that 13 large, vacant warehouses will be converted into fulfillment centers for Wal-Mart's growing eCommerce market.

Rising warehouse costs played a key role in the decision to close the Sam's Club stores and focus on fulfillment centers. In 2017, warehousing costs per acre in the United States doubled, from an estimated $50,000 to $100,000 according to data from CBRE. Further contributing to this decision is customers' demands for 2-day delivery. The costs for warehousing locations close to cities increased 25% in 2017 to an estimated $250,000 per acre. These increasing costs are forcing companies such as Wal-Mart to make tough decisions in the management of their assets, and how best to allocate their resources to remain competitive.

Over the past year, Wal-Mart has been fine-tuning their aggressive eCommerce strategy to better compete against Amazon. While Wal-Mart may be the king of brick and mortar retail, Amazon is the champion of eCommerce shopping.

However, this is changing. Wal-Mart wants a piece of the pie that Amazon currently holds firmly in their hands, but there are signs that this grip may be loosening. According to Forbes, in 2017, Wal-Mart's eCommerce department experienced a 60% increase in year-over-year e-commerce growth. The acquisition of Jet.com in August of 2016 has helped fuel this growth, and resulted in a dynamic Wal-Mart platform that has allowed them to threaten Amazon eCommerce stronghold.

Warehousing costs are likely to continue to rise and will play an important role in the battle between Wal-Mart and Amazon. As these retail giants continue to duel, customers stand to reap the benefits of the battle. This year will be an important indicator as to whether the impressive growth that Wal-Mart experienced in 2017 was an outlier, or if they stand to challenge Amazon's dominance.

Martin Grenchik
E-Commerce Account Specialist

## *Push for Blockchain in the Supply Chain*

The logistics industry is making a push to take advantage of technology improvements in order to better manage the supply chain. The level of technology available to shippers has greatly increased, due to shipment tracking devices, autonomous trucks, and Radio Frequency Identification (RFID).

Maersk has partnered with IBM to build a global pipeline using blockchain technology, bringing modern technology to the supply chain. From start to finish, blockchain technology will allow for a safe flow of information and transactions.

Blockchain technology has received a great deal of press lately due to its use in Bitcoin cryptocurrency, which has exploded in popularity in the past few months. The Maersk/IBM plan is that blockchain will bring efficiency and visibility, while also solving many unresolved challenges and placating scrutiny in the industry. Some shippers like the idea of having visibility of their entire supply chain process, while others feel that it is unnecessary. The amount of visibility expected and needed in shipment tracking varies greatly depending on the company, shipper and the type of products being transported.

In the end, blockchain could bring advances to the supply chain, but it will not be an easy path for Maersk and IBM to achieve full scale adoption across the entire supply chain. The largest issue that Maersk currently faces is trying to unify supply chain components and providers that have become overwhelmingly separated. On top of this, companies in the industry are price competitive and trust is not easily earned. In order to succeed, Maersk and IBM will need to take control and ensure that blockchain technology goes viral within the industry. Technology is quickly becoming a major part of this industry and what many carriers and shippers are starting to rely on for continued success.

McKenzie Dillon
Marketing Analyst

## Container Ships Are Growing Faster Than Container Volumes

Literally! And it's directly affecting freight rates. Carriers in the Trans-pacific trade have been plagued by over-capacity since they began introducing 18,000+ TEU mega-ships into their fleet. The larger ships create more capacity, which in turn has kept rates low due to the extra 'supply' in the market.

Capacity is one of the most crucial factors in freight rates, and shippers are taking note. Container volumes are expected to grow in 2018; however, they will not outpace the capacity that will be further increased by scheduled deliveries of larger capacity container ships.

As we approach the new contract season, some carriers have recently announced that they will delay the deliveries of ships they have on order. Cosco and Yang Ming alone have announced the delay of 14 vessels total. Despite the last-minute halt in deliveries, new ships are still being introduced, with extra capacity expected to hold this year's long-term contract rates at the same level or possibly lower than this time last year. Not news that the carriers want to hear as they continue their struggle to increase profitability.

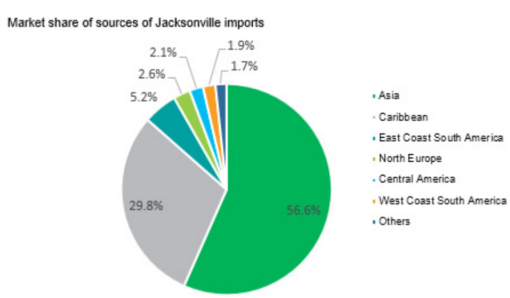
Joseph Shepanek
Ocean Pricing Supervisor

## The Port of Jacksonville Starts Dredging/Deepening Project

On Friday, the Port of Jacksonville began a $483 million project to deepen the current 40-foot channel to 47 feet, eventually allowing larger vessels to call on the port with full loads. Regulatory approval was granted, primarily due to an Army Corps of Engineers cost-benefit analysis, despite local environmental criticism. Project completion is targeted for 2021.

The Port's CEO Eric Green has called the initial dredging, "a huge day for our city, region and state." According to the JOC, "The Port of Jacksonville currently can manage vessels with capacities up to 10,100 TEU, but has not seen the 14,000 TEU ships that have called larger East Coast ports."

Import cargo from Asia has represented the fastest growing market for Jaxport over the past several years, and in 2016 was number two in percent volume growth behind Central America, which tripled from the year previous. According to PIERS, "Jacksonville's total volume through November of last year was 734,231 TEU, a 3.5% increase from 2016."




Colin Chapman
Director, Commercial Development

Baltimore Headquarters
1215 E. Fort Ave, Suite 201
Baltimore, MD 21201
www.shapiro.com

Phone
1-888-you-1915
you@shapiro.com

## *TSA Imposes Enhanced Cargo Security Rules for Middle East Carriers*

The United States Transportation Security Administration (TSA) is now mandating that six Middle East carriers adopt the Air Cargo Advanced Screening (ACAS) program on all flights bound for the U.S. from their prospective hubs, citing an uptick in threats.

The affected carriers are Emirates, Etihad, Egypt Air, Saudi Arabian Airlines, Royal Jordanian and Qatar Airways. The ACAS security program requires participating air carriers to transmit relevant cargo data to U.S. Customs no later than the time of departure of the aircraft destined for the USA. The information is used to detect high-risk shipments, deter smuggling, and enhance safety. The pilot program ran for six months when initiated in 2012 but has seen several extensions, and is currently in effect until July 26, 2018. Couriers and several carriers have been participating in the pilot program since its inception.

Cindy Freitas
Air Pricing Supervisor

## *Domestic Rates are Increasing as Service Levels Decrease*

The new ELD mandate, a severe chassis shortage, port congestion due to mega vessels, and an exponentially decreasing pool of drivers have brought the transportation industry to the precipice of a crisis. Now more than ever, shippers need to know how this veritable "perfect storm" of events affects their supply chains, and the ways in which proactive communication and advance forecasting can minimize unpleasant surprises and increased costs.

ELD and Hours of Service

Electronic Logging Device (ELD) regulations that more strictly enforce Hours of Service (HOS) limits have led to reduced free time (usually 1 hour) and an increase in missed deliveries. If shippers are not ready for their appointments, many drivers will cancel due to time constraints rather than face fines for breaking the law and/or falsifying their HOS records. Any detention costs incurred are then charged to the shipper, so every minute counts.

Chassis Shortages, Mega Vessels and Port Congestion

The ongoing chassis shortage, a major cause of port congestion, continues to create problems along the supply chain, with significantly fewer chassis stored at the ports and drayage costs rising. A high level of out-of-service chassis combined with extended free time for Beneficial Cargo Owners (BCOs) only serves to worsen a complex and difficult situation.

If that's not bad enough, newer mega vessels also contribute to the problem, requiring longer port stay times which force other vessels to wait at anchor, adversely affecting berth productivity and resulting in lengthy delays. The sheer volume of containers introduced into the domestic supply chain with the unloading of each mega vessel serves to further amplify shortages, congestion and delays across the entire supply chain.

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www.shapiro.com

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you@shapiro.com

## Trucker Shortages

As a large segment of truckers reach retirement age, and others leave the industry due to increasing regulatory challenges, the driver market is tightening. The current shortage has led to delivery delays and increased driver pay, which in turn negatively impact shippers' bottom lines.

## The Perfect Storm

In viewing each cause listed above as part of a larger equation, shippers are facing a domestic environment that is rife with equipment and resource stagnation set against a backdrop of significantly increasing volumes and an ever more demanding and knowledgeable consumer base – all of which combine to put further stress on shippers. So, in this equation, ELD/HOS + Chassis Shortage + Port Congestion + Increasing Volumes + Dwindling Trucker Pool + Demanding Consumers = Significant Stress (and Cost!) on Shippers.

Though the future brings hopes and promises of autonomous trucking, block chain technology and enhanced infrastructure, each of which could help shippers regain a stronger foothold in controlling supply chain outcomes and costs, the current state of shortage surrounding the entire domestic supply chain does not bode well for shippers. Despite this, shippers can reclaim a certain degree of control and relief if they are able and willing to entertain an enhanced standard of flexibility in terms of delivery requirements and have an understanding that rates will rise in the near term only to decrease, and stay that way, in the long term as evolutions in compliance and technology lead us toward a more visible, efficient and stable future.

## All Hands on Deck

Shapiro anticipates that many of our valued customers, who are not currently furious and frustrated, will be within days of reading this message.  It is very easy to blame your broker-forwarder when costs change overnight as service levels decrease.  We are hopeful that together we can address current deliveries while designing more sustainable solutions for the future.  Please work with us to fight through this "perfect storm."

Robert Burdette
Vice President, Strategy

Baltimore Headquarters
1215 E. Fort Ave, Suite 201
Baltimore, MD 21201
www.shapiro.com

Phone
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you@shapiro.com

# SHAPIRO NEWS:

## *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 Russell Pinckney, Programmer 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.

## *Shapiro Freight Report*

This high-level, monthly review of the U.S. import freight market to provides key insights into the tumultuous world of international shipping.  From carrier alliances to labor strikes, Shapiro covers the pertinent information logistics managers need to know. Check back monthly to ensure you don't miss key industry insights!


The industry was impressed to witness both COSCO and Yang Ming push scheduled vessel deliveries into 2019 to suppress a sizable portion of their planned supply surges. These puzzle pieces fit into a global 2018 forecast for carriers of 5% capacity growth, which represents nearly 1.5M TEUs. Current industry forecasts call for a 5-6% increase in market demand, and this has many industry pundits reveling in the potential for a somewhat balanced supply and demand picture for the first time in almost a decade.

BCOs and NVOs have grown used to rates at or below steamship costs and could face tougher negotiations in the spring should the carriers maintain their disciplined appetite for new capacity. Interestingly, the current idle fleet stats reveal that less than 2% of global tonnage lies idle; this should also be a positive sign for carriers trying to control capacity gains to take advantage of any 2018 uptick in demand.

Click here to read more!

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