WSSA Grapevine

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Director's Corner

As we move toward the end of 2014, all eyes are on the US West Coast situation. The worry of winter weather delays seems small now compared to the chronic and seemingly irreparable congestion situation in the West Coast ports. We will provide some detail and insight into the problems in this issue, and as we go to press, we are watching the situation develop on a daily basis. The costs of the congestion run deep, from the direct costs of demurrage and surcharges, to the indirect costs of man hours spent dealing with the problems. We hope that most of you have not suffered too badly and we are here to try to find alternative solutions whenever possible—whether it is routing via ports that are running smoothly or working with our carrier partners to extend free time.

In this issue, we will cover the continuation of the ILWU negotiations on the West Coast, the operational challenges faced in Los Angeles and Long Beach ports, the latest information on the steamship line alliances, as well as updates on equipment shortages, US Customs "one border" program, and the low sulfur fuel surcharges . We are also happy to announce some enhancements to our marine insurance program and more value added services for our members for 2015!

As always, thank you for your support and all of us at WSSA extend warm wishes for a happy Thanksgiving and holiday season!

Alison

Port Congestion Issues

The labor contract between the ILWU (International Longshore and Warehouse Union) and the PMA (Pacific Maritime Association) expired on June 30, 2014. Fortunately, there has not been a lockout, but in industry terms, the longshoreman are "working to contract", meaning they are working to the minimum requirements in the contract, and while this is not formal disruption, work has slowed. The ILWU, PMA, the Port Authority and the Mayor of LA, state that the ILWU will continue to work throughout the negotiations. Unfortunately, as of November 18, we still do not have a signed contract in place. The negotiating process has been behind closed doors, with little news leaking out throughout the many months of talks. The main points of contention in this year's negotiations involve the discussion over who will pay the Obamacare tax on their "Cadillac" health plans, ILWU jurisdiction versus other unions, and automation.

Whether the lack of a contract has contributed to the congestion issues, the operational challenges in West Coast ports are obvious to any shipper using the Ports of LA/LB, Oakland, Portland and Seattle/Tacoma. Many factors are contributing:

Chassis Shortages - As most carriers have relinquished their own chassis pools, chassis shortages have become common place. While the model of carriers not managing their own chassis is common practice everywhere else in the world, the US market is still adapting to the change and struggling to create workable alternatives.

Rail equipment and car shortages - Allocation of equipment by rail operators to profitable and busy sectors (such as the oil & gas markets) have limited availability of equipment at the ports.

Truck driver shortages: There has been a continual decline in the number of available drivers over the past few years. We find that truckers are scheduling two weeks in advance for pick-ups, and a "same day" pick-up at terminal has become

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Port Congestion Continued

virtually impossible. Additionally, the average age of drivers in the US is 57 years old, indicating that younger workers are not joining the industry, exacerbating this shortage in the future.


(Bob Chamberlin, Los Angeles Times)

Larger vessels: Super post-panamax ships with over 13,000 teus are now calling LA/LB port. While the larger vessels are intended to continue to drive down operational costs per slot for steamship lines and increase efficiency, the time it takes to work the vessel and unload the containers is causing further congestion. In late October, there were 12 vessels anchored outside the port awaiting berths. While this is not a historical high (there have been as many as 65 vessels at anchor), the overall issues with moving goods off the piers will create deeper backlogs.

Importers and exporters are affected adversely—from costly demurrage charges due to the impossibility of pick-up prior to the expiration of free time, higher trucking costs from pre-picks or increases in charges due to wait time, and of course, delay in sales. At WSSA, we are working closely with our carriers to get extended free time, flexibility on changing "door" moves to port moves and using independent truckers. We will continue to keep our members informed as to the potential delays so members can plan ahead.

Other areas of the country have also experienced sporadic congestion issues, but nothing as consistent or serious as the West Coast issues. With peak season coming to a close by the end of November, we should see a natural easing of the problems, but the overall issues will continue to haunt us due to many of the dysfunctional pieces that make up the congestion pie. Solutions are available and we need the ports and labor to step to the plate to become more efficient, we need better legislation for trucking, better infrastructure plans to permit construction of better terminals, and better automation for all import and export documentation to ease unnecessary inspections and exams. WSSA will work with carriers, ports, truckers, US Customs/FDA/USDA and other associations to make sure the voice of our industry is heard, and we welcome your comments and suggestions.

For up to the minute news, check the Members Only section at wssa.com!

Carrier Alliances: G6, 2M, Ocean Three, CKYHE

Our industry has always been known for acronyms, but the steamship line alliances are creating a whole new group for us to translate for the general public. In our last newsletter, we reported on the development of the P3—the alliance of the three largest carriers in the world: MSC, CMA-CGM, and Maersk. All systems were go, offices were built, people were hired, schedules were published, and this alliance came crashing down overnight with a ruling by the Chinese that it would not approve the consortium. The looming P3 made for an interesting year in the transatlantic trade and we capitalized on market uncertainty during our negotiations, avoiding increases in a market that was at 100 percent capacity. Now, we are going into 2015 with a "restructured" P3, the 2M, an alliance of MSC and Maersk, and CMA-CGM creating the Ocean Three alliance with CSCL and UASC. The G6 continues to move forward with the same 6 carriers (Hapag Lloyd, OOCL, NYK, APL, HMM and MOL) and the CKYHE (COSCO, Kline, Yang Ming, Hanjin and Evergreen) is maintaining its structure. The G6 will also add in the CSAV services as Hapag has taken over the steamship line. Outside the consortiums, Hamburg Sud has made the move to acquire CCNI. The average size of the vessels of the 2M will be in the 14,800 teu range and the Ocean Three in the 13,200 teu range. These mega vessels will operate primarily in the Asia trade, and the main wine and spirits routes will continue to operate with much smaller vessels (but still greater capacity than in years past). The new alliances will operate strings "outside" of the alliance as well. We hear MSC will continue to operate a separate string for niche ports such as Boston and Baltimore. Drewry reports that "this trend toward these so-called mega alliances is a defensive response to the prolonged down cycle for industry profits, as carriers have realized there is safety in numbers". While each carrier will still offer independent rates, the overall number of services in the ocean trade lanes continue to decrease. The service differentials are what we will look for, and utilize our many contracts to make sure we have the right combinations for all members in all lanes.

Alba Wine and Spirits Warehousing and Distribution

A subsidiary of WSSA's freight forwarding partner, Alba Wine and Spirits Warehousing and Distribution LLC, has opened a brand new 300,000 square foot warehouse facility in Edison, NJ. Open in September 2014, the new warehouse offers temperature controlled and ambient storage and a full service distribution program for any type of beverage. The warehouse boasts state of the art air conditioning units, narrow aisle racking system, a fully wired guided environment with

WSSA's BOD Executive Committee tours Albatrans' new warehouse in October 2014

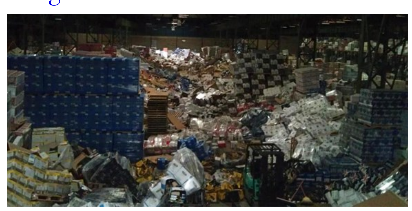
turret truck and order pickers reaching five levels. All equipment is fully electric, thus avoiding any residue accumulated from gas operated machinery, and the new fork lifts offer both traditional and slip sheet forks. It features a high value cage, and order fulfillment from the case level to individual bottle picks. The warehouse was a natural addition to the overall logistics services offered by Albatrans and WSSA. With daily deliveries to NYC, NJ, and CT, and weekly deliveries to upstate NY and New England, the warehouse offers a great new distribution option in the NJ area. In addition, WSSA's insurance program can now cover your goods in the warehouse as well!

WSSA Insurance Enhancements

The WSSA insurance program has been popular with our members for over 30 years. We insure over a half a billion USD in wine and spirits annually. WSSA can now provide even more options for your risk management needs. WSSA has added full domestic carriage coverage and warehouse inventory insurance to our roster of offerings.

Domestic Carriage: Most trucking companies offer only limited coverage on your deliveries, and this coverage is primarily liability insurance. WSSA's domestic carriage insurance covers the trucking portion of the shipment within the US or overseas. Collecting on goods damaged, stolen, or destroyed in transit, is difficult to manage. This added coverage can give you peace of mind that your goods are covered while out on the road.

Warehouse Inventory Coverage: Third party warehouses do not insure your goods stored in the warehouse.



If a storm hits and your goods are damaged or destroyed by natural causes, you need good coverage. These two enhancements to our coverage supplement our current door-to-door, "all risk" policy for full containers, LCLs, flexitanks, and air freight. WSSA's policy continues to provide coverage on insulated containers through our OTC (Optional Temperature Coverage) program, including coverage on Difference in Conditions for CIF shipments. Let us know if we can help you protect your cargo!

Customs "One Border" Initiative

President Obama issued a Presidential mandate that US Customs and other PGAs (Participating Government Agencies) utilize a single window processing system via ITDS and ACE. Instead of silos for FDA, USDA, CPSC, EPA and other agencies involved in the import process, electronic integration is mandated and in process.

At the CONECT Trade Symposium, Alison Leavitt, Managing Director of WSSA, participated in a panel with CBP's Senior Advisor for Trade, Maria Luisa Boyce, and Domenic Veneziano, Director, Division of Imports, FDA. All agencies are required to pull into the single window by December 2016 and this process should create efficiencies in the overall processing of import entries, especially when FDA, USDA, and TTB may be involved in one shipment. CBP is also in the test process for the new "Trusted Trader" program, as stated in the Federal Register of 6/16/14: "This test of the Trusted Trader program aims to move toward a whole of government approach to supply chain security and trade compliance by strengthening government collaboration between CBP and FDSA and between CBP and CPSC." At the same time, CBP is in the test phase of the CEE (Centers of Excellence and Expertise), virtual centers to essentially provide "one-stop" processing for the trade community and create efficiency and uniformity of practices across ports of entry. These three initiatives are part of an overarching goal to transform customs procedures and achieve modern business practices.

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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 or 800-368-3167

WSSA Welcomes Gretchen Veevaert!

Gretchen is a recent graduate of the Loeb-Sullivan School of International Business and Logistics at Maine Maritime Academy where she obtained her Masters of Science in Global Logistics and Maritime Management. She joined WSSA as our Program Coordinator and works closely with our members on all of our programs, as well as managing our social media and news updates, assisting with insurance claims, and our overall marketing efforts. When not immersed in the world of logistics, Gretchen can be found teaching fitness classes or out on a run!

Low Sulfur Fuel: New Surcharges

Another surcharge is coming our way with the implementation of a mandatory switch to the use of low-sulfur fuel in emission control areas in Europe and North America. The surcharges will vary, a representative from OOCL stated that "At this time, it is very difficult to predict the exact financial impact of this new regulation due to the unpredictable and fluctuating nature of fuel prices on our operations.". Earlier reports of surcharges as high as $170 per 40' container seem to be spiraling downward, most likely due to recent reductions in fuel costs. The emission control areas currently cover coastal waters of North America, the northern English Channel, North Sea and the Baltic Sea in North Europe. As of January 1st, all shipping lines crossing those areas will be required to use fuel with a reduced sulfur content. We will keep you posted as to updates on this surcharge, but be prepared to see it implemented at some point in 2015.

Brrr: Winter Wine Time Again!

Importers and distributors in the Midwest know that it's cold outside, and that wine doesn't do well when frozen. WSSA pioneered the Winter Wine Program in 1979: dry containers are customs-cleared and trans-loaded into heated trailers at warm-weather ports, for temperature-controlled transport to the destination. Programs are running at Norfolk, Charleston, Savannah, and Oakland, to thirteen Midwestern states. Savings can average well over $1.50 per case, compared with shipping all the way with a temperature-controlled container.

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