

ADVISORY COMMITTEE ON SUPPLY CHAIN COMPETITIVENESS

Department of Commerce  
Room 4830  
Washington, DC

Wednesday,  
September 11, 2013

The meeting was convened, pursuant to notice,  
at 9:12 a.m., MR. RICK BLASGEN, Chairman, presiding.

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MR. PAGE SIPLON

MR. ANTHONY BARONE

MR. JOHN F. BEASLEY

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MR. DENNIS E. BOWLES

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DR. PANOS KOUVELIS  
MR. RICKY KUNZ  
MR. GARY S. LYNCH  
MR. DENNIS MOTTOLA  
MR. KENNTH (SHAY) REID  
MR. COREY ROSENBUSCH  
MR. DANIEL A. ROWLEY  
MS. CYNTHIA RUIZ  
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MS. ELIZABETH SHAVER  
MR. CHRISTOPHER S. SMITH  
MR. MIKE STEENHOEK  
MR. RONALD F. STOWE  
MR. SHAWN WATTLES  
MR. THOMAS WEILL  
MR. DEAN H. WISE

MR. RONALD WOLL

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**COMMITTEE WELCOME**

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

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7 MR. LONG: Let's get started. My name is  
8 David Long. I work for the U.S. Department of Commerce  
9 and the International Trade Administration. I'd like  
10 to welcome everyone to the meeting today. I want to  
11 thank everyone for the good turnout.

12 We are going to have a few late arrivals here,  
13 a few people coming in, members. There have also been  
14 some interesting experiences with mass transit in DC  
15 this morning.

16 But I want to thank everyone once again for  
17 your great interest in this important work. It's a  
18 pleasure to see a good turnout again. And I'm sure I'm  
19 speaking for everyone when I say how much we appreciate  
20 your time and the energy you put into the work that we  
21 have before us today.

22 As always, let me emphasize that this is your  
23 work, your meeting, and what is important in this is  
24 your view of things, your analysis, your  
25 recommendations for where we should be going in this

1 important field.

2 By popular demand, we are having a longer  
3 meeting today, and I understand a number of the groups  
4 met yesterday to come in early and work on the project.  
5 And what we'll see today is confirmation that this is  
6 anything but a business-as-usual advisory committee.  
7 And the fact that it is different from usual is  
8 entirely your energy and your commitment that make it  
9 work like that.

10 So it looks like the work is advancing rapidly  
11 and I want to congratulate everybody for the speed and  
12 quality of what we've got.

13 Before we get into some more things about the  
14 committee and what we're doing, Rick and I wanted to  
15 suggest that we take a minute -- it's 12 years ago  
16 today that 9/11, the original 9/11 happened and I think  
17 in honor of those who were lost that day, we should  
18 take a moment of silence here and remember what  
19 happened.

20 (Moment of Silence)

21 MR. LONG: All right. Thank you. So a couple  
22 of things here. It looks like we're moving closer to  
23 recommendations eventually to be submitted to the  
24 Secretary. I look forward to the discussion today.

25 I just want to mention a couple of things,

1 sort of ground rules for this. We'll talk about this  
2 during the meeting as we go, because the questions keep  
3 coming up in different ways.

4 What we're looking to do today is produce the  
5 first steps toward consensus recommendations. We don't  
6 send things forward by a vote of, say, 9-2 or something  
7 like that. It has got to be a consensus. It has to  
8 represent everyone's views, things we're comfortable  
9 with. And what we're trying to do is see how close we  
10 can get to moving these things forward.

11 I know there has been a lot of discussion  
12 about the significance of the June or September  
13 meetings. From the beginning, we've been saying that  
14 the ability to have -- and some of the groups with  
15 early timelines, it's important to have something more  
16 quickly than others, but there is nothing magical about  
17 concluding these things today or even last June.

18 The idea is to be able to move forward.  
19 Everyone is on schedule with this. The work seems to  
20 be very high quality. And I think what we'll hear  
21 today is evidence exactly of that. So do not worry  
22 about if we don't have final recommendations for the  
23 Secretary today. That's not only not necessary, it  
24 seems, to me, extremely unlikely. So there will be a  
25 lot going forward on what we do with that.



1 Another question that has come up a number of  
2 times during this -- I want to remind everybody that we  
3 have a really well populated Website for the committee.  
4 I sent everyone the link to that last week. We have  
5 that here, too.

6 It's got transcripts of the previous meetings.  
7 There are resource materials about different aspects of  
8 supply chain development, things that may be useful in  
9 your work. There are meeting agendas. All of the  
10 things that are shown at these public meetings -- and  
11 this is a public meeting -- wind up on the Website. So  
12 it's a very good resource for you and I'd urge you to  
13 pay attention to that.

14 A couple of other things that are coming down  
15 the road. We'll shortly be setting up schedules for  
16 next year. I understand the spirit of the table so far  
17 is that we be doing quarterly meetings again, probably  
18 January, April, July, September, October.

19 One other thing looming down the road not too  
20 far out -- we've started the paperwork processes to  
21 renew the committee and extend its life. So I'll be  
22 coming back to you to talk more about that.

23 I think this might be a good time to go around  
24 the room and do some introductions. We have all the  
25 committee members. There will also be in and out today

1 a number of people from the U.S. Government side who  
2 will be here to help us with specific issues, to be  
3 able to field questions and things pertaining to their  
4 bureaus.

5 With just a couple of rare exceptions to set  
6 up some of the debates, the government people are not  
7 going to be doing presentations other than that, but  
8 they are here to take questions, help out, and steer  
9 the committees work and keep us in things that are  
10 factually correct and help provide the information you  
11 need.

12 Let's go around the room and just say our  
13 names and affiliations, and this will also help the  
14 transcriber.

15 I'm David Long with the Department of  
16 Commerce.

17 (Whereupon, the attendees introduced  
18 themselves.)

19 MR. LONG: All right. So just a couple of  
20 housekeeping things and then we'll turn the meeting  
21 over to Rick to get going here.

22 Everyone is familiar with where the restrooms  
23 are. It's down the hall to the right, men's room  
24 first, ladies' room right after that.

25 For facilities afterwards, we have this room

1 basically the whole day. So if people want to do  
2 additional conversations, meetings afterwards, we have  
3 space for that and can arrange other space.

4 I just want to remind everyone that this is a  
5 public meeting and there will be opportunities for  
6 people from the public to speak, as well as the  
7 committee membership here.

8 Everything is being transcribed. So you're on  
9 the public record. Proceedings will be posted on the  
10 Website. Anything that is shown here as a document for  
11 the committee to look at or otherwise consider will be  
12 posted on the Website.

13 I guess that would basically be it.

14 So without further ado, let me turn the  
15 meeting over to your Chairman, Rick Blasgen.

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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, David. And let me  
6 add my welcome to all of you, and thanks for the  
7 dedicated commitment of each of the members of this  
8 committee. I think the work that has been done has  
9 just been superb and there is a real opportunity for us  
10 now to sort of see what everybody has been working on.  
11 We'll spend a lot of time talking about and taking that  
12 forward. So thank you very much for that.

13                   As David said, today's meeting follows a great  
14 deal of work that has been accomplished since last  
15 June. It is an important working session today. We  
16 have extended the agenda. If we don't need it all,  
17 that's fine. We'll end a little bit earlier than 3:00.

18                   But we've extended that time to make sure we have a  
19 real ample opportunity to talk through some of the  
20 recommendations that are coming from each of the five  
21 subcommittees.

22                   So I would ask everyone to engage fully in  
23 understanding that and really ask the questions that  
24 need to be asked in order to gain an understanding of  
25 what is going down.

1           As David said, the plan from today, the aim is  
2 to have some really well advanced work for the  
3 September meeting, and that's what we'll see today. If  
4 you had a chance to review any of the information, it  
5 is really well done and, as David said, very high  
6 quality. There is really some solid information that  
7 is coming out of that.

8           And I will reiterate, as well, the groups are  
9 moving at different paces, and that's fine. That's  
10 absolutely appropriate for the work that we are  
11 accomplishing. Everybody will achieve the results at  
12 different times and that's great. We'll have an  
13 opportunity as a total committee to review each and  
14 every subcommittee recommendation and revisit them, if  
15 necessary, given another committee's recommendation,  
16 how that might interrelate to something that's already  
17 been put up.

18           So we'll hear the reports from the five  
19 subcommittees and see how their work and  
20 recommendations are developing, and we will have a  
21 chance to deliberate on that.

22           The committee is charged with supply chain  
23 competitiveness, and that means we have an obligation  
24 to review the information, ask questions for clarity,  
25 and provide any insight as to what maybe that

1 subcommittee can learn from and extend their  
2 recommendation from, as well. So let's make sure we do  
3 that.

4 We will start shaping our views as a full  
5 committee in terms of the work that is coming out of  
6 the subcommittees. We want to consider how we handle  
7 the resulting work product. David sent out the types  
8 of recommendations and the form that they take, pretty  
9 much a letter to the Secretary, but we can talk through  
10 that in terms of how lengthy they need to be or how  
11 pointed they need to be. So we have a lot of latitude  
12 with regard to how these recommendations are developed.

13 Some other matters before the group,  
14 especially the one I -- we set aside about an hour's  
15 time to talk about the single window opportunity,  
16 because that is one that is real opportunistic for this  
17 committee given what has been going on at the White  
18 House and what has been going on in other areas of  
19 government. So we want to spend a little bit of time  
20 -- after my remarks here, I'm going to ask Sandi and  
21 Tony to sort of lead us through a discussion of what  
22 their two groups have been working on from a single  
23 window point, as well as the MAP-21 freight performance  
24 issues that are going on, as well.

25 And they're developing in a little bit of a

1 faster external schedule given things that are going on  
2 outside of this committee, and that's perfectly fine.  
3 We'll be able to take our input and have much more of  
4 an impact because of these timing opportunities, as  
5 well.

6 So we'll provide those background updates on  
7 those two areas. Also, as David said, we'll have folks  
8 from outside the committee coming in and out of the  
9 room and I'd ask them if they have something to add,  
10 you want to engage in the conversation, raise your  
11 hand, feel free to participate in the conversation. I  
12 will only make us stronger and make the recommendations  
13 that ultimately come out have that much more impact.

14 So today we want to assess the work coming out  
15 of the subcommittees. We want to make sure that it is  
16 accurate, factual, practical, and, to me, does it make  
17 a difference.

18 We all know, if we had an elegant solution and  
19 all the time and money in the world, what would you put  
20 up as a recommendation that would never get done, and  
21 that is just going to frustrate this committee. It is  
22 not all that often you are able to assemble the talent  
23 that we have on this committee and really make a  
24 difference. So let's make sure what we propose is  
25 something that really is actionable and can be

1 implemented over a period of time.

2 If you want to talk about an option, an  
3 elegant solution, as I like to call it, down the road,  
4 we could have the capability to tee that up, as well.  
5 It is great to have this committee come up with  
6 something that actually can be implemented.

7 We will identify the places where the group  
8 might be ready to attempt to turn draft  
9 recommendations into final ones. It is very  
10 appropriate, after this meeting, for some of the  
11 subcommittees to go back and develop a recommendation  
12 that we can push up the ladder or graduate into another  
13 level of the process here. We may be that far along.  
14 And if one subcommittee is not, that's perfectly  
15 acceptable, as well.

16 We talked in June about a series, potentially,  
17 of recommendations coming out at different times and  
18 when we are ready to deliver those. So there is no  
19 endpoint that says as of this date, we have to have all  
20 of these recommendations done. It's not operating like  
21 that.

22 So we want to have active debate. I also want  
23 to reiterate my personal theme of alignment versus  
24 agreement. When you get this many people who are not  
25 shy together, it is possible we might not agree on



1 everything. But we have to align. The only way to get  
2 something done is to come out with alignment on where  
3 we'll stand behind and declare ourselves behind a  
4 recommendation. It will be that much more impactful  
5 and taken in that spirit.

6 We have always had a cooperative spirit in  
7 this group and that's great. We'll have discussions  
8 amongst all the professionals in the room who really  
9 understand their field, and that's another point, as  
10 well.

11 We are assembled here today because we're all  
12 from different perspectives of industry, of government  
13 folks, private practice folks, folks who have a lot of  
14 experience in different areas and really understand  
15 their end of the business and how they can contribute  
16 to the benefit of the committee. And that's something  
17 that we need to make sure we get out of the committee,  
18 as well.

19 So David mentioned some of the formats and  
20 ground rules, the fact that we want to have consensus  
21 recommendations by our committee, probably taking form  
22 -- the form will be a letter to the Secretary, and we  
23 will work with the staff here on how to best put that  
24 together once we end the day and decide how to go  
25 forward from here.

1           Does anyone have any questions, comments,  
2 criticisms, critiques?

3           (No Response.)

4           CHAIR BLASGEN: Great. If not, then let's  
5 move on. I'd ask Wayne -- Page, by the way, Page is on  
6 his way. He'll be here, our other co-chair. And,  
7 Wayne, as his co-chair, any thoughts from yourself?

8           VICE CHAIR DARBEAU: I just want to echo your  
9 remarks, Rick, and David's comments, and I think we do  
10 pretty good.

11          CHAIR BLASGEN: Good.

12          VICE CHAIR DARBEAU: We will get to the place  
13 we need to be.

14          CHAIR BLASGEN: Great.

15          VICE CHAIR DARBEAU: Preferably as a team.

16          CHAIR BLASGEN: Terrific. Thanks for that.

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1                   **SUBCOMMITTEE REPORT AND DIALOGUE:**

2                   **RECOMMENDATION ON SINGLE WINDOW**

3                   **Rick Blasgen, Chair, ACSCC**

4  
5                   CHAIR BLASGEN: David?

6                   MR. LONG: The first large issue we're going  
7 to deal with today, this is one that was identified as  
8 an area for real attention at the last meeting, a lot  
9 of activity since then, is the whole international  
10 trade data system, the single window concept.

11                   Some of the folks in the group really know  
12 this issue very well, others less so. And to provide  
13 sort of the common factual basis for the discussions to  
14 follow and what has been done in the groups, we have  
15 invited Diane Oberg from the U.S. Census Bureau, which  
16 is playing a leading role inside the Commerce  
17 Department in addressing this issue, to talk with you  
18 today and show you some of the things that are -- give  
19 you a briefing of where we are on the status of this,  
20 what the issues are, and how it stands in the U.S.  
21 Government.

22                   Without further ado, let me hand it to Ms.  
23 Oberg. And we have her slides here.

1                   SUBCOMMITTEE REPORT AND DIALOGUE:

2                   RECOMMENDATION ON SINGLE WINDOW

3                   Issue Overview and Status: Federal Government

4                   Diane Oberg, Assistant Bureau Chief for Data  
5                   Collection, Foreign Trade Commission, Census Bureau,  
6                   U.S. Department of Commerce

7  
8                   MS. OBERG: Thank you. The goals of the  
9                   International Trade Data System, or ITDS, is to  
10                  modernize border operations, get away from the  
11                  dependence on the paper forms that we had in the past.

12                  And as you will see in the next slide, it has been a  
13                  long effort. It's not something that happens  
14                  immediately.

15                  To provide the information necessary for  
16                  targeting to make sure that the goods coming into and  
17                  leaving the country are exported according -- or traded  
18                  according to the rules and are safe; and, to facilitate  
19                  the authorized sharing of information among government  
20                  agencies.

21                  For trade, it should reduce burden by creating  
22                  the single window, where, instead of sending a form out  
23                  or an electric data record to each of the agencies with  
24                  some form of border role, FDA, Import Administration,  
25                  whatever, you would file it through one system. And

1 where there are overlapping elements, you would only  
2 have to report that once; and, in the long term, to  
3 reduce redundancy among agency data collections.

4 If you have five different countries of  
5 origin, for example, at some point, will we be able to  
6 accept each other's definitions and collapse that a  
7 little bit? And there are roughly 47 agencies  
8 participating with CBP on that.

9 Bruce was kind enough to put together a  
10 timeline and you'll see in 1985 was the first big  
11 automation system in the U.S. Customs Service, which  
12 was the automated commercial system, which is, from the  
13 trade standpoint, an import system.

14 Then in '93, the Mod Act, the Customs  
15 Modernization Act, was passed, which gave more  
16 direction on modernization efforts, made commitments,  
17 and established a legal basis for modernization.

18 I'm not going to go through every item here,  
19 but you can see that there's been a number of starts  
20 and stops on the ITDS project. It moved from Treasury  
21 to the Customs Service. Then the Customs Service moved  
22 into CBP. So there's been a variety of stops and  
23 starts and various reports from oversight agencies,  
24 such as Government Accountability Office.

25 In '97, Customs rolled out the automated

1 export system, which was the export equivalent of ACS  
2 and was a form of single window as it took care of the  
3 requirements of CBP -- I'm sorry -- Customs Service,  
4 the Census Bureau, the State Department, the Export  
5 Administration, and several other partnership agencies.

6 Then, of course, we had 9/11 and the shift in  
7 priorities for the Customs Service. It had always been  
8 a mix of facilitation, security, and revenue  
9 collection, but, obviously, the security concerns began  
10 to play a different role or larger part of their role.  
11 And so some of the priorities for the ACE/ITDS project  
12 shifted.

13 Then in October of 2006, Congress passed the  
14 Safe Port Act, which, for the first time, established a  
15 legal basis for the ITDS and chartered the board of  
16 directors under the leadership of the Treasury  
17 Department. That operation had actually been going on  
18 for a while. It was originated during, I believe, the  
19 reinventing government work in the Clinton  
20 Administration, but it never had a legal basis, and the  
21 Safe Port Act gave it that.

22 So it's been going along and developing and  
23 requirements gathering, but in recent years, the last  
24 few years, it has sped up.

25 Some of the recent developments form Customs

1 and Border Protection and Homeland Security is they  
2 established more stable priorities for the project.  
3 For many years, you would go to the trade support  
4 network and they would say, "Well, we're reexamining  
5 the schedule and we don't have it to give out to you  
6 right now," because their priorities were shifting in  
7 reaction to what was going on in the world.

8 So DHS and CBP have changed their management  
9 structure. They got a stronger business -- the  
10 business side of CBP, they took a stronger role in the  
11 system along with the IT side.

12 Recently they have switched to an agile  
13 approach. So that instead of trying to gather final  
14 requirements from 47 different agencies, or 48 with  
15 CBP, they are using a process whereby the requirements  
16 are developed in meetings. They take the process, look  
17 at the flow, what do you need, when do you need it, how  
18 do you do it. So that is speeding things up.

19 They have now issued a draft deployment plan,  
20 which has been made available to you with the goal of  
21 completing core functionality.

22 Now, with any large IT project, I expect there  
23 could be tweaks and variations as this goes along. And  
24 I do suggest -- and we did not originate this  
25 deployment schedule -- but I do suggest if you want to

1 print it, you do it on legal paper. It is hard to read  
2 on legal paper and it is almost impossible on letter.

3 The project has also gotten additional  
4 oversight recently. As many of you are aware, in March  
5 2011, the President's Export Council wrote a letter to  
6 the President urging timely development of the single  
7 window. And then in March of this year, the National  
8 Security staff formed the ITDS Task Force to draw the  
9 project to completion, and they are anticipating, at  
10 some point, issuing an executive order. The NSS staff  
11 has identified issues that are impeding the project and  
12 is working with the agencies to resolve.

13 One difference from what had been going on  
14 prior to the formation of this task force is that the  
15 NSS is working at the department level at the  
16 Department of Homeland Security, the Department of  
17 Commerce, not at CBP in the Census Bureau and the Food  
18 and Drug Administration. It has the departmental  
19 management of all the agencies involved in the ITDS and  
20 they are establishing high level milestones for the  
21 project.

22 Some of the major goals is that this coming  
23 April will be the first release of the ACE exports.  
24 They're anticipating in May of 2005 that CBP will  
25 require the use of an electronic manifest for both



1 imports and exports and all modes; in November of that  
2 year, mandated use of the ACE cargo release, and that  
3 would include interactions with the PGAs involved in  
4 releasing cargo, those that have the ability to placed  
5 holds, for example. And by October 2016, for the CBP  
6 functions, at least, the mandatory use of ACE.

7 The other agencies are certainly working  
8 towards rapid implementation, but in many cases,  
9 regulatory changes are necessary and that is not  
10 necessarily a quick process.

11 Thank you.

12 CHAIR BLASGEN: Thanks, Diane. I really  
13 appreciate that.

14 So given that, what I'd like to do, Tony and  
15 Sandi, is ask both of you to sort of comment and talk  
16 through the discussions that we've had, where we're at  
17 on the recommendation of single window, and walk the  
18 committee through how you arrived there and what the  
19 ultimate goal will be in terms of how we've made  
20 progress.

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1                   **SUBCOMMITTEE REPORT AND DIALOGUE:**

2                   **RECOMMENDATION ON SINGLE WINDOW**

3                   **Issue Overview: Private Sector**

4                   **Sandor Boyson, Chair, Information Technology and Data**  
5                   **Subcommittee**

6  
7                   DR. BOYSON: So, Rick, I'll begin and I'll try  
8 to be very brief. Thank you very, very much.

9                   The subcommittees will, I think, talk a little  
10 bit about the consensus points between us. We've spent  
11 quite a bit of time, both the IT Subcommittee and the  
12 Competitiveness Subcommittee that Tony leads, talking  
13 through some of the history and findings and issues,  
14 and it has been -- I think any objective observer would  
15 agree that the kind of timeline that ACE has  
16 experienced, the difficulties it has faced in getting  
17 the job done, the array of forces that have either  
18 blocked or slowed down implementation have really been  
19 quite considerable.

20                   As you heard, just to kind of elaborate a  
21 little bit on that chronology, the office for ACE began  
22 1994. The ITDS project office was itself created in  
23 '95. The first pilot was implemented some 15 years ago  
24 in 1998.

25                   By 1999, the U.S. Government Accounting

1 Office, GAO, reported to Congress that Customs is not  
2 managing ACE effectively, and they began to do, I  
3 think, a more consistent strategic planning effort.

4 They put forward their first expenditure plan.  
5 That was prepared by Customs for ACE in response to GAO  
6 criticisms.

7 In 2001, GAO elaborated that Customs has not  
8 adequately justified integrating ACE and ITDS  
9 development. In 2003, November 2003, the Department of  
10 Homeland Security, Office of Inspector General, audited  
11 CBP and found that the current version back in 2003 of  
12 the ACE portal was unacceptable and they agreed to halt  
13 the acceptance of the contractor's work at that point.

14 Going forward in time to 2010, the CBP's own  
15 initial what's called TechStat review, which was a  
16 review of the technological performance of the system,  
17 originally showed the ACE system in the red area of the  
18 dashboard, obviously, meaning the most dangerous area  
19 of the dashboard.

20 It was moved to yellow and at the time that it  
21 was moved to yellow, the ACE program office itself  
22 said, in its official response to the TechStat, that  
23 the TechStat showed that CBP is committed to fixing ACE  
24 over the long term. This was 16 years after ACE had  
25 begun.

1           In 2007, the Administration reported that the  
2 program was going back to the ARB to receive ADE-2A  
3 authority to begin work on future functionality and  
4 until the re-planning of the program is complete,  
5 future development will remain largely a no.

6           In 2010, November 4, ITDS released a new  
7 concept of operations. In 2011, the Administration  
8 reported again that the program was going back to ARB  
9 to receive ADA-2A authority to begin work on future  
10 functionality, meaning re-planning was necessary and  
11 was being implemented.

12           In 2013, there was a release of the new plan,  
13 which we have extensively reviewed. One key point that  
14 I would like to raise in that plan, which is contained  
15 in a document called "ACE Opedia," dated August 2013,  
16 CBP notes that the current trade process -- and this is  
17 after 18 years of ITDS -- is involved in 47 Federal  
18 agencies and is -- this is a quote -- "largely manual  
19 and paper-based. Currently, 21 agencies require 139  
20 forms for imported products and eight agencies require  
21 55 forms for exported merchandise."

22           So after 18 years of ITDS, it is still largely  
23 paper-based. Now, in terms of the expenditures on  
24 this, we have been unable to really put together an  
25 accurate estimate. We have had estimates ranging from

1 \$1 billion allocated, but the actual expenditure over  
2 the period of the life of the case is not something  
3 that staff has been able to provide.

4 Bruce, would you like to comment on that?

5 MR. HARSH: No. We have reached out to a  
6 number of different agencies for that number and we're  
7 still trying to pull that number together, the  
8 aggregate.

9 The allocation of the amount, as you stated,  
10 can range, approximately \$1 billion, but not include  
11 ACE and ITDS, all the different programs that have been  
12 worked on. But we're still trying to pull them  
13 together, some of the actual numbers of what has been  
14 spent, and we haven't done that yet. We haven't gotten  
15 that figured out for you.

16 DR. BOYSON: Now, just to kind of put things  
17 into sort of a more sort of global strategic context, I  
18 can tell you that our subcommittee has tried very hard  
19 to look at the universe of single windows that have  
20 been built around the world. We've looked at a number  
21 of models of it.

22 The earliest model and the one that we  
23 actually went and interviewed, and I actually was  
24 onsite in Singapore, as was Bruce, to see some of this  
25 stuff, was the Singapore single window. It began in

1 1989. It was implemented over a three-year period for  
2 a little over \$58 million.

3 Just to give you an idea, there are some 36  
4 agencies involved versus 47 here. Now, of course, some  
5 people would say, "Well, our economy, look at the size  
6 difference between their small island and our gigantic  
7 continent." But you also have to consider that  
8 Singapore handles 50 percent of global world trade. So  
9 the number of transactions is really, to us, the point  
10 of interest of the system, the TradeNet system, as it  
11 is called.

12 So they handled nine million trade permits  
13 last year, whereas 2.5 million entry summaries --  
14 again, there are a lot of caveats here, but I'm just  
15 trying to give you a sense of ballpark measures here --  
16 2.5 million entry summaries.

17 According to the Border and Customs own  
18 report, annual report, were handled by ACE in 2012,  
19 which represented 99.9 percent of broker entry  
20 summaries.

21 So just to give you an idea of relative  
22 scalability of systems. One was built in three years  
23 for \$58 million. The other, we're going on potentially  
24 a billion years and 18 -- \$1 billion and 18 years.

25 (Laughter)

1 DR. BOYSON: Sorry. I think that is an  
2 appropriate statement. I think that's an appropriate  
3 statement.

4 (Laughter)

5 DR. BOYSON: Not to be critical. Not to be  
6 critical.

7 So let me say that I really want to thank our  
8 IT Subcommittee members who met with industry, they met  
9 with the CO-ACME, they met with CBP, they met with  
10 Treasury, they met with industry representatives. We  
11 have no axes to grind. We were just really trying to  
12 do our fact-gathering and get some due diligence here  
13 for the recommendations of the committee.

14 I really truly believe that this is a great  
15 subcommittee. We have wonderful people on it.  
16 Elizabeth is, I think, acknowledged as our trade expert  
17 on our subcommittee. Stan Brown has worked many, many  
18 years implementing very large systems. Gary Lynch is  
19 an expert in IT systems and in risk management.

20 We are very fortunate to have these people.  
21 We have others on our committee, as well, who can't be  
22 here today.

23 We are also very fortunate to have the counsel  
24 and the great wisdom of Tony Barone, who I think you  
25 will see his recommendations and concepts embedded in

1 our consensus document.

2 We have had a number of discussions and his  
3 points about service center of excellence, which he  
4 will elaborate later, we have tried to take to heart  
5 within the short-term window that we're looking at for  
6 implementing or deploying strategies for implementing  
7 and deploying ACE and perhaps in an enhanced manner.

8 So we've tried very hard to work with Tony's  
9 committee. All of his members or many of his members,  
10 I think, have seen or contributed to our  
11 recommendations, as well. So everyone, I think, has  
12 tried in the same spirit, really. It was one goal. I  
13 mean, we really think that ACE and ITDS is absolutely  
14 crucial and it is an urgent task that must reach full  
15 realization.

16 And in our conversations with the White House,  
17 with Christa Brzozowski, the liaison to ACE and ITDS,  
18 she emphasized her feeling of the urgency and  
19 importance of ITDS, as well.

20 So all the subcommittees and everyone we've  
21 spoken to, including CBP, has been about one thing  
22 here, and that, I think, is getting the job done,  
23 getting the job done and how can we help in any way,  
24 whatever limited way we can, to support getting the job  
25 done.



1           So we really believe that the plan that was  
2 put forward in August of 2013 is an improvement and it  
3 does represent a heightened sense of intensity and pace  
4 by CBP, and congratulate them for that response. We  
5 truly do.

6           But despite the latest set of plans being put  
7 forward, history doesn't cancel itself out overnight.  
8 There are a huge array of forces that raid against  
9 successful deployment here, and we believe that if  
10 history is a guide, we must take away one lesson and  
11 that lesson is that managerial and technical support  
12 and oversight is going to be a requirement for  
13 progress. And progress is not creating more pilots. A  
14 pilot is standing up a national system we can all be  
15 proud of.

16           So we have, for this reason, really focused  
17 our recommendations on one precondition--that the White  
18 House lead a steering group of government and industry  
19 to ensure that CBP has the muscle and the people and  
20 the consistent flow of resources, which is, by no  
21 means, assured.

22           Even for this last two years, according to our  
23 interviews with Treasury back last spring, there was a  
24 concern about that.

25           So I think our role is to help ensure and ask

1 the White House to help ensure a consistent flow of  
2 resources to finish the job.

3 We have tried to put forward what we believe  
4 is a stepped, phased deployment strategy that responds  
5 to some of the inadequacies of the past, but also  
6 builds on some of the strengths we see in the present,  
7 to move forward and to make the system be stood up  
8 within a two-year plan, very consistent with the  
9 timeline our subcommittee has been advocating, as well.

10 But, again, as a caveat the magnitude of the  
11 design and technical tasks that remain, this is not  
12 simply going to be about automating 124 forms. There  
13 has got to be a simplification, a redesign, if you  
14 will, of the core user interface.

15 There's got to be a faster rollout of  
16 middleware that enables existing data in agencies and  
17 in industry to be extracted as is without adding  
18 additional data requirements and burdens on either the  
19 agencies or the private sector.

20 This is a very important thing. And with  
21 middleware, as in Singapore, we have seen, this is just  
22 routinely done in many places in the world now.

23 What is important is that overall design, that  
24 information architecture. And so we're very concerned  
25 about agile development, modular development without

1 having a validated initial design that represents a  
2 streamlined and simplified approach to information  
3 collection and gathering. Does that make sense?

4 We think, also, that CBP has done a lot of  
5 very good work with creating industry centers of  
6 excellence in different places; for example, automotive  
7 in Windsor.

8 So we say build on that strength and select  
9 three sites, is what we said in our committee, ports,  
10 airports, to redesign the user interface for a cross-  
11 section basket of products and use onsite center of  
12 excellence to develop this new DNA, this new cross-  
13 section basket.

14 In other words, don't just focus on one  
15 commodity. Focus on that representative basket of  
16 commodities and use the local service center of  
17 excellence approach to craft that quickly, to create  
18 the DNA that can validate a proof of concept and allow  
19 the DNA to get scaled to a national system after a six  
20 to nine-month pilot.

21 We would also, to Tony's point, really suggest  
22 that taking the lessons learned from these site  
23 implementations, which we think is a very prudent  
24 approach to begin with, not a big bang approach, to use  
25 Stan's point, but a more prudent risk management

1 approach to building out a national system, could tap  
2 the lessons learned from these sites to begin scaling  
3 up a single national service center of excellence for  
4 total Federal Government-trading community interaction.

5 I know Tony is going to speak in a few minutes  
6 passionately about that, absolutely passionately,  
7 because he believes and we believe that this kind of  
8 approach is crucial.

9 So I think I'm going to stop there. I just  
10 would like to acknowledge one other person, and that is  
11 Norm Schenk from UPS, because Norm suggested that this  
12 steering group or SWAT team, as we call it at the White  
13 House design and stand up would be composed of co-  
14 chairs both from the White House and from the trade  
15 community, a representative from the trade community.

16 We thought that was an excellent idea and kind  
17 of embedded it in the final IP Subcommittee report and  
18 hope that both, Tony and Norm, perhaps you could  
19 address some of that, some aspects of that  
20 recommendation.

21 So I think at that point, I'm going to stop.  
22 We have time in the agenda to go over the specifics of  
23 our recommendation. I believe that you have the rather  
24 lengthy document that is called the "Single Window  
25 Recommendations of August 30."

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But I think that's a good enough introduction  
for now and I think it segues nicely into Tony's talk.

Rick?

1                   **SUBCOMMITTEE REPORT AND DIALOGUE:**

2                   **RECOMMENDATION ON SINGLE WINDOW**

3                   **Committee Discussion**

4                   **Rick Blasgen, Chair, ACSCC**

5  
6                   CHAIR BLASGEN: Thanks, Sandi. If you look at  
7 the agenda, it talks about the fact that we want to  
8 have a full committee dialogue after Sandi and Tony  
9 talk about how they arrived at where they arrived.

10                  So would we prefer to do that or do we want to  
11 ask some clarifying questions for Sandi now or do we  
12 want to hear from Tony and then just have a dialogue  
13 after that? Let's do that. Let's do that. Okay.  
14 Great.

15                  Tony?

16                  Thank you, Sandi.

17                  MR. BARONE: Sandi, thanks. I've got to tell  
18 you I stopped being passionate about age 52.

19                  (Laughter)

20                  MR. BARONE: Let me just say that we certainly  
21 are aligned that there is a need to modernize the  
22 export and import oversight capability of the United  
23 States, no question about that, totally aligned; and,  
24 that there is some urgent need for advanced  
25 technologies to accomplish that.

1           You may recall from June that our subcommittee  
2 had advanced the idea that we should be considering  
3 streamlining the government processes to support the  
4 trade of the United States.

5           So I think where our subcommittee and the IT  
6 Subcommittee may defer is really in a question of  
7 emphasis. So I work and Norm certainly has worked for  
8 a long time with this topic, going back maybe 15 years,  
9 going through various agencies of the government who  
10 see ITDS in a different way.

11           This is a very, very complex topic that  
12 involves millions of importers and exporters, as well  
13 as ocean carriers and ports and all the rest of it, and  
14 lots and lots of data points, lots and lots of points  
15 of entry and exchange of data.

16           This is a very complex topic. That's one of  
17 the reasons that it has taken so long to get where it  
18 has gotten. But that is not the only impediment, which  
19 is why we take and we have taken a differing view; not  
20 an entirely different view, because as I say, at the  
21 end of the day, we're aligned on the major thoughts.

22           But from at least where I sit -- and I might  
23 mention that this is a topic that once you get past the  
24 headline, you get into data at a detailed level. You  
25 get into message formats and whatnot. I know Liz and

1 her team at COAC worked on this, as well. So you get  
2 into -- I mean, literally, you get into the weeds where  
3 it becomes more complicated.

4 But even that isn't the major issue. From  
5 where I sit, the major issue is that you have many  
6 different departments of government, all with different  
7 budgets, all with different appropriators on the Hill,  
8 all with different missions, all with different roles,  
9 that they see their roles as essentially different,  
10 that one role is not congruent with another role. So  
11 that CBP, in one sense, is interested in the prevention  
12 of fraud on the trade side and with keeping out weapons  
13 of mass destruction and other nefarious things out of  
14 the country, that is their role, that is how they see  
15 it.

16 In our business, the Food and Drug  
17 Administration, their role is to see that counterfeit  
18 medicines don't enter the country, and they share that  
19 role with another agency that approaches it as a law  
20 enforcement problem, not a public health problem.

21 So if you have all of these different  
22 motivations and all of these different roles, it is  
23 very, very understandable to me that if I have X  
24 dollars in my agency to spend on a system, I'm going to  
25 spend it on what I believe I should be spending on for



1 the role that has been assigned to me.

2 So when CBP or someone else comes in and says,  
3 "Well, we have A, is this going to make your life  
4 easier," that agency may not see it that way. So from  
5 where I sit and where I've sat for a long time has been  
6 what's needed is that government needs to reorganize  
7 the way that it manages the borders.

8 So that when you have a border crossing on the  
9 southern border and fresh produce is crossing that  
10 border, you don't have four people from four different  
11 agencies. That's not all about data. It's also about  
12 a better use of the people; so that one guy can take  
13 the temperature in that container, but he can also look  
14 to see if there is evidence of vermin and so on, basic  
15 pests.

16 So where Sandi's group and I have differences,  
17 I think they're in the question more of emphasis. In  
18 our view, what needs to come first? In our view, CBP  
19 has started this. They've created these 12 centers of  
20 excellence, and it is a very immature first step,  
21 because they're all CBP people. But what you've got to  
22 put into those centers of excellence are the guys who  
23 are familiar with the companies in those centers.

24 So if Boeing is exporting airplane parts, but  
25 they're also importing airplane parts, so the officers

1 at the border that look at those transactions need to  
2 know Boeing. We don't, in my view anyway, need to or  
3 should we separate that function, but rather see it as  
4 one function, where you have the relevant agencies  
5 working together in service centers to accomplish the  
6 goal.

7 No question, the data has to be there, the  
8 systems have to support it. I believe that. But I  
9 think that every one of those centers is going to have  
10 different data needs, they're not going to be the same  
11 data needs. The people in the Agriculture Department  
12 or APHIS, they're looking for one thing that is very  
13 different from what you're looking for when you have  
14 munitions or stuff, the trafficking in arms, it's  
15 different stuff.

16 So why impose the same systems on these folks?  
17 Instead, why not give each of these centers what they  
18 need?

19 So as I say, we are totally in agreement and I  
20 certainly would echo the recommendation that this  
21 committee endorse an advice to the Secretary that there  
22 should be some movement in this area, but with -- in  
23 our view anyway, with an emphasis that organization be  
24 very prominently mentioned.

25 So this, as I say, is a very difficult topic.

1 There is a concept of operations out there. If you  
2 haven't seen it and you really want to understand what  
3 this is about, then you really need to look at that  
4 document, because it shows the flows, it shows the  
5 interactions between agencies. So I think it would be  
6 helpful to do that.

7 I don't know if you want to add to that, Norm.  
8 Add, change or delete, either way.

9 MR. SCHENK: There's really not much to add.  
10 I want to thank Sandor and Tony for the leadership. As  
11 somebody that works a lot with this day in and day out,  
12 I've learned a lot.

13 MR. LONG: Could you get by a microphone,  
14 please?

15 MR. SCHENK: Sandor and Tony, I get to thank  
16 you twice then, because they didn't hear the first  
17 time. But I do appreciate their leadership on this as  
18 someone that has worked on this issue for a number of  
19 years, certainly a lot myself.

20 There is not a lot I can add other than I  
21 would certainly endorse the recommendation. It makes a  
22 lot of sense, practical and otherwise. I believe next  
23 week at the PEC Council, our CEO will be -- we're  
24 including comments that will support this in our CEO's  
25 comments next week with that.

1           If I could make one comment. Again, in total  
2 support of everything, but would also add, though, that  
3 at the end of the day, we still have to remember that  
4 ITDS really isn't the ultimate solution, because it is  
5 still transactionally-based.

6           I think if we want to look at this from a true  
7 supply chain competitiveness, we have to remember that  
8 there is a broader goal in sight, and that is to get  
9 away -- get out of the transactional business, use ITDS  
10 as the foundation for data collection, but work more  
11 towards an account-based approach so that the highly  
12 compliant companies, many which are represented here  
13 today, like Pfizer and Boeing, et cetera -- I  
14 apologize, I'm leaving many others out -- but that  
15 this should be the foundation for a much bigger goal,  
16 and that is to get away from the pay-by-the-drink  
17 processes. Then we can really transform supply chain  
18 competitiveness.

19           Thank you.

20           CHAIR BLASGEN: Norm, we should make sure we  
21 make that point in whatever recommendation comes out,  
22 that there is a near-term goal and a longer-term goal.

23           Thank you for that.

24           I want to ask Bruce or Ed or David to talk  
25 about why -- in our conversations, there is an

1 opportunistic time now to have an opportunity for this  
2 group to recommend this and why that timing is so  
3 important to us.

4 MR. LONG: Let me just give a little bit of  
5 background on this. This is an issue for all the  
6 reasons that you just heard. It's very important.  
7 It's very high on a number of agencies' priority list.  
8 It's big in the trade community.

9 What's happening specifically with this is the  
10 National Security Staff, the White House is looking  
11 very closely at this and trying to structure an  
12 appropriate executive order to advance these processes  
13 and put the systems that were described in place.

14 Christa Brzozowski was mentioned. She is the  
15 lead staff person on this at the White House, and she  
16 had also spoken and gave a briefing on what they were  
17 doing with the subcommittee on this work.

18 So that work is happening right now and the  
19 opportunity to offer comments that would affect how  
20 that develops and how the workflows that follow that  
21 framework take place is very good right now, something  
22 that is put into the system relatively soon. It is  
23 directly germane to what they're doing today.

24 Sending a recommendation in a year from now,  
25 for example, has nowhere near the effect of saying

1 something to the effect of what the goals and the  
2 processing should look like.

3 So executive orders tend to be frameworks for  
4 advancing work. They provide the guidelines, policy  
5 objectives, calendars. But, again, the content you're  
6 talking about here, this is an opportune time to put  
7 that in.

8 CHAIR BLASGEN: I think after all the  
9 discussions that took place, and I want to make sure  
10 that Tony and Sandi, in particular, are in agreement on  
11 this, I want us to have a dialogue about this and then  
12 decide are we at a point where after today, we can, in  
13 fact, as a team, get behind a consensus recommendation  
14 on this particular topic.

15 I think we're there, but I'm not as close to  
16 it as some of the folks who have been working on it for  
17 so many years.

18 So let me throw this out to the committee and  
19 others in the room here and let's have a dialogue about  
20 this, question things that you might need clarity on  
21 and put your points of view forward so that we can take  
22 them back and develop a recommendation or at least a  
23 path forward.

24 Any comments?

25 MR. WOLL: A question, out of ignorance on my

1 side. How big is the gap? If you look at our process  
2 today and how long it takes to import and export and  
3 all the data and all the different agencies and you  
4 benchmark those -- yet, you mentioned Singapore, Sandi,  
5 which we were chatting before the meeting got started.  
6 There is a benchmark for many things here, but perhaps  
7 for other countries, too.

8 How do we stack up? This is a competitiveness  
9 sort of topic and we've got to be better than our  
10 trading partners. How does that compare?

11 DR. BOYSON: Let me just talk about Singapore.  
12 Bruce, please, if you could kind of help me on this,  
13 because you have, I think, a better sense of the  
14 process flow times for what it takes to get through CBP  
15 processes, ACE processes; Elizabeth, you, as well, I  
16 believe.

17 But in Singapore, there are 37 agencies -- I  
18 believe that is correct -- 36.

19 MR. HARSH: Twelve agencies with three units  
20 each.

21 DR. BOYSON: So 36 reporting controlling  
22 authorities, they call it, right? Thirty-six  
23 controlling authorities, equivalent of our sort of  
24 agency concept, our PGAs here.

25 They apparently can -- if you're a broker, if

1 you're a trader, you can go into a number of almost  
2 like Internet center kind of things -- I have watched  
3 this -- on the island or you can do it online virtually  
4 from another place, and you can file and you can get  
5 information distributed to these 36 controlling  
6 authorities, and you can get a response back similar to  
7 an entry summary kind of response back in 10 minutes.

8 MR. WOLL: Minutes.

9 DR. BOYSON: Minutes, 10 minutes. That is the  
10 average processing time, according to all the studies  
11 that have been done. We spoke to Singapore TradeNet  
12 people about this. It is run by a third party IT  
13 company. It is chartered by CrimsonLogic, I believe is  
14 the name of it. It is chartered by the port authority  
15 that runs TradeNet.

16 MR. WOLL: And that includes whatever org  
17 looks at their security interests in Singapore, so 10  
18 minutes includes all -- includes that?

19 DR. BOYSON: It includes the paperwork, sort  
20 of the entry kind of summary paperwork.

21 Bruce, do you want to elaborate on that,  
22 because that's about the best I can really say?

23 MR. HARSH: No. It's a very good summary. It  
24 does look at these issues very quickly. The technology  
25 does farm out the particular issue within that entry



1 form to the proper controlling agency in their system,  
2 and then that particular agency gets back. So that the  
3 aggregate time is less than 10 minutes.

4 MR. WOLL: So now the sucker-punch question.  
5 What is our score?

6 MR. HARSH: A little bit longer.

7 (Laughter)

8 MR. BARONE: Can I jump in on this? The U.S.  
9 CBP, if you're entering goods that are not subject to  
10 quota and are not subject to other government agency  
11 review, will clear a transaction in seconds, if not  
12 minutes, but not beyond that.

13 But now if you're bringing in a commodity that  
14 may have a pathogen, a suspected pathogen in it, or may  
15 be subject to other government regulation, that can  
16 take weeks. That is very different than transiting a  
17 port. Singapore is moving half the freight in the  
18 world because it's a transiting port.

19 The contents of those containers are not  
20 subject to the same agency review as you would find at  
21 a U.S. border. And you folks who are at the ports  
22 might want to comment on that. It's not the same  
23 model.

24 MR. WOLL: So you're saying you've got to  
25 compare apples and apples, an import to an import, and

1 not an import to a transit.

2 MR. BARONE: That's right.

3 Have you seen this in Los Angeles, that some  
4 goods are clearing immediately and some goods are  
5 taking a long time?

6 MS. RUIZ: Right. But I don't have any data  
7 on the times.

8 MR. WOLL: Well, I guess the reason I'm asking  
9 about this is there would seem to be a natural sort of  
10 starter point on this topic on kind of a call for  
11 action. I guess intuitively, it would seem like there  
12 would be a big gap, but we would need to have, I think,  
13 something that was a little bit data-driven that says  
14 here is how far behind we are our trading partners, in  
15 that, in fact, is our position.

16 It makes good intuitive sense, but it would be  
17 great if we had a good data-driven platform to start  
18 from.

19 MR. LONG: Just a question. Are there  
20 differences in processing time for products whose  
21 destination is Singapore as opposed to a transit?

22 MR. BARONE: The last that I heard of this,  
23 the Chinese were working with Singapore I order to  
24 facilitate an importation system into Singapore, and  
25 they did not come to agreement on that.

1           So what you have is in-transit goods that are  
2 moving over the port of Singapore that are not destined  
3 for Singapore.

4           But as far as an entry into Singapore from  
5 China for commodities for consumption in China, they  
6 reached no agreement on that.

7           You folks might have different information,  
8 but that is what I understood as of a couple of months  
9 ago.

10          DR. BOYSON: I can just add one other thing,  
11 which is that we were told by the TradeNet folks that a  
12 very high priority for them right now is setting up a  
13 single window system for the ASEAN Region, particularly  
14 because of the role of high tech and the amount parts  
15 exchange that has been going on.

16          There is quite a bit of manufacturing in  
17 Singapore, as you know. They are the world's -- I  
18 believe the world's leading producer of disk drives. I  
19 believe that's correct. They also have a third of the  
20 world's processing of oil facilities in Jurong Island.

21          So I just think that when we look at  
22 Singapore, the lesson to take away really is that they  
23 designed the system to be as simple as possible. They  
24 do a lot of transshipment. It's true. And they also  
25 are attempting to use their automation systems to gain

1 regional competitive advantage and extend their model  
2 out not only to China, which has extensively studied  
3 the Singapore model -- I've been going to China since  
4 1976 and I can tell you that Nankai University, which  
5 has a supply chain center, has done extensive  
6 documentation of the lessons learned from Singapore for  
7 the Chinese government and there have been heads of  
8 state visits where Li Kwan Yu has briefed them on  
9 TradeNet and automation systems.

10 So now they are trying to extend it out to the  
11 ASEAN Region. So the question you have to ask yourself  
12 is to what extent these kinds of automated processes  
13 following the model of corporate extended supply chain  
14 and becoming vehicles for competitive advantage not  
15 just across companies anymore, but across regions --  
16 that's why we in the proposal suggest that we really  
17 clearly look at the requirements that ASEAN and others  
18 are generating right now for interoperability of our  
19 single window.

20 CHAIR BLASGEN: One question I have, for the  
21 corporations in the room who are familiar with this  
22 area around the world, do you also hold that opinion  
23 that Singapore is best in class or close to it?  
24 Because to me, if so, then maybe it frames a little bit  
25 about our recommendation in terms of trying to

1 understand what is best in class and is the U.S. moving  
2 in that direction.

3           Shawn or anyone have a comment on that? I  
4 mean, are there other countries that are doing it just  
5 as well that we ought to think about?

6           MR. WATTLES: Singapore is not one of our  
7 major players. So I don't have the experience with  
8 Singapore to really comment.

9           VICE CHAIR DARBEAU: Can I make a comment? It  
10 is best in class, but it would be a fatal mistake to  
11 think of Singapore as the United States.

12           CHAIR BLASGEN: Right.

13           VICE CHAIR DARBEAU: They organize from top to  
14 bottom, which is typically why they do so well. They  
15 have a serious alignment with their government with  
16 regard to what you see on the industry side of the  
17 results.

18           We don't have that scenario here in the United  
19 States today, but we could still learn from them. They  
20 are the best in class. They run the best ports in the  
21 world. They are the performance benchmarks. We could  
22 use this to make CBP work better, to make the systems  
23 flow better.

24           But you're going to have self-imposed  
25 constraints that we put on our own system that we have

1 to deal with. That is a manifestation of our system  
2 more than it is anything else. We've got to keep that  
3 in mind, too. Ours is way more complex. They are way  
4 more simple.

5 MR. STEENHOEK: This may come up in the actual  
6 recommendations, but Tony was mentioning some of the  
7 specific criteria that are being examined. When a  
8 shipment comes into the United States, it could be  
9 phytosanitary, it could be intellectual property, it  
10 could be homeland security considerations, all of those  
11 type of things.

12 So there's a large number of hoops that have  
13 to be jumped through. There's a number of boxes that  
14 have to be checked off. So are the actual -- the  
15 recommendations, is A there needs to be fewer boxes to  
16 check off or there needs to be fewer agencies that  
17 ultimately have jurisdiction over the checking off of  
18 those boxes or there needs to be better information-  
19 sharing among the agencies that are checking off the  
20 boxes so that the process is more expedient?

21 So what are kind of the actual recommendations  
22 to expedite that process?

23 MR. BROWN: I think I'll try and answer that  
24 question from my perspective or the team's perspective,  
25 and Sandi and others can jump in.

1           The single window, the technology aspect of  
2 this, has to be process agnostic. It has to be data  
3 agnostic. We have to be able to deal with whatever  
4 processes are put in place.

5           Of course, we want to improve the process so  
6 that the technology supports the process as opposed to  
7 the other way around. But at the end of the day,  
8 requirements are going to change. They're not going to  
9 be static today as it's going to be two years from now  
10 or ten years from now.

11           So as you build that system, the system has to  
12 change with it; thereby, the technology that you need  
13 has to be built in such a way that it can be easily  
14 updated and changed to reflect those process political,  
15 environmental, whatever you have, situations that cause  
16 it to change.

17           Like I said, I'm not sure if that answers your  
18 question or not, but that was the idea, from a  
19 technology perspective, as to why and what that single  
20 window will do for us from a process perspective.

21           CHAIR BLASGEN: Thanks, Stan.

22           Other questions?

23           MR. BARONE: We are actually in agreement on  
24 the major points, and there is some need to move on  
25 this, for this committee to produce a recommendation.

1           Would it be possible for staff actually to  
2 draft that recommendation so that that can be acted  
3 upon, maybe circulated through the group? I don't  
4 think we need to get into the weeds as to the details,  
5 but at least on a high level to -- but we are in  
6 agreement with maybe points of this agreement, which  
7 they will, I would assume, always be.

8           But maybe we can just move forward with a  
9 recommendation. Is that possible?

10           MR. LONG: We can help with that. Yes. We  
11 definitely can help with that.

12           MR. BARONE: Is that a plan?

13           DR. BOYSON: Rick, our committee agrees with  
14 that -- our subcommittee agrees with that point. And I  
15 think in our discussions, which, just for the committee  
16 to know, we had on Monday about this issue, I think  
17 that is where we kind of wound up, which was that there  
18 needed to be a letter written that could kind of take  
19 the main points from both subcommittees, which are  
20 highly aligned, and craft a letter to the Secretary  
21 sharing our sense of urgency about this and asking her,  
22 importantly, to support White House leadership  
23 engagement in the process of ACE redesign and rapid  
24 deployment.

25           MR. WEILL: I have just sort of a -- one of



1 the most interesting things or points that I think Tony  
2 made was around that each of the agencies has their own  
3 sort of objective. But have we thought about --  
4 because they don't have to be mutually exclusive.

5 If I think of sort of our company,  
6 manufacturing has an objective, quality has an  
7 objective, but ultimately we have sort of bigger  
8 purpose to try to make sure that all those groups work  
9 together to deliver our consumer with the greatest  
10 experience when they get our product.

11 So I get if you have limited money and  
12 everybody is trying to sort of optimize their own  
13 bucket, but do we think about it in a way where -- how  
14 do we get these agencies -- I mean, because you want to  
15 be safe. You don't want weapons of mass destruction,  
16 you want food to be safer, drugs not to be -- but how  
17 do we get that sort of greater purpose so that we're  
18 pooling the money? Because sometimes it costs a little  
19 bit more to do -- add something on.

20 Like, when we do a quality audit, we may do an  
21 audit at the same time to make sure that best practices  
22 -- that we don't have child labor and those kinds of  
23 things. So that there is one audit team that goes in  
24 that covers a broad range of things as opposed to I'm  
25 just looking at food safety today and someone else has

1 got to worry about something else.

2 And that's how industry works, right? Because  
3 we need to deliver that, but we need to optimize it and  
4 do it most efficiently, as well.

5 MR. BARONE: Well, that's the idea of the  
6 service centers. The service center for food will be  
7 different than a service center for -- actually, for  
8 transportation, because carriers, airlines, railroads,  
9 crossing the border are different than manufacturers of  
10 peanut butter.

11 CHAIR BLASGEN: Sandi?

12 DR. BOYSON: Rick, just one last comment. If  
13 you look at the August 2013 plan of CBP for ACE,  
14 Appendix B, which I, unfortunately, went through last  
15 night, I counted 123 items listed in the appendix --  
16 123 items -- which are called stakeholder prioritized  
17 product backlog items, meaning these are our industry  
18 and interest groups saying that they need these things  
19 to be built in to CBP.

20 So I would just like to kind of say that in  
21 addition to wanting White House leadership and support  
22 to help maintain process discipline within the Federal  
23 Government and across its agencies, there similarly  
24 needs to be some process discipline and sense of shared  
25 sacrifice to come up with a common user interface that

1 can be used across industries, that can draw out as  
2 many commonalities as possible, because just given the  
3 magnitude of resources that are going to be necessary  
4 to meet these 123 items -- these are not simple items -  
5 - I think it really points to the magnitude a of  
6 discipline government and industry are going to need to  
7 have to finish the job here.

8 CHAIR BLASGEN: And you view that White House-  
9 led SWAT team as the task force that would facilitate  
10 that.

11 DR. BOYSON: Well, again, I think that what is  
12 clear is that it hasn't worked without it. So I think  
13 that it really needs to have this degree of muscle put  
14 behind it for the agencies to know that there is  
15 accountability coming out of the Executive Office about  
16 this and this is something that I know Christa feels  
17 very strongly about. We talked about it. And there is  
18 a place for the White House to say, "Hey, this is an  
19 urgent national priority and we need to get behind  
20 this," and then there is a sense of shared sacrifice.

21 But it has got to involve not just government.  
22 It has got to involve industry. And I think what Norm  
23 suggested in terms of what he believed was an  
24 organizational structure for a steering committee that  
25 would have one member from the White House, one member

1 from the private sector trade community.

2 You have indicated you have some confidence  
3 that that kind of structure has worked in the past and  
4 could potentially work again here. Is that correct?

5 MR. SCHENK: Yes. Thanks, Sandor. Again, I  
6 am in complete agreement with all your comments. Thank  
7 you on that.

8 I'm going to apologize in advance if I sound a  
9 little preachy, but as a supply chain provider that  
10 touches every part of the supply chain from start to  
11 finish, all modes, including an exporter and importer,  
12 we see day-in and day-out all the challenges of the  
13 supply chain for that.

14 I think Sandor's point and what we were  
15 talking about there about having this kind of oversight  
16 and leadership, because you've got to keep --  
17 respectfully speaking, you've got to keep the children  
18 in line sometimes. And what happens here is a lot of  
19 times, there is good intent and good purpose, but what  
20 there isn't is the oversight and the empowerment to the  
21 people that really understand to make the right type of  
22 decisions. And I'll give one example here.

23 Again, I am full support of ITDS and the  
24 recommendations. I think it's great. But I'm also a  
25 realist in terms of looking at what the supply chain

1 thing is, and we have agencies out there today  
2 directionally that are moving towards these positive  
3 certifications that you have to do on a shipment-by-  
4 shipment basis.

5 And you have the groups like CPSC right now  
6 which is just starting up; IPR, which is in the early  
7 discussions. And unfortunately, we lost some good  
8 leadership at the White House with the person in charge  
9 of that. But if we don't have all these agencies  
10 moving in the right direction in terms of fundamentally  
11 what needs to happen to really encourage the right  
12 supply chain procedures for that, ITDS is going to get  
13 bogged down.

14 So I think to Sandor's point here, this type  
15 of oversight and leadership and participation by the  
16 White House, senior government leadership, and  
17 knowledgeable people from the trade that have the  
18 ability to understand and influence and effect change,  
19 so ultimately what we're trying to do here really is  
20 transform supply chain effectiveness.

21 Again, I'm going to apologize at the end like  
22 I did because I didn't mean to preach. I was just  
23 trying to share the broader picture.

24 Thank you.

25 CHAIR BLASGEN: Norm, you bring up a good

1 point and I keep harkening back to our charter. We're  
2 an Advisory Committee on Supply Chain competitiveness,  
3 not just one aspect of it. So we need to -- I feel  
4 strongly, anyway, we have an obligation to make those  
5 broad claims and declare what we say is going to be  
6 needed in order for the country to be globally  
7 competitive within the supply chain arena, which drives  
8 commerce.

9 So I think you're absolutely right in saying  
10 it.

11 MS. SHAVER: If I could follow-on with what  
12 Norm just said and, also, a couple of other points that  
13 have been made, that what is the true facilitative  
14 value of ITDS. There is definitely value in the  
15 automation process and not having to run around with  
16 paper forms, get them stamped, type them in manually  
17 into another system. That is absolutely facilitative.

18 But that is not the bulk of it. The bulk of  
19 it is what happens behind the scenes. Now that you  
20 have that data on the government side, what do you do  
21 with it? The power of data to power risk management  
22 and how you target shipments and how you facilitate  
23 shipments is huge.

24 So it is really important that as a base  
25 fundamental principle going into this, you're looking

1 at it as now that I have access to all of this  
2 electronic data in advance, how do I target, how do I  
3 look for risk patterns, how do I look for anomalies  
4 that I know that I need to go look at that.

5 And as Norm mentioned, we're moving to an  
6 account-based system where you recognize the trusted  
7 traders, you recognize the regular trade flows, you  
8 recognize these things and you're not just looking at  
9 each transaction as if it's a new transaction that  
10 you've never seen before.

11 That's where the real power of ITDS lies. So  
12 along with getting it done in terms of the IT side, we  
13 really need a change in thought process to a risk  
14 managed system on the backside.

15 MR. STEENHOEK: And I think that's a really  
16 healthy comment. I guess two questions that I have.

17 Number one, is this just as much of an  
18 impediment to competitiveness on the import side as the  
19 export side? Then another question just kind of  
20 related to dovetail with your comments is it would be  
21 helpful, I think, if you could provide some real  
22 specific examples, almost in the form of a flowchart,  
23 where you're actually providing a specific example of  
24 an import or an export under the current regime and all  
25 of the hoops that have to be jumped through and all of

1 the costs and the time delays associated with that, and  
2 then juxtapose that with the potential scenario and  
3 just to be able to, to Ron's point, really showing,  
4 okay, what kind of cost savings, what kind of  
5 efficiency gains are we actually talking about and  
6 really quantifying it.

7           Maybe that work has already been done, but  
8 providing just a specific commodity or specific product  
9 as it navigates through this process, current versus  
10 potential.

11           CHAIR BLASGEN: And as is in a 2-B and what  
12 are the savings in not only time, but money, as well.

13           MR. BARONE: We have to be really, really  
14 careful when we try to make a complex topic simple,  
15 because it just doesn't work. I could give you an  
16 example of toys coming from Canada and then compare  
17 that to letters coming from Mexico. It's two different  
18 topics.

19           So if you use the example of the toys, you're  
20 going to get one result. If you use the example of the  
21 thing coming from Mexico, you're going to get a  
22 different result.

23           So that's why it's complicated. But I agree  
24 with Liz. It goes beyond that. That's even a  
25 different question. But when you put the compliance



1 officers in the same room -- and I don't mean that  
2 literally -- but looking at the same company, then  
3 they're familiar with the company and they don't have  
4 to ask for documents and make phone calls and all that.  
5 Now, we know Pfizer or we know Boeing, they're okay.  
6 We don't need to rely entirely on data for targeting,  
7 but there's some human intelligence, as well.

8 But anyway, getting back -- I don't want to  
9 take up the time here, but the suggestion was that we  
10 put together a recommendation and maybe circulate it.  
11 Do we need to wait for the next meeting to do that or  
12 can we do that over the phone or how do we do that?

13 MR. LONG: That could be prepared and  
14 circulated from the subcommittees that are happy with  
15 something. Working together, we draw from whatever the  
16 committees produce. We help you with that. Then the  
17 documents can be circulated.

18 But eventually, in the ground rules for this,  
19 it has to be the entire committee has to say something  
20 in favor of it.

21 CHAIR BLASGEN: So the next steps would be we  
22 begin to craft that recommendation. I'd like to make  
23 sure Sandi and Tony have a shot at that recommendation  
24 that comes up.

25 David, is there anyone else in government you

1 should vet this with just to make sure there is no  
2 other fatal flaw that we may not anticipate?

3 MR. LONG: Whatever documents and  
4 recommendations are produced here, we'll make sure  
5 they're shown to others and checked for factual errors  
6 or obvious mistakes. In the end, it is your work and  
7 we can assist you with doing it, but we'll do some  
8 checks to make sure that it is --

9 CHAIR BLASGEN: Okay. All right. Great.

10 MR. BARONE: So will you circulate the report,  
11 as well? Because the letter won't be as detailed as  
12 the report.

13 MR. LONG: Yes.

14 MR. BARONE: So just one more question. So  
15 there are three possibilities that people vote I agree,  
16 I disagree, or I don't know enough about this to have  
17 an opinion one way or the other.

18 So what are the three possibilities? If  
19 everybody agrees, you have a consensus. If X number  
20 disagree, you don't have a consensus. And if nobody  
21 knows what we're talking about, what happens then?

22 CHAIR BLASGEN: Silence is agreement.

23 (Laughter)

24 MR. BARONE: I'm just anticipating. I just  
25 want to see if they move forward.

1           CHAIR BLASGEN: I think we'll work that  
2 through the process. We'll have the leaders of each  
3 subcommittee review it with their subcommittees and  
4 make sure there is no -- we wanted to spend the time  
5 here to talk about this with the understanding there  
6 will be a recommendation coming forward, which is why I  
7 asked if there is any input, any clarifying questions  
8 that need to be put forth.

9           If not, we'll develop the draft of the  
10 recommendation, share it, I think, first, with you and  
11 Sandi, make sure you're okay with it, share with the  
12 overall group, have folks have a reasonable time to  
13 respond back with anything that they see as a major  
14 issue, and file it forward.

15           It's one of those things, if we continue on,  
16 we'll be here six years from now and continuing to  
17 debate it and nothing will get done.

18           MR. LONG: We will check the specifics.

19           CHAIR BLASGEN: Is everybody okay with that?  
20 All right. Are there any other questions for each of  
21 these subcommittees?

22           MR. BOWLES: Could you set a timeline to get  
23 it done?

24           CHAIR BLASGEN: Timelines, yes.

25           MR. BOWLES: Would you set a timeline?

1           CHAIR BLASGEN: Well, I think after today,  
2 we'll talk about how long does it actually take to put  
3 this recommendation together. Is it a matter of hours  
4 or days or weeks? Hopefully, somewhere in the middle.  
5 And then we'll circulate that, because I know that  
6 there is an opportunistic window here that we need to  
7 consider with regard to what is going on outside of  
8 this committee so that we have an opportunity for  
9 success, and that is near term. So this is not a long,  
10 drawn-out process.

11           All right. So with that, as good  
12 logisticians, we are right up against our coffee break.  
13 I would suggest we break for 15 minutes and be back at  
14 it at 10 minutes to 11:00. Refresh our coffee, and  
15 then we'll hear from Cynthia.

16           Great. Thank you.

17           (Whereupon, at 10:34 a.m., the meeting was  
18 recessed.)

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1 AFTER RECESS

2 [10:57 a.m.]

3 MR. LONG: We are getting started here with  
4 the next item on the agenda.

5 The next group up is the Freight Policy and  
6 Movement group. As we did in the last session on  
7 single window, this issue has a lot of specialized  
8 complex things to it that may or may not be as well  
9 known to everyone.

10 To provide a common context for what we're  
11 doing, we have two representatives from our friends at  
12 the Department of Transportation with us. One is Paul  
13 Baumer. Paul, could you stand up? You all know Paul  
14 from previous meetings. Paul is with the Secretary's  
15 office.

16 We have Randy Resor from DOT, who is going to  
17 launch the discussion of this, provide some context on  
18 how we're working together and what DOT is doing in  
19 this whole area in which freight policy figures.

20 So without further ado, let me turn it over to  
21 Randy.

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1           **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**

2                           **FREIGHT POLICY AND MOVEMENT**

3                           **Subcommittee Chair Cynthia Ruiz**

4  
5                   MR. RESOR: David, thanks for giving me a  
6 chance to speak here briefly.

7                   At DOT, we are focusing right now on defining  
8 the conditions and performance measures for the freight  
9 system, which is something Congress required us to do  
10 and which needs to be complete by October 1, 2014.

11                  To do this, we have set up six teams aligned  
12 with these six strategic goals -- well, seven,  
13 actually, but the seventh is organizational excellence,  
14 which doesn't count here.

15                  So these six teams are aligned with six  
16 strategic goals of the department, which include things  
17 like economic efficiency, safety, security and  
18 resilience, state of good repair, and so forth. And in  
19 each of those areas, we are attempting to come up with  
20 one or two or possibly three measures of the  
21 performance of the freight system.

22                  These measures will be published on our  
23 Website by October 1, 2014, but in addition, they will  
24 inform the national strategic freight plan which DOT  
25 owes to Congress by October 1, 2015.

1           So we have about 56 people working on this  
2 right now, and we are coming at it from a modal  
3 perspective. We are trying to measure the performance  
4 across all the modes, but the performance of each mode  
5 in the supply chain.

6           We are, if you will, coming at it from the  
7 opposite end that this committee is. This committee is  
8 looking from the shipper perspective at how the various  
9 pieces fit together to deliver a reliable and  
10 reasonable and effective transportation system.

11           Since all of our funding is determined modally  
12 or at least almost all of our funding -- the TIGER  
13 program is one exception -- we are looking at it from  
14 the perspective of trying to allocate funds in the  
15 future on the basis of the national strategic freight  
16 plan.

17           So that is what we are up to, and I think the  
18 work of our National Freight Advisory Committee really  
19 fits very well with the work of this committee and I  
20 think we will get a lot more out of the process if we  
21 all work together to try to come up with something that  
22 can inform that strategic freight plan, and that is the  
23 objective here.

24           Thank you.

25           CHAIR BLASGEN: Great. So, Cynthia, let me

1 turn it over to you, and walk us through what your  
2 subcommittee has been working on.

3 MS. RUIZ: Thank you very much. Cynthia Ruiz,  
4 with the Port of Los Angeles, the Chair of the  
5 Subcommittee on Freight Policy and Movement.

6 We are happy to announce this morning that we  
7 actually have some recommendations. We understand that  
8 this is a work in progress and will have additional  
9 recommendations, but we wanted to actually get the ball  
10 rolling.

11 And I just want to acknowledge the committee  
12 members. I have an amazing group of people to work  
13 with. Raise your hands, Leslie, Chris, Ron, Dean,  
14 Carl, Joe, and we have great support staff from Russ  
15 and -- I'm sorry, I forgot Lance.

16 So we have a great group of people that we've  
17 been working very hard over the summer. So what I  
18 would like to do is actually go through the  
19 recommendations.

20 We have four recommendations that we'd like to  
21 submit for consideration for the committee today. Then  
22 what we're going to do is we're going to have a  
23 PowerPoint presentation kind of giving you the thinking  
24 of how we got to these recommendations. So we're going  
25 to back our logic into the recommendations through a



1 PowerPoint.

2 But our Recommendation No. 1, what we're  
3 saying is in preparing the MAP-21 freight  
4 transportation conditions and performance report, we  
5 are recommending that the Secretary of Transportation  
6 must consider supply chain competitiveness. So first  
7 and foremost, we are a Committee of Supply Chain  
8 Competitiveness, so we are saying that that should be a  
9 factor that DOT takes into consideration.

10 The second recommendation we have is supply  
11 chain competitiveness must address the end-to-end  
12 performance of the supply chain from the shippers'  
13 perspective. And as Randy indicated, our perspective  
14 is a little bit different from DOT, because this is the  
15 shippers' perspective, but it's important to go from  
16 end-to-end.

17 Recommendation No. 3, supply chain performance  
18 should be measured, and we came up with five different  
19 factors that we think that should be taken into  
20 consideration when you're looking at performance: 1)  
21 transit time; 2) transit time reliability; 3) safety;  
22 4) cost; and, 5) risk. So when you are looking at it,  
23 we think all those factors should be taken into  
24 consideration.

25 So, again, transit time; transit time

1 reliability; safety, cost; and, risk.

2           The fourth recommendation is we are  
3 recommending that a pilot series of supply chain  
4 performance mapping exercises be conducted. So as we  
5 move forward, we feel that our critical task is by  
6 November 1, that the subcommittee that we're working  
7 with should deliver a catalog of potential supply chain  
8 performance metrics for review and approval by the full  
9 committee.

10           But we wanted to put these four  
11 recommendations out. And to give you some background  
12 on how we got here, because we've had a lot of  
13 discussions, many, many conference calls. We had  
14 another meeting last night. But I want to turn it over  
15 to Lance Grenzeback from Cambridge Systematic, Inc. to  
16 kind of run us -- walk us through -- not run us -- walk  
17 us through the PowerPoint so you can see our logic and  
18 thinking of how we got here.

19           Lance?

20           MR. GRENZEBACK: Thank you, Cynthia. I guess  
21 while we pull up the slides, let me note that the  
22 progress report that I am going to deliver this morning  
23 is really the result of a lot of work of the working  
24 committee that Dean Wise, Joe Bryan, Carl Fowler, and  
25 Russ Adise put together; plus, I would note Cynthia's

1 late, late night review committee work; Chris, Leslie,  
2 a whole series of us, including visiting people. Randy  
3 sat in until late hours and we enlisted Fran and Linda  
4 to work on that.

5 So the positive thing about that is that in  
6 exchange for my going first and presenting this  
7 summary, they have all volunteered very graciously to  
8 answer any difficult or embarrassing questions.

9 (Laughter)

10 MR. GRENZEBACK: So you should please make  
11 note of that before we're through. Thank you.

12 (Slide presentation.)

13 MR. GRENZEBACK: The first slide, this is just  
14 a summary of what we were -- our subcommittee  
15 assignment, the Freight Policy Subcommittee assignment.  
16 The broad umbrella question was what metrics and  
17 priorities need to be included in the MAP-21 freight  
18 conditions and performance report to enhance trade  
19 flows and competitiveness.

20 What we have really been focusing on and  
21 reporting on today is that bottom piece in blue, which  
22 is the question of what performance measures have the  
23 greatest value in assessing the supply chain  
24 performance. So that is what I am going to be  
25 addressing today. That was the question.

1 Next slide, please.

2 (Changing of slides.)

3 MR. GRENZEBACK: The working group, when we  
4 sat down, put together these four steps as our  
5 approach. I would point out, in retrospect, it was a  
6 lot clearer to us than when we were starting through.  
7 But what we did was set up four tasks, and I will speak  
8 to each of those in the next slides.

9 One was to see if we could define a common  
10 supply chain architecture. Basically, sort of what are  
11 the links and nodes or lanes and transfer points that  
12 comprise or make up a supply chain.

13 Secondly, taking that then and saying of those  
14 supply chain links and nodes, where are the pain  
15 points, where should we be monitoring performance and  
16 looking at that process and doing things like that.

17 Then, three, saying from that, what  
18 performance measures, therefore, should we be looking  
19 at.

20 Then, finally, what are the metrics and the  
21 data sources for those? I think we've tackled all four  
22 of those and we are still working on some of the latter  
23 pieces, but I am going to walk through those in a few  
24 minutes.

25 Next slide.

1 (Changing of slides.)

2 MR. GRENZEBACK: We bounded our problem a  
3 little bit, setting up some guidelines for ourselves.  
4 They are listed here in this fourth chapter.

5 So one thing, and this is like the Surgeon  
6 General's warning on the packaging for this, we  
7 addressed the performance of supply chains. We did not  
8 address the performance of the modes, and Randy's folks  
9 are covering that. We didn't look at networks. We  
10 didn't really focus directly on assessing environmental  
11 impacts and the like.

12 So this is a pretty narrow perspective, as  
13 Cynthia said up front, of looking at it from a supply  
14 chain perspective. We understand that others will be  
15 looking at other aspects of the freight transportation  
16 system. So this is not an inclusive look at that.

17 Second, we started to look -- after we looked  
18 at supply chain, we said we really want to focus on  
19 what up here we have listed as the public or quasi-  
20 public links and nodes. That is, we want to look at  
21 the ports, highways, rail lines, and airports, but we  
22 really don't want to look inside the manufacturing  
23 operations, warehousing or distribution.

24 Dean summarized it last night as saying we  
25 want to focus on the outdoor activities, not the indoor

1 activities, outdoor sports, not the inside, because it  
2 is really the transportation elements that we are  
3 looking at that are critical from a public policy point  
4 of view for DOT and Commerce.

5           The third point is we really are focusing on  
6 measures that are common across the supply chains and  
7 we have the ability to drill down. That was backed up.  
8 We heard from all of the public and private sector  
9 people we talked to, as well as the literature, to keep  
10 it simple. If you get more than three, four, five  
11 measures, you are probably not going to continue them  
12 past the first six months and nobody will pay any  
13 attention. You will always have the opportunity to  
14 drill down and to take a look at a specific crane  
15 working in the port on Tuesday morning and worry about  
16 how that is, but that is not the objective of this  
17 committee at this point.

18           And the last piece is we were -- and  
19 consistent with that, we are not talking about  
20 measuring the performance of every single supply chain  
21 out there. We do not want to be duplicating what  
22 Target or Boeing or anybody does at that level. We are  
23 looking at a fairly high level representative set of  
24 supply chains perhaps by industry that give us a  
25 bellwether, a sense of where the programs -- where the

1 system is going, not to sort of duplicate pieces.

2 MS. RUIZ: And where the commonalities are.

3 MR. GRENZEBACK: Commonalities. So we are not  
4 looking at the details.

5 So back to the -- we did go through -- Carl  
6 Fowler of Menlo Logistics pulled out dozens upon dozens  
7 of detailed supply chain maps from their client list  
8 and we looked at those, and he and his staff went  
9 through and helped us pull together a simplified chart.

10 But what he has done here is he has looked at  
11 -- if you are looking at it from the left, it is one of  
12 the nodes and links involved in bringing people in from  
13 offshore; the top, bringing from domestic suppliers;  
14 bringing them through manufacturing or processing or  
15 some action in the center; and, then, moving them out,  
16 on the right, to domestic consumers or, on the bottom,  
17 to foreign -- shipping them back out to foreign  
18 customers.

19 If you look at each one of these, there are a  
20 huge variety. Individual companies will have much more  
21 complex systems, but these are the kind of basics of it  
22 and can always fiddle with this.

23 What we did then, and you will see those  
24 little starbursts that are just barely visible at this  
25 distance, with the ABCs.

1           What we did on the next slide was to go  
2 through and say if you look at each of those nodes and  
3 links, what are the problems, what are the pain points  
4 involved in there.

5           Then on the next slide -- and a paper version  
6 would be easier to read -- but we said -- I'm sorry,  
7 back up one. We said if you look at the problems  
8 involved in each one of them, for example, domestic  
9 ground transportation, driver services, hours  
10 restrictions, fuel volatility, different truck weight  
11 restrictions for truckers, if you look at all those  
12 points, we said what do you need to measure about the  
13 outcomes of those problems in order to get a sense of  
14 whether a supply chain has problems or no problems.

15           So there is a fairly exhaustive list here, but  
16 I am sure that others of you can add to that at that  
17 point. And we convinced ourselves that there were, as  
18 you can see, a lot of them. So it was not a trivial  
19 issue to go on.

20           Then we turned to the question of performance  
21 measures and metrics, and we are crediting either Mike  
22 or Dean with the five. We boiled it down, after some  
23 discussion, to saying we are going to focus on the top  
24 five measures, which are transit time, transit time  
25 reliability, safety, cost, and risk. And we've given



1 some examples.

2 In transit time, what is the travel time  
3 between the Port of LA and Chicago in days and what is  
4 the variability of that over time for a supply chain?  
5 What is the safety risk? We can look at fatalities,  
6 but there are relatively few. So we were beginning to  
7 lean toward -- OSHA has a measurement of the number of  
8 days that employees are out in different types of  
9 facilities for sickness, accidents, and other pieces.  
10 It might give us something targeted.

11 Cost is fairly straightforward, in dollars.  
12 And risk, the good example of how you do that would be  
13 to look at, for example, the sum of loss and damage  
14 things, and Dean will talk a little bit more. That is  
15 a fairly complex area. When we get to the end, we will  
16 talk a little bit more about that.

17 Also, people said, "Well, you haven't factored  
18 in here environmental and regulatory impacts," which  
19 are very important, but from a supply chain manager,  
20 they are probably something you gain by making travel  
21 time improvements, not necessarily an objective  
22 themselves.

23 So we would note here that there are  
24 environmental and regulatory factors and I am pretty  
25 sure that DOT will look at carbon emissions and

1 efficiencies of Btus and things like that to capture  
2 some of those.

3           Again, we have sort of narrowed our scope here  
4 to look at just these top five.

5           I will give you an example. If you were to go  
6 and take a look at a big box retail, like a Target or a  
7 Walmart, somebody like that, look at their supply  
8 chains, you would probably want to focus in on the  
9 nodes and the sort of modes, the links that are shown  
10 there in sort of red in there.

11           Each industry and each thing will have a  
12 slightly different pattern of modes that they use,  
13 different nodes, but you would want to measure those in  
14 particular.

15           Next slide, please.

16           (Changing of slides.)

17           MR. GRENZEBACK: You would have to bring that  
18 down to the ground. So you can't just talk about  
19 supply chains generically. You have to say, "Well,  
20 hey, show me a big box supply chain on the ground."

21           So one of the tasks in the pilot that Cynthia  
22 mentioned will be to say, "Okay, I've got a  
23 representative of big box supply chains, what do I want  
24 to look at." So here we have got -- if you are moving  
25 stuff through the Port of LA, by rail through Chicago,

1 on to distribution centers in New York, that comes down  
2 to the ground. Do you pick that as representative of  
3 what is going on? You could.

4 (Changing of slides.)

5 MR. GRENZEBACK: And in the next slide, that  
6 means then you would want to take a look at measuring  
7 some of the performance of those links on that supply  
8 chain to give yourself a picture of what is out there.

9 (Changing of slides.)

10 MR. GRENZEBACK: In the next slide, what you  
11 would do then is you would say each link, each node, it  
12 might take me four days to get through Customs and the  
13 port, it might take less than a half a day to move from  
14 the port up to a railhead or consolidation center. We  
15 are probably not going to look inside the consolidation  
16 center. But then you move from there to the railhead  
17 and you begin to put those together.

18 MS. RUIZ: And this is all hypothetical data  
19 as opposed to fake data.

20 MR. GRENZEBACK: Correct, yes. This was all  
21 made up on the spot because it fit in. It is probably  
22 not wildly out of range, but it is all illustrative.  
23 So don't breathe it too deeply.

24 Next slide.

25 (Changing of slides.)

1           MR. GRENZEBACK: What you would begin to do  
2 then is you would pull these together and you would say  
3 down the rows, I've got my links and nodes. What am I  
4 seeing for travel time or dwell time if the stuff is  
5 sitting there? Reliability, safety, risk, and  
6 transport cost. Then you would pull these together.

7           What we set about was to say is it reasonable  
8 to find data to support this stuff. We fully expect  
9 that in some cases, you are not going to be able to see  
10 every little piece. You may see a bigger chunk of it  
11 at once.

12           So there is a lot of work to be done at some  
13 point to figure out what is the best way of pulling  
14 this stuff together, what is the most cost-effective  
15 way. The idea is you would sum up across a  
16 representative supply chain and say what is going on  
17 out there.

18           Next slide, please.

19           (Changing of slides.)

20           MR. GRENZEBACK: On your wish list would be  
21 to do this over enough time so you could see here is a  
22 pattern in the performance of a representative supply  
23 chain and going up and down. Can I explain something?  
24 Well, the recession explained some of that. But if I  
25 begin to watch it tic up and up and up, do I have a

1 problem with the performance of this supply chain? Is  
2 it affecting its competitiveness? And that is then the  
3 excuse for the DOT, Commerce, industry to say, "Yeah,  
4 there are problems and it is with infrastructure or  
5 regulatory issues or something else" and begin to dig  
6 down and go back and look at a specific pain point an  
7 say how do I fix that.

8 So that's the logic. Again, hypothetical data  
9 here. So don't inhale it very deeply.

10 Next slide.

11 (Changing of slides.)

12 MR. GRENZEBACK: We started a brief  
13 discussion, and this is something that probably the  
14 larger committee wants to weigh in on at some point, is  
15 what would you pick as your representative or  
16 bellwethers out there. Our thought was that you would  
17 probably want to look at major industrial sectors,  
18 retail food, something in manufacturing, agriculture,  
19 energy, perhaps some high tech areas, and you would  
20 want to pick at least one or two geographic, because  
21 they are going to be in different parts of the country,  
22 these industries.

23 Then you want to begin to sort of say, "Well,  
24 I would like to look at food within this area,  
25 geographic area and on the west coast." So you may

1 want to think about eventually having two, three  
2 representative supply chains in each of these industry  
3 areas so that you get a sense of what is going on both  
4 industry-wise and geographic distribution.

5 We haven't sort of made hard recommendations  
6 on any of that. So that is open for the committee's  
7 discussion.

8 The last piece -- and Joe and Dean and Carl  
9 spent a lot of time on this -- was to say, "Okay, fine,  
10 that's good hand-waving and graphics, but are there the  
11 data out there to actually sort of do this." And what  
12 we have done here is given you the top half of a chart  
13 that is available and goes down.

14 We have looked at each mode, truck, rail,  
15 ports, water, so on, and said -- we have broken it down  
16 into, for example, trucks -- you have got a line haul  
17 move, you have got a pickup and delivery that might go  
18 in an urban area, you've got truck terminal time, and  
19 you've got, in this case, border crossing sort of roads  
20 or Customs clearance at the ports.

21 If you want to pick up transit time,  
22 reliability, cost, safety, and risk in these things,  
23 what is the metric you talk about? What is your  
24 example here? Where would you go for data sources?  
25 And we have started to list those down in the right two

1 columns.

2 I think the purpose here was not to sort of  
3 provide a definitive blueprint of where to buy the  
4 data, but to ensure ourselves that, yes, there are  
5 enough public and private sources out there that you  
6 could get the data. You may not get it perfect on the  
7 first try and you want to think hard about what is the  
8 best buy and the best way to do this.

9 But, for example, Federal Highway is already  
10 going out and buying data on travel time for most road  
11 segments and for truck times, plus major road segments  
12 across the U.S., and Randy's folks will have that.

13 You can begin to access that and use it to  
14 sort of look at travel time over a period and in  
15 corridors that are of interest here.

16 So the data are out there, and Joe and people,  
17 Carl, had discussions with other groups who said,  
18 "Well, we've never been asked to put it together that  
19 way, but it would be fairly easy because we have the  
20 data and if you just want it by block, something to put  
21 together."

22 We also talked about the target and said if  
23 you tell me you want a representative supply chain  
24 here, I could look into my data sets. Now, I probably  
25 want to sanitize it a little bit, but I could give you

1 an overall performance over time that won't be  
2 representative of all the people operating in that  
3 supply chain, but will give you some type of boundary  
4 for it. So you can say they are going up and, also,  
5 the piecemeal level we see it going up, you have got an  
6 indicator that you have got a problem here and you  
7 ought to pay attention to it. So there are  
8 opportunities out there.

9           There is considerably more detail in the  
10 charts that we have there than we have there, and if  
11 you have ideas about where to get data cheaply and  
12 effectively, reliably, let us know because we will put  
13 them in there.

14           The one area on the five that we spent a good  
15 deal of time about was the question of risk, and Dean  
16 has been taking the lead on trying to sort that out.  
17 So I will turn it over to Dean.

18           MR. WISE: I just want to make a comment or  
19 two. I think sort of the same thing that Tony was  
20 saying, the headline is very simple. You have to take  
21 a supply chain view and we are trying to advocate for  
22 the soybean shipper who needs to compete on world  
23 markets, Campbell's Soup wants to compete with the U.S.  
24 supply chain.

25           All of you, all industries, we have to take



1 that perspective and we have to have transport take  
2 that perspective, in addition to what Randy described  
3 as the modal perspective.

4 And thank you, Randy, for sitting in on our  
5 discussions last night.

6 But the risk piece is a little bit more  
7 amorphous and we had one line item of the five which we  
8 said was risk of loss and damage; so theft, accidents,  
9 mishandling.

10 But there are other bigger aspects of risk  
11 that cause a supply chain manager to actually design  
12 their network differently and we just culled out two  
13 others. One is the risk of disruption, and this could  
14 be natural disasters, could be labor, you saw the west  
15 coast port disruptions in '04 which led to people  
16 putting more stocking points on the east coast.

17 So spreading your bets, having more  
18 contingency plans, it really changes the way the  
19 patterns are and we have to have some early warning  
20 systems on how a U.S. supply chain manager is thinking  
21 about risk of disruption and how does that affect their  
22 cost and service and so forth.

23 The other one is risk of capacity expansion.  
24 This is one dear to our heart as a railroad. Here we  
25 are, a 160-year-old infrastructure, built to handle

1 certain markets back then, and we are now in a huge  
2 adjustment phase to handle some very big new growth  
3 markets like crude by rail. It wasn't even around four  
4 years ago. Just my company is handling 7 percent of  
5 U.S. production of oil by rail, and we have to have  
6 ability to suddenly invest and we are putting in huge  
7 -- you know, \$4.5 billion of new investment to adjust  
8 to these markets.

9 But what we run up against is we run up very  
10 quickly against capacity expansion issues, and the  
11 shippers feel this. And we say, "Look, because of  
12 regulatory delays, physical limitations" -- sometimes  
13 our capital limitations, although we've got -- Warren  
14 Buffett is helpful with that -- we say, "Look, we can  
15 build that capacity, but it's going to take seven  
16 years."

17 Well, a shipper is not going to wait. They  
18 are going to say, "I'll get that from some other  
19 country or I'll do something else." So there is a  
20 whole issue of regulatory delay that affects capacity  
21 expansion that we have to be very aware of.

22 And Fran is heading the committee on the new  
23 NSTAC specifically about permit delays. So that is  
24 another aspect of risk and we thought that it was  
25 important to cull that out. It is kind of system level

1 risk as opposed to shipment level risk.

2 MR. GRENZEBACK: Cynthia, as a good  
3 subcommittee manager, said what is to be done next. So  
4 I think we have open issues that we will look for  
5 advice from people on what are the sort of  
6 representative supply chains that you would like to  
7 start off as a pilot, some thought as to that.

8 As Dean mentioned, we are going to be pushing  
9 forward to say what is it you're measuring if you're  
10 looking at supply chain risk. Is it hard data or is it  
11 a survey perhaps of shippers or the manufacturers'  
12 confidence index? How do they feel about the risk from  
13 these supply chains? It could be a softer piece of  
14 work there.

15 We would like to give some thought to what  
16 kind of measurement time period. I think Randy spoke  
17 to the same issue. Operation and shipping patterns, do  
18 we really want to measure it on a quarterly basis or  
19 are we looking at an annual basis, because we are, in  
20 this case, looking at a policy level sort of pattern  
21 rather than get down in the detail.

22 Then I think a number of people asked how much  
23 does the data cost. Some is public, some is private.  
24 In general, we have been looking at data that are  
25 generated as a result of other operations, and the

1 question could be can you get hold of it for a  
2 reasonable price, reasonable access, stripped of  
3 identifiers. What is the best value?

4 We have not tried to answer those questions.  
5 I think we will leave that to the sort of next  
6 generation of people who are going to work on this.  
7 But I think we have convinced ourselves that there is  
8 enough data out there and that you can target an  
9 answer.

10 Please remember the embarrassing questions go  
11 to the other people on our committee. And Russ gets a  
12 pass because he was up until 3:00 this morning making  
13 sure this was in English.

14 So, Cynthia, thank you.

15 MS. RUIZ: So we went through this whole  
16 process and came up with the four recommendations that  
17 I mentioned earlier. So does anybody have any  
18 questions?

19 MR. WOLL: Yes. A question. You spent some  
20 time on data, and, of course, we all know that we  
21 measure things in order to act and improve on them.

22 So it is not quite clear, with all of the  
23 metrics here, that we either do or could measure --  
24 what would that trigger in the way of actions and  
25 targets? I am sort of not clear on where it goes.

1           MR. GRENZEBACK: I guess the answer is on the  
2 DOT side, for example, you have measures now of  
3 national bridge conditions and that begins when you  
4 begin to see the number of bridges that are  
5 substandard.

6           It triggers a question about are we putting  
7 enough money into bridges and the technical question  
8 about how and where and programmatic. I think the  
9 thing that we have been discussing with Randy and  
10 others is you don't have the complimentary look at  
11 supply chains.

12           So at this point, the question would be if I  
13 watch a supply chain and I see deterioration -- I see  
14 performance deterioration, that should, again, trigger  
15 the question of what are the specific problems, can you  
16 dig into them, and then the policy issues are can those  
17 be solved by government money, government regulation,  
18 private sector coordination, private sector investment.

19           So it is really a precursor to flagging and  
20 getting consensus that there is a problem. It is not  
21 the answer.

22           MR. WOLL: Sure. So you are describing  
23 measuring over time and looking for trends and slope of  
24 the curve and negative slopes.

25           MR. GRENZEBACK: Yes. That would be the wish

1 list.

2 MS. RUIZ: And, ultimately, as Lance said,  
3 money. These are the common pain points. Let's put  
4 money on those particular that affect more than one  
5 supply chain.

6 MR. WISE: I think we convinced ourselves that  
7 the data is out there, the metrics are out there, and  
8 we'll hand it over to DOT to figure it out.

9 (Laughter)

10 MR. WISE: That's a partial joke. But, again,  
11 I think the Department of Commerce is the voice of the  
12 shipper. They are the only agency that cares about  
13 competitiveness in their mission, and we have to keep  
14 coming back to that as a headline here.

15 The Department of Commerce has to start  
16 looking at what is the overall supply chain metrics  
17 that are the early warning flags that we are not being  
18 competitive in the supply chain.

19 MR. BOWLES: I guess I have a question. Under  
20 your performance measures and the measured links and  
21 your risk, what about the accountability of the modes,  
22 of delays? Do you have anything to cover that?

23 MR. GRENZEBACK: Accountability of the modes  
24 meaning?

25 MR. BOWLES: Delays.

1 MR. GRENZEBACK: Delays on their part?

2 MR. BOWLES: Modes, right. You were talking  
3 modes. You said as in transportation --

4 MR. GRENZEBACK: I think that you would be --  
5 if you are looking at a particular supply chain, you  
6 would be looking at the travel time and travel time  
7 reliability of each mode that has a component in the  
8 supply chain. You would have to step back and say is  
9 that a particular location of a particular mode or is  
10 it -- we are not looking at -- in this case, we are not  
11 looking at the overall performance of modes. Randy and  
12 his folks may be looking at that.

13 This is really a narrower look at just the  
14 supply chain. If there is a problem with a particular  
15 mode, you can't through Chicago because of the transfer  
16 times, it could trigger a program and it would be the  
17 logic.

18 MS. BLAKEY: Keeping in mind that the purpose  
19 of this set of metrics is to help advise how DOT can  
20 create a national strategic freight plan and, as part  
21 of that, have some kind of year-over-year ongoing means  
22 of assessing are we doing better or are we doing worse,  
23 so it's an overall kind of index approach, not designed  
24 to be a target from a third-party logistics provider or  
25 another mediator's point of view, do I want to select

1 this or this as my means of transport for any  
2 commodity.

3 MR. BOWLES: Can it be used as a tool to  
4 measure?

5 MR. GRENZEBACK: At a very general level. I  
6 think we are not anticipating -- I think we were very  
7 explicit. I don't anticipate that their policy needs  
8 -- DOT wants to replicate the kind of detailed  
9 performance measurement that a Target or a Boeing or  
10 somebody else is doing for their own supply chain.

11 They are still going to do that. This is not  
12 designed to sort of duplicate or replicate that. It is  
13 to basically inform Commerce and DOT, are you seeing a  
14 deterioration in the export of grains up the  
15 Mississippi over time.

16 Right now, I think that only comes in  
17 anecdotally, if at all, and it is disparate. So, yeah,  
18 you have a growth in exports and a deterioration of  
19 performance and you want to go out and talk with the  
20 industry and the carriers and see what the specifics of  
21 it are.

22 MS. BLAKEY: And designed to identify places  
23 where the performance of the supply chain changes. For  
24 example, it is appropriate that we are here on 9/11.  
25 If we were, 12 years ago,, having this conversation,



1 the issue of backup at the border wouldn't be anywhere  
2 near as great a part of the discussion.

3 But then you have the 9/11 event and after  
4 that, you can see the pain point there really blows up  
5 and becomes a really huge problem. So then you  
6 realizes that this -- your supply chain performance has  
7 changed and at these kinds of pain points, that leads  
8 you to some conclusion about there is a need for a  
9 public national agency kind of response, that kind of  
10 thing, but not so much targeting any individual.

11 MS. RUIZ: Chris and Ron, do you guys want to  
12 add anything?

13 MR. SMITH: To your question on accountability  
14 of the modes, our recommendations are very tailored and  
15 focused actually to specific conditions in the  
16 performance report, which is really our point of the  
17 description of the overall network and how it is doing.

18 It is not meant to be an accountability tool  
19 just yet. MAP-21 has some very specific accountability  
20 performance measures and law and then other sections go  
21 into the Federal Highway program.

22 This is looking to more inform the report the  
23 department is putting out on the state and nature of  
24 performance and conditions of the system as it is now.

25 MR. SCHENK: Just one comment. If you are

1 looking at this from the aggregate view, one of the  
2 lessons learned in industry with regard to measuring  
3 risk was to look at risk actually through a different  
4 lens and simplify the problem in performance versus  
5 non-performance as opposed to the individual categories  
6 of cost and quality, security, capacity, all those  
7 things, because they are all potential events that  
8 could affect it, and ultimately measure the impact and  
9 the impact on different levels of not achieving any one  
10 of those individual categories.

11 So the impact could be measured on a revenue  
12 or a margin for the overall. If you want to do it on  
13 financial terms, it could be measured on the impact on  
14 liquidity or it could flip over to the other side on  
15 strategic importance, life, brand and compliance  
16 really. Those are the common categories.

17 But measuring the impact allows the  
18 quantification piece on the front end, so that when you  
19 go to the back end of investment, you've basically got  
20 the priorities and the arguments set up. Industry  
21 struggled with that a lot on an individual basis within  
22 the industries and sub-industries, and, certainly, the  
23 people that are underwriting the risk, especially  
24 financial institutions, insurers, et cetera, have  
25 evolved now or are quickly evolving to a different view

1 of how to measure the risk.

2 You gave the example of a back up at the  
3 border. From an impact standpoint, looking at it kind  
4 of through the impact lens, you could also then factor  
5 in seasonality and supply and demand in that particular  
6 state at that point in time in the industry. And a  
7 great example is the H1N1 scare we had and the border  
8 challenge in Mexico.

9 It really didn't matter, the auto industry at  
10 that time, because the auto industry had so much excess  
11 inventory that whether it was efficient or not didn't  
12 really matter. However, now it would matter.

13 So, again, it's a transition from the specific  
14 threats or events to a measurement around impact is  
15 just a comment or a consideration.

16 DR. KOUVELIS: As a follow-up to what Sandi  
17 said, if you look at things from one perspective -- so  
18 you have to think about from the companies that are  
19 getting served through those policies, it is important  
20 for them to offer service and not supply and demand.

21 For example, they are going to look at the  
22 situations where they came into dock without their  
23 stocks, there are situations where they ended up with a  
24 lot of inventory as a result of the failure of the  
25 system.

1           So somewhat these you have to recapture.  
2       There might be much better measures. Improved policies  
3       will finally result in the companies reducing their  
4       out-of-stocks and unnecessary inventories within the  
5       system.

6           So the measures that you have in place might  
7       not be very informative with respect to the actual  
8       performance of the companies. If you improve the  
9       average transit time, it doesn't necessarily mean, in a  
10      peak situation, that actually they offer better  
11      service.

12           If you reduce reliability in transit times,  
13      again, it's not telling me still reliability stays  
14      during the peak seasons. So, finally, I believe the  
15      policies have to be evaluated in terms of the actual  
16      performance of the supply chain, which finally goes  
17      down into serving much in supply and demand now.

18           CHAIR BLASGEN: One question I have on  
19      Recommendation 4. So is the goal to acquire some  
20      companies within those verticals or those industries  
21      and ask them to populate these metrics from their  
22      perspective so that we can corroborate some of those  
23      pain points and really get actual data companies are  
24      experiencing?

25           MR. GRENZEBACK: That would certainly be one

1 way to do it. You can sort of go top-down in these  
2 companies. What we were originally thinking was that  
3 you would build it from the bottom-up. If you are  
4 looking at a single company or just a couple, you may  
5 be looking at people who perform extremely well,  
6 whereas if you look at sort of a more aggregate, what  
7 is the sum of the stuff we're seeing out on the roads,  
8 you might get a different picture.

9 One of the reasons we are talking about doing  
10 a pilot, suggesting a pilot, is to begin to sort  
11 through those issues. So it's an open question.

12 CHAIR BLASGEN: Right. Tony?

13 MR. GRENZEBACK: But we think we've gone far  
14 enough, I think, to repeat -- you could do it from  
15 either end. Obviously, you've got business  
16 confidentiality if you are trying to look at just one  
17 or two companies, but you've got data collection issues  
18 when you're looking at a batch of roads and rail lines.

19 MR. BARONE: It's great stuff. I look forward  
20 to the final product. But I would ask a question. How  
21 do you determine representative lanes? There are those  
22 lanes that are not well served in any mode and they may  
23 statistically not add up to a whole big number, but  
24 they have something to do with the growth of the  
25 economy.

1           So how do you perceive that you will be  
2 selecting --

3           MS. RUIZ: So give me an example of that.

4           MR. BARONE: Actually, I have an example  
5 sitting right next me. But without being specific as  
6 to a company or a city -- well, in the air freight  
7 environment, it is well known that the number of direct  
8 flights is diminishing. The pricing in between  
9 connecting flights, connecting points, is increasing.

10           So it might be that pricing, say, between  
11 Chicago and New York is healthy, but between Chicago  
12 and Charlotte, it is not. And the number of flights  
13 between Chicago and New York increases all the time,  
14 although airport capacity is constrained there. You  
15 can't land anymore airplanes in Newark. And, yet, the  
16 number of flights to Charlotte or Memphis is not  
17 increasing.

18           So how do you take all of that into account?

19           MR. GRENZEBACK: I guess the -- somewhere  
20 there's a dividing line between getting enough  
21 information on supply chain performance at a federal  
22 policy level and an industry policy level to say do I  
23 have a competitiveness problem or not, and you are over  
24 that gray line into designing more efficient supply  
25 chains for a particular industry, which I don't think

1 that the DOT or the Department of Commerce want to get  
2 into doing, because the data and details are there.

3 So I guess we had envisioned that you would  
4 start with taking a look at industries and supply  
5 chains that, from a national policy perspective --  
6 you've got an export initiative. What are some  
7 bellwether products that are growing or being exported  
8 that are representative of the types of problems we are  
9 going to see with computer air cargo availability or  
10 not and perhaps try to pick one or two that may not be  
11 perfect, but for which we can get some data and use as  
12 sort of a general bellwether so you can say here is a  
13 trend for the pricing or the number of flights.

14 I would say it is going to take advice from  
15 this group as a whole, from the suppliers and shippers,  
16 to say here is a set of those bellwether kind of supply  
17 chains that we ought to look at.

18 Again, I don't think you want to get into the  
19 business to try to look at every single road. The DOTs  
20 do that for their own maintenance and operations, but I  
21 don't think, at a policy level, you want to get there,  
22 and, quite frankly, I think it would be just  
23 horrifically -- I mean, ITDS is a big project. This  
24 would be -- you wouldn't want to go over there with  
25 this detail.

1 MS. BLAKEY: But once the data sets are  
2 accumulated by DOT and you, for example, segmented air  
3 freight versus surface, it would probably be a logical  
4 part of the segmentation that they would look at, or  
5 pharmaceuticals would be a category that would -- so  
6 you could sort of slice it and dice it in different  
7 ways.

8 And taking this type of approach, you've got  
9 your algorithms sort of set up and you could run the  
10 data through and say, "Okay. On the east coast, we are  
11 seeing cost increases along certain routes and we are  
12 seeing over-supply or over-capacity on other routes.

13 So the idea here is to sort of set up a  
14 framework that DOT could then apply and start to  
15 populate and develop kind of a reference set that could  
16 be applied time over time, year over year, month over  
17 month.

18 MR. GRENZEBACK: So the single biggest message  
19 I think we would carry forward, and it is something  
20 that Randy mentioned and Cynthia did earlier, is if you  
21 look out there on the transportation performance  
22 measures today, you have very good systems relatively,  
23 state DOTs and the Feds, to measure bridge conditions,  
24 pavement conditions, the railroad's measure maintenance  
25 of way conditions, and the airlines -- the



1 infrastructure and the services are very well measured  
2 today, but the trip is not.

3           You can't see the door-to-door, end-to-end  
4 trip very well, and this is really a start on saying  
5 how would you, at least at the top level, begin to  
6 worry about the performance of the trip for  
7 competitiveness purposes, where today you don't see  
8 that.

9           Individual companies see it, but, again, the  
10 data that comes back are anecdotal. DOT can't take  
11 them all and say this whole thing is plummeting and  
12 look at it as a policy issue. We don't see that today.  
13 We see the road -- you don't see like a ne trip. You  
14 see the port. You don't see the export or import of  
15 that piece.

16           The top level line is there is a complimentary  
17 performance that we are not even seeing out here today,  
18 except individual companies.

19           CHAIR BLASGEN: Sandi?

20           DR. BOYSON: I just want to say I think this  
21 is great work and I really think you did a great job.  
22 I think it is really important.

23           A couple of things just to kind of factor in  
24 or at least I hope you would kind of include in some of  
25 your thinking is origin destination flows and process

1 times to key overseas and emerging market hubs.

2 So it's not just internal to the United  
3 States, but how long does it take to reach the key  
4 markets we are going for, whether it's current or  
5 emerging? I think that's very important.

6 The other thing is there's been a lot of work  
7 done on the delineation of trade corridors. I'm sure  
8 you have seen all of that. So things like the NASTO,  
9 North American Super Trade Corridor, and DOT has done a  
10 lot of work in defining and funding priority corridors  
11 and projects already.

12 So it may be that the unit, if you will, the  
13 unit of measurement could be trade corridors and then,  
14 also, handoffs between trade corridors, because that's  
15 already part of sort of the language that I think DOT  
16 has developed around these kinds of measures.

17 MR. GRENZEBACK: Advice well taken. The  
18 concern that we've tripped across is that trade  
19 corridors are often defined by the infrastructure, not  
20 by the supply chain.

21 You can have a trade corridor that goes from  
22 Chicago to Seattle as an infrastructure and a highway,  
23 but the shipper may only be using 100 miles of that and  
24 you're not quite looking at the entire corridor defined  
25 by volume.

1           You're looking at an important infrastructure  
2 problem, and Randy's people will be looking at that.

3           DR. BOYSON: Right. I do think volume is the  
4 key.

5           MR. GRENZEBACK: It may be somewhat different  
6 than what you're doing as a shipper.

7           DR. BOYSON: Right. Right. But I think  
8 volume is the key. I think that is sort of what the  
9 issue is, is volume, volume and value of volume, value  
10 of volume shipped is the issue for trade corridors.  
11 Work has been done on both dimensions. So I would just  
12 encourage you to look at that.

13           Then the last thing is Carl Fowler had  
14 mentioned -- and our subcommittee had been working with  
15 him exploring this very kind of -- lightly, we haven't  
16 really done anything. So I'm so happy to see that you  
17 followed up on all this -- is the notion of third-party  
18 logistics companies, because they actually do a lot of  
19 the movements and they actually do manage to code the  
20 whole transaction end-to-end, process times,  
21 efficiencies, et cetera, and they have not been looked  
22 at.

23           When we spoke to DOT, it was clear they have  
24 not been talked to. They have not been really looked  
25 at as a source of potential data and measurement, and

1 we think that is critical, particularly if you are  
2 going to look internationally at the whole end-to-end  
3 flow.

4 So anyway, I think it's great. Thank you.

5 MS. BLAKEY: Can I just add one point on your  
6 trade corridor comment? Because I think you're  
7 absolutely right that ultimately that kind of view has  
8 to factor into it.

9 I think, if I'm not mistaken about our  
10 approach to this, is that we're trying to sort of help  
11 DOT get a picture on here is this is the flow and when  
12 we identify these pain points, then you start to do the  
13 analysis of is that on a corridor, is at a node, is it  
14 -- what is the infrastructure related to that, to what  
15 degree is it an infrastructure problem or to what  
16 degree is it perhaps a process problem or something  
17 else.

18 So then you start to drill into is the public  
19 response to improve the infrastructure, improve the  
20 process, improve something else that is regulatory or  
21 whatever.

22 So it's sort of this is the umbrella that then  
23 underneath would have various ways of looking to try to  
24 -- to better the performance.

25 CHAIR BLASGEN: I can't help draw back from my

1 years in the food industry when I was at Kraft or  
2 ConAgra and Nabisco, and if you were to talk to Tom or  
3 Shawn or Tony's chief transportation officer, they  
4 would be able to sit in a room and tell you exactly  
5 where their pain points would probably be, in what mode  
6 and what season, because you've got a lot of  
7 seasonality.

8 And although it would be anecdotal, I wonder  
9 whether there is a role for them to play in guiding  
10 particularly the area of trade corridors.

11 I really like the idea about you can talk  
12 about the street, but riding on it is a completely  
13 different matter in terms of the trip. That makes a  
14 lot of sense, and that is where I think there can be a  
15 real opportunity for us to understand.

16 It very well may be that the road or bridge or  
17 rail is in great condition, but the journey is not, for  
18 a whole host of reasons, and that is where we get into  
19 why the supply chain has disruptions and pain points.

20 I know it would be anecdotal to get those  
21 transportation folks together, but, boy, they really  
22 are a source of solid information, because they deal  
23 with it every day.

24 Dean, your customers, I'm sure you --

25 MR. WISE: I was going to say we convinced

1 ourselves we could -- because the data is out there and  
2 with a big effort, you could really bring this up and  
3 look at all the supply chains. But another approach  
4 that we did kick around is a survey approach.

5           You don't want to ask people about more  
6 surveys, but if you just set something up, where are  
7 the pain points, here is a selection of 100, check all  
8 the ones that are pain points, across all the functions  
9 and modes and everything else, maybe it's CSCMP  
10 membership, that's another approach to just kind of  
11 identify things, which would be a little bit more than  
12 anecdotal.

13           MR. WOLL: And efforts like the PMI you use if  
14 you find confidence drops below some number, widely  
15 recognized as a good metric. I think you could rely on  
16 the expertise of those that actually run those  
17 functions to tell you where it is.

18           MS. BLAKEY: Also, just to keep in mind, with  
19 respect to that point about anecdotal information, we  
20 can do a lot of technical and kind of schematics and  
21 all that kind of stuff, but it doesn't necessarily  
22 translate to understanding.

23           So I think that the opportunity to use  
24 anecdotal information a great deal is in communicating  
25 about these things. Here is why the journey is

1 important and here is an example of what happens when  
2 it doesn't work, and that helps a great deal in terms  
3 of trying to translate the significance of this for  
4 decision-makers, such as members of Congress or  
5 electeds or any other number of people who need to  
6 understand and appreciate why the scope of what we are  
7 proposing and trying to do is important.

8 MS. RUIZ: As I indicated when I started, this  
9 has been a work in progress and I appreciate  
10 everybody's input this morning, and we will continue to  
11 work on this.

12 So we have some recommendations on the table.

13 So if people -- now that we have additional input, if  
14 we can least approve one and two, and maybe we can go  
15 back and take a look at three and four with this  
16 additional information, that would be helpful for us.

17 But we think that one and two are pretty  
18 straightforward.

19 CHAIR BLASGEN: So Cynthia has asked for some  
20 guidance from the group. Does anybody want to weight  
21 in yea or nay on one and two?

22 My perspective, from my shipper hat, they make  
23 perfect sense.

24 MS. RUIZ: Because it is my understanding that  
25 to move forward on any of these, we have to at least

1 get consensus of the group.

2 CHAIR BLASGEN: Right, .

3 MR. WOLL: But three is really sort of a  
4 clarification of four, right? That's what you mean by  
5 having --

6 MS. RUIZ: Right. I mean, we could do all  
7 four today, one, two, three, whatever people feel  
8 comfortable with.

9 MR. GRENZEBACK: Or just the sense of the  
10 committee on are they moving in the right direction and  
11 which ones need refinement.

12 MS. RUIZ: Right. But there have been some  
13 additional -- we were talking about transit time,  
14 reliability, safety, cost and risk, there have been  
15 some other things thrown out this morning in terms of  
16 supply and demand, seasonality.

17 So I'm not sure if you want to take that back  
18 to the committee and reconsider those as adding those  
19 or not. We're just ready to go on one, two, three,  
20 four.

21 DR. KOUVELIS: If it was not from the  
22 shipper's perspective, what was the other perspective?

23 CHAIR BLASGEN: Carrier, transportation  
24 providers, DOT.

25 MR. GRENZEBACK: We assume that other people



1 would be working on the bridges and the carriers. This  
2 is not a complete assessment of every aspect of it or  
3 every perspective.

4 MR. BOWLES: Wouldn't you think that No. 2  
5 would have to have performance measures? I mean,  
6 you've done an excellent job on this, you really have,  
7 and it was a very difficult, difficult project. But  
8 you really have been overwhelmingly close.

9 But what about No. 2? What do you think about  
10 that for performance measures or is that too broad  
11 maybe?

12 MR. GRENZEBACK: I'm sorry. I couldn't hear  
13 your comment, sir.

14 MR. BOWLES: On No. 2 --

15 MS. RUIZ: I think our point there is the end-  
16 to-end, not so much the specific measurement in No. 2.

17 MR. WISE: There is sort of a logic of high  
18 level to more granular as you go through, where the  
19 measures start getting you into three, and the actual  
20 data is where you would go after four, and as you can  
21 see from the discussion, we don't have that totally  
22 pinned down.

23 MS. BLAKEY: And we see these as really  
24 principles. I mean, they're not action items, so to  
25 speak. They're principles that are being recommended

1 to DOT to take into account.

2 MR. COOPER: Then the question becomes - and  
3 it's not a rhetorical question, I am curious -- is this  
4 something DOT can make that would be of value, because  
5 even if it's not actionable and it is principle-  
6 oriented, if an agency finds value in that, then I  
7 think that we would feel free to move forward with the  
8 recommendations.

9 MS. RUIZ: So that would be a great question  
10 for Randy.

11 MR. GRENZEBACK: That's a difficult and  
12 embarrassing question we ought to ask Randy. He has  
13 volunteered.

14 MS. RUIZ: Or Paul.

15 MR. GRENZEBACK: Or Paul.

16 MR. BAUMER: What I can say is it's sort of  
17 one of those things where you all look at this, like,  
18 well, of course, and you don't maybe have some of the  
19 other pressures from the other interest groups or the  
20 other positions that might be out there.

21 I think that second recommendation is valuable  
22 to us because of that end-to-end phrase that's in  
23 there, because there are other people who may not be in  
24 this room who think that the Federal Government's role  
25 in terms of supply chain dependence is really only to

1 focus on the big interstate corridors and not be  
2 involved in the urbanized areas to an extent where  
3 we're looking to help out to move them there.

4 And to the extent that you all feel that there  
5 is a valuable federal role to be played in making sure  
6 that that's where the source of delays are, there is  
7 some way to mitigate those delays, then expressing that  
8 recommendation provides us justification to go --  
9 should we choose to go that direction -- to make that  
10 argument that there is a federal interest in looking at  
11 those first and last mile issues, which, again, some  
12 people feel like the federal role should be restricted  
13 to maybe the big interstate movements and not into the  
14 more local movements.

15 So that's sort of one of the things where that  
16 recommendation does provide value to us.

17 MR. COOPER: I think that's good information  
18 for the committee to understand, because different  
19 committees are asked to do different things, but the  
20 value lies with what the agencies need. So that's very  
21 helpful.

22 VICE CHAIR DARBEAU: I see them as  
23 overarching, the goals and principles. They are  
24 critical. This is our industry experience. We know  
25 what we're talking about.

1           As DOT works on its policy, this is coming  
2 from a more particular perspective. So this should go  
3 -- I would recommend the committee adopt it. It is  
4 overarching policies and goals and informs DOT's  
5 process. So we get away from a siloed approach.

6           MR. BARONE: I would agree with that. But the  
7 only thought that I have is the issue of risk. Risk,  
8 to me, is kind of all by itself an issue. I know we,  
9 in our place, always consider what happens if our hub  
10 is shut down by natural or unnatural causes.

11           And when you think of the Port of Los Angeles  
12 or O'Hare, what happens if O'Hare goes offline? What  
13 happens then? I mean, LA is served by railroads and is  
14 designed to move freight out of the port. San Diego  
15 can't handle freight moving through Long Beach.

16           Would it be a separate topic to consider how  
17 at risk is the country that a major port of entry or  
18 interior port may go offline either through natural or  
19 unnatural means? In a company like ours, we consider  
20 this all the time. You have X number of distribution  
21 points. Well, what if this one shuts down? What  
22 happens then? How do we recover from that?

23           VICE CHAIR DARBEAU: It is also an issue of  
24 resiliency.

25           MR. BARONE: It's an issue of resiliency, yes.

1           VICE CHAIR DARBEAU: All the ports have to  
2 have that as part of contingency.

3           MR. BARONE: All I'm saying is if Los Angeles  
4 is not online because of, let's say, radiation,  
5 radiation contamination, so what happens? Where does  
6 the freight go?

7           MR. WISE: I think you have to translate that  
8 back to what does DOT do with that. DOT needs to think  
9 about performance to have the capacity so there are  
10 resilient alternatives in the case of different types  
11 of risk.

12          MR. BARONE: It's almost like the patient was  
13 all right until he died.

14          MR. COOPER: Are those two separate issues,  
15 though? I think we're talking about the measurement of  
16 things that are normal versus things that are really  
17 not normal.

18          MS. RUIZ: But we did look at risk and several  
19 factors of risk. So we feel that we've incorporated it  
20 in there. So I'm just trying to be clear on what your  
21 recommendation is.

22                 So you're saying to pull that risk out and  
23 have it as a standalone? I'm not clear what you're  
24 saying.

25          MR. BARONE: I think it's important enough to

1 say that there are ports in the United States and  
2 corridors that are that important that the country  
3 needs to know that if this port or this corridor was  
4 shut down, we would really be in trouble and it would  
5 take a long time to recover.

6 MR. LYNCH: That's the reason why neutrality  
7 in the event has to enter the equation and move to the  
8 neutrality and not try to measure the event, which we  
9 cannot predict, and move more to the impact, on  
10 multiple dimensions of impact, because as an example,  
11 we've got some, as you know, some critical products  
12 that comes from not the common ports, they're not  
13 coming through Memphis, and they're not coming through  
14 Louisville, from a volume standpoint, but represent  
15 insulin and life-saving, those kinds of things.

16 So the dimensions of impact, whether they be  
17 financial or strategic or brand or life-saving has to  
18 be factored in there, and I think the industry as a  
19 whole, as I was saying before, they're finding this is  
20 the only tangible way to get their arms around making  
21 some decisions about risk investments against those  
22 impacts is to look at it kind of neutral of the events  
23 and then use the events to stress test.

24 MR. GRENZEBACK: I guess the problem we're  
25 facing today is you have very good information on the

1 performance of ports. We know the capacity of the  
2 ports, we know the crane lifts and things like that.  
3 We have pretty good information on the flow of  
4 commodities. We know how many containers, just  
5 containers, go through a port or tons of grain go  
6 through, something like that.

7 But if you sat down and said nobody in this  
8 room can say anything, but I want DOT or the state DOTs  
9 to map out the supply chains that are underneath those,  
10 you would catch some people that would say, "Well, I  
11 used to work in this industry and I know how the  
12 pharmaceutical works."

13 But by and large, people would say, "I don't  
14 know the supply chains. I can't sit down and draw  
15 them." So there's a question of which one is at risk  
16 at a particular port, is there a small supply chain  
17 going through a small port that is critical? People,  
18 by and large, wouldn't be able to tell you that and I  
19 think we're missing that picture.

20 MR. LYNCH: Again, you're back to value, what  
21 the value is. Saying it's a commodity or a  
22 pharmaceutical or whatever, I thought that you were  
23 addressing some of that in your earlier comments.

24 MR. GRENZEBACK: I think the missing link in a  
25 lot of our understanding of these issues and being able

1 to debate the risk issues is we, at a policy level,  
2 don't see supply chains. Pfizer sees a supply chain,  
3 Target sees a supply chain, you see a supply chain.

4 You back and up and say does the political  
5 discussion see a supply chain, no. You shake your head  
6 in disbelieve. Nobody sketches them out.

7 CHAIR BLASGEN: And that, in and of itself, is  
8 going to come out of this, too.

9 MR. LYNCH: I don't know if you saw the recent  
10 report, but the number one issue around supply chain  
11 failure is the failure on the information side more  
12 than the physical side right now. The losses were much  
13 greater on that side.

14 So, again, factoring in the impact and then  
15 working backwards and connecting it to value, I don't  
16 see how else you do that and make a rational decision.

17 MS. RUIZ: So as I indicated twice already,  
18 this is a work in progress and we value everyone's  
19 input. So maybe what we do today is just go with one  
20 and two. Let us take back the input that we have  
21 received today on value, supply and demand, and the  
22 seasonal aspects of it, work that into what we're  
23 working on, and bring that back for a final  
24 recommendation at a later point.

25 But I think one and two are pretty clear-cut.



1       So that would be my recommendation of the  
2       recommendations.

3               (Laughter)

4               CHAIR BLASGEN:  And I think everybody is in  
5       agreement.  Thank you.  Appreciate that.

6               Let's move on, Tony, to trade competitiveness.  
7       We had lunch scheduled at 12:15.  So do you --

8               MR. BARONE:  I am fine either way.

9               MR. LONG:  We are a little behind time right  
10       now, but that is not a problem.  I've just learned that  
11       Deputy Assistant Chandra Brown will not be able to join  
12       us.  So we will have some extra time later in the day.  
13       So everyone will have full time.

14               So if you would like to proceed with this now,  
15       we can do that, or we can grab a quick lunch and start  
16       with you right after, whatever you would prefer.

17               MS. RUIZ:  I say keep going.

18

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1           **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**2                           **Trade and Competitiveness**3                           **Subcommittee Chair Anthony Barone**

4  
5                           MR. BARONE: I'm all right with going on.  
6           It's your call. I think we will be brief, somewhat  
7           brief.

8                           Can you bring up those particular slides? We  
9           spent a lot of time formatting this.

10                          (Pause)

11                          MR. BARONE: So our group met yesterday. We  
12           started out in June with, I think, nine or ten  
13           recommendations. We came down to those few that you  
14           will see now.

15                          Go to the next slide.

16                          (Changing of slides.)

17                          MR. BARONE: The members of our group are the  
18           people on here. They're all in the room, except Dan  
19           Rowley is back in Lexington. Otherwise, just raise  
20           your hand, we'll know who you are.

21                          So if you would go on to the next slide.

22                          (Changing of slides.)

23                          MR. BARONE: This is the same slide that you  
24           saw last time, except that we added another  
25           consideration. We think that recommendations that

1 require legislation are recommendations that should be  
2 -- that that is a consideration in considering  
3 recommendations to put forward, because legislation  
4 will require heavy lifting and it is certainly beyond  
5 our committee, and which could well be stalled in  
6 Congress, which is generally stalled on a lot of  
7 matters.

8 So if you would move on to the next one.

9 (Changing of slides.)

10 MR. BARONE: So these are the four  
11 recommendations that we would like to put forth today.  
12 We would like or hope that some of these or all of  
13 these could be adopted and then we could then move to  
14 drafting the kind of letter that you sent us as an  
15 example that might finally go to the Secretary for  
16 consideration.

17 So the four are the simplification of trade  
18 agreements; the elimination of recoverable duty in  
19 manufacturing inputs; improving the efficiency of U.S.  
20 export credit refinements; and, improving the safety  
21 and efficiency of transporting oversized cargo.

22 There are some other issues that we also want  
23 to take up and we are pushing down the road to the next  
24 step in the process of this committee, and I think that  
25 individual members want to work on other issues that

1 actually overlap work that is done by other committees.  
2 So we will reach out to those committees when we get to  
3 that point.

4 (Changing of slides.)

5 MR. BARONE: So the next slide is with respect  
6 to trade agreements. Those of us who work in this area  
7 find that trade agreements can be very, very complex,  
8 out of the reach of the small and medium-sized company,  
9 even large companies, because of the complexity.

10 So things like the simplification of origin  
11 determination, what the origin of a commodity is is a  
12 very difficult thing to determine. It is not just  
13 where it was shipped from, it has to do with other  
14 factors. And the evidence required to prove the origin  
15 of a commodity, in order to take the preference to  
16 eliminate the duty can be more burdensome than paying  
17 the duty.

18 So we think that these items -- I'm not going  
19 to read every one of them, but we think it is advisable  
20 that the U.S. Trade Representative be provided guidance  
21 that when you are sitting down to negotiate a trade  
22 agreement, you take into consideration certain factors,  
23 and these factors, we believe, should be taken into  
24 consideration so that every trade agreement doesn't  
25 become a new challenge that is largely beyond the reach

1 of the smaller company, in particular.

2 Larger companies can deal with these things,  
3 at great cost, I might add, but we can probably deal  
4 with that. But these are not within the reach of the  
5 smaller company.

6 The second major bullet point there is our  
7 committee fully supports the proposition of UPS and the  
8 global express industry that there is a need to embrace  
9 the concept of a de minimis value in the Pacific  
10 agreements that are being negotiated and the Atlantic  
11 agreements. I don't think there is much disagreement  
12 that it doesn't make sense that in one country, a  
13 formal declaration is required for a \$20 import, in  
14 another one, a \$500 import.

15 So I don't know if you want to amplify on  
16 that. This is a UPS idea, but we certainly all embrace  
17 it.

18 MR. SCHENK: Quickly. Everybody knows what de  
19 minimis is. But basically, what de minimis is, in a  
20 nutshell, is low value shipments moving around the  
21 world are exempt from normal customs processing. So  
22 all you do is declare it on a customs manifest and you  
23 don't have to do any of the other customs processes.  
24 That is what de mimimis is.

25 The levels vary around the world. Some

1 countries don't have any. Australia has the highest,  
2 it is 1,000. But because the de minimis levels,  
3 generally speaking, are too low -- in the U.S. right  
4 now, it's 200 -- this is really a barrier to both  
5 economic growth and supply chain efficiency, because in  
6 many cases, the cost and the processing, the delays  
7 associated with low value shipments exceeds what it is.

8 It would impact, I think, everybody in the  
9 room in terms of low value shipments, products,  
10 samples, spare parts, and, particularly, the retail  
11 industry that is looking to expand with online sales  
12 and all that.

13 So it makes sense. We circulated a document  
14 yesterday within our committee, and I would be more  
15 than happy to circulate it to the broader group so you  
16 could look at it, and it is in current proposed Customs  
17 legislation right now in the U.S., H.R. 1020, and we  
18 are up to, I think, 74 cosponsors. It has got  
19 bipartisan support. But that is what de minimis is, in  
20 a nutshell.

21 Increasing de minimis levels will be an  
22 enabler of trade and supply chain efficiencies. That  
23 is the bottom line.

24 MR. BARONE: So I don't believe that the  
25 Commerce Department lobbies, but this would be a

1 recommendation of the committee, not of the department.

2 (Changing of slides.)

3 MR. BARONE: So the next slide, if you don't  
4 mind, I will just walk you through it, because you  
5 can't read it.

6 What this suggests is that we create a new  
7 form of entry applies to goods that are coming in from  
8 manufacturing. There are various means by which the  
9 United States and other countries take cost of goods  
10 that are going into manufacturing off the tale so that  
11 they're not a cost, but they're difficult to deal with.

12 So this just simply says goods arrive. Are  
13 they for manufacturing? If yes, file an entry, a new  
14 entry for manufacturing. Manufacture the goods within  
15 a certain period or re-export that material. When it  
16 is used, close out that lot through some GUI and some  
17 simple means of keeping them. And the process is over.  
18 That's it. There is no point in paying duty, then  
19 getting it back, and there is no point in using foreign  
20 trade zones or temporary import bonds or bonded  
21 warehouses, because you got the money back anyway  
22 through tariff conversion or other ways.

23 So we just say this is an easier way to do it.  
24 File the entry, say it's for manufacturing, manufacture  
25 it, and close out the entry and maintain the record.

1           So Customs keeps track of the entry. We need  
2 to post a bond. So if you haven't closed out that  
3 entry, that bond will be liquidated. In other words,  
4 the duty will be collected by Customs. When the entry  
5 is liquidated, Customs is out of the picture, but they  
6 have the option to audit your record, as any agency can  
7 audit records.

8           Simple, straightforward. Again, this, I  
9 think, is more targeted to smaller companies. Bigger  
10 companies use all kinds of means to recover duty or  
11 avoid duty. But the smaller company has a lot of  
12 difficulty dealing with all of the regulations required  
13 to do these things.

14           So this, I think, would be embraced by the  
15 relevant agencies, as well.

16           So Dan, our colleague from GE, is not here,  
17 but he was going to speak to this.

18           MR. WATTLES: Tony, I apologize. Just on the  
19 last point, you said that the last recommendation was  
20 targeted really at smaller companies.

21           I would like to point out that even those of  
22 us from large companies would benefit, because we go  
23 through the -- if you look at the cost of cash and the  
24 management of the processes that we currently have to  
25 use for recoveries, this would eliminate some of that.



1           So it may be of note for smaller companies,  
2 but large companies would benefit from this, as well.

3           MR. BARONE: No doubt, large companies would,  
4 as well. All companies will.

5           By the way, so would the government, because  
6 the people who keep track of this kind of thing could  
7 be used for other purposes instead of following up on  
8 documents and systems.

9           DR. KOUVELIS: Tony, I think the issue is if  
10 someone doesn't pay, say, the process works, but what  
11 happens when someone does not pay?

12           MR. BARONE: So the entry is liquidated, the  
13 bond is liquidated, and --

14           DR. KOUVELIS: But that's the risk between  
15 collecting early from the government versus --

16           MR. BARONE: It closes the possibility that  
17 you might import something and then just sell it and  
18 never pay duty, because you've posted a bond, which is  
19 a process that is just commonly used today. You post a  
20 bond and then you have to close that bond and if you  
21 don't, then the bond is liquidated. So it's pretty  
22 closed-loop.

23           So the issue was -- this is not an issue that  
24 I'm real familiar with, but -- does somebody else want  
25 to pick this one up?

1           MR. MOTTOLA: One of the ways we got from  
2 eight to four was to do some rebranding and some  
3 combining. So this is a combination of two that you  
4 saw individually in June.

5           So this one, our committee believes that the  
6 actions to implement this that I will talk to fall  
7 within the authority of the agencies involved and pass  
8 that test of no legislation which Tony spoke about  
9 initially.

10           These are actionable, can be implemented with  
11 the appropriate commitment and motivation within the  
12 agencies, we believe.

13           So starting with the first bullet there of  
14 simplification, clarification and automation, shippers  
15 need a flag waiver -- a roadmap with a clear process,  
16 process steps, remove some of the ambiguities and  
17 complexities of the current process, which negatively  
18 impacts the competitiveness of Ex-Im Bank and U.S.  
19 exporters.

20           Current processes are misunderstood in the  
21 U.S. and understood even less by foreign powers. So a  
22 well defined, simplified and predictable process could  
23 actually be a selling point for Ex-Im Bank which will  
24 support U.S. exports.

25           We also recommend that the U.S. flag waiver

1 process should be automated via a MARAD shipper-carrier  
2 portal that would provide shippers electronic access  
3 for self-submission, tracking and reporting against  
4 their flag requirements. It would provide carriers  
5 electronic access for responding to shipper waiver  
6 requests and communicating with MARAD.

7 And then an automated process will facilitate  
8 increased visibility, reduce MARAD's administrative  
9 costs, and improve processing cycle time, thus  
10 improving exporting efficiency.

11 We recommend that MARAD create an outreach  
12 program by committing staff and funding to educate Ex-  
13 Im Bank borrowers and shippers on complying with MARAD  
14 requirements. Shippers can proactively be compliant  
15 with MARAD requirements rather than learning through  
16 trial and error or having to seek third-party SMEs for  
17 assistance.

18 We suggest MARAD look to model an outreach  
19 program after other successful U.S. Government  
20 programs, such as the Department of Commerce's BIS  
21 program, for example.

22 MARAD could also consider collaborating with  
23 other government trade facilitation agencies for  
24 outreach and should consider establishing local SMEs in  
25 major shipping centers, such as Houston, which is, of

1 course, my home, but places like Houston, as well,  
2 where a large volume of financed cargos are controlled.  
3 And that could be done using Department of Commerce or  
4 Department of Transportation field offices.

5 The next bullet you see there talks to MARAD  
6 reconsidering competitiveness in establishing freight  
7 rate differentials. The current process is not well  
8 defined or understood, which creates uncertainty in the  
9 supply chain.

10 Rate reasonableness determinations as a basis  
11 for flag waivers lack clarity and transparency.  
12 Foreign ECAs do not compel borrowers to flag  
13 requirements, freight differentials, and similar  
14 competitiveness burdens. So those don't appear for the  
15 companies that are using agencies like the French ECAs  
16 or any other ECA. So this is something specific to our  
17 agency here.

18 The last bullet, we would like to see Ex-Im  
19 Bank modernize its content policies so that they align  
20 better with other major credit agencies with whom U.S.  
21 exporters compete. In doing so, they would review Ex-  
22 Im's economic impact procedures to increase  
23 transparency and allow more flexibility and policies  
24 that would provide for financing shipping costs in  
25 order to increase the competitiveness of U.S.

1 exporters.

2 Any questions on this before I move on?

3 (No Response.)

4 (Changing of slides.)

5 MR. MOTTOLA: This next recommendation is an  
6 initiative of the Exporters Competitive Maritime  
7 Council, and there are a lot of similarities between  
8 what is contained in this recommendation and some of  
9 the work of the Freight Policy and Movement  
10 Subcommittee. And some of the ideas here align or  
11 actually are part of MAP-21.

12 ECMC has a position paper on this subject and  
13 I will be submitting that for the leadership here for  
14 distribution.

15 So what this includes is a recommendation to  
16 improve the speed and efficiency in transporting  
17 oversized cargo, which is another unique supply chain  
18 that has many unique competitiveness challenges. So we  
19 are recommending to enhance port access and  
20 interconnectivity to national and regional surface  
21 transportation systems.

22 One way to do this would be by connecting  
23 infrastructure funding for ports and highway projects.  
24 We are also recommending developing a federally-managed  
25 center for issuing multistate permits for oversized and

1 overweight shipments.

2 An important element here is leveraging  
3 automation for speed and transparency among the  
4 stakeholders, which are carriers, shippers, and state  
5 permitting agencies. There is some activity in this  
6 regard in some regional organizations, like that Chris  
7 belongs to, who are already attempting to do this and  
8 have taken automation that some of the states have  
9 already built to be able to improve on the permitting  
10 process.

11 But right now the permitting process is so  
12 uncertain and unpredictable that it really makes it a  
13 challenge to know when you can commit to being able to  
14 deliver a piece of equipment regardless of what  
15 direction it is moving in the U.S., and that could be  
16 for domestic or international shipments.

17 The third sub-item there is recommending  
18 specialized freight corridors for expediting the  
19 transport of oversized and overweight shipments to  
20 ports, but within a defined size and weight criteria.  
21 And this program, just as some highlights, would  
22 provide highway project funding incentives for states  
23 that collaborate in this.

24 As a shipment moves across the country, there  
25 will be many states that will have no benefit in the

1 movement of that oversized cargo, except to be  
2 transited through. So for them to participate in a  
3 federally-managed program that expedites the process,  
4 there has to be some incentive for their participation.

5 Then this program would establish rules that  
6 promote safety, which is an important component,  
7 obviously, and minimize any disruptions to traffic  
8 flows.

9 Any questions? I know I ran through that  
10 pretty quickly. These are going to be supported,  
11 obviously, by position papers, but these are the  
12 highlights of what we are working on now.

13 MR. SMITH: Some clarification on your second  
14 recommendation. A fed-managed center, are you implying  
15 that the Federal Government would actually write and  
16 issue the permits? Would you expand on that a little  
17 bit?

18 MR. MOTTOLA: The Federal Government would be  
19 a coordinating facilitating entity. The permitting  
20 still has to be done at the state level, because there  
21 are local issues always that are involved. But this  
22 would oversee the ability of states to work together  
23 and provide the infrastructure for communication and  
24 provide the infrastructure for being able to submit an  
25 application to see its -- to track its status and then,

1 ultimately, for issuing the permit in an automated  
2 format.

3

4 DR. KOUVELIS: What percentage of the cargo  
5 right now would fit into this category?

6 MR. MOTTOLA: I don't believe we have looked  
7 at it. Every shipment is important. So in the EPC,  
8 all I can tell you, if it is one shipment that is  
9 delayed or two weeks and you are delaying the  
10 construction of a refinery or delaying the construction  
11 of a pipeline that has cranes waiting for erection to  
12 take place, the costs are enormous. But I don't think  
13 we have that data. We haven't looked at that.

14 MR. SMITH: A clarification question on your  
15 first recommendation, as well, infrastructure funding  
16 for ports and highway projects. Is this expounding on  
17 some of the eligibilities that we're increasing in MAP-  
18 21? Is this a new funded program?

19 MR. MOTTOLA: No. I think this is an  
20 expansion. But I think the message here that we want  
21 to deliver is that there be a connection between  
22 funding for ports and highway programs or whatever  
23 programs related to the transport of oversized cargos,  
24 that that be considered together and not individually.

25 MR. LONG: Let me add one thing. On these



1 issues of oversized cargo and weight limits and other  
2 things, we had a generous offer from some of the  
3 specialists at the Transportation Department to provide  
4 expert briefings on the background, current state of  
5 play on this, either to the entire committee or  
6 subcommittees, as you like. I would be happy to  
7 arrange that for you.

8 CHAIR BLASGEN: I would love to hear that.

9 MR. LONG: I think that would be a good one to  
10 do probably at the full committee level.

11 MR. MOTTOLA: These issues obviously have  
12 infrastructure perspectives because of the limitations  
13 on highways, but the establishment of oversized  
14 shipment corridors is a very key point of this that  
15 would consider infrastructure, as well.

16 MR. SMITH: And I have one final question. We  
17 thought about this in our team's recommendations. Some  
18 of these things strike me as requiring legislative or  
19 Congressional action to make happen versus  
20 administrative rulemaking or authority.

21 I was under the assumption that this committee  
22 operated in the regulatory and administrative  
23 rulemaking field, but not be making Congressional sort  
24 of recommendations in the long term, just as a point of  
25 clarification. And this goes for all the

1 recommendations and response.

2 MR. LONG: It is not a constraint in a formal  
3 sense. Whether it can be done faster or slower is  
4 another question, but there is no limit on what you  
5 could propose.

6 MR. SMITH: So we can transmit these  
7 recommendations to Congress. Are we intending to  
8 transmit these recommendations to Congress?

9 MR. LONG: The recommendations here, the one  
10 limit on what the committee does, the recommendations  
11 go to the Secretary of Commerce, who farms them out  
12 with the other agencies that are members, that would be  
13 DOT and EPA, and then deals with it at the Cabinet  
14 level. So they are not recommendations to Congress.

15 MR. SMITH: Because when you say things like  
16 establish freight corridors or enhance practice, you  
17 are talking -- well, that's why I asked the expounding  
18 question on tying in to MAP-21's expanded criteria.

19 If you are going to continue to expand that,  
20 that would make it, to me, legislative at that point.

21 MR. LONG: Could be.

22 MR. SMITH: You have some constraints within  
23 the law now that speak specifically to that and really  
24 to a lot of those recommendations up on the board.

25 MR. LONG: And there may be areas where it

1 makes a lot of sense to coordinate with some of the  
2 other subcommittees and try to decide exactly where to  
3 place different issues. So that is always an option,  
4 too.

5 (Changing of slides.)

6 MR. BARONE: I think there is one more slide.  
7 So we are not kicking these down the road, but what we  
8 would like to see is that the first three -- at least  
9 the first three recommendations be adopted by this  
10 group and maybe incorporated with other recommendations  
11 that are going to come out of this group today so that  
12 they can be written in the form which is prescribed in  
13 order to move them forward.

14 The one that I believe is suggested that we  
15 look further at is that having to do with the oversized  
16 cargo. What I hear you say is that we want -- I'm  
17 actually maybe mischaracterizing it, but if there is a  
18 desire to have further input from folks that you  
19 mentioned, then we would put that over to the next  
20 time.

21 But we would like to at least propose that the  
22 first three items be pushed forward so that we can give  
23 those full committee consideration. Similar to what  
24 you said, but in more words.

25 MS. BLAKEY: Could you go back to the list?

1 MR. BARONE: Yes. We can go back to those.  
2 They aren't actually numbered.

3 (Changing of slides.)

4 MS. BLAKEY: Page 4. There it is.

5 MR. BARONE: So simplification, which is a  
6 guidance to the negotiators. The second one is a  
7 recommendation that would be implemented by --  
8 actually, Commerce and CBP have a joint role in that,  
9 but I do not believe it requires any legislation. And  
10 then, thirdly, this is also really a guidance, because  
11 the Ex-Im Bank -- at least the Ex-Im Bank financing  
12 protocols are as complicated as anything you can  
13 imagine with respect to content.

14 So those things I think we could -- we would  
15 propose that the full committee, by consensus, agree to  
16 move forward into a forum that would be appropriate.

17 MR. MOTTOLA: Tony, let me just add that the  
18 MARAD piece of that No. 3 would go -- I'd suggest would  
19 go to DOT, because that is where MARAD is. Ex-Im Bank,  
20 I think, is a separate agency of the government. Maybe  
21 our government colleagues here can expound on that, but  
22 I think it's separate.

23 MR. LONG: Yes. Anything that came out of the  
24 committee would be a request to the Secretary of  
25 Commerce to make these ideas known to the other

1 agencies, as appropriate.

2 MR. MOTTOLA: Right.

3 MR. LONG: And in the structuring the  
4 recommendations, it will be important to phrase the  
5 things in a way that capture that.

6 CHAIR BLASGEN: Tony, one last question on  
7 oversized cargo. Is there a prescribed already in  
8 place message as to what that -- how you define  
9 oversized cargo?

10 MR. BARONE: I'm going to defer to my friends  
11 here.

12 MR. BOWLES: Each state varies.

13 MR. MOTTOLA: I would say shipments requiring  
14 permits, state permits for over-dimension or  
15 overweight, and, like Dennis said, that is going to  
16 vary from state to state.

17 MR. BARONE: From our discussion, each state  
18 requires it separately. So if you want to move across  
19 10 states, you would have a major task ahead of you.

20 MR. MOTTOLA: Just the question itself points  
21 out why we are making a recommendation, because it is  
22 different everywhere you go.

23 MR. BARONE: Now, if it is possible to make  
24 this recommendation without getting into the detail  
25 that would require further discussion, then I would

1 propose that. We want to certainly move  
2 recommendations forward, because any one of them will  
3 require further study.

4 MS. DENHAM: Do we want to do three or four?

5 MR. BARONE: I would say we do four.

6 MR. SMITH: I would make the recommendation of  
7 supporting one and three and tabling four, because in  
8 principal, what that says there, four, is okay, but  
9 what you showed out in detail I have some major  
10 problems with and I don't want the assumption of  
11 approving four right now to tie to those.

12 We agree with improving speed and efficiency  
13 in transporting oversized cargo, but what we see as the  
14 way to do that is very different than what I just saw a  
15 couple of slides down. And so I don't want support of  
16 that recommendation to be a tacit support of that.

17 MR. LONG: Also, I thought I heard support for  
18 the idea of some expert briefings on this.

19 MR. SMITH: Yes.

20 MS. BLAKEY: That needs more work.

21 MR. LONG: To make sure we have the context  
22 right.

23 MS. BLAKEY: And there is a coordination -- we  
24 do have a Finance Committee that is current with  
25 funding issues, and I think that there is coordination.

1 CHAIR BLASGEN: So we are okay with adopting  
2 one, two and three. Four needs more attention.

3 MR. BARONE: So four will be tabled for  
4 further discussion, which we really suggest needs to be  
5 an inter-committee discussion rather than separate.

6 CHAIR BLASGEN: All right. Tony, thank you.  
7 Why don't we break for lunch right now?

8 MR. MOITTOLA: We had one last slide on some  
9 future issues that we didn't talk to, the longer-term  
10 issues.

11 (Changing of slides.)

12 MR. BARONE: We recognize there are issues  
13 that have to do with other committees; for example, the  
14 railroads. So we thought it would be good that that  
15 discussion take place between committee members, since  
16 we can't just have the discussion within our group. It  
17 would be like talking to ourselves.

18 So we are suggesting that these be covered  
19 over the next two or three months and include  
20 discussion with others.

21 Do you want to add to that? Would you like to  
22 add to that?

23 MR. WATTLES: I really want to speak to the  
24 trusted trader you've got here more so than movement of  
25 goods. But you are absolutely correct in terms of

1 there is a fair amount of debate in terms of some of  
2 the -- as was mentioned earlier with one of the other  
3 presentations that all you have to do is talk to some  
4 of the big shippers and you know right where each of  
5 those companies is feeling the pinch in terms of where  
6 there are bottlenecks in transportation or other  
7 issues.

8 As Tony said, those conversations, I think, do  
9 need to -- are going to require inter-committee  
10 coordination, not something you want to put on the  
11 table. So we just wanted to acknowledge that and put  
12 that out there as something that we could work in  
13 future months together on.

14 So that's the only thing I would say there.

15 MR. BARONE: So the trusted trader concept is  
16 a fairly big concept for us. We do believe that  
17 companies who have a long history of compliance with  
18 the various federal laws, that being essentially human,  
19 they will, on occasion, make a mistake and that the  
20 result of that should not be really punitive action  
21 coming out of the government; that there needs to be  
22 some consideration of companies and compliance  
23 histories and those should be mitigating factors when  
24 there is a compliance failure; that one size does not  
25 fit all.



1           That would be a major turnoff to manufacturing  
2 or doing business in the United States. I think Norm  
3 made some reference to this before and so did Liz with  
4 regard to establishing, just as philosophy, in the  
5 federal system, that there are people who are trusted  
6 traders and there are those who are not trusted  
7 traders, and we see this happening increasingly.

8           MR. WATTLES: So I did have a few words I  
9 wanted to say there. So, for example, effective  
10 January of this year, CBP is now issuing demand letters  
11 for penalties for clerical errors in export filings.

12           So if you are a significant exporter from the  
13 U.S. and you are processing tens of thousands of  
14 exports, and we all know how manual it is to enter the  
15 data to process an export, and then think about how  
16 often you enter something that is going to be exported  
17 only to find out that ship was delayed, an aircraft was  
18 diverted or into maintenance, and so you get notified  
19 that, okay, instead of using the carrier that it was  
20 going to go out on through the port it was going to go  
21 out on on date X, it is now going out on a different  
22 carrier from a different location on date Y, the  
23 following day or whatever, you are requiring a manual  
24 update to that entry.

25           If any of those steps get missed out of all

1 the thousands of entries you do, you are now getting  
2 the joys of receiving a \$10,000 penalty letter from the  
3 CBP.

4 So if it changed and you managed it correctly,  
5 identify that, oops, it is going the day after we said  
6 and out of a different city, but you miss that you  
7 changed carriers, you get the joy of receiving a fine  
8 or a penalty letter. If you want it to be less than  
9 the \$10,000 maximum, you have to send a letter in  
10 requiring mitigation and then the determination is  
11 made, they will either reduce it or they won't.

12 It's hard to imagine how that is an incentive  
13 for the competitiveness of American business and supply  
14 chain. And think for a moment, if you are an American  
15 toy manufacturer, we happen to make planes, but if you  
16 are the toy company, for example, and you are exporting  
17 a \$5,000 sale and you get that penalty, unless you are  
18 able to get it mitigated down to the minimum, which is  
19 \$500, you are going to get -- you just got to lose  
20 \$5,000 for the benefit of making that sale outside the  
21 U.S.

22 I don't think we need to incentivize our  
23 American companies to build more and export more from  
24 outside of the U.S. So the same kind of situation  
25 applies effective July with the \$5,000 penalties for

1 the import security filings.

2           So as Tony said, for those companies that are  
3 active in trusted trader programs, they take part in  
4 CTPAT. I think now there is some export CTPAT  
5 equivalent kind of a process that is being put up and  
6 signing up companies to do some acknowledgment that if  
7 you are processing thousands of transactions and you  
8 are not refusing to file, you are notifying and it is a  
9 basic clerical error, it seems like issuing those  
10 penalties just right off the bat seems a little  
11 counterintuitive. So we would like to have that  
12 considered, as well.

13           But, obviously, we are just -- it is up here  
14 as a longer-term issue. We haven't boiled it down into  
15 any specific recommendations, those kind of things yet,  
16 but certainly noteworthy.

17           So we wanted to put that out here and say this  
18 is something we want to work on more over the next  
19 several months.

20           Thanks, Tony.

21           CHAIR BLASGEN: Any other questions for the  
22 committee?

23           (No Response.)

24           CHAIR BLASGEN: Terrific. Why don't we grab  
25 lunch and feed you all? And be in here just before

1 1:00 so we can start sharp at 1:00. Does that work?

2 (Whereupon, at 12:36 p.m., the meeting was  
3 recessed.)

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1 AFTER RECESS

2 [1:12 p.m.]

3 MR. LONG: If everybody can take their seats,  
4 please.

5 CHAIR BLASGEN: Thanks, everyone, for coming  
6 back. Certainly, one of the hallmarks of IT  
7 professionals is our ability to network. So it's great  
8 to see that that is alive and well, as always. We  
9 really appreciate the opportunity.

10 Before we move on, I wanted to have Fran --  
11 she is on the committee, the Department of  
12 Transportation National Freight Advisory Committee.  
13 Right?

14 MS. IMAN: Right.

15 CHAIR BLASGEN: And so she is here  
16 collaboratively working with our committee and I would  
17 just ask her to say a few words about her views on the  
18 two committees and how we need to collaborate.

19 MS. IMAN: Thank you. I think Rick didn't  
20 tell you that I am also a member of CSCMP, proud to be  
21 a member.

22 Anyway, I just love the discussion that we are  
23 all having and I want to shout out our designated  
24 federal officer, Tretha Chromey, who staffs our  
25 committee of 47 folks that serve on NFAC. So there is

1 yet one more acronym in the alphabet soup.

2 So we are, in fact -- we have had our first  
3 meeting and just released last week our subcommittees,  
4 because as you all have realized with your work, most  
5 of the work gets done on the subcommittee level.

6 So we have taken the tasks of MAP-21, broken  
7 them down and decided which would be the appropriate  
8 committees. I am going to co-chair the Project  
9 Delivery and Operations. So very interested in  
10 learning constantly.

11 I loved the discussion this morning about  
12 talking to the folks that are in the field and saying,  
13 "Okay, what are your three headaches," and while those  
14 can be anecdotal, I think they can lead us to real  
15 success at the end of the day because it is those folks  
16 that are using the system constantly.

17 But thank you all so much for all you do.  
18 Most of you, we have some kind of a connection, either  
19 through my day job or my job with the State of  
20 California or my federal committee.

21 But David sits in our committee as an ex-  
22 officio member, and I called him out there. I was  
23 happy that he was there, because I think it really is  
24 important that -- you know, part of the criticism we  
25 hear over and over again are the silos. So one of the

1 things we can all collectively do is make sure that we  
2 don't have any silos and let's erase any dots and make  
3 sure that we are learning from each other, and it's  
4 complicated. It really, really is.

5 So the good news for all of us that have been  
6 living this for a little while, we have come a long  
7 way. I remember in the pre-Safety Lou days when it was  
8 pretty lonely if you were talking about anything that  
9 related to goods movement or freight.

10 So just thank you very much.

11 (Applause)

12 MS. CHROMEY: Can I just add? I do want to  
13 add, because I know that -- I am Tretha Chromey. I am  
14 with the Department of Transpiration. I know probably  
15 when Fran said the subcommittees have been released,  
16 they will be posted on our Website. They have not --  
17 David and, of course -- I just wanted to make sure we  
18 clarify.

19 Of course, Department of Commerce has a copy  
20 of the six subcommittees, but just to give you guys a  
21 frame of reference on where we are, and I'm going to do  
22 it very slow, because every subcommittee consists of  
23 three words or more.

24 So there is a Conditions, Performance and Data  
25 Subcommittee, which will focus on our -- mostly our

1 conditions and performance report, which is due in  
2 2014, but as well as providing information as it  
3 relates to the national freight strategic plan for  
4 conditions and performance, moving beyond the 2014 and  
5 2015 timeframe.

6 Then there is -- and really that subcommittee  
7 is really going to be looking at a lot to do with  
8 performance metrics and moving forward with national,  
9 which is going to have a really great marriage with  
10 this advisory committee.

11 The two co-chairs for that subcommittee are  
12 Ann Camby, which I am sure a lot of you may know that  
13 name and if not, you will get to meet her; and, Jack  
14 Holmes, who is from our UPS freight operation.

15 Then there is the Safety, Security and  
16 Environment Subcommittee. Again, I am pretty sure that  
17 is pretty self-explanatory. If you have a question,  
18 you can ask me. That is being chaired by Kevin  
19 Brubacher, who is out of Massachusetts, and Bonnie  
20 Lowenthal, from California.

21 Then we have our Project Delivery and  
22 Operations, which, of course, is being co-chaired by  
23 Fran Iman and Karen Schmidt. Karen is from Seattle.

24 The other three, International Freight  
25 Strategies and Operations, again, that is going to be



1 looking -- again, a very broad subcommittee, but it is  
2 going to be looking at point of entry, whether it is  
3 point of entry by port, by rail, by air, but it is also  
4 not only port of entry at our Continental United  
5 States, but it is, again, globally. And that is being  
6 chaired by Mayor Gimenez from Miami-Dade County and  
7 Chairman Eaves, who is from Fulton County, Georgia.

8 Then we have our Research, Innovation and  
9 Technology Subcommittee, which is being co-chaired by  
10 Randy Iwasaki, also out of California, and Terry  
11 Button, which is a name you probably don't know, and he  
12 is an owner-operator, independent operator, truck  
13 driver.

14 Then our final subcommittee is our First and  
15 Last Mile Subcommittee, which is really focused on some  
16 of the urban government issues and metropolitan  
17 planning issues. Again, I think this is one that will  
18 probably have a huge correlation with you.

19 Their task is probably one of the most  
20 daunting, I would think. And that is being co-chaired  
21 by Stacey Hodge, out of New York City DOT, and Michelle  
22 Livingstone, who is the Vice President of  
23 Transportation for Home Depot.

24 So just to give you guys a frame of reference  
25 of where we are, it was just announced and it will -- I

1 think as the co-chairs come together, we will  
2 definitely be looking for opportunities, be it  
3 webinars, conference calls, whatever, to share  
4 information as, of course, recommendations develop.

5 If you have any questions, let me know. Thank  
6 you.

7 CHAIR BLASGEN: Thank you.

8 (Applause)

9 CHAIR BLASGEN: Tony, you had one point you  
10 wanted to bring up and clarify?

11 MR. BARONE: Yes. Just in what we are kicking  
12 down the road, we are not kicking down the road  
13 anything with respect to any particular mode. The  
14 things that we are kicking down the road would be in  
15 the various modes, just for clarification.

16 CHAIR BLASGEN: Okay. Great. All right.  
17 Well, let's move on. We have reports from three  
18 remaining subcommittees, and next up will be Sandi.

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1           **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**2                           **Information Technology and Data**3                           **Subcommittee Chair Sandor Boyson**

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5                   DR. BOYSON: Rick, I am really delighted to  
6 have this opportunity to do a really deep drive into  
7 single window now.

8                   (Laughter)

9                   CHAIR BLASGEN: No double-pane windows.

10                  DR. BOYSON: Actually, I'm going to spare  
11 everybody. I think we covered it well enough.

12                  So I am going to deal with, just very quickly,  
13 a couple of the other recommendations that we have been  
14 working with, and Bruce is going to help me here,  
15 because we have been doing this exploration together.

16                  I think we have had a really great  
17 relationship. Bruce, for those of you who have not had  
18 the opportunity to know him, is very insightful, knows  
19 a lot of things and a lot of people, and has been  
20 really great in this process.

21                  So let me publicly thank you, Bruce.

22                  So the two recommendations that we had that  
23 were not really covered under the single window  
24 discussion was designing an executive supply chain  
25 dashboard, because we felt that there was really no

1 source, as it says up there, for unified information  
2 and analysis about competitive supply chain metrics,  
3 concepts, et cetera, et cetera.

4 In fact, when we looked internationally, we  
5 found that no country had a unified supply chain  
6 dashboard, including places like Singapore. So we  
7 thought this could be a unique aggregation site to help  
8 decision-makers, both in the public and private sector,  
9 bring together all kinds of information.

10 Bruce, would you like to talk a little bit  
11 about some of the work that, in particular, you did to  
12 try and land a home for this concept?

13 MR. HARSH: Yes. First, I am very fortunate  
14 to work with the committee. We've got a lot of great  
15 experts on the committee and a lot of great ideas.  
16 This is one of the ideas that is necessary to share  
17 some information with a lot of different folks, small,  
18 medium and large companies. And so we tried to look at  
19 a way to see if we could add it to the Commerce  
20 Website, but due to budget cuts and constraints, we are  
21 having difficulty looking there for a home.

22 So I have actually gone out to some of the  
23 other agencies and seen what they have on their  
24 Websites and seeing if they have a portal that we can  
25 link to to provide this information.

1           So we are still in the process of finding a  
2 home for a lot of this information that can spread the  
3 wealth of the expertise, the links, to a lot of  
4 different good sources of information.

5           So we will have to stay tuned. It is a work  
6 in progress on that one.

7           DR. BOYSON: And we have begun to inventory  
8 and catalog both current and potential data feeds that  
9 could build what we would call a common operating  
10 picture, to use DOD, Department of Defense phraseology  
11 -- a common operating picture of the national supply  
12 chain.

13           As we say in our recommendations, it would  
14 include not only supply chain data aggregation across  
15 agencies relating to trade and freight flows, and, in  
16 particular, things like Cynthia's committee is working  
17 on of having the dynamic supply chain mapping data in  
18 there, but, also, things like what are standards and  
19 policies that are emerging. There is no centralized  
20 clearinghouse for supply chain-related policies and  
21 standards. And that's, obviously, very dynamic and  
22 hard to find often for small businesses, in particular.  
23 So having that kind of clearinghouse.

24           Even more interesting, actually, is this  
25 notion of a real-time functionality for situational

1 awareness and risk analysis. Gary, who has been on the  
2 committee, has been a strong advocate, I believe, of  
3 this. We have been glad to have his support on this.

4 So let me say this is not science fiction. So  
5 we have begun to meet with the leading companies in the  
6 field that are providing real-time supply chain  
7 situational alerts. And we had a chance to have a  
8 whole demonstration about it.

9 So to give you a quick snapshot, vignette,  
10 here of what it looks like, the companies capable of  
11 taking a longitude or latitude from you, you can define  
12 it as a single location or you can define an entire  
13 trade corridor. And be defining latitude and  
14 longitudinal coordinates, you can then move onto the  
15 next screen, which then is a drill-down menu of the  
16 kinds of incidents that you want to track, and the  
17 keywording system is phenomenal, everything from fires  
18 to explosions to disruptions in traffic.

19 I think it was really quite an extensive list.  
20 And, again, it is a drill-down menu. So you pick and  
21 choose from the dropdown menus, and you then talk about  
22 the frequency. How do you want to get the alert? Do  
23 you want to get it to -- which people should get it and  
24 what modes should you get it, et cetera, et cetera?

25 And they, I believe, look at literally

1 thousands of -- they have a whole real-time control  
2 room that does nothing but gather real-time feeds from  
3 thousands of sources and filter those based on the  
4 kinds of business rules you set up, and then you get  
5 these situational alerts.

6           So the idea that we have put forward -- and we  
7 have just begun this. I mean, tomorrow I'm actually  
8 going to be looking at another kind of alert monitoring  
9 system -- but the idea here is because this is a  
10 relatively small emerging group of companies doing this  
11 and that there could potentially be a lot of change yet  
12 in this industry, it's still growing, it's not a mature  
13 industry, why not create some type of marketplace of  
14 risk services, where the kinds of companies offering  
15 these alerting capacities would be able to compete for  
16 volume business; for example, all the ports getting  
17 together and negotiating collectively for this kind of  
18 service.

19           So in our recommendations, we cover this and  
20 we also cover, particularly on page 6 of our  
21 recommendations, the kinds of levels of stakeholders  
22 that might be able to take advantage of this type of  
23 real-time awareness. So level one, for example, would  
24 be sort of general public that requires some general  
25 situational awareness. Level two could be where a set

1 of ports, for example, registered their assets, the  
2 coordinates of their assets, and benefit from very  
3 specific information about things that could disrupt  
4 port traffic, oceangoing traffic, storms, weather  
5 patterns, terrorist activities, political instability  
6 in countries, et cetera, et cetera, et cetera.

7 And then it could go down actually to very --  
8 it could go down to things like CTPAT members, people  
9 who are trying to be trusted providers and need to have  
10 this kind of information to be able to be resilient in  
11 an identified trusted shipper pool.

12 So these are the kinds of ways we think such a  
13 system could be used. We are not aware of -- DOD is  
14 using this kind of system, we know that. We know other  
15 government agencies are starting to look at this a lot  
16 for their own personal travelers. They want to know,  
17 when they send people overseas or to different places,  
18 what are the risks that they face. In fact, that is  
19 the main market for this kind of service right now.

20 But we think it could be repositioned given  
21 the fact that this functionality is there, it is highly  
22 scalable across the companies we have looked at. We  
23 could begin to make available through a competitive  
24 marketplace these kinds of services to help maintain  
25 the resiliency of supply chain asset providers and



1 infrastructure providers and shippers.

2 In turn, the shippers could benefit and the  
3 users could benefit from potential volume discounts,  
4 from aggregating their demand for a specific set of  
5 alerts relevant to them and what they do in their  
6 business.

7 So I am going to basically stop there, and  
8 that really is what is underlying this second bullet on  
9 -- I'm sorry -- the third bullet that you see there of  
10 a virtual national supply chain risk center. We think  
11 that that kind of center, supported by a marketplace,  
12 could really provide good service for maintaining  
13 national resiliency.

14 Any questions about that? We have a lot of  
15 questions about. Okay.

16 (Laughter)

17 DR. BOYSON: So if you don't, we'll tell you  
18 ours. But we think it's a pretty interesting concept.

19 UNIDENTIFIED VOICE: Who is the company?

20 DR. BOYSON: Well, Bruce, do you want to help  
21 me out here?

22 MR. HARSH: I missed the question. Could you  
23 repeat it?

24 DR. BOYSON: He wants to know what the  
25 companies are.

1           MR. HARSH: We have looked at some of the  
2 leading companies in the general area, like an NC4 and  
3 Resi-Link companies, but we are not limiting it to just  
4 their services. We are trying to look at, first, the  
5 concept of a way to share these risk threats and not  
6 get into picking one particular company or companies.

7           Yes, Tony?

8           MR. BARONE: I just wanted to mention, a  
9 couple of years ago, there was this volcano in Iceland  
10 and we watched this cloud move across the continent,  
11 across our plants, and across the airports, and it  
12 became a real serious issue. How are we going to move  
13 this stuff out? Pharmaceuticals move by air cargo,  
14 basically, not all, but a lot of them.

15           So this actually is a serious issue. The  
16 Japanese earthquake. There are three plants located in  
17 that part of Japan. And the question also became,  
18 "Well, if this is happening, how are we going to  
19 continue to provide vaccines and other medicines that  
20 need to get where they're going?"

21           So the way it was done was not the best way  
22 with dependence on the carriers and people on the  
23 ground who were there. Yeah, we could see the cloud,  
24 but probably not the best way.

25           (Laughter)

1           MR. BARONE: Because manufacturing is a global  
2 enterprise. It is no longer a one-town enterprise. So  
3 you need to have this situational awareness on a global  
4 basis. So I can see a lot of value to that.

5           DR. BOYSON: Just to echo Tony's point. I  
6 teach a class in supply chain risk management, been  
7 doing it for several years, and one of the cases we  
8 teach is that of Sysco, and Sysco, in response to the  
9 Japanese tsunami, received -- is actually a subscriber  
10 of these kinds of services from one of these companies.  
11 And they were able to mobilize a contingency plan and  
12 they were able to not lose one penny of revenue from  
13 lost output from the tsunami in Japan.

14           If you contrast that to Ericsson, the company  
15 Ericsson, Ericsson lost their shirt, literally lost  
16 their -- they lost their cell phone business over this  
17 same event, because they didn't have the situational  
18 awareness and they had to completely -- you notice  
19 there are no Ericsson cell phones anymore. It's Sony.  
20 They had to sell out to Sony. They were in partnership  
21 with them. But after the tsunami, they had lost of  
22 hundreds of millions of dollars coming out of Japan and  
23 had to sell off to Sony.

24           So this is the value of this kind of global  
25 situational awareness that we see in the private sector

1 and that we kind of teach our students about.

2 And I think it has similar value, for example,  
3 for things like ports potentially or airports, which  
4 they have their own security services, but, again,  
5 having more information tailored to the kinds of  
6 threats you face and the proximity around you, we  
7 really don't know exactly what the impact would be, but  
8 we think it could be as important, if not more  
9 important than the kinds of models we are seeing in the  
10 private sector.

11 Rick, you, I know, have a long concern for  
12 this kind of thing.

13 CHAIR BLASGEN: Yes, absolutely. What you are  
14 saying is right. Right now, in risk management and  
15 resilience, we are teaching not only the fact this is  
16 going to happen, it is a matter of when, but what do  
17 you do about it.

18 I know from my food days, coffee manufacturers  
19 will create redundant inventories in the south during  
20 hurricane season so that they don't get thrown offline.  
21 There are a lot of those types of redundancies and  
22 complicated models that teach you how to manage risk,  
23 to your point earlier, Sandi.

24 DR. BOYSON: So going forward, I think we are  
25 going to continue to explore this marketplace of risk

1 services, try to do a better job inventorying whatever  
2 companies are out there. There are some new reports  
3 that have just come out that do a pretty good job of  
4 segmenting the market, give us some leads to go talk to  
5 companies and find out what is the universe out there  
6 and really flesh out this recommendation going forward.

7 So if there are no further questions, I will  
8 keep moving on.

9 Bruce, do you have anything you want to add to  
10 that?

11 MR. HARSH: No. That's fine, thank you.

12 DR. BOYSON: So the last point that I want to  
13 talk about is this notion of the second bullet, which  
14 is survey third-party logistics providers to exactly do  
15 what the Freight Committee is talking about, which is  
16 to do a national supply chain network map, whether it  
17 is based on trade corridors of some kind, whether it is  
18 based on some other unit of location.

19 But we strongly feel like as an IT  
20 Subcommittee, this kind of information is absolutely  
21 critical to maintaining supply chain competitiveness.  
22 We could not agree more.

23 So we spoke to Department of Transportation  
24 about their GIS system, their geographic information  
25 system, the kind of trade flow mapping that they have

1 been doing. It is pretty clear that they don't talk to  
2 third-party logistics providers at all in doing what  
3 they do and have not really benefitted from the  
4 knowledge base that the three PLs could provide, and  
5 that is where Carl Fowler comes in from your committee.  
6 Carl has been a great advocate for this.

7 So I think going forward, we should probably  
8 kind of see if we could collaborate, and, actually, to  
9 be honest, I really feel, in a way, that we should  
10 follow your lead and try to support you in any way.

11 I mean, we have looked at the Canadian trade  
12 flow study that Russ provided and it has, I thought, a  
13 reasonable methodology in there. We have spoken to  
14 DOT, as I have said, and I thought that your approach  
15 today was excellent and I think if you looked at the  
16 issue of the three PL survey as a way to get  
17 information into the network mapping, I think it would  
18 really enhance the work.

19 I similarly think that there are trade  
20 corridor approaches that you should consider, because I  
21 know that there are organizations all over the country  
22 that work in corridors and your network map could  
23 benefit from getting data from them and, also, could  
24 provide some actionable information that they could  
25 use.

1           So I would strongly encourage you to kind of  
2 think about that, and we could kind of help you think  
3 about it if you wanted us to.

4           And I think that is about it, really. You do  
5 great work and we would love to support you in any way  
6 we can rather than duplicate the wheel or go off in a  
7 different direction.

8           Does that make sense? Bruce do you have any  
9 thoughts on that?

10           MR. HARSH: It is a good example of where we  
11 can draw the committees together. We saw it on then  
12 single window issue, the ITS issue this morning, with  
13 two committees looking at that and then if you take  
14 this issue and collaborate with your groups, it is a  
15 nice way to go forward, as well.

16           I know there are some other recommendations  
17 that might have that same possibility, as well.

18           DR. BOYSON: Chris?

19           MR. SMITH: Sort of a question/comment on the  
20 second bullet, and then I like the idea. And I'm sorry  
21 Page isn't here, because this sort of would incorporate  
22 some of the stuff Georgia is doing, a state that has  
23 now rolled out a statewide freight network with DOT, in  
24 cooperation with its Center of Trade and Logistics. I  
25 would be curious to know if there are some good models

1 there that have already been done at the state level  
2 that would help us to draw on the national  
3 conversation, and just kind of throwing that out there  
4 as a discussion topic.

5 DR. BOYSON: Right. I really am not sure how  
6 to answer your question, to be honest. Our first  
7 inclination was to head to DOT, because their GIS  
8 system is at a national level and really has identified  
9 a lot of trade flow volume densities already.

10 So that was sort of our first inclination and  
11 that is why we spoke with them. I have had some  
12 exposure to them over the past few years. So I really  
13 haven't explored it at the state level.

14 But I do know, for example, NASCO, the North  
15 American Super Corridor organization, which covers  
16 literally from Canada to Mexico as one super corridor,  
17 has done a lot of research on flows and impediments to  
18 flows, and maybe there it is not just a state, but it  
19 is a conglomerate of states that have banded together  
20 to look across the handoffs between state borders.

21 MR. SMITH: I would be happy to engage your  
22 subcommittee on drawing together some research  
23 information that might have been already generated or  
24 done at the state level as sort of best practices or  
25 examples to just inform your research.



1 DR. BOYSON: Yes, sure. That sounds great.

2 Cynthia, is that something that we could work  
3 on maybe together?

4 MS. RUIZ: Absolutely.

5 DR. BOYSON: Great. So we will follow-up on  
6 that. Then Gary, Stan -- Elizabeth, unfortunately, had  
7 to leave. But do you folks have any inputs that --

8 MR. LYNCH: The only thing, on the data side,  
9 too, I don't know if you've incorporated it, I can't  
10 see it from here, but is really the claims data,  
11 insurance claims data for failure. You have got a lot  
12 of fantastic data out there, especially on the cargo  
13 side, where you are dealing with everything from  
14 spoilage to obsolescence to physical destruction to  
15 theft, counterfeiting, and there's just mountains of  
16 data out there right now. So, again, when you're  
17 ready, maybe we can have a conversation about that.

18 DR. BOYSON: So we are done.

19 CHAIR BLASGEN: Great. Any questions or  
20 comments for Sandi and the IT group?

21 (No Response.)

22 CHAIR BLASGEN: So you feel comfortable going  
23 forward then with those recommendations.

24 (No Response.)

25 CHAIR BLASGEN: Okay. So it shall be written.

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(Laughter)

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MR. BARONE: So just to understand, so they are going to continue to work on those and there is a good consensus on that, but that is different than moving forward with a letter to the Secretary. Right?

8

CHAIR BLASGEN: Yes. Right.

9

MR. BARONE: Okay.

10

11

CHAIR BLASGEN: So everybody is good with that.

12

MR. BARONE: Right.

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CHAIR BLASGEN: Okay. Mike, Finance and Infrastructure.

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**SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE****Finance and Infrastructure****Subcommittee Chair Mike Steenhoek**

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5 MR. STEENHOEK: Thank you, Mr. Chairman.  
6 Before I kind of go on to give my subcommittee report,  
7 I wanted just to clarify a question, I think a good  
8 question Chris raised before lunch and just wanted some  
9 clarification from David and your team.

10 It is my understanding that the members of  
11 this committee can advance recommendations that would  
12 require either administrative or legislative action.  
13 Now, these recommendations are going to be directed to  
14 the Commerce Department and you, in turn, are  
15 restricted in to what extent you can advance those  
16 recommendations.

17 Obviously, you are going to be more restricted  
18 if there is a legislative component to it versus an  
19 administrative component to it. But we are not  
20 restricted at all in the recommendations we have,  
21 whether it's an administrative action or a legislative  
22 action.

23 MR. LONG: Let me talk briefly about those.  
24 This is a really important point. It is not a good  
25 idea to not address something you think is important

1 because it may require, say, legislative action or  
2 regulatory, whatever. The fact that you think it is  
3 important is what counts.

4 So you want to say what you think on that.  
5 But then in the real world, we have to temper it  
6 against the fact of some things take a lot longer to  
7 do, some are more difficult to do than others, and  
8 reasonable people will recognize that as they go  
9 forward.

10 So I would say that if you choose not to speak  
11 about something you think it is important because it  
12 involves legislation, you may inadvertently leave the  
13 impression you think it is not important, that it is  
14 not worth the struggle.

15 Now, in terms of what goes to the Secretary  
16 and to the government as a whole, all I have been able  
17 to guarantee you, and this is as far as I can go with a  
18 promise, is to make sure that everybody will see it. It  
19 will go to the Secretary. It will be dispersed.  
20 Everyone will get a look at it.

21 If they are persuasive recommendations and  
22 they carry the weight and gravity behind them that they  
23 look like they will, something will happen. But just  
24 the fact that it is directed to our Secretary is simply  
25 the starting point for it. And she, an experienced

1 businesswoman, no doubt will make sure that it winds up  
2 in the right hands.

3 And there are at least two other agencies that  
4 are directly involved in this, EPA and DOT. So they  
5 will see the materials right away, as well. So I would  
6 say pick the things you think are important, go forward  
7 with what you think ought to be done, and just as you  
8 do it, recognize that not all things are equally doable  
9 on the same schedule.

10 MR. STEENHOEK: Sure. And that's my  
11 understanding, and thanks for that clarification. It  
12 just kind of elicited a bit of -- my antenna was piqued  
13 when the issue was raised, because if we are restricted  
14 in our ability -- if we are prohibited from advancing  
15 suggestions that require legislative action, the  
16 Finance Subcommittee is going to have a very brief  
17 report.

18 (Laughter)

19 MR. LONG: I understand entirely. And I just  
20 want to emphasize for the group that these last two  
21 groups that we will be hearing from, Finance and  
22 Regulatory, in many ways, have an extremely difficult  
23 task to deal with. So the fact that the paces are  
24 different and we are running into issues that are  
25 broader and more complex that way is perfectly normal

1 and not a surprise at all.

2 MR. STEENHOEK: Well, thank you. Thank you.

3 I just wanted to, first of all, just  
4 acknowledge the members of the subcommittee -- Leslie  
5 Blakey, Wayne Darbeau and his staff from the Port of  
6 San Diego, Lance Grenzeback, Bill Hanson, Panos  
7 Kouvelis, Gary Lynch, Rich Ball (phonetic), I think  
8 that's all who are here today. And then Sean Conlin,  
9 Ricky Kunz, Page Siplon are not here today. But thanks  
10 to all of their involvement and engagement on this  
11 issue.

12 Kind of the task for the subcommittee is,  
13 number one, making sure that we have done an adequate  
14 job cataloging or taking inventory of the various  
15 finance mechanisms that exist so that we are taking  
16 them all adequately into account. And we feel like we  
17 have a really good -- as expansive as that is and as  
18 complex as that process is, we feel like we've got a  
19 pretty good list or inventory of the various financing  
20 mechanisms that we really feel we have defined the  
21 parameters.

22 Where we are right now is -- which is kind of  
23 -- so we're not at a position to really provide  
24 specific recommendations right now. We feel like we  
25 need to drill down a little bit further at a more

1 granular level, quantifying the recommendations that we  
2 are going to be making, in Lance's words, which steps,  
3 which initiatives, if implemented, would create the  
4 greatest yield, the biggest bang for our buck.

5 So that will be step number two and that is  
6 where we are at right now.

7 Step number three is then gauging the level of  
8 support among the members of the subcommittee, and this  
9 is something that we do kind of wrestle with is once we  
10 have defined the -- we have established the parameters,  
11 we have quantified the various "what if" kind of  
12 scenarios, but then the temptation would be given all  
13 of the financing mechanisms that exist, we could have a  
14 very lengthy document to provide to the full committee.

15 So the real challenge, in Leslie's words, is  
16 we are going to have to make some real hard choices on  
17 what we are going to advance and what we are not.

18 The danger is if we just advance suggestions  
19 on three dozen different financing mechanisms, we will  
20 only have succeeded in producing a document that no one  
21 will read, and we don't want to do that. But we also  
22 don't want to just simply provide suggestions just  
23 based on the impact on the U.S. economy as a whole.

24 What I mean by that is we want to move beyond  
25 -- one of the big financing mechanisms that is

1 important to every one of our industries is the gas  
2 tax. Well, for us to do a credible job as a  
3 subcommittee, we are going to have to provide some kind  
4 of commentary on the gas tax. But if we simply have a  
5 recommendation, we need to index the gas tax to  
6 inflation, that is just going to elicit one big yawn  
7 from the intended audience.

8           So, yes, we want to be mindful of these larger  
9 issues that really do have a pretty profound ripple  
10 effect on the broader economy, but we also are  
11 challenged to come up with some things that are more  
12 innovative that may not be as consequential as, say,  
13 the gas tax, but yet elicit some interest, that will  
14 pique interest when people read it and they will say,  
15 "Well, that's new. I didn't really consider that."

16           So that is really kind of the challenge that  
17 we have.

18           A couple of issues that are very contemporary  
19 right now, even today, Bill and I, during the break,  
20 were looking and seeing that the House Transportation  
21 Infrastructure Committee Chairman Bill Shuster just  
22 released his proposal for a Water Resources Development  
23 Act. So I haven't had a chance to look through it. So  
24 this is something that is going to be debated this  
25 fall.



1           But a couple of issues that we as a  
2 subcommittee are going to be examining within just that  
3 limited piece of legislation, one relates to harbor  
4 maintenance, and this just kind of shows the complexity  
5 of some of these financing mechanisms. But the  
6 discussion that we need to kind of come to grips with  
7 within just the harbor maintenance taxes -- number one,  
8 do you just use all of the money that is going into the  
9 harbor maintenance trust fund for its current intended  
10 purposes; option number two, do you use all of the  
11 money going into the harbor maintenance trust fund for  
12 expanded purposes; number three, do you expand the  
13 collection of money for current intended purposes or do  
14 you expand the amount of money that you are generating  
15 for expanded purposes.

16           So there are four different scenarios that you  
17 could have and there is a piece of legislation recently  
18 advanced by the Senators from Washington, Murray and  
19 Cantwell, that talked about taxing freight that is  
20 coming into the United States not just via the ports,  
21 but, also, if it is coming in via railway if it is  
22 first offloaded in Mexico or Canada and then it gets  
23 diverted into the United States, taxing that so that it  
24 provides less of what would be argued is a disincentive  
25 to shipping freight into our U.S. ports and incentive

1 to ship to Canadian or Mexican ports.

2 Also, within the WRDA bill, there is the whole  
3 issue about the Inland Waterways Trust Fund and the  
4 degree to which you increase the tax on diesel fuel and  
5 whether you go to some kind of tolling, there is going  
6 to be a lot of issues related to that.

7 I did, through my skim of the piece of  
8 legislation, I saw that there is an alternative  
9 financing section within WRDA. And so this obviously  
10 applies to this piece of legislation, but, also, more  
11 broadly, there is a lot of discussion about alternative  
12 financing, engaging the private sector on solving some  
13 of our transportation problems, and we would like to  
14 provide some thoughtful comments on that.

15 The concern that I have when talking to -- and  
16 I have had this discussion with staff, Congressional  
17 staff, is there is kind of almost a -- well, I think a  
18 little bit of naivety about assuming that if we just  
19 simply engage the private sector to address some of our  
20 transportation concerns, that the net result of that  
21 will simply be we have the system that we currently  
22 have, except that it is better.

23 They don't really realize that the moment you  
24 engage the private sector, that is probably going to  
25 involve some tradeoffs and we can't just assume that it

1 is just going to be a better system. So there needs to  
2 be some pinch of sobriety when we discuss this issue,  
3 and, hopefully, we can provide some thoughtful comments  
4 on that.

5 Then, finally, my last comment before I open  
6 it up to other members of the subcommittee, I think --  
7 and I have shared this before, this sentiment before,  
8 that it would be ill advised to concentrate all of our  
9 activities on just simply the government writing a  
10 bigger check.

11 We also need to explore opportunities to  
12 practice better stewardship of the scarce taxpayer  
13 dollars that are currently being utilized for our  
14 transportation issues. And we see this with the inland  
15 waterway system, the fact that we provide funding for  
16 projects, for lock maintenance and construction  
17 projects in such an unpredictable piecemeal fashion, it  
18 really is a recipe for cost overruns.

19 But even broadly, if you were to talk to  
20 pretty much any state DOT director and the concern they  
21 have with these short-term extensions that we have with  
22 highway bills and not providing greater predictability  
23 of that funding, it really is wreaking havoc in their  
24 planning and it really is a cost escalator to them  
25 providing services.

1           So this kind of broad issue of government  
2 providing transportation services via short-term  
3 extensions to industries that have a long-term time  
4 horizon, like all of the industries around the room, it  
5 really is creating a lot of problems.

6           I don't want to just provide a list of  
7 recommendations that are all just about government  
8 providing more money, because the result of that  
9 probably will be members of Congress just saying, "Oh,  
10 here is just another group asking for more money."

11           So, yes, we will provide some of those  
12 recommendations, but we also want to say, hey, at least  
13 -- okay -- if you are broke, government, yes, we would  
14 like more money, but if you are broke, can you at least  
15 provide greater certainty of funding, greater  
16 predictability of that funding, because how you  
17 allocate money is just as important as how much money  
18 you allocate. Can we at least provide greater  
19 certainty so that we can make adequate planning,  
20 because we're talking about industries that have a very  
21 long time horizon.

22           We are talking about transportation assets,  
23 whether it is ports, whether it is roads, whether it is  
24 bridges, whether it is inland waterways, rail. They  
25 all have long time horizons.

1           So you just see the way that we are doing  
2 business is really a recipe for some real waste and  
3 some real inefficiency.

4           With that, I will open it up to any other  
5 members of the subcommittee.

6           CHAIR BLASGEN: Mike, just a question.  
7 There's a lot of areas that were covered there and as  
8 it relates to supply chain competitiveness, are there  
9 specific top three or four areas you know the committee  
10 wants to focus on? Has that been arrived at yet?

11           MR. STEENHOEK: Well, yes, and that is kind of  
12 what -- that is what we kind of wrestle with. I always  
13 try and think if I had the proverbial magic wand and I  
14 could just wave it to solve problems, it would be more  
15 directed at providing some sustainability to our  
16 surface transportation funding system, because that is  
17 arguably what -- this is going to touch on most of the  
18 freight moving in this country. They are all  
19 eventually going to touch on our roads.

20           So certainly that would be a priority, but  
21 then we also don't want it to be just a regurgitated  
22 set of recommendations, as well, that we have heard  
23 elsewhere. So that is why we are really kind of  
24 challenging ourselves to think what are some of the --  
25 kind of the outside of the box thinking.

1 Leslie has provided some thoughts on  
2 connectivity between modes and projects of national and  
3 regional significance and providing for a more seamless  
4 transition from one mode to the next.

5 So there are a number of ideas. So to answer  
6 your question, we hadn't really arrived at that top  
7 three or top four at that point.

8 Any other thoughts?

9 MS. BLAKEY: Yes, Mike. I think that actually  
10 what you are going to there, Rick, is part of the work  
11 plan that is kind of -- in a way, it kind of goes  
12 without saying -- that is why Mike didn't touch on it  
13 -- but we are developing this work plan currently.

14 But the core question that you have to ask at  
15 the very outset before you can consider pieces and  
16 before you can consider funding mechanisms or  
17 leveraging federal dollars or anything else is you have  
18 to ask the question of what is it that we are trying to  
19 fund.

20 So part of what we are working on is to start  
21 to clarify and define that from a supply chain  
22 competitiveness point of view. And that does mean  
23 saying, okay, what are the infrastructure pieces that  
24 are in the public interest to provide public dollars  
25 for and what are the pieces that are logically left to

1 the private interests that are also part of the  
2 equation and how do those things rub up against each  
3 other and how do you allocate the responsibility.

4 Then you come up with probably an overall  
5 sense of how much money you need to raise, where  
6 logically that money could come from, and so forth and  
7 so on, starts to fall out of your overall purpose.

8 It is a big concept and it is a big issue that  
9 we've certainly got some resources to draw on for  
10 arriving at that. The two commissions that were funded  
11 out of Safety Lou, the 1909 Commission and the 11142  
12 Commission, both did reports that kind of went in that  
13 direction, didn't specifically address this from a  
14 supply chain point of view, but there is a lot of good  
15 work that we can assimilate from to start narrowing  
16 down the scope of what it is that the financing piece  
17 of this needs to try and do.

18 So that is part of what we are planning on  
19 right now.

20 MR. LONG: If I could add something. I  
21 wanted to thank you for a very thoughtful presentation  
22 on that, and, also, for taking on such a difficult  
23 topic.

24 Some of what you said made me think about some  
25 of the other committee stuff, too. I think all of the

1 groups, in different degrees, are going to run into the  
2 question of what level to finally make the  
3 recommendations.

4 You are looking for something that is  
5 executive level enough to provide overall guidance, yet  
6 something concrete enough to be actionable and  
7 measurable. And I think all the groups are going to  
8 come up with different calculations on that, but that  
9 will be especially critical in this one.

10 And your point about doing an inventory of 35  
11 different programs really flags what that would look  
12 like.

13 So, again, thank you.

14 VICE CHAIR DARBEAU: David, could I add one  
15 more piece?

16 MR. LONG: Please.

17 VICE CHAIR DARBEAU: I agree with what Mike  
18 said. What we have to do is stay away from things that  
19 appear to be disincentives on financing. They must  
20 incentivize the system to be competitive. We have to  
21 look at -- the word "tax" is unpopular. So we have to  
22 look at fees and charges.

23 We also should take a look at what DOT is  
24 doing. MARAD has a concept called Strong Ports, and  
25 they got some kind of seed money from Congress or from



1 DOT to keep building that port infrastructure. That is  
2 really critical, but most ports cannot continue to pay  
3 for the kind of infrastructure you need to modernize  
4 the systems when you have highway and marine highway  
5 types of indications.

6 So I think we need to look at Strong Ports and  
7 see what that -- I would submit to DOT to get more  
8 information on that. And you will see that becoming --  
9 and we should support something like that. It will be  
10 federally funded at the Congress level. DOT would  
11 manage it through MARAD. And how do we tie that to  
12 some of the things we want to see in terms of  
13 modernizing.

14 MR. BARONE: I would just make a point that --  
15 so we see a lot of new user fees. So whether you call  
16 it a tax or you call it a user fee, it is a cost and it  
17 makes you less competitive. But I do believe that the  
18 comment you made on using the money better or even  
19 using the money in the case of harbor maintenance makes  
20 a lot of sense.

21 But with respect to the comments of some of  
22 the other committees, there are specific bottlenecks  
23 that have been identified, ports that don't have  
24 capacity, airports that don't have capacity, their  
25 traffic control systems need modernization.

1           Isn't there some room to just make some  
2 specific targeted recommendations, say we need to be  
3 spending more on this, that or the other thing?  
4 Because I think talking about taxes is almost a dead-on  
5 issue.

6           MS. BLAKEY: That is the point of establishing  
7 those goals that I was referring to, the idea of saying  
8 what is it we are trying to fund and why. You have to  
9 identify the overall purpose of trying to establish  
10 funding and that would be exactly addressing  
11 bottlenecks. It would be addressing issues of  
12 connectivity and so forth.

13           And then you can start to say, well, do we  
14 have current mechanisms that, if that were applied,  
15 would provide to those needs. If not, what is the gap,  
16 and so forth.

17           MR. BARONE: I guess the question I am asking,  
18 is the subcommittee considering -- and maybe it is not  
19 in scope, but is it considering specific objectives  
20 with specific recommendations? Like O'Hare needs  
21 another runway. Is it looking at that kind of finance  
22 question? That is the question I am asking.

23           MR. STEENHOEK: Yes. And even in our working  
24 paper, even though that is far from being completed, we  
25 have a lot of that already embedded; that here is the

1 amount of money coming in via this financing mechanism,  
2 here is what the U.S. economy needs, here is the gap  
3 between the two, here is what needs to be done to help  
4 ameliorate that gap.

5 So a lot of that is -- and so much of that is  
6 already in the public domain, too. What we really need  
7 to do is to really kind of quantify a little bit  
8 further on these mechanisms that we are gravitating  
9 toward -- what is the real -- if you actually do this,  
10 what would actually be the economic consequence? How  
11 would our productivity be more enhanced?

12 So that is just kind of some additional  
13 intellectual rigor that we need to apply to it before  
14 we really say, okay, it is clear that these are the  
15 recommendations and these are not. But absolutely,  
16 that is a part of what we need to do.

17 MS. BLAKEY: But if you are talking about,  
18 like, we are supposed to identify specific pieces of  
19 infrastructure and say the purpose of the exercise of  
20 this committee is to draw a map and pinpoint places on  
21 the map where we are going to say there needs to be an  
22 interchange here or there needs to be an intermodal  
23 facility there that hasn't been built, I don't think  
24 that is what we are trying to do.

25 Then when you get to runaways at O'Hare, that

1 is what you are talking about. That would be the kind  
2 of thing that the national freight strategic plan  
3 ultimately would be going to. DOT starts to identify  
4 infrastructure gaps and missing needs.

5 But one of the big questions out there, and I  
6 have seen this come up, interestingly enough, a couple  
7 of government agencies have asked me if we have done  
8 this kind of research, which is what is the big number,  
9 what is the -- if you put all the freight needs  
10 together in a bucket in this country, in order to have  
11 a capacious, redundant, resilient freight system,  
12 multimodal across the country, and not even addressing  
13 beyond our borders or beyond our ports, but what is  
14 that gap? What is that number that is missing?

15 Nobody knows, and that is the truth. We know  
16 pieces of it. We know that the Cambridge systematic  
17 study of the rail system identified I think it was --  
18 was it a \$37 billion gap, about three or four years ago  
19 when you all did that study, that is the gap between  
20 the 97 or 100 billion that the railroads are investing  
21 themselves and the overall rail infrastructure needs.

22 So we know pieces of that question, but we  
23 don't know really if we were trying to imagine how a  
24 government -- if we were a centralized government and  
25 we were trying to plot this out throughout our nation

1 and say this is where our money should go, we don't  
2 know how much money that is.

3 MS. IMAN: Another perspective, I will put on  
4 my California transportation position hat, 19 of our  
5 counties in California are self-help. So we have a  
6 self-imposed sales tax, we have some other mechanisms  
7 to help fund our transportation infrastructure.

8 So in the Southern California SCAG region, 74  
9 percent of our funding comes from those self-help  
10 measures. So I worry, as a commissioner and as a  
11 member of the National Freight Advisory, how do we have  
12 a system of systems, because that is what we are  
13 talking about, competitiveness.

14 We are talking about efficient systems within  
15 systems. But when we are having basically a potluck  
16 dinner for transportation funding, I think the problem  
17 becomes a little more complicated. So are there  
18 incentives? What can you do? Talk about how you  
19 deliver the funds. How do you facilitate to the top of  
20 the queue line for getting some of the approvals in  
21 place? Time is money for all of these projects.

22 So I think it becomes even more complicated as  
23 we underfund our infrastructure how we go back and  
24 really figure out a system of systems.

25 MR. BARONE: It just seems to me logical that

1 if you have got X dollars, you would have to decide how  
2 to spend it and that it would seem appropriate that  
3 this committee or some other committee or somebody say  
4 if we spend it on this, it is going to have a bigger  
5 return than if we spend it on that, understanding that  
6 that brings in all kinds of political issues and so on.  
7 But the objective of some investments are going to have  
8 a greater return than others.

9 MR. WEILL: I think that brings us back to  
10 last time when Wayne told us that we were bringing  
11 money in for this and we were spending it on that. So  
12 we are not even spending the money that we thought we  
13 were bringing in for certain things on those things.

14 UNIDENTIFIED VOICE: Harbor maintenance, I  
15 think.

16 MS. BLAKEY: To address what you are saying,  
17 one of the reasons why the TIGER program, small program  
18 investment-wise in transportation, very large  
19 implications for how the government does its business.

20 The reason that the TIGER program is important  
21 is that for the very first time, the Department of  
22 Transportation was able to apply cost-benefit analysis  
23 to the applications for projects.

24 Economic rigor throughout five rounds of TIGER  
25 has been applied. And for the very first time, we are

1 starting to see how, when we do that, lo and behold, we  
2 get better projects. We come out with better outcomes.  
3 We are able to leverage the federal dollar to a greater  
4 degree so that it isn't all a question of a taxpayer  
5 pot paying for 80 percent of a project and the other 20  
6 percent the state matches and everybody is happy.

7 That way of doing business is -- that is the  
8 old way, but the opportunity going forward is to look  
9 at how do we leverage our federal resources and how do  
10 we get the best bang for the buck by applying some  
11 economic analysis.

12 That is why it isn't just a question of how we  
13 raise money. It is a question of how do we allocate  
14 those resources once we have decided how we want to  
15 raise money, once we have decided how big the need is,  
16 what our goals are. But then we have to use that money  
17 wisely, and that is the allocation piece of it.

18 CHAIR BLASGEN: Just one last point. Is there  
19 any category that we know of where we are really  
20 looking at high risk emergency; if we don't do  
21 something in the next 10 years, there is likely to be  
22 kind of disruption?

23 So I am not talking about the hypothetical of  
24 radiation in LA, but are there things where we know or  
25 that we should point out as a point of consideration

1 that there are likely emergency conditions in the next  
2 10 years? I don't know that there are, but nobody has  
3 talked about that side of the funding picture.

4 MR. STEENHOEK: I will tell you, I have been  
5 to a lot of truckload transportation meetings, where  
6 the truckload transportation folks will look at  
7 fertility rates, the growth of our population, the  
8 growth of cities and decline of truck drivers and talk  
9 about the fact that we will have significant capacity  
10 constraints in truckload transportation. Combine that  
11 with infrastructure deteriorating and you have got a  
12 disaster on your hands.

13 Then the legalities of minimizing traffic  
14 around cities at certain times of day and all those  
15 types of things result in a major issue, and there is  
16 certainly a desire to go out and get funding for  
17 construction and so on.

18 I imagine, Dean, the railroads probably have a  
19 similar type platform, because it is going to impact  
20 the railroads and any other mode of transportation.

21 So everybody has got their own disaster that  
22 is pending. So I think that we, as a committee, need  
23 not rise above that.

24 If you go to India -- I am going there in  
25 November, I was there not long ago -- they have built a



1 world class port in Mumbai, off the coast of Mumbai,  
2 but road to get there barely exists. And you ask the  
3 question -- I asked how long does it take these trucks  
4 to get in and out, it could be five, six days. Well,  
5 what is -- well, he sleeps between the tractor and the  
6 trailer, pitches a tent there, and sort of stays there  
7 for three or four days until he gets to a world class  
8 port. That makes no sense in our world or in their  
9 word.

10 Well, how did this happen? "Well, we have a  
11 ministry of ports, a ministry of roads, a ministry of  
12 water." Let them talk to each other.

13 MR. STEENHOEK: I don't know if this would be  
14 the most acute, but one that quickly comes to mind --  
15 because I don't think it is hyperbolic to say it is not  
16 a matter of if, it is a matter of when -- is our lock  
17 and dam inventory and how they are so interconnected.  
18 And if you have failure at one, really the whole  
19 system, you could argue, would be really complicated.

20 I like to describe inland waterways as kind of  
21 the Rodney Dangerfield of modes of transportation -- it  
22 gets no respect. But it is -- and one of the problems  
23 is it doesn't ship consumer goods, but it ships inputs  
24 that result in consumer goods, coal, petroleum  
25 products, chemicals, agricultural products. But that

1 is really one that is very evident.

2 I have never met, Bill, anyone that would  
3 disagree with the fact that this is a system that is on  
4 the verge of collapse and failure and it really is not  
5 a matter of if, it is a matter of when, and there will  
6 be severe pain on the broader economy when that occurs.

7 MS. BLAKEY: And I think that's right. There  
8 are sort of predictable aspects of disaster that we can  
9 be aware of, and there have been a great many studies  
10 on these kinds of things that have been done.

11 Then there is the unpredictable or the less  
12 reliable kinds of things. Sea level rise, what is it  
13 going to do the ports that are at sea level? The  
14 issues of the Mississippi River drying up, to speak of  
15 inland waterways.

16 But it is also true that for every one of  
17 those things that have -- on sort of the unknowns,  
18 which is not to discount the lock and dam issue,  
19 because that is a known, but on the unknown side, there  
20 is a little bit of that sort of projections and what-  
21 ifs.

22 If you all remember, it was only a very few  
23 years ago that we were talking about at this point, we  
24 would probably be at \$8 a gallon for gas.

25 The world keeps changing around us and part of

1 the financing aspect of what I think that our Finance  
2 Subcommittee needs to look at -- I don't know that we  
3 can come to recommendations about it -- but is that our  
4 transportation system that is serving our economy for  
5 goods and for commerce has to have a means of  
6 supporting itself financially, such that as the demand  
7 for goods rises, the ability to pay for the related  
8 infrastructure rises, also; so as the population  
9 increases and so forth.

10 So these are aspects of the financing picture,  
11 and, to some extent, it does need to have contingency  
12 funding for those kinds of issues.

13 MR. STOWE: That's what I think, not  
14 identifying a particular problem, but there is no  
15 safety net. There's no funds to take care of a  
16 Katrina.

17 MS. BLAKEY: There is barely a tightrope, much  
18 less a safety net.

19 CHAIR BLASGEN: Okay. So more work to be done  
20 here, certainly.

21 MR. WISE: Can I just make a comment, Rick?

22 CHAIR BLASGEN: Yes.

23 MR. WISE: It seems to me this subcommittee  
24 honorably has given themselves some questions you're  
25 just not going to be able to answer with a small group

1 or even this whole group.

2 One of the things we can do as a committee is  
3 just look back at some of the good work that was done  
4 in the last five years. I would suggest take a look at  
5 the highway financing report and just say of the  
6 principles that they set forth, can you agree, as a  
7 subcommittee, that five of the ten or eight of the ten,  
8 user pays, steady funding, are still very valid,  
9 haven't been operationalized, and want everybody to  
10 know, Secretary of Commerce, DOT, these are still  
11 strong principles going forward, and call it a day.

12 CHAIR BLASGEN: Okay. Thank you. Good  
13 conversation. Yes?

14 MS. CHROMEY: Actually, I just wanted to do  
15 the counter of the crisis and the emergency, but also  
16 thinking -- and it is a question to the committee for  
17 information -- as part of MAP-21, there are some things  
18 that the department could look at and it is emerging  
19 new things, such as energy exploration.

20 The reason I bring that up is five years ago,  
21 nobody knew about fracking and just that type of --  
22 again, not only the disaster piece, but also thinking  
23 about making new emerging trends or technologies or  
24 commodities, I mean, of that whole thing and how that  
25 can explain the issues.

1 CHAIR BLASGEN: Thank you.

2 MR. WOLL: Is there going to be a break or are  
3 we going to power through?

4 CHAIR BLASGEN: Let's go through.

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1           **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**2   **Regulatory**3   **Subcommittee Chair Ronald Woll**

4  
5           MR. WOLL: So on the regulatory side, our  
6 first 18 pages will be about the single window.

7           (Laughter)

8           MR. WOLL: I'm just messing with you. We had  
9 some good input here from the team. Brandon here and  
10 Tom, Jim, Norm down over here; actually, Tony, you gave  
11 us some good stuff here on labor early on, so  
12 appreciate that, and, of course, Bruce and Rich for our  
13 adult supervision here from Department of Commerce.

14           We identified kind of six challenges that I  
15 will talk through and then show you some data around  
16 that.

17           If we can land on -- there we go. Give us  
18 that page, please.

19           (Showing of slides)

20           MR. WOLL: So the six challenges here are --  
21 let me hit those first around overlapping and  
22 inconsistent regulation; the need to modernize air  
23 traffic control technology; the need to upgrade our  
24 ground transportation regs.

25           And although supply chain talent doesn't

1 squarely fit under a regulatory banner, no one else  
2 picked it up, so we did. So knock us off the hill if  
3 you want to, but we picked it up.

4 We think there is room for more advocacy for  
5 supply chain as new rules are generated, and then we  
6 also had some thoughts on the demand side. So I want  
7 to talk through each of those in turn.

8 Let's start off with the overlapping and  
9 inconsistent regulation. Supply chains and markets  
10 like certainty, reliability, repeatability, and it felt  
11 to us that regulations run in the opposite direction,  
12 which doesn't help investment.

13 If you can flip the PDF there for a second.

14 (Changing of slides)

15 MR. WOLL: Just keep at the width only mode,  
16 that is fine. I want to show you some data that our  
17 team picked up on this.

18 Give me a little wider view. You could just  
19 scroll it down, just increase the magnification there  
20 slightly. There you go. Just scroll down for me, if  
21 you don't mind, there a little bit. I'm going to  
22 torture your thumbs there a little bit. Keep going,  
23 keep going, keep going, keep going, keep going, a  
24 little more, a little more. Scroll the movie, keep  
25 going, you're good, keep going, keep going. Right

1 there. That's where I want to be, right there.

2 So don't take our word for it. If you look at  
3 kind of how does the world view the U.S. in terms of  
4 its regulatory environment.

5 This was a survey by the World Economic Forum.  
6 This one was run last year. We ranked 76th in terms of  
7 regulatory burden, not a very impressive score. We  
8 ranked a bit better, I think, than median. We were  
9 beat handily by Malaysia and Singapore. The good news  
10 is we beat France. So if you want to rally around  
11 that, you can.

12 I guess the point being that as others look in  
13 terms of where to put investment and with regard to  
14 regulatory environments, we don't fare all that well.  
15 And we can talk about if the regulations are good or  
16 not good, but the fact is as people score, where do I  
17 put my next new factory. And as I consider regulatory  
18 burden, we don't do all that well.

19 So that said, our team came back with three  
20 recommendations. You can scroll down a bit more there.

21 The first is around expanding a program that the  
22 Department of Commerce has today called Select USA,  
23 which keeps non-U.S. organizations navigate the  
24 regulatory environment here the U.S. and find their  
25 way.



1           You mentioned, Sandi, in Singapore, they had  
2 their EDB. Malaysia across the straits has their M-  
3 something BA. The U.K. has a similar program.

4           So I guess the question we would ask ourselves  
5 is why wouldn't -- if we spend effort and time to help  
6 non-U.S. companies sort of find their way, why wouldn't  
7 we do the same for U.S. companies? Why wouldn't that  
8 sort of same style program be available to U.S.  
9 companies who want to invest and expand?

10           So our thinking there was could we have some  
11 either Web-based tutorials -- Tony, you mentioned some  
12 of the challenges of small and medium companies before.  
13 Big companies can usually find their way. But why  
14 couldn't that be a more sort of transparent experience  
15 for small and medium companies?

16           And even for those larger projects, could we  
17 assign what we call regulatory coaches? We are not  
18 going to create a fast lane. It's not like Disney  
19 where you pay more money to get to the ride faster.  
20 We're not describing that so much as just someone that  
21 would help educate those that need to go through these  
22 processes to find their way. So a bit of a guide in  
23 the wilderness.

24           The second recommendation is actually -- one  
25 point for originality, two points for plagiarism. So

1 we're going to rip off an idea from OMB and Department  
2 of Transportation. They came up with a scorecard for  
3 projects that have infrastructure, sort of large  
4 infrastructure projects.

5 The scorecard is specific around regulation  
6 and cycle times and hitting some level of service on  
7 regulation. So the thinking that we have is could we,  
8 in fact, take that same sort of style scorecard, but  
9 apply it now to a handful of completed private sector  
10 projects. So we're not talking about public  
11 infrastructure, but private sector projects, and use  
12 that same scorecard as a way to baseline -- how do we  
13 perform today when it comes to regulation, with regard  
14 to cycle time reliability.

15 And using the same kind of Six Sigma Lean  
16 skills that we all apply in our supply chains, let's  
17 apply those to that regulatory process, looking for  
18 ways to take out the non-value-added steps out of that  
19 experience.

20 We are not, at this point, trying to  
21 rationalize which regs are good versus not, different  
22 conversation. Keep the regs the way they are. How do  
23 you just get through them more quickly? How do you do  
24 things -- move them from in series to in parallel? How  
25 do you reduce the wait times so that regulation does

1 not become the burden there in the process?

2 Can you take those experiences then based on  
3 that historical look and apply those to then ongoing  
4 structure of regulations? So, in fact, you apply that  
5 and then preferably kind of shrink the cycle time going  
6 forward.

7 I think the feedback we got last time or  
8 someone mentioned, which was very valid, is we should  
9 not pick winners or losers with regard to this program;  
10 that is, don't pick certain sectors or certain  
11 industries here. We will try to go fast and leave  
12 others to languish. So take a few that have completed,  
13 look at those, and look to then apply broad lessons  
14 from that.

15 The third one, I think, is what I would call a  
16 layup. It is an easy shot and if you miss it, you  
17 should get fired from the team. It is around the R&D  
18 tax credit.

19 I think, Mike, you were talking about the lack  
20 of consistency on certain sort of funding mechanisms  
21 here. And I will tell you, from an industry  
22 standpoint, the R&D tax credit the U.S. has is a joke.

23 It is a joke because it is a yo-yo. It is an on-  
24 again-off-again mechanism. So no company that is  
25 making long-term capital decisions is going to count or

1 not count on a tax credit which gets turned on and  
2 turned off like the lights.

3 We are wasting that money as a country because  
4 no one is incentivized to go do incremental things  
5 based on the tax credit. So if we are going to  
6 incentivize R&D and all the good things that follow in  
7 behind R&D, take a position, make it so, and put a  
8 long-term scale on that so, in fact, companies make  
9 decisions based on that, that speaks to the certainty  
10 of regulation.

11 All right. Let's keep pressing on. I see at  
12 least the room is awake. That is good. If you can  
13 scroll down there a bit for me. Thanks.

14 The second topic we queued up here is air  
15 traffic nav. Many of us flew in and out for this  
16 meeting here, so don't be scared. But the fact is  
17 that air traffic control technologies are dated by  
18 decades. In fact, some parts of it pre-date color TV.

19 So as you think about how do you modernize the  
20 capacity that supply chain can provide through the air  
21 channel, this is an obvious one to go after.

22 And, Brandon, this is your wheelhouse here.  
23 Why don't you just kind of give the group a little bit  
24 of insight here?

25 MR. FRIED: Thanks, Ron, and, also, thanks for

1 your leadership on this committee.

2 This has been a real learning experience for  
3 me personally. I'm sure we all do a lot of flying, I  
4 do a lot of flying, and I didn't know this, but as we  
5 sit here in this room at this given moment, 5,000  
6 airplanes are up in the skies over the U.S. And as Ron  
7 said, they are being controlled by about 15,000 air  
8 traffic controllers that basically are using this 1950s  
9 radar-based technology.

10 One of the big issues is that airplanes seem  
11 to have a certain amount of spacing between themselves  
12 because the technology simply is not accurate. I know  
13 that sounds a little scary, but --

14 MR. WOLL: Don't be scared, right.

15 MR. FRIED: Don't be frightened. I'm glad I  
16 live here in Washington and I don't have to fly home.  
17 But the reality is that these airplanes need this  
18 spacing because the controllers don't know where the  
19 planes are. But there is technology out there that  
20 could alleviate the situation and --

21 MR. WOLL: If I could just draw your attention  
22 to a visual which Brandon provided here. This is a  
23 comparison. There in red, this is, what, Seattle  
24 inbound, I think, as I recall.

25 MR. FRIED: Yes.

1           MR. WOLL: A 150 flights coming in or  
2 something like that. In the orange there is the  
3 present-day technologies in terms of the spacing and  
4 the tightness.

5           MR. FRIED: Right. This came out of the *Wall*  
6 *Street Journal*. They ran an article a few weeks ago on  
7 this. And I happen to have -- I had a talk up in  
8 Anchorage a couple of weeks ago and I had to go through  
9 Seattle and I had an opportunity to quickly talk to the  
10 pilot of the plane, who said -- apparently, in Seattle,  
11 they are utilizing this NextGen technology based on  
12 basically GPS coordinates to give them a more precise  
13 direct route, where the pilots know where the other  
14 planes are, the controller is less in the picture,  
15 other than just for the rudimentary clearances.

16           As you can see from the graphic, you will see  
17 where the green is, I think they took 150 flights. You  
18 can how more direct the flight patterns are. And the  
19 pilot told me, he says, "Well, coming in to Seattle  
20 today, we were on a GPS NextGen approach," and,  
21 basically, you could tell because the aircraft was not  
22 coming down and then leveling and then coming down and  
23 then leveling. We were coming straight in. That is  
24 all based on satellite guidance.

25           The problem is that this program has been a

1 victim of fits and starts. And so you have got many  
2 different aspects, many different competing  
3 technologies. You've got leadership changes at FAA.  
4 You have an administration that has not been really  
5 overseeing it probably adequately. It is in need of  
6 adult supervision.

7           So we have come up with a few recommendations.  
8 I can tell you that this is a real game-changer. I  
9 will bore you with the statistics if you want, but the  
10 reality is that it can significantly reduce the amount  
11 of gas that are spent in the skies, the amount of  
12 delays. They will increase the safety margins. It has  
13 a tremendous environmental impact. And it will also  
14 open up certain -- as an example, they have been using  
15 this on an experimental basis up in Alaska for a while,  
16 places like Juneau that are locked in through the  
17 mountains and whatnot. They are now doing these  
18 approaches with Alaska Airlines.

19           The problem is that the airlines have to come  
20 up with like \$7 billion themselves to do this. And all  
21 of us know, if we read newspapers and we fly on planes,  
22 we know that these airlines have not traditionally made  
23 a lot of money. Of course, now they are making up for  
24 lost time with all these bag fees and everything. But  
25 that is a whole other deal.

1           But the reality is that the airlines are not  
2 going to make substantial investments unless they see a  
3 rate of return that satisfies their shareholders. And  
4 the government has been -- as I say, it has been  
5 running behind and it has got cost overruns. Now, they  
6 are saying that it is going to probably be --  
7 initially, when it got started in 2004, it was probably  
8 a 20-year program. Now, they say that is going to be  
9 exceeded by 10 years, and it could come in three or  
10 four times over budget.

11           The rules have to basically be rewritten. And  
12 that is the biggest problem of all. The reality is  
13 that FAA has not been able to sit back and say this is  
14 the technology we are going to go with or this is the  
15 program we are going to go with. And a lot of it has  
16 to do with bad approval processes.

17           So FAA needs to improve its approval process  
18 issues, because those are leading to the excess costs  
19 and the delays.

20           The other thing is the stakeholder engagement.  
21 I took some time to talk to various stakeholder groups  
22 and just to call them up and say, "What do you think of  
23 NextGen? What is happening?" And I could tell that  
24 one common theme is that FAA is not reaching out to  
25 these stakeholder groups. They are not getting their



1 side of the story. They are not hearing a lot of  
2 input.

3 Again, as I said, the airlines seem to see  
4 value in this going forward.

5 Who is responsible for what is something that  
6 the FAA has not done a great job in delineating, and  
7 they have to do that. Who takes the air responsibility  
8 versus the ground responsibility? What are the  
9 requirements there?

10 Congress needs to step in, and that is really  
11 important. They have to establish certain thresholds  
12 and milestones that need to be met, and they have to  
13 hold the FAA administrator responsible for the  
14 attainment of these milestones. And they should use  
15 the Department of Transportation's Inspector General to  
16 come up with periodic reports, as most agencies do,  
17 that basically provides quantifiable evidence as to  
18 whether these thresholds are being made and what the  
19 actual progress is.

20 Then I think most of all, this is very  
21 important, is that the public needs to understand the  
22 benefits of this NextGen system, why it is so  
23 important. You, as flyers, but also -- I represent the  
24 Air Freight Forwarders. We use the commercial airlines  
25 to haul our cargo. This is very important to us,

1 because, obviously, the more flights, less delays, the  
2 more cargo we can start flying and it is very  
3 important.

4 So this is a big issue and, as I said, I am  
5 not going to bore you with the statistics, they are in  
6 our report, and we are going to continue working on  
7 this.

8 MR. WOLL: Because the program is so large,  
9 massive, in 20-30 year scale, that is never going to  
10 happen. So our question to you is can we scale that  
11 down to identify some supply chain high impact hubs  
12 where, in fact, having a sort of denser configuration  
13 would actually make a difference and look for  
14 implementation in those limited air hubs as a first  
15 wave and break it down, and then allow the lessons from  
16 that first wave to be applied to subsequent waves of  
17 implementation.

18 But let's face it, we can't wait 20 or 30  
19 years for this here. How do we pick -- pick half a  
20 dozen high impact airports now and get on with it.

21 Let's press on. I will stay on the  
22 transportation kind of theme here for a second. This  
23 one was really interesting. When you think about  
24 supply chain competitiveness, we are competing against  
25 our trading partners. When it comes to gross vehicle

1 weight, we are not very competitive.

2 I was struck by the data here that Tom  
3 provided. Do you want to talk to some of this, what  
4 you see here? You look to the chart there, up on the  
5 top, you have gross vehicle weight on what the U.S.  
6 has, which that reg has been around for a long, long  
7 time.

8 Then look at our trading partners to the  
9 north, the south, and across the pond here, we don't  
10 rate all that well.

11 MR. WEILL: So we broke it down. It is  
12 actually H.R. 612, which is the Safe and Efficient  
13 Transportation Act that is currently being considered,  
14 and we are supportive that that gets approved.

15 For more than, as Ron said, 25 years, our  
16 weight limit was set at 80,000 pounds. We believe it  
17 is a regulation that challenges safety, the economy,  
18 the environment, our infrastructure, and  
19 competitiveness.

20 If you look at safety, the U.K. raised their  
21 weight limit in 2001 to 97,000 pounds, and their fatal  
22 truck-related accidents declined by 35 percent.

23 The Wisconsin DOT did a study and found that  
24 if SETA or 612 had been in place in 2006, it would have  
25 resulted in 90 less -- or prevented 90 truck-related

1 accidents.

2 The Transportation Research Board determined  
3 that heavier trucks with an additional axel don't lose  
4 any stopping capacity.

5 As far as the environment is concerned, the  
6 U.S. DOT estimates that raising weight limits would  
7 save two billion gallons of fuel annually and result in  
8 a 19 percent decrease in fuel consumption and carbon  
9 emissions per mile.

10 Competitiveness, Ron pointed out that our  
11 major trading partners, including Canada, Mexico, and  
12 most of the European nations are above 95,000 pounds.

13 Under infrastructure, there is a DOT study  
14 that the higher weight would cut the number of trucks,  
15 saving \$2.4 billion in pavement restoration over 20  
16 years. The sixth axel could potentially result in  
17 higher user fees, which could go toward bridge repair  
18 and highway repair, and it certainly would lower  
19 congestion.

20 As far as the economy, there would be new  
21 equipment that would need to be produced; so,  
22 therefore, it would spur investment in new equipment  
23 and ultimately make the network more efficient.

24 MR. FRIED: Right. So taking our limit from  
25 80,000 to 97,000 pounds, kind of matching the European

1 standard.

2 MR. WEILL: Are we good there?

3 MR. FRIED: Good. Thanks, Tom.

4 Let's take a walk on the talent side here, if  
5 you don't mind. Let me kind of start with a  
6 supposition that from a supply chain standpoint, the  
7 U.S. is losing the war on talent. We are not competing  
8 well enough with our major sort of trading partners  
9 when it comes to talent, and that shows up on, I think,  
10 both ends of the scale.

11 Both on the high end of the scale when you  
12 talk about science, technology, engineering,  
13 mathematics, those classic stem degrees, we are losing  
14 on that side, and we are losing on the other end of the  
15 scale when it comes to craft skills.

16 So I guess that means mid-managers are good,  
17 we are all in abundance here, but the folks that create  
18 value on the craft skill end are in short supply and  
19 the folks on the high end are also in short supply.

20 I won't read all the stats to you on the page  
21 there, but some survey data that shows that the need  
22 for talent is a pinch point, it is a pain point for the  
23 U.S. supply chain today.

24 Look there on the bottom, percent of high  
25 school students enrolled in non-degreed training

1 programs. So the benchmark, Germany 60 percent through  
2 their apprenticeship style programs, here in the U.S.  
3 less than 20 percent. That is not enough.

4 Bruce, if you can scroll forward a little bit  
5 for me. This one is a killer. Look at this, stem  
6 degrees. So you have all seen the stats on how our  
7 students rank when it comes to math and science, very  
8 mediocre, 23rd to 31st in a fourth rank of 65 top  
9 industrial countries.

10 When it comes to percent of graduating classes  
11 here with stem degrees, look there at the U.S. on  
12 roughly the 15 percent mark, the world at, say, 22,  
13 China and, say, Taiwan, 30 to 40 percent. That is a  
14 not sustainable track when it comes to engineering and  
15 math skills. We are going to get beat handily.

16 Keep scrolling down there, if you don't mind.  
17 It shows up in our trade deficits and lots of ways  
18 here. So we came up with a handful of recommendations  
19 here. The first one is around craft skills. And I am  
20 thinking of the areas, and there are some good examples  
21 of where this is being done, but we are going to  
22 supersize it and then sort of energize it, is build  
23 some craft skills consortiums, linking high schools,  
24 trade schools, community colleges, and employers so  
25 that, in fact, we create these environments where high

1 school talent willingly enters into really good paying  
2 jobs and, quite frankly, good careers.

3 I think we have a bit of a lost generation in  
4 the past 20 years where we routed a lot of our kids  
5 into college tracks and away from the craft skills, and  
6 you can see that when you go try to hire machinists or  
7 anyone that has welding skills here. We are running  
8 out.

9 Just like Rick mentioned, the demographics  
10 here, let's say, on trucking, the same trouble on  
11 machinists and folks with those craft skills.

12 So the first recommendation is build these  
13 consortiums where we, in fact, start to create some  
14 channels for that kind of talent. And we had some good  
15 examples. I think, Norm, you provided this around some  
16 examples there in Louisville. There are others.

17 So the thing is let's pick a half a dozen sort  
18 of major markets and build those consortiums of  
19 schools, trade schools, high schools, community  
20 colleges and employers.

21 We also would see some benefit of just better  
22 marketing education; again, take the stigma off of why  
23 -- it is acceptable, if not honorable, to earn a living  
24 through craft skills.

25 We pulled some data on how much do you earn if

1 you come out of college with a bachelor's degree and  
2 how much do you earn if you have a certificate in  
3 metalworking. The earning power is pretty close,  
4 actually. I bet if you were to survey high school  
5 students here, I bet they wouldn't assume that.

6 So a little bit of just, I think, revealing  
7 the market rewards would also help this topic.

8 No. 3 is also an obvious one on partnering  
9 with the DOD. They have got plenty of great talent  
10 around craft skills, whether it's machinists,  
11 metalworkers, electronics.

12 How do we then better link that graduating  
13 talent out of the Department of Defense and match that  
14 up to industry? And we have seen some successes there,  
15 but how do we get that, I think, with a greater degree  
16 of sponsorship and success?

17 No. 4 is, I think, a high impact one, which is  
18 if someone comes here to the U.S. today and earns an  
19 engineering degree, we are glad to take their money for  
20 tuition and have them buy hamburgers while they are  
21 here. But when they are done, we congratulate them for  
22 the degree and then we kick them out.

23 So the proposal here on the table is if you  
24 come here to study and earn the degree in engineering  
25 or math or in the stem space and you pay your taxes



1 here and you are on the right side of the law, you  
2 ought to work for our team. We ought to recruit you  
3 through this program, where we give you a guest worker  
4 status. Why should you not come here, start a business  
5 here, work for a company here? If you have the right  
6 skill set, I mean, let's face it, the U.S. is built as  
7 a country of immigrants, we ought to use that theme  
8 around how we gain access to more talent.

9           There was a great op-ed piece in the *Wall*  
10 *Street Journal* just this week around how China and  
11 Canada and other countries are looking for all kinds of  
12 innovative ways to steal our engineering talent. And  
13 make no mistake about it, Canada may be sort of our  
14 friend, but when it comes to talent, take the pins out,  
15 we are playing for keeps, we have got to go for all the  
16 talent that we can get our hands on. So this is  
17 specific, though, to stem degreed individuals.

18           And the last one, again, under the point of  
19 plagiarize here with pride, the White House had  
20 sponsored a program to put -- it's called Educate to  
21 Innovate. How do we get a whole crop of new stem  
22 teachers out in the workforce here? Obviously, we have  
23 to both graduate stem students, but also be sure we  
24 have enough supply of teachers to keep that supply  
25 flowing. So we would certainly want to acknowledge and

1 support that program.

2 Pressing on here. On our fifth kind of  
3 problem statement here around what we called  
4 insufficient advocacy for U.S. supply chain. If you  
5 look at the -- this is a great stat. I guess, was it  
6 Jim -- I forget who gave us -- you brought this one  
7 across.

8 This is interesting here, number of major regs  
9 passed, I guess, in seven-year blocks, major having  
10 impact over \$100 million. Just look at the graph over  
11 time. Whether you think the regs are good or not good,  
12 separate conversation, but the simple fact is that the  
13 rate of regulatory burden is growing handily.

14 In fact, the cost to comply with it has grown  
15 at 2.5 times our GDP growth. So we are regulating  
16 faster than we are growing and making money, which I  
17 would argue is also a not sustainable approach to  
18 running a supply chain.

19 Jim came away with what I thought was a  
20 brilliant proposal here. If you can just scroll down a  
21 bit more for us, Bruce. I want to jump to No. 2 first  
22 here, the 95 percent proposal.

23 Jim, why don't you just -- if you don't mind,  
24 would you just give a few words on that? It was, I  
25 think, a nice piece of work.

1           MR. COOPER: I would just hearken back to the  
2 ECON-101 days when I was in college. Basically, this  
3 applies to everything in life, I feel. It is called  
4 the log diminishing returns. And, basically, we are  
5 hitting that wall in the regulatory context, as well.

6           My industry, in particular, the Federal  
7 Government, loves the evil empire. And so we are asked  
8 to do many things or have been, and they were the right  
9 things to do at the right time, where we need to reduce  
10 sulfur in the fuel mixtures, we did need to reduce  
11 certain types of contaminants. Those were the right  
12 things to do. We spent a lot of money doing that.

13           But what happens now is we are faced with  
14 having to go for that what I call the zero risk  
15 syndrome, where you have got that eensy bit, that 5  
16 percent of risk that we want to now approach, and we  
17 will end up spending more trying to reduce that 5  
18 percent than we did doing the 95 percent over the past  
19 10 years. And so that is what we mean by this hitting  
20 the log diminishing returns.

21           It is the amount of money that you spend  
22 versus the risk reduction, in this case, the payback or  
23 the return that you get for that money. It basically  
24 just starts doing this after a while, especially once  
25 you really get up into that 95th percentile. And so

1 those are the things that we are talking about. It is  
2 going to make permitting so difficult in this country,  
3 where basically some of the standards that are being  
4 looked at right now are going to put some national  
5 parts out of -- what is that called -- compliance or  
6 non-attainment areas. Some of our national parts are  
7 going to become non-attainment areas.

8 So you have to start thinking about, okay,  
9 once we get to a certain degree of risk reduction, how  
10 much are we willing to spend as a society and what are  
11 we willing to trade off to go beyond that, and that is  
12 what -- our advocacy basically is about balance these  
13 days and trying to figure out what is that right  
14 balance.

15 MR. WOLL: So you had a great notion here,  
16 which is if the proposed reg has an impact over \$100  
17 million, estimated, then we would expect then to have,  
18 in parallel, what we call a 95 percent option, which is  
19 what reg would give us 95 percent of the benefits, but  
20 perhaps a lot less on the cost side, and that could  
21 then be kind of a side-by-side choice, the kind of  
22 choice that we make all the time when it comes to our  
23 own resources here and how we distribute our efforts.  
24 We would expect the same in the regulatory arena, which  
25 I thought is a great way of applying our own sort of

1 daily principles to this topic.

2 Then jumping up to No. 1 here, the Department  
3 of Commerce has this really highly skilled group called  
4 the Office of Industry Analysis that has some pretty  
5 good capabilities. And if we want to increase the kind  
6 of advocacy on supply chain, we would ask that that  
7 group be allowed to provide economic benefit and  
8 comment on proposed regulations as those regs are being  
9 circulated here for interagency reaction.

10 Again, this is a group which already exists.  
11 We are not asking for more funding, just purposing that  
12 group towards this end.

13 I'm sorry. David?

14 MR. LONG: I just wanted to thank you for  
15 mentioning them. And that is a group we work with.  
16 They are part of our department, actually, and we have  
17 had good results with that in things like the 10+2  
18 regulations and others. So the short answer to that  
19 one is yes.

20 (Laughter)

21 MR. WOLL: We want to give more voice to the  
22 supply chain as new regs are being constructed.

23 MR. LONG: We accept.

24 MR. WOLL: We accept, yes. And our last  
25 recommendation here is on the demand side. How do we

1 stimulate more demand? So not just making more supply  
2 through air, ground, more talent here, but how do we  
3 energize the demand side here.

4 We ran some interesting comparisons. If you  
5 look at the Export-Import Bank here in the U.S. --  
6 major industrial countries have similar function here.  
7 If you look at the amount of funding, their asset base  
8 compared to their GDP, we were surprised really how  
9 uncompetitive, by comparison, the U.S. stacks up.

10 Now, we are not measuring gross dollars, mind  
11 you, but as you size that to the size of our economy,  
12 you see our trading partners here really energize that  
13 channel much more than we do.

14 So our recommendation was to take that up from  
15 .08 percent, where it is today, up to .5 percent of  
16 GDP. So, that is, increase the funding to the Export-  
17 Import Bank -- which, I should add, is not a taxpayer  
18 draw, meaning that function actually produces a return.

19 It is a profitable enterprise. So that would  
20 stimulate more demand here for U.S. manufacturing.

21 And those are our recommendations. There is a  
22 lot in there and I know that it has triggered some  
23 probably reaction and comment here. So let me pause  
24 for a breath.

25 CHAIR BLASGEN: Questions, comments for Ron?

1 Yes, Tony?

2 MR. BARONE: Well, since I have limited  
3 cranial capacity, it would have been easier for me to  
4 take two or three of your recommendations that we could  
5 actually give a lot of thought to.

6 MR. WOLL: Sure.

7 MR. BARONE: There are a lot of really good  
8 things here, but there are some troubling things, as  
9 well; the guest worker program, as an example. We have  
10 enough problems finding jobs for people, enough  
11 problems competing for high tuition schools.

12 I was up in Boston the week before last and I  
13 was impressed by the paltry number of American students  
14 at the top schools. So to the extent that we make it  
15 easier to pay the full boat for foreign students and  
16 then to take the jobs, as well, I mean, I find that  
17 very, very troublesome.

18 But there are some other great things in  
19 there. I hope we can have some opportunity to digest  
20 them.

21 MR. WOLL: Sure. If I can, just by way of  
22 comment there.

23 I think the notion of a guest worker program  
24 would trigger, and rightfully so, a lot of scrutiny. I  
25 think we want to limit that to the fields in which

1 there, in fact, is insufficient supply today.

2           It is a mathematical fact that we are not  
3 graduating enough stem graduates to supply the roles  
4 that we need. You don't want to make that statement  
5 across all areas, where I think it would trigger some  
6 rightful discussion, but I think we want to limit this  
7 recommendation to areas where, in fact, we are not  
8 keeping up; where, in fact, the supply does not match  
9 the demand when it comes to what our economy requires.  
10 So I respect the feedback.

11           MR. COOPER: Could I add to that a little bit?  
12 I come from an industry, in particular, that is poised  
13 to grow, shall we say, especially on the petrochemical  
14 side of the house. There have been \$80 billion of  
15 projects that were announced over the last couple of  
16 years and we want these to come to fruition, but one of  
17 the major CEOs of one of the largest chemical companies  
18 in the world recently in an interview said that the one  
19 impediment, one of the major ones to that is just  
20 finding the workers not to do the -- to build the  
21 facilities, let alone anything else, just to get the  
22 facilities built; that a lot of these projects are  
23 going to really slow down over the next few years.

24           We don't have enough folks to build the  
25 facilities, let alone run them. So it is a real



1 problem. It actually is.

2 MR. BARONE: I have no doubt it is, but I am  
3 saying it would make more sense, I think, to more  
4 legislators to invest in those kinds of schools so that  
5 kids who don't have another option have the option to  
6 be trained so they can fulfill your needs rather than  
7 to bring in folks from overseas.

8 MR. COOPER: We don't care if they come from  
9 Harvard or MIT. We just want them to have an  
10 engineering background. You cannot get American kids  
11 to take the tougher courses right now because they want  
12 to all get a degree in whatever and then become CEO in  
13 five years. That is what we are facing right now.

14 And the ones who really want to work and want  
15 these jobs, they tend to come from places like Africa,  
16 places like India, places like China. It is just a sad  
17 fact of the matter. And what we have to do while we  
18 are rebuilding our STEM education is we have to fill  
19 those jobs so we can get these projects off the ground,  
20 because our industry actually makes the building blocks  
21 for the entire manufacturing sector. So we have got to  
22 do something.

23 MR. BARONE: That is a pretty hard sell, let  
24 me tell you.

25 DR. BOYSON: I just wanted to kind of say one

1 just quick comment, and that is that our supply chain  
2 education programs at the undergraduate and graduate  
3 level are, I think, world leading. And so I hear what  
4 you are saying about STEM. I completely agree with  
5 you, obviously.

6 But I do want to say that in supply chain,  
7 America is sort of seen as the place to come. Just to  
8 give you one quick example, we had a master's program  
9 we started last year. We had 20 students, 19 of whom  
10 came in from China, believe it or not. We have 90 this  
11 year. And it is nothing different than what is  
12 happening at Penn State, Ohio State, MIT. It is the  
13 same.

14 We are getting inundated with international  
15 students who want to come and learn our technology for  
16 supply chain management. It is just how it is. At the  
17 undergraduate level, we have 300 in Maryland in the  
18 business school alone, probably the same amount in the  
19 engineering school and supply chain, and I think it is  
20 fairly typical of what is going on all over.

21 And Rick probably knows it much better than  
22 anyone, because he visits all these universities. So I  
23 think it is something that should be capitalized on.  
24 And I don't know exactly how to do that, but I really  
25 would encourage you guys to think about how can we

1 capitalize on that as opposed to just sort of looking  
2 at the deficiencies, which we all agree to.

3 CHAIR BLASGEN: And one of the things I know  
4 we are working on at the Council is how do we get  
5 supply chain management into lower levels of education  
6 in this country, because they don't hear about it in  
7 high school. And yet we are all struggling to get the  
8 talent into the supply chain world.

9 MS. DENHAM: Well, we have started a high  
10 school program and there are teachers all over the  
11 country that are coming to these workshops to learn  
12 about it to teach their students about it, because just  
13 like you said, the students don't understand the jobs,  
14 the welders, all of them, and there are lots of jobs  
15 for them.

16 CHAIR BLASGEN: Any other feedback for Ron?  
17 Yes, Chris?

18 MR. SMITH: On the ground transportation  
19 regulation item, thinking back to the earlier  
20 recommendations thrown up by the Trade and  
21 Competitiveness Subcommittee, we had agreed to sort of  
22 defer the size/weight issues for a panel of experts to  
23 come talk to us from DOT. I would suggest that that  
24 would be included in that.

25 MR. WOLL: Just if you could educate us a bit

1 more. You have, obviously, a strong point of view  
2 there. What would be the concern? You could give us a  
3 60-second sort of commercial on what would be the  
4 alternative view.

5 MR. SMITH: So MAP-21 has very specific  
6 language about a comprehensive truck size and weight  
7 study, a three-year window. DOT, as I understand it,  
8 is undergoing that.

9 My concern would be, say, for this committee  
10 to be enacting something now might be a little bit  
11 premature with that study being out there. And earlier  
12 today, we agreed to take a look at -- a more closer  
13 look at some of the overall size and weight issues. I  
14 think this is very much included with that and I think  
15 it would be appropriate to include this recommendation  
16 as kind of a set-aside until we can address it.

17 MR. WOLL: I guess as long as a set-aside  
18 doesn't become sort of a never do. Glad to look at it  
19 in more detail and bring in more data that makes it  
20 sort of more accessible to the group here. But I don't  
21 want sort of the set-aside to become a slow track to  
22 nowhere.

23 MS. DENHAM: I think you could put the supply  
24 chain talent forward was a recommendation.

25 MR. WOLL: You were asking specifically on

1 gross vehicle weight.

2 MR. SMITH: Yes. Just the one recommendation.

3 MR. WATTLES: So just a comment. I really  
4 support your first item on overlapping and inconsistent  
5 regulation. In my mind, some of that is, if you are a  
6 governing agency, make sure that the rules you issue  
7 you are willing to follow yourself kind of things  
8 apply.

9 I know it's not one of the items you have  
10 listed here, but, again, I really support this,  
11 because, for example, if we are delivering military  
12 aircraft, we have to certify that -- it is a big deal  
13 in the pharmaceuticals, too -- but there are no  
14 counterfeit parts on that craft.

15 Part of that aircraft is government-furnished  
16 equipment. The government will not certify that their  
17 furnished equipment does not contain counterfeits, but  
18 then we have to certify that there are no counterfeit  
19 parts anywhere.

20 (Laughter)

21 MR. WATTLES: Amen. Thank you.

22 MR. BARONE: In that regard, on the first  
23 item, I think it is very much aligned toward Sandi and  
24 our group and perhaps we can collaborate in the written  
25 recommendation on that item No. 1.

**CONCLUSION AND NEXT STEPS****Rick Blasgen, Chair, ACSCC**

1  
2  
3 CHAIR BLASGEN: Okay. I want to be respectful  
4 to everyone's time. We have five minutes. Thank you  
5 for using the time appropriately. I thought we had a  
6 great meeting.

7 But I want to just get any immediate feedback  
8 on what we've gone through today, what you have heard.  
9 Are we on the right track? Are there any fatal flaws  
10 for anyone? I know there are a lot of things that have  
11 to be -- we're close on a recommendation on single  
12 window. That will probably be the first one that gets  
13 drafted up, I would think. Others may come right  
14 behind it.

15 Any immediate feedback?

16 MR. BARONE: What is clear is that a half-day  
17 meeting would not be adequate. So I hope that with our  
18 next meeting, we will take that into account.

19 CHAIR BLASGEN: Right. We expanded this  
20 meeting. I thought it worked better. I felt we did  
21 the right thing and it let the dialogue occur.

22 Any other feedback? Yes?

23 MR. COOPER: One thing. Hopefully, for the  
24 future, as these recommendations become more  
25 formalized, that we do get the advanced materials so we

1 can fully prepare and then that way, when we are here,  
2 we can have an informed discussion. Thanks.

3 MS. BLAKEY: Along those lines, kind of a  
4 practical issue. A lot of the text that is up on the  
5 screen is very hard to read. If we could either have  
6 the materials that we can print ourselves and bring  
7 with us or at least have copies, it would be really  
8 helpful.

9 UNIDENTIFIED VOICE: I believe everything that  
10 happened today will end up going online on the big  
11 Website.

12 MR. LONG: Everything. This will all be on  
13 the Web. We will post everything you saw today.

14 MR. BARONE: How long does that take, by the  
15 way? I mean, for the transcript, as an example.

16 MR. LONG: WE usually allow a week or two for  
17 that.

18 MR. BARONE: A week or two.

19 MR. LONG: That is a lot of intense work. All  
20 the stuff that you saw that was handed out, every  
21 document we have in regular form, we can post that like  
22 overnight.

23 MR. SMITH: That being said, for just  
24 perception's sake, could we have "draft" listed on all  
25 of the documents so that the assumption isn't made that

1 they are the final recommendations? If all of these  
2 are going to be on a public domain, can we add a  
3 caveat?

4 MR. LONG: Absolutely. Everything will be  
5 labeled "draft," because these were the draft documents  
6 that were put up. So what will be available to the  
7 public are the drafts that we discussed today. The  
8 transcript will contain the discussion and it will have  
9 what we've said about each one.

10 MR. BARONE: But we did agree on at least four  
11 items.

12 MR. LONG: Yes. That will all be recorded  
13 that.

14 MR. WATTLES: Rick, you asked for comments  
15 about how today went. I thought today's meeting was  
16 even better than the last one, and I thought the last  
17 one was the best one we had had yet. So really good.

18 But I just want to -- since you mentioned, I  
19 want to throw kudos to whoever today we have got doing  
20 transcripts, but the transcripts have been outstanding,  
21 the capturing of the comments and notes, for those of  
22 you that have been on the Website. First-class job.

23 MR. BARONE: Do you have a next date idea?

24 CHAIR BLASGEN: I'm just going to get that  
25 now. Quickly, as David said, the Website will continue



1 to be as robust as we can make it to include everything  
2 that we talked about today, as well as the transcripts  
3 will be on there.

4           You mentioned the recommendations will come  
5 forth when we are ready, when each subcommittee is  
6 ready and we have a consensus feeling from this group.  
7 We will make sure to follow that process, but we do  
8 want to -- this is not a committee that lasts forever.  
9 So we want to get our recommendations out there. Staff  
10 will help create the format and recommendations. They  
11 are very good at that. They understand how it will be  
12 received from the Secretary and so on. So we will get  
13 help with that.

14           We are in the process of setting dates for  
15 next year. It will probably be quarterly, much like  
16 this one. So we will take a look at the calendar and  
17 try to set all four dates. That way we will be ahead  
18 so we can plan for that.

19           And maybe this timeframe of 9:00 to 3:00 will  
20 work out. We will adjust that as we go forward.

21           With that, David -- I just want to thank,  
22 also, by the way, the staff for their hard work for  
23 keeping us all in line. Really appreciate that.

24           David?

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: Let me just thank Bruce, Eugene,  
7 Russ -- where is Russ? Russ is back there. Rich?  
8 Stand up, Rich, take a bow. I want to thank everybody.

9                                   (Applause)

10                                  MR. LONG: Without further ado, thank you very  
11 much for a great meeting. We look forward to the next  
12 one.

13                                  CHAIR BLASGEN: It is not set yet.

14                                  MR. LONG: It will be January.

15                                  (Whereupon, at 3:00 p.m., the meeting was  
16 concluded.)

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

This is to certify that the foregoing proceedings of a meeting of the President's Export Council, held on Tuesday, March 12, 2013, were transcribed as herein appears, and this is the original transcript thereof.

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LISA DENNIS,  
Court Reporter