Shap Talk

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In this issue:

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TRADE NEWS:

CBP Proposes Amendments to Customs Broker Verification of an Importer's Identity

Last month, U.S. Customs and Border Protection (CBP) issued a notice of proposed rulemaking in the Federal Register that would require Customs brokers to obtain power of attorney (POA), as well as a plethora of other information from prospective clients prior to making business transactions in the future. According to CBP, the supplementary information submitted by importers would better enable individual brokers and CBP officials to verify the identity of importers, including nonresident importers.

CBP believes that additional importer validation procedures may reduce identity theft and help curtail the use of shell companies by importers attempting to evade U.S. Customs laws. Officials believe the creation and application of such universal requirements will also alleviate issues stemming from 'broker shopping' – a phenomena which occurs when an importer utilizes a broker with minimal requirements, and also lacks the full knowledge of the importer transactional process.

Under the proposed changes, all Customs brokers would be compelled to gather the following information from importers (at a minimum):

- The client's name
- For a client who is an individual – the client's date of birth
- For a client that is a partnership, corporation, or association – the grantor's date of birth
- For a client that is a partnership, corporation, or association – the client's trade or fictitious names
- The address of the client's physical location (for a client that is a partnership, corporation, or association, the physical location would be the client's headquarters) and telephone number
- The client's email address and business website
- A copy of the grantor's unexpired government-issued photo identification
- The client's Internal Revenue Service (IRS) number, employer identification number (EIN), or importer of record (IOR) number
- The client's publicly available business identification number (e.g., Data Universal Numbering System (DUNS) number, etc.)
- A recent credit report
- A copy of the client's business registration and license with state authorities
- The grantor's authorization to execute power of attorney (POA) on behalf of the client

In addition to initially verifying the above information provided by the prospective client, CBP expects brokers to continually re-verify the importer's data on an annual basis and to record updates accordingly thereafter.

Should the proposed rule become final, brokers would have two years to verify the information of existing brokerage clients with a POA issued by a partnership; brokers would have three years to verify all other existing clients.

Comments must be submitted by October 15, 2019 via mail or electronically via the Federal eRulemaking Portal; the docket number is USCBP–2019–0024.

Click here to view the official Federal Register proposal published on August 14th.

For further information contact: Randy Mitchell; Director, Commercial Operations Revenue Entry Division, Office of Trade, U.S. Customs and Border Protection; 202–325–6532; Randy.mitchell@cbp.dhs.gov.

How 'Tariff Surfing' the Internet for Information Can Land Some Importers in 'Deep Duty'

Are you the type of person who uses the internet to research why you're sick, instead of making an appointment to see your doctor in person? After all, it saves time and money. Plus, it's on the internet, so it must be correct, right? Wrong! Googling something as simple as 'stomach pain' might land you on a WebMD page, which in turn causes you to make a self-diagnosis of a rare but severe chronic stomach condition – or even worse.

Well folks, we're here to inform you that finding your duty rate on the internet is also not the best idea. There are scores of websites at your disposal when you need to search for duty rates, however some are more accurate than others. With the number of variables and exceptions that go into product classification, your best bet of avoiding an expensive mistake is contacting a licensed customs broker (like us).

Let's say you're importing a cotton knit men's shirt. If you ask Google, it will likely deliver a quick response to your inquiry – HTS code 6105.10. But if you ask your broker, they ask pesky questions about stitch count, type of collar, type of closure, location of pockets, tightening or binding at the hem, cuffed sleeves, etc. Who has time for that? You do – or should at least.

What about a plastic tablecloth? An online search might yield HTS number 3924.90.1050 in your results. This sounds nice and easy, but it could be wrong as this specific classification depends upon how the tablecloth is made. It could also be classified under HTS heading 3920 as 'plates, sheets, film, foil and strip', based on Note 10 in the Chapter Notes. Many websites utilize search parameters based on simple keywords and do not take specific rules into account.

Will a website explain all that information? Probably not, but Shapiro will.

It's true – our brokerage team will likely ask questions (sometimes several, depending on the product). However, we will also advise on things such as whether the product falls under any government agencies like the FDA or Fish & Wildlife, or if anti-dumping and countervailing duties may apply.

At the end of the day, it's important to remember – We Deliver. Problem Solved. Websites and search engines simply can't!

TRANSPORTATION NEWS:

New York Terminal Conference Fees to Rise in October

The New York Terminal Conference (NYTC), whose members include the Red Hook Container Terminal, Global Container Terminal (GCT) Bayonne, GCT New York, Port Newark Container Terminal and APM Terminals, published a revised conference rate schedule that will go into effect beginning October 1st.

At present, NYTC free time will remain as is; 4 days for import containers and 5 days for exports. The revision will increase demurrage fees – the daily rate incurred when an unloaded container's free time at a given port reaches its expiration – at the five New York/New Jersey terminals by $5 per day. The updated demurrage rates are provided in the table below.

# of Days	Demurrage Fees (Per Day)
1 – 4	$170
5 – 9	$220
10 +	$380

The NY Terminal Conference conducts an annual review of the rate schedule and regularly increases the rates based on changes in the CPI, or consumer price index. It must provide 45-day notice of rates changes pursuant to Federal Maritime Commission (FMC) regulations.

Trucking Industry Feels the Constriction of Tighter Credit Standards

Ever the bellwether for market conditions, after more than five years of loose credit standards, the trucking industry is beginning to feel more restrictions as industry and macroeconomic factors have reduced the performance of lender portfolios.

Needless to say, the U.S.-China trade war, paired with a shift towards a hard-liner approach to international trade relations have disrupted the market and reduced freight volumes. The Bureau of Labor Statistics' Producer Price Index (PPI) – which measures local truckload and less-than truckload rate fluctuations – reported declining rates across 2018, with even steeper drops in 2019, as the impact of the trade war was felt within the industry. In July 2019 alone, truckload rates fell 1.3% and less-than truckload rates dropped 1.5% respectively.

With falling rates come decreased margins that have been exacerbated by industry factors, such as the ELD (Electronic Logging Device) mandate, which served to further constrain truckers' options and responses to a softening market. Ultimately, these factors are creating a climate fraught with trucker defaults and delinquency, which further disincentivizes creditors from providing financing.

For supply chains as a whole, the current domestic trucking market outlook should serve as a warning of the potential threat of short-term economic instability and tightening credit markets. This is particularly true for international supply chains, which have faced rising capital demands as the U.S. – China trade war continues to drain working capital for duty payment.

As an importer, understanding your options for alternative sourcing, as well as methods to mitigate, or even avoid, the increased duty bills from China, is the key to your business's success in today's uncertain market.

Visit the Tariff News page on our website for more details, or contact our marketing gurus to learn how Shapiro can help you!

Amazon Expands Rail Transportation, Introduces Branded Containers to U.S. Fleet

Amazon confirmed that it is expanding its hand in domestic intermodal rail operations, following recent reports that the company procured specialized and Amazon branded 53-foot rail containers. According to an Amazon spokesperson, the new equipment is part of a container pilot program designed "to support [Amazon's] direct-to-rail operation in the middle mile". The additional containers will first be deployed on the U.S. West Coast.

Amazon's intermodal exploration became publicized earlier this year, when it sought to combine forces, temporarily, on a similar initiative spearheaded by Walmart. Despite their history as competitors, Amazon and Walmart teamed up against and bypassed incumbent intermodal marketing companies (IMCs) when they sent representatives to meet and discuss the potential for becoming direct providers with Class I railroads.

Though neither Walmart nor Amazon will officially confirm the number of containers involved in each of their operations, Walmart has allegedly acquired thousands of containers, while Amazon is said to have purchased a more modest sum of 250 containers. As the companies continue in their individual quests to control end-to-end supply chain operations, they must beware and steer clear of any anti-competitive actions and unfair advantages that may result.

Maersk Outlines Response to IMO 2020 Mandate

On January 1st, 2020, ocean carriers will face a new, greener shipping reality with the International Maritime Organization's (IMO) low sulfur fuel mandate. As a refresher, the IMO 2020 mandate lowers the bunker fuel sulfur content limit to 0.5%, a marked decrease from the current global cap of 3.5%. The mandate seeks to tackle the public health and environmental effects of ocean shipping, which are worsened by the industry's significant sulfur oxide (SO) emissions – a result of the prolonged use of high sulfur content fuels.

While this mandate will result in health and environmental benefits, the industry and global shippers will bear the costs of developing and sourcing cleaner, low-sulfur fuels, retrofitting vessels with emissions scrubbers, and transitioning vessels to liquified natural gas (LNG).

Estimates by Maersk, one of the world's leading carriers, suggest that costs could exceed $2 billion for the company alone, with a larger industry-wide impact of $15 billion. The cost of compliance is also expected to increase prior to the January 1st effective date, as the availability of lower-sulfur fuel continues to struggle among growing demand, increasing the likelihood of bunker fuel price volatility in the coming years.

Given these significant cost estimates, carriers are implementing new fee structures in an effort to pass costs amongst the shipping community. Maersk has settled on a differentiated approach model based on long-term (three months or more) and short-term (and spot) contract shippers; long-term contract holders face an adjusted Bunker Adjustment Factor (BAF), while short-term contract holders face a new Environmental Fuel Fee (EFF).

Model	Type of Contract	Approach
BAF	Long – term	Based on the fuel price multiplied by the 'trade factor' – a calculation developed by the fuel consumption and trade imbalance factor of a specific trade lane route.
EEF	Short – term (Spot)	It will be trade lane specific & levied based on the difference between the BAF from Q4 2019 to Q1 2020 initially. Updated adjustments will be made using the same calculation as the BAF accordingly in the future.

In both cases, the current low-sulfur surcharge (LSS) will be incurred on routings through Emissions Control Areas (ECAs), which have required the sulfur content of fuel to be under 0.1% since 2015.

While each carrier has developed their own fuel calculation to pass on the cost of IMO 2020 compliance, the Maersk model is indicative of the two common factors: trade lane and market fuel cost. Shippers moving cargo after January 1st should plan for greater fluctuations in fuel costs over the course of the shipping season, in addition to differing fuel costs when shipping across multiple trade lanes.

Contact our transportation specialists today to learn more about the ways in which Shapiro can keep you head of the curve when it comes to the IMO's 2020 Low Sulfur Mandate.

CBP Reinstates MSC C-TPAT Program Certification Following Brief Suspension

On September 16th, CBP issued a notice reinstating Mediterranean Shipping Company's (MSC) C-TPAT program certification via its online Status Verification Interface (SVI) monitoring portal.

Per our previous article in Shap Talk, MSC's C-TPAT certification was temporarily suspended for 90 days by U.S. Customs and Border Protection (CBP) officials back in June, in response to the shipping company's involvement in a slew of drug-related busts.

For additional information regarding MSC or other certified C-TPAT participants, visit CBP's website.

Shapiro is also a certified participant and assists with vendor set up on a regular basis – reach out to our compliance team to learn more about the potential benefits associated with C-TPAT membership or to get your company set up today!

Air Cargo Update

As we get closer to the gamut of the fall holidays, airfreight peak season is upon us! While this season is not as harrowing as last year, shippers need to be prepared for what we often see at this time every year – freight rate increases, and transit times decreases.

Airfreight Rate Increases

Typically, air carriers will increase freight rates from China as demand for space increases with pre-holiday shipping, to keep up with diminished capacity. Although there's been a recent slip in rates due to weakened market conditions and capacity increases in the post-August electronic rush, the combination of the next wave of Section 301 tariff increases in October and the onset of the Chinese Mid-Autumn Festival and National Week will effectively increase rates.

Transit Time Disruptions

It's important to also keep in mind that during peak season, transit times may be affected due to weather, schedule changes, and terminal congestion.

Don't hesitate to contact our airfreight specialists with any and all questions related to capacity and rates.

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 Christina Thompson, GLG Key Accounts.

Christina is a quick study and a team player. She takes initiative to figure things out in the absence of specific instruction. That can be a pretty stressful task if you're new to a job. She rolls with the punches and she takes the initiative to figure things out and almost always does so successfully. Congratulations Christina!

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 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!

A September to Remember?

If we will ever remember the titans in the shipping business for September 2019, the following developments will need to collect and recollect in our recall...

Click here to read more....

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