# WSSA Grapevine

VOLUME 6, ISSUE 2 FALL 2016

**INSIDE THIS ISSUE:**

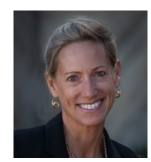


## Director's Corner

What is the "new normal?" I was recently interviewed by a senior editor at the *Journal of Commerce* asking me why there is so much fluctuation in the Transatlantic Trade—a trade lane known for its long term stability, consistent volumes eastbound and westbound and a generally profitable track record. It is an interesting question, and as I continue to analyze the situation, I truly hope that we are not heading toward the pattern of the Transpacific trade where rates literally change every week and massive GRIs are proposed, shot down, and proposed again. With the upcoming changes in the alliance structure, carriers want to cement their business relationships and go into the new agreements with a strong customer base. Thus, if one carrier drops rates, the others soon follow in order to maintain or gain new support. Rate reductions are occurring even if the vessels are sailing at 100% or overcapacity. It is not logical. From the WSSA point of view, we want to continue to have a strong network of carriers to support your business, and the breaking news of the demise of Hanjin Shipping is not a good sign. The good news is that the wine and spirits business is strong and growing, our membership has never been larger or more diverse, and the historically low shipping rates do help all of our members succeed. In this issue, we will outline the latest news on carrier alliances, provide updates on the latest trade topics from West Coast port issues, the opening of the new Panama Canal, along with tips and new services. We will be celebrating our 40th anniversary in 2017 and will roll out more new programs to support our global members. Thank you for your support!

Cheers,

*Alison*



## Major Shift in Steamship Alliances in 2017

It seems that stability in the shipping industry is a thing of the past. With the second major shift in as many years, the four major steamship line alliances will be changing again in the spring of 2017. While this is not necessarily bad news, the continued merger and acquisition phase in the industry will limit choices and should eventually drive prices back up to a sustainable level. The more devastating news is the collapse of one of the major lines, Hanjin Shipping. Hanjin, a Korean owned shipping line, has been in a financial hole for the past couple of years, but the reports in mid-2016 were that the hole was patched and the line would survive. In late August, the announcements came that the line was filing for protection under bankruptcy law, but in the meantime, vessels were arrested and cargo held. Hanjin was slated to join "The Alliance," one of the reshuffled groups scheduled to launch in April 2017 consisting off MOL, NYK, Kline, Hapag Lloyd and Yang Ming.

In brief, the current alliances (G6, CKHYE, Ocean Three and 2M) have been disrupted by the merger/acquisition activity of Hapag and UASC, COSCO and China Shipping, and CMA and APL. Four alliances have now transformed into three, "The Alliance," Ocean Alliance (CMA-CGM, COSCO/China Shipping, OOCL and Evergreen) and the 2M (Maersk, MSC and Hyundai).

WSSA will continue to have a balanced portfolio of contracts within each alliance, as well as with the outliers and niche players, such as ICL, Zim, Eimskip, and other regional carriers to satisfy all of our members' needs.

*Stay on top of the latest industry news!*

*Connect with WSSA!*

Wine and Spirits Shippers Association Inc.

# Oakland Extended Gate Hours

As anyone using the Port of Oakland knows, the terminals have suffered with continuous congestion and long delays to pick up or drop off cargo. The problem was exacerbated with the closure of the Outer Harbor Terminal, the second largest terminal operator, in early 2016. The port is making an effort to improve the situation, and has been testing extended gate hours. The initial phase of the night-gate hours was at no charge to the shipping community, with the costs subsidized by the Port Authority.

On June 27, 2016, the Port of Oakland implemented its Extended Gate Fee of $30.00. This fee applies to all import and export loads coming in and out of the terminal both shifts (day and night). This Extended Gate Fee is based on a 90-day TRIAL BASIS and will be further reviewed after that time.

This fee will finance the cost of full night operations at the port, which have helped to mitigate the congestion and delays of the daylight hours. Previously the night operations were financed by a port subsidy which expired in June. "Thousands of cargo transactions have migrated to nighttime thanks to Oakland International Container Terminal," said Port of Oakland Maritime Director John Driscoll. "It's imperative that we continue with extended hours to expand the workday and

Journal of Commerce

improve cargo flow."

Importers and exporters have mixed reviews, with reports from some of our members advising of lighter traffic and shorter lines at night, but continued slow operations when inside the terminal.

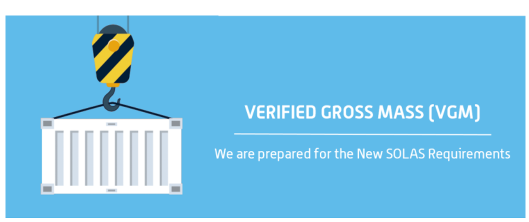
# Panama Canal

Even after the official opening of the new Panama Canal locks on June 26th, the industry is still wondering how the canal's added capacity will affect the shipping climate. The largest questions arise when considering Transpacific trade with the East and West Coasts. Planning for an uptick in traffic due to the canal's new capacity, East and Gulf Coast ports have spent billions of dollars dredging and expanding in order to accommodate the larger ships that are now able to travel through the canal's locks. The planning on their part may be wise as many consultants and industrial developers are predicting that the new Panama Canal will balance the volume of containerized imports from Asia between the West Coast and East Coast. With the expansion having just been completed, only time will tell how the coasts will be affected.

*JOC* V.17 N.14. "Panama Canal Expansion Completed, So Now What?" July 11, 2016

# SOLAS: 90 Days Later

Three months after SOLAS was officially implemented on July 1st, the entire industry is breathing a sigh of relief that the much-feared disruptions and issues associated with the regulation never came to fruition. Rather, the requirement for VGM (Verified Gross Mass) reporting has been successfully rolled out in all countries with very few issues. The EDI or web transmissions to the carriers was painlessly implemented and most shippers quickly adapted to the requirement to supply the VGM. At this point, fees associated with the VGM have been minimal, limited to the cost of scaling containers when needed. In terms of overall processes, make sure to advise your suppliers that they must provide the VGM information so you do not get hit with additional costs for scaling! Should you have any questions about the process, please feel free to contact us.



# BREXIT

Brexit, the UK's deciding vote to leave the European Union, has left those in the wine and spirits and shipping industries uncertain and uneasy. According to *Wine Spectator*, the vote is not expected to have negative repercussions in the short term. However, the long term impact is what remains up in the air.

As the UK government must now establish new trading ties around the world, existing trading deals may be lost and transportation slowdowns could occur. The UK is a huge wine importing country, and exporters should be aware of currency fluctuations due to the economic repercussions and uncertainty post-vote.

The UK trucking industry could also face difficulties as the bulk of their drivers are European migrants with visa-free access to the UK under the EU market. Losing the drivers, especially during peak times, could mean


devastating slowdowns and work stoppages for the logistics industry. Economists indicate that it is the uncertainty that this vote has caused that will have the most drastic impact.

Don Ratajczak, consulting economist at Georgia State University, predicts that the uncertainty will "prove a drag on economic growth in Europe, the U.S. and Japan in the second half of 2016." Jean–Charles Cazes, director of Chateau Lynch Bages echoes Ratajczak's viewpoint saying, "In the short term, it's put confusion and volatility in the market, it's an unsettling situation, and that's not good for business."

Barnard, Bruce. *JOC* V.17 N.14 "Bracing for Brexit." July 11, 2016

Mustacich, Suzanne. *Wine Spectator*. "Brexit Vote Sparks Uncertainty in Bordeaux." July 11, 2016

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

## Insurance Tip: Hanjin Bankruptcy, Manage Your Risk

The current bankruptcy of Hanjin Shipping has created a significant disruption to many supply chains, especially those stocking for the holiday season. While steamship lines and shippers blame each other for the market conditions that have created the Hanjin bankruptcy, this situation is a reminder of what has occurred in the past and one that could likely occur again in the near future. Unfortunately all shippers are bound to carriers via a contract, the terms of which are found on the back of every ocean Bill of Lading. It's those terms that allow the steamship line to end its obligation of transit short of the originally agreed destination without reimbursement to the shipper. Here are some tips that may help with the issue at hand:

- The WSSA cargo insurance policy will continue coverage for loss or damage even though a voyage may be extended or cargo deviated.
- Remember that the steamship line or your forwarders have the legal right to hold your shipment until additional freight costs, storage or demurrage charges have been paid, so be ready for prompt payment of such charges.
- The WSSA cargo insurance policy may also cover such additional costs accrued in delivering the cargo to its intended destination per the terms of the Sue and Labor Clause. If you are not insuring via WSSA, please discuss the situation with your current insurance provider.
- A cargo insurance policy will not cover abandonment of cargo. Therefore, it remains your obligation to ensure cargo is delivered to its intended destination or alternate destination that you have arranged.

More than just a cliché, history does repeat itself and the Hanjin Shipping bankruptcy may be a bellwether of the state of ocean shipping for some time to come. It's important to take the time to analyze your supply chain resiliency and build in contingencies where possible. Fortunately, WSSA and our members had minimal exposure to the Hanjin disaster as we have been very wary of any financial distress with our carriers and kept our exposure to a minimum. Please call us with any questions , or to discuss strategies for the future.

In partnership with Roanoke Insurance Group, Inc.

Wine and Spirits Shippers Association Inc.

111 Commercial Street
Suite 202
Portland, ME 04101
P 207-805-1664
F 207-274-6019

Managing Director: Alison Leavitt
Director of Operations: Heather Randolph
Contract Supervisor/Pricing Analyst: Cecilia Borruso
Program Coordinator: Gretchen Veevaert

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 at NABCA

WSSA attended the National Alcohol Beverage Control Association's annual conference this year. Hosted at the Hilton Orlando in May, the meeting showcased a supplier town center where new brands and cocktail recipes were displayed, a luncheon trade show where suppliers and state representatives could sample, network, and view new products, and a host of seminars and discussions related to the alcohol beverage regulations in the control states. WSSA met with NABCA organizers, state officials, supplier managers, and distributors who were all enthusiastic about our presence at the conference and the services we offer. WSSA is thrilled to be a NABCA member and sponsor, and we look forward to growing the relationship in the years to come.

# Singapore: Distribution Hub for W&S in SE Asia


Steven Chia
*Regional Director*
Albatrans (SG) Pte. Ltd.

Albatrans Inc. is pleased to announce the opening of Albatrans Singapore. The key location of the Singapore office allows for distribution of wine and spirits products throughout Southeast Asia. Led by industry professional Steven Chia, Albatrans Singapore will focus on shipments to the Philippines, Thailand, Vietnam, Cambodia and Laos as well as all other countries in the region. WSSA will be meeting with all of the key personnel from SE Asia at the upcoming global meeting in Hong Kong in late September. Should you have any exports to these areas, please contact us!

# WSSA Membership Expansion

WSSA continues to grow each year, and 2016 has marked the largest uptick in our global membership in our history. As our freight forwarding partner Albatrans continues to grow, WSSA is also expanding our offerings in both rates and insurance coverage, as well as advocacy, education, and a constant stream of news to our worldwide membership. We will continue to offer webinars and can provide one-on-one consulting on logistics and risk management issues. If you are not yet a member, we invite you to join!

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