



Inspiring Generations of Play

July 7, 2021

The Honorable Peter DeFazio
Chairman
House Committee on Transportation
And Infrastructure

The Honorable Salud Carbajal
Chairman
Subcommittee on Coast Guard and Maritime
Transportation

2165 Rayburn House Office Building
Washington D.C. 20515

Dear Chairmen DeFazio and Carbajal,

On behalf of the Toy Association and our members, I am writing to thank you for holding the recent hearing entitled “Impacts of Shipping Container Shortages, Delays, and Increased Demand on the North American Supply Chain.” This situation is critically important to our members who are experiencing significant negative impacts from shipping delays, increased costs, and container shortages. We appreciate your attention to this issue.

As background, The Toy Association represents more than 1,000 businesses – toy manufacturers, importers and retailers, as well as toy inventors, designers, licensors and studios – all involved in bringing safe, fun and educational toys and games for children to market. With an annual positive U.S. economic impact of \$97.2 billion, the U.S. toy industry supports 623,067 U.S. jobs and generates \$13.1 billion in state and federal tax revenue each year. Approximately 3 billion toys are sold in the U.S. each year, totaling \$27 billion at retail, and our members account for approximately 90% of this market. Importantly, over 95% of toy manufacturers, wholesalers, distributors in the United States are small businesses.

As you are already acutely aware, the current ocean shipping supply chain has been disrupted by myriad factors causing a critical situation of heavy port congestion, worldwide vessel delays and high container imbalance that are jeopardizing U.S. business operations. With 85% percent of toys sold in the U.S. being manufactured overseas, our members have been particularly impacted by the shortage and lack of predictability of both empty containers and vessel space, reduced carrier options, and the resultant exorbitant increases in shipping rates. Many members have products stranded overseas because there are no shipping containers available to transport them to the U.S. or they have been unable to book shipments on certain shipping lanes. As a result, their manufacturers are scrambling to find space in their factories and warehouses to accommodate the overcrowding of toys that are currently stranded. Some manufacturers have threatened to stop taking new orders until the backlog of products can be cleared from their warehouses.

For companies that have been able to secure shipping containers and space, it has come at a hefty price with long delays. Our members have shared that they are paying a 500% increase on containers, as well as higher trucking and air freight rates, and rail surcharges, and often unfair demurrage charges. In addition, our members are experiencing significant delays for products they can ship. One member shared that they are experiencing delays of 10-15 days while the overall cost has increased 47% since the beginning of their second quarter. Since toys are a price-sensitive category with an average price of about \$10, the dramatic increases in added freight costs are especially challenging for our member companies to absorb. The crisis is hitting at an especially critical time for our industry as shipping for the holiday season accelerates during the fall months.

I am encouraged by the House Transportation Committee’s commitment to addressing this extremely urgent and critical issue. I urge you to continue to prioritize developing and implementing both short-term and long-term solutions to resolve this emergency.

We would be happy to meet with you or staff to discuss this issue further. In the meantime, if we can be a resource and provide any further information, please contact Leigh Moyers, Senior Manager, Federal Government Affairs at The Toy Association lmoyers@toyassociation.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Pasierb". The signature is stylized and cursive.

Steve Pasierb
President & CEO
The Toy Association