

## Director's Corner



Alison Leavitt  
Managing Director

To all our valued members and friends:

It is hard to believe we are still operating under Pandemic mode. First and foremost, I hope everyone is safe and staying healthy. Everyone has COVID-19 stories, changes in their routine, new hobbies, adjusted work hours, challenges and successes. For me, the lockdown brought my college children home and cancelled all of my normal (usually weekly) travel. This meant more family dinners, games, puzzles, and al fresco dining in our backyard all summer. I took up yoga as an end of day ritual, replacing my usual walk home from the office. We were the lucky ones. With internet access and food on the table, our pandemic experience was blissful. Many in the beverage alcohol business were in similar situations and experienced business growth. Others who serve the on premise

business suffered greatly, and we again acknowledge the distillers that rapidly converted to production of hand sanitizer, responding to public health needs. We also acknowledge the generous support of our industry to workers who lost their jobs due to the pandemic.

Challenges in our society continue to be massive, and both pandemic fatigue and election fatigue are wearing on us. We are also facing continued challenges in the logistics, legislative, and trade policy arenas. In this newsletter, we will address these challenges, and get into detail on the shipping outlook for the next months, the prospects for CBMA extension, the implication of the WTO cases against Airbus and Boeing, and the significant threat to cargo due to climate change.

BREXIT is also looming large, and we will be presenting a webinar on November 4 covering the impact, changes, and potential pain points for the supply chain.

In the meantime, please get out and vote!!

Stay safe, stay healthy, and we are here to help you keep your supply chain moving.

## Industry Update: Schedule Disruptions & Blank Sailings

As we have spent the better portion of the year battling the global COVID-19 pandemic, we've seen the shipping industry adjust to the fluctuating state of demand in a variety of ways. At the height of the pandemic, we saw several carriers discontinue service or announce blank vessel sailings in efforts to save money and compensate for the general lack of demand due to the global economic state. At the same time, global fuel prices dropped dramatically, and we saw fuel contracts go into the negative for the first time ever. The lower fuel costs definitely helped the carriers survive, and most also lowered the bunker adjustment factor by Q3. With fewer players and only three major alliances existing today, the carrier industry has become more skilled at quickly adjusting capacity and keeping supply and demand in a position to avoid serious rate wars. The cancelled sailings are generally reported in advance and easier to plan accordingly, but the blank sailings do create backlogs and delays. Some transatlantic lanes were discontinued forcing shippers to adjust departure ports and seek out alternative routings. Coupled with several strike activities in ports such as Montreal and Sydney, this has caused increased global congestion, sporadic equipment shortages, and surges of imports disrupting flow of cargo in and out of key ports.

As we look ahead to Q4, we are seeing relatively stable ocean freight pricing, and vessels sailing at 100% capacity in almost all areas. Major inventory shortages created during the China lockdown are now creating a huge surge in imports. This surge is hitting the USA and creating major congestion in ports such as Los Angeles and New York, leading to wait times on intermodal rail moves to the Midwest and a shortage of truck power. Plan ahead and provide forecasting as much as you can to make your desired ship date. As always, WSSA and Albatrans work in close conjunction with our carrier contacts and origin offices to ensure that our customers receive the latest information and are updated on scheduling conflicts right away. We will continue to monitor carrier announcements for blank sailings and service disruptions and provide updates regularly.

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## WTO EU Retaliatory Tariffs Review: Airbus and Boeing

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In early August the USTR announced the much anticipated update to the WTO Airbus case. As most of you are aware, in mid-2019, the WTO decided in favor of the USA on a decision involving subsidies to Airbus, and the USA subsequently levied retaliatory tariffs on a list of EU origin products including many beverage alcohol products, such as single malt whisky/whiskey and wines under 14% ABV.

The first round of tariffs went into effect on October 18, 2019. After the initial decision, the USTR is required to review and revise the goods on the retaliation list (in whole or in part), 120 days after the tariffs are applied, and every 180 days thereafter. At the 120-day mark, the USTR announced very limited changes, and no changes at all for beverage alcohol. The announcement in August, at the 180-day mark, published the decision to remain status quo for beverage alcohol with no changes from the current tariffs on our industry. Once again, we are in the midst of another 180-day review period, and we continue to work with our association partners, including DISCUS, WSWA, NABI, The Wine Institute, ACSA, the American Distilled Spirits Association, Kentucky Distillers Association, Wine America, ABL, and the National Restaurant Association to fight against any additional tariffs.

On the opposite side of the trade situation with the EU, the WTO has approved the amount of approximately \$4 billion in damages in the Boeing case. Thus, the EU can now move forward with retaliatory tariffs on USA products and beverage alcohol is one of the commodities expected to be hit. The EU Commission has not yet released the final list of good to be tariffed and discussion is ongoing.

There is room for both sides to return to the table and mitigate the tariffs for both the Airbus and Boeing situations, similar to what happened in the French DST/digital service tax negotiation. We do know that President Trump has stated that he will retaliate “much harder” if the EU implements tariffs.

If you are interested in obtaining a link to the full announcement by the USTR or EU Commission, or a list of the tariff products affected, please contact us.

## Legislation: Status of CBMTRA

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The end of 2020 is fast approaching and with it the uncertainty of the CBMTRA continuance.

WSSA has continued to participate in lobbying efforts to promote passage of CBMA through direct contact with Congressional representatives, the House Ways and Means Committee, and weekly discussions with other industry associations. Every association representing beverage alcohol is working together to get CBMA done. The legislation is heavily supported on both sides of the aisle, and it just needs a vehicle to bring it to the floor for a vote. However, since Congress cannot even get a new COVID-19 relief package to the floor, it is difficult for anything else to be considered right now.

There are currently a few different avenues for CBMA:

1. Attachment to the next CR/Continuing Resolution which will come into play by Dec 11. The CR that was recently passed on September 30 to fund the government will expire on December 11. Congress could vote on another short extension to get us through to the next administration, or they could do a longer term budget and attach other legislation. This will heavily depend on results of the election.
2. Attachment to a tax extender bill during the lame duck session post-election. This will depend on the “mood” in Washington and whether Congress is willing to look at the scope of tax extenders on the table. With that said, the extension could be for two years as the scoring of the CBMA bill is expected to reflect a smaller tax loss than originally predicted.

There is also some discussion at the House Ways and Means Committee to change part of the language of the law to make it more “administrable.” Both CBP and TTB confirm it is an extremely difficult piece of legislation to manage in terms of imported products. If indeed they get the draft to final form, the next step will be socialization of the bill—making sure the lead sponsors and co-sponsors in the House and Senate understand and support the change. All of the industry associations would also make sure our members are aware of the change and can provide any necessary feedback and continued lobbying to ensure members of Congress are on board. Once we have the draft, we will circulate. If a draft is not completed, they will revisit this in 2021 and continue work to introduce the “new” CBMA bill in the next year.

No one is making any firm predictions as to how this will play out over the next two and a half months, but the general feeling is that we get through the election and then determine what is possible during the lame duck session.

Despite all the craziness going on, the House Ways and Means Committee is in charge of all tax issues, and they will be prepared to push forward with tax extenders in any possible vehicle. There is a great team on the committee that understands the value of CBMA and the importance that it passes before year end to avoid the retroactive claims mess.

## COVID-19: A Shout-out to Distilleries that Produce Hand Sanitizer

During the height of the COVID-19 pandemic, we saw the industry come together in many unexpected ways. One of these ways included distilleries across the globe using their products, processes, and facilities to create hand sanitizer, a much needed commodity during this time. Distilleries in nearly every state quickly adjusted their processing to assist in manufacturing hand sanitizer. Major players such as Sazerac and Tito's Vodka got involved, but the most impact was felt at local levels where hometown distilleries, such as Maine Craft Distilling in our headquarters of Portland, Maine, used their resources to provide hand sanitizer to the community. All of us at WSSA recognize the hard work these entities have put into making hand sanitizer accessible to so many, and we thank everyone for their efforts in helping to fight the COVID-19 pandemic.

## Insurance: Continued Climate Change Increases Risk

2020 continues to be an unprecedented year of difficulties – not only with the COVID-19 pandemic, but also with an onslaught of natural disasters such as hurricanes, drought, and forest fires. The changing climate conditions lead to increasing risk to product, both while on the move and in storage. Now, more than ever, is the time to make sure your cargo insurance policy provides coverage for all types of natural disaster instances. Whether your goods are transiting the Gulf during a tropical storm, or are stored in a California warehouse surrounded by fire threat, the WSSA policy can assist with your cargo protection. If you would like more information on marine cargo insurance or storage insurance, we would be happy to help. Or, if you would like an assessment of your current policy to determine if it will cover for all of these natural disaster potentials, we would be happy to provide our expertise. Simply give us a call or email us to get started.

## USMCA Update

The USMCA's entry into force on July 1st, 2020, marked the beginning of a historic new chapter for North American trade. The agreement contains significant improvements and modernizes approaches to rules of origin, agricultural market access, intellectual property, digital trade, financial services, labor and numerous other sectors. These enhancements will deliver more jobs, provide strong labor protections and expand market access, creating new opportunities for American workers, farmers and ranchers. With the new USMCA agreement comes new rules. For instance, the USMCA does not require a specific certificate of origin form. Rather, it requires nine specific data elements which can be presented in any format, similar to other more modern trade agreements. CBP has recently introduced a template due to the demand from USA importers and it is now available on the CBP website.

## Digital CRT Permanence

In early spring we received good news from Mexico that the Tequila Regulatory Council had officially approved the use of Digital CRT (Consejo Regulador del Tequila) and CRM (for Mezcal)—key documents required for export of Tequila and Mezcal from Mexico. Previously, these certificates had to be prepared in original and signed by the regulatory body. Alison Leavitt, WSSA's Managing Director, and Emmanuel Sanchez, Managing Director of Albatrans Mexico, met with Sr. Alfonso Mojica Navarro, Director General at the National Chamber of the Tequila Industry, at the DISCUS Inaugural Conference in February and discussed the need for this automation. The onslaught of the pandemic further forced this issue into review. To avoid people coming to the CRT to pick up original documents, they allowed the CRT E-Document to be submitted online via the VUCEM system. Now this change has been made permanent!

The Tequila Regulatory Council officially began issuing all Digital Certificates of Authenticity (CRT's) including Electronic Signature and QR Code, as of June 29, 2020, to export Tequila and Beverages prepared with or based on Tequila.

This is a massive win in making the industry more efficient, and a big thank you to our partners in Albatrans Mexico who continued to push for this enhancement.



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The Wine and Spirits Shippers Association (WSSA) negotiates shipping contracts on behalf of importers and distributors in the beverage industry. Our dedication to providing efficient and economical transportation by land, sea, or air, enables our members to tap into a marketplace efficiently and affordably.

WSSA was founded by the Wine and Spirits Wholesalers of America (WSWA) and the National Association of Beverage Importers (NABI) in 1976 as a shipping cooperative. Today, WSSA serves as a not-for profit shippers' association that is managed by a board of industry executives. WSSA combines the total volume of its member shipments to achieve preferential rates and service from each of its carriers and vendors. These rates improve the opportunities for our members to compete in the global wine and spirits marketplace.

Together with Albatrans, WSSA provides complete logistics management from door to door. WSSA also provides a comprehensive marine insurance program unmatched by any others in the industry. Our members can quantify the savings with each shipment and our commitment to personal service makes WSSA unique.

For more information on the benefits of a WSSA membership, contact us at [info@wssa.com](mailto:info@wssa.com) or 800-368-3167.

## **DISCUS Virtual Public Policy Conference**

DISCUS (The Distilled Spirits Council of the United States) and ACSA (the American Craft Spirits Association) once again cohosted their Annual Public Policy Conference in September. This year the conference was virtual but still provided industry executives with the opportunity to engage directly with lawmakers in the nation's capital and advocate for issues vital to the industry.

WSSA was a keynote sponsor and had the pleasure of introducing the conference's keynote speaker, Senator Wyden, and fellow speaker Senator Blunt. Senator Wyden has been a key sponsor and supporter of the CBMA legislation from the beginning and continues to be a driver to get further extension/permanence of this important tax benefit.

As an active member of DISCUS, WSSA was also a participant in many of the lobbying sessions with Congressional members and staff, and promoted both CBMA and pushed for relief from the retaliatory tariffs. The participants at the conference put forth the positive impact that the CBMA legislation has had on their business, and WSSA represented the importing segment of the industry in discussions about the far-reaching impact on companies beyond the domestic producers.

## **Winter Wine Program 2020-2021**

Cold weather is on its way! During this year of extreme weather trends, now is the time to make sure your product is protected from temperature extremes during transit. If you are interested in an economical way to ship your cargo through the winter months, WSSA's Winter Wine Program can help. Through the program, your cargo will be shipped in a standard container to a warm weather US port then loaded into a heated container for transport to your door. If you are interested in this option for your shipments, contact us today for more info!

**Be sure to join us at our upcoming virtual events!**

BREXIT Webinar November 4  
CONNECT Northeast Trade Symposium November 9-10  
AgTC Major Midyear Meeting December 8-9

***We make shipping affordable, efficient, and possible for all members!***