

ADVISORY COMMITTEE ON SUPPLY CHAIN COMPETITIVENESS  
U.S. DEPARTMENT OF COMMERCE

U.S. Department of Commerce  
Room 4830  
Washington, DC

Tuesday,  
June 4, 2013

The meeting was convened, pursuant to notice, at 10:13 a.m., MR. RICK BLASGEN, Chairman of the Committee, presiding.

APPEARANCES:

COMMITTEE MEMBERS:

MR. RICK D. BLASGEN  
MR. PAGE SIPLON  
MR. WAYNE DARBEAU  
MR. CHRISTOPHER S. SMITH  
MR. JAMES COOPER  
MS. CYNTHIA RUIZ  
MR. DENNIS E. BOWLES  
MR. SHAWN WATTLES  
MR. DEAN H. WISE  
MR. LANCE R. GRENZEBACK  
MR. MIKE STEENHOEK  
MR. NORMAN T. SCHENK  
MR. CARL R. FOWLER  
MR. JOHN BEASLEY

MR. GARY S. LYNCH  
MR. STAN BROWN  
MR. SANDOR BOYSON  
MR. DANIEL A. ROWLEY  
MR. EVAN R. GADDIS  
MR. ANTHONY BARONE  
MR. LESLIE T. BLAKEY  
MR. RONALD F. STOWE  
MR. THOMAS WEILL  
MR. RONALD WOLL  
MS. LAURIE HEIN DENHAM  
MR. KENNETH (SHAY) REID  
MR. BRANDON FRIED  
MR. RICKY KUNZ  
MS. ELIZABETH SHAVER  
MR. RICK GABRIELSON

U.S. DEPARTMENT OF COMMERCE:

HON. FRANCISCO SÀNCHEZ  
Under Secretary for International Trade  
U.S. Department of Commerce

MR. DAVID LONG  
Director  
Office of Service Industries  
U.S. Department of Commerce

U.S. DEPARTMENT OF TRANSPORTATION:

MR. PAUL BAUMER  
U.S. Department of Transportation

MR. RANDY RESOR  
U.S. Department of Transportation

MR. TIM DOWNEY  
Saint Lawrence Seaway Development Corporation  
U.S. Department of Transportation

MS. CAITLIN HUGHES RAYMAN  
Federal Highways Administration  
U.S. Department of Transportation

## C O N T E N T S

	<u>PAGE</u>
<b>COMMITTEE WELCOME</b>	
David Long, Director, Office of Service Industries, U.S. Department of Commerce	5
<b>CHAIR AND CO-CHAIRS - COMMENTS AND COMMITTEE BUSINESS</b>	
Chair Rick Blasgen President and Chief Executive Officer Council of Supply Chain Management Professionals	11
<b>SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE</b>	
Discussion leaders: David Long, U.S. Department of Commerce Rick Blasgen, Chair, ACSCC	
<b>FREIGHT POLICY AND MOVEMENT</b>	
Cynthia Ruiz, Chair	17
<b>TRADE AND COMPETITIVENESS</b>	
Anthony Barone, Chair	36
<b>INFORMATION TECHNOLOGY AND DATA</b>	
Sandor Boyson, Chair	65
<b>FINANCE AND INFRASTRUCTURE</b>	
Mike Steenhoek, Chair	91
<b>UNDER SECRETARY SANCHEZ REMARKS</b>	125
<b>REGULATORY</b>	
John Beasley, Chair	137
<b>OPEN DISCUSSION OF REPORTS</b>	165
<b>CONCLUSION AND NEXT STEPS</b>	
Rick Blasgen, Chair, ACSCC	172
<b>CLOSING AND ADJOURNMENT</b>	
David Long, Director Office of Service Industries U.S. Department of Commerce	179

P R O C E E D I N G S

**COMMITTEE WELCOME**

**David Long, Director, Office of Service Industries**

**U.S. Department of Commerce**

MR. LONG: All right. Let's see if we can get started today. Okay. I want to thank everyone for coming out to this third in our series of meetings for the Advisory Committee on Supply Chain Competitiveness.

My name is David Long. I'm with the Commerce Department.

We thank you once again for your interest in this important work. It's a pleasure to see such a strong turnout yet again. I'm sure I'm speaking for everyone in government when I say how much we appreciate your time and the energy you've already put into this work.

As always, let me emphasize that this is your meeting. What is important in all this work is your view of things, your analysis, your recommendations for what we should be doing in this important area of supply chain competitiveness.

Today I understand that the subcommittees have been very active since we met last in March. Accordingly, we've got a full agenda as the group

1 reviews the work performed to date. So we'll try to  
2 stay focused on this and make up the 13 minutes we're  
3 behind already even before we start here.

4 So anyway, it's also a pleasure to note that  
5 Under Secretary Francisco Sanchez will be joining us at  
6 1:00 p.m. At this point a great many of you already  
7 know him and his support for this effort.

8 I want to mention, too, that we're in the  
9 process of -- we'll shortly have a new Secretary, Penny  
10 Pritzker, someone with really serious business  
11 credentials. I think the timing on the work we're  
12 doing here is going to be perfect for the transition on  
13 this.

14 Let's see. A couple more things here. We'll  
15 need to do some introductions, but before we get into  
16 the whole thing here I just want to mention that to  
17 assist in what we're doing here today and many of the  
18 people you've already met, I've arranged for a number  
19 of experts from various parts of the U.S. Government to  
20 join us and be able to field questions or respond to  
21 items as needed during your discussions today.

22 As I mentioned, this is your discussion, your  
23 meeting, but we have the experts here to field  
24 questions on what we can do to help and the rest. Let  
25 me just introduce some of the people here. Glenn

1 Boledovich from NOAA is here. There's Glenn. Okay.  
2 NOAA has got some excellent resources in terms of data  
3 collection, real-time information about ports,  
4 waterways, satellite systems.

5 Mark Schmit from NIST is here. Mark? Okay.  
6 Mark is involved with the Manufacturing Extension  
7 Program at NIST. They do a lot of work helping small-  
8 and medium-sized companies get into supply chains. He  
9 has some real practical experience with that and  
10 drawing investment to this.

11 I think Steve Miller from Select USA is here.  
12 Perhaps not yet; he'll be joining us later. Paul  
13 Baumer from the Department of Transportation.  
14 Everybody knows Paul. Randy Resor from DOT, a great  
15 expert in what we're doing and deeply involved in MAP-  
16 21. Tim Downey from the St. Lawrence Seaway is here.  
17 Is Nick Orsini from Census here?

18 VOICE: No, he's not.

19 MR. LONG: Okay. And also Ken Adler from the  
20 Smartway Program at EPA.

21 So anyway, before we do the rest here, I'd  
22 like to just take a moment and go around the room. If  
23 you can all just briefly let us know your name and your  
24 company, then we'll get down to business. Let's start  
25 here.

1                   (Whereupon, the attendees introduced  
2 themselves.)

3                   MR. LONG: A couple more things. If there are  
4 any -- I think we have one committee member that is not  
5 actually at the table. There's room if you'd like to  
6 be here. We have seats up front and there's room in  
7 the back. Please, this is your meeting, so as you wish  
8 there.

9                   A couple of things on the housekeeping front.  
10 I think everyone knows where the restrooms are.  
11 They're just right down the hall here. The men's room  
12 is the closest by the elevator, the women's room is  
13 down a little further in the hall.

14                   Later in the day we'll have -- you've already  
15 seen the snacks and coffee to start with. We'll have a  
16 light lunch. Nothing elaborate there. I've been asked  
17 repeatedly to make sure that we keep the room clean.  
18 This may be the most important instruction we get  
19 today.

20                   In terms of the availability of the room, we  
21 have the -- the meeting runs till 2:00. We have the  
22 room after that for those who would like to use it for  
23 other purposes. If we need to go over a little bit to  
24 take care of business, we have that time, too.

25                   A couple of things, ground rules here. This

1 is a public meeting, public advisory committee. Any  
2 and all presentations that are passed out here or are  
3 shown on the viewgraphs will be -- are -- they're  
4 public documents. They will wind up on our website.

5 As you see, we have a professional transcriber  
6 here, a court reporter, as it were, to do a complete  
7 verbatim transcript of the entire meeting. So  
8 everything's on the record, it's out in the open. It  
9 would help at the beginning at least if you could  
10 identify who you are when you start speaking for the  
11 benefit of the meeting recording.

12 Okay. Just a couple notes on the meeting  
13 today. Rick will explain all this in much more detail  
14 but the basic plan is to hear the reports of the  
15 committee work that has been under way since March. I  
16 think a big theme we'll hear today is how the issues  
17 relate to each other, whether they're located in the  
18 right groups, and probably some of the discussion will  
19 turn to figure out how best to handle the issues that  
20 necessarily touch more than one subcommittee.

21 This is the first time the committees are  
22 presenting their work in this level of detail so  
23 everything you'll see here, everything that's coming to  
24 you for the first time is very much draft work. The  
25 whole point of this is to try to advance that.

1           So a key point: this is not a shy group, as  
2 I've learned from previous meetings, but if you have  
3 ideas on the value of the ideas presented, pro or con,  
4 if they're feasible, if they're pure fantasy, this is a  
5 really good starting place to get those views into  
6 play. Don't be shy. All ideas are welcome here. And  
7 also there will be plenty of opportunities ahead to  
8 weigh in on the ideas and the eventual recommendations.

9           Let's see. So I guess there's not too much  
10 more to this. The basic program is, we'll be having a  
11 series of reports by the subcommittee chairs. We will  
12 have our Under Secretary come in and talk a little bit  
13 about that and possibly stay and hear some of the  
14 larger discussion, and then take a look at some of the  
15 larger issues.

16           So without further ado, let me turn it over to  
17 Rick Blasgen, our Chairman, and get this meeting  
18 started.

1           **CHAIR AND CO-CHAIRS - COMMENTS AND COMMITTEE BUSINESS**

2                           **Chair Rick Blasgen**

3                           **Vice-Chair Siplon, Vice-Chair Darbeau**

4  
5                   CHAIR BLASGEN: Thank you very much and  
6 welcome to everyone. By the attendance in this room,  
7 it's great to see that our quest for global supply  
8 chain dominance is alive and healthy.

9                   (Laughter)

10                  CHAIR BLASGEN: At the last meeting we looked  
11 at a lot of framing questions for each subcommittee for  
12 that work and identified a number of themes to explore  
13 in more detail. Since then, it's just great to see the  
14 subcommittees really put that dedicated commitment to  
15 this. Lots of activities happened at the subcommittee  
16 level and, as David said, today is going to feature  
17 updates on those groups' work. That work is far enough  
18 along now we can get into some of the main ideas in  
19 each group in detail.

20                  So most importantly, it's likely that a big  
21 part of what we do today is going to touch on choice of  
22 topics, where they belong, in what workgroup, and  
23 especially how to deal with issues that will appear in  
24 more than one group. We knew at the onset that that's  
25 going to happen. It's logical, given the interaction

1 like any supply chain, of what we're trying to  
2 accomplish here.

3           So our topics are mostly cross-cutting ideas  
4 anyway. They depend on one another in a lot of ways.  
5 So exploring those relationships across the groups is a  
6 key part of what we want to accomplish today, and also  
7 in the months ahead.

8           So for today's discussions, please keep in  
9 mind that all of the groups will be working at  
10 different rates of speed, and that's to be expected.  
11 That's normal. The work presented today is naturally  
12 going to reflect those differences and the complexity  
13 of the framing questions that were set out at the onset  
14 of the work. Some subcommittees' work will depend on  
15 what is completed in other subcommittees, and that  
16 again is the way, by design, of what is to be expected.

17           The presentations for today will provide the  
18 full group its first comprehensive look at what is  
19 happening across the full committee, so we have to keep  
20 in mind in our five subgroups that this committee in  
21 total is the one that's going to be making the  
22 recommendations at the end of the work.

23           One of our objectives is to have the first  
24 large discussion of the ideas coming out of the  
25 subcommittees. It's the first of many opportunities

1 we'll have to be sure we have the right topics and  
2 reasonable recommendations that will translate into  
3 concrete actions to improve our position in the global  
4 economy.

5           So if you think there are ideas that you hear  
6 that make sense, speak up. To me, I don't think we  
7 have an opportunity to speak up, we have an obligation.  
8 We're assembled here, we are devoting our time and  
9 attention to this, so we need to take it upon ourselves  
10 to obligate our own biases and viewpoints against  
11 what's being said.

12           If we think some of the ideas are poor ones,  
13 like all logistics and supply chain folks we're not  
14 shy, stand up and say that. It's not a reflection on  
15 poor work, it's just an idea that someone else has a  
16 different viewpoint.

17           As I've often told my staffs and business,  
18 there's a difference between agreement and alignment.  
19 We're not going to all agree on every topic we discuss.  
20 That's fine. We need that kind of perspective and  
21 healthy debate.

22           In many cases, we're going to have some  
23 courageous conversations of what we want to put forth,  
24 but at the end of the day we need to drive for  
25 alignment. We need to stand up behind what it is we

1 recommend and really get behind it as a committee  
2 because we'll simply have a much more impactful and  
3 powerful response at the end of the day.

4           So we want to develop those recommendations  
5 that are commercially sensible and make a difference  
6 and do have practical value. We all would like to  
7 pitch our elegant solution. We all have one that, if  
8 we had all the money in the world and time wasn't a  
9 factor, here's what we would do. That may not be  
10 practical, so we want to make sure that our work  
11 results in something that is practically implementable,  
12 if you will. So let's have a wide open discussion today  
13 and start framing where we will be coming out on the  
14 issues.

15           So with that, I want to thank everyone again  
16 for coming. We have got the subcommittees lined up in  
17 the agenda. We will go in that order of preference.  
18 I'll ask everyone to try to keep your commentary --  
19 when we start getting redundant, David and I will try  
20 to make sure we stay on time and identify those  
21 redundancies and try to move forward so we can get some  
22 equal conversation for each subcommittee's work, then  
23 also save some time at the end for us to sort of  
24 reflect on what we heard today and comment on anything  
25 that maybe we hadn't thought of until we heard from all

1 of the five subcommittees.

2 Does that sound good? David, anything else?  
3 Anything from Page and/or Wade?

4 VICE CHAIR SIPLON: I just want to thank you  
5 again for your hard work. They say if you want to get  
6 something done, find somebody busy. I think, just  
7 looking around the room, we're all very busy.

8 So I know you're taking away from your  
9 industry, your work, and your daily lives to  
10 participate in this. The things we have seen across the  
11 board have been really encouraging for our industries  
12 Rick said it very well: we don't have an opportunity,  
13 we have an obligation to help our industry grow and be  
14 competitive. So, thank you.

15 VICE CHAIR DARBEAU: I just want to take a  
16 quick moment to thank the staff. There's a lot of  
17 staff work that's gone into this. I know I have been  
18 very busy. They really need a round of applause.

19 (Applause)

20 VICE CHAIR DARBEAU: Also, I'd like us to, as  
21 we move into this meeting, to slow down where we need  
22 to bring everybody on board, for all the reasons you  
23 gave, so we know when to get to those points, when a  
24 lot of questions are being asked, let's slow down, get  
25 the questions understood so we carry the group together

1 as a team so we have a product that doesn't end up on a  
2 shelf, it actually does something.

3 At the Port of San Diego and all California  
4 ports, throughout our port system and throughout our  
5 logistics supply system, we need these things being  
6 dealt with. So thank you so much.

7 CHAIR BLASGEN: Thank you, Page and Wayne.

8 With that, let me turn it over to Cynthia for  
9 Freight Policy and Movement.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1           **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**2                           **FREIGHT POLICY AND MOVEMENT**3                           **Subcommittee Chair Cynthia Ruiz**

4

5

MS. RUIZ: Yes. Good morning, everyone.

6

First of all, I want to thank my subcommittee, and in

7

particular the team. We have Carl, Lance, Dean, and

8

Joe, who really put a lot of -- we had a subcommittee

9

of our subcommittee that actually worked on a lot of

10

the value stream mapping, which proved to be very

11

valuable.

12

So we had actually started out with a

13

discussion of what our framing questions should be.

14

Actually, we took the liberty of reframing the framing

15

question. So we felt the framing question should be:

16

what would be the elements of a national freight

17

strategy with the greatest impact on supply chain

18

performance?

19

Now, we realize that this is a very complex

20

issue and that there are many different supply chains

21

depending on the commodity, including retail, energy,

22

food, agriculture, export, and automotive. So we said

23

there's a lot of different supply chains, and then we

24

looked at, what are the universal factors in these

25

supply chains, and how do you measure that?

1           So we basically came up with five universal  
2 factors that transcend the different supply chains.  
3 They are: 1) safety, because obviously we want to make  
4 sure that it's safe to be able to make its way to the  
5 supply chain; 2) cost; 3) transit speed; 4)  
6 reliability; 5) risk. So taking all those factors into  
7 consideration, we basically came up with three  
8 recommendations from our subcommittee and then our  
9 three recommendations, we had sub-recommendations.

10           So let's look at recommendation number one.

11           Recommendation number one that we came up with is:

- 12           1.     MAP-21 condition and performance report  
13                   should be based on a series of currently  
14                   available metrics used by many supply  
15                   chains to measure system performance at  
16                   choke-points and transfer nodes that are  
17                   correlated with the five supply chain  
18                   competitiveness factors which I just  
19                   talked about, cost, transit speed,  
20                   reliability, safety, and risk.

21           So basically what we're saying here is that, use what's  
22           already there. This is where we started talking about  
23           value stream mapping. I'm going to ask Carl to talk a  
24           little bit about what that is and how it's used.

25           MR. FOWLER: Sure. Thank you, Cynthia. Carl

1 Fowler with Menlo Worldwide. Value stream mapping is  
2 just a pictorial display of all of the nodes in the  
3 flow of the supply chain, both the information flows,  
4 the -- physical flow, and the physical flow themselves.  
5 that. It uses a set of common icons, if you will, that  
6 are universally accepted and adopted. Its intent is to  
7 show where the bottlenecks are.

8 Companies in the private sector use this all  
9 the time when they're assessing their supply chains.  
10 They use it to map it out: what moves where, how much,  
11 when does it stop, because where freight and material  
12 stops is where cost pools up.

13 So we see many companies in the private sector  
14 use these tools, or a variation thereof. Our team--me,  
15 specifically--can facilitate some of the values pre-  
16 mapping exercises. It's widely used and it gives a  
17 good, accurate representation.

18 So what we did is we took some dumbed down, if  
19 you will, or some sanitized supply chains for the  
20 industry groups that Cynthia mentioned, mapped them  
21 out, and layered them on top of one another and looked  
22 at where those common choke and pinch points were.

23 So looking at what's measured, where you  
24 should measure to indicate where freight is flowing or  
25 stopping, it's pretty common across a wide section of

1 supply chain. So again, companies in the private sector  
2 use it, it's a commonly held practice, it's easy to  
3 understand and it very graphically lays out how things  
4 move across the network, both at a micro and a macro  
5 level.

6 MS. RUIZ: Lance, did you have anything you  
7 wanted to add?

8 CHAIR BLASGEN: Just a quick question. So you  
9 feel that that could be scaled up, that process, to  
10 what we're trying to accomplish here?

11 MR. FOWLER: Absolutely. And certainly you  
12 won't connect, you won't capture all of the nuanced  
13 modal differences or supply chain variations, but you  
14 will bubble up to the major pain points that are common  
15 across multiple industry segments: urban areas, getting  
16 stuff into and out of Customs in time, getting from the  
17 U.S. into Mexico, Mexico back, into and back from  
18 Canada.

19 Multiple industries face these same problems.  
20 Customs clearance, delays in security, getting things  
21 into and out of the ports, transload points are all  
22 challenges that are common across a wide variety of  
23 supply chains. So to answer that question directly,  
24 Rick, yes, I think it can be bubbled up at a high level  
25 and I think based on the work that we've done it points

1 to some very common and very specific choke points that  
2 measures are already set up for.

3 MS. RUIZ: And our intention with this  
4 particular recommendation is continuing the discussion.  
5 One thing I failed to mention is that this is basically  
6 draft recommendations. It's still a work in progress  
7 and there are several things that the committee is  
8 continuing to work on. But this, we felt, a starting  
9 place.

10 MR. WOLL: A clarifying question. Ron Woll  
11 with Halberts. You suggested we build up a model of  
12 freight flows across the U.S., identify what are the  
13 choke points and then address the steps to delete those  
14 on a national scale?

15 MR. FOWLER: Yes, those common choke points.  
16 Again, perfect is the enemy of better.

17 MR. WOLL: Right. Sure. To be sure.

18 MR. FOWLER: We can get wrapped around the  
19 axle of trying to measure everything, but really  
20 there's a handful of common choke points across major  
21 industry segments.

22 MR. WOLL: Right.

23 MR. FOWLER: So building that high-level value  
24 stream map, taking some representative industries and  
25 laying them on top and validating that those indeed are

1 common choke points, I think is something that we would  
2 like to see move forward.

3 MR. WOLL: Makes sense.

4 MS. RUIZ: Okay. Let me move on to  
5 recommendation number two.

6 2) DOT should target operational and policy  
7 initiatives and infrastructure  
8 investment towards projects that improve  
9 the flow of freight and supply chain  
10 performance through system choke points  
11 and freight transfer nodes.

12 So, exactly what we just talked about. Once  
13 you identify where the choke points--we call them pain  
14 points, whatever term you want to use--make the  
15 investment where it makes sense and you can get the  
16 most bang for your buck on a national level.

17 MR. WOLL: Would you see any metrics we could  
18 tie to that? Because obviously that's a pretty large  
19 sort of macro model to build, all of us use metrics you  
20 use to run our business. It would be good to have some  
21 metrics which would sort of summarize a very complex  
22 model to know, okay, if we address this bottleneck,  
23 here's how the metrics would theoretically improve and  
24 what do we gain for the investment in the effort?  
25 Could you see some high-level metrics kind of tied to

1 it describing kind of what the state of the network is  
2 today and what the state would be post some action?

3 MR. FOWLER: I think that's where we're going  
4 next.

5 MR. WOLL: Okay.

6 VICE CHAIR SIPLON: Are the metrics tied to  
7 the cost, transit speed, reliability? Is that the  
8 framework to start?

9 MR. FOWLER: Yes.

10 VICE CHAIR SIPLON: Those seem logical if  
11 you're going to measure pain or choke.

12 MS. RUIZ: Now, one thing that we were careful  
13 not to do is pick winners and losers. That, we felt,  
14 was important, and that's why, if you go with a value  
15 stream based, metrics based methodology, then going  
16 with the areas where there's the most economic impact,  
17 that is what makes most sense to us.

18 Okay. Recommendation number 3.

19 3) DOT, working with industry, should  
20 conduct a pilot series of value-stream  
21 mapping exercises of typically based  
22 supply chains in different geographic  
23 lanes to gain a better understanding of  
24 the national freight circulation and  
25 supply chain performance.

1           Optimal supply chain for these exercises is  
2 what I identified earlier: retail, energy, food,  
3 agricultural exports, and automotive.

4           So, those are the recommendations we came up  
5 with. Like I said, it's a work in progress. We feel  
6 we still have a long way to go but we feel like we're  
7 in the right direction.

8           Do any of the other committee members want to  
9 add anything? Leslie, do you want to add anything?

10          MS. BLAKEY: No.

11          MS. RUIZ: Okay. Dean? Rick? Okay. So  
12 that's what we came up with then. It's a work in  
13 progress.

14          CHAIR BLASGEN: Great. Any questions or  
15 comments for Cynthia and the team?

16          VICE CHAIR SIPLON: Somebody mentioned the  
17 words "freight flow". Is the attention being based on  
18 actual freight flow or is this more on the perception  
19 from industry experts on where there are pain points or  
20 choke holds? I think they're closely related but they  
21 are separate because freight flow data is hard to come  
22 by at a precise level, and if we're going to base it on  
23 that I think it might be a slightly different  
24 conversation.

25          MR. FOWLER: It depends on how deeply you want

1 to measure.

2 VICE CHAIR SIPLON: Well, you're talking about  
3 geographic lanes.

4 MR. FOWLER: Right. So I would contend that  
5 at the macro number it's at the very highest level.  
6 National transit times, especially from specific  
7 freight lanes, are pretty well understood. People know  
8 how long it takes to get from the Port of Los Angeles  
9 into Manhattan. So it depends on how deeply you want  
10 to measure and that dictates or drives you to more data  
11 that you need to catch.

12 So there is some very high-level data.  
13 There's some data that's readily available. There are  
14 organizations that sell that data. Companies use it  
15 for benchmarking purposes. Any national LTL carrier  
16 will tell you what their transit time matrix looks  
17 like.

18 So there's a lot of things that you can get  
19 that are readily available now that companies use, so  
20 it's what you want to measure, what degree you want to  
21 measure dictates the amount of data that you need to  
22 get. Again, you can fall into analysis paralysis very,  
23 very quickly.

24 VICE CHAIR SIPLON: Yes, that's kind of the  
25 gist of my question, how detailed are we going to be

1 before we'll get an answer.

2 MR. FOWLER: So when we started talking  
3 through this and kind of -- those were some of the same  
4 questions that we were asking ourselves. What we found  
5 during the initial value stream mapping--layering, if  
6 you will--is that the pain points really are common.  
7 People know. People are measuring those. So I think a  
8 high level measure is probably sufficient to start as  
9 you refine in getting the capability of measuring in  
10 more detail.

11 MR. SIPLON: Cool.

12 MS. RUIZ: And we found the common pain  
13 points, you know, border crossing speed, vessel  
14 availability, ocean transit time, they are pretty  
15 common through most supply chains.

16 Thank you.

17 CHAIR BLASGEN: Paul, if I can ask you, from  
18 what you've heard here today given the work going on in  
19 the Department of Transportation, do you view this as  
20 complementary to the work going on? Maybe you can  
21 comment on what you've heard.

22 MR. BAUMER: Absolutely. I'll even ask some  
23 of my colleagues in the room, Caitlin and others, if  
24 they want to chime in after me. But no, I think this  
25 is very complementary to what we've been thinking

1 about. I know in particular this data question, Carl,  
2 that you brought up, this data is available and for  
3 sale in some places for some companies, and that the  
4 private sector has access to it. I know that's  
5 something that we're sort of still grappling with, is  
6 understanding what all the federally available data we  
7 have and what data we might need to do the analysis we  
8 want to do.

9 So I think certainly we're looking to partner  
10 and work with industry and it's groups like these that  
11 are bringing that together to try and identify those  
12 places where we don't have the data currently available  
13 but where maybe it's collected privately and where we  
14 might be able to partner in order to sort of get access  
15 to that data.

16 MR. RESOR: We've got a total of 6 teams,  
17 about 50 people working on conditions and performance  
18 measures in order to prepare the C&P report that you  
19 mentioned. It sounds like we're pretty closely aligned  
20 with what you're doing here. In fact, we had a  
21 presentation the week before last from a couple of  
22 Transport Canada people who have done what they call a  
23 fluidity index, which is very similar to your value  
24 mapping and supply chain. I think we're really onto  
25 something there.

1           MR. GRENZEBACK: I think it's worth keeping in  
2 mind that when we're talking about mapping out typical  
3 representative supply chains we're not talking about  
4 trying to replicate on an individual company or  
5 railroad or trucking firm because we don't need to know  
6 how many times you make a left turn on 5th Avenue.

7           I think for the national policy and program  
8 decisions you need broad representative patterns. It's  
9 not just to identify individual choke points, it's also  
10 to look at deterioration of the total travel time over  
11 time because there may be small problems that may add  
12 up to significant deterioration, as well as the single  
13 major choke points.

14           So I think really at a national perspective, I  
15 think assembling the data, you can make do with sort of  
16 slightly fuzzier data than you would if you were  
17 operating a company.

18           CHAIR BLASGEN: So Lance, with the idea, so if  
19 you look at retail, energy, food/agricultural exports,  
20 and automotive and you value stream map those at an  
21 aggregate high level, it's probably these -- there are  
22 going to be some natural choke points that are going to  
23 be counted amongst all of those.

24           MS. RUIZ: Right.

25           MR. WISE: I think Lance actually articulates

1 this better than anybody, but I'll try to say what he'd  
2 say. What's different about what we did is the supply  
3 chain perspective, which is what's different about our  
4 advisory committee.

5 So DOT is looking at each of the modes, all  
6 the physical reality of the supply chain. But to come  
7 back and test it on how does that affect the retail  
8 supply chain, the agriculture supply chain, what  
9 happens when we make these improvements, does it  
10 actually improve the VSM, that's what's a little bit  
11 different here and I think that's worth keeping in  
12 mind.

13 MR. DOWNEY: We did have one quick point. I  
14 applaud everything I've heard here. What I have not  
15 heard, and it may show up later, is any sense of the  
16 importance of redundancy in supply chains, in  
17 transportation routes. Put the example, the Seaway.  
18 Realistically when you look at bulk cargoes that we  
19 move, historically we're in the neighborhood of 5 to 7  
20 percent. You know, a good year might be 9 percent of  
21 grain, and then some of these bulk cargoes.

22 Of course, the person who's looking at the big  
23 figures would just say, hey, come on, you know? This  
24 is a no-brainer. It's the Mississippi River and rural  
25 section. The problem is that historically we know that

1 there are problems from time to time with various  
2 transportation routes, so I do hope that as we go on,  
3 that at some point there is a recognition that there  
4 has to be that built-in redundancy because we see it  
5 with things like the oil revolution going on now, where  
6 more and more crude oil is moving to Gulf Coast  
7 refineries by rail, and also barge is getting into it.  
8 The economy is a fluid issue, if you will. I think  
9 it's important that we have some sense of making sure  
10 that as we go about improving the supply chain actions,  
11 that there is that aspect built into it.

12 MR. WISE: If I could comment. I think we  
13 capture that in the criteria called "risk". So part of  
14 risk is having contingency plans, which will involve  
15 redundancy. So it's the robustness of the supply chain  
16 and multiple paths, so good point.

17 CHAIR BLASGEN: There was a question?

18 MR. REID: Yes. More of a comment/  
19 clarification. As far as conducting the study, it goes  
20 along with some of the other comments. Perhaps carving  
21 the country up into populous geographic areas, and kind  
22 of with the other comments, staying at a high level, it  
23 may help if you consider the nodes as more of a  
24 populous geography within the country as opposed to, as  
25 the gentleman said, getting to the minor detail.

1 MS. RUIZ: That could be.

2 MR. LYNCH: Just on the risk, two comments,  
3 one positive and one for consideration -- both for  
4 consideration. One of the things that we've certainly  
5 found in industry which could be of enormous benefit  
6 here, the more transparency, the more visibility, the  
7 greater opportunity for getting advantages on the  
8 underwriting side, whether it be those that are  
9 underwriting insurance and financing within those  
10 supply chains themselves, it lowers the overall cost of  
11 operating a supply chain, especially when a disruption  
12 occurs in the whole claims process as well. So the  
13 consideration is that benefit that's provided.

14 On the negative side, the concern side,  
15 depending on the level of detail, we've created  
16 opportunities. Unfortunately, in doing this extensive  
17 mapping, for those in the investment community to take  
18 advantage of the opportunities of understanding when a  
19 disruption occurs as to who the winners and losers will  
20 be, and they'll act accordingly, which will exacerbate  
21 or provide more of a systemic type of failure because  
22 of the ability to insure particular companies that they  
23 know are going to get choked up on this and really --  
24 so just those two issues, and take that into  
25 consideration in the analysis.

1 CHAIR BLASGEN: Great. Any other comments?

2 Yes?

3 MR. BEASLEY: We developed systems internally,  
4 starting in 2002, tracking our inbound and our outbound  
5 transportation. I will back up the fact that the  
6 information is there. We built our own system, but I  
7 don't think there's a week goes by that somebody  
8 doesn't come in and try to sell me a third party system  
9 that tracks all of my product around the world.

10 I will tell you that I can take a map of it  
11 and - somebody brought up oil. Oil is -- U.S.  
12 commodities, oil, export grain, it's such a feast and  
13 famine at times, so I have a very, very easy product to  
14 deal with. However, I can take year after year and lay  
15 these graphs over the top, show you what the transit  
16 times are, show you what the standard deviation is on  
17 each one of these events. I can roughly predict to you  
18 when we're going to start having disruptions.

19 Since he says that the bottlenecks are very  
20 predictable, not only where they are but when they're  
21 going to happen every year, we can eventually say to --  
22 standard deviation, we watched and we learned over the  
23 years, and when that standard deviation starts to get  
24 weak we're going to start having delays a month or two  
25 after that. So the information is very little and very

1 useful to do what they're proposing.

2 CHAIR BLASGEN: Right. And seasonality takes  
3 an important part of that. You can probably map that  
4 out.

5 MS. RUIZ: And just kind of a sub-note is that  
6 our recommendations are specifically for DOT MAP-21 and  
7 the national freight strategy plan required by DOT by  
8 MAP-21.

9 CHAIR BLASGEN: Okay.

10 MR. BAUMER: Rick, I have one last question if  
11 you don't mind.

12 CHAIR BLASGEN: Yes?

13 MR. BAUMER: Carl, do you know, with what  
14 you've envisioned -- your team has envisioned, Cynthia,  
15 with the value stream mapping, is this the kind of  
16 thing that if it is granular enough that it would show  
17 trends as policies are enacted, investments are made,  
18 that it could show improvement over the course of a  
19 year, two years, understanding that obviously there's a  
20 lot of other factors?

21 MR. FOWLER: So if the question is can it be  
22 built to that level of detail and robust enough to  
23 capture a response and trends, the answer is yes. But  
24 you need it wrapped around the axle setting that up out  
25 of the gate. Again, I think the important theme here

1 is, perfect is the enemy of better.

2 MR. BAUMER: Uh-huh.

3 MR. FOWLER: So you start, you stabilize, you  
4 improve.

5 So the people in this room know collectively  
6 probably where the pain points are based on their  
7 experience. You can build those maps and those set of  
8 metrics dashboards that tell you what's happening, and  
9 then over time you'll be able to spot the trends.

10 But a lot of information already exists.  
11 Those databases, those data sets, are available.  
12 They're out there. Private industry is using that  
13 information. But I would caution against trying to get  
14 into too much detail out of the gate. You probably want  
15 to stay at a high level until we can refine it.

16 MR. LONG: Just a reminder, it helps the  
17 transcription if you just say your name when you speak  
18 for the first time.

19 CHAIR BLASGEN: Okay. Well, thank you very  
20 much. I'd asked for --

21 MS. RUIZ: And then we had actually some  
22 consideration and some points, so if anybody wants a  
23 copy of the work that we're doing I'm more than happy  
24 to provide that.

25 CHAIR BLASGEN: Yes. As we mentioned earlier,

1 as we go along for the five subcommittees if we see an  
2 area where there might be a little redundancy or a  
3 natural connection, jot that down because we want to  
4 capture those so we can make sure that the  
5 subcommittees are connected together where necessary,  
6 or if there's conflict, for that matter.

7 Tony?

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1           SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE

2                           TRADE AND COMPETITIVENESS

3                           Subcommittee Chair Anthony Barone

4  
5                   MR. BARONE: Thank you, Rick, Bruce. You're  
6 putting up the slides that I sent you?

7                   MR. LONG: This is the summary review. You  
8 want the separate slides?

9                   MR. BARONE: Yes. Can we do that? Because  
10 different folks are going to comment on the slides --

11                   So our group was pretty narrowly focused on  
12 how to make U.S. products more competitive on the world  
13 market, more so than looking at the domestic  
14 infrastructure transport environment.

15                   So our committee members are all here, except  
16 for Dennis Mottola, who could not make it for a  
17 personal reason. Okay. We've got it up there. I  
18 avoided bringing my own machine because I'm also  
19 technologically challenged.

20                   So our members are Dennis Bowles of Stupp  
21 Corporation; Daniel Rowley, General Electric; Jim  
22 Cooper, National Petroleum Association; Shawn Wattles  
23 from Boeing; Norman Schenk, UPS; Laurie Denham,  
24 American Society of Transportation Logistics; Eugene  
25 Alford, who I don't see here, was our liaison; and Tony

1 Padilla participated in our discussions as an observer.

2 CHAIR BLASGEN: Eugene's on travel today.

3 MR. BARONE: Okay.

4 I might mention and acknowledge that friends  
5 from CBP are now with us also. I'm glad because some  
6 of these things have to do with CBP. If we could go to  
7 the next slide.

8 (Showing of slides)

9 MR. BARONE: So the factors that we considered  
10 in writing the recommendations were these: first, that  
11 they be actionable and concrete in the short term;  
12 also, that there be broad national impact.

13 For competitiveness factors, we think that  
14 predictability of supply chains, cost, choice of  
15 service, ease of movement, safety and security, speed,  
16 efficiency, and technology all contribute to  
17 competitiveness. And in terms of scope, we looked for  
18 recommendations that were across industries and were  
19 national in scope.

20 So I'll get right to the recommendations, if  
21 you'd go to the next slide.

22 (Changing of slides)

23 MR. BARONE: The first recommendation at a  
24 high level is related to the fact that we think that in  
25 order to make products in the United States that are

1 competitive, that you need to be able to bring the  
2 components for manufacturing into the country  
3 competitively, reliably, and predictably, as we said at  
4 the outset.

5           So in that regard we have a number of  
6 recommendations to modernize border process. First, we  
7 recommend a private/public cross-sector governmental  
8 charter to accomplish a number of things. One of them  
9 is to establish a single service center to tend to all  
10 of the export and import process needs of companies,  
11 organized according to commodity class.

12           So whether that be EPA, FDA, or USDA, or CBP  
13 or tax or whoever it is, that the government organize  
14 the management of the border, whether virtually or  
15 under one roof, under one management system so that  
16 companies are not going through hurdles addressing the  
17 needs of 47 agencies that have a border role.

18           We think that is very actionable, very doable.  
19 We understand there are some, I guess, scope type kinds  
20 of issues within the government, but from the private  
21 sector point of view those should be eliminated.

22           We also think that a single release for all  
23 government agencies for traders should be enabled,  
24 whether it's import or export, whether it's export  
25 licensing or permit application, or whether it's import

1 clearance of merchandise, that those should be enabled,  
2 and recognizing trusted trader companies that have a  
3 long history of compliance should not be subject to the  
4 same processes as companies who are coming to the  
5 United States for the first time, and yet we are.

6 Third, that there be a risk-based approach to  
7 export and import enforcement, again recognizing  
8 companies with long compliance histories, like Pfizer,  
9 like General Electric, like Boeing. We believe that  
10 there should be a pre-clearance of imports based on  
11 simplified information.

12 We know in the express industry that eight or  
13 nine pieces of data are all that are needed to clear  
14 goods for consumption into the United States. So we  
15 have a lot of difficulty with big data requirements  
16 that don't, in our view, accomplish the goal of  
17 security or facilitation.

18 We think that it's necessary to commit to a  
19 common set of demonstrably necessary import and export  
20 data elements. We don't think that more and more  
21 information makes for more and more security. We think  
22 it adds cost, puts drag on the economy, and does not  
23 facilitate either trade or security.

24 We would like to see a commitment to jointly  
25 develop future regulations to eliminate redundancy and

1 promote agency convergence. As we go through it, I  
2 think you will see that there is a great deal of agency  
3 overlap where common approaches are not adopted and  
4 that does not benefit the country.

5 So, our second recommendation -- it's a broad  
6 range of recommendations, but our second  
7 recommendation, I'm going to ask our colleague from  
8 General Electric to comment on it.

9 MR. ROWLEY: This is Dan Rowley. There really  
10 are two recommendations here that go to removing trade  
11 barriers to make American exports more competitive.  
12 The first is if we could complete the Pacific and  
13 Trans-Atlantic agreements and really focus on things  
14 like forced localization, competitive neutrality with  
15 state-owned enterprises, and trade facilitation, that  
16 would really help U.S. exports.

17 So if you take just one example out of those,  
18 if we don't spend too much time on this, but if you  
19 just look at the competitive neutrality for state-owned  
20 enterprises and procurement market access in the Doha  
21 Round, there was a lot of talk about having more  
22 transparency in government procurement.

23 You could decouple that from market access.  
24 That got dropped out of Doha. But if that could be  
25 pushed -- if you look at this in the developed world,

1 government procurement is about 10 percent of GDP and  
2 in the undeveloped world it tends to be 15 percent of  
3 GDP. If you could have greater transparency and  
4 fairness and a level playing field in terms of  
5 government procurement all the way from the central  
6 down to the local level, that would help U.S. exports.

7 The second recommendation here has to do with  
8 either multilateral or regional agreements focused on  
9 specific types of goods, like health care, information  
10 technology, environmental goods and services. There's  
11 been a lot of great progress made in the IT space. If  
12 you could leverage that and expand that into other  
13 industries for the U.S., especially in the high-tech  
14 sector, that would also help U.S. exports.

15 MR. BARONE: The next recommendation actually  
16 followed on the heels of what Daniel just spoke about,  
17 and that's the text of free trade agreements. So we  
18 participated in a number of these agreements, including  
19 the Atlantic and the Pacific agreements. These are  
20 very complicated documents. They shut out the small-  
21 and medium-sized company who really faces a greater  
22 risk from participating in them and yet can benefit  
23 from them. So with regard to these agreements, we think  
24 that it would be advisable for U.S. negotiators to  
25 follow guidance on certain matters.

1           For example, origin determination and the  
2 evidentiary requirements regarding origin are extremely  
3 complex. The average businessman cannot determine  
4 whether he meets the test for the NAFTA free trade  
5 agreement, and faces a greater likelihood of penalty  
6 than benefit from applying for preference under that  
7 agreement or other agreements. So we think that these  
8 things need to be complicated -- complicated but  
9 simplified.

10           And we need to reach some agreement on things  
11 like taxation. You don't value goods one way for tax  
12 and another way for duty. The same valuation  
13 principles need to apply.

14           As well as harmonization of rules regarding,  
15 say, royalty and license fees. These things are  
16 different from country to country. It shouldn't be --  
17 U.S. negotiators should follow the same -- in our view,  
18 the same message so that companies don't find  
19 themselves continuously findings that they're dealing  
20 with a different requirement. I think Norm might want  
21 to comment on the de minimis issue.

22           MR. SCHENK: Yes. One of the big barriers for  
23 our economic growth and the biggest bottlenecks  
24 worldwide is the amount of time and resources that goes  
25 into clearing low-value shipments.

1           Many of us here travel internationally. Real  
2 quickly, if you travel overseas, you know you fill out  
3 a form and you come back. As long as it's less than  
4 \$800, you bring it with you, but if you ship it back  
5 you only get a \$200 exemption. This is a common  
6 practice around the world. It is one of the biggest  
7 reasons for holes in the supply chain around the world.  
8 Duties associated are very small and often exceed what  
9 the cost is to process that.

10           Our recommendation is that -- there's current  
11 legislation on the Hill right now to increase this  
12 level from \$200 to \$800 in the U.S. We need to  
13 encourage this activity because we're at a competitive  
14 disadvantage, particularly with the growth of business-  
15 to-consumer online market, which we know is waiting to  
16 explode, but the challenges associated with that  
17 because of the cost of shipments.

18           MR. BARONE: Thank you, Norm.

19           Go to the next slide.

20           (Changing of slides)

21           MR. BARONE: Actually, the next two slides are  
22 very much intimately related. As I say, making --  
23 reducing the cost of manufacturing is obviously going  
24 to encourage domestic manufacturing. So we think that  
25 the duties should be eliminated on manufacturing inputs

1 where there is no domestic competition, or very little  
2 competition.

3 The impact on the revenue side would be  
4 minimal. In fact, there are ways to do this, such as  
5 simplification of the duty drawback programs. So we  
6 hope that we can talk with the duty drawback folks at  
7 CBP to enable this.

8 We see the European system of inward  
9 processing as having a lot of potential in the United  
10 States where you don't pay duty until goods are  
11 manufactured. If they go into manufacturing and  
12 there's a tariff shift -- I don't know if you know what  
13 that is, but if the tariff changes and it's no longer  
14 dutiable, then you haven't paid duty. If you export  
15 the commodity, then you don't pay duty again. So inward  
16 processing has been in use in Europe a long time and in  
17 other places, and we think that's the way to go here.

18 If you'll go to the next one.

19 (Changing of slides)

20 MR. BARONE: We think that streamlining the  
21 foreign trade zone process is really very, very basic  
22 and important and we again look to Europe and other  
23 places for examples of this. By the way, we had a  
24 conference call with the Foreign Trade Zone Board, and  
25 they've done a lot of great work in greatly simplifying

1 the process of establishing a foreign trade zone,  
2 designated sub-zones. A lot of great work.

3 But that hasn't resulted in simplification in  
4 the customs processes related to FTZ, so the  
5 recordkeeping is still onerous, it's difficult, it's  
6 complicated. It shuts out small companies. By the  
7 way, Pfizer doesn't need simplification. We have  
8 enough people doing it. But from small- and medium-  
9 sized companies who are our suppliers, we think that  
10 it's important to simplify this process and there are  
11 ways to do this.

12 But we are starting with increasing awareness  
13 of the program and the recent changes that have  
14 occurred. It now can be accomplished in a matter of  
15 months, what took 18 months to two years. While we  
16 think using common business records are a better way to  
17 do it than designating an area of the building which is  
18 a sub-zone, those things I think are antiquated. We  
19 know that in other countries they are not used anymore  
20 and we'd like to just see that all changed.

21 So if you would go to the next one.

22 (Changing of slides)

23 MR. BARONE: GE again. Would you like to  
24 comment on that?

25 MR. ROWLEY: Yes. This relates primarily to

1 Ex-Im Bank. There really are two points on here. The  
2 U.S. is the last country that has shipping requirements  
3 tied to export financing. The second thing is that the  
4 U.S. is also the last country that directly ties the  
5 level of export financing to the amount of U.S.  
6 content. So for example, in the U.S. if you want 85  
7 percent financing, you have to have 85 percent content.

8 The only other country that used to have that  
9 rule along with us was the U.K., and they now require  
10 20 percent content to get 85 percent financing. So  
11 what we're suggesting here really are two things: to  
12 bring the U.S. shipping requirements in line with the  
13 rest of the world and to bring the content requirements  
14 in line with the rest of the world, and the content  
15 requirements of most of the rest of the world are  
16 somewhere between 20 to 50 percent to get roughly 85  
17 percent.

18 Then the last recommendation just has to do  
19 with more transparency into how Ex-Im calculates  
20 economic impact.

21 MR. BARONE: Thank you.

22 I'm sorry. Dennis, would you like to comment  
23 on this?

24 MR. BOWLES: Yes, I can handle this. Current  
25 policies impede the transportation of outsize cargo.

1 American export competitiveness is hampered by policies  
2 that make interstate movement of unusual cargoes by  
3 rail and service difficult and costly, especially from  
4 landlocked states and localities.

5 The reason for that is whenever you take into  
6 consideration transit, you're going from state to state  
7 to state with different rules, different regulations,  
8 different charges. We need to look at this overall to  
9 combine, perhaps nationally, to create a better transit  
10 system and perhaps slow the cost on that as well.

11 We recommend creation of a national integrated  
12 system for the expeditious receiving, approving,  
13 issuing, and recording of applications and permits for  
14 interstate movement of overweight and over-dimensional  
15 cargo. Federal regulation sensitizing increased access  
16 to ports from landlocked manufacturing centers,  
17 particularly those producing outsized goods for  
18 exports. Define mandatory transportation corridors to  
19 be permitted on the national highway system and enforce  
20 state concurrence.

21 Ensure port development projects include  
22 connectivity to the national highway and rail system  
23 and inland waterway systems prior to funding. Improved  
24 Federal recourse, ameliorate service issues arising in  
25 localities with limited rail service, and that the

1 Surface Transportation Board require competitive  
2 switching.

3 That would be that Canada has recently passed  
4 their Fair Rail Act and that right now the National  
5 Industrial Transportation League has proposed the  
6 Surface Transportation Board for this, with these  
7 carriers that are subjected to being locked in with  
8 non-competitive rail services.

9 Jim Cooper, would you like to add anything to  
10 this?

11 MR. COOPER: There's not much I can add until  
12 we start a discussion or something.

13 MR. WISE: If I could -- as you are aware, the  
14 last two bullets are proceedings now in front of the  
15 STB and we're not getting into the details of this, but  
16 there's a lot of unintended consequences of the rail -  
17 survive -- not going to be good even for the shippers.  
18 So I respectfully disagree from the rail industry side.

19 MR. BARONE: We thought there'd be some  
20 disagreement, but what we see is when there's only one  
21 rail--or one track, I'm sorry--serving a locality and  
22 there's no option for use of another modality, that  
23 that creates an issue.

24 MR. WOLL: You'd think as you build that would  
25 say that the model you first started off with, you'd

1 think that model would reveal that, right? As you look  
2 at freight flows and supply chain flows, that same  
3 notion of a single modality, single rail into an area,  
4 that would crop up a lot.

5 MR. COOPER: It's been pretty well studied.  
6 It's been pretty well studied. It's just an ongoing  
7 active debate that's been going on since the  
8 consolidation of the railroads. What we thought was,  
9 you don't hear a whole lot of complaints coming out of  
10 Canada.

11 They do it Canada. There's not a lot of  
12 complaints from either the shipper or the carrier side.  
13 They seem to make it work, and so that's why we thought  
14 that there might be a possibility that in this country  
15 we could take a look at that to see how they were able  
16 to overcome some of the psychological barriers, because  
17 there is a lot of fear involved in that. You know, we  
18 need rail infrastructure. That money does go into rail  
19 infrastructure. But we also need equity and we need the  
20 free flow -- interstate free flow of raw materials or  
21 else we're never going to have manufacturing in this  
22 country.

23 MR. WISE: Just read the AR's comments on that  
24 proceeding just to get the perspective.

25 MR. BOWLES: We'd like to have fair

1 competition as well.

2 MR. BARONE: By the way, for every one of  
3 these there's a great deal more background information  
4 on the logistics summary slide. But this is an issue I  
5 think we really should debate at length.

6 Could we go to the next slide?

7 (Changing of slides)

8 MR. BARONE: Okay. So this is --

9 CHAIR BLASGEN: We've got a question down  
10 here.

11 MR. SMITH: It wasn't a question, just a  
12 comment on the last recommendation. I know it's a drop  
13 box. I think the states will tell you that permitting  
14 processes create expeditious -- and that it is a state-  
15 by-state process. I appreciate the word "national"  
16 versus "Federal", but states are working amongst each  
17 other on harmonization of certain rules/regulations to  
18 the greatest extent possible to enhance interstate  
19 commerce, whether it be state by state -  
20 recommendation.

21 MR. BARONE: Jim, did you -- I think this was  
22 a slide that you had worked on also. Because actually,  
23 to move outsized cargo, you go through a state-by-state  
24 process. That's not efficient, especially if one of the  
25 states is not aligned to the state that the stuff just

1 came from.

2 MR. SMITH: I understand the efficiency issue  
3 but it's all -- safety and environment --

4 MR. ROWLEY: Well, I think that's our  
5 challenge. The challenge is, it's not efficient and can  
6 you find a way to incorporate all the touch of lights,  
7 safety, and streamline the process to try to get each  
8 of them. See, that's the challenge.

9 MR. FOWLER: You're absolutely right, it's not  
10 efficient and it adds cost, especially if you have to  
11 transload. So if you're hauling castings from northern  
12 Illinois into one of the manufacturing plants in  
13 Indiana, you run 120,000 pounds in the State of  
14 Michigan on a multi-axle truck. You can only haul  
15 45,000 pounds in the State of Indiana.

16 So now I'm compelled to move three trucks,  
17 when in reality I only need one. Getting approval to  
18 do that requires a ton of work, so companies don't even  
19 try. That's the reality. So we may think it's  
20 efficient but organizations are not doing it. They're  
21 incurring the cost to move it rather than try to get  
22 the approval process to line up before they need to  
23 ship it.

24 MR. BARONE: So we would imagine some of this  
25 would require legislation, and that's the

1 recommendation. Now, whether the Commerce Department  
2 can make that recommendation or not, I don't know, but  
3 we can say that for sure, that you're trying to catch a  
4 ship out of the Port of Long Beach, you're coming from  
5 Illinois with out-size equipment, you've got to get to  
6 the ship or there's going to be demurrage and other  
7 issues. So if we get to the -- not to mention an  
8 unhappy customer on the other end.

9 Go to the last slide.

10 (Changing of slides)

11 MR. BARONE: So, yes. Would you speak to  
12 this?

13 MR. ROWLEY: Sure. This relates to the MARAD  
14 waiver procedures related to U.S.-owned vessels, and  
15 there are fewer and fewer, unfortunately, U.S.-owned  
16 vessels, or registered vessels, anymore. Some of the  
17 MARAD requirements are complex, some of them are tied  
18 to things like national defense. So what we're  
19 recommending here is to simplify those, make them  
20 clearer, have an online process, take into  
21 consideration in certain procedures like freight  
22 differential, export competitiveness, not just defense-  
23 related things, and then MARAD could also engage in  
24 some softer things, like doing outreach to the export  
25 community.

1           We've also recommended that it would help to  
2 have a satellite office somewhere in the southwest, for  
3 example, in Houston, to expedite things and help folks  
4 reach -- it might not be limited just to Houston, there  
5 might be other places that that would make sense.

6           MR. BARONE: Those are our committee's  
7 recommendations.

8           CHAIR BLASGEN: Very boring.

9           (Laughter)

10          CHAIR BLASGEN: And easy. Very easy.

11          (Laughter)

12          CHAIR BLASGEN: No, I mean, I congratulate  
13 you. I mean, you've teed up some real tough issues here  
14 and I want to get into a conversation around  
15 priorities. But first, let's entertain some comments.  
16 Yes?

17          MR. SCHENK: Yes. Norm Schenk with UPS. If I  
18 could go back to some of these earlier comments about  
19 one government at the border often referred to as  
20 "single window" and ITDS as the engine behind that one.  
21 In terms of the recommendation of what's needed, I  
22 don't think that there's a lot that could come out of  
23 the group other than to reinforce it.

24          If we think of an octopus, CBP owns the body,  
25 developing ITDS. People tend to look at CBP and say

1 you're the problem. CBP is not the problem. Connected  
2 to the base of the octopus, you have all the arms that  
3 connect to the other government agencies. The biggest  
4 problem is the other government agencies, generally  
5 speaking--there's a few exceptions--need to get hooked  
6 up and need to get engaged and implement. This has  
7 gone on for far too long.

8 A lot of us in the trade have felt that what  
9 it's going to take is some kind of executive order out  
10 of the White House in order to do that. I know there's  
11 a letter being drafted right now to the Secretary, and  
12 it's going to come up at the President's Export Council  
13 in September.

14 I know a bunch of the CEOs that participate in  
15 that are going to be bringing it up. But somehow if we  
16 could tie this into the group, a simple recommendation  
17 from the Secretary out of here recommending that the  
18 White House mandate that the other associates get  
19 moving or provide some encouragement, one or the other.

20 MR. GABRIELSON: Rick Gabrielson, Target.  
21 Tony, a question from the first slide, along the same  
22 lines. Are you recommending that, when you say it's  
23 under one system, that it's like one common platform  
24 between all the different agencies so they're talking  
25 with one another with common data points, or a little

1 bit different than that?

2 MR. BARONE: You know, I personally like to  
3 avoid discussion of systems because they seem never to  
4 end.

5 MR. GABRIELSON: Yes, I know.

6 MR. BARONE: But conceptually if you are  
7 manufacturing an airplane and you're bringing in parts  
8 for that airplane and you do bring in 100,000 parts for  
9 airplanes and you're going to construct an airplane,  
10 and then you're going to export that airplane, you're  
11 dealing with all kinds of agencies separately.

12 And we think it makes sense to have folks who  
13 are dealing with airplanes, or the chapters of the  
14 tariff who have expertise in airplanes, be sitting in  
15 one place. So whether it's bringing in a GPS device or  
16 it's exporting, you know, fighter aircraft, that people  
17 who know all about airplanes are sitting in one place  
18 and not sitting all across Washington.

19 Whether that includes systems or not, you  
20 know, I don't know. But I could tell you that in our  
21 experience with drugs, that from port to port and from  
22 agency to agency, there's not the same level of  
23 expertise. And so you're continuously going through an  
24 education process from agency to agency and port to  
25 port, which makes no sense. If folks were sitting under

1 one roof, that expertise would be in one place and Joe  
2 could look over at Mary and say, what do you think  
3 about this compound and get an answer, and that would  
4 expedite matters greatly.

5 VICE CHAIR SIPLON: Something that hit me when  
6 Cynthia was going through her factors for consideration  
7 and I was looking at those recommendations and you look  
8 at these factors being considered, maybe it makes sense  
9 -- I assume we're going to see factors as we go through  
10 the rest of the groups.

11 Maybe it makes sense that we sort of agree. I  
12 mean, they may look very similar with cost, risk,  
13 reliability, security, speed. Risk isn't listed here,  
14 but predictability, cost. Just the same words. It  
15 might be semantics, but having those same factors to  
16 show some harmonization, if you will, across our groups  
17 may be something that the chairs can consider and maybe  
18 share notes on on how they're --

19 Then my other comment was on the MARAD flying  
20 stuff. The words "Jones Act" probably needs to be in  
21 there somewhere for consideration and that's a big  
22 factor that needs to come up and be part of the  
23 recommendation.

24 MR. WOLL: Two questions, if I could. Ron  
25 Woll, Halliburton. One is, and this may come up later

1 on in the conversation, this slide here on different  
2 factors, if you would just shift your gaze of it, that  
3 could be the framework of a scorecard of -- you think  
4 about looking at supply chain competitiveness overall,  
5 the collective impact of the things we're talking  
6 about.

7 I would hope that one of the outcomes as we  
8 talk about how we measure what it is today and where we  
9 want that to be sort of as the different efforts and  
10 initiatives are enacted, like we all do, we use metrics  
11 to guide our actions and our outcomes. These are great  
12 sort of topics to organize those.

13 So I don't know if anyone else -- if that  
14 scorecard even shows up later in the conversation. To  
15 that point, if you could just advance one slide there,  
16 please, the "Streamline and Modernize". I'm wondering  
17 if -- do we have any data that defines where we are  
18 today regarding that border process here, but more  
19 importantly where we want that to be in terms of some  
20 sort of target.

21 None of us embark on an improvement effort  
22 without having a goal understood or agreed to. I think  
23 the same would apply here. We shouldn't just adopt  
24 sort of a blind march to improve, but rather, what does  
25 it have to be benchmarked against other countries or

1 against what we think different industries require?  
2 I'd urge us to put some targets around that.

3 MR. BARONE: I can tell you that World Bank  
4 has put the United States 17th in the world in terms of  
5 border process efficiency.

6 MR. WOLL: Sure.

7 MR. BARONE: Seventeenth.

8 MR. WOLL: I don't know what quartile that  
9 puts us in, but if we go from, say, call it third  
10 quartile perhaps to first quartile, those would be good  
11 goal definitions.

12 MR. BARONE: Well, getting to first would be,  
13 I think, a good goal.

14 MS. BLAKEY: Just as a point of process here,  
15 is the staff going to share these Powerpoints with the  
16 full committee so you all --

17 MR. LONG: Yes. Absolutely. Everything will  
18 be on the web.

19 MS. BLAKEY: But you'll send the Powerpoints  
20 out to the members, right?

21 MR. LONG: Yes.

22 MS. BLAKEY: Great.

23 CHAIR BLASGEN: Tony, there's obviously a lot  
24 here. Are there recommendations that are dependent  
25 upon one another or are they all independent? Then are

1     there ones that you feel could be implemented fairly  
2     easily and other ones that would take more time and  
3     more debate?  And is there any sort of ranking that  
4     should be done or could be done for these that might  
5     make sense when we think about the magnitude of this  
6     coming out in the full recommendation?  I think we're  
7     going to have to make some priority attempts.

8             MR. BARONE:  Yes.  I think these issues are  
9     mainly political issues.

10            CHAIR BLASGEN:  So they're easy.

11            (Laughter)

12            MR. BARONE:  I mean, that's the answer,  
13     really.

14            CHAIR BLASGEN:  Yes.

15            MR. BARONE:  I do think the Executive Branch  
16     could do a lot in terms of, say, modernizing some of  
17     the processes in Customs.  We know that the Foreign  
18     Trade Zone board has been working with CBP.  We think  
19     CBP can engage in this.  They probably--I don't want to  
20     put them on the spot--but I think that they  
21     acknowledged that there are some things they can do to  
22     simplify it.  This is the oldest -- 1789 was when the  
23     drawback statute was first passed.  So some of the  
24     things like elimination of duties might require some  
25     legislation, but having talked to the Treasury

1 Department they acknowledged that when you have duties  
2 refunded there's no point in collecting them in the  
3 first place. So if you can have a system whereby you  
4 just defer the payment of the duty until goods are  
5 either manufactured or they're exported, and goods are  
6 exported, so that also could be done, I think, through  
7 a rulemaking rather than through legislation.

8 CHAIR BLASGEN: When we think about the  
9 charter of this committee, it's the Advisory Committee  
10 on Supply Chain Competitiveness globally, so certainly  
11 there are things that you teed up that can make things  
12 much more effective and efficient inside the country.  
13 But it's incumbent on us also, David, I would think, to  
14 make a statement about, here's what we think we need to  
15 do, however you want to bucket it, political or  
16 otherwise, in order to make the country more  
17 competitive in the global stage.

18 MR. BARONE: That's actually a question I had.  
19 As I understand it, a department of the government is  
20 not permitted to lobby the Congress.

21 MR. LONG: That's right.

22 MR. BARONE: But some of these are issues that  
23 would require the lobbying of the Congress. So how do  
24 you respond to that? Do we strike those off the list?

25 MR. LONG: No, far from it. These are all

1 interesting points. The recommendations you provide us  
2 are things coming from the private sector. We share  
3 that information with the rest of government.  
4 Everything is going to be published at the end anyway.

5 So, without lobbying, everyone will have the  
6 benefit of what you do. We can't go lobby for  
7 appropriations, for example, that's really what the  
8 driver in this is, or outcomes we'd like from Congress.  
9 So essentially we take the information that comes from  
10 groups like this and make sure that it's in everyone's  
11 hands and they can judge what to do with it.

12 MS. BLAKEY: One thing. The big difference  
13 between lobbying and being asked for information and  
14 expertise as a government agency. If there were a  
15 hearing, for example, and the Department of Commerce  
16 were requested to come and present on the findings of  
17 this group or your own studies and so forth, Congress  
18 can ask for the expertise of the Secretary and the  
19 Department on this subject and these recommendations  
20 can be presented under those circumstances.

21 MR. BARONE: That's right. Very good.

22 MR. BOWLES: Do you feel we could get U.S.  
23 manufacturers to get relief, like fuel adjustment, fuel  
24 currency, harbor maintenance fees, anything that  
25 manufacturers can do here for better competition?

1 MS. BLAKEY: That could be part of the  
2 ultimate recommendations of this group and then  
3 Congress can take those under consideration. That is  
4 the process.

5 CHAIR BLASGEN: Other questions? I know  
6 there's a lot that was covered here and probably  
7 deserves --

8 MR. COOPER: I just wanted to say one real  
9 quick thing. Just within our own subcommittee we found  
10 that very quickly some of the things that we were  
11 venturing into, such as interstate flow and all that  
12 kind of stuff, a lot of cross-over among several  
13 different subcommittees, because I also work with the  
14 regulatory one and I was trying to figure out, which  
15 one do you do in which subcommittee because there are  
16 probably three or four of some of these issues would  
17 fit into.

18 CHAIR BLASGEN: Right. Right.

19 MR. COOPER: So that's got to be part of, I  
20 guess, subsequent discussion here.

21 CHAIR BLASGEN: Right. Remember, we will come  
22 out with a holistic recommendation at the end of all  
23 this that will sum up or aggregate the findings of each  
24 subcommittee that will result in a recommendation from  
25 this committee in total.

1           So we're going to have to figure out a way to  
2     leave these things in there. All the things that were  
3     just talked about, state issues, the differences of  
4     opinion that we have that need to be debated here, to  
5     come up with some recommendations. So to me it would  
6     be a shame if we didn't tee them up. This is an  
7     industry group that deals with this each and every day.

8           So when you go back and you talk to your  
9     directors of transportation or the people that are  
10    dealing with this each and every day, how do they feel  
11    and how do we make their movement of goods easier and  
12    more competitive within the states, for the country,  
13    and then globally as well? We should be thinking about  
14    that.

15           MR. LONG: And one thing I can add to this  
16    also, there was some discussion earlier about some of  
17    the trade objectives, what's being attempted by the  
18    negotiators in the various negotiations. I'd be happy  
19    to set up some briefings with the negotiating teams for  
20    you on how this is going.

21           I think they would share your objectives on  
22    virtually everything, but there's the reality of  
23    getting the other side to agree to it as well, so there  
24    are some complications there that would be worth  
25    exploring. I'm sure they would value your views on

1 that and the specifics would be important. I'd be  
2 happy to set that up for either the subcommittees or  
3 the group as a whole if you found that interesting.

4 MR. BARONE: I think that would be useful. I  
5 don't think that our colleagues overseas, since I  
6 happen to see from both sides, that they have similar  
7 objectives. It's the negotiators who need to hear  
8 this.

9 CHAIR BLASGEN: Any other questions for Tony  
10 and the team?

11 (No response)

12 CHAIR BLASGEN: Okay. Thanks very much.

13 Let's move on to Information Technology and  
14 Data. Sandy Boyson?

15

16

17

18

19

20

21

22

23

24

25

## 1           SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE

2                           Information Technology and Data

## 3                           Subcommittee Chair Sandor Boyson

4  
5                   MR. BOYSON: Thank you, Rick. Appreciate it.6                   First of all, I just want to say we were, I  
7 think, extremely fortunate in our subcommittee to have  
8 a very good balance between supply chain IT risk and  
9 global trade system skills. I think we have a good set  
10 of skills in the committee that were put together and  
11 well utilized.12                   We articulated two basic goals for the  
13 committee. One was to use IT to enhance the competitive  
14 resilience of the national supply chain, going back to  
15 some of the points made earlier, and to help advance a  
16 sense-and-respond capability to address system-wide  
17 risks.18                   To that end, we developed a rather detailed  
19 work plan to narrow the targets and come up with sort  
20 of what levers we could attack first to get at this  
21 goal. I'm going to let Bruce--and he's been our  
22 incredible staff person--talk a little bit about the  
23 work plan in just a second that we initiated in the  
24 last two months or so.

25                   The second goal that we articulated was to use

1 IT to accelerate the speed and efficiency of trade  
2 flows between the U.S. and its commercial and national  
3 partners and to urgently complete the technical  
4 architecture and deployment of the ITDS single window  
5 facility.

6 So having these two goals, we began to narrow  
7 down what the tasks were and we put together a work  
8 plan. So before we get into the meat of this I would  
9 like, Bruce, if you could, just briefly talk a little  
10 bit about the research methodology and the people we  
11 consulted and the sources we consulted.

12 BRUCE: Absolutely. So thinking along Ms.  
13 Ruiz's characterization of the Port of LA, I'm  
14 fortunate to have the best subcommittee here.

15 (Laughter)

16 BRUCE: So we had six interviews with hosts at  
17 the government level, as well as outside the  
18 government. One of the government officials that we  
19 contacted was all the way in Singapore and they  
20 developed a TradeNet program that is a single-window  
21 electronic filing system.

22 So we reached out to find out what we're doing  
23 in the United States already about electronic filing  
24 systems here and working on that development, as well  
25 as going outside the United States to see what other

1 countries are doing on electronic filing.

2 Then we also met with and talked with  
3 representatives of various committees. Like, we  
4 reached out to CBP's Advisory Committee on Commercial  
5 Operations. These COAC folks are very intimately  
6 involved in the development of the ITDS program. These  
7 are similar to some of the companies around the table  
8 and the representatives understand the operations of  
9 that movement of goods. So we wanted to get their  
10 perspective to give us some research as to what the  
11 status is right now and then where we can make these  
12 recommendations to move it forward.

13 So both government level and representative  
14 level on the research and it just felt that we're going  
15 to make, and we're continuing to make these contacts.  
16 We're fortunate we have a lot of experts in our  
17 subcommittee that can reach out on this issue of  
18 security concerns, the redundancy in the filing  
19 systems. So that's the underpinning of our  
20 recommendations.

21 MR. BOYSON: Yes. So we have a rather  
22 detailed report. We're not going to share that with  
23 you. It'll be online. It'll be posted by David. I'm  
24 sure you'll be posting the detailed recommendations  
25 which goes into the people we met, the additional

1 analytics we did, as well as that scoping of the tasks  
2 that we've outlined in the near term because we think  
3 that there's a lot of near-term issues. The sense of  
4 urgency I think that the committee felt after  
5 addressing and looking deeper into some of these issues  
6 was considerable.

7 The first task that we proposed under the  
8 summary recommendations, as you can see up there, is to  
9 create a National Supply Chain Executive Dashboard.  
10 The reason that we proposed this is because there's a  
11 tremendous amount of disparate data out there that  
12 hasn't been fused into a common operating picture of  
13 the national supply chain.

14 Frankly, given a lot of our interactions with  
15 Fortune 500 companies that use this kind of fusion  
16 model to visualize and understand and control on almost  
17 a real-time basis their own global supply chains, it  
18 seems as if this is a capability that both the  
19 government and private sectors could benefit from.

20 So we have proposed a National Supply Chain  
21 Executive Dashboard that could bring together disparate  
22 data sources into a single national dashboard. We  
23 think this would be a unique capability. We haven't  
24 been able to find this really anywhere else in the  
25 world that we have looked, so we think this could help

1 us to develop a competitive advantage, and certainly an  
2 enhanced sense of resiliency.

3 We began to look at the various data flows  
4 that could feed this kind of dashboard. We do have a  
5 preliminary design for it that we'll be working on over  
6 the summer and we've been looking at mapping the data  
7 feeds that could go into this.

8 So one of the things that we discovered when  
9 we spoke to Department of Transportation, going back to  
10 the point raised earlier about a network map, and we're  
11 very familiar with the concept in the IT world,  
12 particularly, of course, with the network map, we found  
13 out that probably one of the most important sources of  
14 network flow information is third party logistics  
15 companies that operate globally, origin, destination  
16 points here, as well as in the major emerging markets  
17 globally.

18 They really haven't been part of the survey  
19 effort and the data collection effort of the Department  
20 of Transportation, although the folks we spoke with at  
21 DOT think it would be a very good idea to get them into  
22 the mix, as well as to take the kinds of flow  
23 information--the Canadian study was mentioned, that was  
24 very explicitly discussed by us with DOT--and they have  
25 -- the 3PL community was deeply involved in that. In

1 the same way, we should bring their flows in and they  
2 could be overlaid, literally overlaid onto the GIS,  
3 Geographic Information System, base map that the DOT  
4 has already created under its intermodal GIS  
5 transportation map. So it could literally be overlaid  
6 onto that to create richer and richer levels of  
7 information about bottlenecks, end-to-end total supply  
8 chain cost, travel time, delay information, et cetera,  
9 et cetera.

10 So we believe that that is a very doable first  
11 kind of target. A second target is to develop a risk  
12 center, a supply chain risk center functionality. This  
13 has become very prevalent in a lot of Fortune 500  
14 companies today that operate globally.

15 The technology is highly well developed. We  
16 are fortunate today in having as one of our guests--  
17 forgive me for pointing you out here, Tom--Tom Modeson  
18 over there is from the Office of Director of National  
19 Intelligence.

20 Tom has been working in the public sector,  
21 along with a variety of other data sources, data feeds  
22 that we've identified in our report, to consolidate  
23 supply chain threat data that could be made available  
24 to classes of asset holders, such as ports, airports,  
25 et cetera, et cetera.

1           So our belief is, and having met with the  
2 private sector companies that are considered leaders in  
3 this space--Bruce and I had a very eye-opening visit  
4 with a company called NC4, we've had other discussions  
5 --this is very, very doable in terms of using very  
6 mature technology and bringing it together on a  
7 subscription basis for varieties of classes of assets  
8 holders, whether it be ports, airports, or even  
9 functions within those.

10           The information can be localized, customized  
11 by coordinate, by map coordinate, and be bound with  
12 information, at least in the private companies that do  
13 this as a commercial service, about 10,000 data feeds a  
14 minute that they collect and distribute to their  
15 subscriber base.

16           So we think we can leverage purchasing power  
17 across asset class holders and create something that  
18 can provide a tremendous amount of resiliency to a  
19 system that we think desperately requires it.

20           I'd like to kind of ask Gary Lynch, who is an  
21 expert in supply chain risk management on our  
22 committee, to comment on this just briefly.

23           Gary?

24           MR. LYNCH: Yes, just briefly. I am in total  
25 support of this. This is something that private

1 industry has really accelerated over the last 18 to 24  
2 months, deployment of active monitoring capabilities,  
3 multiple -- what seems to be happening too is a  
4 commonality of the threat data where they're trying to  
5 get commonality by the data feeds, and then make it  
6 extremely relevant to their own enterprise to be able  
7 to understand impacts and maneuvers that they have to  
8 encounter when they have any sort of volatility in  
9 their supply chain.

10 It's critical because of the complexity and  
11 speed with which the supply chains operate. Putting  
12 defensive mechanisms all up front in preventative ways  
13 is just not a good strategy by itself, so this is an  
14 area where it's been proven, it's being deployed and  
15 it's actually affecting the other end of it, which is  
16 the purchasing decision, as a result of better  
17 understanding the reaction and response by an  
18 organization to certain types of events.

19 MR. BOYSON: Thanks, Gary.

20 So the second recommendation -- and again, we  
21 have quite a lot of documentation but I'm not going to  
22 hold up the committee here today. We welcome you folks  
23 perusing it, reading it, giving us substantive  
24 feedback. It's very much in line with the comments that  
25 have been made here about the need for resiliency,

1 visibility, and the supply chain.

2 Part of the reason to get this kind of  
3 visibility in an executive dashboard is for resiliency,  
4 and so we heard from the Department of Transportation  
5 that having the base map that they used was very, very  
6 helpful during Hurricane Sandy and Hurricane Katrina in  
7 doing massive re-routes of transportation flows in the  
8 country.

9 So we think that the more we have refined this  
10 kind of capability collectively, the better resiliency  
11 services we can provide the various stakeholders of our  
12 national supply chain. Okay.

13 So the next thing I wanted to talk about which  
14 is our next major recommendation, which is up there, is  
15 very much in line again with comments made here, is we  
16 took a pretty deep dive into the ITDS system. We spoke  
17 to several people.

18 The most compelling -- the most compelling  
19 thing that we heard, just to kind of put this in some  
20 perspective, is that when we spoke to Singapore -- I  
21 was in Singapore recently. Bruce was as well. Stan  
22 Brown, our other committee member, just returned from  
23 Singapore.

24 And I can tell you that in 1989 -- I've  
25 studied this for the World Bank. The built their

1 TradeNet system. They spent \$50 million Singapore  
2 dollars on it in 1989. It has 35 agencies that it  
3 routinely pulls in data from and provides data to.  
4 Going to the World Bank study, it is the number-one  
5 place in the world for logistics and doing business,  
6 according to the World Bank, three years in a row by  
7 the way.

8           They can complete these 35 agency touch-points  
9 in about 15 minutes for an import or export license.  
10 Fifteen minutes. Okay. And they did this system in  
11 under a year. They built this out in under a year.  
12 The ITDS system, on the other hand, is 15 years in the  
13 making, billions of dollars, and we still don't have,  
14 or have not yet been able to, kind of get a thoroughly  
15 clear idea of when it will be built out. This is  
16 obviously a great concern, as you heard from our  
17 colleague at UPS, to industry.

18           So we are proposing, just as the comment was  
19 made, a White House-sponsored SWAT team that we think  
20 needs to be put into place because CBP must have  
21 guaranteed funding--this, believe it or not, is  
22 actually even a problem, whether or not funding can be  
23 taken away or re-routed given the sequester  
24 difficulties of government--and to complete the single  
25 window and help them to work with these 47 agencies and

1 to also work with OMB, by the way. The Office of  
2 Management and Budget has jurisdiction over agency  
3 information sharing protocols. This has resulted in  
4 quite a slow-down, we understand, and that has been a  
5 problem raised by a number of industry members.

6 So we think that the approach of a SWAT team  
7 that could do the three things that we see up there: 1)  
8 that can review the existing technical plan; 2) look at  
9 what kinds of products are available out there that  
10 could be brought in to accelerate this rapid  
11 development and deployment activity; 3) that could  
12 utilize well-proven best practices and information  
13 exchange such as TradeNet and other emerging standards,  
14 and after all, the United States not only has to worry  
15 about its own single-window specifications, but also  
16 the fact that it is going to be dealing with regional  
17 single windows, like ASEAN, which is creating a  
18 regional single window. Okay.

19 So are we going to be a leader or are we going  
20 to be a follower? Right now we're a follower, we're  
21 not leading. Okay. So this kind of SWAT team, dealing  
22 with the issues we list up there, we think is the only  
23 way to get governance and control over what has largely  
24 been, as was phrased, an octopus that is very hard for  
25 anyone to get control over. It's obviously something,

1 again, the country desperately needs and the committee  
2 feels a great degree of urgency about helping this work  
3 get accomplished by December of 2015.

4 So to that end, we are very fortunate in  
5 having Elizabeth Shaver and Stan Brown on our  
6 committees. Stan can comment on the technology, but  
7 I'd like Elizabeth, first, given her great knowledge of  
8 ITDS, to comment on our proposal. Evan is here.

9 MR. BOYSON: Evan are you here?

10 MR. GADDIS: I'm here.

11 MR. BOYSON: Yes. So Evan would like to  
12 comment as well. This is something that the committee  
13 feels very strongly about.

14 MS. SHAVER: Thanks, Sandy. So Sandy has  
15 already done a great job of explaining the approach.  
16 Just a couple more words on why we want the White House  
17 involved. As Norm mentioned, he calls it an octopus.  
18 My favorite analogy is, remember the Super Bowl ad with  
19 the wranglers in the Wild West and they're out there  
20 herding the cats, right? So picture Tim Skud and Tom  
21 Winkowski on their horses, right, trying to herd these  
22 47 other agencies. This is a huge lift for these other  
23 agencies, right? We're talking about legacy IT  
24 systems, we're talking about legacy legislation and  
25 regulatory structures that differ wildly across them in

1 terms of what data they can collect and what they can  
2 actually do in a paperless fashion that need a lot of  
3 policy work on top of just the general time it takes to  
4 get through a bureaucratic process.

5           So a White House focus to kind of give  
6 everybody a common vision and a common goal in terms of  
7 where we want to be in the timelines to get there, we  
8 think is critical. Also, at this point in time the  
9 White House National Security staff, via the National  
10 Strategy for Global Supply Chain Security, has made  
11 ITDS a key issue, a key focus for 2013.

12           On the trade side, we always like to say that  
13 security and facilitation are two sides of the same  
14 coin, that as you implement IT systems that implement  
15 sort of intelligent targeting based on risk to let you  
16 focus your limited resources on high-risk things at the  
17 same time you're simultaneously facilitating low-risk  
18 flows, and so we think that the whole competitiveness  
19 aspect of this is a perfect addition to the work that  
20 the White House is already doing on the security side  
21 of the issue.

22           MR. BOYSON: Thank you, Elizabeth.

23           Evan, you had a comment you wanted to make  
24 about the issue of the management of this whole  
25 process, is that correct?

1           MR. GADDIS: Well, actually I'd like to make  
2 two. First, I want to say we've got the hardest guy in  
3 Commerce down here with Bruce. He works hard and he's  
4 killing us.

5           (Laughter)

6           MR. GADDIS: And I'm going to say the same  
7 thing as Sandy but I'm going to say it a little bit  
8 different. I think there's a lot of very -- I know  
9 there are a lot of very hardworking people in many  
10 departments of the government right now working on this  
11 problem and it comes down to IT. There are examples  
12 out there. Sandy's already brought them up.

13           The problem is that these legacy programs, of  
14 which are all over-spent and past due, do not cooperate  
15 and talk to each other. There are many programs and  
16 keys out there to make these talk to each other. I've  
17 used them in many different systems. We can tie these  
18 things together. What Sandy said is extremely  
19 important. This is very doable and it doesn't have to  
20 be a long-range program. I won't go into those tools  
21 today, but it'll be in the report.

22           One I really want to bring out because I think  
23 it's extremely important, and it's the DICOS standard.  
24 That is something that is already paid for, I know,  
25 because NEMA wrote it for, and on behalf of, TSA and

1 Homeland Security.

2 One of the biggest problems that these  
3 agencies see is that they can't transmit forms and  
4 images. DICOS does that. It's already paid for.  
5 We're doing it in baggage screening. It's available at  
6 no cost, the government owns it. Everybody should know  
7 it. It'll solve a lot of these IT problems.

8 The other thing, and the most important thing,  
9 and I want to make it very clear, you've got all these  
10 hard-working people working at different agencies and  
11 nobody is in charge. Somebody has to -- we need a  
12 czar. We need somebody to take charge of this. It  
13 appears to me it's going to have to be the White House.

14 We need one agency, one czar with override  
15 authority and we can get this done in short order. If  
16 you don't have that, you're going to have all these  
17 agencies operating independently doing the best job  
18 they can and it'll never get tied together. That's my  
19 comments.

20 MR. BOYSON: Thanks, Evan.

21 The last point, Stan, you wanted to raise  
22 about technology.

23 MR. BROWN: Sure. Sure. The issue with  
24 technology, the ITDS is going on 15 years and more. As  
25 we look at trying to link the programs that could

1 connect to ITDS, it's probably going to be very  
2 difficult to find someone that knows the coding of ITDS  
3 if it's 15 years in the making. They're probably  
4 retired by now. So the point being is, we need to  
5 consider ITDS and finishing it, yes, and that's part of  
6 the SWAT team's work that Sandy mentioned before.

7 But we also have to consider other  
8 opportunities, like TradeNet from Singapore, look at  
9 that and see what that opportunity is for us and  
10 compare and contrast the two, and then make a conscious  
11 decision as to which way we want to move forward, which  
12 would be best for us given the risk, given the cost,  
13 given the time frame, and any other of the types of  
14 concerns that we are talking about today, compare and  
15 contrast and make the decision that's best for us going  
16 forward, not to default to ITDS because it's been in  
17 the making for 15 years.

18 MR. BOYSON: So I think rather than kind of go  
19 into the detailed next steps that we've outlined in  
20 here, I'd invite everyone to take a look at it at their  
21 own convenience online. But to say that we have  
22 thought about, what can we do to push the ball forward  
23 on this over the summer? Because again, we feel a  
24 sense of urgency about this and we would like to try,  
25 as much as we can over the summer, to make some

1 progress so that we may be able to come in on September  
2 11th with a sense of momentum.

3 CHAIR BLASGEN: Sandy, you mentioned 15  
4 minutes. What part of that is IT platform, what part of  
5 it is regulatory structure that allows that to occur in  
6 Singapore?

7 MR. BOYSON: We asked them about that, Rick.  
8 The IT platform is crucial. It's crucial. When I was  
9 there, for example, I went into a station near the port  
10 that they've set up for import/export agents to go  
11 into. They're there just sort of logging onto the  
12 platform and getting these approvals literally in 15  
13 minutes.

14 So the platform is just incredible. You know,  
15 they're in a very high-risk environment. They have,  
16 what, a third of the world's processed oil, 50 percent  
17 of global trade flows through Singapore. Fifty percent  
18 of shipments in the world flow through Singapore. It's  
19 amazing.

20 So they're very security conscious, and yet  
21 this platform has enabled them -- in the first year it  
22 was estimated by the World Bank they saved about a  
23 billion dollars in their economy from the  
24 implementation of this IT platform. Okay. So a lot of  
25 it is that.

1           They also have a number of sort of secret  
2    sauce kinds of things that they do with industry. So  
3    for example, they don't upgrade too often because that  
4    represents a cost to industry that is unacceptable, you  
5    know. They have a third-party IT entity they've  
6    created which is actually privately owned that they  
7    entrust with managing the single TradeNet system.

8           But obviously, given the fact that -- on its  
9    board is public and private representatives to gain  
10   strategic control over that entity, so it can operate  
11   with a great deal of operational efficiency but yet it  
12   has stakeholder participation. These are the kinds of  
13   things that it does. Yes.

14           CHAIR BLASGEN: Questions? Tony?

15           MR. BARONE: So I'm probably the biggest  
16   skeptic with respect to IT in this room, so I've been  
17   following ITDS and ACE since I was 12.

18           (Laughter)

19           UNIDENTIFIED VOICE: Only eight years?

20           MR. BARONE: I certainly agree with you that  
21   it's an urgent need, but the systems that are there,  
22   four billion so far, are nowhere near the kinds of  
23   capabilities that you can do on a Blackberry or--  
24   actually this is out of date already--an I-phone.

25           So I mean, without really just re-thinking the

1 whole thing, I don't see how the United States is going  
2 to be able to leapfrog when every agency continues to  
3 invest in its own system. They're all under different  
4 management structures, they're all under different  
5 budgeting structures.

6 It's almost pie-in-the-sky to believe that  
7 this could happen in the next 20 years, but it would be  
8 a really laudable thing if your committee could propose  
9 something that is not invested in those current  
10 systems, but looks at what else is out there that we  
11 can use instead of putting more good money after bad  
12 money.

13 MR. BOYSON: Yes. In a lot of cases -- I was  
14 a CIO and I do a lot of IT advisory work with big  
15 companies. I can tell you that it's never one or the  
16 other. You're going to have to use legacy systems to  
17 get data into and out of. But the degree of  
18 development of things like middleware right now and  
19 portal link technology makes it an XML and some of  
20 these new specifications. I think that there is a lot  
21 of possibility here.

22 I think what we need is a governance  
23 structure. We need a SWAT team. We need White House  
24 support. And we need will. We need will because when  
25 we hear that the very fundamental budget of this thing

1 is not certain, that it could be gone like that, you  
2 know, we as supply chain professionals have to ask  
3 ourselves, is this something we have to defend? I  
4 think we have to defend this in addition to improving  
5 it.

6 MR. GRENZEBACK: And we need timelines. When  
7 whoever takes charge of this, we need to establish a  
8 timeline and hold somebody accountable for it.

9 MR. WOLL: Is there any way to break that down  
10 scale wise? I've been in Singapore many times. We've  
11 got a big presence in Singapore. Of course, the big  
12 difference between Singapore and here is scale.

13 So you've got a city state which works, it's a  
14 great place for business for lots of reasons here.  
15 Scaling that time, whatever it is for the U.S., might  
16 introduce something which is so complex it never even  
17 gets off the ground. Is there some way to break this  
18 down so it's winnable in some smaller chunks?

19 UNIDENTIFIED VOICE: That's a great question.

20 MR. BOYSON: We did talk about that.

21 Stan, do you want to jump in? I know you've  
22 thought a lot about this.

23 MR. BROWN: Sure. The answer is yes. The  
24 question that you raised, is the information that  
25 Singapore is providing to its customer base or the

1 trade that is provided to Singapore different than what  
2 we need? Most likely the answer is no. So the  
3 technology, the functionality, is there. The only  
4 difference is scale.

5 So the question becomes for us, would we be  
6 willing to take this and pilot it in an area, Port of  
7 Los Angeles, Port of Houston, whatever, and use that as  
8 the test case for proving--okay, I'm from Missouri,  
9 you've got to show me that this works before I roll it  
10 out to everybody else. Okay. The answer is yes.

11 But the question becomes, is this politically  
12 acceptable? Okay. Because you have the same issue  
13 whether you do the big bang or you do the pilot, do you  
14 want to go down this route, and if the answer is yes,  
15 then you have your answer.

16 CHAIR BLASGEN: And I think we should come  
17 out, particularly out of this committee, as well as the  
18 Trade and Competitiveness Committee, with a bold  
19 statement regardless of the political implications.  
20 Nobody assembled this group and said, make sure you get  
21 a bunch of industry people together and make  
22 recommendations but consider the political  
23 implications.

24 (Laughter)

25 CHAIR BLASGEN: We can't do that.

1           MR. BOYSON: You're right. And to Tony's  
2 point, I just kind of want to summarize this one last  
3 thing. We've done a fair amount of looking at, being  
4 in, and discussing with Singapore and Thailand -- we've  
5 been -- spent a lot of time in that area. ASEAN is in  
6 the lead right now with single-window integration  
7 across countries and it's also one of the fastest-  
8 growing emerging markets, as you know. I wouldn't call  
9 it emerging at this point, actually.

10           So the integration ability it gives us if we  
11 understand what standards are emerging right now over  
12 there, single-window standards, regional single-window  
13 standards, it really helps us to get footholds beyond  
14 what we already have on the technological side. So, I  
15 think there's another advantage going down this road.

16           MR. BARONE: Let me make one more point.  
17 Singapore, China, Europe, Mexico, Canada, they all have  
18 systems to send stuff to the United States. The United  
19 States only looks at U.S. needs, it only looks at the  
20 U.S. side, FDA or whatnot.

21           MR. BOYSON: That's right. Right.  
22 Absolutely.

23           MR. BARONE: We don't look at, how can we  
24 build systems that will get our products overseas.

25           MR. BOYSON: Exactly. Exactly.

1           MR. BARONE: So I hope that the committee will  
2 focus on, don't make it easier to get in here, Make it  
3 easier to get over there.

4           MR. BOYSON: Absolutely. Absolutely.  
5 Absolutely. That's a critical point. That is kind of  
6 why we're saying what we're saying. Okay.

7           MR. GABRIELSON: This may be heresy, but I  
8 like the idea of a pilot and doing it at a gateway or  
9 port. Have you ever thought about the possibility of  
10 approaching the Singapore government and to buy or  
11 lease or rent their system, if you will, as part of a  
12 test, buying it off the shelf rather than trying to  
13 reload something?

14          MR. BOYSON: It's being done in different  
15 places in the world right now.

16          MR. GABRIELSON: Just because it wasn't  
17 invented here doesn't mean it's not a good system.

18          MR. BOYSON: Right. So we did have a  
19 discussion with the Singapore government, our  
20 subcommittee did as a committee, with the owners of  
21 TradeNet. We did have a discussion about it and the  
22 third party company that they work with, that they  
23 entrust with the ownership of this, actually consults  
24 around the world and tries to promulgate this model.  
25 It is in Singapore's interest to do that, going to

1 Tony's point in terms of tying economies together. So  
2 it is something that could be scored by.

3 MR. FOWLER: There's a reason companies out-  
4 source: speed and efficiency. It's not their core  
5 competency. It happens all the time.

6 VICE CHAIR DARBEAU: First of all, I'm seeing  
7 the recommendations and they are excellent. But in  
8 context, we shouldn't overdo it. Singapore has strong  
9 governmental alignment with strategic business  
10 objectives, so putting anything on the administration  
11 could be a mistake.

12 It should be the administration plus an  
13 educational component for Congress. Because that's a  
14 huge part of why you had all these disparate systems  
15 and the short-term rather than long-term strategic  
16 thinking. It's politics. So I'm happy that our  
17 committee is not caught up in the politics, we are  
18 caught up in efficiency and effectiveness.

19 So I love the recommendation, and both of  
20 these that came on this side should be that we keep  
21 focusing tighter on it, but don't overdo the Singapore  
22 piece because the Singapore government -- a long time  
23 ago, Lee Kuan Yew made a decision that I got my Ph.D.  
24 from Harvard and I'm not going to follow the American  
25 business way of doing business. Politically speaking,

1 we saw how things go wrong with that. It's become way  
2 too political, way too on the edges of policy and less  
3 about integration and strategy and systems. We need to  
4 get back there. We used to drive that in the world. We  
5 need to get back to that.

6 CHAIR BLASGEN: Well said.

7 Anything else?

8 (No response)

9 CHAIR BLASGEN: Let me propose a 5- to 10-  
10 minute break and then we'll come back and hear from the  
11 last two committees, and then get into our working  
12 lunch.

13 (Whereupon, at 11:56 a.m. the meeting was  
14 recessed.)

15

16

17

18

19

20

21

22

23

24

25

1 AFTER RECESS

2 [12:11 p.m.]

3 CHAIR BLASGEN: Okay. Why don't we get  
4 started again here. We've got two more committees to  
5 get through. We want to hear from the Finance and  
6 Infrastructure Committee with Mike, and then the  
7 Regulatory Committee.

8 As I mentioned, lunch will remain out there,  
9 and right after these two committee members we'll take  
10 a brief break, gather a little bit more lunch for those  
11 folks, and then have a conversation on what we heard  
12 today moving into the rest of the day before we hear  
13 from the Under Secretary.

14 So with that, we'll gather the folks in the  
15 outside group there. Mike, if you're ready, let me  
16 turn it over to you and we'll hear from your committee.  
17  
18  
19  
20  
21  
22  
23  
24  
25

1           **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTED DIALOGUE**2                           **Finance and Infrastructure**3                           **Subcommittee Chair Mike Steenhoek**

4  
5                   MR. STEENHOEK: Okay. Well, now for the easy  
6 part: how to pay for it. One of the things that --  
7 Leslie and I were just talking about this during the  
8 break. I think one of the real challenges and one of  
9 the disciplines that I think is important to impose on  
10 these questions that we're exploring about how to pay  
11 for this -- and I talk about this a lot.

12                   I never want to be like a little child sitting  
13 on Santa's lap at the mall in which you just simply  
14 express what your desire is, irrespective of cost,  
15 irrespective of if it's really good for you in the  
16 first place. A lot of times in transportation we tend  
17 to simply -- we think it's our goal to simply establish  
18 a wish list and not really discipline it against the  
19 ultimate objective to achieve and what the actual cost  
20 is.

21                   We think it's really beneficial hopefully to  
22 this overall effort that we're having these reports  
23 from the other committees that are really talking  
24 about, okay, what do we want to really achieve, what do  
25 we want to accomplish, and then bring in the finance

1 piece into it so there's less of that discrepancy  
2 between these two discussions.

3 (Showing of slides)

4 MR. STEENHOEK: Now, I have a couple of slides  
5 on the board. We tried to catalog the various  
6 financing mechanisms into three broad categories: 1)  
7 current financing mechanisms, and then also looking at  
8 -- well, we have both current and then future, so  
9 essentially there's four. There's the current funding  
10 of revenue mechanisms, how money is generated in the  
11 first place, which is really the heavy lift, and then  
12 2), difficult but less controversial, is how to  
13 distribute the money. The temptation also is to spend  
14 an inordinate amount of time on how money is  
15 distributed versus how money is generated in the first  
16 place. So we have both current funding revenue  
17 mechanisms, current funding distribution mechanisms.  
18 On the next slide, we'll talk about those future  
19 revenue mechanisms and future distribution mechanisms.

20 Yes. I want to extend my appreciation to Dora  
21 McCann from the Port of San Diego and Leslie Blakey,  
22 who really have done a lot of work to try to produce  
23 this working document. Very complex material and it  
24 could be really an ad infinitum exercise of cataloguing  
25 all of these things, so I just appreciate all of the

1 work that they've done.

2 When we've attacked some of these issues and  
3 discussed them, I think we've tended to really --  
4 there's a lot of things that you could really focus on,  
5 certain individuals have issues that are more near and  
6 dear to their hearts.

7 But I would say as a group as a whole, we tend  
8 to gravitate toward, I guess, in the following order  
9 when we are looking at some of these financing  
10 mechanisms. Number one kind of relates to the old  
11 axiom about the law of holes. If you find yourself in  
12 a hole, the number-one rule is to stop digging. We  
13 think there are -- when you look at our financing  
14 mechanisms, you do find that with each passing day the  
15 problem is getting worse and worse and worse.

16 We're talking about assets, after all, that do  
17 not remain in suspended condition. You don't have the  
18 luxury of simply saying, oh, let's wait until tomorrow  
19 and then it'll rectify itself. Well, when tomorrow  
20 comes the assets are in worse condition than they were  
21 yesterday, so we don't have that luxury. So we tend to  
22 gravitate toward, let's try to halt this downward  
23 spiral that we find ourselves in. Let's try to  
24 mitigate the pain that we are producing upon ourselves.

25 Then number two, the gravitating towards these

1 opportunities to at least create some sustainability to  
2 some of these financing mechanisms. It's kind of  
3 related to the first. The problems continue to get  
4 worse. Can we at least find an opportunity to at least  
5 put ourselves on a trajectory, or a glide path, if you  
6 will, to at least where revenue is keeping pace with  
7 cost?

8 I think even the most fiscally conservative  
9 among us would concede that all of these costs do go  
10 up: cost of labor goes up, cost of materials go up.  
11 You should -- so it shouldn't be -- unfortunately it's  
12 become politically contentious, but it's unfortunate  
13 that we can't at least have some agreement that can't  
14 we at least have some parity between revenue and cost  
15 of the system and what we're trying to do.

16 Then finally, we gravitate toward those  
17 opportunities to actually improve the system. But  
18 number one, it's to stop doing harm. Number two, is  
19 create some kind of sustainability to it, and then  
20 let's try to improve the overall system.

21 Looking at some of the -- to first examine the  
22 current funding revenue mechanisms, again, this is  
23 where the real heavy lift is, the ways of generating  
24 it. We talk a lot about the Highway Trust Fund and the  
25 gas/diesel tax and whether we need to raise the tax on

1 gasoline and diesel, or at least index it to inflation.

2 At least indexing it to inflation, that's less  
3 controversial. Projections range as to what you have  
4 to raise the gasoline tax to or by in order to -- you  
5 have various categories, whether to maintain the  
6 current system or to improve the current system.

7 It can range from, I've seen 6 cents, I've  
8 seen 12 cents. I mean, we kind of have that, eight  
9 cents, both on the tax on gasoline and diesel fuel, but  
10 at least indexing it to inflation so that the problem  
11 doesn't continue to get worse.

12 The whole issue of harbor maintenance. There  
13 are two kind of schools of thought on this. More  
14 widely agreed to is at least ensuring that 100 percent  
15 of the money that is harvested by the Harbor  
16 Maintenance Tax is used for its intended purposes.

17 For those of you who are not aware, over half  
18 of it is siphoned off every year to fund expenditures  
19 that are unrelated to transportation of any kind. I  
20 like to describe it that -- and Congress really tried  
21 to remedy that last year during the MAP-21 debate and  
22 we had 200 co-sponsors on the House side, which is a  
23 sizeable expression of support.

24 You would think -- I mean, there's no such  
25 thing as a no-brainer in Washington, DC, but you would

1 think that what comes close to a no-brainer would be  
2 just simply stipulating and mandating that the revenue  
3 generated for a particular tax is used for its  
4 stipulated purposes. And that probably falls into as  
5 much of a no-brainer as you can devise. But even then,  
6 the best that could be achieved was a sense of  
7 Congress. I like to describe it, when people aren't  
8 familiar with legislative parlance, is a sense of  
9 Congress is the legislative equivalent of a New Year's  
10 resolution.

11 (Laughter)

12 MR. STEENHOEK: It's, I want to drop 20  
13 pounds, I want to learn a foreign language, I want to  
14 stop and smell the roses. That's essentially what  
15 Congress actually did.

16 Now, this year -- well, a couple of weeks ago  
17 the Senate did pass a Water Resources Development Act,  
18 which included in that language is a process of  
19 addressing that. What they aspire to do is, starting in  
20 the year 2014, is they are going to apply \$100 billion  
21 -- starting with at least \$1 billion, that's kind of  
22 the floor, and then increasing that \$100 million each  
23 year between 2014 and the year 2020, at which point  
24 they estimate and project that 100 percent of the  
25 Harbor Maintenance Tax will be used for its intended

1 purposes.

2 We think that is a favorable development but  
3 unfortunately they did not identify a way to pay for it  
4 and that remains the heavy lift. You either have to  
5 identify a new source of revenue or cost offsets that  
6 will free up revenue so that it can be used for those  
7 purposes, and the Senate did not identify either.

8 So when kind of trying to follow some of the  
9 public statements that have been made on the House side  
10 subsequent to Senate passage, the reality hasn't really  
11 changed a whole lot. Folks on the Democratic side and  
12 the Republican side are continuing to talk about, well,  
13 that's nice that the Senate passed this piece of  
14 legislation but we still have to find a way to pay for  
15 it. That was the problem last year, that remains the  
16 problem this year. Now, we'll see what happens but  
17 we're hopeful that something will be addressed.

18 So relating to the Harbor Maintenance Tax,  
19 that was the less controversial component of it.  
20 There's another school of thought that, because there  
21 are a lot of ports in this country, including the  
22 number one port in the United States of America, that a  
23 number of the west coast ports in particular, the  
24 customers that serve those ports pay into this Harbor  
25 Maintenance Trust Fund, yet because of the natural

1 benefits that some of these ports enjoy with deep  
2 draft, et cetera, they really aren't qualified --  
3 they're not a qualified expenditure of Harbor  
4 Maintenance Trust Fund monies, so it would seem  
5 reasonable for them to benefit from that as well.

6 So expanding the qualifying expenditures and  
7 the qualifying recipients of the Harbor Maintenance  
8 Trust Fund, I hesitate and I guess I shouldn't really  
9 classify that as really controversial, it's just that  
10 is an additional lift. If we're having a hard time  
11 making sure funding goes toward its mandated purposes  
12 now, expanding that list of qualified expenditures,  
13 that's going to be even more difficult.

14 VICE CHAIR DARBEAU: The issue on the west  
15 coast is that west coast ports provide 43 percent  
16 directly generated by HMT, so you're right. The real  
17 issue for west coast ports is equity. That's the  
18 issue. So while there is one standard use they want to  
19 make sure it doesn't come at their disadvantage because  
20 they are the main contributor to the fund.

21 MR. STEENHOEK: Right. And the west coast  
22 ports are very susceptible to some competitive pressure  
23 from the ports in Canada and Mexico, that the importers  
24 serving those ports do not have to pay. The value of  
25 that cargo is not subject to the Harbor Maintenance

1 Tax. So that's the real logic behind that.

2 MR. GABRIELSON: Before you go too far, there  
3 are not many shippers that purposely go through Canada,  
4 whether it's Rupert or Vancouver, to elude the Harbor  
5 Maintenance Tax. It's been mentioned by a few ports.  
6 That's not the reason, okay? From a shipper's  
7 perspective, they're the ones paying the tax. If you  
8 want to recognize the ports -- but I would agree with  
9 your point that says today it's only for existing  
10 projects, not new projects.

11 I look at Georgia, for example, the process  
12 that they're going through, as is South Carolina, to  
13 get the dredging done. That's not considered part of  
14 that fund. So when you talk about expanded use does it  
15 fall that -- in other words, it's any project whether  
16 it's new or existing?

17 MR. STEENHOEK: Well, yes. I guess we haven't  
18 come to that conclusion yet. But it's a mess that's  
19 really up to the Hill to do that expanded use.

20 MS. BLAKEY: The current use is so narrow  
21 because it is only for channel maintenance of federally  
22 authorized channels. So it's so narrow that that  
23 doesn't mean necessarily that it needs to be expanded.  
24 I think the question was posed by the port caucus  
25 chairman a few weeks ago in Congress, how much would it

1 take, and how quickly could it be done, that all ports  
2 could be dredged to their federally authorized depth,  
3 for example, which would fit under the use of the  
4 Harbor Maintenance Fund. The answer was basically it  
5 could be done by the Army Corps of Engineers in five  
6 years and it would basically cost probably the money  
7 that's already available in the fund if it were  
8 Congress-mandated for that use. So just getting - you  
9 know, the question of using the fund for its currently  
10 authorized purposes just for channel maintenance is  
11 still, as Mike was saying, a heavy lift. So the  
12 question of, what expansion beyond that, recognizing  
13 that it's already extremely narrow and not being used.

14 MR. GABRIELSON: But the group is not  
15 recommending that you go beyond the current use.

16 MS. BLAKEY: We're not recommending anything  
17 at this point.

18 MR. STOWE: Is there a particular beneficiary  
19 that is getting the money that's not going back to the  
20 ports? Is there somebody who would be in strong  
21 opposition to actually allocating the money to the  
22 general fund?

23 MR. STEENHOEK: It really just goes to the  
24 general fund so following that dollar would really be  
25 impossible. Those who put or direct the most concern

1 to it is Congress because it's a very helpful tool  
2 right now to at least mitigate what's on the books, the  
3 degree of risk that's on our books.

4 MS. BLAKEY: A lot of stuff is in industries  
5 and interests that aren't in this room.

6 MR. STEENHOEK: Right. Right.

7 Moving on to the Inland Waterways Trust Fund,  
8 and this was in part addressed by the Water Resources  
9 Development Act that was passed by the Senate a couple  
10 of weeks ago. The Senate decided, because revenue  
11 generating measures have to originate --  
12 constitutionally mandated, must originate in the House  
13 of Representatives, the Senate will wait on the House  
14 to visit WRDA later this year. It looks like it's going  
15 to be this Fall when they address it.

16 And so the whole notion about increasing the  
17 tax, the Inland Waterways Tax that goes into the Inland  
18 Waterways Trust Fund, currently that's a 20 cent-per-  
19 gallon on diesel fuel that the barge industry pays  
20 into. That generates about \$75 to \$85 million a year  
21 and that is matched with another \$75 to \$85 million  
22 from the general treasury, and then that fund is then  
23 in turn used for new construction on major  
24 rehabilitation of lock and dam projects. So the Senate  
25 deferred to talk about increasing the tax.

1           There is a piece of legislation that's been  
2 introduced on both the House and Senate side that looks  
3 to increase that tax from 6 to 9 cents per gallon,  
4 which would bring it up to 26 to 29 cents per gallon.  
5 So there is legislation provided to that.

6           But one of the things that I think is  
7 important to include in this overall discussion of the  
8 inland waterways issue, and I think I mentioned it at  
9 the last meeting, is particularly -- it seems like it's  
10 particularly pandemic on the inland waterways issue is  
11 this whole concern about cost overruns, and that if you  
12 just simply have your strategy be more money that's  
13 only going to partially, marginally address the issue.  
14 When you look at some of these new, these lock projects  
15 that we are aspiring to do, you see these dramatic cost  
16 overruns.

17           So as a result, your money will only go so far  
18 and the political support for this issue will really be  
19 on the fringes because unless your constituency is  
20 heavily vested in and dependent upon the inland  
21 waterways system, there are going to be very few  
22 policymakers who are going to look at this and conclude  
23 that this is a worthwhile expenditure of taxpayer  
24 dollars.

25           The most egregious example is Olmsted Lock and

1 Dam on the Ohio River, nearby where it meets up with  
2 the Mississippi, which is a replacement for two locks,  
3 Locks 52 and 53. They had an original cost estimate of  
4 \$775 million. The current cost estimate is \$3.1  
5 billion. That's a 400 percent cost overrun.

6 It's easy to make the Army Corps of Engineers  
7 the scapegoat for all of these issues, and I think  
8 that's unfair, because I think one of the big reasons  
9 why, when you examine the reasons for these cost  
10 overruns, what really stands out at you is the fact  
11 that we have a very unpredictable, unreliable,  
12 piecemeal approach for financing these lock projects  
13 and the analysis that we did showed that for that  
14 Olmstead Lock and Dam project, as much as 30 percent of  
15 that cost overrun can be attributed to the fact that  
16 Congress is simply appropriating money in an  
17 unpredictable fashion, so about a billion dollars of  
18 that cost overrun.

19 We're not talking necessarily about more  
20 money. Yes, we would love to have more money applied to  
21 this. But we would like to also see just revenue  
22 provided in a very reliable fashion. What capital  
23 project in history, regardless of territory, is able to  
24 achieve effective project delivery from a cost  
25 perspective and a timely perspective that you don't

1 have that reliability of funding?

2           So I think every day is a good day to practice  
3 good stewardship. It's particularly a good day to  
4 practice good stewardship during the economic climate  
5 that we find ourselves in. So I think it's important  
6 to stress to Congress that, hey, yes, we'd love to have  
7 more money, but you could really rectify this issue if  
8 you just simply provided that money in more of a  
9 predictable manner.

10           The Army Corps of Engineers does have a track  
11 record on the defense side. You have the civil work  
12 side and then you have the defense side. You have a  
13 host of projects that they're able to do on time and  
14 within budget just because they get their funding a  
15 different way. So, I think that's certainly something  
16 that needs to be stressed as well regarding the inland  
17 waterway system.

18           Transitioning to current funding distribution  
19 mechanisms, there's pretty wide support for the TIGER  
20 grant process. One of the reasons that that is kind of  
21 notable to at least our subcommittee is the fact that,  
22 you know, we talk a lot about the need to have a  
23 strategy that is less balkanized, that is less siloed,  
24 that is less vocal.

25           Yes, we need -- there's a lot of solutions

1 being generated by local entities, but there's also a  
2 need to have projects that are of regional and national  
3 significance. That is one of the virtues, among many,  
4 of the TIGER grant program, is that it really aspires  
5 to direct those resources to those type of projects.  
6 TIFIA kind of has a similar kind of -- and they can be  
7 both the local and the regional project. I'm not going  
8 to go through these in real exhaustive detail: private  
9 equity, activity bonds, the railroad vehicle  
10 rehabilitation and improvement financing. That's a  
11 program administered by the Federal Railroad  
12 Administration, kind of a low guarantee. Most of the  
13 recipients tend to be short-line and regional  
14 railroads.

15           The Short-line Railroad Tax Credit. That's a  
16 50 cent-per-dollar tax credit when the short line  
17 modernizes or rehabilitates a stretch of track, and  
18 that has pretty broad support but it tends to just get  
19 hung up in this annual tax extenders kind of debate  
20 that we have and it's scheduled to expire at the end of  
21 this year. There is a bill that suggests that that tax  
22 credit get extended to 2016.

23           Again, we wanted to encourage more investment,  
24 but there's a number of steps that can be taken to  
25 simply provide and ensure greater stewardship. With

1 something like this short-line tax credit, simply  
2 providing a signal to the short-line industry that this  
3 tax credit will be in existence until 2016, so  
4 therefore go ahead and do some of these major  
5 investments that you want to do instead of - you know,  
6 unpredictability really just chokes investment and any  
7 opportunity that we have to at least provide some  
8 greater certainty and predictability would be  
9 favorable.

10 Transitioning to the next slide -- yes, go  
11 ahead.

12 MS. BLAKEY: Could I just make a comment  
13 before we leave this? One of the things that I think  
14 that our committee is going to be taking up is  
15 establishing the current framework and sort of laying  
16 out the landscape from what's out there, how our  
17 Federal policy approaches handle these things now as  
18 part of what our kind of cataloguing process has been,  
19 and then cataloguing what might be on the horizon as a  
20 future approach.

21 But one of the things when you look at this  
22 slide in particular you can see very vividly, the Gas  
23 Tax for road infrastructure, the Harbor Maintenance  
24 Fund for maintenance--not improvement, but maintenance  
25 --of channels, Inland Waterways Fund for a very, very

1 restrictive piece of the system, mostly related to  
2 putting locks and dams on rivers.

3           When you think about the value stream mapping  
4 approach that the Policy Committee is looking at that's  
5 going to look at the entire system and say, what are  
6 the flows, where are the places of constraint, the  
7 places where public needs and public benefit can be  
8 accrued and private benefit can also be advantaged to  
9 create more jobs, more opportunity for our economy.

10           What is really, really missing here is there  
11 is no funding mechanism that is anywhere close to being  
12 matched up to that kind of a system view and a system  
13 needs approach. So whether we're talking about  
14 public/private partnerships, other types of public  
15 funding for certain things, gap funding for projects  
16 that can be terribly important in relieving congestion  
17 at some choke point, all these things, there is no  
18 place where that resides right now. So before we go  
19 into the question of what might be possible in the  
20 future as a proposed mechanism, there is a need to try  
21 and look at that system viewpoint and what are we  
22 trying to fund.

23           MR. STEENHOEK: And so --

24           MR. WISE: Could I just make a comment that I  
25 think that's a laudable goal, but, you know, the

1 elephant in the room here is particularly the Highway  
2 Trust Fund. I'm a railroad guy. I shouldn't care  
3 about the Highway Trust Fund. But that is increasingly  
4 funded through the general fund. The user pay concept  
5 is floating away quickly.

6 As you look over time, there's no solution.  
7 There's been no solution. If we don't get that  
8 funding, talking about infrastructure competitiveness,  
9 that's a big elephant in the room. Just getting the  
10 basic funding in before we start talking about system  
11 integration and all that, I think that's just so  
12 fundamental here.

13 MS. BLAKEY: Well, I think that's a great  
14 point because there is a kind of a pie chart that's  
15 missing from this analysis right now, which is the  
16 needs in terms of the pie and the current funding  
17 structure is -- the gas tax and the failure to even  
18 maintain the road network that we have is clearly a  
19 huge section of that pie that is very problematic.

20 MR. GABRIELSON: And to that point, because  
21 it's gone on for so long, there will be more projects  
22 than you could have even close to the right amount of  
23 funding, right? So regardless of what you call it, but  
24 a number of years ago there was the Office of  
25 Intermodalism that fell under the Secretary. Okay.

1           I don't care what you want to call it, but --  
2           at some point in time you need to have some collective  
3           body that goes through and begins to prioritize those  
4           projects of national significance because there's far  
5           too many of them, right? At some point in time someone  
6           has to say this one's got greater value than this one;  
7           I'm sorry, life's not fair.

8           But if you want to get some things done, if  
9           you want to get the funding all at once to complete  
10          those projects on time, you need someone that can be  
11          referee. At some point in time we need to come back to  
12          that because if you continue to have the state number,  
13          if you will, oftentimes you're not going to -- and I  
14          think somewhere in this process I think this is --

15                 MS. BLAKEY: That's the analysis for the  
16          distribution.

17                 MR. SMITH: One big technical suggestion on  
18          the previous slide on the current funding distribution  
19          mechanism, you might want to add the 95-5, 90-10  
20          matches in MAP 21. Again, it's modal specific, it's  
21          highway, but there is a provision in MAP 21 for  
22          projects that a state shows have demonstrable freight  
23          improvements and has an interstate freight plan to use  
24          and get a 95 percent match onto those -- so that was  
25          designed as an incentive to start working on some of

1 these projects, these highway projects that would  
2 increase overall flows and things like that. Just a  
3 suggestion.

4 MR. FOWLER: So how do they know what projects  
5 to spend it on today?

6 MS. BLAKEY: It's generally state DOTs that  
7 make a decisions based on state transportation plans  
8 and --

9 MS. RUIZ: But each state is different.

10 MS. BLAKEY: Every state has its own  
11 transportation plan. A national network is basically a  
12 patchwork quilt of 50 different states. These are not  
13 state freight plans, these are state transportation  
14 plans, which historically have been focused almost very  
15 -- I won't say entirely, but heavily on commuter  
16 issues, local and neighborhood kinds of concerns.

17 So the idea of the state freight plans that  
18 are called for under MAP 21 is a very small attempt to  
19 say, well, we at least ought to be looking at where the  
20 freight stops at the state border, you know. Then that  
21 is, of course, supposed to in some way--although it is  
22 not spelled out--tie to the national strategic freight  
23 plan that is called for under MAP 21, which could  
24 potentially tie into that.

25 MR. STEENHOEK: And I won't go through each

1 one of these, but just a couple I think really are  
2 notable for our discussion. The whole issue about a  
3 vehicle mileage tax, I mean, that is -- I think  
4 everyone acknowledges the lack of sustainability. Even  
5 if we were to increase the gas tax, increase diesel  
6 taxes, index them to inflation, the time horizon in  
7 which that is sustainable would be short-lived given  
8 the greater fuel efficiency of vehicles and some of the  
9 CAFE standards that are being instituted, so the need  
10 to eventually transition to something like that,  
11 there's a lot of the civil liberty kind of concerns  
12 associated with that, but that's something to really be  
13 discussing.

14 National sales tax. Some of you may be aware  
15 that Virginia, just this past legislative session, did  
16 pass -- they're transitioning from a tax on gasoline  
17 and actually a sales tax for their infrastructure  
18 needs. A few states actually did something. Maryland  
19 did something else but they've increased the gas tax  
20 itself that actually addressed state-wide issues.

21 Then some of the traditional funding  
22 distributors, the Federal Freight Trust Fund, that's  
23 something that is -- that's an issue that has, you  
24 know, a lot of appeal to it, but then there's also some  
25 concerns that if you don't do it right you could just

1 be ceding authority to a group that is really  
2 unresponsive to the local need to make these decisions  
3 and people feel like, could you have an unelected group  
4 of bureaucrats actually making some of these decisions,  
5 and as a result a local area may be paying into  
6 something but they're really not receiving benefit back  
7 from it. So, that's the whole kind of issue that  
8 people are wrestling with.

9 So I will keep my comments to that. I know  
10 we're on a tight time frame. But any other questions  
11 or comments? Lance and, I guess, Rick were the other  
12 two members of the subcommittee. Feel free to chime  
13 in. All right. Tony?

14 MR. BARONE: It's a thought that, I kind of  
15 see making America more competitive has a lot to do  
16 with reducing the cost of manufacturing in the United  
17 States. So if we reduce or eliminate duties, you say  
18 let's increase taxes. So the two of those don't really  
19 go together. So if we have to raise taxes for some  
20 purpose, shouldn't it be to make America more  
21 competitive on the rural market rather than for all the  
22 other good purposes that are out there?

23 MR. FOWLER: Just to build on that, my concern  
24 is, so if the money is being spent on the fiscal  
25 infrastructure of the road system, mostly for commuter

1 traffic, in what way does that investment increase the  
2 competitiveness of the U.S. supply chains? How do you  
3 know where to spend the money?

4 CHAIR BLASGEN: Unless you're lucky and it's  
5 spent on a commuter traffic event that somehow the  
6 freight moves better.

7 MS. BLAKEY: This is the blind side that we've  
8 been living in. Part of the purpose of what we're  
9 talking about here that ultimately could come out of  
10 this group would be to say the kind of analysis that  
11 needs to be done to support a national strategic  
12 freight plan based on a mainstream mapping approach  
13 that would identify the needs and so forth, and then  
14 what most businesses in fact do when they decide how to  
15 allocate investment is to have a set of criteria,  
16 cost/benefit analysis, so forth and so on, where you  
17 apply analytics and say this project is proposed to  
18 help improve our outcomes financially and economically  
19 as a country, let's apply the criteria to it, let's see  
20 if it measures up. If it does, then that's what  
21 competitive grant making would do.

22 So one reason for the support for the TIGER  
23 program, a tiny little program really, but it could be  
24 applied across projects of regional and national  
25 significance, could be applied across a much larger set

1 of infrastructure and many more needs, would be a  
2 competitive process with very clear merit-based metrics  
3 against which projects are judged. Then you know, with  
4 hopefully some follow-up evaluation, whether or not  
5 your money has been well spent.

6 MR. FOWLER: So is that going to be worked  
7 into the recommendation?

8 MS. BLAKEY: It has to be. That's the ROI  
9 piece. Otherwise, you're just taxing.

10 MR. FOWLER: I just didn't see it and I just  
11 wondered if it's here.

12 MS. BLAKEY: Yes. If we had all these things  
13 sort of spelled out with some bullets and so forth on  
14 here, projects of regional and national significance  
15 for example would have that as a sub-bullet because  
16 that's the way the original PR law was written and not  
17 applied.

18 MR. FOWLER: I think, and Tony makes a good  
19 point, for those of that control and are responsible  
20 for the supply chain spend, whatever increase that is  
21 placed goes directly to the end consumer automatically.  
22 It rolls through the supply chain so quickly. When the  
23 carriers feel it, an increase in taxes at different  
24 points, it automatically goes to the shippers. When  
25 the shippers feel it, it automatically goes to the cost

1 of products. Automatically. It happens so fast.

2 MR. BARONE: Not always, by the way.

3 MR. FOWLER: Well, not always.

4 MR. BARONE: There are commodities that don't  
5 take price increases.

6 MR. BROWN: Well, yes. It depends on where  
7 you fall in the supply chain and the commodity. But as  
8 a general rule, yes.

9 MS. BLAKEY: Theoretically, the only way that  
10 looking at this -- incidentally, all of our innovation  
11 of competitors around the world basically have  
12 essentially done some kind of process like this. Most  
13 of them actually are funding the infrastructure out of  
14 a value added tax or a national sales tax and so forth.  
15 But putting that aside, the only way that really this  
16 makes any sense from a commercial point of view is  
17 recognizing that the industry--industries--are going to  
18 pay one way or the other.

19 You're going to either pay in this function or  
20 you're going to pay in some form of a focused revenue  
21 collection that goes to actually the length of problems  
22 that are putting a drag on and increasing your costs.  
23 So if you don't buy into that and we don't, as a  
24 policy, set up the way that that can almost be  
25 guaranteed to industry, then you lose the focus.

1 There's no doubt about that.

2           So going specifically to what you all are  
3 saying here, it's that we don't want to arbitrarily  
4 increase costs for business to go into something that  
5 doesn't actually pay for the things that are going to  
6 improve the system. So it's critical that the question  
7 of the issue of identifying needs and pinch points,  
8 choke points, and places where infrastructure can add  
9 to the economic value of what our businesses are doing,  
10 and then having this be tied to, how do you actually  
11 achieve those goals, that's the most critical thing to  
12 do.

13           PARTICIPANT: Can I bring up one quick point?  
14 I hope it's germane to this issue. I think it is.  
15 That is, has anyone from industry and the government  
16 worked with the military, talking to joint staff, Joint  
17 Requirements Oversight Council? I don't know if you  
18 have -- you must have defense people here. As I  
19 recall, I left DoD back in '98, so for all I know they  
20 may have given it a new name. But the bottom line was  
21 the JROC, Joint Requirements Oversight Council.

22           Its reason for being was to essentially butt  
23 heads. Each of the services had these major programs.  
24 The Marine Corps has the Osprey, Air Force has F-  
25 whatever-the-latest-incarnation-is, and they have to

1 deal with convincing the 07s and 08s, and they submit  
2 to that.

3 The last point I would draw your attention to,  
4 what we're all talking about--we know politically  
5 Congress will make the decision to this--frankly is a  
6 kind of person relatively late to the game in  
7 transportation, I would suggest that members of  
8 Congress are much more likely to listen to an American  
9 example, i.e., the military.

10 It was stated about the Olmstead lock and how  
11 there's been a 400 percent increase in costs. Congress  
12 knows the military, its laws, its good points, what  
13 strengths. Who is going to listen to Singapore?  
14 That's what industry focuses in on. We see the  
15 efficiency of Singapore but at the bottom line you  
16 don't have to convince us, you have to convince  
17 Congress. So I would simply suggest --

18 MR. STEENHOEK: Good point.

19 VICE CHAIR DARBEAU: Rick, can I just have one  
20 small piece -- I think that he explained it well. I  
21 don't think on a regular day the Subcommittee on  
22 Finance and Infrastructure says, this is the list. I  
23 think at the end of the day we have to fine-tune, but  
24 Carl's point is well taken. The HMT is a tax collector  
25 right now but it doesn't do anything in the long run,

1 generally speaking, for the conversation we're having  
2 because that tax is siphoned off.

3           What we bring to the table is what the  
4 gentleman back there just said, what I think Carl and  
5 the industry's concern is: we should be advocating for  
6 increasing costs. We should be looking for ROI the way  
7 Leslie explained it, that whatever is collected leads  
8 to some measurable benefit at the end of the day where  
9 we have improved the supply chain performance.

10           MR. STEENHOEK: Yes.

11           VICE CHAIR DARBEAU: If we don't get it there,  
12 we shouldn't be advocating for that.

13           MR. FOWLER: There is one final point that I'd  
14 like to make here. Maybe it's stated or maybe, at the  
15 risk of sounding like the dumbest kid in the room, I  
16 still feel the need to throw it out there.

17           One of the big problems we have is urban  
18 congestion. From a trucking perspective, nobody wants  
19 to go into the northeast. Nobody wants to haul a load  
20 into Manhattan because you can't get anything going  
21 out. Yet, a lot of stuff is consumed there.

22           So if we took a white board and we drew a  
23 picture of a commercial conveyance, we would not design  
24 what exists today. So there's a level of funding  
25 necessary to keep the infrastructure that we have

1 running, but I think there's also a missing piece and  
2 that is that innovation concept. What are we doing to  
3 invest in innovation, moving things differently, more  
4 effectively, more efficiently?

5 So if we're talking about just maintaining the  
6 roads, well, what about a different way of - commercial  
7 freight?

8 MS. BLAKEY: One of the essential criteria  
9 against which projects can be judged is the degree to  
10 which they employ a creative solution to these things.

11 CHAIR BLASGEN: Yes. It happens in industry.  
12 Look at Amazon, right? They have 18 distribution  
13 centers and are now competing with the likes of Granger  
14 and original equipment parts. Order today, you get it,  
15 kind of stuff. So that's going on out there.

16 MR. FOWLER: I think part of the  
17 recommendation is also investment in innovation.

18 MR. BARONE: Just focused on American  
19 competitiveness, getting into Manhattan, it is  
20 difficult for the Chinese company and the Michigan  
21 company. So it doesn't make us more competitive to get  
22 into Manhattan. So I think in terms of American  
23 competitiveness, which I believe is what this group is  
24 about, then where do we put money that will make  
25 American products more competitive?

1           So we've heard a number of things today,  
2 including funding for Star Wars technology. That has  
3 to come from somewhere. So I would think maybe this  
4 group will also recommend funding, where that might  
5 come from. It might be user fees. I don't know. But  
6 just asking for increased taxes for all of these good  
7 purposes is not going to make America more competitive.

8           MR. FOWLER: No, but being able to get the  
9 stuff that we made here out as cheaply as possible, or  
10 cheaper than the other guy can.

11           MR. BARONE: Right. I agree. But none of  
12 that goes through Manhattan.

13           MR. FOWLER: No. But maybe that's a bad  
14 analogy, but I think we would all agree that if we were  
15 going to design a commercial freight conveyance it  
16 would not look like what we have today. So I think  
17 that there needs to be some thought and some investment  
18 placed in figuring out ways in which we can innovate so  
19 we can move our parts to target markets globally much  
20 more efficiently and much more cost competitively than  
21 our competition can.

22           MR. BEASLEY: I think the question of where is  
23 the financing, when we focus on financing, I think it  
24 goes back to what you guys were talking about with the  
25 bottlenecks. The data is there to talk about where the

1 focus seems to be. I think I sat in on some meetings  
2 with BSF on multiple occasions where they had a shaded  
3 map talking about where the routes are and what the  
4 volumes are on the routes.

5 So if you look at particularly their model,  
6 which by the way, he does some studies that matches  
7 almost identical to what -- the information, if you  
8 will, that says you can know where major trade routes  
9 are, and we can all throw in LA, we've got Seattle,  
10 we've got New York, we've got Boston. We also have  
11 central Chicago, the city, and Dallas. So we know where  
12 those hubs are for the focus of getting mass volumes in  
13 to the population on the import side, but also getting  
14 mass volumes out efficiently on the export side.

15 So we talk about, where do they focus? It's  
16 to move things that -- in the last meeting, that's  
17 where the Federal focus needs to be, on those major  
18 hubs. Those spokes, to me, what you're talking about  
19 is more something that needs to fall to the state  
20 level. It goes back to, there's not much metered  
21 traffic between Kansas City and Denver and Denver and  
22 L.A. There are corridors that -- and we can be more  
23 creative, be more innovative.

24 VICE CHAIR DARBEAU: Just a suggestion. This  
25 is one of those issues that Carl just talked about.

1 Absolutely from my point of view, it's a parking lot  
2 issue. It's the big piece long term where they talk  
3 about how to improve the current system and what he's  
4 raising is a paradigm shift. We'll be here all day  
5 with that. But if we come back to it before this  
6 committee is done with its work, it's actually the  
7 breakthrough for the future that the current system, no  
8 matter how we improve it, will not get us to where we  
9 really want to be. It's innovation within the system  
10 and that's where the general long-term focus should be.

11 CHAIR BLASGEN: Which we said at the onset of  
12 this committee, that's perfectly within our purview of  
13 discussion, an elegant solution. Meanwhile, here are  
14 things we can do now to make the country more  
15 competitive on a supply chain basis.

16 VICE CHAIR DARBEAU: We probably should come  
17 back later and finish the --

18 CHAIR BLASGEN: Okay. Any other questions or  
19 comments for Mike? Yes, Elizabeth?

20 MS. SHAVER: We've been talking a lot about  
21 physical infrastructure here, but the IT infrastructure  
22 is also critical. Sandy mentioned, you know, we're  
23 worried about ACE funding, we're worried about ITDS  
24 funding. This is something -- you know, I'm venturing  
25 into something that I know very little about, but I'll

1 venture anyhow.

2 I just found out the merchandise processing  
3 fee is also something that goes into the general fund.  
4 It doesn't go to support these sort of custom-specific  
5 things that need funding. Is there also room for  
6 recommendation on IT infrastructure funding as part of  
7 this project?

8 CHAIR BLASGEN: Great. Well, thank you for  
9 that committee.

10 We'll hear from the Under Secretary now and  
11 then we'll get back with the Regulatory Committee.  
12 Those who haven't had a chance to grab a sandwich can  
13 get up to do so right after that. You're on.

14 MR. LONG: Well, I think everyone here knows  
15 our Under Secretary for International Trade, Francisco  
16 Sanchez. It's a real pleasure and privilege to be able  
17 to introduce him to this meeting. I think many of you  
18 are already familiar with his leadership here at the  
19 Department, but just a couple of key things to add to  
20 that.

21 Francisco is one of the architects of the  
22 National Export Initiative. He is keenly aware of the  
23 role that supply chain plays in what we're doing in  
24 export performance. He's been a leader in the efforts  
25 to develop partnerships with entities like the American

1 Association of Port Authorities, the Strategic Partner  
2 for ITA. During the Clinton administration he was  
3 Assistant Secretary for Aviation and International  
4 Affairs at DOT.

5 So he's someone who knows our issues, knows  
6 this set of concerns, and I'm thrilled to be able to  
7 introduce him to join us today to talk about supply  
8 chain.

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



1 join a number of the people around the room and take my  
2 coat off. If we can get it cooler, we will. But I  
3 really do appreciate the opportunity to speak to you  
4 this afternoon. I know you've been hard at work already  
5 for several hours, so I thank you for that.

6 I would like to do something just before I go  
7 into my remarks, and that is to recognize Cynthia Ruiz.  
8 We have the pleasure to present to the Port of Los  
9 Angeles -- as many of you know, if you didn't already,  
10 Cynthia is with the port.

11 MS. RUIZ: I think they know by now.

12 (Laughter)

13 UNDER SECRETARY SÁNCHEZ: So I was correct.  
14 If you didn't know before today, you know now. It was  
15 our privilege to present the port with the Presidential  
16 E-Award in May. For those of you that don't know about  
17 the Presidential E-Award, it recognizes--in this case  
18 the port--the substantial effort to help new and  
19 inexperienced U.S. exporters to take advantage of new  
20 market opportunities abroad.

21 There are different categories and that's the  
22 one that the port won for, and so the port has really  
23 been a key partner for ITA, the International Trade  
24 Administration, and they have helped us tremendously in  
25 the promotion of the National Export Initiative.

1           Among the programs that they've been involved  
2 in is the Metropolitan Export Initiative, which is an  
3 initiative that we've partnered with the Brookings  
4 Institution to do and it is working through America's  
5 cities to develop kind of the first-ever coordination  
6 of export strategies at the metropolitan level.

7           So through America's seaports, particularly  
8 the Port of Los Angeles, they're really helping us  
9 promote the idea of exporting with small- and medium-  
10 sized companies, among others. So Cynthia, I know that  
11 you and the Risk Committee will continue to do great  
12 work and I just wanted to thank you very much.

13           MS. RUIZ: You're welcome.

14           UNDER SECRETARY SÁNCHEZ: You want to give one  
15 more plug for the port?

16           MS. RUIZ: No, I think they know.

17           UNDER SECRETARY SÁNCHEZ: Just kidding.

18           Today, as a committee, I know that you've  
19 already discussed many potential recommendations to  
20 eliminate barriers, to alleviate conditions that reduce  
21 competitiveness for U.S. companies, both domestically  
22 and internationally.

23           I understand that you still have some more  
24 work to do and you're still making some reports, but I  
25 want you to know that your recommendations will be

1 important to our national effort to grow U.S. exports.  
2 It's absolutely critical. I know I'm preaching to the  
3 converted here, but I think it bears repeating.

4 We need to develop high-skilled jobs here for  
5 American workers in a wide range of industries and  
6 exports are going to be key to that effort. So I want  
7 you to know I look forward to hearing more about your  
8 work, especially in September. Is that when you're  
9 going to be having a report?

10 CHAIR BLASGEN: We expect to have some solid  
11 recommendations.

12 UNDER SECRETARY SÁNCHEZ: The NEI has been in  
13 place now for a little over three years, about three  
14 and a half years. I can tell you that supply chain  
15 competitiveness is going to be absolutely crucial to  
16 achieving the President's goals in the NEI, which is to  
17 strengthen the American economy, to support additional  
18 jobs, which we've done well with the NEI.

19 We've added 1.2 million jobs. Is that right?  
20 1.2 million jobs since 2010 when we started this  
21 effort. The President's goal was to hit 2 million  
22 additional jobs supported by exports by the end of  
23 2014, so we're very much on track to achieve that goal.

24 But the simple fact is, to achieve the NEI and  
25 our broader economic goals we have to absolutely

1 improve our domestic infrastructure, our freight  
2 systems, and we have to take a fresh look at policy so  
3 that we can handle the growth that we hope to have in  
4 trade and make our supply chains more efficient.  
5 Reliable and efficient supply chains also increase the  
6 attractiveness of the United States as a place to  
7 invest.

8           If you haven't heard already today about  
9 Select USA, another important initiative of the  
10 President, is attracting investment, retaining U.S.  
11 investment, bringing U.S. companies back here to the  
12 U.S., and attracting foreign investment, because if we  
13 do this it translates into investing in new factories.  
14 It includes helping and hiring more people and just  
15 strengthens the overall economy.

16           So I can think of no better way to help this  
17 effort to succeed than to make our supply chains more  
18 efficient. This committee exists because we recognize  
19 how important a competitive supply chain is to keep our  
20 goods and our services flowing more efficiently and  
21 competitively both here and abroad.

22           This really also requires us to address  
23 foreign barriers that impede the global competitiveness  
24 of U.S. supply chains and exports, so for this reason  
25 the Obama administration is actively working to build

1 in supply chain concerns into our negotiations in the  
2 TPP, what will be coming up soon with the European  
3 Union, the Trade and Services Agreement also.

4 This committee's recommendations are going to  
5 help us better do that, better incorporate it into  
6 these negotiations. Enhancing the capacity of the  
7 supply chain is also a key topic in regional bodies,  
8 such as APEC and ASEAN and others.

9 By lowering barriers to our services and to  
10 our goods exports, we're going to be making a huge  
11 difference to our overall economy. It's going to make  
12 a huge difference in our ability to promote exports and  
13 to bring together U.S. sellers and international  
14 buyers.

15 So we're working every day with U.S.  
16 businesses and we're working with them to help them  
17 compete better abroad and to add value not only to  
18 their businesses, but to the U.S. economy. Through  
19 your recommendations on trade and competitiveness, on  
20 freight policy and movement, on finance and  
21 infrastructure, on information technology and data, and  
22 regulations, we can develop a road map through which  
23 the administration can help address the challenges that  
24 limit businesses' effectiveness and competitiveness.

25 So while the International Trade

1 Administration leads the day-to-day role in working  
2 with you, this committee, I want you to know that we  
3 are also working with our sister bureaus across the  
4 Commerce Department to coordinate the very important  
5 effort that you have. I understand that NOAA is here.  
6 Where is NOAA? There we are. Thank you for being  
7 here. And NIST. Where's NIST? He was here earlier?  
8 Okay. We're going to ding him for leaving too soon.

9 (Laughter)

10 UNDER SECRETARY SÁNCHEZ: And I understand the  
11 Census Bureau. Where is the Census Bureau? Yes.  
12 Thank you for being here.

13 CHAIR BLASGEN: We also have DOT.

14 UNDER SECRETARY SÁNCHEZ: Oh, very good.  
15 Where's DOT? Great. All over. I mean, how could we  
16 have a supply chain meeting without DOT here? By the  
17 way, I recently visited your offices. Are you in the  
18 new Navy Yard area? I used to be at DOT and I am so  
19 jealous. I was in the old building. That was  
20 horrible. I like your place very much. I'm going to  
21 come visit you.

22 But I know that they have shared their  
23 expertise with you, their program knowledge,  
24 particularly through your subcommittees. I know that  
25 there will probably be other Commerce and other

1 agencies engaged with this committee's efforts as well.  
2 We are all working together toward the same goal.

3 One of the things that the President has made  
4 very clear, particularly when it comes to export  
5 promotion and promoting trade, is that we can't have 19  
6 agencies going in 50 different directions. I'm sure  
7 you've heard that before but we've actually made  
8 progress in having agencies really coordinate and  
9 really work together, whether it's on advocacy, whether  
10 it's on policy recommendations like the ones that will  
11 come out of here.

12 The fact that you have agencies and other  
13 Commerce units here is really indicative of that effort  
14 and that mandate from the President that we can't have  
15 us going off, not really working together. By doing  
16 that, we're helping improve -- I believe we're helping  
17 improve America's supply chains, we're helping  
18 companies prosper in what is increasingly a very, very  
19 competitive world out there.

20 But we need your continuing assistance. We  
21 need your ideas, we need your energy, so please don't  
22 go anywhere. I don't mean just today, I mean don't go  
23 anywhere. Keep working with us to develop the  
24 recommendations that the Secretary needs and, quite  
25 frankly, that the President needs in order to achieve

1 lasting improvements in our supply chain  
2 competitiveness.

3 We really value your insights very much. I  
4 mean, you're the experts. Without you, I don't believe  
5 we can do our job properly. We need to get the input  
6 from you. We need to hear from those that are in the  
7 day-to-day activities of supply chain.

8 So I just want to let you know that I am very,  
9 very confident that the issues that you are taking up,  
10 both as a full committee and in your subcommittees, are  
11 going to yield recommendations that are going to be  
12 meaningful and impactful to what we're trying to  
13 achieve here.

14 So my main message to you is two-fold: your  
15 work here is being paid attention to; and 2) we thank  
16 you very much for taking time from what I know are  
17 very, very busy schedules. So I don't want you to  
18 think that you're wasting your time. Not at all. It's  
19 important, what you're doing. You're being heard. We  
20 hope to take to heart and into action what you  
21 recommend.

22 With that I will hush so you can go about the  
23 work that you were doing before I walked in the room.  
24 And if I'm not mistaken, I think it's actually gotten  
25 cooler. I'd just note that I added a little value to

1 this meeting.

2 (Laughter)

3 VICE CHAIR DARBEAU: Mr. Sanchez, let me make  
4 a comment.

5 UNDER SECRETARY SÁNCHEZ: Absolutely.

6 VICE CHAIR DARBEAU: I had the opportunity two  
7 years ago to travel to - promotion of ports. I have to  
8 tell you, this has been very lucrative to the Port of  
9 San Diego - contracts from that relationship. We have  
10 - and thank you and the Department and the commercial  
11 officers on the ground. Most people don't realize that  
12 the U.S. Department of Commerce, you always work on the  
13 ground. Your gold key service is outstanding and we  
14 want to let you know that.

15 UNDER SECRETARY SÁNCHEZ: That's very kind of  
16 you. I appreciate you giving a shout-out to our field.  
17 We have a team in more than 70 countries around the  
18 world and they're there to help you. I suspect most of  
19 you are aware of them, but if you're not our offices,  
20 both domestically and internationally, are there to  
21 support your efforts. So, I hope you will call them.  
22 By the way, we haven't seen the royalty checks come to  
23 ITA yet.

24 (Laughter)

25 VICE CHAIR DARBEAU: Is this how it will be at

1 every meeting?

2 (Laughter)

3 UNDER SECRETARY SÁNCHEZ: Thank you very much  
4 for that.

5 (Applause)

6 CHAIR BLASGEN: Okay. Why don't we do this?  
7 We have the Regulatory team to hear from and then I'd  
8 like to have a closing conversation around everything  
9 that we've heard from the team and some over-arching  
10 thoughts you might have before we leave. Many of you  
11 did not get a chance to grab lunch, so we've taken  
12 them, put them in a blender and we'll have them brought  
13 in to drink.

14 (Laughter)

15 CHAIR BLASGEN: So why don't we take two  
16 minutes, grab lunch for those of you that didn't, and  
17 let's get right back in here and we'll hear from the  
18 Regulatory Subcommittee.

19 (Whereupon, at 1:13 p.m. the meeting was  
20 recessed.)

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

AFTER RECESS

[1:25 p.m.]

CHAIR BLASGEN: John? Let's hear from John  
Beasley.



1           We never really got anything environmental  
2 because it seems that some of the topics that I will  
3 cover, there's some environmental flavor in that, some  
4 financing and some environmental flavor in the  
5 recommendations. I believe that at the end of the day  
6 we probably will develop an environmental category  
7 because we're coming up short. It seems like we've got  
8 more starting to go in that direction than we do the  
9 manufacturing.

10           So we'll start off with transportation.  
11 Brendon Fried is with the Air -- Association. He  
12 contributed most of that material so I'm going to let  
13 him cover the first section.

14           MR. FRIED: Thank you, John.

15           We started looking at various issues regarding  
16 aviation and we came up with three that we think are  
17 relatively important as we go forward. First, is the  
18 revamping of our nation's air traffic control system.  
19 This was something that was dealt with last in the  
20 reauthorization bill but the nation's air traffic  
21 control system is based on 1960s technology that  
22 controls the navigation of flights throughout the  
23 United States.

24           So adequately funding NextGen and providing --  
25 current -- procedures to a GPS-based routing capable of

1 controlling flights in a more precise manner that would  
2 enable tighter spacing, more direct airport approaches,  
3 less fuel burn, and a higher level of safety for the  
4 industry, and of course for passengers and cargo, which  
5 is important and near and dear to my heart, to arrive  
6 more efficiently and thereby promoting commerce and  
7 reducing financial expenditures. So this program is  
8 already under way but there's a pretty ambitious time  
9 line. We want to make sure that money is there for  
10 FAA.

11 In addition to that, we've had issues with  
12 sequestration and other financial cut-backs. Of  
13 course, there's always the question from the airlines'  
14 perspective on what the -- who's going to fund the  
15 outfitting of these aircraft to make sure that they are  
16 able to adopt this NextGen technology?

17 The second issue on the regulatory issues is  
18 harmonizing air cargo security regulations with other  
19 nations. The aviation industry has been a significant  
20 terrorist target for many years and still remains a  
21 lucrative target for those intent on doing harm to our  
22 nation.

23 The United States has been diligent in its  
24 efforts to work with other countries in creating sound  
25 security regulations for both passengers and cargo.

1     However, each nation has developed its own security  
2     protocols that often differ from other nations and the  
3     significant variances and security regimes cause  
4     confusion, creates vulnerabilities, and allows  
5     basically terrorists an exploitation opportunity.

6             So nations should contain valuable work  
7     through ICAO, the World Customs Organization, and other  
8     world entities to promote regulations and standards  
9     that match up with other nations. It's very important  
10    that the United States contain those --

11            Then third, and we talked about this earlier  
12    today, is trade modernization. Of course we talked  
13    about the need for fast and efficient flow of goods  
14    between nations and at U.S. borders. The typical  
15    imports into the United States, I think there are 13  
16    government agencies at the U.S. border. Providing that  
17    single window for trade data is essential, as we talked  
18    about, to restoring ITDS and the automated commercial  
19    environment -- to achieve that goal.

20            A single-window portal will allow our  
21    clearance-related transactions for imports and exports  
22    to occur. Significant work has been completed but we  
23    must make sure that ACE is well funded and kept on  
24    schedule and supports increase in number and size. CBP  
25    needs to have the proper staffing to ensure executive

1 functions to efficiently staff to clear both passengers  
2 and goods. Commerce needs to assure that CBP staff  
3 will request funding at the levels that it needs. So  
4 far, that's what we're promoting on the -- side.

5 MR. BEASLEY: As I said earlier, we may do  
6 manufacturing. It seems like such an important topic  
7 to not have feedback on, but at least in our  
8 subcommittee at this point we haven't had a lot to go  
9 off of. Now I know the environmental, or why we may  
10 switch to environmental, there were EPA issues. I'll  
11 just briefly mention them.

12 We don't have a lot of detail, particularly on  
13 paper today, but most of that was centered around  
14 timing, not necessarily opposition to the rules, it was  
15 that permits and approvals just take entirely too long,  
16 two to five years to get some of these permits  
17 approved.

18 Also on the list we have energy. Again, we're  
19 behind on that subject and very vague, but Norm will  
20 speak to a couple of those topics.

21 MR. SCHENK: -- behind on providing data, so -  
22 -- but anyhow, there are several things we want to  
23 cover on the energy side. I think most people know the  
24 current trend at the U.S. will be the largest producer  
25 of oil in the world by 2017.

1 CHAIR BLASGEN: You need to use the  
2 microphone.

3 MR. SCHENK: I'm sorry.

4 At the current trend, the U.S. is going to be  
5 the larger producer of oil by 2017. A lot of people  
6 don't realize that, but natural gas is really key to  
7 the supply chain, both from a transportation  
8 perspective as well as manufacturing. I think it's  
9 pretty clear. We know of a number of companies that  
10 have left the U.S. that they were able to operate on  
11 natural gas that is so much cheaper and efficient.

12 MR. LONG: Excuse me. Could you pull the  
13 microphone closer, please?

14 MR. SCHENK: Okay. I'll hug it. How does  
15 that work?

16 MR. LONG: That's super. Thank you.

17 MR. SCHENK: Is it on? Okay.

18 Particularly L&G gas is 30 to 40 percent  
19 cheaper and we've got enough for a minimum of at least  
20 150 years, and that's just based on current estimates.  
21 So looking at some of that and use of alternative  
22 fuels, several things I had to comment on really  
23 relates to eliminating the disincentives to develop and  
24 use alternative fuels and vehicles and equipment on  
25 that.

1           The first one is the 12 percent Federal excise  
2 tax on large trucks. The reason that's relevant is  
3 alternative fuel trucks at this time are quite a bit  
4 more expensive than the traditional diesel trucks, so  
5 the up-front costs for introducing the more efficient  
6 and the more environmentally friendly alternative L&G  
7 vehicles, it's really a disincentive to do that because  
8 of the 12 percent Federal excise tax. So there needs  
9 to be some kind of regulatory adjustment to at least  
10 neutralize the offset between the cost differential.

11           The second one is the tax on -- see, our group  
12 looked at tax cutting, not tax increases. We're taking  
13 the fiscal conservative approach. Just kidding! The  
14 tax on diesel fuel is the same as it is per gallon as  
15 it is for L&G gas. Unfortunately, because of the way  
16 the efficiencies turned out in the burn and the number  
17 of gallons that are used, even though L&G is so much  
18 more efficient, it actually turns out to be -- our  
19 calculations are about 17 cents a gallon that it costs  
20 more based on the tax rate on that. So that would be a  
21 second one we're taking a look at.

22           Then the third issue related to L&G vehicles  
23 is that they weigh more than the traditional trucks  
24 because of the tanks that hold the fuel in it, so we  
25 need to look potentially -- I don't have the details on

1 it, yet we're working on it.

2 But we need to look potentially at some kind  
3 of waivers to make up for the weight limits on these  
4 trucks, especially the long haul trucks, in order to  
5 really take advantage of the more efficient  
6 environmental fuel on that. So those are three of the  
7 initial areas that we're looking at so far. There are  
8 some other ones that we're considering, but those are  
9 the ones we have to mention today. Thank you.

10 MR. BEASLEY: Also I'd like to plug into -- so  
11 we put a lot of information together in the past week  
12 that we weren't able to update these slides with,  
13 particularly on the natural gas topic of--I'll throw  
14 the word out--fracking as a means to extract the  
15 natural gas. That is such a complicated and  
16 contentious subject. We don't really have enough data  
17 to even start to make a recommendation on that at this  
18 point.

19 To get back to more of what I would call where  
20 the rubber meets the road and get back on some issues  
21 for highway transportation, rail, and particularly  
22 import/export terminals, the highway front, recently  
23 there's been some regulations passed on hours of  
24 service for truck drivers. Some of that went into  
25 effect the first of this month.

1           In effect, a lot of these changes could have  
2 has as much of a 10, 15 percent impact on capacity of  
3 the truckload market specifically. I have to say when  
4 I formed some of my answers before I started to do a  
5 deep dive on what the regulations mean and how they  
6 came to those decisions, but also what decisions had  
7 been made, I looked in the Federal Registry and I have  
8 to say that the Federal Highway Safety Administration  
9 did a spectacular job of listening to the public  
10 concerns and making decisions about what they kept in  
11 the hours of service change and what they decided to  
12 back off on.

13           So at the end of the day, say for hours of  
14 service with the DOT folks, I think they made some very  
15 good decisions on almost every topic. But there are a  
16 couple changing hours, driving hours, from 11 to 10  
17 hours, and creating a 14-hour work window rather than a  
18 straight rolling 14-hour day.

19           Those particular points the Safety  
20 Administration backed off on. At this point they're  
21 saying that they're going to leave it as is for now.  
22 Our recommendation is that we make those decisions a  
23 little more permanent and don't consider making those  
24 changes in the future.

25           Second on my list, I have actually two more

1 points about trucking and I'm going to pull them  
2 together: gross weight limits and longer combination  
3 vehicles. This subject goes to speak to working  
4 smarter, not harder. The technology used to build  
5 roads today and the technology put into the vehicles  
6 that travel the highways today is drastically different  
7 than when these limits were set, particularly on, as  
8 I've said before -- the focus here is on the major  
9 corridors.

10 We're not talking about the concept of pulling  
11 two 48-foot trailers through downtown Manhattan, we're  
12 talking about running two 48-foot trailers from outside  
13 of the congestion of LA to the outside of the  
14 congestion of Chicago, or to Kansas City. There are  
15 appropriate areas in the country where it would be  
16 beneficial for supply chain and where we could still  
17 maintain a reasonable level of safety.

18 Being able to move, and I talked about weight  
19 limits and vehicle sizes, quite honestly, separately  
20 because there are different natures of product. Tom  
21 with Campbell's, they have a situation where their  
22 product actually weighs a truck out faster than it  
23 cubes it out.

24 My product, on the other hand, cubes out  
25 before it weighs out. So I'm more interested in bigger

1 boxes, Tom is more interested in more weight per cubic  
2 foot on that trailer, per cubic foot on that truck. I  
3 don't know at this point -- I mean, I know that, as  
4 I've put these recommendations down, I think last week  
5 the Highway Administration kicked off a program to look  
6 at weights, sizes, and lengths. So at least what I see  
7 from a trucking perspective, what Under Secretary  
8 Sanchez said is true. I see that we're going in the  
9 right direction and I can't complain fast enough. You  
10 guys are getting ahead of me as I put my  
11 recommendations up.

12 So about capacity, we have the rail industry,  
13 we have the truckload industry. I'm sure the NSF is  
14 not happy to hear me suggest higher weights and bigger  
15 trucks, but --

16 MR. WISE: Well, we are not opposed to it as  
17 long as they pay their fair share.

18 MR. BEASLEY: And we need that competition. I  
19 mean, it's healthy to have the competition there.  
20 There is no doubt that rail is the most environmentally  
21 friendly mode of transportation we can use. They move  
22 -- their figures on metric tons of freight that they  
23 can move on a gallon of diesel is drastically higher  
24 than truckload.

25 As a shipper, I can tell you that they aren't

1 the fastest mode to get from here to there. They're  
2 very dependable. But we have -- as the truckload  
3 market has dropped, the intermodal volume has risen.  
4 I'm concerned -- we're concerned that we're going to be  
5 out of capacity, either truckload or rail.

6 We do believe that rail is so much harder on  
7 the infrastructure to build more capacity and, as Dean  
8 points out, if the truckers aren't paying their fair  
9 share--we could debate that--but it is easier to get  
10 there to add capacity to truckload than it is the  
11 rails.

12 So the recommendation is that in some form --  
13 we haven't gotten to the specifics, but that the  
14 Federal Government get involved in aid in the  
15 infrastructure of the rail system.

16 Last for me, import/export. We talk about  
17 defining where the bottlenecks are. For our business,  
18 as I said earlier, we can not only define what the  
19 bottlenecks are, we can tell you what time of year  
20 they're happening and year after year our biggest  
21 bottleneck -- when I use "bottleneck" I'm not talking  
22 necessarily about a factor of stopping freight per se,  
23 I'm talking about the factors that we have kind of all  
24 agreed on.

25 I'll limit them down: cost, reliability, and

1 speed. That falls at the ocean terminals. Now, this  
2 is not a shot at Cynthia and the Port of LA. They  
3 actually do a lot of work to try to aid in the  
4 efficiency. They try to aid in the environmental  
5 issues that we have out there on the West Coast  
6 particularly, but at all ocean terminals -- and I have  
7 facilities all over the world, but all over this  
8 country particularly, and the ocean terminal operations  
9 are always the bottleneck. They are always the least  
10 reliable.

11 I can't hardly go anywhere except to start  
12 having a discussion about labor. The mechanisms are  
13 there to have efficient operations at the terminal. We  
14 put in automation, but yet the costs are still there.  
15 We put in automation but yet when you look at the data  
16 that we collect, the freight doesn't flow with any more  
17 efficiency or with any more reliability.

18 There are other topics like -- again, I'm good  
19 buddies with the BNSO usually, but we have tracked  
20 their data over the past 10 years. I can tell you that  
21 they have gotten a little faster and a lot more  
22 reliable and we can predict what they're going to do.  
23 We don't get that same benefit out of the ports.

24 So again, not that we're in any final  
25 recommendation, but I mean, there has to be some

1 reasonable productivity expectations in the  
2 government's support of labor.

3 Now, the last category: workforce development.  
4 Again, this is going to lead again to capacity, of  
5 having the people to do what we need them to do. Ron  
6 from Halliburton will take that topic.

7 MR. WOLL: I sense the clock ticking down  
8 here, so we'll do this briefly. I'm actually surprised  
9 we haven't talked about labor much today in terms of  
10 all the conversations, so let me do that. I've got, I  
11 guess, bad news, I've got some good news, and I have an  
12 approach I'd like to share with you. First, the bad  
13 news.

14 From a supply chain standpoint, the U.S. is  
15 simply not producing sufficient talent required by the  
16 manufacturing supply chain to keep pace and compete  
17 globally. I know that because Halliburton employs  
18 70,000 people around the world and I know what it means  
19 to staff that in the U.S. and outside the U.S.

20 I'm not sure where the 80 percent unemployed  
21 people are, but they can't weld, machine, assemble, or  
22 test our equipment, so I don't know where they are. I  
23 know that because I talk to colleagues here around the  
24 committee and they share similar experiences around  
25 finding, you know, talent, craft talent at the direct

1 labor level, but also knowledge workers that can  
2 support 21st century supply chain solutions.

3 I also know that because more empirically I  
4 did some homework and looked up a Deloit study from  
5 about a year and a half ago where they surveyed over  
6 1,000 manufacturing executives across 50 states about  
7 availability of qualified workers. Two-thirds  
8 responded "moderate to severe shortages of qualified  
9 talent". Two-thirds.

10 We know that we rank very unfavorably when it  
11 comes to a recent global study on finding semi-skilled  
12 and skilled labor compared to other geographies. I  
13 look at supply chain here in the U.S. as it's a  
14 competition.

15 We're competing against other locations that  
16 can do the same work. Of course, the other kind of  
17 piece of bad news is around STEM graduates, Science,  
18 Technology, Engineering, and Mathematics. We know that  
19 we rank very unimpressively against global standards on  
20 STEM depending on, if you are picking math, sciences,  
21 engineering, mid-20s to low 30s against the top 65  
22 countries. You simply can't sustain a supply chain  
23 with weak talent. It will flow elsewhere, I promise  
24 you.

25 So some bad news here. Let's talk about

1 what's working in our favor. We do have some things  
2 that are good. First off is critical supply chain and  
3 manufacturing mass. That affords us some power in this  
4 equation.

5 Second, is we have a college and university  
6 system which is the envy of the world. We'll talk  
7 about that here in a minute. The third thing working  
8 in our favor is a net immigrant flow. That is, more  
9 people want to move to the U.S. than want to leave the  
10 U.S. and that works for us on this topic here. So  
11 let's talk about three recommendations for possibility  
12 here.

13 The first one is building some consortiums. I  
14 would argue, pick half a dozen kind of major supply  
15 chain manufacturing markets here in the U.S. Pick six  
16 of them. In each of those six, create a consortium of  
17 high schools, community colleges, craft schools, and  
18 employers that develop classroom curriculum, equip  
19 shops for hands-on instruction, apprenticeship  
20 assignments, as well as job placement events focusing  
21 on manufacturing concepts like metalworking, electro-  
22 mechanical assembly, as well as logistics.

23 I have evidence of some examples where this  
24 works both in the energy domain in Houston, but also  
25 I've read some examples I think in rail. Dina, I don't

1 recall if it was you guys or one of your other peers in  
2 the business there around sponsoring programs that  
3 develop talent specifically that will focus on rail-  
4 based skills.

5           So I see some products there of how we could  
6 build programs where in fact we encourage and support  
7 individuals to go after products and craft skills. I  
8 think we have a lost generation of individuals that we  
9 point everyone towards college.

10           The truth is, we have a lack of craft skills  
11 and that represents a good, honest profession for  
12 people to do well. But yet we haven't, I think, in  
13 several decades had a system that encouraged that, let  
14 alone can profit from that. So that's the first  
15 recommendation.

16           The second one is, coming back to the net  
17 immigrant flow here, the fact that more people want to  
18 move here than not, is the notion of a fast-track guest  
19 worker program for those that have the kind of degrees  
20 that we need to fuel supply chain roles.

21           So if you have the STEM kind of roles,  
22 Science, Technology, Engineering, Mathematics, and you  
23 want to come here, you want to compete for the U.S., we  
24 ought to find a way to make that possible. Again, that  
25 represents something which few other countries have.

1           You can't go to any other country and see what  
2 I saw a few weeks ago in Houston, an oath of  
3 citizenship ceremony. We had 1,000 people from 130  
4 countries changing teams, willing to come here,  
5 sacrifice a lot to be here. How do we leverage that for  
6 our benefit? Not all the people in that room that day  
7 had the kind of skills that we need and we want, but I  
8 assure you some of them did. Some of them had a long,  
9 long wait to get here.

10           So why don't we develop, with the proper  
11 controls on border protection and ensure people are  
12 lawful and pay their taxes here, but if you meet those  
13 requirements here and you have the kind of degrees that  
14 you need and skills, we ought to make it easy for you  
15 to come here and compete for us. Come join our team,  
16 compete for the U.S.

17           I would add that goes for college graduates.  
18 You look at our graduate schools today and they're  
19 chockful in the engineering programs of foreign  
20 nationals that come to the U.S. because we've got this  
21 great system, they come here to learn these very  
22 important, valuable skills, and then we kick them out.

23           We excuse them from the party, you're gone,  
24 thank you very much, go back to your home country and  
25 go compete for someone else. That's just crazy. The

1 answer is right there in our hands, which is, if you  
2 have those kind of degrees and, again, you're lawful  
3 and pay your taxes, we ought to make it easy for you to  
4 compete for us.

5           You earn a degree in engineering and you're  
6 from Thailand, come join our team. Stay here, work for  
7 us. So if you have an approved job offer from an  
8 approved employer, you ought to be able to stay here.  
9 I think there's probably some recommendations that we  
10 could develop that would have, I think, bipartisan  
11 support.

12           The third one is actually to get behind a  
13 White House program. In doing my research here around  
14 STEM graduates, you both have to have sufficient  
15 graduates in that space but you also need to have  
16 enough teachers to teach those skills. In fact, I came  
17 across a White House program called Educate to  
18 Innovate. Educate to Innovate.

19           It places 100,000 new STEM teachers in the  
20 public school systems over the next decade, which I  
21 think is a laudable goal. Now, the problem there is,  
22 of course, it spans longer than most administrations,  
23 than all Representatives here, and most Senators.

24           So how do you create some kind of tempo and  
25 sustainability for a program like that? You probably

1 need some metrics to frame that up and some clear goals  
2 that you know you're going the right way here, but the  
3 notion of producing more STEM teachers to help us  
4 produce more STEM graduates seems to make good supply  
5 chain sense.

6 The notion here, though, is you can't cram for  
7 this test. You can't pull a bunch of levers today, get  
8 a bunch of STEM grads tomorrow. It does take some  
9 sustained commitment to this notion here, so I know  
10 we'll probably organize some recommendation in the  
11 short term and longer term.

12 I would argue when it comes to talent you  
13 can't cram for this harvest here. You've got to invest  
14 in it long term. But there are some smart ideas both  
15 in play today and some new ones I hope we're talking  
16 about to make sure that workforce for the U.S. is not  
17 what I think it is today, the rate determining step.  
18 Thank you.

19 CHAIR BLASGEN: John, thank you, and team.  
20 Questions? Comments on Regulatory? Tony?

21 MR. BARONE: One point on what you just  
22 mentioned. I think the program that jointly funds  
23 manufacturing people who manufacture -- so I think that  
24 companies are willing to pay for the costs.

25 MR. WOLL: Yes, I think so. Speaking of that,

1 at Halliburton, I mean, we're willing to support  
2 programs like that that have some long-term benefit. I  
3 have even talked to my counterpart, my competition  
4 around, why don't we have a joint program that trains  
5 people how to weld? I'm not going to beat you because  
6 I weld better, let's face it.

7 So why do I swap talent back and forth with  
8 you for 10 cents an hour? Why don't we have a joint  
9 program? The point is, I think there are some real  
10 pockets of possibility here. You kind of lasso these  
11 together, energize it, I think there's some real room  
12 to grow.

13 CHAIR BLASGEN: Wayne?

14 VICE CHAIR DARBEAU: Yes. On the regulatory  
15 side, I would recommend we look at reviewing the  
16 supply chain system and how could that be done, because  
17 I don't think you can get away from it, how that could  
18 be done with an ROI and not real additional costs --  
19 need to improve. So we need to take a look at that at  
20 some point and if there's some kind of insider  
21 recommendation. You can't do much as a supply chain in  
22 California without being concerned about the  
23 environment.

24 MR. WOLL: Can I reframe that, just to explore  
25 that? Which is, I'd like us to be sure we know, if

1 we're more green, how does it help us compete with  
2 other countries on supply chain? There's different  
3 reasons why green is good, but just kind of think  
4 through the mandate on why we're here. I want to make  
5 sure we connect the dots between being green and being  
6 more competitive than other manufacturing centers.

7 VICE CHAIR DARBEAU: You and I are saying the  
8 same thing. I'm not advocating for doing otherwise.  
9 What I'm saying is, it's a reality and I'm saying the  
10 same exact thing. But it should be as part of the  
11 recommendations we give to DOC because it will be a  
12 missing piece that folks will be looking for.

13 The other thing is I think that the Regulatory  
14 Subcommittee should take a look at the macro -- all of  
15 the recommendations that the committees have and look  
16 at it from a regulatory perspective also and weigh in  
17 on it before it becomes a final document.

18 MR. STOWE: If you want to get serious about  
19 some additional research on those points, a guy named  
20 Tony Carnivalli is here in DC and he's done one of the  
21 most -- the deepest assessments of where the Dow market  
22 is changing and where the educational skills are  
23 needed. He comes to the same conclusions that you do.  
24 He's at Georgetown and he is available.

25 MR. WOLL: Will you shoot me the contact

1 details?

2 MR. STOWE: Yes. He's impeccable in terms of  
3 credentials and backup.

4 MR. WOLL: He probably has a lot more data to  
5 substantiate --

6 MR. STOWE: He has a huge amount of data.

7 MR. WOLL: Yes.

8 MR. STOWE: But he comes to --

9 MR. WOLL: I understand. Ron, what was his  
10 name?

11 MR. STOWE: Tony Carnivalli. He's a professor  
12 over there. I'm happy to --

13 MR. WOLL: If you wouldn't mind asking him.

14 MR. STOWE: Everybody should be aware of that  
15 resource. He's really good.

16 MS. DISRAMIN: Hi. I'm Caitlin Disramin with  
17 Federal Highway. Going back to your previous slide on  
18 the truck size and weight issue, I just want to let  
19 people know that we did hold, last week, a public input  
20 session. Tomorrow is the last day to submit comments.

21 If you'd like us to study alternative  
22 configurations in our truck size and weight study, you  
23 can go on our website. Just Google "truck size and  
24 weight study" and it pops up.

25 We're taking input via email for additional

1 configuration, so if you're in the industry and you  
2 know a particular type of longer combination vehicle or  
3 other configuration is something that we ought to be  
4 studying, please let us know by tomorrow close of  
5 business. There will be other public input sessions  
6 over the coming year.

7 In addition, we'll continue to take input on  
8 other items related to the study: data modeling,  
9 methodology, so we are seeking input and hope that  
10 you'll provide it if you're part of the industry, or  
11 even if your business is related to it.

12 In addition, last week the Secretary of  
13 Transportation announced a parallel group to this, the  
14 National Freight Advisory Committee. I'm excited to  
15 hear this conversation today because I think the take-  
16 aways from this will help inform the work of that group  
17 as well. We won't be redundant. You want to take what  
18 you've learned here and provide that as an input to the  
19 NFAC, which will have its first meeting on June 25th.  
20 I think actually UPS is on that advisory committee as  
21 well, so there's a cross profit. Thanks again for your  
22 work.

23 CHAIR BLASGEN: Thank you.

24 Leslie?

25 MS. BLAKEY: Thank you. I just want to make a

1 suggestion going back from one question I had on  
2 transportation recommendations, and that has to do with  
3 the issue of project delivery and infrastructure  
4 projects. I know this has been discussed in many, many  
5 settings and it has actually been taken up by the White  
6 House to - in our other subcommittee discussions in the  
7 form of rebuilding America's infrastructure -- but the  
8 need for, on the regulatory side, coordination of the  
9 various agencies on project approvals for building  
10 infrastructures, cutting down on the time it takes.  
11 The everyday -- initiative is similar.

12 Cutting down on the time it takes to get  
13 projects approved, troubles on the ground. We are  
14 spending way too much money on building construction  
15 projects that take too long and that needs to be  
16 reinforced in the regulatory recommendations.

17 MR. WISE: I'd like to second that. I think  
18 it's front and center. You kind of put it in rail, but  
19 it applies to pipelines, highlights. Let's not try to  
20 run around the process, but it's the speed. How can we  
21 increase the speed of -- because you say that whatever  
22 the supply chain metrics address, -- risk for everybody  
23 in having the project take 5 years instead of 2, or 10  
24 years instead of 3, you just won't get investment  
25 unless we have a much more time box approval process.

1 MS. BLAKEY: But it stifles innovation.

2 MR. COOPER: Yes. Dave, you're right. I was  
3 one of the ones that brought this up initially in a  
4 very vague sense of the word, that basically we have to  
5 figure out a way to double the export capacity in  
6 manufacturing and you can't do that unless you have  
7 facilities and you're expanding those facilities or  
8 building new facilities, and the permitting processes  
9 can be byzantine.

10 But what I found out by talking to some of our  
11 member companies, and some of my colleagues who are  
12 experts in this, and I'm certainly not, that a lot of  
13 this is state by state, where standards are set by the  
14 Federal Government but the actual implementation and  
15 the permitting process takes place at the state level.

16 Some states - you know, if you go to Louisiana  
17 right now, you're going to get a permit a lot quicker  
18 than if you go to Texas right now. So that's just the  
19 way it is. I'm not sure. I sent a note to John saying  
20 one thing we might be able to do is recommend--I know,  
21 yet another back-up--that some group get together  
22 because this is a long-term issue.

23 This is not something that we're going to be  
24 able to nail down by September. I just don't see how  
25 we can possibly do it because folks have been dealing

1 with this for a long time. There may be congressional  
2 fixes but these are longer term issues, unfortunately,  
3 because it is at the state level.

4 But you're absolutely right, that's one thing  
5 that gets in the way. Some of the standards right now  
6 that are being proposed are going to place. National  
7 parks in non-attainment zones, for like ozone.  
8 Yellowstone for --

9 MR. WISE: I think that's what makes it very  
10 appropriate to -- recommendation -- we can't talk about  
11 innovation in the next 10 years.

12 MR. LONG: Or if you don't know how long.

13 MR. WISE: Right. We can't adapt the supply  
14 chain to the new needs, blah, blah, blah. So, speed.  
15 There's a lot to speed. You're not trying to run over  
16 anybody but a great analogy is, we can't have anybody  
17 on the bus pull the emergency cord and stop the bus.  
18 You have to have a way to keep the bus going to get  
19 there, right? Everybody can have a say but let's make  
20 this put a time lock on it. Canada does it, other  
21 countries do it.

22 VICE CHAIR SIPLON: Just a comment. Going  
23 back to EPA -- the Under Secretary said this, you know,  
24 when we think about America's competitiveness and  
25 supply chain competitiveness, when we talk about the

1 regulatory side of it, it is hard to differentiate -  
2 very domestic.

3           The Under Secretary said it, Rick has said it  
4 before, there's a domestic element and there's an  
5 international element. Sometimes they're very hard to  
6 decouple. Workforce definitely makes us more  
7 competitive internationally but it's also a very -- so  
8 I think if you look at regulation, we look at finance,  
9 there are probably some international regulations like  
10 tariffs and other things that impact the supply chain  
11 on a more global scale so they went to their national  
12 aspects of regulation.

13           I think we need to keep in mind that there may  
14 be two buckets for a lot of these recommendations, not  
15 the regulatory, they're domestic and international. So  
16 when we think about structure, we might be able to  
17 segment things a little differently and have more clear  
18 recommendations.

19           CHAIR BLASGEN: Okay. Other thoughts on  
20 regulatory before we wrap up?

21           MR. BARONE: May I suggest that we all made it  
22 down here, that we not rush this. I will -- some idea  
23 of what I'm doing next. So I know you had a 2:00 shut-  
24 off time, but if we could extend that for 10 or 15  
25 minutes it would be very helpful.



1 solution innovation that doesn't take 10 years, things  
2 that are natural.

3 Even the Under Secretary said to me, gee, this  
4 is really great, you're assembling this. I travel all  
5 over the world and I see people doing things within  
6 their supply chains and thinking, what are we doing  
7 here? That's the people who we've assembled in order  
8 to let you know how we can do it better, faster, and  
9 with a better return.

10 So what over-arching comments might we have as  
11 committee members in terms of direction? We know the  
12 subcommittees will do more work. They'll begin to talk  
13 to one another and come up with recommendations that  
14 will bubble up from the workers to the subcommittees.  
15 I think that's going to be very powerful, independent  
16 subcommittees coming to the same conclusion to bestow  
17 upon us a recommendation that makes sense.

18 Any over-arching thoughts?

19 MR. COOPER: I think there's been a couple  
20 areas identified that are going to warrant further  
21 discussion to date. I think that's going to be the  
22 nature of the course, which is healthy, in my opinion.  
23 I think a lot of the recommendations so far are pre-  
24 brand and maybe really focused on Congress.

25 This is the first time I've kind of

1 experienced that in an advisory committee, that we're  
2 really focused a lot on what Congress can do for us.  
3 I'm hoping we can identify some key areas for some  
4 shorter term recommendations to the agencies that they  
5 can act on.

6 CHAIR BLASGEN: Right.

7 Yes?

8 MR. BARONE: I agree with Jim. I think we  
9 heard from a number of people here, even from the Under  
10 Secretary, of the need for the Federal Government to  
11 have some referee or somebody who is directing the  
12 overall efforts of the government rather than having  
13 each department of the government act separately. So I  
14 would hope that in the end there would be some  
15 structure that would give some guidance to the various  
16 departments of the government on all these issues.

17 VICE CHAIR SIPLON: The one thing we started  
18 off with, policy, it came up a few times. I think  
19 logically -- about supply chain, really analyzing value  
20 stream mapping. We talked about inland freight and  
21 where those bottlenecks are. I think the bottleneck --  
22 and the need to identify the bottlenecks has been used  
23 basically by all the different subcommittees.

24 I think that is an over-arching theme,  
25 identifying where our main points are, where the

1       bottlenecks are for these particular industries that  
2       move freight. That seems to be an over-arching  
3       recommendation, but we don't have that.

4               CHAIR BLASGEN: Right. I think, Wayne,  
5       something you keep coming back to: what's the return?  
6       How do we do more with less?

7               VICE CHAIR DARBEAU: First of all, I thought  
8       today was very useful. What I thought is an  
9       affirmation -- whether it was MAP 21 -- has high  
10      urgency, high -- it has affected America's  
11      competitiveness, all the issues raised around workforce  
12      issues, right?

13              So I don't see it as either/or. I think what  
14      we can get from this is some concrete issues to guide  
15      the different departments in the administration to move  
16      on MAP 21 priorities and the MAP 21 schedule, but we  
17      also owe it to Congress because we speak for an  
18      industry that's very diverse and we are looking at a  
19      lot of sub-optimization in a global world that's moving  
20      ahead.

21              If we're going to remain competitive we can't  
22      -- we have got to put it on the table pragmatically.  
23      So the issue, for example, of integration, right, until  
24      the industry tells the Congress we need an integration  
25      policy, forget it, nothing will happen. So that's one

1 more voice that gives vent to the issue.

2           So I think we've identified some very concrete  
3 steps. I would like to see more work on the regulatory  
4 piece. I'm not advocating for me or otherwise, it's a  
5 reality. You will not be able to run a supply system  
6 the way Carl Fowler was talking about earlier, which we  
7 haven't gotten to yet. We should put that last, an  
8 innovation piece and a paradigm shift. If we had to  
9 design this thing ourselves, what would it look like,  
10 right?

11           So I think we've done really good work here.  
12 We need to put some meat for the administration and  
13 departments to do things and move quickly, but we also  
14 have to send a message to Congress that the way we are  
15 going about policy is to put in this country -- the way  
16 we're doing business and let there be some  
17 optimization.

18           CHAIR BLASGEN: And I think this is squarely  
19 on the shoulders of this committee to say those things.

20           VICE CHAIR DARBEAU: Yes. It's better --. We  
21 don't have to get --

22           MS. DENHAM: And I think to overlap as well  
23 with the value mapping, to also put the workforce in  
24 that piece of it, where are the bottlenecks there and  
25 what's keeping us from being more competitive?

1 CHAIR BLASGEN: Right. Right.

2 Sandy?

3 MR. BOYSON: I was just going to say that I  
4 think it would be really good, whatever the work was  
5 that gets generated, we get data to support the  
6 recommendations in the sense that -- you know, I asked  
7 -- for example, about UPS and the total cost of the  
8 United States versus countries in Europe, versus  
9 countries in Asia. Most companies have those total  
10 cost comparisons and use that to sort of -- in terms of  
11 efficiency.

12 So we could kind of position the United States  
13 in a cost structure and the recommendations focus on  
14 those areas where it's impacting business in our  
15 ability to compete. I think we need that kind of  
16 empirical data set to buttress our recommendations.

17 MR. BARONE: So I would go on record that we  
18 do support green. The competitiveness for a company  
19 like ours that manufactures -- it's not just about  
20 exporting out of the U.S., it's about making stuff here  
21 that is confused as foreign imports. So it's not just  
22 about exports, it's it's also about domestic  
23 manufacturing capability.

24 CHAIR BLASGEN: I, for one, feel we should  
25 explicitly say that. We should explicitly say the

1 things that will make us more effective and efficient  
2 within the 50 States, and also the things that are  
3 going to make us much more effective and efficient in  
4 competing on a global stage. I think that's what we're  
5 designed to do and I think it's --

6 VICE CHAIR DARBEAU: This is a very  
7 competitive country. You've just got to get things out  
8 of the way.

9 CHAIR BLASGEN: Right.

10 MR. LONG: It sounded, from what I heard  
11 today, like single-window issues and general trade  
12 facilitation and Customs clearance are a top theme in  
13 virtually every group. Is that largely correct?

14 VOICES: Yes.

15 UNIDENTIFIED VOICE: So Rick, what is next? What  
16 happens tomorrow?

17

18

19

20

21

22

23

24

25

1                                   **CONCLUSION AND NEXT STEPS**

2                                   **Rick Blasgen, Chair, ACSCC**

3  
4                   CHAIR BLASGEN: Well, I think there's  
5 additional work that the subcommittees need to do in  
6 terms of refining real recommendations. We've got a  
7 lot there. When you look at what you guys have come up  
8 with, there's a lot in all the subcommittees. What,  
9 realistically, do we want to prioritize in terms of  
10 things that we can implement?

11                   Maybe we do it in terms of the time line:  
12 here's what we can do over the next 5 years, here's  
13 what we can do in the next 5 to 10. I'm not sure how  
14 to bucket it, but I start thinking about all the things  
15 that were tossed around. You said it in your  
16 committee, a lot of it is back to politics.

17                   Well, can we address that as a committee, bust  
18 through that, and just say if you want to be  
19 competitive, here are the things that we need to change  
20 in order for our supply chain in this country to be  
21 more competitive.

22                   You deal with the politics. I think it's  
23 incumbent on us to not not recommend something because  
24 we think it'll never get done. I think we should  
25 recommend what we feel as a supply chain community we

1 need to get done in order to maintain and accelerate  
2 our competitors.

3           So I think there's some work that can be done  
4 at the subcommittee level to refine those things.  
5 Also, now you've heard from all the other  
6 subcommittees. Is there anything that conflicts with  
7 what you've decided to recommend or the work that  
8 you're doing, or work that maybe needs to be  
9 integrated, or maybe you combine a couple subcommittees  
10 to make a powerful, more holistic message.

11           At some point we don't know how the exact  
12 recommendation report is going to be. Is it one  
13 recommendation from one committee or is it five  
14 subcommittee recommendations rolled up into one?  
15 That's something that has to be talked about.

16           MR. GADDIS: The process suggested to us --  
17 Cynthia is going to kick me in the shins at 2:30. What  
18 might be useful to ask the subcommittees, in addition  
19 to fleshing out their existing recommendations, is to  
20 sort of sketch out the top five or seven themes that  
21 seem to resonate across each one.

22           I am thinking your question earlier was, what  
23 are they? I am a feeling a little brain dead to think  
24 of it now, but I think it would be an interesting  
25 exercise to ask each committee to say which one

1 resonates, which was your question, and then see what  
2 comes out of it, see whether we had two dozen or a  
3 dozen unique themes.

4 CHAIR BLASGEN: Yes. And to me, I'm glad that  
5 the staffs of the Department of Transportation and  
6 Commerce are here, as well as the other partners. I'm  
7 assuming that this new committee, this 47-person  
8 committee at the Department of Transportation is not  
9 going to come out with something that's going to say we  
10 completely disagree with you.

11 That's going to make no sense and no one is  
12 going to listen to them or us. Probably there will be  
13 some meeting that's going to -- how do we want to join  
14 a recommendation that is much more impactful on both of  
15 our committees and both of our efforts? Right?

16 MR. LONG: This scenario is where I can add  
17 something, and also Paul can help with this one, too.  
18 For the committee we have here, you'll all recall from  
19 our charter that the Department of Transportation and  
20 EPA are ex-officio members of the committee. You've  
21 all seen their engagement.

22 Similarly, we are members, ex officio members,  
23 of the other committee in coordinating on that. You'll  
24 note that there's no duplication in the membership of  
25 the committees and we'll be working closely with the

1 other department to ensure exactly what you described,  
2 that everyone is sort of looking at the same things,  
3 maybe from different points of view, but I think at the  
4 end of the day it would be extremely difficult to  
5 imagine something wildly different.

6 Paul, other thoughts on how this would work?

7 MR. BAUMAR: Well, we're obviously working on  
8 a very tight time line with MAP 21 by government  
9 standards, not by your standards. We have already got  
10 work under way on the Conditions of Performance Report.  
11 Randy is here. He's been hoping to organize those  
12 teams across the department and we've got folks from  
13 all of our operating administrations participating in  
14 those.

15 So the work that you guys are already doing,  
16 particularly the freight policy team on some of the  
17 performance measures of freight, how we do that  
18 mapping, that's going to inform that effort. Then  
19 moving forward, as Caitlin mentioned, we do have a  
20 National Freight Advisory Committee.

21 Its primary role is going to be helping us  
22 with the National Freight Strategic Plan, which is the  
23 longest deadline that we have. They are definitely  
24 going to begin, I think, very quickly here with a lot  
25 of things that you all are doing and we'll have

1 Commerce participating as well.

2 So we hope that there's going to be a real  
3 great partnership here. That group is actually  
4 somewhat larger than this, if you could imagine, so  
5 it's going to be a very interesting process. We have a  
6 lot more interests at the table, so it's going to be a  
7 very, I think, complementary process to have your  
8 industry and supply chain focused recommendations  
9 brought also in front of that group so they can take  
10 the work that you guys have done and continue to push  
11 us in what we're doing on the Freight Strategic Plan.  
12 So I think it's going to be good.

13 MR. LONG: Thank you.

14 MR. BARONE: So there are certain issues that  
15 are related to transportation and then those issues  
16 that are not.

17 MR. LONG: Correct.

18 MR. BARONE: So does it make sense to make  
19 just two groups, those that are interested in focusing  
20 on transport and those that are not? I mean, everyone  
21 obviously is interested in everything, but there are  
22 issues that are very specific to transportation,  
23 infrastructure, the highways, and whatnot. Then there  
24 are those who are not focused on that.

25 VICE CHAIR SIPLON: I would think a couple of

1 them. I mean, they're -- I know that transportation  
2 logistics are out -

3 MR. BARONE: Customs matters and highway  
4 matters are not directly related.

5 VICE CHAIR SIPLON: Other than their cargo  
6 goes on the highway. That's about it.

7 MS. BLAKEY: Well, at the next border they  
8 definitely are very related. At the Canadian border,  
9 they're very well related. In other words, the process  
10 and problems of trying to get clearance at those  
11 borders very much impacts the highway infrastructure  
12 and the other transportation needs, infrastructure  
13 needs, at those --

14 MR. BARONE: The carriers at those borders are  
15 impacted by Customs and security concerns, true, but  
16 not by the fact of the equipment rolling across the  
17 border.

18 MS. BLAKEY: Yes, they are.

19 MR. GADDIS: The actual physical capacity of  
20 those ports is as much a problem sometimes.

21 VICE CHAIR SIPLON: We started with those five  
22 factors that we talked about. I think both of those  
23 things, transportation and not, fit into speed, cost,  
24 risk, security, liability. I think if we're going to  
25 look at bucketizing things, to make up a word, I think

1 those might be five better buckets than transport/non-  
2 transport. I think there are speed things that are  
3 transport/not transport. Maybe there's two separate  
4 categories -- just, those five seemed to resonate  
5 across a whole different classes.

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1                                   **CLOSING AND ADJOURNMENT**

2                                   **Mr. David Long, Director,**  
3                                   **Office of Service Industries,**  
4                                   **U.S. Department of Commerce**

5  
6                   MR. LONG: Yes. From the point of view of the  
7 process itself, I'd strongly recommend that we not look  
8 at fundamental restructuring of the committee choices  
9 here. I think everyone probably would agree that what  
10 we heard today was a very broad, very complex set of  
11 issues. I think there's more than adequate reason to  
12 try to look at sort of a specialized focus--trade and  
13 competitiveness, MAP 21, what have you--at the  
14 different sets we've picked out.

15                   That being said, I think to capture Tony's  
16 point and some of the others', and especially Rick's,  
17 that it probably would make sense for next steps for  
18 all the subcommittees to take a look at what they heard  
19 here today and start looking at how the issues do  
20 intersect and what kind of cooperation or exchanges we  
21 would need between groups.

22                   Do we have the issues in the right places?  
23 For example, lumping the IT and data sets into just one  
24 large committee, I think, would simply dilute the good  
25 work there, but focusing on what you think the

1 priorities are, how they relate to others, and start  
2 thinking of this.

3           What you say today is in some ways not a bad  
4 outline of what the eventual product might be. There's  
5 room to do short-term recommendations, things you might  
6 do, letters, on the way through, or it could be a  
7 larger, fuller report of different points in the  
8 process. So looking at that, looking at how they  
9 intersect, looking at what additional resources you  
10 need, I think these are all things that would be time  
11 well spent.

12           In the end, what is going to come out -- the  
13 committee is not structured so that the subcommittee  
14 work naturally generates a final result for the whole  
15 committee. What comes out of the groups is simply  
16 trying to get the work divided up into manageable  
17 chunks so that the entire group can decide, this is  
18 what we want to recommend to the Federal Government on  
19 this set of issues.

20           So the fact that one committee recommends  
21 something still requires that everyone else on the  
22 committee look at it and decide what they think about  
23 it. In the end, it's your choice on these things. I  
24 think there's plenty of room to look at -- you know,  
25 maybe we've got some of the issues in the wrong

1 subgroups, maybe there's ways to have some of the  
2 groups work together, and the rest. But given where  
3 the report will eventually come out and the kinds of  
4 things we'd be looking for, I think avoiding something  
5 fundamentally in the structure of it is probably a good  
6 idea.

7           It's probably easier to work. For the next  
8 meeting, one thing that might be worth considering is  
9 just devoting a major block to further updates on what  
10 we've done--or what you've done, rather--but a close  
11 look at how these things really relate. So I think  
12 we're coming down to a point where some of the  
13 recommendations probably will take shape in September,  
14 so I'd suggest something like that. But it's your  
15 call.

16           MR. COOPER: I have a process question. When  
17 are we going to be able to have discussions about  
18 issues where there are going to be differences of  
19 opinion?

20           MR. LONG: That can start anytime and continue  
21 all the way through. I imagine there were a number of  
22 points like that in the discussions within the  
23 subcommittees. I heard some hints of it today.  
24 There's certainly no reason why that can't continue  
25 between the groups or at the next meeting, or

1 informally between people.

2 I think before any kind of final  
3 recommendations get issued by the committee, that  
4 simply has to be talked out. There can't be any  
5 automatic submitting of controversial material without  
6 real discussions to it. So the point you make, simply,  
7 it has to happen, whether it starts at the  
8 subcommittees or takes place in the full meeting, or  
9 what.

10 Maybe it's as late even as when the different  
11 recommendations, different times are submitted for  
12 people to edit, comment on, and finally really come  
13 down to making a decision. That's another point for  
14 it, but there are multiple opportunities that can take  
15 place anytime.

16 MR. COOPER: I'm only on two subcommittees. I  
17 heard a lot of recommendations today that I didn't know  
18 about until this day. So that's why I'm wondering  
19 about the process before we vet these issues is because  
20 I know -- well, I'll throw it out there. My friend  
21 from the NSF is not on the same subcommittee where we  
22 came up with this idea of competitive switching. I  
23 don't want people wasting a lot of time coming up with  
24 something that's not possibly going to ever move  
25 forward because it's so contentious, or whatever. You

1 have to figure out a way to vet that for people who are  
2 not on the same subcommittees. I don't know what that  
3 answer is. I'm just throwing it out there.

4 MR. BOYSON: So my point is a little bit  
5 similar to that, and to your point, Rick, about  
6 prioritizing inside subcommittees these short-term,  
7 medium-term, long-term, and on ones that are sort of --  
8 in the committee's judgment that has the highest  
9 possible short-term, medium-term -- to what extent do  
10 we have to go about further research, further analysis,  
11 and to what extent, therefore, will that be resourced  
12 by staff here?

13 Do you see what I mean? We can't possibly  
14 build everything out in the next couple of months.  
15 There has to be some prioritization within the  
16 committee. Either that's done based on the committee's  
17 judgment--subcommittee, rather--or it's done based on a  
18 review of all the total recommendations. You're going,  
19 hey, we think for your subcommittee that's a near-term  
20 priority. I'm saying, there has to be some staffing  
21 and resourcing to develop out these recommendations.  
22 It's not something - our heads.

23 MR. BARONE: Right. Along the same lines, so  
24 there are 10 people on the committee, 4 of whom have no  
25 interest, input, expertise, whatever in all of the

1 subjects that are before the committee. Some of those  
2 people are just wasting their time and the committee's  
3 time by even being on that committee. So this  
4 separation of things really makes a lot of sense to me.

5 MR. LONG: A couple of ideas on that. There's  
6 certainly no reason why some people couldn't move to  
7 other committees or take on different committee  
8 assignments. Another approach to solving some of the  
9 short-term problems with coordinating that is for --  
10 now that the groups are far enough along where there's  
11 something concrete to work with, there's certainly no  
12 reason why the committees couldn't be sharing the  
13 results with the others. Perhaps if it's attractive to  
14 the committee, the next full meeting should be devoted  
15 exactly to that, to trying to reconcile the differences  
16 that have been identified and shared in between  
17 meetings. That might be a good meeting for September.

18 CHAIR BLASGEN: And so I think what I'm  
19 hearing is that you don't want to blow up the five  
20 subcommittee structure, let them go forward with some  
21 recommendations, but allow some guidelines. Maybe it's  
22 got to deal with impact in the near term, mid-term,  
23 longer terms.

24 Then if there are people who have a passionate  
25 desire to move from one committee to another because

1 they think they can add value, by all means, let's do  
2 that. We did the best we could in assembling this  
3 group and then slicing us all up into logical  
4 subcommittee appointments and making sure they're  
5 equally weighted with some expertise and experience on  
6 that. But now that we're this far along, maybe that  
7 makes sense.

8 But I envision these recommendations coming  
9 and a discussion around, okay, you want to create one  
10 recommendation, what are the top priorities in terms of  
11 supply chain competitiveness for the country? We can't  
12 -- perfect is the enemy of better. I get that. Mike's  
13 statement about, there's a difference between agreement  
14 and alignment. You can't fix the world in one fell  
15 swoop, but we can surely make a try and an attempt.

16 Maybe it's two parts: here's what we think we  
17 can get done over the next 5 years, 10 years, and  
18 here's an elegant solution to the innovation part that  
19 we completely agree with. You can build this mousetrap  
20 and build it a little bit different, but you can't  
21 erase 200 years of getting here. So we all understand  
22 that. I don't think anybody is going to be excited  
23 about producing a recommendation that you know has no  
24 chance of getting anywhere other than --

25 VICE CHAIR DARBEAU: I have to leave to catch

1 a flight.

2 CHAIR BLASGEN: Okay.

3 VICE CHAIR DARBEAU: I want to support -- move  
4 forward.

5 CHAIR BLASGEN: All right. Well, listen --

6 MR. WISE: I learned a lot today. I  
7 appreciate it. I don't have a problem with - now we  
8 have it all out on the table and we should all jump in.

9 CHAIR BLASGEN: That's right. You're always a  
10 student in this discipline, right?

11 MR. BARONE: We have all the ideas right in  
12 front of us but we should look at all these ideas.

13 CHAIR BLASGEN: I think that's a good idea,  
14 Tony. That's a good idea. We'll assemble another  
15 meeting of the committee chairs with a phone call.  
16 Thanks, everybody. All your hard work is really  
17 appreciated.

18 (Whereupon, at 2:27 p.m. the meeting was  
19 adjourned.)

20

21

22

23

24

25

## C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of the Advisory Committee on Supply Chain Competitiveness, U.S. Department of Commerce, held on Tuesday, June 4, 2013, were transcribed as herein appears, and this is the original transcript thereof.

---

ANTHONY DENNIS

Court Reporter