

# Advisory Committee on Supply Chain Competitiveness

Inaugural Meeting, October 19, 2012



INTERNATIONAL  
**TRADE**  
ADMINISTRATION

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**Advisory Committee on Supply Chain Competitiveness (ACSCC)**  
**Department of Commerce, Room 4830**  
**Friday, October 19, 2012**  
**AGENDA**  
**(Open to the Public)**

*Coffee served beginning at 9:00 AM*

**9:30 – 9:35 a.m. Committee Welcome**

David Long, Director, Office of Service Industries, U.S. Department of Commerce

**9:35 - 10:15 a.m. Keynote Speakers**

Introductions: Ken Hyatt, Acting Deputy Under Secretary for International Trade, U.S. Department of Commerce

Rebecca Blank, Acting Secretary, U.S. Department of Commerce  
Polly Trottenberg, Acting Under Secretary for Policy, U.S. Department of Transportation

**10:15 – 10:35 a.m. Coffee Break**

**10:35 – 11:15 a.m. Committee Administrative Requirements**

*Committee Operations:* Alice McKenna, Senior Counsel, General Law Division, U.S. Department of Commerce

*Ethics Briefing (Mandatory):* Michael Cannon, Attorney-Advisor, Officer of General Counsel, U.S. Department of Commerce

*Elections (Chair and Vice Chair):* Officiated by David Long

**11:15 - 12:00 p.m. U.S. Government Supply Chain Activities**

*Moderator:* David Long

*DOC (NIST):* Howard Harary, Deputy Director, NIST Engineering Laboratory

*DOC TPCC, NEI:* Pat Kirwan, TPCC Director; Mike Masserman, Executive Director for Export Policy, Promotion, and Strategy, U.S. Department of Commerce

*DOT (MAP 21 Implementation, Freight Policy Council, data issues):* Jack Wells, U.S. Department of Transportation

*EPA (SmartWay Transport, DERA, EJ efforts, etc):* Lori Stewart, Associate Director, Office of Transportation and Air Quality, U.S. Environmental Protection Agency

*Trade Negotiations:* Ed Brzytwa, Director for Industrial Non-Tariff Barriers, Office of the U.S. Trade Representative

**12:00 – 12:45 p.m. Qs and As on Supply Chain Activities**

*(Includes working lunch)*

**12:45 – 1:30 p.m. Going Forward**

*Moderators:* Neal Orringer and David Long

**Closing Remarks and Adjournment**

*The Advisory Committee met in Room 4830 in the Herbert C. Hoover Building (Commerce Headquarters), 1401 Constitution Avenue, N.W., Washington, DC 20230, from 9:30 AM until 1:50 PM.*

## **OPENING REMARKS AND COMMITTEE WELCOME**

David Long, Director of the Office of Service Industries, welcomed everyone to the inaugural meeting of the Advisory Committee on Supply Chain Competitiveness and noted that the Office of Service Industries is the International Trade Administration's lead office for supply chain issues.

Mr. Long pointed out that the work of the Committee will build on the efforts of many people in the private sector and within the government to boost American competitiveness. After highlighting the agenda for the meeting, Mr. Long introduced and turned the floor over to Ken Hyatt, the Acting Deputy Under Secretary of Commerce for International Trade.

## **KEYNOTE SPEAKERS**

Ken Hyatt, Acting Deputy Under Secretary for International Trade, U.S. Department of Commerce

Mr. Hyatt welcomed everyone to the meeting and noted that he had just a few comments before he introduced Acting Secretary of Commerce Blank and Acting Under Secretary of Transportation for Policy Polly Trottenberg, who would both speak in more detail.

Mr. Hyatt noted that the Committee's inaugural meeting marked a key step forward in how the Federal Government and America's business community work together to address the global competitiveness issues that face our supply chains ... our job base ... and our economy. He added that the Committee represents the first time that America's businesses and the Federal Government have sat down together in a whole-of-government way to identify the biggest issues that impact our supply chain competitiveness, and come up with solutions.

Hyatt stressed that the Department of Commerce is looking forward to Committee member input on the broad range of supply chain competitiveness issues that affect us, and to working with the Committee in the months and years to come.

Mr. Hyatt concluded his remarks by thanking the members of the Committee for their service on the Committee – and for sharing their supply chain expertise and knowledge with the Department. He introduced Dr. Rebecca Blank, the Acting Secretary of Commerce, and Polly Trottenberg, the Acting Under Secretary of Transportation for Policy.



Deputy Under Secretary Ken Hyatt welcomes attendees to the inaugural meeting of the Advisory Committee on Supply Chain Competitiveness

## ***Acting Secretary of Commerce Rebecca Blank***

Acting Secretary Blank, the meeting's keynote speaker, welcomed and thanked all the members for serving on the Advisory Committee on Supply Chain Competitiveness and pledged that the Department of Commerce will pay close attention to the issues and concerns that are raised and the advice that the members provide.

Acting Secretary Blank highlighted the importance of America's supply chain to U.S. businesses, including small and medium-sized businesses, and of the U.S. supply chain workforce to the competitiveness of U.S. supply chains in the global economy. Due to the need for near-term input and action, she stressed, the majority of the meeting discussion should emphasize the issues surrounding freight movement and infrastructure to support the supply chain. It is clear, she stated, that moving American products securely and efficiently is important – both within the U.S. and in-and-out of the U.S. for exports around the world. She added that the U.S.' ability to move goods is crucial to our ability to create jobs and accelerate the growth of our economy.

Dr. Blank stated that in recent years, it has become clear just how strong the connection is between investments in freight-transportation infrastructure and job creation. Earlier in 2012, she noted, the Commerce Department released a report on American competitiveness that identified infrastructure investments as one of the most important areas for government policy to ensure long-term U.S. competitiveness. She added that with construction crews still looking for work, and with interest rates at record lows, there has never been a better time to make these investments. Today, she remarked, we have both an opportunity and an obligation to ask the question: What is the best way to make infrastructure investments that bolster businesses throughout U.S. supply chains? Since the Federal Government can't answer this question alone, she said, the Federal Government needs private sector input and advice on infrastructure investment, including input and advice from America's carriers and shippers, large businesses, small businesses, and the academic community, regarding the kinds of investments that would make the biggest difference in strengthening their

domestic supply-chain connections while expanding their exports globally.

Acting Secretary Blank noted that experienced specialists from all of these sectors were participating in the meeting. Over the past year, she noted, private sector specialists had provided crucial input on how the quality of America's infrastructure determines the cost of everything bought, sold, moved, or made in the United States; how it affects where both domestic and foreign companies choose to invest, build, and hire; and how necessary investments in infrastructure will help build U.S. economic strength. Dr.



**Acting Commerce Secretary Rebecca Blank highlights the impact of supply chains on the U.S. economy**



Blank requested that Committee members share further information about their experiences and their expertise – including which aspects of our freight infrastructure work well, and where America can do better. In turn, Dr. Blank stated, the Federal Government needs to take the right steps to help improve our infrastructure up-and-down the supply chain, and to help our businesses do what they do best – create jobs. Dr. Blank added that while the Committee members’ advice and input on supply-chain issues will technically come just to her as Acting Secretary of Commerce, she will make sure that it is shared throughout the Administration.

Acting Secretary Blank stated that there are two specific goals for the Committee meeting: providing Committee members with background information on Federal supply chain-related initiatives, and discussing additional areas in which the Committee’s immediate attention and advice is needed. First, she noted, President Obama signed the MAP-21 surface transportation bill into law on July 6; this bill, she stated, will provide the opportunity to create a national freight policy that will lead to infrastructure investments that improve freight efficiency and make America’s supply chains more competitive. She noted that the Department of Transportation is the lead agency on this effort. A second area requiring Committee attention – of particular interest to the Commerce Department – is how to integrate supply-chain infrastructure and supply-chain competitiveness into Federal Government efforts to bolster U.S. exports, she continued. Dr. Blank stated that the Government must use every tool in its toolbox to support U.S. exporters – not only through activities like counseling and financing for small businesses, but also by ensuring a level playing field for American businesses to compete by bringing complaints when foreign companies don’t follow WTO rules. Dr. Blank stated that she wanted the Committee to consider:

- Where are the most powerful linkages between bolstering supply chain competitiveness and increasing U.S. exports, and;
- How the U.S. government can play a more active and strategic role in that space.

Acting Secretary Blank encouraged members to actively solicit input from their peers and added that she is interested in the committee’s ideas ranging from: how to remove barriers that inhibit movement of goods; how to increase capacity and cross-modal connectivity; how to accelerate the promising trends and best practices seen in supply chains, and more. For the Government’s part, she added, the Administration’s commitment is to bring a “whole-of-government” approach to supporting the Committee’s work; the Transportation Department will bring its understanding of major transportation investments and regulatory issues; and the EPA will bring its understanding of environmental issues. As the home for this Committee, she stated, the Commerce Department will bring a number of its key agencies to the table, including the International Trade Administration; the National Oceanic and Atmospheric Administration; the Economic Development Administration; and the National Institute of Standards and Technology. All of these agencies, she noted, are working with small businesses more actively than ever, and stand ready to work with the Committee. Dr. Blank expressed her confidence that, together, the right policies and actions that will further expand the potential of America’s already-powerful supply chains will be found.

Acting Secretary Blank finished her remarks by stating that it is a pleasure to be working with such a high-caliber group, and she thanked the Committee members in advance for the

insights that they will provide. She then turned the floor over to Ms. Trottenberg.

Acting Under Secretary of Transportation for Policy Polly Trottenberg described recent developments in freight policy, including the effort to develop a national freight strategy as required by the new MAP-21 surface transportation act. Her prepared remarks are attached to the meeting minutes.

## **COMMITTEE ADMINISTRATIVE REQUIREMENTS**

Alice McKenna, Senior Counsel, Department of Commerce General Law Division, described Committee operation and membership requirements as stipulated by the Federal Advisory Committee Act and Freedom of Information Act.

Michael Cannon, Attorney-Adviser, Department of Commerce Office of General Counsel, described ethics requirements for Committee members. David Long added that further information on these ethics requirements would be provided to Committee members.

Mr. Long pointed out that under the charter of the Committee, the Assistant Secretary of Commerce for Manufacturing and Services, Nicole Lamb-Hale, is charged with appointing the committee chair and vice chair, following consultations with the membership.



**Director David Long discusses issues with the Advisory Committee on Supply Chain Competitiveness**

Mr. Long then discussed what will be required of the Committee chair and the characteristics and resources that might be desirable in a chairman. He stated the chairman is broadly responsible for developing the agendas and leading the meetings and work plans of the group. Typically, major sets of issues are placed in subcommittees for action – often on independent schedules by subcommittee -- and the chair brings it all together. The groups typically prepare written reports or letters presenting positions and proposals for the agencies' use. There is broad flexibility in meeting schedules and structures, including where the meetings can be held. Meeting reports will be prepared and posted on the Committee pages on our website for public use. Accordingly, a successful chairman and vice chairmen might need to have a broad perspective on the issues across supply chain competitiveness and experience managing structures with multiple work products.

Mr. Long noted that a successful Committee chairman will need some resources to manage the committee paperwork processes. ITA will contribute and assist, as with other committees, but it is not a trivial task. He then pointed out that the Committee is a group of logistics and supply chain experts, so this task presumably would be right up this group's alley.

Mr. Long closed his remarks by asking the members to let him know alongside or following the meeting if they would like to be considered for the leadership posts, or if they had recommendations for others who would be good candidates for those posts.

## **U.S. GOVERNMENT SUPPLY CHAIN ACTIVITIES**

Mr. Howard Harary, Deputy Director of the National Institute for Science and Technology (NIST) Engineering Laboratory, described several initiatives under way at NIST that help improve the competitiveness of U.S. manufacturing supply chains, including the development of metrics for supply chain management, standards for supply chain data, and standards for data interoperability.

Jack Wells, Senior Economist, U.S. Department of Transportation, described the new MAP-21 transportation legislation. In particular, he described how the Department of Transportation is addressing the legislation's deadlines and policy requirements, including the development of a national freight policy and a national freight strategic plan; the prioritization of infrastructure projects; and preparation of a report on freight system conditions and performance metrics. Each of these policy requirements, he noted, needs to be accomplished under near-term deadlines that range from eighteen months to three years. The ACSCC, Mr. Wells stated, will be a valuable venue for obtaining stakeholder consensus and advice on how DOT should accomplish these tasks and on which metrics are most appropriate to measure freight system conditions and performance. Mr. Wells urged the Committee members to encourage their state Departments of Transportation to establish the state-level freight plans and transportation advisory committees that are called for under the MAP-21 legislation.

Michael Masserman, the Department of Commerce's Executive Director for Export Policy, Promotion and Strategy, described two issue areas in which Committee input is important to the President's National Export Initiative: the improvement of intermodal transport infrastructure and U.S. supply chain competitiveness. The Administration, he added, is establishing a specific interagency Trade Promotion Coordinating Committee (TPCC) subgroup that will address the Committee's recommendations and promote the interagency implementation of these recommendations.

Pat Kirwan, the Department of Commerce's Trade Promotion Coordinating Committee Director, described the interagency membership of the TPCC and the tools that can be used to ensure the interagency adoption of the Committee's recommendations. The TPCC, Mr. Kirwan stated, is required to respond to the Committee's recommendations.

Lori Stewart, Associate Director, Office of Transportation and Air Quality, Environmental Protection Agency (EPA), described several EPA initiatives that are aimed at improving the environmental performance of U.S. freight carriers and shippers, including truck and maritime carriers. These initiatives, which include the EPA's SmartWay program, focus on the reduction of transportation-related emissions (greenhouse gases and diesel emissions) by creating incentives to improve supply chain fuel efficiency.

Ed Brzytwa, Director for Industrial Non-Tariff Barriers, Office of the U.S. Trade Representative,



described a number of international trade policy activities that will affect the competitiveness of U.S. supply chains in global markets. Among these, he stated, are the World Trade Organization's Doha Round negotiations on trade facilitation; international discussions related to the Asia-Pacific Economic Cooperation (APEC) Transportation Partnership; and Trans-Pacific Partnership (TPP) negotiations aimed at improving supply chain connectivity and performance throughout participating TPP nations.

### **Q's and A's on Supply Chain Activities**

Informal conversations were held among the members during the meeting's lunch break, which precipitated the formal Committee discussions during the rest of the meeting.

### **GOING FORWARD: NEXT STEPS**

#### *Committee discussion moderated by David Long and Neal Orringer*

David Long proposed that the remainder of the meeting be used to discuss a potential



**David Long and Neal Orringer discuss topics with committee members at the inaugural meeting of the Advisory committee on Supply Chain Competitiveness**

Committee structure; topics to be covered by the Committee, based on the issues that have been raised to date; and concrete action steps to be taken and work products to be completed over the months ahead.

Neal Orringer noted the Secretary's strong interest in the Committee, based on her speech in the morning session, and cited Commerce's ability to address cross-agency concerns and set the Administration's economic policy agenda. He stressed the

Committee's need to determine the best way to convey actionable advice to the Secretary.

Mr. Orringer proposed that the Committee take the following next steps:

- Hold a subsequent conference call in the coming weeks to flesh out the Committee operating structure and topics to be covered;
- Hold the next full Committee meeting in February 2013, by which time the Committee should have developed a framework (i.e. a committee structure and list of discussion topics) for advising the Secretary of Commerce and the Committee's ex-officio members (the Secretary of Transportation and the Administrator of the Environmental Protection Agency).

Mr. Orringer, Department of Commerce officials, and Committee members discussed a potential working group structure for addressing the various individual topics for

consideration by the Committee, organized around five U.S. competitiveness themes:

- Trade and export competitiveness
- Information technology and data
- Regulation
- Infrastructure investment and finance
- Freight efficiency and policy

A list of issues discussed at the meeting, sorted by those categories, is attached to the meeting minutes.

Mr. Orringer also suggested, as an alternate approach, that the Committee might consider how to holistically enhance national U.S. competitiveness, including a broad Committee review of the variables that affect U.S. competitiveness and lead to offshoring, and of possible systemic solutions, such as promoting colocation of U.S. suppliers and manufacturers, that could improve supply chain integration and competitiveness. One Committee member suggested that such an approach should focus on actions that level the playing field for U.S. supply chains in global markets, such as alleviating domestic environmental reviews and permit delays that stop the construction and operation of U.S. supply chain facilities.

The Committee members discussed how to measure U.S. supply chain system performance and the success of actions taken to improve system performance. Four

measures were discussed: system reliability, cost-effectiveness, security (or safety), and velocity (or speed). A fifth possible measure – system risk – was proposed for consideration, depending on whether a performance metric for risk can be identified. Examples given of such actions included expanding Federal investment in infrastructure and technology; alleviating Federal regulatory burdens; and improving Federal stewardship and policy

coordination. Several participants noted that any action on the individual topics discussed at the meeting can be categorized in terms of how the action would improve supply chain reliability, cost-effectiveness, safety/security, and velocity. The Committee discussed ways to identify specific and measurable actions that should be taken to improve U.S. system performance in these four areas; milestones by which these actions should be taken; and metrics that can be used to quantify Committee success in furthering improvements in each area.



**Members of the Advisory Committee on Supply Chain Competitiveness discuss issues at the inaugural meeting**

As next steps, Mr. Orringer asked Committee members to volunteer for groups or subgroups to consider the issues and concepts raised at the meeting, with the goal of initiating action in the coming weeks to establish the Committee's framework (subcommittee structure and discussion topics) and preparing a Committee framework report for the February 2013 ACSCC meeting.

Mr. Long, in closing the meeting, stated that Commerce staff will prepare and distribute the minutes of the meeting, a potential ACSCC subcommittee structure, and a work plan with dates, times, and actions to be taken in the near future. Mr. Long asked Committee members to volunteer to serve on the subcommittees and to reach agreement on the topics that the Committee will pursue, with the goal of holding the next ACSCC meeting in February 2013. The meeting was adjourned at 1:50 p.m.

## **POTENTIAL ADVISORY COMMITTEE DISCUSSION TOPICS**

### Trade and Export Competitiveness

- Addressing the country's physical infrastructure needs and how these impact firms' ability to export
- Improving the synchronous flow of imported and exported material through customs and across the U.S.-Mexico and U.S.-Canadian borders
- Addressing foreign non-tariff trade barriers that impede the flow of U.S. exports

### Information Technology and Data

- Incentivizing the development of intelligent transportation, information-sharing on transportation conditions, and security technology
- Advancing small-to-medium-sized firms' awareness of intelligent transportation technologies, so that they can use these technologies to improve their efficiency
- Improving the flow and security of information between supply chain actors to speed up cargo flows, including using the Internet to track, locate, and pay for cargo shipments in a secure manner
- Developing system network maps for use in optimizing transportation networks
- Addressing information technology issues at U.S. seaports

### Regulation

- Addressing the impacts of trucking regulations, such as CSA 2010, that exacerbate the shortage of truck drivers
- Alleviating Federal regulatory burdens and procedures that lead manufacturers to relocate overseas, including interest groups' ability to challenge Federal and local operating permits to manufacturing plants
- Restructuring the Federal regulatory process to make Washington responsible for setting general regulatory requirements, and to give States and localities the authority

to meet and enforce them

#### Infrastructure Investment and Finance

- Financing transportation infrastructure improvements that alleviate bottlenecks and congestion
- Using private and public resources to address chokepoints and congestion

#### Freight Efficiency and Policy

- Addressing chokepoints and congestion, and improving intermodal connections, to improve regional competitiveness
- Taking Federal/national action to address bottlenecks, congestion, and disruptions on interstate transportation corridors
- Promoting Federal leadership in reconciling port workforce/labor and port automation/technology issues, and in educating port workforce/labor on port technology
- Identifying connectivity problems in global and domestic freight flow and related information networks
- Promoting colocation of suppliers and manufacturers to speed the movement of raw materials and components within manufacturing supply chains and to expand exports
- Addressing fundamental conditions, land use problems, and environmental issues at U.S. seaports
- Developing a National Freight Strategy and a National Port Strategy

## ADVISORY COMMITTEE ON SUPPLY CHAIN COMPETITIVENESS

### Inaugural Meeting - October 19, 2012 ATTENDANCE LIST

#### ACSCC Members

Mr. John F. Beasley Director Transportation and Import Logistics Jarden Consumer Solutions	Mr. Brandon Fried Executive Director The Airforwarders Association
Ms. Leslie T. Blakey President and Executive Director Coalition for America's Gateways and Trade Corridors	Mr. Evan R. Gaddis President and Chief Executive Officer National Electrical Manufacturers Association
Mr. Rick D. Blasgen President and Chief Executive Officer Council of Supply Chain Management Professionals (CSCMP)	Mr. Lance R. Grenzeback Senior Vice President Cambridge Systematics, Inc.
Mr. Dennis E. Bowles Logistics Manager Stupp Corporation	Mr. William Hanson Vice President Great Lakes Dredge & Dock Company, LLC
Dr. Sandor Boyson Co-Director, Supply Chain Management Center Robert H. Smith School of Business University of Maryland	Ms. Karil L. Kochenderfer Principal Linkages
Mr. Stan Brown Vice President, Global Supply Chain CA Technologies	Dr. Panos Kouvelis Senior Associate Dean and Director The Boeing Center Washington University in St. Louis
Mr. Sean Conlin Principal Deloitte Consulting LLP	Mr. Ricky Kunz Vice President of Originations Port of Houston Authority
Mr. James Cooper Vice President, Petrochemicals American Fuel and Petrochemical Manufacturers	Mr. Gary S. Lynch, CISSP Managing Director and Global Leader Supply Chain Risk and Resiliency Solutions Marsh and McLennan Companies
Mr. Wayne Darbeau President and Chief Executive Officer Port of San Diego	Mr. Dennis Mottola Manager, Corporate Traffic and Logistics and Bechtel Global Logistics Bechtel Corporation
Mr. Carl R. Fowler Senior Director, Sales and Solutions Menlo Worldwide Logistics	Mr. Daniel A. Rowley General Counsel, GE Home & Business Solutions, Corporate IT and Sourcing General Electric Company



Ms. Cynthia Ruiz  
Deputy Executive Director of External Relations  
The Port of Los Angeles

Ms. Elizabeth Shaver  
Director, Cargo Services  
Airlines for America

Mr. Page Siplon  
Executive Director  
Georgia Center of Innovation for Logistics

Mr. Christopher S. Smith  
Intermodal Policy and Program Manager  
American Association of State Highway and  
Transportation Officials (AASHTO)

Mr. Mike Steenhoek  
Executive Director  
Soy Transportation Coalition

Mr. Ronald F. Stowe  
Member  
The SPECTRUM Group

Mr. Shawn Wattles  
Director, Supply Chain Logistics  
The Boeing Company

Mr. Thomas Weill  
Chief Procurement Officer  
Campbell Soup Company

Mr. Dean H. Wise  
Vice President, Network Strategy  
BNSF Railway

Mr. Peter J. Zantal  
General Manager, Strategic Analysis and Industry  
Relations  
The Port Authority of New York and New Jersey  
Port Commerce Department

#### **Public Attendees**

Mary Berger  
Reporter  
Washington Trade Daily

Ms. Elizabeth Board  
Executive Director  
GS1

Mr. Mark Brady

Mr. Larry Camm  
Policy Analyst, Government Affairs  
Schweitzer Engineering Laboratories

Ms. Cindy Colenda  
Partner  
Alcalde & Fay

Ms. Anne Cullather  
Alcalde & Fay

Ms. Marisela Caraballo DiRuggiero  
Director of Legislative Affairs  
The Port of Los Angeles

Mr. Joshua Englander  
Federal Affairs Representative  
Los Angeles County - Metropolitan Transport  
Authority

Mr. Michael Frazier  
Principal  
Pendulum Strategies, LLC

Mr. Jonathan E. Gold  
Vice President, Supply Chain and Customs Policy  
National Retail Federation

Mr. David Lapidus  
Government Relations  
American Apparel & Footwear Association

Mr. John McDermid, Esq  
President  
International Business-Government Counsellors  
Chip Nottingham  
Attorney  
Williams Mullen

Mr. Patrick O'Connor  
Kent & O'Connor

Mr. Nathaniel Olson  
Research Associate  
Stimson

Ms. Ashley Palmer  
Director, Government Affairs  
Health Industry Distributors Association

Ms. Nancy Prowitt  
Alcalde & Fay

Mr. Adam Salerno  
U.S. Chamber of Commerce

Mr. Michael Smythers, Jr.  
Assistant Vice President, Federal Gov't Affairs  
BNSF Railroads

### **Non-Commerce Department Government Attendees**

Mr. Christopher Connolly  
Management Analyst  
Saint Lawrence Seaway Development  
Corporation  
U.S. Department of Transportation

Ms. Margaret Giles  
Senior Policy Advisor, Trade Policy - Office of  
Policy  
U.S. Department of Homeland Security

Mr. Gary Magnuson  
MARIAD - CMTS  
U.S. Department of Transportation

Mr. Tony Padilla  
International Trade Specialist- Office of  
International Activities  
U.S. Maritime Administration

Mr. Randy Resor  
U.S. Department of Transportation

Ms. Rebecca Spruill  
Director, Office of Trade Development  
Saint Lawrence Seaway Development  
Corporation  
U.S. Department of Transportation

Mr. Ed Strocko  
Federal Highway Administration  
U.S. Department of Transportation

Ms. Mary Tischer, Ph.D  
Director  
HPTS – Federal Highway Administration  
U.S. Department of Transportation

### **Other Commerce Department Attendees**

Ms. Maureen Smith  
Deputy Assistant Secretary for Manufacturing and  
Services

Mr. Carlos Montoulieu  
Senior Director for Services Industries

Ms. Barb Rawdon  
Deputy Director- Office of Service Industries

Mr. Richard Boll  
International Trade Specialist- Office of Service  
Industries

Mr. Russell Adise  
International Trade Specialist- Office of Service  
Industries

Mr. John Miller  
International Trade Specialist- Office of Service  
Industries

Mr. Steve Miller  
International Trade Specialist- Office of Service  
Industries

Mr. Rufino Hurtado  
International Trade Specialist- Office of Service  
Industries

## **PREPARED REMARKS: ACTING DEPUTY UNDER SECRETARY KEN HYATT**

Good morning, everyone.

I have just a few comments on the significance of today's meeting, and then I'd like to introduce Rebecca Blank, our Acting Secretary of Commerce, [and Polly Trottenberg, the Acting Under Secretary of Transportation for Policy,] who will speak in more detail.

Today's inaugural Committee meeting marks a key step forward in how the Federal Government and America's business community work together to address the global competitiveness issues that face our supply chains ... our job base ... and our economy.

It's increasingly clear that the way America addresses the many problems facing our supply chains – compared with the way other nations do – will affect our ability to compete in the world economy in the years to come. Differences in the quality of supply chains are strategically important to our economic performance.

Just last month, in Harvard Magazine, Professor Michael Porter – one of America's leading specialists on national competitiveness – described a wide range of disturbing structural trends affecting the United States.

Taken all together, he concluded, these trends have weakened our country and our ability to compete in the global economy.

"Competitiveness," Dr. Porter said, "is sort of everybody's agenda."

Resolving these problems, he says, requires a strategic approach.

To quote Dr. Porter: "If you don't have a clear sense of priorities and sequencing and a sustained effort, you don't make progress."

Dr. Porter also reports that America's business community is increasingly aware that it has a role to play in addressing America's competitiveness problems.

America's businesses, he said, "want to do something constructive and be part of the solution."

Our Advisory Committee represents the first time that America's businesses and the Federal Government have sat down together in a whole-of-government way to identify the biggest issues that impact our supply chain competitiveness – and come up with solutions.

We are looking forward to your input on the broad range of competitiveness issues that affect us.

I look forward to working with you closely in the months and years to come.

Once again, I want to thank the members of this Committee for your service on the Committee – and for sharing your supply chain expertise and knowledge with us.

With that said, I would like to introduce Dr. Rebecca Blank, the Acting Secretary of Commerce, who will provide our opening remarks.

## **PREPARED REMARKS: ACTING SECRETARY OF COMMERCE, REBECCA BLANK**

Good morning and welcome to the Commerce Department. Thank you all for serving on this critically important Advisory Committee. I pledge to you that all of us here at the Department of Commerce will pay close attention to the issues and concerns that you raise and the advice that you give.

America's robust, innovative, and well-run supply chains provide our businesses and workers with a competitive advantage in the global economy.

As you all know, supply-chain competitiveness involves a broad set of issues – from the inclusion of small and medium-sized businesses in supply chains... to the location of innovation... and much more. I look forward to the future input that this Committee will have in those areas...

... But – due to the need for near-term input and action – most of today's discussion will emphasize the issues surrounding freight movement and infrastructure to support the supply chain.

The U.S. has the largest and most extensive freight infrastructure in the world. Each year, it serves over 7.5 million businesses and carries about 13 billion tons of materials and goods.

The costs for this freight movement add up to about \$1.3 trillion – or 8.5% of our GDP.

Importantly, that's a lower percentage than many other nations. But we can't rest on our laurels because it's clear that moving American products securely and efficiently is important – both within the U.S. and in-and-out of the U.S. for exports around the world. Our ability to move goods is crucial to our ability to create jobs and accelerate the growth of our economy.

In recent years, we have begun to see just how strong the connection is between investments in freight-transportation infrastructure and job creation.

Transportation costs account for a significant percentage of the final cost of a product. Pushing that percentage down is important to help our businesses compete and grow.

With regard to the supply chain in particular, a recent study suggests that investments that reduce direct transportation costs by 10% can – simultaneously – help companies in the supply chain reduce their operating costs by as much as 1%.

Earlier this year, the Commerce Department released a report on American competitiveness, which identified infrastructure investments as one of the most important areas for government policy to ensure long-term U.S. competitiveness.

As that report notes, with construction crews still looking for work and with interest rates at record lows, there has never been a better time to make these investments.

So today, we have both an opportunity and – I believe – an obligation to ask the question: What is the best way to make infrastructure investments that bolster businesses throughout our supply chains?

Government can't answer this question alone. We need your help:

- We need those who represent our carriers and shippers to help determine how to approach and evaluate the costs and benefits of infrastructure investments.
- We need large businesses to tell us what kinds of investments would make the biggest difference in strengthening their supply-chain connections here at home... while expanding their exports globally.
- We need smaller businesses – especially suppliers themselves – to weigh in. Increasingly, we know that these small firms are seeking out new customers and strategic partners who might not be located nearby.
- And we need the academic community to delve further into this issue – to more clearly understand the impact and the importance of these investments to our supply chains.

Today, we have all of these players in this room.

Already, over the past year, you've provided us with crucial input.

You've said that the quality of our infrastructure determines the cost of everything bought, sold, moved, or made in the United States...

You've said that the status of our infrastructure is affecting where both domestic and foreign companies choose to invest, build, and hire... (and I should note that increasing investment in the U.S. is a top priority here at the Commerce Department).

And you've been unanimous in saying that these investments will help build on the strength we've already seen in our economy – three years of economic growth and over 5 million new private-sector jobs created.

Today, we need to hear even more about your experiences and your expertise – including which aspects of our freight infrastructure work well... and where we can do better.

In turn, the federal government needs to take the right steps to help improve our infrastructure up-and-down the supply chain... and to help our businesses do what they do best – create jobs.

And while your advice and input on supply-chain issues will technically come just to me as Acting Secretary of Commerce, I can assure you that I will make sure that it is shared throughout the Administration.

So, as you begin today's discussion, there are two specific goals that I want to mention.

First, we want to provide this Committee with the background on what the federal government is already doing in this space. So, please ask questions to our experts during the sessions and the coffee breaks.

Second, we have areas that already require our immediate attention and where we most need your advice. I'll mention two.



First, as you all know, President Obama signed the MAP-21 bill into law on July 6. Flowing out of that, we have the opportunity to create a national freight policy that will lead to infrastructure investments that improve freight efficiency and make our supply chains more competitive.

I will leave it to Acting Undersecretary Trottenberg to say more about this since the Department of Transportation is the lead agency on this effort.

Suffice it to say that MAP-21 has a couple of near-term statutory deadlines related to measuring the performance of our supply chain... and developing a strategic plan to improve freight movement. We need your help to make sure that we not only meet these deadlines, but that we get the job done right.

A second area that requires our attention – of particular interest to all of us here at the Commerce Department – is how to integrate supply-chain infrastructure and supply-chain competitiveness into our efforts to bolster U.S. exports.

As you may know, we hit \$2.1 trillion in U.S. exports last year, and we are on track for another record-breaking year... Exports have been a key driver of our GDP growth...

And the number of export-supported jobs grew by 1.2 million from 2009 to 2011.

That said, we are facing challenges such as the Eurozone crisis as well as slowdowns in China and India.

So, we must use every tool in our toolbox to support U.S. exporters – not only through activities like counseling and financing for small businesses ... but also by ensuring a level playing field for American businesses to compete by bringing complaints when foreign countries don't follow WTO rules.

So the question becomes this: Where are the most powerful linkages between bolstering supply chain competitiveness and increasing U.S. exports? And how can the U.S. government play a more active and strategic role in that space?

I can think of no better group to help us answer that question than the people in this room.

Looking forward, I'm sure that we will explore additional topics in your future meetings – and I encourage you to actively solicit input from your peers in your respective stakeholder groups. I'm sure that all of you have ideas ranging from...

- how to remove barriers that inhibit movement of goods...
- how to increase capacity and cross-modal connectivity...
- how to accelerate the promising trends and best practices you're seeing in supply chains... and more.

For our part, the Administration's commitment is that we are bringing a "whole-of-government" approach to supporting your work.

The Transportation Department brings its understanding of major transportation investments and regulatory issues...

EPA brings its understanding of environmental issues...

And – as the home for this Committee – the Commerce Department brings a number of key agencies to the table (beyond just our International Trade Administration).

For example, the National Oceanic and Atmospheric Administration – NOAA – works closely with our nation's ports which are responsible for nearly 60% of the value of U.S. exports.

Our Economic Development Administration provides hundreds of millions of dollars each year in infrastructure grants that are crucial to retaining and attracting manufacturers and suppliers.

Our labs at National Institute of Standards and Technology and NIST's Manufacturing Extension Partnership are working with small businesses more than ever. For example, they're helping bring SMEs up to the state-of-the-market in IT – so those small firms can link more seamlessly to larger firms in the supply chain.

My hope is that – this afternoon, as you begin to discuss key priorities going forward – this Committee will explore in which of these areas you can make the most useful contributions.

All of us stand ready to work with you. And I am confident that together, we will find the right policies and actions that will further expand the potential of America's already-powerful supply chains.

It's a pleasure to be working with such a high-caliber group, and thank you in advance for the insights that you will provide.

With that, I will turn the floor over to Transportation Department's Acting Undersecretary Polly Trottenberg.

## **PREPARED REMARKS: ACTING UNDER SECRETARY POLLY TROTTEBERG**

Thank you, Deputy Under Secretary Hyatt, and Secretary Blank, for your kind introduction.

I would also like to thank Secretary Blank for her leadership and commitment to working closely with the Department of Transportation. We have a good partnership, and a partnership this Administration is proud of.

I am pleased to be speaking with this Committee today on behalf Secretary Ray LaHood and the Department of Transportation. As Secretary Blank mentioned, the Obama Administration is taking a comprehensive approach to addressing freight issues as we work toward reaching the President's goal of doubling exports by 2015.

Across the Federal government, the attention devoted to freight movement is unprecedented. We're working hard to improve how goods travel and address barriers they face along the way. Together and individually, the Commerce Department and USDOT are working to develop freight policy. In 2010, we signed an MOU to coordinate intermodal transportation and collaboration on supply chain issues. This Advisory Committee is an important component of our joint effort to reach out to stakeholders.

### ***Context for Freight Policy***

There has long been an interest within transportation circles in strengthening U.S. freight policy and increasing investment in important national freight corridors, intermodal connectors and major bottlenecks.

And, as all of you here today know firsthand, there is urgency – our international competitors, from Canada to China, are investing in their freight networks and ports and pursuing national strategies to gain market share.

Furthermore, by 2050, our country's population is expected to grow by 100 to 150 million people, something we talk about a lot at USDOT. With its role in running the Census Bureau, I know the Commerce Department thinks about it also.

Right now, on average, the freight system moves 40 tons per person per year. So do the math: 40 tons times another 100 million people is another four billion tons of freight. If we grow by another 150 million people, that means six billion tons of freight. On top of the 13 billion tons we currently move annually, we have to find ways to move those additional goods efficiently and cost effectively.

And so USDOT has outlined three overarching strategies to address the challenges and opportunities we face in the freight sector:

- First, the Department must break down its internal stovepipes and develop a strategic national freight policy – with partners like the Commerce Department - as so many of our economic competitors have done.
- Second, the public and private sectors must work together to grow investment in our national freight system.

- Third, we must better plan freight infrastructure projects and deliver them faster and more efficiently than ever, using innovation and technology to help us get there. Our highways, railroads, ports, inland waterways, airports and pipelines together are one of the best freight systems in the world – efficient, robust, competitive.

But our system is also aging, congested, and in some places, suffering from years of underinvestment. Our freight system is fragmented and complex – with multi-jurisdictional and often fragmented private and public ownership. And, like the rest of our transportation system, we lag in setting performance goals and tracking the long-term outcomes of our infrastructure investments.

To better address the challenge of strengthening our nation’s freight system, USDOT had an Office of Intermodalism, which has now evolved into the “Chain Gang” of freight experts from throughout the Department.

In MAP-21, the surface transportation bill which passed this summer, Congress has given us the clearest mandate so far to improve U.S. freight policy and make our entire transportation system more strategic and performance-driven.

And I am proud of how quickly our Department has worked to implement the bill’s provisions. On August 23rd, Secretary LaHood announced the creation of our Freight Policy Council. The Council, which is chaired by Deputy Secretary John Porcari, brings together senior leadership, modal administrators, as well as policy, budget, economic, safety and research experts -- to oversee the implementation of MAP-21’s freight provisions, including development of the National Freight Strategic Plan.

We held our first stakeholder outreach meeting at USDOT on September 13th and – if all goes well – plan to hold a series of meetings across the country next year to hear firsthand about the challenges and opportunities the freight industry faces.

MAP-21 directs the Department to encourage States to develop State Freight Plans and create State Freight Advisory Committees to address immediate and long-term freight mobility issues.

We hope that States will use this opportunity to incorporate freight planning, forecasting and performance measures into their long-range transportation plans. Congress gave USDOT a tool to do that, one which we hope will spur creative thinking in States. MAP-21 provides an incentive of a 95 percent Federal share for freight Interstate projects for States that have developed freight plans.

And to help States in this effort, I am happy to announce that earlier this week, the Department published Interim Guidance outlining our recommendations for State Freight Plans and State Freight Advisory Committees.

The comment period is open for 30 days and I strongly encourage interested stakeholders and our colleagues here at Commerce to see what we are proposing and submit comments to the Department.

MAP-21 also requires the Department to develop a National Freight Strategic Plan by October 2015 to assess national freight needs and identify policies and investments needed to improve the national freight system. As part of this effort, the Department must also develop the data analysis tools to measure the conditions and performance of the freight system.

This is no small undertaking. It will no doubt generate spirited debate within the freight community. The Plan must be multi-modal, integrate state and local plans with national priorities, and carefully consider the effects of freight movement on surrounding communities. It is a necessary step for the U.S. to develop a globally competitive freight strategy and at USDOT we are excited by this challenge.

Our second challenge as I noted is funding. We are grateful that Congress passed MAP-21 and provided States and transit agencies two years of funding certainty. We are also grateful for the greatly expanded TIFIA program, which provides low-interest loans to projects. TIFIA is now at \$1.75 billion over two years and we are already reviewing letters of interest for projects all over the country.

But MAP-21 is still a stopgap bill. Clearly after the elections, Congress and the Administration will need to tackle the challenge of long-term funding for the surface transportation program. Most of our funding at USDOT is formula-based, and we found that the TIGER program, a discretionary grant program created in the Recovery Act, offered an important model for better leveraging Federal dollars in a difficult budget climate.

When the TIGER program began in 2009, we wanted it to be multi-modal and focus on project outcomes, but we came with no particular vision for exactly how the funds would be awarded. So we instituted a merit-based selection process to evaluate projects on a number of factors, including our departmental goals such as economic competitiveness, safety, state of good repair, and environmental sustainability, as well as looking at project readiness, innovation, partnership and ability to bring non-Federal dollars to the table.

We found that freight projects scored off the charts and competed extremely well. Somewhat to our surprise, we ended up awarding almost one-third of the \$3.1 billion in total TIGER funding over four rounds to freight projects, including unprecedented investment in 25 port projects, large and small.

These projects are alleviating some of the worst freight bottlenecks around the country, and provide new highway, port and freight rail capacity in some of the most important national freight corridors. For example, TIGER awarded \$110 million towards the CREATE program in Chicago. A quarter of all rail traffic in the United States travels through the Chicago region – nearly 1,300 freight and passenger trains each day and CREATE will help to greatly speed those train trips, saving millions of dollars and hours.

Similarly, TIGER has focused investments in Southern California, where approximately 40 percent of the Nation's intermodal freight traffic passes through the Ports of Los Angeles and Long Beach and moves inland by truck or rail. Building on the success of the Alameda Rail Corridor, TIGER funds are increasing rail capacity at each of these ports and fixing bottlenecks like Colton Crossing.



TIGER is also investing in border crossings with Mexico and Canada. TIGER provided funds to complete a critical connection between the Interstate Highway System in San Diego and the Otay

Mesa Port of Entry, the largest freight border crossing between California and Mexico. And TIGER provided \$30 million to Michigan to replace the aging Black River Bridge, which accounts for 14 percent of the truck trade between the U.S. and Canada.

By addressing critical bottlenecks and chokepoints across the country, TIGER projects like these – and Norfolk Southern’s Crescent Corridor and CSX’s National Gateway – we are building intermodal capacity and improving the flow of goods throughout the country. These TIGER awards demonstrate USDOT’s ability to make strategic investments in some of the most significant freight transportation projects around the country.

Through the TIGER program, we also wanted to encourage project sponsors to do a better job of benefit-cost analysis. Our benefit-cost analysis work in TIGER, led by our Chief Economist Jack Wells, indicated that projects in the freight sector often had public and private benefits that greatly exceeded costs, indicating freight is an area where we have underinvested.

And onto the third challenge -- when the Federal government invests in freight projects, we must make sure they are delivered quickly and cost-effectively without sacrificing safety, environmental or community outcomes.

MAP-21 included a lot of new project streamlining provisions, some of them based on work done by the Federal Highway Administration in its “Every Day Counts” initiative. We are hard at work with our partner agencies to implement these provisions.

We have also implemented President Obama’s Project Delivery Executive Order requiring USDOT and other Federal agencies to cut red tape and accelerate the review and permit process for critical infrastructure projects. We have posted a “dashboard” that sets deadlines and tracks progress on a number of high-profile projects in energy and transportation, including many longdelayed port dredging and bridge projects.

As we continue our efforts to speed project delivery, to use innovative techniques and costeffective technology which save time and money for project sponsors, we will also seek stakeholder input on how we are doing and what we can do better. I know for many of you in this room and many in the larger transportation community, improving project delivery is a top priority. It is for us in the Obama Administration as well.

We have a pretty ambitious freight agenda ahead of us as part of the Obama Administration’s effort to support export growth and global competitiveness. We’re excited about the work ahead and are committed to working closely with the Commerce Department to address issues affecting the supply chain.

Thank you.

## **SUMMARY OF REMARKS: ASSOCIATE DIRECTOR OF TRANSPORTATION AND AIR QUALITY LORI STEWART**

Lori Stewart, Associate Director of the Office of Transportation and Air Quality, Environmental Protection Agency shared highlights on several EPA efforts that could be of interest to this Committee as it proceeds to address supply chain issues. This included SmartWay Transport, the Diesel Emission Program (known as DERA), HD GHG standards, and the EPA's Environmental Justice Advisory Committee's Goods Movement workgroup recommendations.

### ***SmartWay Transport Partnership***

Since 2004, has grown to over 3,000 SmartWay partners with support of the trucking industry and their freight shipping customers (large retailers)

- Top 100 U.S. truck carriers
- All Class 1 rail lines
- Fortune 500 shippers from every major business sector
- Major logistics firms
- Almost a quarter of the companies represented in this FACA are SW partners or affiliates!

About 2/3 of the partners are freight carriers - use SmartWay calculation tools to assess the efficiency and environmental performance for their fleet.

- Updated each year to measure progress over time.
- Carriers are ranked based on their emissions level (either g/mile, or g/ton-mile).
- SmartWay shippers then hire carriers based on these emissions ranking.
- Shippers need to ship 75% of their goods through SW Carriers to be branded under SW.

Since 2004, SmartWay Partners have saved:

- 23.6 million metric tons CO<sub>2</sub>
- 22,000 tons PM
- 478,000 tons NO<sub>x</sub>
- 55 million barrels of oil
- \$6.5 billion in fuel costs

Each year EPA recognizes the top carriers and shippers. We just presented awards for 2012 last week, where the Agency recognized the top one percent of SmartWay partners.

- This included 40 companies, including 29 truck carriers, 3 multi-modal carriers 7 shippers, and one logistics company.

SmartWay is one of ATA's six strategies to ensure the long-term sustainability of the US trucking industry.

### ***Heavy-Duty GHG/FE Standards***

In August, 2011 the EPA and DOT, with the support of industry, the State of California, and other stakeholders, finalized the first –ever coordinated federal standards for Medium- and Heavy-Duty Vehicles for model years 2014-2018.

#### Benefits to U.S. Economy

- Oil: 530 million barrels of oil saved over the lifetime of these vehicles
- GHG: 270 million metric tons CO2 emissions reductions
- Savings: \$50 billion in total fuel savings over the lifetimes of these vehicles

#### Cost to Consumer/Payback to Consumer

EPA and NHTSA estimate that the average owner will have the following lifetime net savings:

- Combination tractors save: \$73,000 (payback 1 year)
- HD pickup trucks or vans save: \$6,100 (payback 2 years)
- Vocational vehicles save: \$5,500 (payback 1 year)

### ***Diesel Emissions Reduction Program***

EPA onroad truck standards began taking effect in 2007, and nonroad standards will begin taking effect from 2012 to 2014.

- These standards collectively will reduce diesel PM by 90% from 1990-2030, saving about 35 thousand lives per year.

Nearly 11 million older diesels that were not subject to these standards still operate throughout the nation's transportation system.

Under the Energy Policy Act (EPAct 2005) the Diesel Emission Reduction Program authorized funds from 2008-2012 to retrofit, replace and repower these older diesel engines. DERA was reauthorized in January 2011 for FY 2012 – FY 2016.

#### ***Accomplishments to date***

- Over \$520 Million funded to approximately 420 projects
- Over 50,000 vehicles and equipment retrofitted, replaced or repowered
- For every dollar invested in reducing diesel exhaust, a community may achieve an estimated \$13 in public health benefits

Just last week, EPA announced the 2012 DERA grant allocations that included \$10 million

directly to the States, and \$20 million in projects.

- Most of these projects funded retrofits, replacements and repowers for trucks, locomotives and marine vessels that support the supply chain.
- This is particularly important, given that millions of people in the U.S. live near highways, ports, and rail yards where these older engines can be concentrated.
- National Environmental Justice Advisory Committee (NEJAC)

In November 2009, EPA's National Environmental Justice Advisory Committee made 41 recommendations on good movement across 7 broad categories:

- Effective Community Involvement (providing financial and technical support to community lead processes, early opportunities for community input)
- Health Research and Data Gaps (requiring more monitoring and health assessment)
- Technology (supporting advance technology development and deployment)
- Regulatory and Enforcement Mechanisms (included Emissions Control Area and EJ analysis in all regs)
- Environmental Planning, Performance, and Management (better assessment tools)
- Land-use Planning and Environmental Review (require health impact assessments and more community involvement early in NEPA)
- Resources, Incentives, and Financing (expansion of SmartWay and DERA)

The impact of goods movement on communities is a top priority for EPA. We engaged a cross agency team to respond to in writing to the recommendations since they covered so many of the Agency's areas of authority as well as DOT's and other levels of government.

The recommendations gave us a better understanding of the EJ communities concerns surrounding goods movement and the supply chain and highlighted the need for cross agency coordination.

The full report and EPA's response can be viewed at <http://www.epa.gov/compliance/environmentaljustice/nejac/>

While the concerns of the NEJAC crossed many areas, the Committee recognized that one of the primary means of reducing pollution in disadvantaged areas is to reduce diesel emissions in the supply chain.

Many of the engines and vehicles used in commerce—especially around ports, rail yards and distribution centers where many EJ communities are located--- tend to be older more polluting engines.

The NEJAC report was very supportive of the SmartWay and DERA programs and called for their expansion.

The International Trade Administration's mission is to create prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements.



INTERNATIONAL  
**TRADE**  
ADMINISTRATION

Office of Service Industries  
1401 Constitution Ave., NW  
Washington, DC 20230  
T 202-482-3575  
F 202-482-2669

[www.trade.gov](http://www.trade.gov)