"SHAP" TALK

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TRADE NEWS

ILA Talks Disrupted; Retailers Urge for Talks to Resume

With the current International Longshoremen's Association (ILA) contract due to expire on September 30th, the ILA and United States Maritime Alliance (USMX) resumed negotiations in Florida this past week on a contract covering 14,500 East and Gulf Coast dockworkers.

The meetings held this week were supposed to last three days; however, they ended abruptly after a 20-minute session. "It looks like we're going to have a strike," noted ILA President Harold Daggett immediately after the brief meeting. The strike would affect all Gulf Coast ports and all East Coast ports with the exception of Chester, PA.

USMX Chairman/CEO James Capo shared the disappointment of USMX and its members by stating that his dissatisfaction with the ILA leadership was due to their defense of "archaic" practices, such as New York-New Jersey rules that provide some ILA members with round-the-clock pay for a few hours work.

There are no new negotiations scheduled yet, although the ILA and the New York Shipping Association are scheduled to hold negotiations next week on their work rules, pensions, and other New York-New Jersey work practices. Capo mentioned after the meeting that the New York–New Jersey port has become "the most expensive port in the world" to run. Daggett felt that everything was going well until the talks were bogged down by management's insistence on productivity and efficiency improvements, particularly in the port of New York-New Jersey. Daggett also mentioned that USMX members were not happy about tentative agreements last month regarding the framework for expanded automation and protection of the ILA jurisdiction over chassis maintenance and repair.

This sudden breakdown in negotiations comes one month after both Daggett and Capo reported good progress in their efforts to negotiate a new six-year contract. The last time the ILA had a coast-wide strike was in 1977. Capo stated that the USMX is urging the ILA to commit to "substantive negotiations" and he stressed his interest in bargaining "in good faith."

Following the breakdown in talks, the National Retail Federation urged both the ILA and USMX members to resume talks to avoid any work stoppage that would lead to supply chain disruptions that could harm the U.S. economy.

Steamship lines have not yet offered any particular solutions outside of advising shippers to watch the situations closely and consider mini-land-bridge options via U.S. West Coast Ports for cargo to and from Asia. Many importers have begun to heed this advice for their most urgent cargo. The carriers are optimistic that the talks will resume and the issues will be resolved, and point out that since 1977 there has been no disruption in service on the entire East and Gulf coast. They also mention that when labor issues have occurred such as this, they have been resolved swiftly in a matter of a few days at the most. The carriers also stated that the United States government will not allow a work stoppage that would affect the entire coastline.

Samuel Shapiro & Company, Inc. is closely monitoring these negotiations and will keep you posted on further updates. With our worldwide network of carriers, partners, and warehouses, Shapiro is committed to providing continuous service to all of its customers. Please contact your Shapiro representative if you have further questions or concerns about what a strike would mean for your company and how you can best prepare with a proactive plan.

Food Facility Registration Renewal Required Starting October 1st

The Bioterrorism Act of 2002 requires that all domestic and foreign facilities that manufacture, process, pack, or hold food for human or animal consumption in the United States register with the Food and Drug Administration. Certain facilities such as farms and restaurants are exempt from registration. Food imported from an unregistered, non-exempt facility is subject to refusal of admission into the U.S.

The Food Safety Modernization Act (FSMA) was signed into law in January 2011. One of the provisions of FSMA calls for biennial food facility registration renewal. The registration must be renewed between October 1st and December 31st in each even-numbered year. You must wait until October 1, 2012 to renew the registration; FDA will not permit renewals prior to that date. Even if you are already registered, you must renew the registration starting October 1st to avoid having the registration suspended.

Registrants must use Form 3537 to register, update, or renew a registration. Facilities may register online at www.fda.gov/furls. FDA does not charge a fee to register a facility. Alternatively, facilities may register by mail or fax.

Registration by Paper (Mail or FAX) or CD-ROM
Step by Step Instructions

FDA encourages online registration as the most efficient means for food facility registration. After all required information has been entered, the registrant will receive confirmation of registration and a registration number.

Foreign facilities must designate a U.S. agent in their registration. Under the Bioterrorism Act, the U.S. agent served merely as a point of contact for FDA. Now under FSMA, the U.S. agent will be the party liable for foreign facility re-inspection fees. Moreover, FDA has no mechanism to advise U.S. agents when a re-inspection is taking place. Re-inspection fees are costly - $289 per hour when foreign travel is required, and $221 per hour if no foreign travel is required – so do not take on the liability as a U.S. agent unless you are prepared to pay these fees on behalf of the foreign facility.

Do you know if your company has been listed as a U.S. agent for a foreign food facility registration? Many registrations were completed in 2003 and it is unlikely they have been updated. If you are not sure if you have been designated as a U.S. agent, or if you would like to have your name removed as a U.S. agent, you may contact FDA at FURLS@FDA.gov.

Further information on food facility registration may be found on the FDA website at: http://www.fda.gov/Food/FoodSafety/FSMA/ucm314178.htm?source=govdelivery

CBP Plans Test of CEE Under Centralized Decision Making Authority & COAC Proposes New CEE Location

The Advisory Committee on Commercial Operations of Customs & Border Protection (COAC) announced in August that they recommended to U.S. Customs & Border Protection (CBP) that certain criteria be utilized in selecting locations for future Centers Of Excellence And Expertise (CEE). Criteria include:

- Evaluating locations that will allow routine communications and meetings with large sectors of the importing community
- Selecting port areas that process majority percentages of entries that will be governed by the CEE
- Noting political sensitivities of industries governed
- Hearing recommendations of industry work groups for those industries that will be governed

Based on the above criteria, COAC has recommended that the apparel, footwear, and textile center be located in either Seattle or San Francisco. They have also recommended that given the diversity of products governed that CBP should regularly evaluate the location selections following implementation, and whether additional CEE's need to be created within any broad industry grouping.

In addition, CBP has announced that it plans to conduct testing on CEE's to help develop the plans for current and future centers. Their plan is to test the named centers for Electronics; Automotive & Aerospace; Pharmaceuticals, Health & Chemicals; and Petroleum, Natural Gas & Minerals as to how they could operate under broad centralized decision making authorities for their governed commodities. The test is scheduled to begin on October 12th and will run for a three year period. The testing results should show CBP the effects on improving trade facilitation, hopeful cost reductions for importers, and effects on importer compliance.

Functions performed by the CEE's will include:

- Determinations and processing of 19 USC 1520(d) claims
- Determinations of timely submissions of entry summaries and estimated duties
- Waivers of commercial invoice requirements
- Requests for computed value determinations

- Review and correction of transaction errors
- Requests for Information (CBP Form 28)
- Notices of Action (CBP Form 29)
- Review and actions on protests
- Review and actions on prior disclosures
- CEE directors will also have authority to perform validation activities, review/process post entry amendments and corrections, final valuations appraisements, and classification and duty rate assessments

Test participants must have an ACE portal account and follow the below listed actions:

- Entry cancellation requests must be made electronically to the CEE
- Census resolutions must be made directly with the CEE
- Responses to Forms 28 and 29 must be handled directly with the CEE
- Requests for internal advice will be submitted electronically to the CEE
- Protests must either be filed electronically in the Automated Commercial System (ACS) protest module, electronically through the Automated Commercial Environment (ACE) portal, or scanned directly to the CEE

Test participants can continue to make the following actions at the appropriate port level or CBP office:

- Quota entry summaries will be processed at the ports of entry
- Bulletin notices of liquidation will continue to be posted at ports of entry
- Revenue collections and discrepancies will continue to be addressed at entry port levels
- Filers will continue to file Electronic Invoice and Remote Location Filing summaries in ACE, and entry summaries filed through ACS or ACE will not require changes to the ports of entry

Test participation priority in the initial phases of the testing will be given to importers that are enrolled in the Customs-Trade Partnership Against Terrorism (C-TPAT) Program as Tier 2 or 3 members, and members of the Importer Self-Assessment Program (ISA). Participants must also meet various criteria based on their imported commodities.

Information published in the Federal Register concerning the announcement of the testing process, its criteria, and application process can be viewed by visiting following the link: http://www.gpo.gov/fdsys/pkg/FR-2012-08-28/pdf/2012-21217.pdf

Cotton Fee to Increase September 27th

The Agricultural Marketing Service (AMS) of the U.S. Department of Agriculture has issued a final rule to increase the cotton fee which is collected for use by the Cotton Research and Promotion Program.

The cotton fee is currently $0.012665 per kilogram. The new fee will be $.014109 per kilogram effective September 27, 2012. The cotton fee was last raised in September 2011.

The list of affected tariff numbers may be found in the August 28th Federal Register at http://www.gpo.gov/fdsys/pkg/FR-2012-08-28/pdf/2012-20951.pdf

DDTC Updates Guidelines and Instructions for Licensing of Foreign Persons

The Directorate of Defense Trade Controls (DDTC) has updated its licensing guidelines of foreign persons employed by a U.S. person.

DDTC notes it has a long-standing policy to authorize the access to technical data by a foreign person employee of a U.S. person on a DSP-5 through an exception to the requirement for a technical assistance agreement (TAA) in accordance with 22 CFR 124.1(a). In certain instances, DDTC has previously required a TAA in addition to the DSP-5 to authorize the U.S. person to transfer certain levels of technical data and defense services. After close review, the DDTC has determined this "double" licensing is redundant. Therefore, all requests for the licensing of a foreign person employed by a U.S. person must be made through the use of a DSP-5 to cover all levels of requested technical data and defense services.

The full guidelines can be found on the U.S. Department of State, DDTC website home page under new items and announcements posted on 8/20/12 at http://www.pmddtc.state.gov/licensing/documents/WebNotice_LicensingForeign2.pdf

U.S. International Trade in Goods and Services, June 2012

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced the following information on August 9, 2012. Total June exports of $185.0 billion and imports of $227.9 billion resulted in a goods and services deficit of $42.9 billion, down from $48.0 billion in May. June exports were $1.7 billion more than May exports of $183.3 billion. June imports were $3.5 billion less than May imports of $231.4 billion. In June, the goods deficit decreased $5.4 billion from May to $57.5 billion, and the services surplus decreased $0.3 billion from May to $14.6 billion.

The goods and services deficit decreased $7.4 billion from June 2011 to June 2012. Exports were up $12.3 billion, or 7.1 percent, and imports were up $4.9 billion, or 2.2 percent.

The May to June increase in exports of goods reflected increases in consumer goods ($0.9 billion); automotive vehicles, parts, and engines ($0.7 billion); industrial supplies and materials ($0.6 billion); other goods ($0.2 billion); and capital goods ($0.2 billion). A decrease occurred in foods, feeds, and beverages ($0.8 billion).

The May to June decrease in imports of goods reflected decreases in industrial supplies and materials ($2.3 billion); capital goods ($1.3 billion); consumer goods ($0.6 billion); and foods, feeds, and beverages ($0.2 billion). Increases occurred in automotive vehicles, parts, and engines ($0.6 billion) and other goods ($0.1 billion).

Exports of services decreased $0.2 billion from May to June. The decrease was mostly accounted for by decreases in other private services ($0.1 billion), which includes items such as business, professional, and technical services, insurance services, and financial services, and other transportation ($0.1 billion), which includes freight and port services. Changes in the other categories of services exports were small.

Imports of services increased $0.1 billion from May to June. The increase was mostly accounted for by an increase in passenger fares ($0.1 billion). Changes in the other categories of services imports were small.

The full release and tables can be found on the Bureau of Economic Analysis website at: http://www.bea.gov/newsreleases/international/trade/2012/pdf/trad0612.pdf

TRANSPORTATION UPDATE

September 2012 Update

INDUSTRY NEWS:

China Ports Reach 30 Percent of World Container Volumes

The container volumes handled by China's ports has more than doubled over the last decade to reach a milestone of 30 percent of the world's total container volume. China handled 279.3 million 20-foot equivalent units (TEUs) in 2001, and increased to 558.8 TEUs in 2011.

Despite the spectacular growth in TEU volumes, China's ports are not considered congested yet, however analysts warn that TEU volume growth is expected to outstrip growth in Chinese port capacity which could create problems in the future.

Drewry Senior Advisor Neil Davidson stated in its recent report that "we are forecasting that global container throughput will exceed 800 million TEUs by 2013," and “on this basis within 10 years from now the industry will easily be in excess of 1 billion TEUs per annum – and this is based only on single-digit growth each year.”

Carriers Support APM’s Virginia Bid

APM Terminals, subsidiary of A.P. Moller-Maersk Group, got the green light in August from Mediterranean Shipping Company (MSC) and CMA CGM to be one of four companies in the bid process to take over operations of Virginia Port Authority’s container operations. Carriers such as MSC and CMA CGM were previously concerned that port operations by APM would represent a monopoly at the port due to the large presence there by Maersk. This was a major hurdle for APM to get approval from both the second and third largest carriers in the world. Atlantic Container Lines (ACL) also stated that it looks forward to working with APM should it be selected to run the container operations in Virginia’s ports.

Carrier Shipping Capacity Glut to Dry Up?

As container ship orders and financing for carriers to order new ships begin to wane, it may come as no surprise that the excess capacity we have seen this year could turn into another shortage by the year 2015.

If capacity does dry up and is not bolstered by 2015, then this could be dire news for cargo owners in the future on the heels of spiking freight rates this year.

Carriers are financially strapped, so they will be quick to point out to cargo owners that if the freight rates are not supported at current or at possible future higher levels, they will not be able to afford the required increases in capacity that will be needed by 2015. This could spark the next round of consolidation of carriers as larger, better-financed carriers take over smaller financially strapped carriers in the future.

As the newer ships are brought in with higher fuel-efficiency, carriers will recognize that they will need the more fuel-efficient ships in order to remain competitive in the industry according to Bill Mongelluzzo, Associate Editor of the Journal of Commerce.

For now, capacity is seen as adequate due to the growth rate of 8.5% in the world’s container fleet in 2011. However, even at today’s slow-growth rates of demand, there will be enough growth to absorb the current over-capacity as early as 2014.

India to Move to 24-Hour Customs Service at Major Ports

The Indian government has announced plans that it will provide round-the-clock customs clearance services at the country’s major ports of Nhava Sheva, Chennai, Kolkata, and Kandla. It will also provide the same service at the country’s four largest airports – New Delhi, Bangalore, Chennai, and Mumbai.

This new service would cover about 70 percent of all import and export cargo coming into and going out of India. There will be a four month trial period starting August 25, and expansion to other ports could occur once the test is completed.

The Indian government has acknowledged that extensive documentation requirements and procedural delays have seriously impeded India's trade development. The 24-hour service is designed to alleviate some of the pressure on the system and to improve procedures so they can compete with the other leading ports in the world.

OCEAN FREIGHT:

Evergreen Adds Jacksonville Port Call
Evergreen has joined a service in conjunction with Mitsui OSK Lines to add Jacksonville, FL container service from Asian ports in Vietnam, South China, and Singapore via the Suez Canal in early August. The first vessel to call Jacksonville was the Ever Unique.

Transpacific Carriers Seek General Rate Increase in September
August saw rates drop from Asia ports to USA ports on a case by case basis only to have the carriers announce GRI's effective September 10 to September 15 (varies by carrier). The amount that most carriers are announcing for the September GRI is $400/20', $500/40', $565/40'HC to US West Coast, and $560/20', $700/40', and $790/40'HC to US East Coast and Inland Rail Container Yards. Samuel Shapiro & Company, Inc. will work to mitigate the GRIs whenever possible

Transatlantic Carriers Seek General Rate Increase on October 1
The majority of the carriers in the Transatlantic to USA market have announced GRI's effective October 1 of $400/20', $500/40' & 40'HC for shipments from Europe to the USA, $200/20' and $300/40' from the East and Gulf Coasts to Europe, and $400/20' and $500/40' from the West Coast to Europe. Hamburg Sud has announced its GRI from Europe to the USA will be $250/20 and $300/40'. Samuel Shapiro & Company, Inc. will work to mitigate the GRIs whenever possible. Please contact your Shapiro representative for details.

AIRFREIGHT:

New Apple Products Could Boost and Hamper Air Cargo Capacity
Don't be surprised if airfreight rates rise in September as they did when the last new iPhone 5 model came out this past March. Apple is about to release a new iPhone and iPad Mini this fall, and Apple competitors will be releasing new products during the fall as well.

Airfreight rates out of China in particular could jump on the increased demand on the air cargo carriers. This comes on the heels when Asian carriers have cut capacity 1.3 percent this past year as demand slipped 3 percent as compared to the volumes last year. DHL, British Airways, Fedex, and UPS are expected to benefit as shippers scramble to ship their gadgets to the U.S. and European markets.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro Assigns Robert Clawson to Direct Mid-Atlantic Sales

Samuel Shapiro & Company, Inc. recently announced the transfer of Robert Clawson to its headquarters in Baltimore, MD.

Clawson, originally assigned to Shapiro's Charleston branch office as its Regional Sales Director, has been reallocated to focus on the Mid-Atlantic region to better support Shapiro's rising customer base and growth plans in that area. Clawson joined Shapiro in early 2012 and temporarily relocated to the Atlanta branch to work closely with its international freight transportation department while receiving corporate training in preparation for his sales debut.

Before Shapiro, Clawson worked as a project analyst for BAE Systems reviewing Transportation Worker Identity Card (TWIC) program data to help create government policies that affected more than 2 million maritime workers. In addition, Robert acquired more than six years of import and export experience through his roles at P&O Nedlloyd and later as Team Leader at Panalpina. Clawson received his Bachelor's degree in Business Administration from Birmingham Southern College and his Master's degree in Business Administration from The Citadel in 2000.

"I am excited about relocating to Baltimore and expanding into my new sales role. Shapiro does a great job taking care of its customers and I am proud to be a part of it," states Clawson. "Having worked for other companies in our industry, Shapiro provides a warm family atmosphere that I am excited to work and grow within. I have already purchased a Ravens jersey in anticipation."

"We are confident that Robert Clawson will build new business for Shapiro in the Mid-Atlantic region and beyond, and we are particularly excited to focus on U.S. export cargo development by taking full advantage of his extensive knowledge in that segment" notes Robert Burdette, Director of Strategic Development for Samuel Shapiro & Company, Inc. "Clawson's professionalism and logistics skills complement Shapiro's tradition of innovation since 1915."

Employees 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 Libby Redditt, Import Account Coordinator in Atlanta, and Colleen Boate, Transportation Service Representative in Philadelphia, for their 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.