WSSA Grapevine

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What's in Store for the Peak Shipping Season?

WSSA's Managing Director, Geoffrey Giovanetti, was featured in a webinar along with AgTC's Peter Friedman and Journal of Commerce's Economist Mario Moreno. Geoff's remarks focused on the lack of pressure for higher freight rates, caused by depressed demand together with continuing increase of vessel capacity.

Since September 2010, 16 vessels of 8,000-12,000 teu (twenty-foot equivalent units) capacity have entered world trade, along with another 24 of up to 15,500 teu's. To bring this into perspective, one 15,500 teu ship could carry all of the wines and spirits imported into the USA last year in less than ten voyages. Another 284 ships of 8,000 -15,500 teu capacity are currently on order, 20 of which have a capacity of 18,000 teu's—larger than anything now sailing. All of these ships will come into service in 2012-2013. But don't rejoice yet about lower rates, Geoff cautioned: Fuel surcharges continue to change because Bunker Fuel has increased by

50% since July 2010, and we may see container shortages because manufacturing has lagged the increase in ship space.

To ensure adequate space, Geoff shared the following precautions that WSSA was observing to avoid space availability problems:

1. Select Reliable Carriers
2. Increase Contracted Volumes
3. Specify Space Allocations for each Sailing
4. Book Well Before Space is Needed
5. Gain Booking Guarantees
6. Avoid "Just in Time" Thinking

Friedman focused on the export market, complaining about inland container shortages for agricultural shipments, while Moreno discussed trends for Transpacific imports. Neither expected major rate increases for the second half of 2011. A replay of the webinar is available from the Journal of Commerce website, www.joc.com/webcasts.

So...What's in Store for W&S Freight Rates?

There is little change from the memo sent to members in April regarding the freight rate picture for 2011. Fuel is likely to stay at high levels, although it seems to have plateaued for now. We have added another carrier from South America, and we plan to add another from the Australia/New Zealand range. Rates are staying at current levels in those trades, and will remain valid through Spring 2012. South Africa, like the other Southern Hemi-sphere lanes, will stay at today's levels (ignoring fuel) through the first half of next year.

Transatlantic rates should stay constant (again, ignoring fuel surcharges) through the first quarter of 2012, with the possible exception of those from Mediterranean origins. There is continuing pressure for rate increases in this very competitive region, and it's too soon to tell what will happen. Look for that rate picture to be resolved by October.

Wine and Spirits Shippers Association Inc.

Ocean Fuel Surcharges ("BAF")

Most of WSSA's base rates are valid through at least the first quarter of 2012, but agreed fuel surcharges fluctuate periodically. Here is a summary of Bunker Adjustment Factors for dry containers with selected carriers from North Europe (Germany/France/Benelux/UK/ Ireland). All figures are per teu (twenty-foot equivalent), so BAF for 40' containers is double the below amounts:

Carrier	August	September	October
APL to USEC/Gulf	$315	$320	$310
APL to USWC	$475	$480	$465
Hamburg Süd to USEC/Gulf	$391	$391	NA
Hamburg Süd to USWC	$621	$621	NA
Hapag Lloyd to USEC/Gulf	$215	$215	$221
Hapag Lloyd to USWC	$361	$370	$375
ICL to USEC/Gulf	$438	$443	$443
"K" Line to USEC/Gulf	no change	no change	no change
Maersk to USEC/Gulf	$240	$240	$235
MSC to USEC/Gulf	$220	$220	NA
MSC to USWC	$332	$332	NA
OOCL to USEC/Gulf	$269	$269	NA
OOCL to USWC	$403	$403	NA
Yang Ming to USEC/Gulf	no change	no change	no change
Zim to USEC/Gulf	$225	$225	NA

NA = Not Applicable at time of publication

Thus, the above fuel surcharges are for the purpose of post-freight auditing and to reflect trends in bunker fuel prices. Despite major differences among the BAF amounts, the total all-inclusive rates for the above carriers rarely vary by more than $100.

"Harbor Maintenance Tax should be spent on harbor maintenance."

New England via All-Water with Hapag Lloyd

Hapag-Lloyd has started using a new weekly feeder service started by American Feeder Lines, connecting Halifax with Boston and Portland, Maine. The first ship sailed in July, with 110 teu's (20-foot equivalent units) aboard. The service is designed to meet Hapag's inbound vessels from Europe and Asia at Halifax.

Funding for Port Improvements?

The House of Representatives began hearings in July on a bill (H.R. 104), which says simply that the money collected for Harbor Maintenance Tax (HMT) should be spent on harbor maintenance. The bill is bipartisan, having over 100 co-sponsors.

Unspent money collected as HMT so far amounts to $6.1 *billion.* In fiscal year 2010, the government spent only about 60% of what it collected on harbor maintenance, continuing to contribute to the surplus. Several Atlantic ports plan to dredge and expand to accommodate larger vessels from the Panama Canal enlargement due to be complete in 2014.

The HMT was enacted in 1986 and increased in 1990 to 0.125% of the declared cargo value. The Supreme Court ruled that the HMT could not be applied to exports—only for imports.

Dock Labor Management Focus Changes

"We are against automation in this United States on the East Coast and the West Coast."

Harold J. Daggett was unanimously elected as the ninth president of the International Longshoremen's Association on July 28, 2011. *American Shipper Newswire* reported that Daggett made a fiery acceptance speech, vowing "to address change head on," and challenge changes which would cause less ILA work.

"We are against automation in this United States on the East Coast and the West Coast," Daggett said. Automation "takes away your jobs and takes away money from your family. I'm not going to let that happen. I'm going to fight it."

Referencing the Panama Canal expansion and the expectation that there will be an increase in trans-shipment, Daggett said he plans to work to organize longshoremen working at terminals in Panama and at Freeport in the Bahamas. The ILA presently controls dock workers at virtually every port on the Atlantic and Gulf Coasts.

Much of his rhetoric may have been setting the stage for contract renewal discussions, as the ILA's contract expires September 30, 2012.

NY/NJ Port Authority Hikes Tolls

Bridge and Tunnel Tolls will increase on September 18, 2011 on all NY and NY/NJ crossings, and again on December 2, 2012, and each subsequent December.

Rates vary according to vehicle size, but a five-axle truck with an EZ-Pass will see its tolls at peak hours climb from $40 to $50. The fare will jump another $10 to $60 in December 2012, and $10 more each subsequent year. By December 2015, the fare will be $90.

Off peak workday hours will be $5 less, but if the driver pays cash, the rate becomes $15 more than the peak EZ-Pass rate.

Cars with EZ passes tags will see peak rates climb from $8 to $9.50 on September 18, and then increase 75 cents in December of each following year. Cash-payers will pay $12.00, increasing by $1.00 each following year.

The tolls are collected to pay for the 10-year capital plan, which the Port Authority has scaled down to just over $25 billion--because of "toll and fare payers' economic realities." The plan includes bridge and tunnel rehabilitation, airport and rapid transit modernizations, and raising the Bayonne Bridge roadway.

The complete press release can be found at http://www.panynj.gov/press-room/press-item.cfm?headLine_id=1445

APL Switching Terminals in NY

In a related story, New York Container Terminal has announced that APL is leaving in mid-2012, and will instead call on the New Jersey side of the port complex. APL is more than one-third of NYCT's volume, and is unhappy that the terminal hasn't been able to expand. They also cited the increases in bridge tolls as a factor. Rumor has it that APL is negotiating with Maher Terminal.

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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.

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

We're on the web!
wssa.com

Marine Cargo Insurance

Everyone on the East Coast made a big deal of the recent earthquake centered in Virginia, but such acts of God happen with unfortunate regularity in many wine regions of the world. WSSA's insurance underwriter has paid several hundreds of thousands of dollars for claims on WSSA-members' cargo when quakes struck in New Zealand. Fortunately, no claims arose from last year's Chilean earthquake or the Japanese quake/tsunami, but they would likewise have been fully covered.

WSSA's Marine Insurance Program covers virtually all losses connected with the transport of members' shipments from origin to warehouse floor. Even the risk of extreme temperatures is provided as an optional coverage. You'll find that the cost is extremely reasonable, and settlements are responsively quick.

If you are already insured by others, check WSSA's program.

We insure over one-third of a **billion** dollars annually, and can likely save you money. If you're not presently insured, we strongly urge you to insure your shipments against risks of international transportation.

Contact Fay Bazri at WSSA for more information!