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### West Coast Port Labor Woes

**The Pacific Maritime Association (PMA)** and ILWU are getting ready for contract negotiations. The talks will not begin until early 2008, but both sides are organizing their affairs. In the last round in 2002, PMA barred longshoremen from port terminals after accusing workers of slowdowns. No one expects the talks to go completely smoothly. PMA is concerned about its rising health-care bill, now running \$450 million annually, on top of wages and other fringe benefits it considers generous.

With the six-year labor contract between the West Coast ILWU (International Longshore and Warehouse Union) and the PMA (Pacific Maritime Association) set to expire July 1, 2008, both sides are anxious to avoid a trade crippling strike or lockout. Negotiations are starting a full year in advance of the deadline. A 10-day lockout in 2002 resulted in a number of shippers avoiding West Coast ports entirely and rerouting shipments over water directly to the East Coast. Shipping contracts tend to be locked in far in advance, and a hint of trouble could send shippers running again for alternative entry points. After a large and costly settlement in 2002, West Coast union chiefs are looking to maintain what they gained. Shippers want to rearrange shift hours so terminals operate round the clock. Cargo volume is expected to continue increasing and both sides hope for an amicable settlement and another multi-year contract come 2008

### Impact of Dollar Depreciation on Indo-US Trade.

**Recently (Ms.) Kumkum Dalal was asked, "What changes have you seen since the dollar's decline? Has the decline helped imports from India? Hurt exports? How are US buyers reacting? How are Indian Vendors reacting?"**

This question is very significant as India's economy is frequently compared with China's. It is important to understand what it means for the dollar to depreciate against a market economy (India) versus one where the exchange rate is controlled by government mandate (China).

The full article may be found in the TRENDS page at [www.grc-consulting.com](http://www.grc-consulting.com).

Kumkum Dalal:

The decline of the dollar relative to other currencies causes foreign currency prices of US exports to fall and dollar prices of US imports to rise. This phenomenon is thus bad for outsourcing (equivalent to imports of goods or services by US firms) and good for US exports to India. The rupee price of US produced goods has declined, so that Indian businesses are better able to afford US goods (say equipment or machinery manufactured in the US) and the Indian consumer (ever growing and itching to spend) can afford more of the consumer goods they crave. Just think about it – a few months ago the Indian consumer would have to spend Rs 46 to buy \$1 worth of US goods, but now the same good can be purchased for only Rs 40!

The decline of the dollar is hurting Indian outsourcing to the US, India's largest outsourcing destination. By and large, prices for goods and services bought from an Indian vendor are quoted in dollars, not rupees. For example an Indian manufacturer may have quoted the price of a product as \$1 when the exchange rate was Rs46=\$1. Now when the exchange rate becomes Rs40=\$1, the same good will cost \$1.15. Not surprisingly this makes the US buyer unhappy as he is probably buying the good to resell in the US domestic market. The Indian vendor too is unhappy as the depreciation of the dollar makes his product less competitive.

The Indian vendor's dilemma: The Indian seller has to meet his expenses in rupees. He will buy the steel used to manufacture the product for the US customer in rupees; he will pay for his utilities in rupees and will pay his employees in rupees. These prices are not affected by a change in the value of the dollar.

The American buyer's dilemma: When I told my US customers that I would have to provide revised price quotes based on the new exchange rates, the gut reaction was "No way! Ask the Indian vendor to absorb the price rise," or "Find us another vendor." First reactions aside, I make the following observations.

US buyers must understand that, like the US, India is a market economy. The providers of outsourced goods or services are in business to make a profit, just like them. Profit margins for such providers are slim and their prices and profits are measured in rupees. Even if prices in rupees are unchanged, a dollar depreciation will inevitably lead to an increase in dollar denominated prices. This is in contrast to China, where the exchange rate is not market-determined but is specified by government mandate. US buyers must learn to deal with price fluctuations due to changes in the exchange rate in the same way in which we (the US consumer) deal with unavoidable fluctuations in the prices of any other inputs, e.g., utilities, gasoline, etc. US buyers should remind themselves of the benefits to outsourcing that caused them to pick a particular outsourcing destination in the first place. My top 5 reasons why US firms should continue outsourcing to India and locating R&D centers there: price, quality, English language skilled, educated technical labor and not least, the availability of familiar democratic institutions such as legal and accounting systems.

### **Long Beach and LA Port Trucking Shortage Looming**

New environmental and security rules at the port are going to put a strain on Southern California Drayage capacity.

On Oct 1<sup>st</sup> 2008 all trucks older than 1988 will no longer have access to port facilities. On January 2010 any trucks older than 1993 model year will be banned from the harbor. By 2012 all trucks must be new than 2007. Within the next 5 years, 16200 trucks will need to be purchased to meet the new requirements.

Estimates are that rates increases between \$20.00 \$100.00 per dray will be passed on to importers and exporters to offset the cost of new equipment purchases.

TWIC (Transportation Worker Identification Credential) security program is now underway. TWIC card will be required for unescorted access to sensitive facilities such as marine terminals. It is estimated that 22% of drivers will not apply for the TWIC card when it becomes mandatory.

Ports have committed to 166 million to launch the clean

air program. To assist in offsetting these initiatives ports are amending their tariffs to include a truck fee of \$35.00/TEU on all container moves into and out of Marine Terminals. The fee is due for implementation on June 1<sup>st</sup> 2008.

### **BDG Employees on the Move**

Lisa V. Waller, V. P., CHB has taken a new role in business development. Lisa will be managing our inside sales team, agency development, marketing, and corporate compliance

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Nancy C. Albergo has been promoted to her new role as BDG Operations Manager. Most recently Nancy served as Export Operations Manager. Her new duties now include Import Operations.

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Brian Baczynski – has taken a new role in our Inside Sales / Pricing team. Brian will focus on pricing for Ocean FCL/LCL Import and Export shipments. We are excited to have Brian in this new position at BDG. E-mail: [insidesales@bdginternational.com](mailto:insidesales@bdginternational.com)

Jose Robles – recently was hired to expand our Inside Sales / Pricing Team. Jose's position will focus on Air Export and LCL Export shipments.

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### **New Chinese Export Fee**

The Chinese government has implemented a new fee "Government Inspection Fee". This fee is based on specific commodities. Every product has to be officially inspected before export but normally it's the exporter who bears such costs in China. A government organization called Bureau of Inspection is responsible for this work in China, you may visit <http://english.aqsiq.gov.cn/> for more information. Every product has to be officially inspected before

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