



Transportation and Logistics

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Introduction:

The United States' continual commitment to promote deregulation and competition has reduced logistics expenses to a mere ten percent in 2005. China has recently made a similar commitment by announcing the logistics industry to be the 10th industry included in revitalization plans. The forthcoming policies will potentially increase accessibility to rural areas and thus stimulate the domestic economy. However, like many other industries within China, concerns remain over market access issues for foreign firms. The new Postal Law limits foreign firms to parcel only business and restricts them from offering document delivery. Additionally, many logistics firms are restricted by the four-hour advance manifest rule and import/export documentation requirements.

Issues:

One of the main issues facing foreign logistics firms is the 2009 Postal Law. This law sets unrealistic thresholds for foreign firms to obtain business operation permits. For example, one provision requires that fifty percent of employees of EDS companies that engage in international delivery must be certified by the Labor Standards prior to obtaining an operating permit. A second example can be found in SPB's planned data port system, which collects critical information regarding every firm's performance. This proposed system would compromise large amounts of confidential business information and expose trade secrets.

City access has been a long-term concern for foreign firms in China. Despite the need to deliver throughout business hours, many larger cities restrict access to downtown areas for cargo vehicles during the day. This has forced firms to use commercial vehicles to make day-time deliveries. Lehman, Lee & Xu recognizes the need to reduce traffic and lower pollution. However, considering many delivery firms simply find alternative means to make their deliveries, Lehman advocates a removal of the restricted access for delivery firms who need to make express or day-time shipments.

GAC Order 172 also presents an unrealistic threshold for China's EDS industry. This regulation requires that companies transmit manifest data to GAC four hours before loading an aircraft for export. The four hour requirement is much longer than similar regulations in the US and EU. This requirement limits a company's ability to deliver goods in a timely manner. Lehman, Lee & Xu suggests this regulation be modified and shortened to reflect the time requirements in the US and EU.

A final limitation on foreign delivery firms are import/export documentation requirements. Many foreign firms have identified this as the main cause for inefficiency and rising operating costs. The problem lies in the multitude of documents required for customs clearance. The precise document required differs based on what the imported or exported commodity is. Lehman, Lee & Xu advocates a standardized documentation system that would increase efficiency. Policies such as selecting a standard language for all import/export documents and making regulatory policies readily available online would drastically improve supply chain efficiency and help sustain long-term growth in both China and the US.

Lehman, Lee & Xu also advocates reformed regulations that simplify express customs clearance procedures. Measures such as pre-arrival clearance capabilities and simplified clearance for low value shipments would streamline the import/export business and give both foreign and domestic firms greater leeway in conducting their business.

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