RECOMMENDATIONS ON FREIGHT MOVEMENT, POLICY, AND INFRASTRUCTURE

June 29, 2022

The Honorable Gina M. Raimondo
United States Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Secretary Raimondo:

We want to thank you for the opportunity to serve on the Advisory Committee on Supply Chain Competitiveness (ACSCC). When you convened us on January 20, 2022, you asked us to provide our ideas, engagement, and partnership to address the complex supply chain challenges faced by our nation. Over the following months, the Freight Subcommittee identified specific recommendations where the Biden-Harris Administration should focus its efforts to address supply chain disruption, build a stronger economy, and improve America's global competitiveness. We recommend three main areas of investment and policy:

- Targeted Federal Investments to support efficient systems for key regions and economic sectors;
- Increase American Exports to drive economic growth and job creation; and
- Promote the Development and Resiliency of the Freight Industry Workforce.

These three areas provide a framework to leverage the unique assemblage of assets available to the Biden-Harris Administration, including the policy alignment created by Executive Order 14017 and the historic passage of the Bipartisan Infrastructure Law. Within each area, the Subcommittee provided additional details to strategically focus investments to give America the physical, digital, and human infrastructure needed to get products efficiently and sustainably to market and around the World.

Lastly, in addition to the attached recommendations, we request the Department create an accounting mechanism for these and all ACSCC recommendations. Whether or not recommendations are accepted and implemented, to any degree, is instructive to future committees and can aid them in productively focusing their efforts.

Again, on behalf of the Freight Subcommittee, we are honored to serve and respectfully submit these recommendations or your consideration.

Sincerely,

Gene Seroka
Chair, Freight Subcommittee

I. **FEDERAL INVESTMENT TO SUPPORT SUPPLY CHAIN RESILIENCY, EFFICIENCY, AND SUSTAINABILITY**

The members of the ACSCC Freight Subcommittee share the view that the nation has a unique opportunity to make substantial advances in supply chain resiliency, efficiency, and sustainability through dedicated and coordinated investment in the end-to-end supply chain. This opportunity is made possible through historic levels of public investment combined with unprecedented cross-agency and intergovernmental policy alignment.

Availability of Federal Freight Funding

The Infrastructure Investment and Jobs Act (IIJA) – also called the Bipartisan Infrastructure Law (BIL) – includes $16.7 billion in funding for ports and waterways and nearly $76 billion in freight-eligible funding to be invested over the next five years[1]. Furthermore, this federal funding will also leverage funds from state, local, or private sources, representing an extraordinary level investment in the nation's freight and goods movement infrastructure.

National Policy Alignment

Over the past year, the Biden-Harris Administration has achieved unprecedented levels of cross-agency alignment to address the nation's supply chain issues, beginning with President Biden's issuance of an executive order on supply chains 35 days into his Presidency. Key milestones include:

- **February 24, 2022**: President Biden issued the Executive Order on America's Supply Chains (E.O. 14017), which established Administration policy to strengthen the resilience of America's supply chains in order to advance economic, industrial, environmental, and equity goals.
- **June 8, 2021**: Release of the 100-Day Review, Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth and establishment of the Supply Chain Disruptions Task Force
- **August 27, 2021**: Creation and appointment of the Port Envoy to the Supply Chain Disruptions Task Force, who was tasked to work with the Department of Transportation and the National Economic Council to address congestion at U.S. ports.
- **October 13, 2021**: President Biden announced a number of commitments on the part of industry stakeholders to move goods faster and strengthen supply chain resiliency.
- **November 9, 2021**: President Biden announced the Biden-Harris Action Plan for America's Ports and Waterways, including actions to rapidly identify and fund critical freight projects, enhance state freight planning, and work on new data standards for goods movement.
- **February 24, 2022**: Seven cabinet agencies – Defense, Homeland Security, Commerce, Energy, Agriculture, Transportation, and Health & Human Services – released reports identifying key weaknesses in the nation's critical supply chains. Additionally, the White House published a

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[1] It is important to note that this is funding for traditional freight infrastructure – highways, bridges, railyards, waterways, and ports – but excludes funding sources dedicated to related policy objectives such as export promotion, workforce development, and energy infrastructure.

capstone report, Executive Order on America's Supply Chains: A Year of Action and Progress, providing an overview of key actions the Administration had taken over the previous year.

In addition to the Biden-Harris Administration's focus on supply chain resiliency and key economic sectors, the IIJA/BIL itself also included provisions to strengthen system resiliency. Specifically, the law established an Office of Multimodal Freight Infrastructure and Policy ("Freight Office"), headed by an Assistant Secretary for Multimodal Freight, who now holds the responsibility for carrying out national multimodal freight policy (49 USC 70101) and developing the national freight strategic plan (49 USC 70102). While resiliency and efficiency of the freight system are already established in the national multimodal freight policy, IIJA/BIL added additional objectives to the national freight strategic plan, including reduced environmental impacts from freight movement, increased resilience of the freight system, economic growth and international competitiveness, impacts on underserved or disadvantaged communities, freight decarbonization, and addressing impacts of e-commerce [49 USC 70102(b)].

Federal Investment Recommendations

In order to advance supply chain resiliency, efficiency, and sustainability, the Freight Subcommittee recommends the following:

1. **Development of a data science-driven, whole-of-government approach to long-term investment in America's freight system.** We recommend updating the role of the Supply Chain Disruptions Task Force ("Task Force") to include development of a long-term investment strategy to improve performance of the end-to-end supply chain for system users as well as service providers. Key objectives should be increased resiliency (i.e., the ability for the system to deal with supply or demand shocks), efficiency (i.e., minimize system waste and provide cost-effective service), and sustainability (i.e., reduce environmental and community impact). Use data science to glean new insights and develop metrics from available data gathered though federal agencies.
2. **Coordinate planning and investments across agencies to maximize impact on the supply chain.**
    a. *Update the National Freight Strategic Plan.* Within the parameters outlined within IIJA/BIL, the USDOT Freight Office's development of an updated National Freight Strategic Plan should be supported by the work of the Task Force, including: an assessment of conditions, performance, and capacity of major gateways; identification of bottlenecks; and comprehensive evaluation of barriers to improved supply chain performance.
    b. *Align funding programs across all freight modes (in-water, port, road/highway, rail, pipeline, and air) to ensure adequacy of system capacity.* There are a number of investments that must be made including: coastal navigation, waterway, or marine terminal infrastructure projects in coordination with efforts to systematically address highway bottlenecks, as defined by American Transportation Research Institute (ATRI); investments in zero-emission drayage equipment should be accompanied by charging infrastructure, as well as improvements to increase gate productivity and port interconnectivity with the national highway freight network; and, air traffic control modernization, including

technology, processes, and procedures, should be expedited with goals that include increasing throughput and capacity, while also enhancing safety.

c. *Support development of warehousing, truck parking, or other inland cargo facilities.* Saturation of inland cargo facilities continues to be a major driver of port congestion. The federal government should explore ways to support development of inland container yards, truck parking, or inland ports to enable greater cargo velocity and system resiliency.

d. *Coordinated energy and resource planning for heavy-duty cargo handling equipment.* As the federal government invests in freight handling capacity across all modes, it should coordinate investments to decarbonize the supply chain.

e. *Distribute Funding in a Timely and Transparent Manner.* The IIJA/BIL contains unprecedented levels of funding for freight infrastructure. To maximize this historic investment, the federal government must seek efficiencies in funding distribution. Inflation threatens to diminish the law's investment potential as costs increase daily. Further, the federal government should provide project developers with a high level of information, including formal award timelines. Achievable, transparent, and accountable schedules are necessary to minimize the risk of major project delays and cost overruns.

3. **Accelerate supply chain digitalization and cybersecurity efforts.** Models for real-time data sharing exist in other sectors, such as the airline industry. Providing stakeholders with real-time data visibility empowers cargo owners to optimize their supply chains; service providers with the ability to improve asset utilization; and the government with the ability to better plan and invest in a more reliable freight system.

   a. *Accelerate End-to-End Supply Chain Data Sharing.* Enable data sharing between supply chain stakeholders (i.e., cargo owners, truckers, rail operators, marine terminals, ocean carriers, etc.). This includes development of supply chain data standards to support interoperability and provision of funding for digital infrastructure.

   b. *Include cyber-security as an element of supply chain resiliency in federal policy, plans, and programs.* As our freight system become ever more reliant on digital infrastructure, the nation must redouble efforts to secure it from cyber-attack.

4. **Develop a Plan for Sustained Investment.** The Task Force should begin research and development into sustainable funding sources for the goods movement system post-IIJA/BIL. Consultation with system stakeholders, including private sector entities, is important for the viability and practicality of any potential revenue source.

II. INCREASE AMERICAN EXPORTS TO DRIVE ECONOMIC GROWTH AND JOB CREATION.

Just as the Administration seeks to stabilize and reinforce the supply chains of key sectors, the Freight Subcommittee believes America's farmers and manufacturers need a comprehensive, whole-of-government approach to support export of American products to foreign markets. Furthermore, with the recent announcement of the Indo-Pacific Economic Framework for Prosperity (IPEF), the US has an opportunity to establish new lines of trade while enhancing stability and resilience of global supply chains.

A new export strategy should actively match US exporters with market opportunities abroad while actively eliminating barriers to getting their product to market.

<u>Export Strategy Recommendations</u>

The ACSCC Freight Subcommittee recommends:

1. **Re-establish the President's Export Council (PEC) and task them with coordinating with the Advisory Committee on Supply Chain Competitiveness.**

2. **DOC should work across departments to identify and prioritize existing and potential export markets for US agriculture and manufacturing**. These markets should be those with the most economic growth potential for US sectors and priority should be given to countries with shared values in a rule-based international trading system and strong labor and environmental protections. Industries should be matched with export markets and opportunities.

3. **Ensure fair access to foreign markets and actively secure commitments for American exporters.** DOC should focus efforts to address tariff and non-tariff trade barriers on identified priority markets. Furthermore, Commerce should actively work to secure reliable commitments to purchase American export products.

4. **Align federal efforts to support provision of supply chain equipment and infrastructure to achieve reliable, predictable, and cost-effective goods movement for exporters.** Getting product to market both domestically and abroad must be a priority.

   a. *Closer coordination of freight planning, infrastructure investment, operational improvement and trade development efforts is necessary to ensure exporters can move product efficiently and fully maximize their export growth potential.* For example, identify key bottlenecks (i.e., lack of equipment, regulations, or other supply chain disruptions) that prevent product from moving. The Covid-19 pandemic and consequent increase in imports quickly demonstrated that our freight system lacked sufficient capacity to handle the growth in volume of goods.

   b. *Assess impact of trade tariffs (Section 232 & 301) on availability of chassis, cranes, equipment, and infrastructure construction costs.* Though we support the Administration's fair trade objectives, the imposition of countervailing duties on infrastructure investments we need to meet the demands of goods movements are counterproductive. For example, American chassis manufacturers are behind on production and have also been hit with increased costs as a result of tariffs on imported steel and aluminum.

c. Explore tax credits for manufacturing of equipment critical to the supply chain.

d. *Support implementation of the Ocean Shipping Reform Act in a manner that supports export growth while maintaining supply chain fluidity.*

III. PROMOTE THE DEVELOPMENT AND RESILIENCY OF THE FREIGHT INDUSTRY WORKFORCE

The Covid-19 pandemic highlighted the importance of the workforce in the goods movement industry. As other sectors of the economy went on hiatus or switched to a work from home environment, goods movement workers continued to move cargo at the ports, packages to residences and businesses, and agricultural exports from farms to railyards and ports.

As these occupations are essential to our national economy, there is an opportunity now to develop career paths in this industry, support employers who want to provide better training for their employees, and make the workforce more resilient to the introduction of new technologies.

There are steps the Department of Commerce (DOC) can take to support these efforts.

<u>Workforce Development Recommendations</u>
To promote the development and resiliency of the freight industry workforce, the Freight Subcommittee recommends:

1. **Encourage Employers to Recruit and Retain.**
    a. *First, DOC should work with the Department of Labor (DOL) to help employers create careers paths in their workforces.* To have an immediate impact, DOC and DOL should establish a grant program to foster development of apprenticeship or training programs by companies in the freight industry that have identified occupations in an identified career path. For example, a company could identify a logistician position within its organization where an entry level clerk, after a certain period of time and training, could advance at a higher salary to provide support to logisticians and other supply chain experts; then, with additional training and certification testing, advance to a logistician role for the company. Not all organizations have the resources for apprenticeship or training programs, so a grant program could incentivize employers in the goods movement industry to develop these training programs or use the funds to provide tuition assistance to employees utilizing training programs with a local community college to help advance the employee's career development into the next position within that career path.
    b. *Second, establish a communications strategy to highlight best practices among employer-run programs*. DOC and DOL should create an initiative to examine training programs that seek existing funding and promote the best practices for training programs in the industry.
2. **Promote the Development of Workforce Development Infrastructure.** As the goods movement industry does not have a long history in workforce development, it needs assistance to build physical infrastructure, such as training centers.
    a. *Change policy and expand funding programs to support establishment of workforce training centers in the goods movement industry.* Federal workforce dollars come through the Workforce Innovation and Opportunity Act (WIOA). Unfortunately, WIOA does not

allow funding for construction and capital improvements. Currently, the only federal grant programs that allow construction of workforce training centers are found within the Economic Development Agency (EDA) at DOC. DOC and EDA should expand funding for training centers and also coordinate with other federal agencies to review existing grant programs outside of DOC to consider eligibility for construction of training centers. DOC should also consider legislation to amend WIOA through its current reauthorization process to allow for construction costs as eligible costs.

b. *Assist with workforce transition to cleaner equipment.* In addition to providing funding for infrastructure for existing training needs, the industry also needs to look towards the future as cargo handling equipment transitions to zero- or near-zero emissions operation. DOC should coordinate with other federal agencies to make sure that programs to deploy cleaner equipment and supporting infrastructure are complemented by workforce training programs on how to operate, maintain, or repair this newer equipment. The availability of a well-trained workforce enables more rapid deployment of the cleaner equipment as commercial readiness is partially a function of availability of a workforce capable of maintaining, repairing, and operating the new equipment.

3. **Takes steps to support the transition into the goods movement workforce.**

a. *Support the Trucking Action Plan.* Last December, the US Department of Transportation and US Department of Labor launched a Trucking Action Plan. The Plan called to, "increase the supply of truck drivers by creating new pathways into the profession, cutting red tape to expand high quality training through Registered Apprenticeship, and laying the foundation for improving job quality to keep people in the profession." DOC should examine its own economic development initiatives to see if there's way to offer support to the Trucking Action Plan.

b. *Transition veterans into the goods movement industry.* DOC can coordinate with the Department of Transportation and its agencies, including the Federal Motor Carrier Safety Administration (FMCSA), to promote initiatives like the Military Skills Test Waiver program that help transitioning service members with relevant experience into truck driver positions without delay.

c. *Streamline background checks.* DOC should work with the Department of Homeland Security and other relevant federal agencies to look at ways to streamline databases for clearances and background checks so that there is seamless use across other transportation programs that require background checks.

d. *Allow for reciprocity for truck drivers moving to different states*. DOC should work with FMCSA and other appropriate federal agencies to develop a program that can work with states and territories to ease the process for truck drivers to operate in a different state than the state in which the driver has received their license if that driver confirms that they are domiciled in the new state. Currently a driver who moves to a different state must surrender the driver license and request a new CDL for the new state. Different states have different requirements, with some requiring an online form while others require in -person appointments. Some states require an existing CDL driver to complete a written test for the new state and others require written and driving. DOC and the appropriate federal agencies should work to ease this inconsistency across states and develop a streamline process that makes it easier for a driver to operate in any state or territory.