



Travel Goods Association
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January 18, 2022

The Honorable Joseph R. Biden
President of the United States
The White House
Washington, DC 20500

SUBJECT: Shipping Crisis Not Over! We Need More Action & Businesses Need Immediate Relief

Dear Mr. President:

On behalf of the U.S. travel goods industry, small, mostly family-owned businesses and our 100,000 American workers, that make, market, and sell travel goods – luggage, totes, backpacks, handbags, and other products for people who travel – I am writing to urge you to take more action now to end, and provide immediate relief from, the ongoing shipping crisis that is not only devastating our industry, but damaging the entire American economy.

The pandemic brought our industry to its knees, literally almost putting our entire industry out of business. We rely almost exclusively on travel for our business, and on stores to sell our product. But during the pandemic, there was no demand for our product (because there was no travel) and no way to sell our product (because of the economic shutdown). The bottom line during the pandemic was that no one was traveling, or going to work, or going to school, so no one was buying a suitcase, or a tote, or a laptop bag, or a backpack.

To add insult to injury, Congress allowed the Generalized System Preferences (GSP) program to expire on January 1, 2021. When the U.S. government imposed 25% punitive tariffs on U.S. travel goods imports from China in 2017, many U.S. travel goods companies spent years shifting sourcing to countries that received duty-free access under the U.S. GSP program. When, over a year ago, Congress allowed GSP to expire, U.S. travel goods imports from GSP countries were suddenly hit with 17-20% tariffs overnight. The weight of these new tariffs, these new taxes, only exacerbated the impact of the pandemic on our industry.

When travel started to recover last summer, we started to see a light at the end of tunnel. But our ability to reach that light was crippled by the shipping crisis, which imposed immense costs on the small, family-owned companies that comprise our industry at a time when we could least afford it and left us in many cases even unable to provide any product to meet that demand.

We appreciate the leadership you and your administration have demonstrated over the last few months to tackle this crisis. Thanks to your efforts, a bright light is now shining on this issue, forcing key stakeholders to take action in an attempt to end the crisis. We also applaud your support for key legislation in Congress and long-term investments in infrastructure and initiatives to combat the endemic trucker shortage, all of which will pay dividends in the medium and long term to help prevent the next shipping crisis.

For our industry, the pandemic is rearing its ugly head, with Omicron curtailing travel yet again. That is why we desperately need you to do more to end the current shipping crisis now. We need aggressive enforcement, continued leadership to bring the full gamut of stakeholders to the table and, just as critical, immediate relief to businesses that are still struggling under epic freight costs and punitive fees, both of which are fueling inflationary pressures.

Why? The shipping crisis remains dire and is actually getting worse. Shipping rates, after a brief decline, are on the rise again, hitting new records. And even when our members do get their cargo on ships, the line to get those ships into port keeps getting longer. For example, on January 18, according to The Maritime Exchange, *170 ships* were queued up in a line stretching hundreds of miles to enter the Ports of LA/Long Beach, with wait times averaging 28 days, four weeks, at the Port of Long Beach from anchor to port.

And then it takes too long to get that merchandise. The Port of LA is averaging over one week to unload ships once at berth. And, despite reports of import cargo being cleared off docks, our members still can't access their import containers, or return empty containers, yet are still being charged demurrage and detention fees for a situation that is completely out of their control. The situation has gotten so bad that the Federal Maritime Commission (FMC) on December 30 finally launched an investigation into one carrier, Wan Hai, citing dozens of instances where Wan Hai charged detention fees while providing shippers no way to return empty containers.

We have seen, and continue to see, the impact to our industry and to the U.S. economy – empty store shelves and inflation rates not seen in decades, impacting every hardworking American family.

The response to date has not worked. The ports have threatened fees, fees on long-standing import containers sitting on docks and now fees on long-standing empty containers on docks. While the ports have not yet imposed the fees, many terminals, including 5 of 6 terminals at the Port of Long Beach, and many other terminals throughout the country, are imposing, or intend to impose “temporary storage charges” on carriers. Carriers pass these charges directly on to our members, the shippers. Other terminals/carriers have started charging fees for missed appointments, even though those same terminals/carriers have not provided any way to access import containers or have restricted returns of empty containers. These fees are initially charged to or ultimately passed on to our members, saddling them with even more costs even though they have no ability to rectify the situation leading to the imposition of these fees, costs that our members have been forced to pass on to the American consumer.

As noted above, these fees have had no impact because they were implemented with only some of the players in the room. New actions must include ALL stakeholders – not only ports and carriers, but also terminal operators, truckers, port workers, chassis providers, and, of course, us, the shippers. And we must recognize that we can't fee our way out of the crisis but that all parties must work together to develop multiple, connected, real, and practicable solutions that can be implemented today.

Your leadership in bringing all parties to the table and finding solutions has never been more important as the July 1 expiration of the current West Coast port labor contract looms over the current crisis. Even in the best of times, port labor contract negotiations have led to employer lockouts, worker strikes, and worker slowdowns, all of which have wreaked havoc on shipping and supply chains. We need your leadership to ensure that both sides come to the table now to negotiate and reach agreement well before the July 1 deadline.

And we need immediate relief NOW! We are already witnessing how the unsustainable cost spiral experienced by our industry, and businesses across all walks of life, is translating into an unsustainable inflationary spiral that hurts every single American and America's economic recovery.

That is why your Administration can, and should, provide immediate relief by removing temporary punitive tariff costs, such as the U.S. government's punitive 25% Section 301 tariffs on China that drives tariffs on most travel goods to over 40%, a huge hidden tax that small family-owned companies and our customers, hardworking American families, must still pay. We also urge you to press Congress to quickly and retroactively renew the Generalized System of Preferences (GSP) program, whose expiration over a year ago has imposed countless billions of dollars of additional unnecessary costs on our industry and the U.S. economy.

Your administration could even temporarily defer normal tariff payments, which combined with ending the Section 301 tariffs and renewing GSP/MTB, will provide a cash infusion to American businesses to enable them to keep workers, hire new workers, and reign in rising prices.

The time for your leadership to end the shipping crisis once and for all, and provide immediate relief, is now. Our industry, and our economy, cannot afford for you to wait any longer.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 301-775-7633 or nate@travel-goods.org if you have any questions or would like additional information.

Sincerely,



Michele Marini Pittenger
President

CC: The Honorable Pete Buttigieg, U.S. Secretary of Transportation
 Chair and Commissioners of the Federal Maritime Commission (FMC)
 The Honorable Gina Raimondo, U.S. Secretary of Commerce
 The Honorable Katherine Tai, U.S. Trade Representative
 Members of the Senate Commerce, Science, & Transportation Committee
 Members of the House Transportation & Infrastructure Committee
 Members of the Senate Finance Committee
 Members of the House Ways & Means Committee
 Members of the Senate Small Business and Entrepreneurship Committee
 Members of the House Small Business Committee