

ADVISORY COMMITTEE ON SUPPLY CHAIN COMPETITIVENESS

U.S. DEPARTMENT OF COMMERCE

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

Thursday,
February 20, 2014

The meeting was convened, pursuant to notice, at 9:11 a.m., MR. RICK BLASGEN, Chairman of the Committee, presiding.

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MR. LANCE R. GRENZBACK

MR. MIKE STEENHOEK

MR. NORMAN T. SCHENK

MR. STAN BROWN

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U.S. DEPARTMENT OF COMMERCE

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MR. JOSEPH BRYAN

MR. MARK BRADY

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Committee on Pipe and Tube Imports

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P R O C E E D I N G S

COMMITTEE WELCOME

**David Long, Director, Office of Supply Chain,
Business & Professional Services
U.S. Department of Commerce**

MR. LONG: All right. Good morning.

Welcome, everyone, to the fifth of our meetings at the Advisory Committee on Supply Chain Competitiveness. My name is David Long. I want to thank you once again for your interest in this important work. It is a pleasure to see such a strong turnout.

We lost a couple of people for last-minute emergencies. The snow last week is still hounding us.

We lost two people because of meetings that were rescheduled from last week's snow to today. So in that case we are still in good shape here.

We have a lot to do today. I think I'm speaking for everyone in government when I say how much we appreciate your time and the energy you've put into the work. And as always, let me emphasize that this is your meeting. What's important in this is your view of things, your analysis, your recommendations for what we should be doing in this important area of supply chain competitiveness. I understand everything has been very

1 active since September and we have a full and
2 interesting agenda ahead of us.

3 Just before I mention a couple of the other
4 things about it, one of the questions that came up very
5 early in the program in our first meetings before is,
6 will people listen to what the committee says and will
7 this work have any effect? I think everyone has seen
8 the announcement and the order for the ITDS program
9 issued from the White House yesterday and all the
10 associated work with that.

11 Let me just emphasize that the work you've
12 done on that, even before we get to finalizing the
13 recommendation on that today, has already made a
14 material difference in how that was done and how it was
15 scheduled.

16 One of the interesting things that is part of
17 this is that consulting with this committee in seeking
18 its views on this is built into the entire inter-agency
19 process for running it, and it is part of the charter
20 for making the new program work.

21 So the work that's already been done on the
22 public record, the discussions that we've had, the
23 draft documents, these things have already been high
24 enough quality and detailed enough where it makes a
25 difference and affected how that rolled out.

1 So part of what you are seeing in the order
2 that was issued yesterday reflects your work and your
3 interests, and I want to thank everybody for that. You
4 should be proud of what you're doing. I think we're on
5 the right track with that.

6 A couple more things about the agenda before I
7 hand it off to Rick. We are talking about the ITDS,
8 the single window recommendations, reports from the
9 different subcommittees on where they're going. Part
10 of that, we'll hear from our partners at DOT. Tretha
11 Chromey is here to give us some updates on what's
12 happening in those key areas.

13 Our guest speaker today is the administrator
14 from NOAA, Dr. Kathryn Sullivan, an outstanding
15 speaker. Then also we'll complete the subcommittee
16 reports and talk a bit about some new work ahead. We
17 have a lot of ideas for that and I've invited a couple
18 of the people to talk briefly with us from ITA about
19 some of the policy work going on, especially regarding
20 the whole NAFTA relationship. I think that may be one
21 of the large issues ahead of us.

22 So what I would like to do before I launch
23 here is just go around the room and make sure we've
24 introduced everyone, reminded ourselves who we are.
25 Then we'll see also we have a number of the government

1 people from some of the different agencies and bureau
2 inside Commerce and DOT coming and going today who will
3 be able to help out in some of the discussions.

4 So just to repeat, I'm David Long with
5 Department of Commerce.

6 (Whereupon, the participants introduced
7 themselves.)

8 MR. LONG: Okay. And I think we have two
9 other members on the phone. We have Sandy Boysen
10 joining us. Are you there, Sandy?

11 (No response)

12 MR. LONG: Oh. Okay. He'll be joining us
13 shortly. Also, Wayne Darbeau will be joining us
14 shortly. He was delayed getting in.

15 Okay. Just a couple of housekeeping items. I
16 think everyone knows where the facilities are. The
17 restrooms are down the hall here right by the elevator.
18 There will be also coffee and lunch. I would ask you,
19 please try to keep the place clean. We want to be able
20 to use this room again, so if we bring food in here
21 let's be careful with it.

22 We have the room out to 4:00 today, which is
23 well past the projected end time for the meeting, so we
24 have time for those who want to continue to meet
25 afterwards, or if we run over a bit.

1 Just a reminder, this is a public meeting. As
2 before, any and all presentations and handouts are
3 either on the web or new ones will be posted on our
4 website shortly after this. Everything that is said
5 today is being recorded. We have a professional
6 transcribing service here, transcription service.
7 Everything's on the record and available to the public.

8 It would be helpful, at least the first time or two
9 when you speak, to identify yourselves as we get going.

10 Let me stop there and turn it over to our
11 Chairman, Rick Blasgen. Thank you.

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

2 **Committee Chair Rick Blasgen**

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4 CHAIRMAN BLASGEN: Thanks, David. I also want
5 to thank you all for coming a long way and traveling,
6 given all the weather issues that we've had around the
7 country. It's been kind of a great winter, as many of
8 us know.

9 I also want to thank our guests. There's a
10 lot of collaboration going on with the Department of
11 Transportation and we have some representatives here.
12 I want to thank you for joining us. The work that
13 we're doing together is going to be much more impactful
14 as we collaborate.

15 Quickly, David, I want to ask you to comment
16 on the *Federal Register* and notices and recruiting
17 efforts that you've got going on.

18 MR. LONG: Okay. Let me say a word about
19 that. As everyone knows on their copies of the
20 documents that have been passed out to everyone, in
21 November we renewed the charter for an additional two-
22 year period.

23 There are some minor modifications to the
24 charter to have the objectives language track a little
25 closer to the work you've already been doing and the

1 topics you've identified. The key points are, though,
2 that it is extended basically as is for another two
3 years and we've increased the limit on membership from
4 40 to 45.

5 I mentioned that because right now our current
6 total of members is 32. We started the committee a
7 year ago with 39 members. For various reasons, the
8 count is down to 32. We lost a number of people who
9 changed jobs, retired from their positions, and simply
10 left professional life. Others have departed their
11 companies, that sort of thing.

12 So we are in the process right now of doing --
13 there's a *Federal Register* notice out requesting
14 applications for new members. We have as many as 13
15 slots available for this. The application process is
16 defined in the *Federal Register* notice and it closes
17 tomorrow at close of business.

18 Right now I believe we are over-subscribed for
19 this already, much as we were for the initial formation
20 of the committee. I am not in a position where I can
21 talk about specific applications or numbers on that,
22 but let me just say that there's a number of very high-
23 quality applicants in the pool and I think we'll find
24 that it really adds to things.

25 So what we'll do is, after the deadline closes

1 tomorrow, we'll work as quickly as we can to select
2 members to keep the right distribution across different
3 sectors, sizes of companies, types of operations, to
4 get as broad and representative a group of supply chain
5 experts as we can for this. So that's where we are.

6 CHAIRMAN BLASGEN: Thanks, David.

7 So once again, I want to appreciate and
8 acknowledge the work that's being done by the
9 subcommittee side. I have participated in a couple of
10 them and there is a lot of really good work that's
11 being done there. And as we have said from the outset
12 of this committee, we'll travel at different speeds,
13 and that's fine.

14 We'll come out with recommendations routinely
15 from each of the subcommittees, today dealing with one
16 that all of you have been informed about, and that's
17 the draft recommendation on single window in the ITDS
18 process. It's very timely.

19 I'm not sure if you've had a chance to pick up
20 the press release, but yesterday the President
21 announced an executive order on streamlining the
22 export-import process for American business, so all of
23 these things are sort of coming together and our
24 recommendation of the single window could be a better
25 time given what's been going on out at the White House

1 which complements the work that we're going to be
2 doing. So we're going to be front and center on a very
3 important issue that we'll talk about today.

4 So we'll hear about that and talk about our
5 views on that issue, deliberate, and vote on that as
6 part of our agenda today. After that, we'll turn the
7 work over to the subcommittees and see where our work
8 on other issues stands.

9 But as before, I mentioned everything is
10 beginning to run at different schedules, which is
11 perfectly fine. We're hoping to define some of the
12 schedules for coming rounds of deliverables for this
13 committee. I think our next meeting is scheduled for
14 May 15, if I'm not mistaken. I know that the Trade
15 Subcommittee will have an over-arching --

16 (Whereupon, Mr. Boyson joined the meeting.)

17 CHAIRMAN BLASGEN: Hi, Sandy. Welcome. That
18 committee will bring a recommendation at that point in
19 time, which is fantastic. So we'll see from the other
20 subcommittees in terms of where that work is going and
21 thinking about when some recommendations will be
22 forthcoming from each of the subcommittees.

23 As David mentioned, we have a terrific guest
24 speaker today from NOAA, Dr. Kathryn Sullivan. Many of
25 you know her already. She's a terrific speaker, and

1 she'll talk about some of the programs that can support
2 our work and their relationship to improving our supply
3 chains for the United States.

4 And then finally, our last item, we'll have an
5 open discussion on topics for the year ahead. This
6 committee will continue its work and much of this will
7 build on the current work being done by the
8 subcommittees.

9 Understand from speaking with David, the
10 government will be looking for expert guidance on
11 supply chain issues going forward as they affect North
12 America as an export platform. So there's a series of
13 other topics and it would be good for us to start
14 focusing our attention on how to prioritize and respond
15 to the many ideas that we'll hear and develop.

16 So thinking about that, we're all in the
17 supply chain industry and we all sort of see the
18 opportunities ahead of us. As I've often said with
19 this committee, we need to think about, what are the
20 things that we can come up with that actually can be
21 implemented?

22 It's nice to talk about what I'll sort of
23 refer to as the elegant solution, but an elegant
24 solution that has no chance of being implemented is
25 nothing more than an elegant solution. So it'll be

1 good for us to continue to keep that front and center
2 on things that we think we'll be able to recommend that
3 can in fact be implemented.

4 So first, we'll hear a short presentation by
5 Sandy, with support from Tony, on the elements of the
6 recommendation that we've all seen. It's been broadly
7 supported from our last meeting, and has been out for
8 final review by our membership.

9 I understand we haven't received any comments
10 or corrections on the text that's been out there.
11 Copies of that recommendation you all have in front of
12 you or you can pick them up outside, but you've seen
13 it. After the presentation on the recommendation we'll
14 discuss it and put it to a vote. David will walk us
15 through that protocol to make sure we follow the
16 guidelines to ensure that recommendation makes it up
17 the ladder to the Secretary.

18 If there are any substantive disagreements we
19 can edit the text to reflect those differences of
20 opinion so that all of our reviews are reflected, kind
21 of like the Supreme Court, if you will. That final
22 text and decision will come from our public
23 deliberation here, and we use any time as we need it
24 necessary today to bring this one to completion.

25 So that's our goal, is to finalize the

1 recommendation that we can forward on to the Secretary.

2 It will go on with clean paper with no letterhead in
3 the name of the committee, and we'll sign that for the
4 group rather than having to have pages and pages of
5 signature blocks that will minimize the bureaucracy
6 around that.

7 So unless there are already questions, let's
8 get started and take a look at where that subcommittee
9 stands. So, David, do you want to start with the
10 Freight Committee or do you want to go through the
11 recommendations?

12 MR. LONG: Let's do the recommendations,
13 first.

14 CHAIRMAN BLASGEN: Okay.

15 MR. LONG: We've got Sandy on the line here.

16 CHAIRMAN BLASGEN: Right.

17 MR. LONG: It'll be good to hear the
18 presentation so everyone's familiar again with what's
19 in the recommendation, and then we'll take the process
20 there and see if everyone supports it.

21 CHAIRMAN BLASGEN: All right, Sandy. So if we
22 could turn it over to you.

23

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1 **DISCUSSION AND DELIBERATION OF COMMITTEE**

2 **RECOMMENDATIONS TO THE SECRETARY: SINGLE WINDOW**

3
4 MR. BOYSON: Okay. Thank you, Rick. I'm
5 sorry I can't be there in person, but thanks for the
6 opportunity to just quickly review the subcommittee
7 work. I know that Tony Barone from the Competitive
8 Subcommittee perspective, talked certainly about the
9 service centers of excellence that came out of his
10 committee. So let me start by providing very brief
11 context, if I could, on ITDS globally.

12 So as of 2012, there were 49 economies that
13 provided single-window capabilities to their trading
14 community, and 20 -- relevant government agencies in
15 that process, including companies as disparate as
16 Colombia and Ghana. Mexico began its single-window
17 implementation and announced its beginning in January
18 2011.

19 By 2012, June, it stood up to -- and in one
20 day in June 2012 it had 80,000 electronic value
21 receipts and about 42,000 digital documents that passed
22 through their system. Overall, it accounts for about
23 80 percent of international trade paperwork is now
24 electronically routed through their single-window
25 system.

1 Okay. So what I was trying to do was present
2 a very brief context, that 49 economies have provided
3 single-window capabilities to their trading community.

4 Twenty, by our best estimate, have linked all of their
5 relevant Federal agencies. That includes countries
6 like Ghana and Colombia, even. If you look at our
7 border countries, Canada is very far along the single-
8 window implementation. Mexico announced theirs in
9 January of 2011. By June 2012, they stood up the
10 system and by the end of June 2012, they were claiming
11 80 percent of international trade paperwork was being
12 run electronically through their single window.

13 So that's just the basic context for it. It's
14 going well beyond that now in terms of regional single-
15 window development. So for example, in ASEAN, they're
16 leveraging Singapore's technology and there are 10
17 countries that are currently engaged in the pilot that
18 they want to complete before the 2015 ASEAN trading
19 community is formalized.

20 We have also created--we being the U.S.
21 Customs Border people--a data alignment committee, the
22 data service up in Canada, and they're just starting to
23 do a similar kind of harmonization process. So that
24 basically is sort of the overall context that our
25 committee is working under.

1 When we reviewed this single-window experience
2 here in the United States, we were kind of startled to
3 find that it had been going on for 15 years and, as
4 best as we could figure, about \$1 billion has gone into
5 an almost perpetual kind of pilot phase. We were very
6 concerned about that. We had a number of interviews
7 and phone calls with principals. We did quite a lot of
8 background research. Basically, I think the committee
9 recommendations can probably be broken out into a few
10 categories.

11 So, one is governance. We believe that the
12 subcommittee--and you'll hear later from the individual
13 members--that as we get the White House involved and
14 get their muscle and backing for this and to bring in a
15 SWAT team really to -- project management and roll-out
16 of an ITDS system to the United States on urgent
17 footing so overcome the reactive momentum or the
18 staggered spurts of growth and -- because of budgetary
19 issues that it has characterized a fair amount of
20 development process to date. So having that kind of
21 SWAT team and White House leadership with industry
22 participation was a very important point that we spent
23 a lot of time sort of talking about.

24 Now, it would be fair to say that the
25 committee felt that the technical project management

1 layer that has capable track record to do this, okay,
2 and that has a lot of experience in large-scale IT
3 implementations, we are still very concerned about
4 that.

5 That has been an ongoing concern of the
6 committee, and regardless of these recommendations of
7 the -- subcommittee and the committee as a whole, we
8 continue to be concerned about in order to meet the
9 very, very rapid development deadlines that have been
10 set under the executive order yesterday.

11 The second area that our recommendations can
12 be broken out into is the scoping and sequencing of the
13 roll-out project, to get beyond the pilot phase quickly
14 and to roll out the ITDS system across all the -- and
15 product families.

16 Now, there's been a tendency to try to kind of
17 focus on just one set of commodities or just a couple
18 of locations, and we feel it's very, very important
19 that it's a scaling up -- that the scale-up occurs in a
20 very systematic way and embraces the entire system, all
21 locations, and all products. So that's what our
22 recommendations are geared toward.

23 So right now, as you can see, there is a six-
24 to nine-month pilot phase that would work on key,
25 chosen sites, all the high priority commodities of

1 interest and would be represented in a cross section of
2 sites, would come into play in order to gain a very
3 deep DNA -- create a very deep DNA for an 18-month
4 scale-up phase that would flow out of that pilot, which
5 would result at the end of that 18 months in the
6 deployment of ideas across the whole network of the
7 United States, towards rail and truck import and export
8 clearances, all of that. That would be the second
9 category of our recommendations.

10 Now, in the third category, we would have to
11 do a work flow. It was very clear, and I think Tony
12 raised this as an advocate from the very, very
13 beginning. It's not just a technology systems scale-
14 up, but also to simplify what else is in the streamline
15 processes that accompany it. That's why I think the
16 integrated service center concept is very important,
17 bringing together the participating government agencies
18 into a single organization that can rapidly scan,
19 process, and clear trade clearances.

20 Another important part of the recommendation,
21 we started out with industries and went up to a
22 national service center within a very brief period of
23 time, and we think that's a very fundamental part of
24 our recommendations as well.

25 So we think that it's a good road map. We're

1 still concerned about the technical project management.
2 I'd like to call on Stan to talk a little bit about his
3 perspective. Now, you have to understand, Stan is
4 highly experience in very large-scale idea
5 implementations and I think can speak to a lot of the
6 practical realities of what we're really looking at
7 here. Okay.

8 Stan?

9 MR. BROWN: Thank you, Sandy. I'll just touch
10 upon two aspects that you touched on in a little more
11 detail because there are two priorities, I think, from
12 our committee--from my perspective on our committee--is
13 one of technical expertise. We need a professional
14 project manager.

15 We don't need somebody doing this as a part-
16 time job that has the knowledge, or thinks they have
17 the knowledge, of being able to do this. It's a full-
18 time job. It's somebody that has to have the
19 experience of doing this on a large scale, whether it
20 be global implementation that they worked on in the
21 private sector or something similar to that, we need
22 that skill, that expertise, to actually manage this.

23 There's too many things that can go wrong on a
24 large-scale project like this, that a person that has
25 that experience would know and could warn us about the

1 pitfalls or the problems that they're going to see and
2 take the necessary steps and actions to avert those
3 problems. So I think that's probably the number-one
4 priority, from my perspective.

5 Number two, close behind it, is having an
6 arbitrator. When you have 49 or 47 different agencies,
7 they're going to have a difference of opinion. In the
8 large committee, nobody is going to be able to have
9 their own opinions right every time. So we are going
10 to need somebody that is going to be able to arbitrate
11 when necessary.

12 I think that somebody from the White House
13 would need to be that arbitrator. You can't have a
14 peer of somebody being that arbitrator, it has to be
15 somebody that has some power behind them, somebody that
16 has some backbone to be able to make the tough call.
17 When you put those two things together, I think those
18 are the two aspects that would make our recommendation
19 to be that much more successful.

20 CHAIRMAN BLASGEN: A question about that,
21 David. How do we go about it? Is that something that
22 needs to be built into the recommendation or does that
23 get discussed afterwards, or how does that happen?

24 MR. LONG: It's your choice on how you'd like
25 to play it. This could be something added now, it

1 could be added to it immediately. It could be
2 something in the follow-up guidance. It depends on how
3 much you want to submit right away.

4 CHAIRMAN BLASGEN: Tony, how about your
5 perspective? You and Sandy worked a lot of hours on
6 this.

7 MR. BARONE: I know. We worked a lot of
8 hours. I sound like I'm from New Jersey, but I'm really
9 from Missouri. So I have this real question in my mind
10 that we should go forward with this in a strong, strong
11 recommendation, but at the same time I think that this
12 committee and the Department of Commerce has to play a
13 really pivotal role in seeing that this rolls out for
14 the benefit of the trade and not just for the benefit
15 of the government.

16 So in preparation for a discussion on NAFTA I
17 went to colleagues in Mexico and the southern border
18 and I asked them, how is the Mexican single window
19 working? I think that UPS can comment on this as well,
20 that the report wasn't good. The work that used to
21 take hours now takes days. Okay. So I don't know.
22 Perhaps a colleague here from Houston can comment as
23 well. So the role of the arbitrator, the role of the
24 trade representative, it is just absolutely critical.

25 It can't just be about making the Federal

1 process more efficient because that does not do
2 anything to enhance trade. Having strong participation
3 from the business community, and I think also the
4 academic community is, I think, crucial, or we'll see
5 another roll-out of the Affordable Care Act. So that's
6 the reservation that I would have about such a large-
7 scale undertaking. I mean, after all, all of the trade
8 of the United States, inbound and outbound, would flow
9 through ITDS.

10 We have put a lot of eggs in that basket and
11 that not just affects the cargo itself, but the
12 terminal operators, the railroad going to and from the
13 ports, the airport. I mean, everybody will be impacted
14 by this roll-out. I think it really just can't be left
15 not closely attended. So that's our view, but
16 otherwise there's no question that we have to modernize
17 the process. It's old, it's old technology, it's old
18 thinking, and the United States shouldn't be in that
19 position.

20 I don't know if my colleagues here have
21 thoughts. There are folks who are doing some very
22 advanced work in this area, not just in the States but
23 around the world. It's not just automating what's done
24 now, it's doing things differently. So, we hope that
25 that's also part of the charter of the SWAT team.

1 MR. BOYSON: Rick, a couple of other people on
2 our subcommittee, and maybe Tony and I, are going to --
3 sort of introduce Evan -- subcommittee. I believe
4 we're going -- as well. Finally, we'd like just a
5 couple of comments from our staff person, Bruce, what's
6 been so integral to the -- development of these
7 recommendations. So Evan, would you like to say a few
8 words?

9 MR. GADDIS: Well, yes. The first thing I
10 want to do, is bank Bruce has really pulled this
11 together, and David. I want to congratulate the
12 Secretary and President on this executive order and
13 single window because it shows that what we're doing is
14 paying off, somebody is listening, and this is going to
15 be a big bang. It's going to open doors.

16 I really want to congratulate the White House
17 on what they're doing here because I really think that
18 it's a start to really double down on what we're doing,
19 and that's the key word, that we do need to double down
20 on this effort.

21 I totally agree with what my colleagues have
22 already said here and that I would like to see. I
23 don't know what you'd call it. For lack of a better
24 word, I'd call it White House czar, but somebody to
25 oversee this. In earlier conversations -- you know, I

1 run a nonprofit and represent 500 companies.

2 We have a lot of contracts from Commerce, from
3 Trade, to do exactly this. I'm going to offer a
4 vehicle where I can pull the expertise like Sandy and
5 the other colleagues we've got here, and the experts of
6 500 companies together to do this. I think the good
7 thing about it is, we don't make any money off of this.
8 We're the cheapest date going.

9 So I'm going to offer a vehicle to do that
10 where we can pull the government, all of the agencies
11 you're talking about, all of the companies, trade, in
12 there to do that, and work with my colleagues to push
13 this thing forward. But again, I just want to
14 congratulate the leadership here, the White House, on
15 taking this initiative.

16 MR. BOYSON: Okay. Thank you, Evan. Thanks
17 for your comments. Is --?

18 VOICE: She called in sick. We heard
19 yesterday she was sick and she probably --

20 MR. BOYSON: Okay. No problem. So you want
21 to -- please?

22 VOICE: Absolutely. I'm very fortunate to
23 work with Mr. Boyson and all the subcommittee members
24 on our IT and data group. We have tremendous expertise
25 and it's really shown in developing the single-window

1 proposals/recommendations.

2 With regard to Stan's comment, just picking
3 up, and also Tony's comments, the DHS provided a
4 calendar as to when this will take place along the way.

5 It's a big milestone procedure along the way, and it's
6 important that we continue to follow those milestones.

7 Currently they've met their actual processing
8 times. They've met their deadlines every two weeks,
9 and so we need to continue to work with and collaborate
10 with them, provide the expertise when we start to see
11 that deadline slipping. It's very important, as Evan
12 has mentioned, that we need to get this done as quickly
13 and as efficiently to make our country as competitive
14 as possible.

15 MR. BOYSON: Okay. Just one last comment
16 before I pass this back to Tony, because he may want to
17 ask his subcommittee to do the same if they have
18 comments. But the issue of technical project
19 management remains, as I said, an ongoing concern of
20 our subcommittee. What do they actually have in-house?
21 Is one completely in-house? No.

22 Whether or not that in-house staff has the
23 relevant skill set to annex this kind of very fast-
24 moving, large-scale implementation, is an ongoing
25 concern of our subcommittee. Whether it works at this

1 point the way the reconciliation -- ongoing concern. I
2 mean, it's going to be an ongoing concern of any of our
3 time engaged in this, on any other follow-up work with
4 the White House, et cetera. So I see it as an ongoing
5 --

6 I'm not sure if it's going to stop -- we can
7 go over the recommendations. But if there is a
8 consensus that the committee shares around this issue
9 of technical project management concerns, it might be
10 good to denote that in a cover letter on the
11 recommendations. So I'm done now.

12 Tony, would you like to follow up?

13 MR. BARONE: Let me defer to the members of
14 our subcommittee, if you'd like to comment. Norm, I
15 know you've done a lot of work in those areas.

16 MR. SCHENK: Yes. I think I'd be piling on
17 with what already has been said from our perspective.
18 I think I would just reiterate that -- you know,
19 looking at some of the examples out there that we've
20 seen around the world where there's been good attempts
21 at it, and Tony referred Mexico, so there's two parts.
22 Part is the operational commitment to make it work,
23 but the other one, it has to be supported by a solid
24 technology commitment on that.

25 I think that's where we've seen the gaps down

1 in Mexico, the system is up and down constantly, which
2 creates that. So there needs to be the commitment on
3 both sides in order for this to work. Just reiterating
4 again, the mandate for the agencies to really get
5 moving and get it done. That's the top of the list.
6 Yeah.

7 MR. BARONE: If I could just add one thing.
8 It's imbedded in the document that from the smaller
9 company point of view--and even big companies have a
10 problem with very complex Federal systems, procedures,
11 policies, compliance, and whatnot--that as this is
12 approached I would hope that the SWAT team would also
13 have as an objective just simplifying the whole
14 process. I mean, it should not take a lawyer to help
15 you export a box of screws. Okay. But it's pretty
16 much that way now. So, simplification should be, I
17 think, an objective of single window as well.

18 CHAIRMAN BLASGEN: You know, it sounded to me
19 like what you were suggesting is that once this
20 recommendation gets accepted and there's some
21 implementation plan, somehow our committee should stay
22 involved, right? I mean, we have to --

23 MR. LONG: Yes. This is a really important
24 point. As I mentioned earlier, the work that's been
25 done already is firmly imbedded in the implementation

1 process for this. The charter for the Border
2 Interagency Executive Committee, which is basically the
3 gathering of all the interagency people who are a part
4 of this, specifically called out consultation with this
5 group on how to do this right. So there's a built-in
6 institutional role already for this group to continue
7 to feed guidance into the system.

8 I think as we talk about possible things to
9 look at down the road, looking at this and saying
10 regional or larger terms, what should single window
11 look like as it goes beyond just the U.S. borders? I
12 suspect that there will be a number of things that
13 you'll want to advise the government on in approaching
14 that. So yes, I see this as a continuing thing and
15 certainly the first cut at the apple--why do the apple?
16 Whatever the metaphor is--but this is just a starting
17 point, I think.

18 MS. BLAKEY: I just wondered if the group had
19 looked at -- I don't know when you say that there's
20 other places that are putting these things together,
21 one that is -- I'm wondering if it's in conflict or
22 compatible or exactly what. It's planning to launch
23 here, as I understand it, this summer.

24 It is being sponsored by the Global Coalition
25 for Efficient Logistics. Are you all aware of this?

1 They claim to be representing 150 countries, NGOs, and
2 so forth and they are putting together something, we
3 call them an integrated global digital economy platform
4 for a similar type of thing.

5 No recognition about this? I just wondered
6 if, you know, this was sent to me by someone who was
7 approached by this group in connection with this launch
8 that they're doing, so I don't have a great deal of
9 information about it. But the fact that they are
10 coming to the United States and they represent ASEAN
11 and a lot of these other organizations are on their
12 board and stuff, so it doesn't look like they're just a
13 nobody. So, you know, that could kind of get in front
14 of your plans, is what I'm thinking.

15 MR. BARONE: We work with the World Customs
16 Organization, which is a big proponent of single-window
17 and globally networked Customs. Their GNC committee
18 hasn't even agreed on a term, so it would seem highly
19 unlikely--maybe if the U.S. took a lead role and
20 actually rolled out a system that worked. You know,
21 everybody wants to export to the U.S., it's the biggest
22 market. So you start laying out, you know, file
23 structures and whatnot and maybe folks will follow, but
24 right now the 180 countries of the WCO have not even
25 agreed on what data can be passed back and forth.

1 MS. BLAKEY: I'll send you the information
2 that I have on what these people are doing. It may
3 have no relevance, but it sounded so similar that I was
4 wondering if it was a potential conflict or what.

5 MR. BOYSON: I would really like to see that,
6 if you don't mind sending it to me.

7 MS. BLAKEY: Yes. I'd be happy to.

8 MR. BOYSON: Great.

9 CHAIRMAN BLASGEN: Is it a U.S.-based group?

10 MS. BLAKEY: No.

11 CHAIRMAN BLASGEN: No?

12 MS. BLAKEY: No. They are somewhere else. I
13 can't really actually tell where they're based and
14 working. I was on their website. But yes, I'll just
15 distribute it. I don't want to overstate its
16 importance but it just struck me as -- you might be
17 aware of this during the course of putting together
18 what you're doing.

19 CHAIRMAN BLASGEN: All right. Are there any
20 other comments on the recommendation? Anyone else have
21 any opinions in terms of changes or are we all pretty
22 much in solid agreement?

23 MR. BARONE: Just one point. The letter talks
24 about projects from November 2013, so that would need
25 to be corrected. It's on the second page, "From

1 November 1 to August 1, launch a highly targeted pilot
2 phase". So we're past November and it's not August
3 yet.

4 MR. LONG: Yes. Yes.

5 MR. BARONE: So I may just update that with
6 some new --

7 MR. LONG: What would you like for dates on
8 that? March?

9 MR. BARONE: I don't know. Maybe Bruce knows
10 what the -- whatever that -- whatever that is, that's -
11 - because they have a schedule --

12 MR. LONG: The whole thing is supposed to be
13 done by the end of 2016. We'll pick the exact dates.
14 We can check that out.

15 MR. BOYSON: Yes. And to the point about the
16 letter that you were outlining, this is the issue of
17 technical management, the technical project management.
18 My gut is telling me that it belongs more as a letter
19 at this point than an interpretation. How do you feel
20 about that, Dave and Rick?

21 MR. LONG: Could you repeat the question,
22 Sandy?

23 MR. BOYSON: The ongoing concern of technical
24 project management capability, which is an ongoing
25 concern. Can that be mentioned in the letter, that

1 it's coming from -- I think it follows on -- I mean,
2 it's a way of keeping up with the recommendations but
3 as an ongoing concern.

4 CHAIRMAN BLASGEN: Sure. Yes, we'll put it in
5 the letter.

6 MR. LONG: It would be good to try to get the
7 text, either the text from the background document to
8 move to it or draft the language now to complete it.
9 Do you have in mind specific language yet?

10 MR. BOYSON: Well, I think it's pretty basic.
11 I mean, give me just one second. I just want to get
12 my notes. Yes. I mean, I think -- sorry. I would
13 just say that there's an ongoing concern on the part of
14 our committee regarding the need for a technical
15 project management capability with a track record and
16 capability to implement -- to manage this kind of
17 large-scale implementation. Something as simple as
18 that.

19 MR. LONG: Do you see that as a bullet in the
20 text of the letter, Sandy?

21 MR. BOYSON: I see it as imbedded. I don't
22 think it really matters. It's just an issue of having
23 it registered as an ongoing concern.

24 MR. HARSH: In that first bullet, we create --
25 sentence in that --

1 CHAIRMAN BLASGEN: So Sandy, we're talking
2 about, there's a bullet that starts, "Create a White
3 House-led rapid deployment team". In that paragraph we
4 could probably add that language. It sort of goes in
5 there.

6 MR. BOYSON: Yes. How about, that this team
7 will work to ensure that there is a technical project
8 management capability in place that is able to -- with
9 a track record and ability to deal with this kind of
10 large-scale implementation, complex, large-scale
11 implementation. Something that --

12 CHAIRMAN BLASGEN: Right.

13 MR. LONG: Let's see if we can write that down
14 and make sure everyone's on board with that. Could you
15 read that back to us again, Sandy, please?

16 MR. BOYSON: Okay. Again, under the
17 leadership team, the SWAT team, it will work to ensure
18 that there is a technical project management capability
19 with the track record and what?

20 MR. LONG: Experience.

21 MR. BOYSON: What?

22 MR. LONG: Experience, Sandy.

23 MR. BOYSON: Okay. To ensure the successful
24 large-scale implementation of ITDS.

25 MR. LONG: All right. So it would say

1 something to the effect of, "work to ensure that there
2 is a professional -- professional technical" -- then
3 what?

4 MR. BOYSON: Project management capability.

5 MR. LONG: "Technical project management
6 capability".

7 MR. BOYSON: With the track record.

8 MR. LONG: "With a track record and
9 experience".

10 MR. BOYSON: Yes. "With a track record and
11 experience to" --

12 MR. LONG: "To implement a large-scale
13 project".

14 MR. BOYSON: Yes. "To ensure the success of
15 this large-scale, complex implementation".

16 MR. LONG: "The success of this large-scale" -
17 -

18 MR. BOYSON: "Complex implementation".

19 MR. LONG: "Complex implementation". Okay.
20 All right. Right now the bullet reads: "Create a White
21 House-led rapid deployment team to work with the
22 Department of Health and Human Services' Bureau of
23 Customs and Border Protection (CBP) to fund, complete,
24 and implement the single window system by no later than
25 December 31, 2015.

1 This team will be co-chaired by a White House
2 designee and a trade community expert, and part of its
3 responsibilities will include selecting three
4 industries to pilot an integrated national service
5 center of excellence approach to manage all trade
6 interactions with the Federal Government."

7 Then we say -- I need a subject for this, but
8 we say, "Something will work to ensure that there is a
9 professional technical project management capability
10 with a track record to ensure the success of this
11 large-scale, complex implementation."

12 MR. BARONE: Should that be "independent"?
13 "Independent body", somehow? I mean, if a person pays
14 -- it would seem to me that once I'm independent --
15 oversight activity.

16 MR. BROWN: We probably need a private sector
17 person.

18 MR. BARONE: Yes. Not part of the folks who
19 are working on implementation or else you have an
20 obvious conflict. Just insert the word "independent",
21 that's all.

22 MR. LONG: Okay. Where would that go? What's
23 the subject of the sentence? Who is working to ensure
24 that there is a capability?

25 MR. HARSH: Private sector independent team,

1 is what Sandy mentioned.

2 MR. LONG: Okay.

3 MR. HARSH: I would just insert the word
4 "independent".

5 MR. GADDIS: I like the word "team". I'm not
6 looking --

7 MR. BARONE: Can you type it in Word and show
8 it on the screen so we can read it in real time?

9 MR. GADDIS: I think it's important to put
10 that "team" in there because we're not looking for one
11 individual or one company, we're looking for the
12 expertise. I think we can bring to the table a number
13 of them, so I like the idea of a team.

14 MR. WATTERS: I have more of just a nitpicky
15 comment on the wording. I don't think what we want
16 them to do is to "work to ensure". I think what we
17 want them to do is "to ensure".

18 MR. BOYSON: Yes.

19 CHAIRMAN BLASGEN: And I know this is a little
20 technical right now, but after this, I mean, that's it.
21 We vote on this thing and it goes, so I appreciate
22 everyone taking the time to make sure we get it right.

23 MR. LONG: We will have this up on the screen
24 in a moment for everyone. Sandy, that's what's going
25 on right now. We're typing the thing up so that it can

1 be displayed for everybody to read.

2 MR. BOYSON: Sure

3 (Pause)

4 MR. GABRIELSON: A quick question. Does it go
5 without saying that as you're running a pilot or you're
6 running the program that you should run it in parallel
7 with the current systems today? So you -- at the
8 beginning to resonate -- which is you have all your
9 eggs in one basket, and all of a sudden you have a
10 systems failure.

11 So anytime you roll out any kind of program
12 you're going to get some glitches, you just hope that
13 they're minor, right? Does it go without saying that
14 you need to run it in parallel with current systems to
15 ensure that it works?

16 The second thought that was running through my
17 head was, does it make sense to ensure that the group
18 team, if you will, goes out and looks at what was done
19 in Canada, Mexico, Asia, and countries, and you go to
20 school and what's worked and what hasn't worked, so as
21 you're designing the program you're recognizing that
22 the nuances in the U.S. are different than they are in
23 many other countries, there's still a lot of learning
24 that you can gain and pitfalls you can avoid if you go
25 to school on that. Again, does it go without saying

1 that that will be done, or do you need to incorporate
2 those kinds of languages to ensure that it takes place?
3 Just a thought.

4 MR. BROWN: In my opinion that's a task--one
5 of the first tasks--of the actual subcommittee or team
6 that's actually doing the work. Okay. They should be
7 looking at those points, and probably a lot of others
8 as well. So I think you were right on, but I think
9 that is a little lower level of detail than what we as
10 a team here are putting forth as a recommendation.

11 MR. GADDIS: And in fact that's already being
12 done.

13 MR. GABRIELSON: It is? Okay. I have just
14 seen too many programs roll out and someone -- next
15 Monday morning something didn't work and someone says,
16 well, why didn't you go do that, and we didn't think of
17 it.

18 MR. LONG: We have the text on the screen
19 here. Sandy, can you hear us?

20 MR. BOYSON: Yes, sure.

21 MR. LONG: Okay. The draft sentence that's
22 been added to the first bullet, we have: "This private
23 sector team will ensure that there is a professional
24 technical project management capability with a track
25 record and experience to ensure the success of this

1 large-scale, complex implementation."

2 MR. BOYSON: Yes. The only word that I would
3 kind of question there is "experience", just because
4 track record -- I mean, you might want to just say
5 "experience and expertise" "Track record" and
6 "experience" are really the same in a sense, aren't
7 they?

8 MR. LONG: That's true. That's true.

9 MR. BARONE: My concern is the independence of
10 this group. We've served on bodies that are reporting
11 in to the agency that is doing whatever the project is,
12 so if you're reporting in to the agency that is
13 actually responsible for the project, there's very
14 little independent there. Some independent view that
15 can talk to the White House designee or whatever, look,
16 this isn't going right. I think that access is
17 important or else you're going to be talking to the
18 fellow who is already on the line.

19 MR. BROWN: Tony, I agree with you. I think
20 if you put the word there between -- and "independent
21 professional with technical project management
22 capability".

23 MR. BOYSON: Let's just, again, remember what
24 it is we're trying to address here. I mean, what we're
25 trying to address is when we interviewed the Customs

1 staff, what we learned is that it kept stopping and
2 starting this project because of budget fluctuations.
3 Work was being managed by in-house people only.

4 MR. BROWN: Yes, that's the point. No
5 disrespect to any government worker, but we do not want
6 a government IT person leading this project, we want
7 somebody from the private sector that's done this on a
8 large scale, many times, hopefully, and hopefully
9 correctly to be able to lead this project.

10 MR. BOYSON: Exactly. So leading -- as
11 opposed to advise. There's a difference between advise
12 and lead. Lead means empowered.

13 CHAIRMAN BLASGEN: When you say --

14 MR. BOYSON: I don't know what we're ready for
15 here.

16 CHAIRMAN BLASGEN: Do you want to make it
17 clear where you're saying "independent, non-
18 government"? That's pretty clear.

19 MR. GADDIS: I could go for that. Or "private
20 sector".

21 CHAIRMAN BLASGEN: "Private sector". That's a
22 better word. We say, "This will ensure that there is a
23 private sector professional technical project
24 management" --

25 MR. GADDIS: "Independent private sector".

1 CHAIRMAN BLASGEN: Sure. Do we need the word
2 "team" in there? I think we were talking about --

3 MR. GADDIS: I like "team".

4 CHAIRMAN BLASGEN: So, "independent private
5 sector team, professional team".

6 MR. BOYSON: It's a capability. It could be a
7 person, it could be a small cadre of people that work
8 with Customs & Border to rapidly get things done. It's
9 a capability, really, you know.

10 MR. HARSH: Do you want to put this "team" at
11 the beginning and put "professional technical" --

12 MR. BROWN: You are meshing things together
13 now. I'm not saying that comments are wrong, but as I
14 move this around it's meshing the sentence. There's an
15 "independent private sector professional". Take the
16 word "team" out of there.

17 MR. GADDIS: No, leave it in. Put "with". I
18 want "team" in there.

19 MR. BROWN: No, no. I wasn't saying take it
20 out of the sentence, take it out where it is right now.

21 MR. ROSENBUSCH: Is the intent that this
22 professional will be a part of the government? Because
23 there's a high likelihood that they would be
24 contracting -- you would contract this. So will they
25 interpret this and say, oh, we contracted with a

1 private company to do this, but you then still may not
2 have the expertise inside managing it?

3 MR. BARONE: I mean, what goes through my mind
4 is you have somebody--and somebody said this already--
5 who has the access and the disengagement to be able to
6 say, hey, this isn't going right and say it to somebody
7 who is in authority who can change the course. That's
8 what I'm getting at. So I guess that's something like
9 oversight, but somebody who is willing and able to say
10 this isn't going right.

11 And by the way, that includes budget issues,
12 because if you launch into ITDS and then there's no
13 money to fund the roll-out of Stage 2, I mean, that's a
14 real issue if you've got all your eggs in that basket.

15 So it hadn't even occurred to me, but that could be a
16 real issue. ITDS has stopped many times for lack of
17 money.

18 So what in the executive order assures that
19 that's not going to be repeated while there's stuff
20 sitting on piers? I know it's probably beyond the
21 scope, but it's certainly important that the private
22 sector who is sitting on there can get up in front of
23 the *Wall Street Journal* and say, Congress has --

24 CHAIRMAN BLASGEN: It might, given all the
25 history, is we should make it as clear and concise as

1 we can in terms of what this committee would like to
2 see.

3 MR. BARONE: Yes, you're right. I do think
4 this idea of a private sector person or people or a
5 team who has access to decision makers can make
6 statements when things are going right, or when they
7 are going right.

8 MR. BROWN: I have a nit here. Before the
9 word "large". It should be "this", not "the".

10 CHAIRMAN BLASGEN: "This large-scale".

11 MR. BARONE: Yes.

12 MS. CHROMEY: So just a couple of questions.
13 This is just because we're experiencing this with the
14 National -- Advisory Committee. Who owns the data?

15 MR. BROWN: The NSA actually owns the data.

16 (Laughter)

17 MS. CHROMEY: It sounds like a very -- what
18 we're challenged with is if the data is PPI, the
19 government is limited. If the data is owned by the
20 government, then we have a little bit more resources to
21 utilize that data to make more informed decisions.
22 Okay. At the beginning when you say it's a Homeland
23 Security/White House, what I hear -- and I can tell
24 you, if it's a contractor, the contractor works for the
25 government. So again, no matter what.

1 So again, I think what I mentioned, there's a
2 couple of different opportunities within the Federal
3 Government. We have what's called special government
4 buoys. I don't know if you have any on this Advisory
5 Committee. So, there's that.

6 But you could consider maybe a public/private
7 partnership where you have a little bit more
8 flexibility. That might be where you could add a little
9 bit more detail. It's just something to consider
10 because that becomes where both of you are kind of in
11 it together, the government and the public side. The
12 private side, I mean. Just something I just wanted you
13 to think about.

14 MR. COOPER: I've got a question as far as
15 clarifying. The overall goal here is to have access at
16 a high level to either garner resources or to settle
17 interagency disputes, so obviously maybe that needs to
18 be a little more explicit in there, the type or the
19 level of a government person that would be part of this
20 partnership. If it's just a mid-level contracting
21 officer that isn't necessarily making decisions --

22 CHAIRMAN BLASGEN: Right. David, do we need
23 just a section to explain that the committee feels
24 strongly that this type of characteristic will allow
25 the project to ensure a higher probability of success

1 and take all these things -- I mean, we're really
2 getting down into nitpicking words, but they're
3 important words for them to understand exactly what
4 we're saying. We've got people here who have a lot of
5 experience in how these things have not successfully
6 been implemented, and why.

7 MR. LONG: For format, a good solution might
8 be to make the thing we've just been editing a separate
9 bullet and say exactly what you said there. The
10 objective of the committee is to achieve these ends,
11 here's what we think it ought to be. Just write one --
12 just make it a separate section below the rest of it,
13 so it's very clear. You're just stating what the goal
14 should be.

15 It's possible to get lost in the details of
16 exactly how you structure it. I think the big picture
17 is, from what I've heard in the discussions, you're
18 saying that it requires private sector experience and
19 capability with access to make a difference in the
20 process. That's probably the lead in, something like
21 that.

22 MR. BOYSON: I agree with that.

23 MR. BROWN: From what I am interpreting, from
24 being on the committee and listening to these meetings,
25 I don't think we're excluding government participation

1 on this committee. The only suggestion that we're
2 making is that we have an independent private sector
3 technical program manager leading the technical aspect
4 of this project.

5 We want to have somebody that knows the
6 technology, knows how to implement technology to be
7 able to lead the project as it relates to technology,
8 not saying that it has to be a whole team of private
9 sector individuals, but that the composite of the team
10 could be private sector and public sector.

11 I don't think we're debating or arguing that.

12 I think the point that we're making is that we have to
13 have that private sector taking a lead program project
14 manager on this team to be able to be successful,
15 because this is a technology project.

16 MR. LONG: That might be what you want to say
17 in the letter right there.

18 MR. BOYSON: I completely agree. I think
19 that's exactly where we should be focused.

20 MR. LONG: Okay. Let's write it.

21 MR. COOPER: We still have to clarify the
22 government role, though, because no matter who you
23 select for that position, and I think we all support
24 that kind of approach, that person will still have to
25 report to a government employee.

1 MR. LONG: Sure. Right.

2 MR. COOPER: That's the role I'm suggesting
3 that we maybe add a bullet, really define that role and
4 the level of that person within the government. That
5 way we're very explicit on our expectations.

6 MR. ROSENBUSCH: I am still not clear if that
7 project manager is a contractor or if they're a
8 government employee.

9 MR. BARONE: Private sector contractor.

10 MR. BOYSON: And that person, to Tony's point,
11 could report directly to the SWAT team, the White House
12 -- by two people, one from the White House and one from
13 the trade community. So that's what this project
14 needs, to report to them. To Tony's point again,
15 provide project management but also oversight and
16 course correction when needed, you know?

17 MR. BROWN: A good analogy is, in the private
18 sector, in my company, when we hire outside
19 consultants, management consultants to do an IT
20 implementation, the procurement organization is the one
21 that's contracting and in negotiations with the
22 contractor.

23 The contractor doesn't report that the
24 procurement person is part of the team. The contractor
25 reports to the project team or the leader of the

1 project team for that project. Okay. So I don't know
2 if we need to be as specific as that, but I'm not
3 concerned that the person that's doing the contracting
4 on the government side with the contractor is going to
5 get this perception that he's managing the contractor.

6 MR. LONG: Just from the point of view of what
7 an effective letter might be, I think it's possible to
8 get way too lost -- I'm not saying anyone is. It's
9 possible to get lost in exactly what is -- it's a
10 contractor, is it someone else, exactly who it reports
11 to.

12 I think the idea to convey is, do you want
13 someone from the private sector with some appropriate
14 level that would allow the result you want, someone to
15 listen to the recommendations and act on them in that
16 context. I think something may be more generalized
17 that would allow you to pick and choose among that is
18 probably more effective.

19 I mean, if you try to say it has to be a
20 contractor, well, which contractor? What level? Who
21 does he report to? It gets lost in details that
22 probably none of us can handle. But I think something
23 that is more generalized, like you want that behavior,
24 which is having private sector program management
25 skill, in a level where it's going to be listened to,

1 some appropriate phrasing for that might help.

2 MR. BARONE: The key is that that person has
3 direct access to the SWAT team that has a White House
4 official sitting on it so that the next person you're
5 going to talk to is very high-level, the President or
6 somebody, who says we have bad news for you, this isn't
7 going well. That doesn't always come up through a
8 project management -- so you need that.

9 (Laughter)

10 MR. BARONE: That's all I'm getting at, that
11 hey, this isn't going well and you should know it, you
12 know. It's over budget, it's delayed, and you've got to
13 know this so that appropriate action can be taken.

14 MR. COOPER: And I think a key point is what
15 he's defining, if we can define the communication link
16 then it's not getting into detail where it really --
17 government choices, but it's explicit enough to say,
18 hey, we need that kind of access.

19 MR. LONG: You want an outcome that looks a
20 certain way, and that's Tony's idea that someone would
21 listen to it.

22 MR. GRENZEBACK: I guess the recommendations
23 and the bullets right now focus very much on leadership
24 and driving and reconciling the technical IT aspects of
25 this. There's no bullet that addresses what I thought

1 was very well done in 3A under "Governance", which is,
2 how do you lead and reconcile the different standards
3 and requirements?

4 The work we did kind of 15 years ago on a
5 related issue, what we found was when you dig down into
6 the individual requirements of the individual agencies
7 you find that they're happy to exchange the data, but
8 they have a congressional mandate or something that
9 says you can't change it without thus and such. It's
10 that level -- it's actually very good on that issue.

11 You need someone who is not only able to lead
12 and reconcile the technical requirements, but also the
13 actual data standards and requirements for the export
14 actions. I would think that that would be equally
15 important because they're going to find -- if I can get
16 the IT side together, I can't get the other pieces of
17 the actual substance reconciled. I don't know whether
18 the committee intended to flag the governance, but it
19 was well written up in here and it doesn't show up in
20 the main bullets.

21 MR. BARONE: Well, we did have that in mind in
22 the attachment. That's why I suggested that the
23 industries be in clusters because there's common stuff
24 in those that may not be in another industry. So the
25 food industry will have requirements that the parallel

1 industry won't have, but if you kind of lump them
2 together -- but I think we did contemplate that in the
3 document.

4 MR. GRENZEBACK: I am concerned more with the
5 individual government agency requirements. The --
6 mandates that say thou shalt inspect --

7 MR. BARONE: Yes. Certainly it's an issue.

8 MR. GRENZEBACK: Then when you go down to
9 share the data or do something, you'll have two
10 different ones that are contradictory and there is then
11 the question of how do you reconcile those. The IT
12 side won't speak to that, your White
13 House --

14 MR. BARONE: So, coming into the U.S. there
15 are requirements for an entry that you have to have.
16 But there are alternatives that are out there that are
17 very good that would actually require -- I don't know
18 if they require legislation, but they would require a
19 change in rules in order to facilitate implementation
20 of different systems that would be more effective than
21 what we have now because the requirements today reflect
22 50 years ago, how we did it 50 years ago. So this is
23 something that the IT folks will have to deal with.
24 There are rules on the books that are going to need to
25 change.

1 MR. GADDIS: I promise not to say anything
2 after this, but somebody brought it up earlier. I'm
3 wondering if, when you read this, we have to work with
4 the government agencies. That's understood. When you
5 read this it kind of -- I don't know. It looks like
6 we're saying we don't want to work with them. I mean,
7 I'm thinking maybe we ought to say in that sentence,
8 "in this independent private sector professional team
9 working with the government", or something because I
10 wouldn't want to say that we're going to exclude the
11 government. We know we have to work with them.

12 CHAIRMAN BLASGEN: Somebody is paying the
13 bills. The only thing I would suggest is, this is
14 hopefully a letter that the Secretary is going to read
15 and not go through the entire document, but one of the
16 key salient points we want to say in order to make this
17 successful, this is a recommendation of this committee
18 that you commissioned, and put that in there.

19 Because you're right, there's going to have to
20 be collaboration--to your point--public/private
21 partnership. If it's a contract, they're directed by
22 somebody, right, who doesn't want to fail, presumably.

23 So let's put in here exactly the wording we want so
24 when she reads it, it gets the point across as to what
25 we're trying to convey.

1 MR. BROWN: It also looks like -- to that
2 point, I didn't think of that perspective, which I
3 agree with by the way. But it looks like we're working
4 with Homeland Security's Bureau of Customs and Border
5 Protection because that's the only government agency
6 that's called out on this document.

7 MR. BARONE: Well, because they have the lead
8 role.

9 MR. BROWN: No, no. I understand. But there
10 are 46, 47 other agencies that need to be incorporated
11 into this effort to be able to come up with a
12 consolidated, single-point-of-view, single-window
13 result. So I think to that point about calling out
14 that we're going to partner with the government, we
15 have to add that level of detail to this.

16 CHAIRMAN BLASGEN: Right. Let's add it in
17 there.

18 MR. BROWN: Yes.

19 CHAIRMAN BLASGEN: So maybe after the word
20 "CBP" in parentheses there, "and the other
21 participating agencies".

22 MR. BARONE: So the White House statement
23 talks about the BIEC and interagency, so maybe use the
24 words that they're using. That is interagency, it's
25 not just Homeland Security.

1 MR. LONG: That's the sum of all the agencies
2 that are part of the implementation, so referring to
3 that, that would cover it.

4 MR. BARONE: Yes, I think so. It is
5 interagency. That's what it is.

6 MR. LONG: Yes. It'll be the Executive
7 Committee that gathers everybody together and responds.

8 MR. BOYSON: David and Rick, this is Sandy. I
9 just didn't -- I guess I'd propose some language to try
10 to move this along. Would it be possible if we just
11 sort of --

12 CHAIRMAN BLASGEN: Go ahead.

13 MR. BOYSON: What I'm hearing is that a
14 technical project manager would -- SWAT team -- extra -
15 - to direct and provide independent oversight -- rapid
16 and large-scale implementation.

17 CHAIRMAN BLASGEN: All right. Sandy, you're
18 going to have to try it again. What we'll do is type
19 it in as you read it so the team here can review it.

20 MR. BOYSON: Okay.

21 CHAIRMAN BLASGEN: So go ahead.

22 MR. LONG: But slower. Read it in phrases,
23 please.

24 MR. BOYSON: Okay. Can you hear me?

25 MR. LONG: If you could read it slowly and in

1 phrases so we can type it, please.

2 MR. BOYSON: Okay. "A technical project
3 manager, reporting to the co-leads of the SWAT team,
4 must be put into place." Can I keep going?

5 CHAIRMAN BLASGEN: Yes.

6 MR. LONG: Go ahead, you're doing fine.

7 MR. BOYSON: "That has the private sector
8 experience and expertise to direct and provide
9 independent oversight of such a complex, rapid, and
10 large-scale implementation." "Provide independent
11 oversight of such a complex, rapid, and large-scale
12 implementation."

13 The truth is, it's not just complex. Given
14 the executive order it's going to be extremely rapid
15 and vicious in terms of time scale. Large scale
16 implementations. I think this addresses sort of Tony's
17 point about having the channels to the White House
18 leadership, which I also raised and feel strongly
19 about. It addresses private sector expertise required
20 and they're willing to direct it to provide oversight
21 of this. I hate to say it, but it's almost like a czar
22 in a certain kind of way. I'd like to propose that to
23 see what other people think.

24 CHAIRMAN BLASGEN: And does that take the
25 place of the following bullet?

1 MR. BROWN: The only concern I have is that
2 that does not imply that it's a private sector person.
3 It has private sector experience but it could be a
4 government employee currently today.

5 MR. BOYSON: Well, the private sector
6 experience and expertise. We're not saying it has to
7 be private sector and has to be project management.
8 We're careful about that.

9 MR. BROWN: I think we are, though.

10 MR. BOYSON: Well, we're saying that they have
11 the expertise and experience.

12 CHAIRMAN BLASGEN: But what the debate is, it
13 could be a government person who sometime, 20 years
14 ago, spent time in the private sector. Not good
15 enough. What you're trying to say is it is a current
16 private sector individual or team. Is that what you're
17 saying?

18 MR. BROWN: Yes. I could envision whatever
19 consulting company that we get to be this person, but
20 he's just coming off a global implementation for SAP
21 across General Electric. I'm making this stuff up, of
22 course, you know. But he's coming off of one very
23 technical project onto this one, so his skills are
24 relevant, his experience is relevant. He hasn't had
25 five years of inactivity in his field between the two

1 projects.

2 MR. BOYSON: So why don't we say "recent and
3 relevant private sector experience"?

4 MR. BARONE: This is just thinking out loud.
5 I mean, private sector systems are complex, they're
6 huge and whatnot, but they probably pale in comparison
7 to bureaucratic government systems. I mean, I don't
8 know but I have a feeling that government systems,
9 because they're old and they have older stuff going on,
10 that they are probably even more complex. I don't
11 know, actually. I'm not a technical person. But I
12 would think that they are. The experience with the
13 Affordable Care Act is probably good experience.

14 MR. BOYSON: Yes, but that's actually a very
15 good point. They brought in someone from Microsoft to
16 fix it.

17 MR. BROWN: That's the perfect example that we
18 don't want to repeat.

19 CHAIRMAN BLASGEN: So what language do we want
20 to put in here? Do we want a private sector technical
21 project manager?

22 MR. BROWN: Yes. Yes.

23 MR. BARONE: That's necessary for the next
24 bullet point.

25 MR. BOYSON: So if that's the case, why don't

1 you say "private technical project manager that has
2 recent and relevant experience", something like that,
3 or "relevant experience and expertise", you know.

4 CHAIRMAN BLASGEN: And you don't need the
5 second bullet. Eliminate that.

6 MR. BARONE: So the President's statement
7 actually says that the ITDS Board of Directors will
8 oversee development of ITDS.

9 MR. BOYSON: Correct. Correct.

10 MR. BARONE: So it has to be consistent with
11 what the President already put out.

12 CHAIRMAN BLASGEN: Right. Right. So, "A
13 private sector technical project manager reporting to
14 the co-leads of the SWAT team". Is that the right
15 words? It should be SWAT team or should it be --

16 MR. GABRIELSON: The verbiage I had was
17 "working collaboratively with the various agencies" is
18 a way of saying it in a lot fewer words, which is what
19 I was going to put into the bullet point that you just
20 eliminated.

21 CHAIRMAN BLASGEN: So instead of "reporting to
22 the co-leads of the SWAT team", we would replace it,
23 Rick, with --

24 MR. GABRIELSON: Working collaboratively with
25 the very -- either the various agencies or the

1 effective agencies?

2 MR. LONG: Or the -- refer to that.

3 MR. GABRIELSON: But if you put "working
4 collaboratively" and you say you're going to partner
5 with them as you're developing it --

6 MR. BARONE: I like that.

7 CHAIRMAN BLASGEN: So working collaboratively.
8 Tony, there was phrasing you said that was in the
9 executive order we should repeat?

10 MR. BARONE: Well, I'm just pointing out that
11 the executive order talks about partnering with non-
12 government stakeholders. That's their words.

13 MR. COOPER: What was the entity, though, that
14 Board of Directors?

15 MR. BARONE: It says, "The ITDS Board of
16 Directors shall continue to oversee..."

17 CHAIRMAN BLASGEN: So why don't we state that?
18 So state that.

19 MR. BOYSON: But that's inconsistent with our
20 -- we're trying to flesh out our own proposal. We
21 don't know anything about this Board of Directors.

22 CHAIRMAN BLASGEN: Then we would delete
23 "reporting to the co-leads of the SWAT team".

24 MR. BROWN: Why not just put "reporting to the
25 IDTS Board of Directors"?

1 MR. COOPER: That is the SWAT team.

2 MR. BARONE: The ITDS Board of Directors are
3 not technical. They're department heads. They don't
4 know anything about anything, really. I mean, they are
5 just Assistant Secretaries --

6 (Laughter)

7 MR. BARONE: They're like the Board of
8 Directors but they don't actually get involved in any
9 of it.

10 MR. BROWN: Overhead, we call that.

11 (Laughter)

12 CHAIRMAN BLASGEN: All right. So here's how
13 this reads right now: "Private sector technical private
14 manager, working collaboratively with the ITDS Board of
15 Directors, must be put into place that has the recent
16 and relevant private sector experience and expertise to
17 direct and provide independent oversight of such a
18 complex, rapid, and large-scale implementation."

19 MR. COOPER: I think that works.

20 CHAIRMAN BLASGEN: Sound good?

21 MR. BARONE: The only thing with that is, the
22 IT Board of Directors are all agency heads. That
23 statement -- somehow we have to reflect access to the
24 White House because all of those are GS-something. I
25 don't know what they are, but they are not the White

1 House.

2 MR. COOPER: No. Is it defined in the
3 executive order? Because if they're that far up,
4 usually they're political appointees and not GS types
5 or --

6 MR. BARONE: I am just saying, they are not --
7 you know, elsewhere we've said that we want to have
8 direct access to the White House, so if we're going to
9 the
10 ITDS --

11 MR. COOPER: So maybe one of the
12 recommendations is to appoint somebody from the White
13 House onto the Board of Directors to make sure that
14 that avenue --

15 MR. BARONE: Because we have it up there a
16 couple of paragraphs up, right?

17 CHAIRMAN BLASGEN: Right. We have it up there
18 already.

19 MR. BARONE: Yes. But if we're working just
20 with the Board of Directors, then we're not -- you
21 know, we have to make sure that we're going to the
22 White House.

23 MR. HARSH: -- with the White House.

24 MR. BARONE: Don't forget, the ITDS Board of
25 Directors has been in existence for 10 years, so that's

1 not a great track record.

2 CHAIRMAN BLASGEN: Okay. "So a private sector
3 technical project manager, working collaboratively with
4 the White House and the ITDS Board of Directors, must
5 be put into a place that has the recent and relevant
6 private sector experience and expertise to direct and
7 provide independent oversight of such a complex, rapid,
8 and large-scale implementation."

9 MR. BOYSON: Yes, I like it.

10 MR. BARONE: I don't know if "must" or
11 "should". I don't know. That's a term of art.

12 CHAIRMAN BLASGEN: Well, we're making a
13 recommendation. Should means that I don't have to,
14 right? So this is our recommendation, we feel strongly
15 that it must be put into place.

16 MR. DARBEAU: Can I make a recommendation?

17 CHAIRMAN BLASGEN: No.

18 (Laughter)

19 MR. DARBEAU: This will really get you -- make
20 everything end really quickly. Put a period after
21 "place". Right after that, so you don't make that
22 sentence so complex. Read, "The individual must have
23 recent..." and you're done.

24 MR. COOPER: Yep, yep, yep. That's clear.

25 MR. DARBEAU: Then you're finished with this.

1 CHAIRMAN BLASGEN: "Must have..." Okay.
2 Great. Way to go. Okay. I would like to add, this is
3 why supply chain people have to run the world.

4 (Laughter)

5 CHAIRMAN BLASGEN: Okay. So everyone is okay
6 with the wording as such and the writing? Everyone is
7 okay with the wording and the actual recommendation
8 that will be attached?

9 VOICES: Yes.

10 CHAIRMAN BLASGEN: So the protocol. We've
11 deliberated.

12 MR. LONG: Is everyone in favor?

13 (Chorus of Ayes)

14 MR. LONG: Anyone opposed?

15 (No response)

16 MR. LONG: All right. By consensus, there it
17 is. You have just produced your first recommendation,
18 and thank you very much.

19 (Applause)

20 MR. LONG: What will happen with this, is
21 we'll get a final version together for signatures.
22 We'll get this into the hands, in this final form, of
23 the Secretary and her team right away. We'll be able
24 to use some of that material even at lunchtime today.
25 We're preparing the deputy for an appearance at Harvard

1 next week and we'll be able to drop in this. I want to
2 thank everyone for a great job on this.

3 I mentioned, this has already been factored
4 into what we're seeing with the ITDS order, and I think
5 it's also a good guide to what's ahead in the process
6 for the waves of recommendations that will be following
7 from the other groups and the meetings they had. So,
8 thank you very much.

9 Let's take a break and get some coffee. Thank
10 you, Sandy. Thank you.

11 (Whereupon, at 10:36 a.m. the meeting was
12 recessed.)

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AFTER RECESS

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[11:00 a.m.]

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CHAIRMAN BLASGEN: So let's resume our
conversations here. We're going to ask Sandy, who is
still on the phone and has to leave in a couple of
minutes, as we mentioned earlier, at the end of this
session today we want to talk about possible topics for
the committee to address for future recommendations.

1 So since Sandy is here, we thought we would ask Sandy
2 to tee some of those up from his perspective so that he
3 could get off the phone and take care of his business,
4 and then we'll go back to the Freight Committee. Okay?
5 Tony?

6 MR. BARONE: One point on this letter. I was
7 just talking to Stan about just the politics of it.
8 Does it make sense to socialize the document with the
9 folks who are on that ITDS Board of Directors or the
10 interagency passport so this doesn't just suddenly come
11 out of nowhere? I mean, I leave that to your
12 discretion. You're Washington-based and you know, but
13 I would think that we probably wouldn't want them to
14 be, you know, who are these people, why are they even
15 involved?

16 MR. LONG: I think everyone involved in the
17 process is already broadly familiar with where this is
18 going from the discussions at the previous meetings,
19 all the published materials, the draft things that have
20 already been on the website. Also, some of the key
21 people have been engaged in some of the subcommittee
22 discussions and heard the thinking on this, so I don't
23 believe anyone would be surprised by the outcome at
24 all. I think it's already been well received.

25 MR. BARONE: The SWAT team concept, has that

1 been --

2 MR. LONG: That's been heard too, yes.

3 MR. BARONE: Okay.

4 MR. COOPER: Are we going to talk about the
5 process of how the recommendation unfolds later on
6 today?

7 CHAIRMAN BLASGEN: Yes. I want to address
8 that too toward the end. All right. We have made a
9 recommendation. I also want to readdress the
10 subcommittees, once we hear from them, when they think
11 their recommendations will be coming out. Because I
12 think that's good for us to sort of manage.

13 My preference would be not to send up, here's
14 six recommendations all on one day, and sort of gate
15 them so that we're constantly in front of the Secretary
16 about what the Committee is doing. But we need to hear
17 from the subcommittees and see where they're at with
18 regard to potential recommendations coming out. I
19 think that makes sense. Then we'll talk about, with
20 this one, what happens next? I mean, I imagine it goes
21 to her, she reads it, and an hour later we get a phone
22 call. Is that how it works?

23 (Laughter)

24 CHAIRMAN BLASGEN: Two hours? All right.

25 Sandy, we'll leave it for you to talk about

1 your thoughts on future issues.

2 MR. BOYSON: Yes, I'll be brief. That's so
3 much for accommodating me, Rick. I'm really sorry
4 about it.

5 CHAIRMAN BLASGEN: No problem.

6 MR. BOYSON: The subcommittee, or IT Data
7 Subcommittee. Bruce and I met. We discussed a lot of
8 possible options, work plan. We focused on a couple of
9 what we thought were strategic roads to pursue and we
10 discussed it today with our subcommittee. I think we
11 have a broad consensus that we want to work in this
12 area. I'll let the committee speak for themselves.

13 But basically we felt that, given the work of
14 the single window that we have done, we'd like to kind
15 of keep going and pursue the idea of the United States
16 leadership in building integrated, regional single
17 windows, electronic trading systems, and we want to
18 focus on the harmonization process, how can -- in
19 particular Mexico, Canada, and the United States,
20 harmonize not only their individual national build-outs
21 but also begin to create gravity work flows.

22 So the first part of the work program would
23 review NAFTA single-window developments. We've made
24 some preliminary contacts in that regard. Bruce has
25 mentioned NASCO, which used to be called the Super

1 Corridor Organization, which has been working literally
2 from Mexico to Canada for many, many years and has
3 really tried to get a handle on the public/private
4 partnership on some of the issues that kind of prevent
5 that kind of trade systems collaboration in not just
6 technology, but also work flow.

7 The other thing I'd like to look at which
8 would follow this review would be a review of the ASEAN
9 single-window. It's very, very major. I just got back
10 from Singapore. Bruce, I know, is a frequent traveler
11 there. The Singapore single-window technology was
12 started in 1989. It runs -- about half of the local
13 trade flows from Singapore.

14 It deals with very highly scalable -- it's
15 very highly scalable. It's now being rolled out to 10
16 nations. They're trying to harmonize the whole ASEAN
17 community in preparation for 2015, when they become a
18 formal free trade zone between 10 different nations.

19 So we thought that would be the second phase
20 of it. So the first phase would focus around that in
21 the community, and the second phase on the review of
22 the ASEAN single-window roll-out.

23 We found it very helpful to work with the
24 Competitiveness Subcommittee. I think, Tony, we agree
25 it wasn't always easy, but we learned a lot from their

1 perspective. We would like to kind of work with other
2 subcommittees if they have an interest in this area as
3 well, and maybe focus in a coordinated way across
4 subcommittees, if anyone is interested, on this
5 regional trade integration issue.

6 So that's really about it. I mean, Bruce, do
7 you want to add something to that?

8 MR. HARSH: Yes. I thought there were a
9 couple of points. I think Evan made a comment this
10 morning to tie in some projects that we've already got
11 some relationships built in Mexico, throughout the
12 United States, and we can leverage those relationships.

13 Our Secretary has also, as you know, been down
14 to see Mexico and the North American Summit, and so we
15 can leverage those relationships as well. So we were
16 using the time "pilot" idea, that we look at a small
17 subset first and then grow this project initiative
18 further from that.

19 MR. BOYSON: So Stan or Evan, I mean, if you
20 folks want to make any other comments on this.

21 MR. GADDIS: Well, I don't know if it's the
22 appropriate time. First, I think Bruce said it. I
23 think we need to do that. One of the things -- I think
24 you're going to discuss new ideas here.

25 I don't know if this fits in our committee or

1 what, but one of the things I'd like to see -- NEMA,
2 we're nonprofit. We have -- we're working smart grid
3 North America for commerce and trade, and smart grid
4 China, and smart grid Brazil, and many other things.
5 We also have intelligent transportation systems that we
6 work and have a contract with the government on that.
7 I would like to see an extension of that.

8 I see a whole extension of the intelligence
9 transportation systems, which are -- you know, we're
10 kind of working at a basic level here on traffic lights
11 and making transportation work, but we're also, you
12 know, now working on the cars, where they see each
13 other.

14 There's a natural extension there to what I
15 would call transportation and how the borders work and
16 so on. I would like to see that connection. I don't
17 know where that fits in here. So I just wanted to
18 throw it up. If it fits, bite on it and tell me how to
19 do that because I'd love to take it on.

20 MR. BOYSON: Okay. All right. Great. So,
21 Stan?

22 MR. BROWN: The only thing I would add on from
23 what Bruce was saying about pilots, we talked about
24 regional before, we talked about -- the ocean. We've
25 got to do the things that would get consensus so this

1 is a success out there as quickly as possible, and the
2 best way to do that is to do a pilot.

3 Pick the commodities, pick the regions, pick
4 the transportation log, whatever is the right answer,
5 which obviously I don't know -- probably we don't know
6 what it is, the committee would need to identify that.

7 But identify a small subset and put all the
8 labor, all the resources, all the effort to getting
9 that up and running as quickly as possible and being a
10 success, and that way we could prove to everybody that
11 our data is out there, prove to everybody that this can
12 be done, and then we can scale it up to wherever we
13 need to go, whether it just be the U.S., be NAFTA, be
14 ASEANA, be the globe, whatever makes sense after that
15 point. But I think the key fact here is getting the
16 success out as quickly as possible.

17 MR. LONG: And this is something we can
18 contribute to as well. Part of our responsibilities as
19 the agency convening the committee are to tee up
20 concrete questions where we're really looking for
21 specific guidance.

22 Part of that is to frame what we think is
23 happening on the policy side and test it against your
24 commercial perspectives and come up with something
25 that's doable. The ITDS is one example of that. This

1 is a real policy issue, but how is it going to work?
2 We'll see that over and over again in the others. So
3 part of it will be the questions we tee up for you.

4 MR. BOYSON: Yes. I think that in this work
5 plan there is a need for us to kind of take a closer
6 look at what is actually going on because, as I
7 mentioned earlier, the Canadian Border Service and the
8 ITDS group has been in about a two-and-a-half year
9 process of having discussions. I've looked at some of
10 the material and I think we kind of have to drill down
11 and figure out what's going on.

12 We have to learn first about what's going on
13 actually on the ground across these three countries. I
14 think it's going to take a little bit of research, a
15 little bit of effort reaching out to people. What we
16 did in the first phase is -- to get the diagnosis for
17 the ITDS situation, and we did it as a subcommittee.
18 So that's it. I don't have anything else.

19 MR. LONG: Just one thing to add, Sandy --

20 MR. BOYSON: Yes.

21 MR. LONG: -- to help with what you just
22 described there. We've invited Geri Word and Jan
23 Driscoll from our North America office to come talk to
24 us briefly this afternoon about sort of the policy
25 direction, what's going on with the NAFTA countries.

1 North America is export platform, and I think some of
2 that will point you in directions to research on the
3 actual operation stuff.

4 MR. BOYSON: Yes. That's terrific. So,
5 thanks, everybody. Sorry I have to drop off, but I
6 just have to do that. Good luck to everybody. Thanks
7 very much, Dave, Rick, Bruce.

8 MR. LONG: Well, thank you. Great job on all
9 that. Thank you very much.

10 CHAIRMAN BLASGEN: Thanks, Sandy.

11 So do we capture now what -- I would assume at
12 the end of this we will have these new issues and we'll
13 want to capture that.

14 MR. LONG: Let's go to freight.

15 CHAIRMAN BLASGEN: Right. So let's move on
16 into the subcommittee reports, the first one being
17 Freight. We have Tretha here from the Department of
18 Transportation running and back, so we thought we would
19 let you address the group in terms of what's been going
20 on there, and then we'll roll into the Freight
21 Committee's response as well. So the floor is yours.

22 MS. CHROMEY: Okay. So a couple of things
23 that I just wanted to bring to your attention. First,
24 the last time we met I kind of updated you on where the
25 National Freight Advisory Committee is. First, is we

1 had a meeting in November and that meeting was very
2 successful.

3 The Freight Advisory Committee put together
4 four recommendations. Three recommendations were
5 submitted to the Department. They had to do with our
6 TIGER program, which is a grant program that I don't
7 know how many of you are familiar with. They asked us
8 to continue that program.

9 There was one related to the National Harbor
10 Maintenance Tax, there was one related to Municipal
11 Bond Tax, and then there was another one that was to
12 comment on the primary freight network, which again I'm
13 going to just kind of give you a little bit of an
14 overview.

15 The first three were actually resolutions that
16 each of the subcommittees, and actually Fran, who is
17 the co-chair of the Project Delivery Subcommittee, they
18 put together the two resolutions. If you have any
19 questions, I'm sure Fran can give you much more detail.

20 Then there was another one again on municipal bonds,
21 which was put together from our First and Last Mile
22 Subcommittee.

23 Those three recommendations were actually
24 resolutions that they requested the Department send to
25 Congress, which is a little bit unusual, but we did

1 exactly as they asked and we have those letters that
2 were submitted to the committee chairs for each of the
3 authorizing committees. So it was on the Senate side,
4 House side, that each got a copy of the
5 recommendations.

6 The last one, which was a comment -- a
7 recommendation to submit a joint comment for the
8 primary freight network. This went out from the
9 Federal Highway Administration. It was published on
10 November 19. This is a requirement from our MAP 21
11 legislation that says that the Department is required
12 to designate a highway primary freight network. The
13 comment period was extended, and it actually closed
14 last Saturday, or this past Saturday, February 15.

15 The primary freight network, again, being part
16 of the responsibility of the National Freight Advisory
17 Committee, they prepared a joint comment. It was very
18 successful. There was a public meeting on February 6
19 where they kind of put the comments together and then
20 prepared a joint comment.

21 I do recommend that you look at the comments
22 that have come in from this designation. Again, I will
23 highlight what they said. I'm not endorsing from the
24 Department. Again, as you know, we are in public
25 comment period and it makes it very difficult for the

1 Department to, you know, aid in this deliberation. So
2 this really was the full work of the National Freight
3 Advisory Committee.

4 The other point that I would make is, the one
5 comment that came through loud and clear was that the
6 designation that Congress asked was for a highway
7 primary freight network, so it wasn't multi-modal.
8 With that said, that was probably the gist, as well as
9 the fact of, what is the purpose of the highway primary
10 freight network? Congress has never designated that,
11 has never defined that.

12 So that was the two major aspects of the
13 National Freight Advisory Committee's comment. And
14 again, if you have some questions, we -- you know,
15 there's a couple people in the room that can answer.
16 Fran, Leslie can answer. She supports Mort Downey,
17 who's the co-chair on our advisory committee.

18 The next update I wanted to provide was
19 something that we actually want some input from all of
20 you. We have prepared -- as I mentioned before, the
21 National Freight Advisory Committee -- I'm going to
22 back up. Sorry.

23 MAP 21 required the Department to create a
24 national freight policy, which also requires us to
25 create a national freight strategic plan. So what

1 happened in November in conjunction with the in-fact
2 meeting, was the Department held a meeting where we had
3 a visioning session discussing the elements of a
4 national freight strategic plan, what would that look
5 like.

6 At that meeting, the National Freight Advisory
7 Committee members were invited, other guests were
8 invited. It was a very large group of people. There
9 were about 100 people in the room at one time. Again,
10 Leslie and Fran were there.

11 And then the other thing I would mention is
12 that with that document and the outcomes of that, we
13 created -- looking back again at the elements that were
14 required in MAP 21, we created a national freight
15 strategic plan framework.

16 And I'm going to just kind of highlight what
17 the elements of the framework are. There are 10 or 11
18 chapters. I'm sorry, 10 chapters. And again, it's
19 pretty much anything you would think of. It's a
20 national freight strategic plan, it's a document that's
21 leading into the development of the required national
22 freight strategic plan.

23 And you're asking, why are we doing it this
24 way? Well, first, is we want to do this in incremental
25 steps. The reason for that is because the plan is not

1 due until October. You could say September 30, 2015,
2 or October 1 of 2015, however you want to look at it.
3 But that timing is not very good in retrospect, because
4 MAP 21 expires.

5 So if we do not look at what happens now with
6 reauthorization, then we are really losing our
7 opportunities and getting comments on what the national
8 freight strategic plan would look like. Okay.

9 So the elements -- again, I'm just going to
10 kind of go through these and then I'm going to tell you
11 the approach we're taking. Again, it's a mission
12 vision. The process that we were required to -- that
13 we took in developing this framework are freight goals.

14 These are consistent with a couple of things: first,
15 the requirements for MAP 21; second, what is happening
16 with our conditions and performance report for MAP 21;
17 and third, what happened in our visioning session.

18 So just really quickly, this document is not
19 public yet so I'm doing this just to get some input
20 from all of you. Basically it's enhancing economic
21 efficiency productivity and competitiveness; B) it's
22 reducing congestion; C) improving safety, security and
23 resilience; D) is improving state of good repair; E)
24 using advanced technology performance, management,
25 innovation, competition, and accountability in

1 improving, operating, and maintaining the freight
2 network; and finally, F) reduce adverse environmental
3 and community impacts. Again, if you look through the
4 legislation you're not going to find too much
5 inconsistency with what is on those goals. Okay.

6 With moving forward, we have an economic
7 context chapter of freight. What is happening from an
8 economic perspective with freight? I think from a
9 supply chain, I think that might be something that
10 might be interesting to you all. We of course have to
11 inventory all freight assets.

12 What I mean by this, is you of course are
13 going to look at the traditional assets: ports,
14 airports, rail. Fine, that's great. But we're also
15 going to look at the non-traditional, which includes
16 more of the bodies of organizations that may play a
17 role in those freight assets, okay, such as a
18 community, economic development, Chamber of Commerce, a
19 research university, something like that. So we're
20 looking at both elements within the asset's chapter.

21 The conditions and the performance of the
22 freight system, again, this is going to tie very well
23 to what is required by MAP 21. It will be a link to
24 that chapter. We must do a 20-year forecast of what
25 freight will look like in 20 years. Again, that will

1 also be tied back to the conditions and performance
2 report.

3 Then we have chapters 9 and 10, which are
4 freight challenges, and then we have freight strategies
5 and best practices. What I would like to highlight
6 from these two chapters is, they were broken down into
7 subgroups. These groups are not set in stone
8 whatsoever, it was just how we looked at some of the
9 requirements. They are definitely a work in progress.

10 So it's planning, funding, data, project delivery, and
11 regulatory impacts. And then freight strategies and
12 best practices is very -- you know, it's exactly what
13 you would expect it to be.

14 So then what we came up with was how we would
15 tie this back to the work of the National Freight
16 Advisory Committee, so each of the six subcommittees
17 that I highlighted again at the previous meeting you
18 all had is taking two of the elements, which were --
19 again, there's 10 elements in the national freight
20 strategic plan that are required. So, right now each
21 of the subcommittees is looking at two. Sorry, let me
22 rephrase that sentence. The subcommittees have 3 of the
23 10 elements that are being evaluated. Each of the
24 subcommittees have 2 independently to look at.

25 They are currently looking at barriers to --

1 sorry. I'm going to just go to my other so I can --
2 it's barriers -- any type of barriers. Assessment of
3 barriers is what it is. What that means, it's
4 regulatory, statutory, financial, technology. Any
5 barrier that you can think of of making our freight
6 system move most efficiently and effectively across the
7 country, domestically, internationally, all that.

8 The second element is the best practices. So
9 the barriers would, of course, fall into the chapter of
10 challenges, and then the best practices would fall into
11 the elements of the 10th chapter. The best practices
12 they are looking at is improving the performance of the
13 national freight network, and then the final one would
14 be best practices to mitigate community impacts. So
15 it's freight movement through communities.

16 That's what they're doing. They will be
17 working from now until March to prepare
18 recommendations. We will literally go through those
19 recommendations at the March meeting and take that in.

20 The Department will then use that information and
21 begin formulating this framework that I mentioned. The
22 key piece here is this framework is positioned to go
23 out fall of 2014. Okay.

24 The reason we're doing that, again, is to get
25 public comment. We want to see, are we on the right

1 track? Are we having a vision of this national freight
2 system that we all are looking to use, and then how we
3 can get more information as we develop the document
4 moving forward.

5 So that's where we are. It was a lot, I know
6 that. There's a lot of work that's being done from our
7 advisory committee. I love to hear about ITS, so
8 there's a lot of things that are -- again, I think this
9 subcommittee -- this committee and some of the
10 subcommittees, there's a lot of overlap between some of
11 the work and I think that, you know, we look forward to
12 hearing if you have any suggestions. I will work with
13 your transcriber, but I know our Department is looking
14 for any input you all have on that approach. So,
15 that's it.

16 CHAIRMAN BLASGEN: Thanks, Tretha. Is there
17 any immediate comments?

18 MR. GADDIS: I definitely have a comment.
19 First, is a request. When you said that you've got a
20 chapter on assets, I would want you to add the National
21 Electric Manufacturers Association because we are
22 working diligently on at least three of the things you
23 said here on reducing congestion, use of advanced
24 technologies, and bottom line impact. We're working
25 with those who have companies represented and we

1 definitely need to be part of this thing. So, I want
2 to jump in on that one.

3 MR. DARBEAU: Yes. My initial reaction,
4 Tretha, is that conditions and performance assessment
5 has three pieces. You want to really see what the
6 system, the freight system, is like. You are going to
7 identify a risk-based approach. One of the things
8 that's going to really be a challenge for the freight
9 and port system is the environmental and community
10 impacts. That has not really been addressed.

11 That has been left to the single systems to
12 address. I want to recommend that DOT take the
13 approach that DHS did with the threat around public
14 safety and security. Once you know that condition and
15 once you've identified it, also the freight network has
16 to get support from the Federal Government to address
17 medication, planet change, greenhouse gases, and the
18 kinds of things that people are expecting in these
19 committees because they're expecting us to deliver on a
20 system that doesn't -- because if you want to damage
21 the port and freight system, allow a lack of a
22 federally funded approach to those kinds of conditions
23 and issues because ports are challenged across the
24 United States on addressing communities that are now
25 saying we don't want you in our backyard. It's a huge

1 piece.

2 The DHS people have done it rather well on the
3 port security side. They have used a risk-based
4 approach, they've collaborated well with other ports
5 and regions, and I want to recommend that approach as
6 you go forward.

7 MS. CHROMEY: So just, I have a follow-up
8 question. From the port security approach, is there
9 somebody that you could recommend that we would speak
10 to? And the reason I ask that from a best practices --
11 if you have something -- and that's where I see it
12 coming. So it's kind of like it hits probably three
13 areas, but if I could relate it back to our
14 environmental subcommittee as a best practice, then I
15 think that would --

16 MR. DARBEAU: So I gave you two
17 recommendations, actually.

18 MS. CHROMEY: Okay.

19 MR. DARBEAU: The Port of L.A. in Long Beach
20 and the Port of San Diego on the West Coast would be
21 great examples where we live at the tip of that sword
22 because of the kinds of properties we manage, not just
23 ports. We manage ports in urban and kind of urban
24 environments, so we are very challenged. We have
25 beautiful hotels in the maritime terminal, right? A

1 community at an industrial terminal, right? Your
2 challenge there could be modeled for the rest of the
3 nation. I also recommend talking to DHS folks.

4 MS. CHROMEY: We are.

5 MR. DARBEAU: They stumbled initially after
6 9/11. That's to be expected. But they've evolved a
7 very risk-based, best practice system. Most ports
8 would agree that's fair and equitable and it's helped.

9 MS. CHROMEY: Great.

10 MR. DARBEAU: But that's a big, big area of
11 our competitiveness globally, is the environment.

12 MR. GABRIELSON: I was just going to make a
13 comment that our Freight Subcommittee is working on a
14 number of the topics that you addressed. Without
15 getting into all of that stuff today, we would like to
16 find a way to work closer with your group and share
17 what we're coming up with as well.

18 MR. DARBEAU: Yes.

19 MS. CHROMEY: And which subcommittee?

20 MR. GABRIELSON: Freight Subcommittee.

21 MS. CHROMEY: Freight Subcommittee. And Russ
22 and I do talk, so I think there is definitely some
23 overlap. We've been trying -- David and I have talked
24 several times about opportunities of getting these
25 groups together, the subcommittees or the full

1 committee. There's been some challenges. The
2 challenges are the fact that the DOT does not get a
3 date and time, and that's basically the challenge. I
4 told you we're having a March meeting. It's less than
5 a month away. I don't have a final date. Okay.

6 So -- so that -- with that said, it's just
7 been -- you know, I know there's opportunities and I
8 think that we're trying to figure out the best way
9 right now. And I know you're meeting in May and I've
10 already proposed it, and it's already been -- we're
11 meeting in June. So -- so that's what we're -- you
12 know, so I think there's opportunities in trying to
13 figure out -- you know, technology is where we're going
14 to have to take advantage of it.

15 MR. GABRIELSON: So if we were to propose a
16 date in June you say you'd like to be invited on the
17 date in June?

18 MS. CHROMEY: Yeah.

19 MR. GABRIELSON: Would that be received well?

20 MS. CHROMEY: Absolutely. I know -- I mean,
21 I'm -- I'm not -- you know, Fran, Leslie can -- I think
22 they would -- you know, meeting with some of the
23 subcommittees -- I believe the Regulatory Subcommittee,
24 I believe the ITS Subcommittee -- Fran, go ahead.

25 MS. INMAN: No. I mean, absolutely, Rick. I

1 think time is of the essence here. When we talk to our
2 partners over and over again, we feel the sense of
3 urgency. I hear that from your group too, so I think
4 it really is important.

5 Plus, we know that MAP 21 is going to be
6 finished shortly and the Highway Trust Fund is going to
7 be, unfortunately, finished shortly too if we don't get
8 ourselves to the table and figure out what our funding
9 future is going to look like. But I think there's lots
10 of opportunities.

11 Tretha mentioned that we just submitted
12 comments on the primary freight network. One of the
13 real over-arching goals we heard from our partners
14 along the supply chain, wait, we didn't know what this
15 was going to be used for. So, there was lots of
16 hesitancy. So we think one of the things that
17 collectively we could all do together is say, okay,
18 absolutely we think anything we do needs to be multi-
19 modal across all modes. We run on systems of systems.

20 And also, what should it be?

21 You know, if it's going to have punitive
22 impacts, you know, get your private sector partners,
23 kind of step them back and saying, whoa, whoa, whoa,
24 you know. And I think, you know, we talked about the
25 work that's been done at L.A. in Long Beach -- been out

1 there more times than he would like to remember, I'm
2 sure.

3 But we're totally self-help, and San Diego,
4 too, in terms of, our communities have said, you know,
5 the grid -- doesn't work and we'll help ourselves. So
6 we really have to look at the funding dynamics, too.
7 As we work together to really figure out what our
8 corridors are going to look like, I think it's one
9 thing about our funding source, but the other is, how
10 are we going to improve that project delivery?

11 Because otherwise we're all going to be going
12 in a mousetrap that you sitting at this table are
13 saying, well, that was nice, Fran, but that was 20
14 years ago and today this is what's relevant. So I
15 think that we really do need to get as many of the
16 right lights of folks that are in the trenches on a
17 daily basis, and I do have a day job that includes
18 warehouses and distribution facilities and I am -- so I
19 think it really is important.

20 You know, if we look at the whole multi-
21 channel world that we're looking at on the distribution
22 side and with the masked personalization -- knows, all
23 we know is that it's moving at lightning speed, the
24 world that we're all collectively working in.

25 So whatever we can do to help formulate

1 effective public policy -- you know, Chairman Schuster
2 and Senator Boxer are telling us they're both writing,
3 so I think it's important for all of us to push forward
4 from all these different levels things that are going
5 to work.

6 MS. CHROMEY: I do want to highlight one more
7 thing, and it's something, you know, that I think that
8 it's really -- I've been in transportation--and I know
9 maybe to some of you it doesn't seem like a long time--
10 almost 20 years, 15 plus. It's more than that. But,
11 yes, let's say between 15 and 20.

12 And I think for the first time, hearing the
13 Department say they want to look at the economics, the
14 supply chain goods movement, before looking at just how
15 we make decisions on what roads and corridors of
16 transportation assets we need to consider is a change
17 of culture. It's going to take a lot of change when
18 you think of how state DOTs operate or communities
19 operate from a metropolitan planning organization.

20 So I think it's just something that, with this
21 document, the fact that we are taking a hard look at
22 that economics chapter and the inventory of assets, I
23 recommend -- you know, it's one of those things that's
24 going to be really unique.

25 The other thing, again, I ask of this

1 subcommittee, I know it's a hard time. You can go to
2 Fran, you can go to Leslie, you can come through me.
3 Any barriers that you have already identified and your
4 subcommittees already have and you want to share that
5 information, I will distribute.

6 I highlight this subcommittee almost every --
7 this subcommittee? This committee--on every
8 subcommittee phone call with the NFAC and how
9 important, and I know Fran has encouraged members to
10 come. It's just -- it's tough, but still, that's --

11 MR. GABRIELSON: We, too, are looking at
12 economic government policies and the support of our
13 entire approach as well.

14 MS. CHROMEY: Yes.

15 MR. GADDIS: So Tretha, is there a date in
16 June?

17 MS. CHROMEY: We do not have a date. That
18 date is almost as open as can be, so you guys said I'm
19 looking potentially again at this -- we're looking at
20 the March meeting as the 25th and 26th, is what we're
21 considering. The 17th and 18th are still on the table,
22 but it's really the -- that's the one that we're
23 gearing to. March 25th, 26th, I got into tentative.
24 Then the June date was the same week, the 24th/25th. I
25 can't remember the exact dates.

1 MR. GABRIELSON: If we were to propose a
2 recommendation on a given date and wanted to be
3 participants and part of it, would that be well
4 received or just ignored?

5 MS. CHROMEY: I need to -- I'm sorry, I need
6 to -- it's well received. The recommendations are well
7 received. I guess I'm saying, to the full committee or
8 to the subcommittee?

9 MR. GABRIELSON: Subcommittee.

10 MS. CHROMEY: Subcommittee? Oh, yeah. I
11 don't see that -- I'm looking at absolutely --

12 MS. INMAN: Come on over.

13 MS. CHROMEY: Come on over. We always have
14 subcommittees meeting the day prior or day and a half
15 prior.

16 MR. GABRIELSON: You always do?

17 MS. CHROMEY: Yes. So it's working well.

18

19 MR. LONG: And I think all the stuff we've
20 been doing has been exchanged back and forth.

21 CHAIRMAN BLASGEN: It has.

22 MR. LONG: So everybody knows what everybody
23 else is doing.

24 MS. INMAN: Well, where we have alignment of
25 subcommittees, too, that would be a natural nexus if we

1 can see if there's some that are, you know, more
2 closely going to have similar recommendations to go.
3 But I think definitely -- you know, when we do get our
4 meetings set we can certainly offer up to see if we
5 can't get more of our members to come in a day earlier
6 and meet with as many of you as possible, or if we need
7 to do it remotely, you know, Federal Highways has
8 webcast capabilities, I think, at almost all their
9 offices -- I hope all their offices. So, you know, in
10 this world we live in there should be a way where we
11 could, you know, go to our NPOs and get at least big
12 clusters together.

13 CHAIRMAN BLASGEN: Yes. I mean, one would
14 think there would be strength in numbers here. If we
15 had two corresponding subcommittees from this committee
16 and the Freight Committee recommending, you know,
17 something along the same lines, it would be received in
18 --

19 MS. CHROMEY: So could I propose that maybe I
20 work with each of the subcommittee co-chairs, except
21 for Regulatory because there isn't one?

22 MR. LONG: We have a new one.

23 MS. CHROMEY: Oh, we do?

24 MR. LONG: That's my pleasure to announce.

25 Norm's agreed to this --

1 MS. CHROMEY: Okay.

2 MR. LONG: He kindly agreed to pick that up
3 for us as our new subcommittee chair.

4 MS. CHROMEY: I'm glad you're not on the data
5 side, because that would be a problem because Jack
6 Holmes is on the data side from UPS. Great. So again,
7 I can kind of follow up with each of the subcommittee
8 co-chairs here and our subcommittee co-chairs and maybe
9 do a conference call about what the opportunities are.
10 I think that might be the best way to do it so that
11 everybody can talk through each other.

12 MS. INMAN: Like, subcommittee to co-chair to
13 co-chair?

14 MS. CHROMEY: Yes. Yes. But I mean, even
15 just do a joint one at first so that we can just talk
16 about it as a whole rather than just individuals. So,
17 does anybody have any comments on the approach that
18 we're taking with the national freight strategic plan,
19 anything like that?

20 MR. GADDIS: I would just like to be advised
21 when these meetings are. How do you get in that chain
22 so you know when these committees are meeting?

23 MS. CHROMEY: I'm looking to David.

24 CHAIRMAN BLASGEN: Well, I think Russ is on
25 your committee, right? So he'll know when those dates

1 are set.

2 MS. CHROMEY: Yes.

3 CHAIRMAN BLASGEN: If we could get those dates
4 to David and make them --

5 MS. CHROMEY: Well, David is also on the --

6 CHAIRMAN BLASGEN: Okay. He can go to --

7 MS. CHROMEY: He's on there. David is our ex
8 officio.

9 CHAIRMAN BLASGEN: Okay. He can notify the
10 chairs of the subcommittees, or the whole group for
11 that matter.

12 MS. CHROMEY: Yes. Uh-huh. Thank you.

13 CHAIRMAN BLASGEN: Thanks, Tretha.

14 MS. CHROMEY: No problem.

15 CHAIRMAN BLASGEN: Good update.

16 So Cynthia was called to the White House for
17 who knows what, very important business, so Rick Nelson
18 has agreed to step in. The Freight Committee met last
19 evening, so they've got a very fresh update. So, Rick,
20 I'll turn it over to you.

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1 **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**

2 **FREIGHT SUBCOMMITTEE**

3 Rick Gabrielson, Chair

4
5 MR. GABRIELSON: Thanks much. Why don't we go
6 through and give a little bit of an update on some of
7 the things that we talked about yesterday, as well as
8 the progress of where we're at with our
9 recommendations.

10 One of the groups that came in yesterday,
11 there were two individuals from the Brookings
12 Institute, Edie Tomer and Joe Kane. They spoke about
13 some work that Brookings is doing on urban global
14 freight movement, how it affects exports and jobs.
15 They shared some really interesting data.

16 It's a huge deck, it's like 50-plus pages of
17 research. Unfortunately, we only had about an hour
18 with them. We could have probably spent half a day
19 with them, given some of the materials that we were
20 looking at.

21 So they went through and they shared some
22 information on the 100 largest urban global centers.
23 They did a really nice job of picking a couple of
24 different industries, automotive being one, and taking
25 a look at the ties that you've got with those urban

1 centers, the jobs that are created in the area, and in
2 particular how freight is flowing across the borders
3 between NAFTA, whether it's Canada or whether it's
4 Mexico, back and forth to the U.S. They had heat maps
5 showing where congestion was taking place.

6 The long and short of it is, we thought it was
7 a great piece of work and decided that we're going to
8 continue with our subcommittee to work with the group,
9 taking a longer term view of policies that go beyond
10 MAP 21. Fran talked a little bit about that earlier,
11 looking at both those issues in North America, as well
12 as NAFTA, from an infrastructure standpoint.

13 So we'll include that topic going forward, but
14 we decided that we want to go out and spend a little
15 bit more time with them to really dig in because as
16 they left we started out throwing tons and tons of
17 questions and didn't even have a chance to get into
18 that with them.

19 We also heard a presentation from Jack Wells.

20 Jack came in and talked about DOT's MAP 21 conditions
21 and performance report and some of the metrics that
22 will probably be used in that report. From a timing
23 standpoint, that report has to be published in
24 September, so when you start backing things up it gets
25 pretty tight.

1 So we mentioned that they'll have to include
2 only the existing conditions and performance measures
3 from government sources in the current version of the
4 report. Data gaps and other conditions in performance
5 projects such as ours may be cited in the report as
6 future issues continue to be considering and there's a
7 timing for that.

8 But I was very encouraged by the work that
9 we've done and encouraged us to continue to -- work on
10 the conditions of performance measures, how they're
11 used in this freight system, much more competitive for
12 users.

13 So we'll continue to work with Jack, refining
14 our subcommittee's competitiveness conditions and
15 performance measures and how they're to be used in the
16 supply chain. In particular, we want to get a user's
17 point of view into the MAP 21 policy developments, one
18 of our focus areas.

19 There are more opportunities for us to go
20 through and include information in the draft. The
21 first draft is due April 2015. It's going to be tough
22 to get that, but in the second version that comes out
23 in 2016 we'll be able to get our recommendations into
24 that report.

25 We're continuing to put together a

1 recommendation from our subcommittee for committee
2 consideration and how the administration should improve
3 freight infrastructure from a business point of view in
4 order to make our supply chain much more competitive.

5 From a timing standpoint, we think that the
6 work that we're doing will fit well into the
7 administration's North America and NAFTA infrastructure
8 -- so as a nation we need to continue to develop ways
9 to shore up freight infrastructure and how it should be
10 improved to make sure it's more competitive. We spent
11 some time talking about Transport Canada.

12 They're already using their freight
13 infrastructure and -- initiative to help Canada Trade
14 Ambassadors argue that the Asian trade is more
15 efficient going through Canada. Of course, we have
16 made sure that we're doing the same kind of thing. So
17 we spent a fair amount of time talking about that, how
18 they're collecting data and how they're using the data
19 from Canada.

20 So our recommendation will be a high-level
21 recommendation that will explain why the administration
22 needs to include a user point of view in considering
23 how we make our infrastructures more competitive.
24 We'll send out a high-level road map on how this should
25 happen, including using supply chain mapping and user

1 metrics to identify and prioritize where the
2 infrastructure needs to be improved.

3 We're not going to go into details in the
4 methods of metrics which meet these and aggregate it,
5 but we'll continue to do that with DOT directly.

6 We will have a recommendation available for
7 consideration at the next committee meeting in May, and
8 in talking with Rick and with others we put together a
9 more detailed recommendation on this for freight policy
10 for future meetings.

11 We also talked a little bit about our I-95
12 Corridor Coalition and the work that Lance and Jovan
13 have been doing with that, and I'll let them talk a
14 little bit about the mapping and what we're doing
15 there.

16 MR. GRENZEBACK: There is a Power Point slide
17 somewhere buried in that, if you can bring it up.

18 (Showing of slides)

19 MR. GRENZEBACK: I will make a -- as we're
20 bringing that up, when we talked to this group about
21 the necessity to measure supply chain performance,
22 everybody in this group nods. Over the last several
23 months, Russ, Joe Bryan, and I have had a chance to go
24 out and talk to other groups about that. We've had a
25 chance to talk to some other groups about that.

1 They all nod and say that's a great idea, but
2 why would you do that and how does it fit into the
3 DOT's conditional performance piece? I guess I'll
4 start with a very dumb, simple -- if you look at
5 condition of performance of the transportation system,
6 we have a lot of pretty good measures of that. You can
7 guess total miles of travel by truck and by rail, you
8 can get, sort of, fuel consumed, energy dollars, jobs
9 related, things like that.

10 If you pull that pie apart into, let's say,
11 three simple areas--you know, one would be
12 infrastructure--you traditionally have very good
13 measures of, you know, how many miles of pavement need
14 to be replaced and the condition of bridges. You've
15 also done pretty well at measuring community impacts
16 and environmental issues.

17 The third piece of that pie, which is trips,
18 you know, the end-to-end, door-to-door performance,
19 traditionally has not been done terribly well. And
20 what we've been telling people is it's really that leg
21 of the pie, or leg of the stool, that needs to be
22 reinforced and the supply chain performance is really
23 looking very critically at that sort of piece. So
24 we're trying to simplify that measure of doing it.

25 Out of the original discussions we had here

1 about the fact you ought to measure supply chains, it's
2 very good -- Caitlin Raymond and Ed Strakko were
3 attending from the Office of Freight Fluidity came up
4 to afterwards and said, great, like the handwriting,
5 like the ideas, we need to actually measure it. We
6 said, oh, well, that's more difficult.

7 So what they did was put together some money
8 and contracted through the I-95 Corridor Coalition,
9 which covers the kind of Maine to Florida states and
10 provides a good test bed. They said can you go and
11 pick up four or five case studies and actually see if
12 you can follow through to find the metrics and make the
13 idea work?

14 So the project is basically to demonstrate
15 through case studies I have up here, you know, the
16 supply chain approach that we've outlined to the
17 committee, and the particular thing is to vet it with
18 states, the coalitions, NPOs.

19 Is this something, if started, you could
20 utilize? Would it help your policymaking, would it help
21 your allocation of monies through the transportation
22 system? Then in particular, to come back and recommend
23 the methods and data sources, you know. So what's
24 enough?

25 You know, we don't want to -- I think we said

1 earlier, we don't want to be in the business of trying
2 to replicate the kind of detailed day-to-day, minute-
3 to-minute measurements that private companies do
4 because we're not really trying to operate a private
5 sector supply chain, you're really trying to influence
6 public policy at the State NPO and Federal level. So
7 what's enough? So that's the general objective.

8 Next slide, please, sir.

9 (Changing of slides)

10 MR. GRENZEBACK: So we picked out some case
11 studies. I'll describe them to you briefly. We're in
12 the process of trying to break those out and assemble
13 the metrics to see if we actually do it. Our
14 completion date is planned for mid-May, I think the
15 21st or 22nd.

16 The Transportation Research Board and Federal
17 Highway are sponsoring a workshop on the current bus
18 driver's freight fluidity, but basically how do you
19 take a look at the quantitative freight movements? So
20 they're basically saying, can you get your act together
21 by then? So I would expect that for the purposes of our
22 May 15 meeting we'll have some materials that we can
23 preview with you.

24 So, next slide, please.

25 (Changing of slides)

1 MR. GRENZEBACK: What we've done, is we've
2 worked up basically five case studies, very much what
3 we've discussed before. These are not comprehensive,
4 these are basically sort of proof of concept efforts.
5 We're using individual companies to sort of model
6 supply chains.

7 We don't intend to sort of publish them later
8 as, you know, targets or -- but to use them to make
9 sure that what we're looking at is a realistic and
10 representative supply chain, and also so that we when
11 we get the data back we can go to Rick and say, does
12 this look anything like your real operations and he can
13 say, you know, good, or near miss, or nowhere close.

14 So what we were looking at, Perdue -- the five
15 we've been looking at is working with Target to look at
16 an example of, what's the supply chain for people
17 moving stuff from L.A. through Chicago to New York?

18 We're looking at Perdue. In the Delmarva
19 Peninsula, there's a whole series -- dozens of
20 companies that raise chickens and produce and move
21 them, using them as a general model for how you process
22 chicken food up to the areas. We're working with
23 General Motors to look at how they get parts from
24 Canada and Mexico into a plant in the Tennessee area.

25 We've got a couple looks at soybeans flowing

1 out of Illinois and Iowa down for export through the
2 Gulf, and then Tina Kasgard and the people in San Diego
3 are working with us to look at what happens when you're
4 trying to move across the border--in this case between
5 Panasonic-Sony units there. Thanks.

6 Rick?

7 MR. GABRIELSON: The one comment I would also
8 make is that when you look at some of the maps, I think
9 it's going to show they're not necessarily inclusive of
10 everything that those individual organizations might
11 do. For example, when I sent those over, as I called
12 it, a spaghetti chart, it's got lots of different legs
13 and gateways coming in.

14 We may use every gateway you've got in the
15 U.S. on just the import side alone. So when you look
16 at the map, it's meant to be representative of one leg
17 or one piece of it, but it's not inclusive of
18 everything that you do because it would get so complex
19 and so confusing for a lot of folks that you don't want
20 to talk about.

21 (Changing of slides)

22 MR. GRENZEBACK: So what we're looking at here
23 is, you know, the concept and really the question that
24 Federal Highway and others are asking, is can you
25 assemble data from public sources or reasonably

1 available private sources, you know, costs, whatever,
2 to make a reasonably good picture of what's happening
3 in the performance, not to duplicate what Target is
4 doing but to say your Target is generally
5 representative of what's happening from an L.A. to New
6 York consumer goods supply chain.

7 You know, can we measure it at all, you know,
8 from the outside and look at it over time? So that's
9 the logic. What I'll do is flip through the charts
10 that Joe and I put together. The big box, this is
11 again sort of the framework is Rick's stuff, but what's
12 it take to move from affordability through the
13 consolidation centers out by rail through Chicago to
14 distribution centers in the New York region and out to
15 a retail store?

16 We're also looking at what happens in a
17 similar parallel track coming in from the Pacific
18 Northwest. What we're doing, is we're doing is
19 drilling down and trying to basically say, you know, if
20 you come from the Port of Tacoma, what routes would the
21 truckers typically use to get to the rail head, what
22 rail line would they typically use to move? In some
23 cases there will be several choices, and for this
24 purpose we'll have to pick one that looks reasonably
25 good and reasonably accurate and do that. I think as

1 Rick pointed out, this won't cover every possible
2 combination of every supply chain. But that's not the
3 objective here, they didn't give us enough money.
4 That's next year's national budget to do that. So
5 that's supply chain.

6 (Changing of slides)

7 MR. GRENZEBACK: The next one, poultry. We're
8 looking very much at a localized operation. Next
9 supply chain picture.

10 (Changing of slides)

11 MR. GRENZEBACK: What we're looking at, is
12 there's a dozen facilities in the DelMarva area that
13 raised chickens and they processed them, a
14 consolidation point there around Georgetown area
15 production, and then they move a great number -- a good
16 portion of it goes up basically to the super markets in
17 the New York area, but a certain piece of it will go
18 south for export internationally. So we're looking at,
19 so what's it take to move a truck of frozen or cool
20 chicken, two markets out there. How reliable is that?

21 What are the barriers and problems and reliability of
22 that piece?

23 The next one please.

24 (Changing of slides)

25 MR. GRENZEBACK: Joe has been looking at the

1 supply chains. You know, here we're looking at what
2 happens in the movement down from the Canadian parts
3 suppliers into the GM assembly plant, both north --

4 (Changing of slides)

5 MR. GRENZEBACK: -- and then on the next slide
6 we're looking at sort of the individual -- what sort of
7 routes, what you take typically.

8 Next one.

9 (Changing of slides)

10 MR. GRENZEBACK: They're really looking at the
11 Mexican side of that as well on these. Then we're
12 looking at a couple of soybean exports. This one goes
13 from Peoria where they -- if you're within 50 to 70
14 miles of the river you'll run the markets and you'll
15 basically move it by truck to the river. If you're
16 further away, you'd probably move it by rail to the
17 Pacific Northwest.

18 So we're looking at just one piece of that
19 business, but you'd move it to Peoria, come down the
20 Illinois by barge, run down the Mississippi to Covenant
21 or one of the other big boating facilities for export.

22 Working with the Corps of Engineers, they've been
23 tracking barge movement times up and down the rivers
24 using the same technology that the Coast Guard is using
25 to manage ship movements in and out of harbors. So we

1 think it's reasonable to get a pretty good sense of
2 what's going on there.

3 (Changing of slides)

4 MR. GRENZEBACK: And then the last one, I
5 think, is -- okay. This is the -- detail on that one.
6 You can move to the next slide, please.

7 (Changing of slides)

8 MR. GRENZEBACK: Here it comes down to, they
9 basically wind up just north of New Orleans, and then
10 go for export out, a huge volume of stuff that moves
11 out of there, trying to look at those.

12 (Changing of slides)

13 MR. GRENZEBACK: Then the last slide, this is
14 the electronics piece. What we're looking at in
15 particular is movement from the production facility in
16 San Diego, across the Otay Mesa down to the production
17 facility in Mexico. It takes those two -- the two
18 production facilities are about a half an hour, 45
19 minutes apart. It takes about 15 or 20 minutes to get
20 to the U.S. border, another 15, 20 minutes to get to
21 the Mexican assembly plant.

22 But the work that they've been doing there
23 says it can take you anywhere from an hour and a half
24 to two or three hours to actually get across at the
25 border, which goes back to Tony's and Sandy's

1 discussion about the clearance process and the
2 paperwork on that. So we're looking at what -- you
3 know, what's going on in that over time, as an example.
4 That will give us a match to the Canadian piece on the
5 top there.

6 MR. GABRIELSON: Which is interesting because
7 the folks yesterday from Brookings, when they went
8 through their report, again, we had just a very small
9 window of time to take a look at it. But as they took
10 a look at those industries where you've got a lot of
11 cross-border activity taking place, it's not just
12 production of Canada or Mexico coming into the U.S.

13 They talked about the activities going back
14 and forth, the jobs and the communities related to
15 that. Oftentimes the physical movement doesn't take
16 very long, but they talked about the administrative
17 processes and the need to go through and improve the
18 speed and clarity of where stuff is moving back --
19 standpoint.

20 MR. GRENZEBACK: So if you stand back on the
21 performance measurement, we know the jobs and the
22 economic activity on an aggregate basis on some move
23 like this on the electronics. We know pretty well the
24 condition of the roadways and the border ports and
25 what's on their things, and we know a bit about the

1 impacts.

2 They've traced out the effects on the
3 communities. The missing link in almost all of these
4 is to say, well, you know, do you really understand
5 what that supply chain end-to-end trip is, and the idea
6 is to put that piece together and basically see if you
7 can assemble it.

8 The next slide, please.

9 (Changing of slides)

10 MR. GRENZEBACK: So what we're basically
11 doing, is for each of these we're putting the -- this
12 is the same matrix you saw before. We're basically in
13 the process now of saying all those links and nodes
14 down the left side, you know, make sure we've got them
15 reasonably appropriate for each of these case studies,
16 and then we're into the fun part of actually filling
17 the data in and saying, you know, can you in fact find
18 truck transit times from public sector data, stuff that
19 Enrex or HereGroup or the Federal Highway guys -- can
20 you get approximations of rail transit time, and --
21 time and that.

22 So that's in the next month or so, and that's
23 what we're going to be working on. The output of that
24 would be to say, yes, you can find publicly available
25 data to patch these together, but you may have to buy

1 the following pieces or you may have to work with an
2 industry association to pull together sort of private
3 sector data, strip the identifiers off it and give it
4 to us, which is being done by Federal Highway for some
5 of the truck routines. So the idea would be to come
6 back and say, this is really easy. We've got it, this
7 is possible, this is a little harder, and this one is
8 going to be a thorough-going pain, you know, to work on
9 and things like that, come back with a report and say,
10 you know, it's workable, you know, 80, 90, 100 percent
11 of that piece, like that.

12 (Changing of slides)

13 MR. GRENZEBACK: The last slide, then. What
14 we've uncovered in the beginnings of all these
15 discussions, as you would expect, is a nice -- the
16 beginnings of a very long laundry list of problems and
17 issues that are, you know, going to take much more
18 thought. One of the key questions that we as a group
19 ought to come back to look at is, what are a
20 representative set of supply chains?

21 You know, we cannot look at -- you know, even
22 looking at Rick's old set would be a pretty substantial
23 task. We certainly can't look at it for all companies
24 in the retail business, nor any other industry. So
25 what is sort of a market basket of those that are

1 adequately representative of supply chain performance
2 across industries and geographies in the U.S. for
3 public policy purposes, you know?

4 Now, the further down you go to the NPO level
5 you get more detail on that, but on the national level,
6 what's enough and we don't choke on it? We'll come
7 back with some beginnings of some estimates of data
8 availability, access, and cost. That's a key part of
9 what Federal Highway asked for.

10 One of the problems that we have noted in
11 other projects, and Rick talked about it in his summary
12 from the Brookings last night, the black hole for
13 freight movement information is urban areas. I can
14 tell you what goes from Chicago to New York once it
15 gets off at Kearny Yards, or something like that. It
16 just disappears. I mean, I know it's there.

17 I mean, I haven't counted the trucks or where
18 they go. Individual companies know it, you know, but
19 how you -- how you trace supplies is a trick. And the
20 question will be, you know, at what point do we want to
21 sort of press to get better -- perform better
22 information on the performance of the first and last
23 mile? Because by and large that's where the critical
24 problems are, it's in the metropolitan regions. If you
25 choke to death there it's not going across, you know,

1 Montana by rail.

2 Dean Wise has been continuing work on the
3 question of risk. You know, there's the risk of, you
4 know, loss damage, things. There's the risk of non-
5 delivery and the risk of sort of environmental or, you
6 know, terrorist acts and the risk of just, you know,
7 being unable to get your permits, as he talks about, to
8 do the projects in time. So we're beginning -- we're
9 continuing to look at that.

10 We are going to have to bite the bullet in
11 looking at, you know, do we do continuous monitoring,
12 periodic, seasonal? The Canadians, on their freight
13 fluidity model, are looking at transfer times between
14 the Vancouver port and, you know, Prince Rupert and
15 their inland cities, Toronto.

16 They're doing that at almost, you know, the
17 hourly, by minute -- you know, very nice, but that's
18 their main corridor and they can pour a lot of energy
19 and do a very nice job on it. I don't think, you know,
20 for our purposes we can do that for every damn corridor
21 in this country because you're going to find out that
22 you're drowning in data and you're drowning in supply
23 chains.

24 So the question is, you know, do you do a peak
25 period for each industry and just look at it over a

1 period of years, or do you need to do it quarterly or,
2 more accurately, you know, what's its value both to DOT
3 or to the private sector, eventually? Is there any
4 value, you know, in aggregate information, open things.

5 You've got time series. You know, do you do
6 it once a year and look for the long-term trends
7 because that's how you're influencing your public
8 policy decisions? Take you, Fran. What's your guess
9 on the next MAP 22 authorization, you know, a year, two
10 years? What do you do out there?

11 And then what the Canadians have said is they
12 initially set about this as their measurement of the
13 moves from Vancouver in. They initially set about
14 partly as a competitive effort to say, gee, we're
15 better taking it in through Seattle, Tacoma, or -- is
16 an effort to sort of program monies, you know, where do
17 we put our monies to improve infrastructure?

18 But they said they have had companies come
19 back to them and say, gee, I'll use that as a benchmark
20 in my negotiations with my carriers or my suppliers.
21 You know, on average, you know, it looks like it would
22 get here in seven days. You know, why are you perform
23 -- why are you giving me 10 days as your best bid?

24 So there's a question for us long term: is
25 there a value to the private sector as well as to the

1 DOT and the Department of Commerce in looking at these
2 things? So I very much doubt that we will have written
3 answers to all of those by May, but those are the sorts
4 of things that we're looking at and we will bring back
5 to the committee to talk about with Rick and Cynthia.

6 MR. DARBEAU: Just a quick reaction: very
7 comprehensive study. I just wanted to ask Rick himself
8 a thought. Are you also looking at alternative modes?
9 For example, let's use California. The governor is
10 getting ready to go to Mexico and begin strong Mexico-
11 California relationships.

12 One of the big issues in San Diego, the
13 world's busiest border, is the issue of truck traffic.
14 I just saw you looking at your supply chains around
15 that modality, right? I don't see California letting
16 that go on for a long time.

17 So one of the questions for supply chain would
18 be, why not start thinking about a marine
19 transportation system, i.e., barging, using the Port of
20 Ensenada, Mexico's, seventh largest port? It's way
21 better in easing some of that congestion and seems to
22 get an economy of scale from that type of alternative
23 thinking. Port of San Diego could play a role in that,
24 too, to ease truck congestion on California's freeways.
25 That's becoming very controversial. It's heating up

1 as an issue.

2 MR. GABRIELSON: Heating up as an issue.

3 MR. DARBEAU: And people are looking at
4 it --

5 MR. GABRIELSON: I don't recall that specific
6 example coming up, but if I take a page out of a play
7 book from a number of years ago when I actually looked
8 at Ensenada for other reasons, the lift-on/lift-off
9 charges, if you're talking about a new port coming in
10 or something from across the border, you're looking at
11 lift-on/lift-off charges and dual costs versus truck,
12 even though the truck is a little bit longer. Most
13 shippers, as a general rule, are going to take a look
14 and say, what are my costs? If it's still cheaper for
15 me to move by truck, it's going to move by truck.

16 MR. DARBEAU: That's what they'll take.
17 Right.

18 MR. GABRIELSON: So if the economics are
19 there, then it's going to make sense. If the economics
20 are not there, it's not going to happen.

21 MR. DARBEAU: Right. What I'm talking about,
22 I told you that politics would get introduced because
23 that's heating up as an issue. I got word that the
24 governor is getting ready to go visit their people. As
25 the new elections in San Diego settle down, people are

1 focusing on the border. There's a meeting at San --
2 which I'm attending on the 21st where they're
3 discussing the very issue of cross-border trucks,
4 right?

5 So what I'm -- what I'm saying to us is it is
6 a challenge in the state. It's the eighth largest
7 economy--there are 10, by and large--to push those
8 issues more than any other state because they have the
9 climate issues to deal with.

10 So I think we should factor in some way of
11 looking at that. I'm not saying -- I totally agree with
12 you that the economics are rising, I agree with that,
13 but politics will also play a role.

14 MR. GABRIELSON: Yes. We're agnostic on mode
15 and how it moves across.

16 MR. DARBEAU: Yes.

17 MR. GABRIELSON: But in terms of efficiencies
18 and how you move freight, cross-border activity from a
19 North American standpoint, not just that particular
20 market, is something they have to keep working on.

21 MR. DARBEAU: Right.

22 MR. BRYAN: Wayne, also, we aren't -- we won't
23 directly be looking at alternatives, but indirectly
24 there will be information -- like, one of the slides we
25 didn't put up is General Motors is showing us their

1 flows of auto parts coming up from Mexico, which we --
2 you know, by contrast, comparing to what the other --
3 the truck operations around where you are.

4 What's interesting is they don't use a lot of
5 rail for auto parts movements because it's not that
6 reliable, but coming across from Mexico it actually is
7 better because it clears the border better and it's
8 safer. So it's an interesting exception, so we will
9 have that kind of information available.

10 MR. DARBEAU: Thanks.

11 CHAIRMAN BLASGEN: Lance, did you want to tee
12 up any sort of discussion on the difficulty in getting
13 private data to your team? Is it worth it, or do you
14 have all the knowledge that you need in the difficulty
15 of getting it? Are there some other choices that maybe
16 this group can tee up?

17 MR. GRENZEBACK: It's probably a little bit
18 premature to do an intelligent discussion of that.
19 That's what we're doing in the next months, looking at
20 what's available. You know, people -- there's a lot of
21 lip service given to the difficulty of getting private
22 sector data. I haven't found that generally to be a
23 huge problem. Usually there are work-arounds.
24 Either the data can be stripped of individual
25 identifiers and dumped out through a third party or

1 there are third parties--Joe has been talking to a
2 number of them--that consolidate this data for a bunch
3 of purposes, sometimes for companies, and they're
4 willing to sell it to you at a reasonable price, you
5 know, if what you're looking for is average performance
6 across a lane or something like that. So I --

7 In many cases it's not -- most companies don't
8 want to give you their individual operating data for
9 this quarter.

10 CHAIRMAN BLASGEN: Yeah, but they could
11 sanitize it and give it to you.

12 MR. GABRIELSON: It's not always as hard as
13 it's made out to be, particularly if you said I'm
14 looking at, you know, an illustrated corridor and I
15 want some data on typical travel times, and they say,
16 well, can I strip it out and combine it with two or
17 three of my competitors, and they say that's fine for
18 policy purposes.

19 I think we'll come back in the May meeting and
20 have a much better sense of what pieces are available
21 and what pieces aren't. I mean, there are good
22 examples. Right now, Federal Highway contracts with
23 the Trucking Research Institute -- it's ATA's 503(c)
24 group.

25 They basically pull data off of the on-board

1 computers and the GPS tracking units for trucks. I
2 don't know how many. They've got thousands of them now
3 out there. They basically massage it, strip off the
4 identifiers and clean up some of the data, and you can
5 get plots on a number of trucks' moves and travel times
6 and something like that. So there are ways of -- there
7 are ways of getting that information.

8 MR. GABRIELSON: And sometimes large
9 organizations, they're using different groups like a --
10 folks like that where you can use a third party to get
11 it, you know, they'll sanitize it, to Lance's point,
12 and you can get it that way. Sometimes it's easier
13 than trying to go after folks individually.

14 MR. GRENZEBACK: Yes. Right.

15 MR. ADISE: One thing that Jack did bring up
16 is that they looking at ways to anonymize the data.
17 There's a model that they're looking at. Miter --

18 CHAIRMAN BLASGEN: Speak up a little, Russ.

19 MR. ADISE: Sorry. It's Russ. Miter -- The
20 Miter firm is being used for FAA to anonymize a number
21 of freight movements through and to report data out on
22 it. The biggest issue goes back to the question --
23 your question is, how do you put it through? How do
24 you put this data through, you know, an aggregation and
25 an anonymization process? That is something that Lance

1 is looking at.

2 MR. GRENZEBACK: I guess the thing to push on
3 this perspective is that we want to look at the end-to-
4 end movement, because when we talk about it -- you
5 know, we've had questions. Well, we already know
6 commodity flows, you know. You say, well, knowing that
7 there are X tons of concrete shipped from A to B
8 doesn't tell me the trip, you know, or that, you know,
9 a load of computers moved from L.A. and Long Beach to
10 Chicago, that's only going to count a fraction of its
11 total trip and performance is not --

12 So there's a big tendency to say we already
13 have all the data on the transportation system because
14 we know the number of trucks on a segment of highway.
15 You say, that's different than round trip. But I think
16 you made the point earlier, the culture change. You
17 know, let's look at the trip, let's look at the
18 economics behind that trip. It is, I think, being well
19 received. I think the push -- to keep pushing that
20 idea would be useful.

21 MS. CHROMEY: So I actually just have two
22 questions. Well, one's a question, one's a comment.
23 On the safety data, I notice you just said you're
24 looking at the OSHA data.

25 MR. GRENZEBACK: Well, we were looking at --

1 there's -- we'll get into this in some detail, but if
2 you -- the question is, how do you associate -- how do
3 you measure the safety of a particular trip? So you
4 can get lots of information about, for example, the
5 number of accidents on a particular section of I-70,
6 but if you have to associate a portion of those to a
7 particular set of trips, because there are a lot of
8 trucks out there making different trips, one of the
9 things we've been doing --

10 We're beginning to -- OSHA puts together some
11 statistics by type of workplace, type of industry, that
12 look at these in absence, you know, days sick, days on
13 leave for various injuries. There's simply one of the
14 sort of potential ways of beginning to get at, what's
15 the risk involved or just sort of the safety risk
16 involved in a particular set. It may not be the best
17 one. It may turn out that --

18 MS. CHROMEY: I would just recommend that -- a
19 while ago there was challenges about Data.gov. I know
20 that there's weather. There was Safetydata.gov was --
21 and department was at the lead of that, and that --
22 that encompassed all of the department's safety data
23 and some other entities.

24 I just would recommend that you go beyond just
25 OSHA data because, again, from the transportation

1 perspective, you know, the delay is going to also
2 occur, like you said, if there's a crash, but also just
3 in congestion or any of those other ones. I mean, I
4 was just saying I thought that you just maybe would be
5 a little bit broader.

6 MR. GRENZEBACK: That was just an
7 example --

8 MS. CHROMEY: Oh, okay.

9 MR. GRENZEBACK: -- quick grab on the concept.
10 The problem with safety data is if you're going to
11 track truck accidents or truck-involved crashes, there
12 are relatively few on any given load. The question is,
13 how do you measure on a road or within a port or
14 something like that?

15 How do you measure the risk for any given
16 supply chain or safety problem? So -- but that will be
17 a -- that's what I think. I don't think we're --
18 that's the caveat. We're not going to come by the
19 perfect answers by May. That will be one of them, I
20 suspect. But we will look and follow through on that.

21 MS. CHROMEY: And then the only thing I wanted
22 to follow up on was something that Fran mentioned, was
23 this whole concept of, you talked about the goods
24 movement and the type of goods as, again, this corridor
25 component. Do we -- again, if you go back to the

1 Canadian model, you did tout the Canadian model.

2 MS. INMAN: -- me my subcommittee because I
3 kept touting the work that the Canadians have done.

4 MS. CHROMEY: But again, I think it's
5 something that, you know, the Department is trying to
6 figure out, is where do we go as a -- as a department
7 when we're looking at construction.

8 MR. GRENZEBACK: I would caution, though, the
9 idea of corridors. We tend to think of, you know,
10 let's fix the corridor from Boston to New York, okay.
11 But freight trips as part of a supply chain may only
12 use a portion of any given corridor, so when we think
13 about corridor that is -- that's the engineering
14 network solution, that's not necessarily the trip
15 solution. Okay.

16 We have trained ourselves for years to look at
17 the system and how the network performs, not to look at
18 how the supply chain performs, how the trip performs.
19 That's -- you may find that there is one border that's
20 used by dozens of different supply chains the whole way
21 and that would make a good corridor to focus on, but
22 you may find that it's really only a fraction of a
23 corridor that is actually really used by critical
24 industries. The rest of it were used by commuters or
25 somebody else.

1 MS. CHROMEY: I think that's an important
2 piece.

3 MR. STOWE: You mentioned in passing that you
4 might look at the impact of getting permits, of timing,
5 of delays. Are you going to look at that as an
6 additional dimension?

7 MR. GRENZEBACK: Yes. Dean has volunteered.
8 He's not here today, so we can focus on -- he's -- he's
9 been pushing that ahead because that's a big critical
10 issue --

11 MR. STOWE: I think that comes up very
12 frequently.

13 MR. GRENZEBACK: Very frequently.

14 MR. STOWE: Yes. And the second quick
15 question was, on the Canada and Mexico -- one of the
16 political questions that comes up is the question of,
17 are they really competitive threats of the Canadian
18 planning system and the northern corridor dropping into
19 the U.S., not just comparative of how they go from the
20 West Coast to Montreal.

21 But are you going to look at -- it would be
22 nice to have something that was reliable as an
23 assessment of how big a factor those and the Mexican
24 rail and port access -- not necessarily in great
25 detail, but every -- so much of what we hear are self-

1 serving arguments by one party or another. It would be
2 nice to have, we're doing this kind of assessment,
3 something that you could count on as a summary
4 conclusion, even if it's very important, little
5 important, or not important.

6 MR. GABRIELSON: In terms of their -- to the
7 U.S., you mean?

8 MR. STOWE: Yes. Competitive -- the -- the --
9 how much -- how much do they take freight that would
10 come in to a West Coast port, for example, and land it
11 in Canada instead of Tacoma?

12 MR. GABRIELSON: I think if you look at it
13 there's probably a couple of things you could look at.
14 One might be, you know, how much freight might come
15 through those gateways that could have come through
16 another gateway. Then there's a component that says,
17 how much activity goes back and forth between raw
18 materials and finished product, which is totally
19 different than, you could have gone through a different
20 gateway. Because you're right, there's a lot of noise
21 through --

22 MR. STOWE: I think it just confuses the
23 argument because nobody's really been very precise
24 about it.

25 MR. ADISE: Let me clarify on a quick point,

1 if I can. Part of the discussion of Canada and the use
2 of the words "Canada's project" come from the fact that
3 Transport Canada has already done a freight fluidity
4 model. What Lance has been doing -- are doing is
5 comparing the work that we have been doing on freight
6 fluidity and what DOT is doing on freight fluidity to
7 what Canada has been doing for the freight fluidity
8 model and seeing how and whether we can get the same
9 kinds of data, the same type of data.

10 Our system -- it's -- it's not -- we're not
11 comparing competitiveness of economies per se, we're
12 just looking at the various models of how -- and how
13 freight moves. That is a big part of the TRB May
14 conference on freight fluidity. It'll be here in
15 Washington in May. I can provide further data on it to
16 anyone who is interested.

17 MR. STOWE: But I think Rick is making a
18 different point.

19 MR. GRENZEBACK: I would say this immediate
20 task is not going to quite deliver that. Those
21 questions tend to get the measurements. In the longer
22 term, the question is, could you measure a set of
23 supply chains crossing borders and say, you know,
24 benchmark them, in effect, do they work? Like, you
25 could go there. I think the quicker -- I'd probably go

1 to Rick or to a farm or somebody and ask them what the
2 industries do today and give you a quicker read on it.

3 MR. GABRIELSON: To Russ's point, there's
4 really two pieces here. One, is they've done a lot of
5 work on gathering information and how they use that
6 information on how goods move through their supply
7 chain. To Lance's point, if you're looking at that
8 market and you're talking about corridors, there's
9 really only a couple of corridors, where, when you're
10 looking at the U.S., it's a lot broader than that. But
11 you're right, there's a lot of noise on, is there
12 activity coming through that market to the U.S.

13 You know, as just one small shipper, I will
14 tell you that that is not a meaningful amount of cargo.
15 It gets a lot overblown than personally what I believe
16 it is.

17 So we could spend a tremendous amount of time
18 going through that and at some point we may want to go
19 through that. I think the bigger piece and the bigger
20 question is what Lance mentioned, which is, how are
21 they obtaining the data, how are they using the data,
22 and how are they using them for supply chain? That, to
23 me, is the bigger question to answer, not is there five
24 containers worth of freight that came through Canada
25 that could have come through the U.S. I don't think

1 that is --

2 MR. STOWE: I was really looking for arguments
3 why it's important for us to take aggressive steps in
4 better strategic planning. I look at what they have
5 done and look at the consequences there, and isn't that
6 an incentive for us to move faster? It's a head
7 argument.

8 MR. GABRIELSON: I think it is, and maybe we
9 didn't articulate it the right way. But I think that's
10 what we're saying, is that we -- there is great value
11 in understanding what they have done in getting data
12 and using data as a way to improve their supply chain.

13 I can tell you as one user of that supply chain up
14 there, they are--they being the officials of that
15 government--are very close to the shipping community
16 and understanding how things move through that gateway
17 and are not afraid to go through and make changes that
18 benefit the supply chain because they know how it
19 drives the economy within that country.

20 MS. BLAKEY: But this is an additional element
21 that I think here is what -- going to hear. Actually,
22 it's very interesting because I was using a slide
23 yesterday in a presentation that came straight off the
24 Canadian government's website. It was showing their
25 three gateways--Pacific, Atlantic, and the middle part-

1 -and basically they essentially tell you directly, we
2 have North America covered.

3 The language on the Canadian government's
4 website regarding these gateways and the speed to
5 transport the expediting of goods and so forth and so
6 on, all of the language is so promotional that you
7 would think that it was a private sector service
8 selling on their government. Our government does
9 nothing like this.

10 And so the idea that, you know, first of all
11 we've got cargo that is -- you know, part of what we're
12 talking about here is the discretionary cargo coming
13 from somewhere else and it basically comes intact
14 somewhere here in America, and it could go through a
15 port on the West Coast, it could go or come through the
16 East Coast, or it could come through Canada or Mexico.

17 So how much impact is that having on the data
18 and how much impact is that having on the service of --
19 the cargo services throughout our corridors and how
20 much is this back-and-forth manufacturing-
21 remanufacturing-we-make-things-together stuff? They're
22 two completely different aspects of goods movement
23 between the NAFTA nations.

24 So I think that what Ron is going to, though,
25 is this promotional aspect of trying to sell cargo

1 services to shippers that are bringing in goods from
2 other places, and the way that the Canadian government
3 is approaching this so aggressively and then executing
4 it by the way that you're talking about right there.

5 They have gone out and identified the cargoes
6 that they want to see that stuff used, and then they
7 are actually making that possible with improving those
8 services and then selling it on behalf of Canadian
9 Pacific, and Canadian National, and on behalf of Prince
10 Rupert, and on behalf of Vancouver.

11 So it's a very, very different approach than
12 what we're taking here. I guess what--Ron, if I'm
13 putting words in your mouth--you're asking is, how
14 successful is that?

15 MR. STOWE: That is an argument we could use
16 to inspire action here.

17 MR. COOPER: Doesn't that matter where you are
18 on the supply chain on the function of Canada? Because
19 when it comes to a bulk commodity like resource
20 materials, whether it be gas, oil, what have you, I
21 think you're going to see that the impact that the
22 Canadians have is going to be much greater than
23 unfinished goods and distribution of finished goods.
24 The same way --

25 MS. BLAKEY: And that's the make things -- we-

1 make-things-together aspect of it.

2 MR. COOPER: And so I think a lot of it is
3 dependent on where exactly along the supply chain, not
4 geographically but, you know, where along the supply
5 chain are we talking, single parts, OEO?

6 MR. STOWE: I didn't mean to distract onto an
7 ancillary issue. I just think it's one thing that
8 keeps coming up, at least at a political level. If we
9 have any information or data about it, it's good to
10 plug it in.

11 MR. GRENZEBACK: If you can pick out
12 representative supply chains and benchmark them, in
13 effect, using reasonably available data, then you could
14 do -- you know, in theory you could begin to do those
15 sorts of comparisons.

16 MR. BARONE: So I'm wondering, do you know
17 whether there's any significant variation dependent on
18 the commodity? I mean, I could envision this
19 commodity, so even fresh vegetables or things coming
20 northbound, that those kinds of movements would be
21 subject to different constraints.

22 MR. GRENZEBACK: Yes. And that's the reason
23 we're looking at different industries. I mean, so
24 we're looking at -- you know, I mean, in looking at the
25 retail, we're looking at sort of packaged consumer

1 goods, typically. In the poultry, you're looking at
2 fresh --

3 MR. BARONE: But within the same corridor
4 there would be other commodities, most likely.

5 MR. GRENZEBACK: Yes. Sure. I think, again,
6 this is an early peek into -- the question is still, if
7 you pick a supply chain in a corridor can you assemble
8 the data to do it? If the answer is yeah, you can do
9 it without bleeding to death, you know, then -- then
10 you could go and begin to say I want to look at
11 different -- different industries who are operating in
12 the same corridor. Yeah. We're a step away from
13 answering your question. Several steps away.

14 MR. GABRIELSON: And that's right. We're a
15 little ways away from that yet. But with the data that
16 you're gathering and the information provided in this
17 by DOT, then you can begin to make those changes that
18 are necessary and needed to improve the corridors in
19 this particular case.

20 Ron's other question, of course, is a little
21 bit different. Are there competitive advantages that
22 they may have to use in the market that will look a
23 little bit different? So that's probably day two or
24 day three.

25 Now on a personal note, which I won't do here

1 but off to the side, I can tell you exactly what
2 shippers are going through and why some may be using
3 that. It has to do in large part with contingency
4 planning.

5 If you've got a contract coming up on the West
6 Coast, going to the labor unions, and you're moving
7 critical cargo, whether it's fruits and vegetables or
8 whether it's apparel wear -- probably not gas and
9 electric, but you look for paths, whether it's East
10 Coast or what we -- in order to keep your product
11 moving fluidly. That's no different today than it was
12 20 years ago. Well, maybe not 20 years ago, but it's
13 no different today than it was 10 years ago.

14 MR. KUNZ: A good example is the corridor from
15 Losita Cardenas in Texas to middle America. You get --
16 the cargo arrives about 50 miles from where our port is
17 and then it's distributed from there. We never thought
18 retailers, big box retailers, would utilize that but
19 now they are.

20 MR. STOWE: You read stories about that.

21 MR. GABRIELSON: That is one set of
22 circumstances. There's another set that, if you look
23 at a map geographically, if your product comes from --
24 if you're moving product from China and your gateway is
25 Shanghai north, if you come through one of those

1 Canadian gateways, Vancouver, Prince Rupert, and your
2 end point is Chicago, you're doing nothing different
3 through your ports or gateways. There's no difference.

4 It's three days faster just because of the curvature
5 of the earth, okay.

6 So if you're focused on computer speed and the
7 level of service and timing of your product and you're
8 not air freighting it because it may not be conducive,
9 if you're looking at just pure time, that's a
10 competitive advantage. It has nothing to do with the
11 efficiencies or inefficiencies within the PNT, nothing
12 at all. So there's lots of different factors that are
13 there, but sometimes all those things get drowned out
14 in the noise that -- that take place.

15 CHAIRMAN BLASGEN: Good. Well, I think it's
16 great that, you know, we have example of real-life
17 supply chains with different -- you know, everything
18 from poultry to automotive to kind of explain that. It
19 makes it real, I think, for people that will review
20 this. You know, we're not extrapolating too much into
21 that because we've got real data. I think that's a
22 good step in the right direction to understand it.

23 MR. GABRIELSON: In the last one there --
24 design or supply chain for the exceptions. You could
25 sign up for the --

1 MR. BARONE: Okay. Great. Thanks, Rick.

2 We have to hear from the other subcommittees.

3 We have lunch right at 12:30, but Tony, I just wanted
4 to ask you on trade competitiveness, is there anything
5 else that you guys want to talk about in terms of what
6 you're working on? I know it's completely focused on
7 single windows.

8 MR. BARONE: Actually, that was a different
9 committee.

10 CHAIRMAN BLASGEN: I'm sorry.

11 MR. BARONE: So we actually -- we've drafted a
12 document that we would like the full committee to
13 consider and perhaps comment on for the next meeting,
14 so I'm going to just pass that --

15 CHAIRMAN BLASGEN: Okay.

16 MR. BARONE: -- pass that around. I'm going
17 to just pass it this way, if we could just go around
18 one way.

19 Let me just add to that, and the folks that
20 are here from our committee can comment further, that
21 we continue to talk about topics that you saw last
22 time. We think that they need to be discussed in
23 greater depth. One of those is the issue that -- you
24 know, competitive switching in the railroad industry.

25 I would think that that's a topic that needs

1 to have full discussion, open discussion in a setting
2 like this because there are -- we think it's the topic
3 that is -- it does impact companies of the members of
4 the committee. So probably -- news on that. So we'd
5 like to not make so much recommendations, but to -- to
6 open that topic for discussion at a future meeting.

7 So let me present this. Okay. So what you
8 have in front of you is the draft not to vote on today
9 or anything, but to take home with you and read on the
10 train, or plane, or truck, however you move. This has
11 to do a lot with the trade agreements that are
12 currently being negotiated, and also with the report
13 that came out of VALI on the trade facilitation
14 agreement.

15 When you get down into the detail, there is
16 the detail that is of interest to us rather than a
17 general -- general topic. So we're making some
18 recommendations here. We think that they are relevant
19 and we'd just ask you to take a look at them so that we
20 can move on this next time.

21 So there are some fairly technical issues
22 here, but they do impact how freight moves, or
23 certainly harmonization, or border processes are
24 irrelevant. I just -- we've brought it to single-
25 window, but how goods are valued and how they're -- how

1 the freight moves through the various borders.

2 So we would just ask you to take a look at
3 this for discussion next time, and also that we, you
4 know, provide some opportunity to discuss this issue
5 about switching in the railroad industry.

6 We also bring forth further information on the
7 de minimis issue. It would, in our view, be good for
8 this committee to make a recommendation in that
9 respect, and there are issues regarding VARAD that we'd
10 like to further discuss.

11 In fact, we had a lot of those in the one
12 letter. I take your point, and Jim had also commented,
13 it's probably better not to put them all in one. But
14 this letter is strictly about trade policy, but we
15 would like to, at another meeting, talk about these
16 other issues.

17 CHAIRMAN BLASGEN: But this could become
18 another recommendation out of these, is what you're
19 suggesting?

20 MR. BARONE: Well, this is a recommendation.
21 You know, we're recommending that the full committee
22 consider this document so that it can be executed.

23 CHAIRMAN BLASGEN: Okay.

24 MR. BARONE: But you hadn't seen it before, so
25 that's why we're distributing it.

1 CHAIRMAN BLASGEN: Right.

2 MR. BARONE: I don't know if the fellows here
3 want to comment further on it.

4 MR. COOPER: Well, the main focus is on this
5 letter, obviously. The intent of this is to give you a
6 sneak preview and then hopefully we can do the same
7 process that we did for today's recommendation where we
8 collect comment -- you know, we distribute this
9 electronically, we collect comments, and then by May
10 we're ready to make an actual decision as a full
11 committee on this, and that's the intent.

12 Then these other -- these other areas that
13 Tony are mentioning, those are going to roll out
14 slowly. They aren't of the immediate concern that this
15 particular recommendation would be, so we're going to
16 roll those out. We need to do a little -- we've been
17 doing prep work for about the last year on some of
18 these other areas so we just have to consolidate it,
19 sharpen it, put them into the right format, and so
20 you'll probably see things at each of the subsequent
21 meetings. We're not going to try to do all this at
22 once.

23 CHAIRMAN BLASGEN: So the request then is for
24 us as a full committee to take a look at this.

25 MR. BARONE: Right.

1 CHAIRMAN BLASGEN: Right. We'll get it to
2 other members of the committee that aren't here, give
3 them a date upon which to deliberate. Would we prefer
4 to come back and vote on it in May, our meeting in May?

5 MR. COOPER: I think that's the plan, isn't
6 it?

7 MR. BARONE: Right. Well, we'll certainly do
8 that.

9 CHAIRMAN BLASGEN: Okay.

10 MR. BARONE: So some of these things are --
11 you know, they're in process now. The Trans-Pacific
12 Partnership and investment negotiations are going on
13 right now. So getting something into the hands of
14 negotiators, U.S. negotiators, as soon as possible
15 would be a good idea. I mean, if we could do that
16 before May that would be great, but I can understand
17 that it might --

18 CHAIRMAN BLASGEN: Well, we do have a process
19 to vote on this electronically. So we'll talk about
20 that off-line then and decide on the --

21 MR. BARONE: Yes. But these things are going
22 on now. The Trans-Pacific agreement is being
23 negotiated now. The Bali report is out now.

24 CHAIRMAN BLASGEN: Right.

25 MR. BARONE: So waiting, you know, a

1 protracted time might not be a good -- good idea.

2 CHAIRMAN BLASGEN: All right. So Tony, you
3 can work with Bruce and we -- we can provide this full
4 committee an electronic version, ask them by this date
5 to report any comments back, set up a conference call
6 for the full committee to call in, and that's what's
7 needed in order to deliberate and then follow the
8 *Federal Register*
9 timing --

10 MR. BARONE: Okay. That's fine.

11 CHAIRMAN BLASGEN: -- and then get it done
12 before May.

13 MR. BARONE: Okay.

14 CHAIRMAN BLASGEN: All right.

15 MR. GADDIS: So I've got a question on that
16 when I read this. We're working on trade agreements
17 right now in our sector. We don't have the expertise
18 in some of these areas, so I would be uncomfortable --
19 I mean, I know nothing about this food and trade stuff,
20 so how do we work that? Do we abstain or -- I just --
21 you know, I'm not comfortable voting on something I
22 don't understand.

23 CHAIRMAN BLASGEN: Right. Sure.

24 MR. HARSH: Similar to the note about the
25 court that Rick made earlier, can the majority agree

1 with this or there are separate -- there's some
2 individual -- some individual members that take an
3 exception or abstain from parts of this document. So
4 it's a similar type of exercise. It can be total
5 consensus, or parts of it can be segregated out.

6 MR. GADDIS: Okay. I'm not against anything,
7 I just don't have any knowledge of it.

8 MR. HARSH: And that's how it could be
9 phrased.

10 MR. GADDIS: Okay.

11 CHAIRMAN BLASGEN: Okay. Good.

12 Any other comments? Okay. All right. We need
13 to break for lunch. We do have a hard -- I guess it's
14 not a hard stop, but a hard -- hard start at 1:00
15 because we have our special guest that is going to
16 address the group then. So why don't we go get lunch
17 and make sure we're here at 1:00? Thank you all.

18 (Whereupon, at 12:33 p.m. the meeting was
19 recessed for lunch.)
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AFTER RECESS

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[1:04 p.m.]

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MR. LONG: All right. Let's get started, everyone. Thank you. All right. Okay, kids. Let's settle down. Okay. Let's restart the afternoon session here. I want to thank everyone for coming back.

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For our afternoon session, it's my pleasure to introduce Dr. Kathryn Sullivan, who is the administrator for the National Oceanographic and Atmospheric Administration, NOAA. I used to be a native speaker but that seems to be gone here.

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She is a distinguished scientist, renowned astronaut, and intrepid explorer. She is in charge of the entire bureau for that, has an extensive career with enough accomplishment to fill many, many successful lives in this.

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It's a special pleasure to have someone from another bureau inside the Commerce Department come to talk about the resources they have that can contribute to the work that we've asked you to do. This is a real

1 opportunity to hear some of the fantastic things that
2 NOAA has to offer on this.

3 As I mentioned, there are a great many things
4 in her career. I won't read the bio that you all have.
5 Just one I think is cool beyond measure is the idea of
6 being on the mission that deployed the Hubble
7 telescope. I mean, how cool is that? Then I would be
8 remiss not to mention that Sandra Bullock played her in
9 the movie.

10 (Laughter)

11 MR. LONG: Without further ado, let me turn it
12 over to Dr. Sullivan.

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1 **REMARKS: DR. KATHRYN D. SULLIVAN,**
2 **ACTING UNDER SECRETARY AND ADMINISTRATOR,**
3 **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)**

4
5 DR. SULLIVAN: Yes. I am still deciding
6 whether I'm thanking or cursing the producers of
7 "Gravity", but it does make for lots of conversations.

8 David and Rick, both, thank you for the
9 invitation to drop by here today and get acquainted
10 with the Council and share a few ideas, a few bits of
11 information with you.

12 What I'd like to do, is spend a few minutes
13 doing a fairly broad-brush layout for you of knowing
14 what we do and what our pieces and parts are, not from
15 an administrative point of view but for how we try to
16 activate them and the various points at which the data
17 information, products, or services that we focus on
18 every day are germane to supply chain dynamics and
19 supply chain management, many of which points I'm sure
20 you all will know, but hopefully will be helpful to
21 hear some of the thinking from our side of things.

22 I would say just to frame it at the highest
23 level first, our Secretary, Penny Pritzger, as I trust
24 you know, has formulated an agenda for this department
25 that's a very ambitious one that is focused on four

1 major drivers and domains of rapid change in society
2 and in the economy: trade and investment, innovation,
3 environment, and data.

4 NOAA has -- this was formed, as she said -- as
5 she put it just this morning, this is sort of from us,
6 her senior management team, about the things we want to
7 drive and take forward in the next few years. It's
8 really a delight to be in this kind of a planning
9 process where it really is a think-and-strategize-and-
10 aim-and-be-sure-
11 you're-pointing-at-the-right-things process and it's
12 not a report card kind of process and it's not one
13 person's plan, that we're all supposed to sort of
14 thinly salute. So I say that because it's injecting a
15 very significant fresh dose of energy into the
16 department.

17 I know you all spent the morning talking about
18 the single windows, the supply chain single window, and
19 in a different domain, but pertinent to trade and
20 investment, four of the bureaus in this department with
21 two other cabinet-level agencies have made some real
22 progress just in the last year and a half, creating a
23 single application, pooled funding, single statement of
24 work, single window for some trade and investment and
25 foreign direct investment promotion.

1 So, you know, the foot is on the throttle and
2 the impetus is definitely forward to find ways to do
3 things, do our work on behalf of the American public in
4 a way that is smarter and better, as seen through the
5 eyes of the American public. So, keep pressing on the
6 single window. I think it's a very opportune time to
7 try to make some real progress there.

8 So NOAA sits quite squarely in those four
9 buckets. We're sort of thinnest--not absent, but sort
10 of thinnest--in the innovation thrust of the
11 Department's agenda, our agenda, but very much at the
12 nexus of trade, environment, and data in a variety of
13 ways.

14 So what is NOAA? If you step back and look at
15 us administratively, we are the National Weather
16 Service. Every weather forecast you ever get, I promise
17 you, no matter who it came from, originates with the
18 satellite and other observations, the super computers,
19 the models and scientific data that NOAA turns into the
20 baseline foundational national numerical weather
21 prediction products.

22 Your intermediary, whether it's the Weather --
23 the Climate Corporation, the Weather Channel, Accu-
24 Weather, whatever other third party you may have, may
25 densify some networks, may merge it with other sectoral

1 data or logistics data or proprietary company data, but
2 when it comes to telling you what the weather is going
3 to be, that is coming from this building and from the
4 National Weather Service.

5 Another unit of NOAA designs, builds,
6 contracts, operates, flies the nation's weather
7 satellites. So again, anytime you see the loop on
8 television showing, here's the storm coming in, that is
9 a NOAA national weather satellite.

10 A third unit is the National Ocean Service.
11 This is the oldest part of NOAA. This bit dates all
12 the way back to President Thomas Jefferson, who, in
13 1807, established the survey of the coast to provide
14 reliable nautical charting to support the coastalized
15 commerce of what was still a very young nation and what
16 was, unbeknownst to anybody at the time, on the
17 doorstep of the War of 1812, which was very much a
18 naval campaign. So that continues today into our
19 National Ocean Service.

20 Finally, we are responsible for managing the
21 nation's marine fisheries, so the National Fishery
22 Service is also one of our elements, and we have a
23 research arm called the Office of Oceanic and
24 Atmospheric Research, whose work folds into virtually
25 all of those units that I just mentioned.

1 So you don't care about our org chart. I
2 don't want you caring about our org chart. But I
3 wanted you to appreciate sort of the building blocks
4 that we are -- we suffer the classic conglomerate
5 discounting function that it's sort of hard to get
6 people to know the word NOAA, just like who knows Young
7 brands, but I know which restaurant I like. It's sort
8 of that same kind of phenomena. So we're known
9 probably most for the National Weather Service. That
10 is synonymous with NOAA.

11 But what we are actually trying to do in the
12 drive and the push that really motivates us every day
13 is to actually bring all of that together. The focal
14 point that I put on it is that what we really are
15 about--and here's the phrase I would like you to take
16 away about NOAA--is I want you to think of NOAA as the
17 Environmental Intelligence Agency because that really
18 is what we are about, we are about taking a very rich,
19 deep understanding of the earth's natural systems and
20 processes, their dynamics, their conditions, scientific
21 modeling capabilities, global observations, many of
22 which we collect, for example, through our satellites,
23 but many others of which we amalgamate from countries
24 around the world through century-long global data
25 sharing arrangements, in particular in the weather and

1 the water arena.

2 No country on this planet can have a reliable
3 weather forecast without sampling the entire globe, a
4 simple statement of physics. No country is going to be
5 able to afford to do all of that measurement
6 themselves, nor is it sensible to have every country
7 trying to duplicate it.

8 So there is, as I said, more than a century's
9 practice of exchanging foundational, observational data
10 about the atmosphere, water vapor, temperature, and so
11 forth that everyone needs to make any weather forecast.
12 So we amalgamate all of that as well and we then
13 transform that -- our goal always is to transform that
14 into this thing I'll call environmental intelligence.

15 By that, I mean actionable, timely, reliable,
16 authoritative information, not just my scientific data,
17 I put it out on a loading dock and welcome you to try
18 to pick it up and make some use out of it, but actually
19 reaching further down the value chain, further out the
20 value chain towards businesses, consumers, citizens,
21 emergency managers.

22 In the weather space, by design, by conscious
23 policy design in the United States, we don't reach all
24 the way to your unit companies or to the Chicago
25 Mercantile Exchange or outfits like that. We

1 deliberately pause and set up an innovation platform to
2 let the likes of the Climate Corporation, and Accu-
3 Weather, and the Weather Channel develop a private -- a
4 robust, and very rich set of private sector enterprises
5 on the public good of this environmental data.

6 We produce or collect 19 terabytes of data a
7 day. That's two times the total printed collection of
8 the Library of Congress daily. We put out the door to
9 researchers, the community, to these third party
10 companies, put out the door currently about two of
11 those terabytes.

12 On that two-terabyte open innovation platform,
13 because it's all public domain, publicly available
14 data, nobody gets to monopolize it and charge monopoly
15 events to everyone else who wants to try something,
16 anybody can try something. We now have in the United
17 States a private sector weather and climate enterprise
18 that's reckoned conservatively at \$5 billion per annum
19 commercial revenue.

20 So that's the way we look at things and are
21 trying to operate. So weather, water, climate.
22 Climate, by the way--at least I hope you will grant me
23 as I'm using it today because it's the scientifically
24 sound meaning of it, your weather is what is happening
25 today or on time scales of up to about 14 days, and

1 climate -- climate is, very simply, the statistics of
2 those very same phenomena on scales of multiple years
3 to decades. That's what climate is, it's the long-term
4 patterns in weather, as driven by the physics of the
5 atmosphere.

6 So let me touch on a couple of dimensions of
7 current focus in our world that impinge on supply chain
8 dynamics in various ways. For many commodities--and
9 certainly food production commodities, for example--
10 it's kind of a point of origin issue, right? I mean,
11 the agricultural sector is critically dependent on both
12 water and weather predictions for basic operations in
13 fields, and obviously also for productivity.

14 Water is a simple three-part problem, or four-
15 part. There's too much, too little, in the wrong
16 place, or of the wrong quality. That's what you're
17 dealing with all the time. The nation's top four
18 agricultural exports are soybeans, corn, wheat, and
19 almonds. That's ordered by the water augment level, so
20 from the most water-intensive to the least.

21 Any of those variations across time and
22 quantity of water can be a problem. Early intense
23 rains, you wash away seedlings and take soil with them.

24 Too little water, which we're seeing over about 60
25 percent of the United States today and very intensively

1 in California, and you've got ranching disasters in the
2 Central Plains, you've got really impending massive
3 agricultural productivity concerns in California,
4 you're on the very verge of having human health and
5 availability of water concerns as well.

6 What do we do about that? We provide long-
7 term forecasts, climate forecasts, as we call them,
8 that are seasonal to inter-annual. Being able to
9 predict two or three seasons ahead is right about the
10 limit of scientific capability at present. It's a
11 combination of getting the physics in the model right,
12 having the right measurements, several interacting
13 pieces.

14 It's kind of always the observations, the
15 understanding, and the computational capacity. Those
16 three interact together to be the throttle on what you
17 can do in terms of prediction. The earth has the
18 master throttle setting. Of course, there is chaos and
19 turbulence at some level that probably becomes a flat-
20 out end of predictability.

21 We don't know where that is yet in the
22 seasonal to inter-annual, so one of our operational and
23 research thrusts is to try to extend those horizons so
24 that, sitting here today in February of 2014, we might
25 be able to give ranchers and farmers in the Central

1 Plains and West a summer into fall, maybe into winter
2 of 2015 outlook now that was reliable enough they
3 actually could begin to make economically significant
4 decisions based on that outlook.

5 In addition, we provide three-month advanced
6 outlooks on drought. Those are going out, updated on a
7 monthly basis and going out by web, by direct service,
8 again, to commercial intermediaries, direct to farmers
9 and agri-business concerns, and to state water managers
10 and emergency managers.

11 I know you all -- I'm sure many of you are in
12 the bulk commodity business and you can appreciate how
13 this stuff plays out, but in Kansas, for example, we've
14 got farmers looking at their water conditions there and
15 they're facing tough decisions, like knocking down
16 their corn planting by 25 to 30 percent because of the
17 water intensity, trying to determine if they can switch
18 to sorghum, which has got a whole set of, you know,
19 immediate economic implications and ripples through the
20 export chain as well.

21 Testament here from one individual in Kansas,
22 our data -- I'm not certainly arguing our data is the
23 all and everything of making these decisions, but as
24 you all know these are not decisions you look the
25 answers up to in a book, these are tough questions you

1 actually have to build an answer to.

2 The pieces of environmental intelligence that
3 we can provide from NOAA very often are helpful
4 building blocks in shaping those answers, rule out some
5 courses of action, indication which way the risk might
6 be shaping, decide where you want to or need to hedge
7 your bets.

8 But this gentleman, John McClure, in Kansas,
9 gave us the feedback that it was not just our drought
10 information in the forecast, but actually the on-the-
11 ground, sort of the extension service work that our
12 Drought Mitigation Team was doing in that region, so
13 the building of multiple years of relationship and
14 getting to know and calibrate each other in terms of
15 trustworthiness that gave him the insight of how our
16 two- and three-season forecasts of El Niño and La Niña
17 did actually translate into information he could count
18 on and start shaping his longer range decisions.

19 California, right now, is in the midst of all
20 that. I will be downtown Sunday morning for an
21 informal meeting with 15 western governors about
22 drought and will be in a situation room with the
23 President on Monday morning, briefing those same 15
24 governors on, what is NOAA doing to try to provide
25 better and longer-range environmental intelligence,

1 what's the Department of Agriculture doing both in
2 terms of crop support and financial assistance and fire
3 fighting assistance, what's the Department of Interior
4 doing? So it's very much an all-hands-on-deck at this
5 point.

6 So, you know, that's sort of the climate side
7 of things and the impingement on agriculture. Weather
8 obviously is the critical factor; we're seeing that in
9 spades these first eight weeks of the new year, with
10 adverse weather as probably always the number-one
11 source of supply chain disruption, but certainly has
12 been a major disrupter this year in the central U.S.

13 We've had, you know, clipper after clipper
14 coming through just a few enough days apart that the
15 system can't get back into synch, and moving just
16 enough through the sort of Central and Midwest that it
17 knocks one bit and then knocks another bit and just
18 about when you're getting something stable again it
19 punches you over here.

20 We had the New York and the New Jersey Breen
21 terminals closed preemptively at the beginning of the
22 year in anticipation of the winter storms. You shut
23 down a 65-mile stretch of interstate that runs across
24 Pennsylvania and the Connecticut border, you're
25 stopping a really pretty major flow path up into the

1 northeast corridor of the United States.

2 In 2010, the last year for which I could get
3 statistics that I'm really ready to trust, almost 40
4 percent of reported flight delays were attributable to
5 weather, so this is clearly the everyday factor in
6 every segment of the supply chain.

7 As I said, each and every day, every truck,
8 ship, train, maritime, commerce, whichever platform,
9 whichever avenue, whichever company may be providing
10 you the feed into your cockpit or into your truck
11 cabin, they are all relying on NOAA's observations and
12 data and forecast products as the root of that. We
13 take those relationships very seriously. We stay in
14 very close contact with the third party enterprise
15 providers and directly with the shipping companies
16 where they choose to interact directly with us.

17 All of the data that Accu-Weather, Weather
18 Channel, or anyone else counts on is always freely and
19 openly publicly available. They don't get to own the
20 data and monopolize the flow of value beyond that, so
21 the consumer, the farmer, or the shipper that wishes to
22 can go VFR-direct to the NOAA sites and get those
23 products directly. We will tend to not be service
24 intermediaries and step into consultancy type roles
25 because that's legitimately the private sector domain.

1 So that's atmospheric weather. There's this
2 other thing called space weather and that's something
3 that tends to be not so commonly -- not so often
4 thought about, but it's really a very significant
5 factor and has potential to be a hugely significant
6 factor.

7 You know, IT interruptions are major sources
8 of disruption as well, and I hope--and happily, usually
9 is the case--that this is typically something that
10 happened in the server closet or, as we had happen just
11 a couple of weeks ago to our center here in the DC
12 area, it's that notorious fiber-line-runs-on-the-
13 telephone-pole-that-
14 the-snowplow-just-hit kind of problem that takes out
15 some of your critical information paths.

16 So there's the physical flow of goods and the
17 impact of atmospheric weather and storm conditions on
18 that, and then there's the flow of data that is part of
19 the fuel that keeps the flow of goods moving.

20 So how does NOAA enter that equation through
21 this phenomena called space weather? We live around a
22 very dynamic star. It has this very turbulent and
23 intense magnet field and an incredible amount of heat.

24 To put it in technical terms, it every now and then
25 burps.

1 (Laughter)

2 DR. SULLIVAN: And when it burps, it sends a
3 several billion--that was billion with a "B"--tons of
4 matter, charged particles, the stuff that -- you know,
5 if well behaved, makes you a radio signal, and if not
6 well behaved messes with your radio signal, these
7 massive burps of that stuff with chunks, literally
8 chunks, of magnetic field imbedded in them and
9 streaming towards the earth at millions of miles an
10 hour.

11 We have a weather buoy, if you will, a million
12 miles away from the earth that sits along that travel
13 line, because when we look at the sun with satellites
14 we can tell it burped. We can't quite tell if it
15 burped that way or this way, so we put the weather buoy
16 right out there and we wait to see if the weather buoy
17 gets blasted. If it does, then the answer is, it
18 burped your way, here it comes.

19 That's measured in minutes of warning, but
20 there's a very elaborate and, again, well-built set of
21 relationships between the surveillance of the sun,
22 early indications to utilities, pipeline companies,
23 GPS-dependent enterprises, airlines, because these
24 bursts of matter with imbedded magnetic field plowing
25 into our atmosphere, they trigger a whole host of

1 phenomena in our atmosphere that can induce currents,
2 induce electrical currents and power lines, it can trip
3 transformers -- I mean, it can destroy transformers if
4 the transformers are unprotected. Pipelines can also
5 pick up induced currents, pipelines that are carrying
6 flammable liquids and materials. It's not a good thing
7 to have induced electrical currents running through
8 them.

9 These bursts can physically damage the
10 components on satellites, so think the entire
11 telecommunications satellite-based infrastructure
12 actually can blind or knock out the systems on the
13 satellite. They also make the atmosphere a very noisy-
14 -electrically noisy--place so the signal-to-noise ratio
15 of whatever you're running through a satellite can be
16 swamped.

17 GPS is one of those things. So when you get
18 some of these big burps, it will not uncommonly happen
19 that the navigational accuracy of GPS over the
20 contiguous United States down as far as the Texas coast
21 may be so impaired that the FAA rescinds GPS navigation
22 capability, not reliable enough, certainly not reliable
23 enough for aircraft separation.

24 And then the accuracy of the signal itself.
25 Airlines reroute to stay away from the over-the-pole

1 routes because you've got higher radiation exposure for
2 the crews, among other things, and you have, you know,
3 no navigation signals because of the ionospheric
4 disturbance. So all -- some of those are pretty
5 massive consequences and big dominos to fall over, some
6 are more subtle, but we are exposed to that kind of a
7 cascade of effects from these big, big geomagnetic
8 storms.

9 But the worst-case kinds of potential effects
10 are quite daunting in scale. There was a famous event,
11 a famous burp--it happened in 1859--that was so severe
12 that telegraph operators were getting shocks through
13 their keys because of the currents induced in the
14 telegraph lines. They were able -- after -- after the
15 batteries blew offline they were still able to send
16 signals through the telegraph wires because there was
17 so much electricity running around in the wires still.

18 The National Academy of Sciences has done an
19 analysis that says if that scale of event happened
20 today with today's electronics infrastructure, much
21 less robust in terms of these phenomenon than the
22 telegraph wires were, that the economic costs could be
23 in the \$1 to \$2 trillion range, and recovery time from
24 4 to 10 years depending on how many transformers got
25 fried in the process and the long lead time it takes to

1 replace those. So, lots of consequences there, and an
2 obscure risk that is not commonly thought about, but
3 one that -- you know, NOAA is the nation's civilian
4 warning -- we are the Weather Service for this kind of
5 phenomenon in this civilian sector.

6 So that's kind of atmospheric and a variety of
7 atmospheric effects. Let me shift a little bit and
8 talk about the maritime sector. As I mentioned, we
9 date back in this arena to 1807, and to our nautical
10 charting products.

11 Once upon a time, actually when I worked for
12 NOAA in the 1990s, we had massive printing presses in
13 the basement of this building and we literally printed
14 all of the nation's nautical charts and all of the
15 aviation charts in the basement of this building.

16 Why aviation charts? Because any pilot knows
17 the information you most want to know is, how high off
18 the ground is stuff sticking up at me so that I can be
19 sure that I'm staying out of the way? To be precise
20 about that, you really need precise control of the
21 elevation of the land surface itself. That's a
22 reference framework called the geodetic reference
23 framework. NOAA maintains the nation's geodetic
24 reference framework, so we are responsible for the
25 control heights of the aeronautical charts.

1 Now, of course, this all done by state-of-the-
2 art electronic technology, electronic chart
3 information, just like our GPS information in our cars
4 is what's commonly used on the ships of -- bridges of
5 ships and in the cockpits of airplanes.

6 Here again, there's emerged a third party
7 commercial sector where the authoritative foundational
8 data is a public good, produced to protect the
9 viability of the economic, public safety, the access to
10 our ports.

11 But the extension of that, the dissemination
12 of that to those who need it and the tailoring of it to
13 suit particular needs, is a private enterprise
14 proposition. So many of you are probably quite
15 familiar with the variety of chart providers, Jepsen in
16 the aviation sector and similar companies in the
17 maritime sector.

18 So charts is certainly one aspect of this, but
19 let's also think of a couple of other key facts.
20 Certainly after major storms go through, and just on a
21 routine matter of things, in any given port there are
22 all of a sudden some previously unrecognized reported
23 obstruction that is declared a hazard to navigation, or
24 a potential hazard to navigation by the captain of the
25 port. That may close a waterway or access to a set of

1 docks until it can be verified whether that's an issue
2 or not.

3 After storms like Irene or Sandy, there is
4 massive floods of debris, damaged docks and piers that
5 have to be cleared and resolved before you can reopen
6 the port for commerce. NOAA is that as well. Our
7 navigation response teams are mobile, flexible units
8 that we can pre-position around the country to be ready
9 to respond to severe storms and that are located in and
10 around some of the major ports to be responsive to
11 those period obstructions that emerge on a routine
12 basis.

13 The other aspect of environmental intelligence
14 that we're involved in is the question of optimizing
15 loads. If you're bringing a large vessel past the sea
16 buoy into a harbor, you've got to be able to load as
17 much as you can for the draught that you have in the
18 channel, and really how deep -- how deep the water
19 actually is in that alleged 50-foot channel right now
20 depends on wind and tide and current right now, right
21 there, not at some notional place 20 miles up the coast
22 where the last tide gauge was.

23 So NOAA is responsible and maintains the water
24 level sensors, the real-time tide and current gauges
25 that are installed around many ports so that captains,

1 skippers, can have real-time information on the bridge.

2 Again, a public/private partnership to fold that
3 information into usable formats and displays so you can
4 know right now how much water is under my keel.

5 And the second component, of course, if you're
6 going under bridges in the Baltimore--the Chesapeake
7 Bay port complex is a good example--you can -- it's not
8 hard to come into the Norfolk-Hampton Roads area. If
9 you've got a major cargo to get up to Baltimore, you've
10 got a couple, few more obstacles--notoriously the Bay
11 Bridge--so you care about water below the keel and you
12 also care about air gap above your highest piece of
13 super-structure, and that, too, wants to be real-time
14 and that, too, wants to be very precise.

15 So air gap sensors on a number of bridges to
16 provide the real-time flow of environmental information
17 to the skipper and the pilot so that you can be sure
18 you've loaded properly, you will clear properly, and
19 you can maximize your return.

20 We play similar roles on a number of rivers,
21 major navigable rivers in the United States, notably
22 the Mississippi River, and our hydrologists were very
23 much involved and imbedded with both the state
24 emergency managers and Army Corps of Engineers when we
25 went through last year's real challenges.

1 One moment between St. Louis and -- you had
2 the channel closed because you've got such low water
3 levels you can't pass goods, and then about three
4 months later you're back in full spring flood and
5 you're closing the channel for the opposite reason, and
6 having to clear hazards and obstructions.

7 So that's a quick brush on a very light dip
8 through several of the places and several of the ways
9 in which our environmental intelligence is pertinent to
10 the worlds that you all live in, and beyond just giving
11 you that broad brush to familiarize you, the point I
12 would like to make is that this is how we are oriented
13 towards our work. This is about us. This is about
14 science moving to decision, science really informing
15 and enabling better, smarter, wiser, more efficient
16 decisions in multiple sectors of the economy. That's a
17 strong, dominant element of what motivates us day to
18 day.

19 We are 12,000 people, 12,000 Feds, about
20 another 6,000 contractors, located all across the
21 country in laboratories and field stations, co-located
22 with captains of the port imbedded in state and county
23 emergency operations facilities when need be, imbedded
24 out in the field with fire teams when we've got major
25 wildfires happening.

1 So, it very much is at the point of service
2 and then driving the science and the integration back
3 so that we're delivering, again, timely, actionable,
4 reliable, useful to you in the decision-making
5 framework that you're operating in. So, a quick
6 overview.

7 CHAIRMAN BLASGEN: Questions?

8 DR. SULLIVAN: Yes?

9 MR. KUNZ: Is there a move to go from the
10 printed maritime chart to only electronics? The reason
11 for the question is, we have been approached by
12 numerous vessel owners who said that they have
13 difficulty getting updated charts.

14 DR. SULLIVAN: Getting updated paper charts?

15 MR. KUNZ: Yes.

16 DR. SULLIVAN: So I'll take your card and
17 follow up with you and be sure I don't misstate
18 something off the cuff here. All of our chart data is
19 available print-on-demand, so our own NOAA ships, for
20 example, now just pull down what they need, print on
21 demand, right off the real-time updated server. So
22 that is certainly one avenue.

23 And then there are various subscription and
24 commercial packagers that take all of the updates, and
25 they're stratified updates by degree of criticality,

1 and push those out. So we'd be happy to -- I'd be
2 happy to connect you directly to our mapping and nav
3 manager and make sure that if there's any other wrinkle
4 there that I'm not conversant with, that we can help
5 you sort that out.

6 MR. KUNZ: Thank you.

7 DR. SULLIVAN: Yes.

8 MR. GADDIS: First, I'd like to -- you just
9 said that--and I know this--you can pretty well
10 forecast where the water is going to and that there's
11 not a shortage, but it's where it is.

12 DR. SULLIVAN: Well, some places there's a
13 shortage, some places there's an overage. The
14 challenge Mother Nature throws at us, is she's going to
15 decide which curve ball to throw at us.

16 MR. GADDIS: So my question is, one of the
17 things we're looking at, we call it Smart Water.

18 DR. SULLIVAN: Uh-huh.

19 MR. GADDIS: You know, we have transportation
20 corridors, we have transmission corridors. One of the
21 things we're looking at is, why don't we lay lines,
22 water lines, when we're laying transmission corridors
23 and so on? Can you help us in that area? How would
24 you -- you know --

25 DR. SULLIVAN: So, I'd be glad to. I think we

1 probably can. We don't do -- you know, draught is a
2 multi-pronged problem that touches a lot of things, so
3 the Federal engagement and the Federal support for
4 water-related issues is a nexus between several
5 agencies and departments that have come together in --
6 I mean, we know we need to get our act together and try
7 to not be so vulcanized and quite so hard to figure out
8 from the outside.

9 So there are two entities. One is the
10 National Integrated -- NIDIS, the National Integrated
11 Draught Information System. That does center on
12 draught and its severity and distribution and
13 intensity. The other is a little more, an integrated
14 water resources consortium among the U.S. Geological
15 Survey, which operates a number of the stream gauges in
16 the United States, NOAA, which has the volumetric rain
17 gauge basically of our weather forecast enterprise, and
18 also obviously the rest of the Department of Interior,
19 Department of Agriculture. So, we're trying to fuse
20 water resource information through there. With respect
21 to siting, permitting, and water management stuff, as
22 you know, that is more a state and local jurisdiction
23 and ownership issue.

24 MR. GADDIS: Right.

25 DR. SULLIVAN: But I'd be happy to make sure

1 we get you connected with IRS and with NIDIS just to
2 see if there's more, or a more usable source of
3 information in either of those two places than you have
4 found so far.

5 MR. LONG: I have a question.

6 DR. SULLIVAN: Yes?

7 MR. LONG: There's been a great deal of
8 interest in the effects -- of the broadening and
9 widening of the Panama Canal and the increased depth,
10 the dredging issues.

11 DR. SULLIVAN: Uh-huh.

12 MR. LONG: Can you say a few words about how
13 you work with with the Corps of Engineers on that
14 larger --

15 DR. SULLIVAN: We -- on the permitting,
16 dredging and hard port side development?

17 MR. LONG: Yes. Pretty much ports and making
18 sure -- you know, there's a lot of competition for
19 money to be the one that gets the --

20 DR. SULLIVAN: Yes. Yeah. Yeah. We don't --
21 we are not involved directly in infrastructure
22 financing for those major capital kinds of -- kinds of
23 investments. We do -- we do get involved with our
24 National Marine Fisheries Service with our National
25 Ocean Service hats on because we do have this -- we

1 have a somewhat -- I'm sorry, I'm wandering here.

2 In addition to the environmental intelligence
3 dimension that I've spoken primarily about, we do have
4 some regulatory mandates and we do have some
5 responsibilities under the Endangered Species Act and
6 several other laws that give us an obligation to do an
7 assessment about habitat and other impacts for coastal
8 and maritime siting projects such as that. So we would
9 be involved in a consultative role on a permit or an
10 application that was going to the Corps.

11 We would have no -- we would exercise no
12 judgment or determination over the construction or the
13 sort of capital and financing aspects, but we would be
14 charged with assessing bottom habitat or potential
15 navigational issues and just advising them on the
16 permit.

17 MR. DARBEAU: Dr. Sullivan, Wayne Darbeau, CEO
18 of the Port of San Diego. I have a two-parter, if I
19 can, please. The first part is, what is your agency's
20 position on global warming? The other one is a
21 statement to thank you -- something --

22 DR. SULLIVAN: We're the data guys, so our
23 position on global warming is really very simple: the
24 data show unequivocally the planet is warming. I mean,
25 you just -- planting zones are moving, we just today in

1 fact are putting out an update to the statistics.
2 These are the statistics of things actually measured,
3 you know, by calibrated and validated sensors in the
4 field.

5 I don't have the numbers off the top of my
6 head, but January was like the 347th consecutive month
7 where the global average temperatures are warmer than
8 they were before, and warmer than the averages. It's
9 like the 13th successive January that's warmer than the
10 preceding January.

11 So it's -- the planet is warming. When you
12 warm the atmosphere, it holds more moisture and more
13 water vapor. That means it's a more energetic
14 atmosphere. If you just go back to the fundamental
15 physics, the physics of thermal transport in an
16 atmosphere on a rotating sphere, any rotating sphere,
17 the thing -- the pattern changes that we are seeing are
18 consistent with those fundamental physics.

19 These are not modern-day physics invented by
20 Al Gore, these are the physics of fluids on a rotating
21 sphere that were worked out about a century ago. So
22 that's where we are. The patterns include things like
23 changes in snow and ice coverage. With respect to rain
24 and weather patterns, the physics say that what we
25 should expect are more extremes, greater frequency and

1 greater intensity of extreme events, fewer events sort
2 of running around the muddy middle.

3 We are seeing increased daytime temperatures,
4 and significantly a pretty consistent--and earth is a
5 patchy place, so if it doesn't happen all the same
6 everywhere that's not because the science is wrong,
7 it's because the earth is a patchy place--increasing
8 warmer overnight lows. Two important points about
9 warmer seasons and warmer oversight lows. You know,
10 the best pest control system we have on this planet is
11 called winter.

12 (Laughter)

13 DR. SULLIVAN: And as winter gets both shorter
14 and longer, we're going to have a wildly changing
15 spectrum of pest control issues that are going to
16 affect agricultural and quite likely affect human
17 health because we'll see very different disease vectors
18 than we're used to dealing with. So our whole public
19 health and disease surveillance system is going to
20 figure that out.

21 And secondly, directly on human health, no one
22 likes the super-duper really crazy hot days, but if it
23 doesn't cool off a certain amount at night the heat
24 stress compounds day to day. You have a much more
25 severe and much more -- much more severe consequence on

1 human health and quite rapid increases in morbidity and
2 mortality. So these are the kinds of shifts that we're
3 seeing in the patterns and distributions of rain.

4 Rain storms -- I live in Ohio. Ohio has been
5 great. It's a great swimming state because it's got
6 these nice, long, even seasons. Anyone who lives in
7 Ohio will complain about the weather and tell you it's
8 always grey and it rains too much, but soybeans like
9 that. Nice little bits of rain all the time, like the
10 great gardener that waters the garden every day.

11 Ohio is turning into the terrible gardener who
12 has been on travel for four weeks at a time and comes
13 home feeling so guilty, they just flood the ground with
14 a lot of water. Then they go away for another month
15 and they don't provide any. So, it's just wreaking
16 havoc with the soy production in Ohio. So we're seeing
17 that. It's -- that's a fact.

18 The tricky question, and the politicized
19 question, is who's doing this? Is the planet that's
20 doing it? God is doing it? I'm doing it, you're doing
21 it, we're doing it? Who's doing this? Given that,
22 what should people do about the causes if they're
23 anthropogenic inputs? Again, the science -- the best
24 science available is quite clear. We've got the global
25 models that we have, which are basically the same

1 models that the weather forecasts.

2 If you have them project backwards and say,
3 can you account for what the climate has been and the
4 record that we see, the models will say, yes, they can
5 do that quite well. These are good. So start about
6 1950. Can you project forward, and how well can you
7 match what we've actually measured? The projections of
8 the trends we are seeing cannot be matched with just
9 the dynamics that we understand of the natural
10 variability alone.

11 To match the pattern changes and data we
12 actually are seeing, you have to put your thumb on the
13 scale, put a human thumb on the scale with the burden
14 of added carbon. So, that's the science. The science
15 doesn't answer the policy question, but that's the
16 science and it really is quite clear.

17 MR. DARBEAU: Thank you very much. I have
18 also good news for you as the head of NOAA.

19 DR. SULLIVAN: Yes?

20 MR. DARBEAU: The Port of San Diego finished
21 Crosby Pier. It's a multi-million dollar improvement
22 we did to hold the Reuben Lasker, your newest high-tech
23 vessel.

24 DR. SULLIVAN: Yes.

25 MR. DARBEAU: Built in Wisconsin, and on sea

1 trials right now and will come to us.

2 DR. SULLIVAN: That's right.

3 MR. DARBEAU: So we're very happy to have won
4 that competition and to be a home port for a very --
5 named after a very famous professor.

6 DR. SULLIVAN: That's right. And I am trying
7 mightily to make my calendar behave so I can be there
8 when she arrives. Unfortunately, right now it looks
9 like I'm going to fail, but I'm trying.

10 MR. DARBEAU: Yes. I think they say it's late
11 spring, so we'll see what --

12 DR. SULLIVAN: Yes. Yeah.

13 MR. DARBEAU: Yeah.

14 MR. BARONE: So just out of northeast, New
15 York to Chicago, the worst winter, you know, ever.
16 Maybe not ever, but certainly a bad winter. So what do
17 you see the next two or three years? Is that the
18 pattern?

19 (Laughter)

20 DR. SULLIVAN: You are already forgetting the
21 part I said about the limits of predictability.

22 (Laughter)

23 DR. SULLIVAN: So one thing that -- this
24 really is right at the edge of current science. One
25 reason that is, is because the normal shape of the jet

1 stream, the normal track that -- normal. The track
2 we're accustomed to seeing winter storms take in the
3 last 5 or 10 years of our experience has been shifted
4 by changes in the jet stream.

5 So we saw -- I traveled with friends to the
6 north of Norway over Christmas and New Year's where
7 it's supposed to be arctic Norway cold, and it was, you
8 know, 40 degrees and every little storm in a row was
9 coming right up over our heads. California is supposed
10 to be getting lovely storms and rain that fill the snow
11 pack and the reservoirs right now, and the atmospheric
12 pattern is shifting them all away from California.

13 The cutting edge of science right now, and
14 field measurements, is trying to understand some
15 initiative evidence that suggests the speed with which
16 the ice coverage in the arctic has changed may be
17 driving these shifts in the jet stream pattern.

18 If that is so, as ice loss continues, is it
19 going to lock in a quite different pattern for a very
20 long time? We just don't know that well enough yet to
21 be able to include it in models and make forecasts of
22 that long range. That's right where some of the key
23 research is happening.

24 So we have some of our researchers and
25 unmanned aerial vehicles--and manned vehicles, frankly-

1 -right now out in the Pacific, making measurements in
2 the upper atmosphere. They're literally our sort of
3 rivers of water that, you know, flow in, the sub-
4 tropical jet stream off the Pacific. Californians call
5 it the Pineapple Express. It usually comes sweeping on
6 up in and makes everything lovely and wet, and it ain't
7 happening this year.

8 So we're out there right now trying to
9 understand what's happening with those normal water
10 flows and this ridge of high pressure that's sending
11 them the wrong way, and feed that back into the rest of
12 the research about the inter-connections between the
13 ice caps and the mid-latitudes.

14 Fran?

15 MS. INMAN: Kathy, this morning we had a long
16 discussion about single window and, you know, 47
17 agencies, and, you know, trying to really get a
18 platform that works. And so when we listen to you we're
19 envious in terms of, you're data central. So it would
20 be fascinating to have you take a look, because of
21 partners in the supply chain, we make better decisions
22 based on good information as well. Our policy folks do,
23 likewise.

24 So it would be fascinating for you to look at
25 the President's executive order and then the

1 recommendation of this committee and where we thought
2 some of our warning signs might be, we were nervous
3 about, you know, how's it going to get done, who's
4 going to manage it, the funding, and just see through
5 your lenses of really having a very robust system
6 there, it would be fun to get your perspective on that.

7 DR. SULLIVAN: Thanks. I'll ask my ITA
8 colleagues and -- the Secretary has asked Mark Doms,
9 who runs the Economics Statistics Agency, to be the
10 czar of the data thrust within our strategic plan. So
11 maybe we'll cross-deck with Mark as well and see if
12 some of what we're doing under that data initiative is
13 probably a longer term played more substantially around
14 architectures and analytics. Maybe there's a niche for
15 the single window effort to serve as a catalyst on sort
16 of shorter term fusion and interoperability.

17 MR. LONG: There are opportunities for that
18 and structures created here to support the
19 implementation of it, so there will be plenty of
20 opportunities.

21 DR. SULLIVAN: Great. Thank you.

22 MS. CHROMEY: So I kind of want to follow up
23 on the question before about the global warming. More
24 importantly, one of the things, again, from DOT's
25 perspective, we have the national freight policy,

1 national freight strategic end, and as it relates back
2 to this group we wanted to think about resilience of
3 our transportation system.

4 DR. SULLIVAN: Right.

5 MS. CHROMEY: Based on everything you gave us,
6 I think it would be beneficial because typically we
7 think of resilience from a security aspect. Now EMS --

8 DR. SULLIVAN: Right. Right.

9 MS. CHROMEY: -- into play. But then again,
10 talk about the draughts and everything. How could, you
11 know, from either the supply chain perspective or from
12 a DOT infrastructure network perspective, how do we
13 plan based on this lack of, you know, guarantee of what
14 the new comments could potentially be?

15 DR. SULLIVAN: There are no guarantees, so
16 really this is just another -- it's basically another
17 set of hedging questions, right, which risks known,
18 with what reliability, warrant a hedge on a hedging
19 strategy. We are tied in with you all through the
20 Inter-agency Committee on Marine Transportation.

21 I mean, we will gladly tie in and try to play
22 with our sister agencies anywhere where it's apparent,
23 and we would like this, that if there's a driver from
24 the transportation infrastructure and transportation
25 flow point of view, if there's a driver that should be

1 informing or helping accelerate the science and the
2 advancement of our predictive capabilities, you know,
3 we want to know that driver. We want to be able to
4 make that argument on behalf of moving forward.

5 What we clearly don't need to do in the
6 Federal arena, and sometimes it happens but sometimes
7 we're pretty good at not doing this, is we have a
8 National Weather Service. If it's not providing all it
9 could or should do for the transportation
10 infrastructure, we need to give it the capacity to do
11 that rather than starting new silos in other places.
12 So there are several fora that we can work in
13 collaboratively to make sure that we've got the agendas
14 working and interwoven in the right kind of ways.

15 Resilience in the hallmark. It's a terrible
16 public word, by the way, but it actually is exactly the
17 right word because foresight helps, but what you really
18 want to do is be able to sort of take the blow and
19 rebound a little bit and get, you know, back into synch
20 as readily as possible not be brittle, not be
21 shattered, not be destroyed. That's all about being
22 resilient.

23 It's not just physical, it's got a lot of
24 different dimensions on all levels and on all spheres.

25 That will be a key focus of my tenure as administrator

1 because I think it's a through-going theme we need to
2 work on. We have a particular focus on it in the
3 coastal zones because of the concentration of GDP and
4 population in U.S. coastal zones.

5 And I'm getting the evil eye that I've over-
6 stayed my welcome with you.

7 (Laughter)

8 MR. LONG: Certainly not!

9 (Applause)

10 (Whereupon, at 1:52 p.m. the meeting was
11 recessed.)

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AFTER RECESS

[1:59 p.m.]

MR. LONG: Okay. We are in the home stretch here. We're going to try to knock this out and recover some of the time. We've got three more things to do here. We'll do a quick review of the Finance Committee's work, then we'll turn to the Regulatory group, then we'll start the new issues discussion.

Geri Word is here from our North America office, so we'll proceed with that.

Take it, Mike.

1 **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**

2 **(continued)**

3 **FINANCE SUBCOMMITTEE**

4 Mike Steenhoek, Chair

5
6 MR. STEENHOEK: I don't know if there's -- I
7 loaded a couple of slides that were loaded onto the
8 projector, if somebody could bring those up.

9 (Showing of slides)

10 MR. STEENHOEK: The Finance Committee, we've
11 met via conference call on a number of occasions,
12 subsequent to the last meeting. You know, like with
13 all of your subcommittees, the task is quite vast to,
14 number one, define the playing field. What are the
15 things that we need to consider? Within transportation
16 financing space, that can be quite enormous. Every
17 single one of them is quite contentious.

18 So we feel like we've done a very good job of
19 defining that playing field that we need to consider,
20 and then what we've done over the last, well, couple
21 months, but especially the last month, is really
22 determining, okay, what are those concepts that the
23 Finance Subcommittee tends to coalesce around?

24 Now, what this is not, is our formal set of
25 recommendations to the full committee. What this is,

1 is a group of concepts. And as you'll see--there's
2 multiple slides--there are more concepts that we
3 actually have the appetite to forward on to the full
4 committee right now.

5 So what this is, is here are the concepts that
6 the Finance Committee members have kind of coalesced
7 behind. The next steps are to prune those down
8 further, and then also a part of that discussion, and
9 this needs to be -- it's going to require some finesse
10 to do this, the easy thing to do is just to list all
11 these concepts and then just take votes and say 8 out
12 of 10 people supported this, so therefore that's number
13 one, and 7 out of 10 supported this, so therefore it's
14 number two. That would be the easy thing to do.

15 What we find when we rank a number of these
16 projects, some of those projects that get more
17 unanimous support are some of those concepts that
18 really, as Lance talks about quite a bit, doesn't
19 produce a lot of yield. We also want to rank them based
20 on, you know, what's the potential for this to actually
21 produce a game change and really enhance our
22 transportation system?

23 We broke up these concepts into four
24 categories. The first, is current revenue collection
25 mechanisms, how can you address and enhance those? The

1 second one is current revenue distribution mechanisms.

2 The third one, is alternative collection mechanisms.

3 The fourth, is alternative distribution mechanisms.

4 Some financing mechanisms generate money, some

5 financing mechanisms simply spread out the money.

6 There's room for improvement in all of those areas.

7 I'm not going to go through every single one
8 of these, but I'll just highlight some of the concepts
9 that tend to get more general support. By the way,
10 these that are on the board don't have unanimous
11 support, even within a subcommittee.

12 We're struggling with -- you know, you might
13 have six or seven, or out of people who say I strongly
14 endorse this, and then there's one person who says I
15 strongly oppose it. So then what do you do with that?

16 So these are just the concepts that we've gotten a
17 real lion's share of support for.

18 Of course, we talk a lot about restoring the
19 purchasing power of the gas and diesel tax, an 8.5 cent
20 increase, and then indexing both to inflation got very
21 strong support. You are all acquainted with that.
22 Regarding the Harbor Maintenance Trust Fund, you know,
23 there's kind of two schools of thought.

24 There is unanimous support for the fact that
25 we need to make sure that the money generated via the

1 Harbor Maintenance Tax, which is, for those of you who
2 aren't acquainted, it's a tax on the value of imports
3 coming into the United States to be used for harbor
4 maintenance activities. There is unanimous support
5 that 100 percent of that money generated by that tax
6 should be used for the purposes of harbor maintenance
7 activities.

8 Currently, about half of that, of the money
9 generated by that tax, is actually used for anything
10 related to a port, even more so anything related to
11 transportation. So it gets siphoned off for unrelated
12 activities. I think I've mentioned this before.

13 You would think -- there's no such thing as a
14 no-brainer when it comes to the U.S. Congress, but
15 you'd think the closest you could come to a no-brainer
16 is to say, let's have -- tell you what, let's have 100
17 percent of the money generated by this tax used for the
18 purposes expressed in law. You would think that would
19 be a no-brainer, but even then we don't -- that's not
20 our reality.

21 But where there is some differing opinion
22 within our subcommittee, but also with -- you know, I'm
23 sure we will find this in the broader, full committee,
24 is do you -- there's agreement that we should have it
25 all devoted to harbor maintenance activities, but what

1 are the specific activities that are qualifying
2 expenditures?

3 Is it only for maintenance at these particular
4 port areas or do you expand it to incorporate some of
5 the ports, you know, most notably those on the West
6 Coast that are naturally deep and don't require some of
7 those dredging activities?

8 But yet, those are the ports that really are
9 the contributors just due to the volume and the value
10 that comes into those ports for supplying a lot of the
11 revenue that goes into the Harbor Maintenance Trust
12 Fund, generated by the Harbor Maintenance Tax.

13 So there's two lines out there related to the
14 Harbor Maintenance Trust Fund. Just reflecting that
15 there's kind of some difference of opinion even within
16 our subcommittee about, to what extent do you expand
17 the definition of those qualifying expenditures?

18 Indexing the Inland Waterways Tax to inflation
19 to match the current diesel tax rate. This is
20 something that certainly applies to the surface
21 transportation system that you have -- you know, one of
22 the -- in simple terms, one of the major problems with
23 the way that we finance our surface transportation
24 system and applies to the inland waterways system is
25 that you have a static source of revenue, an X many

1 cent-per-gallon tax, trying to meet the needs of an
2 escalating and variable cost.

3 So it may be an unintended consequence that
4 you have funding gaps, but it is an unavoidable
5 consequence that you're going to have funding gaps when
6 you structure your financing mechanism that way.

7 (Changing of slides)

8 MR. STEENHOEK: Shifting to the next slide,
9 current revenue distribution mechanisms. I should say
10 anyone -- you know, Lance, Leslie, Wayne, you know,
11 Ricky, any of the other -- you know, Bill, any other
12 comments before we transition to the current revenue
13 distribution mechanisms?

14 MS. BLAKEY: Go back.

15 (Changing of slides)

16 MS. BLAKEY: I have one comment. That is, we
17 really didn't discuss the exact figure of an 8.5-cent
18 increase. We -- that just was, you know, a spaghetti-
19 thrown-against-the-wall kind of thing. I know that
20 there has been some justification in certain studies
21 for that, but there's also justification for a 50-cent
22 increase, you know. So I think that we don't want to
23 get hung up on details at this point in time.

24 Some increase, and that's with the number of
25 -- kind of arbitrarily that we picked. So I just

1 wanted to make that point in case anybody started
2 taking issue with the exact, you know, question of how
3 much the gas tax needs to be increased in order to
4 accommodate even current maintenance and support the
5 current activities of the Highway Trust Fund, so
6 because there's a big range that goes beyond that to
7 get substantial improvement into the transportation
8 system.

9 You covered the Harbor Maintenance Fund issue,
10 I think, pretty well, except on the expansion of
11 activities, again, another place where there is a huge
12 range, and I think we haven't had a full and complete
13 discussion of that.

14 I mean, since the Harbor Maintenance Fund
15 currently can only be used for not even just waterside
16 activities, channel maintenance only--maintenance, not
17 improvement. Not -- you know, not correction of bad
18 way-cut channels, maintenance only.

19 So even in the issue of whether you expand
20 beyond the water, there is a lot of controversy over,
21 you know, how tightly that definition of qualifying
22 activity is that should be moved there. So those were
23 my only comments. But we have a lot of -- just to
24 illustrate, we have a lot of internal work to do before
25 we come back to this group with real recommendations

1 here.

2 MR. STEENHOEK: Next -- oh, Bill, please.

3 BILL: Just two cents on it, because we do
4 have more discussions. I think the addition of the
5 Port of Houston to the discussion -- West Coast needs,
6 but we haven't really addressed the rest of the
7 country. We've got some AAJ language to dance with in
8 terms of dealing with this issue nationwide, not just
9 regionally, and how they -- as well, so I think that --
10 language they're looking at and I'll submit -- to talk
11 about.

12 MR. STEENHOEK: Sure.

13 MS. INMAN: With the push to alternative
14 fueled vehicles, did you put anything in terms of an
15 infrastructure mechanism for a funding source?

16 MR. STEENHOEK: Well, yes. One of the
17 concepts, and it will be when we go up to the
18 alternative revenue collection or generating
19 mechanisms, is the prospect of vehicle miles traveled,
20 which would capture some of that. Now, I mean, there's
21 -- even with the members of our subcommittee, strongly
22 oppose, moderately oppose, strongly endorse. That's
23 just the subcommittee. So, you know, I have mentioned
24 this before.

25 The prospect of getting consensus on some of

1 these issues before this full committee is just --
2 unless you want to have a bunch of recommendations that
3 are the equivalent of, apple pie is delicious, you're
4 really not going to have -- you're really not going to
5 have -- and so it rarely -- we're just realizing that,
6 hey, we're going to make allowance.

7 If you disagree with us, you know, the fact
8 that we're forwarding these recommendations, that
9 doesn't mean that you endorse it. We're going to make
10 allowance for that. But, you know, it's our ambition
11 to do something with some -- with some substance to it.

12 You had a question? Yeah?

13 MR. GABRIELSON: One thought would be,
14 especially on the Harbor Maintenance Tax front, as
15 you're going through and looking at making
16 recommendations beyond the current use, are you
17 interested in getting insights from the people who
18 actually pay those bills? I mean, by the shippers?
19 We're the ones paying the bills, right?

20 MR. STEENHOEK: Sure.

21 MR. GABRIELSON: And so, you know, when they
22 oftentimes hear the West Coast doesn't get their fair
23 share of the monies--and I would agree that the fund
24 has got lots of issues--we're the ones paying the
25 bills.

1 MR. STEENHOEK: Yeah.

2 MR. GABRIELSON: And I think I would agree
3 that there are changes that need to be made to it, but
4 I would also think that it would be good, wise, to go
5 through and gather some input from the different
6 associations, whether it be RILA, whether it be NRF,
7 whether it be, you know, other folks that are paying
8 it. And you're not going to gain consensus, but I do
9 think it would be good to go through and get at least a
10 little bit of a directional view on what others think
11 about where the money should go.

12 MR. STEENHOEK: Uh-huh. Right. Well, it
13 certainly would be welcome, to answer your question.

14 MR. DARBEAU: I think that's a really good
15 point, because we have heard from the ports. Just one
16 quick West Coast ports' perspective on the Harbor
17 Maintenance Tax is that the L.A. and Long Beach ports
18 primarily are the main drivers of the bulk of that
19 revenue, right? You think about it.

20 The way to look at it, the East Coast ports,
21 particularly those that have a -- charter port system -
22 - California is totally decentralized. The government
23 has very little to say about the port system. The tax
24 is used -- there's truly an equity issue.

25 So it would be wonderful to hear the shipper's

1 perspective, the folks' perspective, but also to hear
2 and at some point examine the inequity, because that
3 inequity could literally, over time, make -- give an
4 unfair advantage to East Coast ports over West Coast
5 ports if you don't have a more level playing field with
6 regards to how that tax is applied.

7 So that's the critical issue for California
8 ports, I can tell you that right now. That is their
9 concern. Sandra Boxer is fully aware of that, she's
10 immersed in that particular issue. We're working it
11 with AAPA to keep it more with -- let the industry try
12 and figure it out and have Congress sort this through.

13 But that's the basic California issue with the tax.

14 BILL: And AAPA -- issue -- so that's the
15 place to go.

16 MR. DARBEAU: Yes.

17 BILL: One other thing -- this committee,
18 talking about Congress, we're advising the Department
19 of Commerce, which is advising the administration. The
20 administration puts the budget out in the first place.

21 If they want to put the Harbor Maintenance Tax -- that
22 game.

23 MR. BARONE: Actually, there's a factual
24 question that I'd like to ask you. Who decides how
25 that money is spent now? I mean, who does that?

1 MS. BLAKEY: Congress.

2 MS. DiRUGGERIO: I will add this, the Port of
3 L.A. has been working with our Senators to get language
4 changed in the current WIRDA bill, specifically with
5 operations in maintenance. The way that HMT was
6 defined in 1986, the Port of L.A. and Port of Long
7 Beach cannot even access those funds for our typical
8 operations and maintenance needs because the way it's
9 current defined, we don't fall into that category.

10 So we've been working to get a definition or
11 expanded uses so we can use it like for berth dredging,
12 -- the water, or pursuit of our maintenance needs that
13 are different than what is currently defined in the
14 agency filing. That is -- the river ports or the lake
15 ports that have constant dredging. Our needs are a
16 little bit different, though we -- between us and Long
17 Beach, we contribute 28 percent of the fund but we get
18 zero back. So that's been an inequity we've been
19 fighting for for a long time.

20 MS. BLAKEY: You know, this is all the
21 conversation that we need to have within the
22 subcommittee before we get into the full committee
23 discussion, and I think that Rick and Marisela, your
24 comments are exactly right, we need to solicit input
25 into that discussion from the affected parties and get

1 a better -- and it isn't just about this one -- this is
2 just one slide out of what -- we've got four slides to
3 go through. I think that we don't want to try to, you
4 know, debate this here at this time, but we do need to
5 be pulling in those views from those kinds of sources.

6 MR. LONG: Yeah. That makes a lot of sense,
7 too. I mean, the natural structure of the place gets to
8 Rick's point about making sure all the users see this.

9 Because it comes out of the subcommittee, the
10 committee basically is shippers and other operators.
11 So I think the point about getting earlier feedback
12 from that group is probably well taken, something to
13 think about.

14 MS. BLAKEY: Just to be clear, we are really
15 only at a point where we've made a catalog. This is a
16 catalog. It's nothing more than that at this point in
17 time. We want to make sure that when we're looking at
18 financing mechanisms, distribution mechanisms,
19 collection mechanisms, funding mechanisms, that we are
20 looking at as full a spectrum as is reasonably possible
21 without, you know, completely inventing something that
22 could only exist on a distant, you know, planet or
23 something.

24 MR. LONG: This is an extremely complicated
25 one, too. It may be the most difficult.

1 MS. BLAKEY: So this is at that point.

2 MR. COOPER: And don't forget that there are
3 politics involved.

4 (Laughter)

5 MR. COOPER: I mean, you guys are talking
6 about tax increases, you know.

7 MS. CHROMEY: I just want to add as well, and
8 Fran can jump in as well, as I mentioned earlier, the
9 National Freight Advisory Committee did put together a
10 resolution on this. And again, I think, you know, they
11 were very deliberate in not getting down into the weeds
12 and, you know, getting -- subcommittee that put this
13 forward, and it basically covers bullets two and three.

14 That resolution did go over to Congress. It
15 went to the committees that were talking about it. And
16 maybe, Fran, you can explain why you did it the way you
17 guys did it rather than just getting into the details,
18 which is the questions you're asking, is the how.

19 MS. INMAN: Tretha, I think we only have the
20 first portion. The real message was, use the Harbor
21 Maintenance Tax for what it was for.

22 MS. CHROMEY: What it was intended for.

23 MS. INMAN: And if you collect it, put it to
24 those uses and don't squirrel it away somewhere else.
25 So we didn't want to get into the debate because APA

1 doesn't agree, and we had members on different perches
2 of opinion there, too.

3 But I think the big message we were trying to
4 put forward, knowing that at some point somebody is
5 going to have to have some kind of a funding
6 discussion, was whatever we come up with, use it for
7 what it's intended for. The last thing we want is to
8 be collecting higher diesel taxes and using it to build
9 zoos, and whatever.

10 MR. LONG: Selling that may be the -- that may
11 be the good interim solution for this, is to tee up
12 something that gets at the idea of using it for what it
13 was intended.

14 MR. STEENHOEK: So in short, once we solve the
15 Harbor Maintenance Tax issue, I'm going to move on to
16 simpler things like solving the Syrian conflict.

17 (Laughter)

18 MR. STEENHOEK: Next slide.

19 (Changing of slides)

20 MR. STEENHOEK: So this current revenue
21 distribution mechanism, strong support for both TIFIA
22 and TIGER. That was probably as close to unanimous as
23 we can get. You know, strong support about, you know,
24 private activity bonds, you know, although you're
25 starting to get more people who are saying, well, I'm

1 not sure that's really that relevant to me, and lack of
2 opinion, but still quite a bit of support.

3 The two issues addressed to primarily short
4 line railroads, the Railroad Rehabilitation and
5 Improvement Financing Program, which is a -- it's
6 administered by the Federal Railroad Administration and
7 provides loan guarantees for, you know, primarily short
8 line railroads. Class 1s can access it as well, but
9 they've determined it's really not that relevant. It's
10 not really worth tier time, actually.

11 And then the short line tax credit, which is a
12 50-cent tax credit per -- on every dollar that they
13 spend for maintenance and enhancement of their
14 infrastructure, this is an example of one that had, you
15 know, unanimous support, but when you actually ask the
16 question, what would be the ripple effect of something
17 like this, it is going to be more limited. You know,
18 from a volume perspective, short lines don't transport
19 a lot in this country.

20 They accommodate some real strategic
21 movements, either the first initial movement in which
22 it switches with a Class 1 railroad, or the final, say,
23 20-mile journey to the actual port complex, so they
24 play a critical role, but from a total volume
25 perspective it's more limited.

1 (Changing of slides)

2 MR. STEENHOEK: Transitioning to the next
3 slide, alternative revenue collection mechanisms, so
4 new ways of generating funding. Direct road user fee.

5 It also talked about a water user fee charge to those
6 using the locks. So it would be kind of like a lockage
7 fee.

8 Right now you have a tax of 20 cents-per-
9 gallon on diesel fuel that barge companies pay that
10 goes into what's called the Inland Waterways Trust
11 Fund, and that's used -- that's matched by the Federal
12 Government, dollar-for-dollar, to be used for new
13 construction and major rehabilitation projects.

14 One of the issues being contemplated is either
15 -- it's either an and/or. Should you have a fee every
16 time you actually go through a lock? Weight distance
17 tax, really taxing vehicles differentially based on the
18 trauma they impose on the road. Any quick comments on
19 that from members of the subcommittee?

20 VOICE: Do we get a credit for vice versa, for
21 trauma to your car caused by the roads?

22 (Laughter)

23 MS. BLAKEY: If you are carrying freight,
24 maybe we could think about it. If you're not, then
25 we're not going to talk about it.

1 MR. GRENZEBACK: Going back to the previous
2 slide real quick, one of the broad things that I think
3 will come out of the Finance Committee -- is that if
4 you look at the distribution of the Highway Trust Fund
5 today, which is the bulk of the gas taxes, it's mostly
6 by formula. Adjusting that formula is the cause of a
7 massive donor/donee food fight that goes on in every
8 reauthorization. It's very tight.

9 MS. BLAKEY: Except that everybody is a donee
10 now, so it doesn't really matter.

11 MR. GRENZEBACK: Right. It doesn't really
12 matter, so that's one theory. But what -- in the
13 previous slide, if you would there --

14 (Changing of slides)

15 MR. GRENZEBACK: -- the thing about TIFIA and
16 TIGER and the budgets of national and regional
17 significance, they're emblematic of a set of approaches
18 that you can use to target freight projects, so they're
19 not -- you know, they are in effect broadly
20 discretionary, they're competitive, but you can
21 actually target freight projects in different
22 locations. If you're thinking about making a supply
23 chain or -- is what's needed.

24 The local states get their share and they can
25 use it as they see fit, but they can't spend it across

1 state boundaries. So one of the themes that comes out
2 of this is that I think is imbedded here -- whereas
3 those particular programs are not -- it's the ability
4 to have some monies that you can move on a national
5 scale or a regional scale and target particular types
6 of freight improvements. It's totally important -- on
7 the specifics.

8 (Changing of slides)

9 MR. STEENHOEK: So moving on to -- okay,
10 alternative revenue distribution mechanisms. So, you
11 know, talking a lot about a competitive grant program
12 for large projects, Leslie, you spent a lot of, you
13 know, energy and resources in these concepts. Anything
14 that you would like to add to those?

15 MS. BLAKEY: No. Well, the -- again, the
16 issue here is ways of -- assuming there is funding set
17 aside for freight in some way or another by Congress,
18 one of the best ways to identify a good use of those
19 funds, competitive grants seem to do a very good job
20 given recent past history of identifying higher
21 priority projects, identifying projects that have a
22 significant, non-federal participation that have the
23 ability to extra be brought to completion as opposed to
24 earmarks that will sit and languish for years without
25 anybody ever putting the shovel in the ground, and so

1 forth and so on.

2 So the competitive grant approach is, whether
3 you're looking at PRNS or whether you're looking at
4 TIGER or something else, seems to be an approach that
5 is gaining a great deal of traction. It was endorsed
6 by the House Transportation Infrastructure Freight
7 Panel when they reported out last fall, and
8 particularly for freight projects it does seem to have
9 a great deal of merit to it.

10 That does not necessarily take care of all of
11 the last-mile connectors, smaller projects that don't
12 rise to the level of needing or being appropriate to
13 compete in a grant process and might need some other
14 type of distribution mechanism for them, but there is
15 likely a solution somewhere that would be a combination
16 of approaches.

17 The issue of what we've referred to as the
18 Federal Freight Trust Fund, it's simply sort of code
19 for saying a dedicated funding for freight that does
20 not mix up freight funding with transit, with highway
21 safety, with road beautification, you know, with
22 various other types of priorities and allows for money
23 generated for freight projects to be committed to
24 freight projects through separation of -- of the
25 transportation funding.

1 And then the idea of looking for, again,
2 leveraging Federal dollars with private capital, some
3 of the infrastructure proposals and, you know, on the
4 loan programs that would work together with some other
5 Federal funding source, those are some of the things
6 that we're looking at.

7 MR. STEENHOEK: All right. So, next slide.

8 (Changing of slides)

9 MR. STEENHOEK: These are a couple that -- you
10 know, the first one, this tax credit to be applied to
11 new investments in rail infrastructure by railroads,
12 and shippers could avail themselves of this as well,
13 that if they wanted to build -- if they wanted to
14 upgrade their facility so they can handle, you know,
15 these larger configurations of trains, 110 cars, they
16 would be -- they would therefore need to lay
17 infrastructure to be able to do that, they would
18 qualify for an investment tax credit.

19 The railroads -- the Association of American
20 Railroads, strongly promoted this a few years ago, but
21 after the 2010 mid-term election they decided, while
22 they still support the concept, they decided that
23 practically they would not promote it, given the fact
24 that the 2010 mid-term was kind of an indictment on the
25 concept of earmarks and using -- making changes to the

1 Tax Code to benefit specific industries. They still
2 think it's a great idea, but they're -- you're not
3 hearing the AAR--Association of American Railroads--
4 really promote it.

5 So they're really not carrying the water on
6 this, but this is a concept that, you know, at least me
7 speaking, I think has a lot of merit to it and we're
8 really seeing right now this really is impacting
9 agriculture, but it's certainly impacting other
10 industries as well with the rapid increase in the
11 transportation -- the rail transportation of energy
12 products and crude oil.

13 North Dakota is ground zero for that, but the
14 ripple effect of that is really quite sizeable. And
15 who would have thought five, even three, years ago that
16 we would have had this dramatic increase of oil
17 exploration and generation and harvesting in this
18 country that we're witnessing right now, and the
19 prospects are quite dramatic looking into the future.

20 So the -- what's imposing some real hardship
21 on a number of industries, including agriculture but a
22 number of industries, is having quality access to the
23 freight rail system in some of these -- you know, some
24 of the western parts of the United States.

25 And so the concern is, you don't have to have

1 much of a crystal ball to envision that we're going to
2 be playing catch-up for a pretty foreseeable time of,
3 what's our rail investment need and what are the
4 railroads actually providing?

5 This is by no means an indictment on the
6 freight rail sector because if I were a rail executive,
7 given the fact that the repayment -- the return on
8 investment for new infrastructure is -- I mean, you get
9 10, 15 years a lot, you're not going to make those
10 investments on a hunch, you're going to make them based
11 on, is there some sustainability to this. So, yes,
12 they were kind of caught behind the eight ball, a
13 little bit.

14 I could -- if I were an executive with the
15 railroads I would have done the same thing, but I think
16 a good question is, what are the opportunities to
17 embolden or accelerate the deployment of new
18 infrastructure in this country, rail infrastructure in
19 this country, in a way that doesn't result in waste?
20 That's one of those concepts, I think, that has that
21 prospect.

22 MR. WATTERS: So are you -- I guess a question
23 or comment here. I think, if I'm not mistaken, the
24 last couple of years have been like huge, record-
25 setting profit years for the railroads, right?

1 MR. STEENHOEK: Yes.

2 MR. WATTERS: So if they kind of were inclined
3 toward investing in infrastructure to further their
4 future, you'd think they'd kind of be doing that
5 already with some of their record profits.

6 But the other question was, but just literally
7 how it's set here, if I'm BNSF--and I'm not, and I
8 don't think Dean is here, right?

9 MR. STEENHOEK: No.

10 MR. WATTERS: But if I get a 25 percent tax
11 credit to pump up infrastructure and they're busy
12 opening new stations and putting infrastructure in
13 place because the coal and oil has grown so big for
14 them, wouldn't they be inclined to take this tax credit
15 and use it to put more coal and PECO facilities in
16 place, and that wouldn't necessarily benefit what
17 you're looking for on the other -- piece and all that
18 kind of good stuff?

19 MS. BLAKEY: If you don't mind me jumping in
20 on that question, because I think this is a really
21 seriously emerging aspect of this, exactly what you're
22 talking about. The question of railroad safety related
23 to crude on rail, a lot of cities -- I know that in
24 particular Chicago, but other cities that have a
25 significant amount of rail traffic through and around

1 them affecting populations in the wake of -- not just
2 Lac-Mégantic, but that's the most horrifying example
3 that comes to mind, but there have been several
4 incidents of crude on rail safety incidents.

5 This whole approach could get hijacked, and
6 not only to say that rail safety isn't important or
7 that that's not an approach that should be supported,
8 but it may wind up as a tax credit for something
9 entirely unrelated to goods moving infrastructure as we
10 are talking about here. It could wind up being a tax
11 credit to pay for, you know, heavied up tank cars.

12 So there is a move afoot to try and force the
13 railroads into that box, and this might be something
14 that that negotiation would essentially take over. So
15 I think we have to be really careful about when we're
16 targeting specific industries here for, you know,
17 essentially hand-outs.

18 MR. GRENZEBACK: I would also point out the
19 interest in the tax credits on the railroads' part, is
20 there was very high interest for the recession when we
21 did the National Infrastructure Study.

22 MS. BLAKEY: Right. Correct.

23 MR. GRENZEBACK: Revenues were down and
24 interest rates were high. That's reversed. The
25 revenues are quite high, interest rates are low, and I

1 think, quite correctly, there's very modest interest on
2 the part of the railroads on this at the moment. In
3 particular, not just management issues, but they're
4 also anxious about the ties that come with it. So
5 there's -- this is -- it may come back for a bunch of
6 other reasons, but I don't think from what I've heard
7 from the railroads that this is a credible financing
8 mechanism for that.

9 MS. BLAKEY: For example, and even if it were
10 politically feasible and that's the major -- a major
11 reason why it might not be, but it would be very
12 unlikely to solve the problems that we are identifying
13 as funding issues for that industry.

14 CHAIRMAN BLASGEN: Just a quick time check,
15 because I want to get to Norm on the regulatory side,
16 and I want to also hold up a little bit of time for
17 next issues or issues that we'd want to talk about. I
18 know you've got a lot of things to talk about in the
19 subcommittee, but --

20 MR. STEENHOEK: That's my last one.

21 CHAIRMAN BLASGEN: Okay.

22 (Changing of slides)

23 MR. STEENHOEK: So just, this is a concept
24 about not only how much money you provide, but how you
25 allocate funding. This is -- there's not a concrete

1 legislative item attached to this, but I think one of
2 the concepts that needs to be more transmitted is, you
3 can appropriate \$500 million for a particular project
4 in scenario A and allocate that money incrementally,
5 but very unpredictably.

6 In scenario B, a \$500 million project, the
7 same price tag, but you're providing guaranteed and
8 predictability to that funding, you are going to get
9 much greater project execution, much less cost
10 overruns, more on-time execution under Option B, not
11 because of more money, but just because you've provided
12 greater certainty of that funding. I think that's a
13 message worth being transmitted as well. That's all
14 I've got.

15 MR. LONG: Thank you.

16 CHAIRMAN BLASGEN: You know, of all the
17 committees, you guys have a lot of detail in this area
18 that still needs to be fleshed out. Do you think
19 you're in a position by May 15th to have any sort of
20 recommendation or is there more work to be done,
21 because these are complex and detailed issues?

22 MR. STEENHOEK: No, I think so. That is
23 certainly my ambition.

24 CHAIRMAN BLASGEN: Great.

25 MR. STEENHOEK: I want to get something to

1 you.

2 CHAIRMAN BLASGEN: Great. Okay. Good. All
3 right.

4 And as David said earlier, Norm has agreed to
5 take on regulatory, a pretty simple task, right?

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1 **SUBCOMMITTEE BUSINESS REPORTS AND COMMITTEE DIALOGUE**

2 **(continued)**

3 **REGULATORY SUBCOMMITTEE**

4 Norman Schenk, Chair

5
6 MR. SCHENK: Well, this might be the shortest
7 report in the history of reports since I've been on the
8 job about two days.

9 With that being said, I think, first, just to
10 acknowledge the work that Ron did from Halliburton,
11 because there has been a lot of good work done, and I
12 know he wasn't able to continue on it. But I think,
13 under his leadership with the group, we got a lot of
14 foundational stuff done. So, I just want to acknowledge
15 that.

16 I don't have any slides here and just was
17 going to touch base on the last slides that were
18 updated, just to kind of refresh everybody on what some
19 of the key things that we're looking at. The first
20 being some of the overlapping and inconsistent
21 regulations and burdens that it puts on business
22 related to that.

23 We're probably not close to a recommendation
24 on that one. The outdated air traffic control
25 technology certainly is a huge issue, and the approach

1 has generally been trying to solve world peace instead
2 of breaking it down into sections on that, so we're
3 continuing to work that one. Certainly the outdated
4 transportation regulation with respect to weight
5 vehicles on that, I think we're close to making a
6 recommendation on that one.

7 One of the big ones for the committee, and Jim
8 can jump in here anytime because I know he's also put a
9 lot of work into this, is the challenge with the
10 workforce training and development and the lack of
11 resources out there. We have actually accumulated
12 quite a bit of information and preliminary
13 recommendations and stuff.

14 So I think we're close to putting something
15 out on that one. Then the last two were on supply
16 chain advocacy and opportunity, more for U.S. imports
17 and business. So we haven't -- we probably don't have
18 a whole lot on that.

19 One of the ones that's not on the slide that
20 we're taking a look at, I know we've got one of our
21 experts over at UPS that has been providing me a lot of
22 information is the -- related to regulations is in the
23 area of alternative fuels, particularly with L&G gas
24 and that one.

25 So we're -- I think a lot of companies here

1 that are in this room and otherwise are trying to do
2 more to be more environmentally friendly on what we're
3 doing, but some of the regulatory burdens and costs
4 associated with getting that equipment out, because
5 it's more expensive up front, certainly has created a
6 challenge.

7 So it's not on the slide from before, but I
8 did want to put that out that that's one of the areas
9 that we're looking for. So Jim and I talked, and
10 again, he can jump in. We're the only two members here
11 today. But I think we're going to be in a position,
12 prior to the May meeting, to get a couple of things
13 together to put out based on the work that was
14 previously done.

15 I have one question. Are we allowed to do
16 anything if there's a proposed notice of rulemaking
17 that's out there right now?

18 MR. LONG: Sure. You can do anything you
19 want.

20 MR. SCHENK: Okay. Okay. Well, I'll go ahead
21 and throw this one out there now. The Consumer Product
22 Safety Commission has a proposal out there that, quite
23 frankly from a supply chain service provider, would be
24 devastating to the overnight business.

25 Rather than get into the whole explanation,

1 instead of a kind of reactive certification for a CPSC,
2 they've come up with this unreasonable program that you
3 have to pre-certify all this stuff, and it would impact
4 potentially 60 to 70 percent of all the import
5 shipments, so it would shut down the overnight
6 business. I'll leave it at that for now, but we'll add
7 that to the list for the next meeting and have a good
8 recap on that.

9 So that's all we have, unless, Jim, you want
10 to -- do you have anything you wanted to add?

11 MR. COOPER: No, you hit it all.

12 MR. SCHENK: Okay.

13 CHAIRMAN BLASGEN: Great, Norman. Thanks for
14 stepping in. We appreciate that.

15 MR. BARONE: Norm, if that's a current
16 rulemaking, are you waiting until May to put together
17 comments on that?

18 MR. SCHENK: I meant, we'll get something
19 before that.

20 MR. BARONE: Oh, oh, oh.

21 MR. SCHENK: Yes.

22 CHAIRMAN BLASGEN: Okay. I want to thank all
23 the committees. Real good work, obviously a lot of
24 progress.

25

NEXT STEPS AND NEW ISSUES

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3 CHAIRMAN BLASGEN: Next, we wanted to save
4 some time to talk about new issues that this group may
5 tackle in the not-too-distant future, and one of them
6 is North America as an export platform.

7 I'll let David introduce Geri Word, who is
8 here with us. Welcome, Geri.

9 MS. WORD: Hello.

10 MR. LONG: Let me just say a word about this.
11 We've talked on and off about a number of things that
12 we'd be looking at in the future. One of the big
13 common themes we're seeing coming out of the White
14 House and the Department is a major focus on North
15 America, as an export platform, the improvement of
16 NAFTA, relations with Canada and Mexico generally.

17 I thought it would be good to hear from Geri
18 Word, who runs our North America office, who is totally
19 plugged into what's been going on on the policy level.

20 I think the information she has is something none of
21 us have, and it would be a good place to start the
22 debate.

23 MS. WORD: Thank you. Again, I appreciate the
24 invitation to come and speak to you. I think it's
25 extremely timely because Secretary Pritzger just

1 returned from the North American Leaders Summit, where
2 President Obama and Prime Minister Harper, you know,
3 met to talk about the North American relationship.

4 But just to preface that by saying I was just
5 at the Canadian Embassy watching the U.S. and Canada
6 hockey game, so if anyone has an update on the scores,
7 I'd appreciate it. When I left the U.S. had scored a
8 point, so that was great.

9 But I encourage you to look at the White House
10 website, because you'll see the joint leaders'
11 statement. It is interesting, because I've only been
12 here to listen to two topics, and both of those are
13 covered in the North American Leaders Summit, or, you
14 know, were discussed by leaders.

15 I think you'd be very interested in some of
16 the plans for -- one of the commitments is to develop a
17 North American transportation plan, beginning with
18 regional freight planning and building on existing
19 initiatives. They talked about streamlining procedures
20 and harmonizing Customs data requirements for traders
21 and visitors, facilitating the movement of people
22 through the establishment of a 2014 -- or in 2014 for a
23 North American Trusted Traveler program.

24 As you know, we have separate programs with
25 Canada, with Mexico. We've got global entry in the

1 United States. Secretary Pritzger is very interested
2 in, you know, branding and facilitating and just making
3 sure that maybe we have one program instead of three
4 different mechanisms for travel for both tourists and
5 business travelers.

6 There's a lot going on in our bilateral border
7 mechanisms, so the idea is to have some cross-
8 pollination there, maybe have some Mexicans participate
9 in our U.S.-Canada initiative, the Beyond the Border
10 initiative, also have Canadians participate in the 21st
11 century border mechanism with Mexico.

12 They talked about energy. Again, energy, I
13 think, is key whenever we talk about North American
14 competitiveness. So they're looking at energy
15 infrastructure, innovation, renewable energy,
16 unconventional energy sources, energy trade. So,
17 again, I think that's extremely important to the issues
18 that you're discussing. Mexico just recently passed
19 some energy reforms that I think we can also take
20 advantage of and would be useful for U.S. interests.

21 The Secretary has made Mexico and North
22 America a priority. In May of last year, the HLAD, the
23 U.S.-Mexico High-Level Economic Dialogue, was launched
24 by the President. On September 20, Secretary Pritzger
25 traveled to Mexico to actually launch it. Secretary

1 Fox was on that trip, as well as Ambassador Froman. So
2 on the U.S. side, the HLED is led by State, Commerce,
3 and USTR and has a full inter-agency participation.
4 Secretary Pritzger is really taking the lead on this.

5 Also, in October, the Department co-hosted a
6 North American innovation and competitiveness
7 conference with the San Diego Chamber of Commerce.
8 That will be followed up in October in Toronto, and
9 we'll make sure that you get information about that as
10 well.

11 She met with Minister -- Secretary Pritzger
12 met with Minister Fast in January for a Beyond the
13 Border conference, and then she led her first
14 international trade mission to Mexico February 3rd
15 through the 7th. Again, she was in Mexico yesterday to
16 participate in the North American leaders' summit. So
17 again, a lot of interest on North America.

18 I think the Department would be very
19 interested in your views on infrastructure. The
20 Secretary has been very focused on it, as have the
21 Mexicans and the Canadians as well. I mean, how do we
22 develop sustainable infrastructure, especially as we
23 look at the border? Whenever talking to companies--and
24 this is a huge issue--what is that going to look like
25 in the next 20 years? We need a sustainable -- we need

1 sustainable infrastructure, and financeable.

2 So, I mean, we've had projects on the border
3 that haven't really reached their full potential
4 because of some financing, you know, concerns and
5 problems. Also, looking at supply chains, you know,
6 how -- what can we do as governments to help you in
7 terms of the North American supply chains? What are
8 some of the obstacles that you're facing that we could
9 possibly address? We'd love to hear from you in that
10 respect as well.

11 As you know, in the TPP there is a separate
12 chapter on supply chain. So, I mean, I would think
13 that there would be an opportunity in looking at North
14 America. It's going to have a huge impact as we, you
15 know, look to the TPP, and even TTIP would be -- with
16 the EU, it's going to have implications for North
17 America more broadly.

18 And at every turn, the Mexicans ask to join
19 our negotiations with the European Union, given they've
20 got their own free trade agreement. Clearly, it will
21 have implications for rules of origin. Regulatory
22 cooperation is huge in terms of both of our bilateral
23 relationships and trilaterally.

24 I think the key there is to look at, how do we
25 prevent regulations from being problematic? So it's

1 always harder to harmonize once the regulations have
2 been promulgated, but how can we work more closely
3 together? We're looking at those items as well.

4 But again, I think your group--you know, this
5 committee--holds a lot of expertise, again, just
6 listening to some of the conversations that you're
7 dealing with in the subcommittees. I think the
8 Department, the Secretary, would be very interested in
9 hearing your views. But just to give you, you know,
10 kind of the broad brush, those are some of the things
11 that we're focused on.

12 MR. LONG: Let me start the questioning with,
13 you mentioned regional freight policy. I mean, we all
14 know there's been a lot of work done in Canada and
15 Mexico here.

16 MS. WORD: Uh-huh.

17 MR. LONG: Can you say a little more about
18 what they're looking for in terms of a North American
19 freight plan in this, if that's possible?

20 MS. WORD: So they're actually talking about
21 this in the context of the U.S. and Mexico. I don't
22 know if you -- you've been working with Fred Eberhart
23 and some others there at DOT. But just looking at the
24 whole realm of freight planning, there have already
25 been some meetings that DOT is holding with its

1 counterparts from Mexico and Canada, again, looking to
2 make sure that we have a sustainable, you know, freight
3 system. And I think that if you have any
4 recommendations on what that should look like, and
5 looking at the North American supply chain, I think
6 that they would welcome your views.

7 They're looking at -- and again, from -- on a
8 bilateral basis, harmonizing bi-national, intelligent
9 transportation systems, looking at shipping marine
10 highway networks, making sure, of course, the
11 implementation of the cross-border trucking program,
12 you know, is -- well, that it continues, looking at the
13 logistics capabilities, identifying and developing, you
14 know, strategic logistics corridors to enhance
15 connectivity of key industry clusters and supply
16 chains. Again, there's a lot of work. As far as the
17 utility is concerned, we'll be coming out with a public
18 document probably in the next month or so so that you
19 get a better idea of some of the work that's ongoing.

20 MR. LONG: Okay.

21 MR. DARBEAU: I have just a quick -- first of
22 all, a quick comment on that. I was watching the news,
23 and I think it's a good move. It's good to work with
24 your neighbors and the facilities. I also want to put
25 a California perspective to it. And for one, we have

1 to deal with cross-border issues at our port in San
2 Diego. It's a really novel idea.

3 We have so much in common. There's a
4 contiguous border, et cetera, but you also have the
5 challenge that in California -- and I would argue that
6 in the United States as a whole -- it's become very
7 bureaucratic to do any type of projects. So one of the
8 things you have to think about as the government
9 embarks on it, you have to go in with your eyes wide
10 open.

11 The SECOR process in California will take you
12 about 20 years to get a new project going, right, and
13 that is just -- there's no joke about that. I mean, I
14 was in a project yesterday. I came in very early this
15 morning. I was in a project at New Pier Beach that was
16 started in 1984. Pier Beach is right on the border
17 with Mexico, they maintain their separate -- of water,
18 right? That project was started in 1984 and it was
19 built this year.

20 MS. INMAN: We call that a fast track.

21 (Laughter)

22 MR. DARBEAU: That is the problem.

23 MS. WORD: It would have taken 40 years.

24 MR. DARBEAU: And let me give you the Mexican
25 reality, because I brought the new -- the first woman

1 to run any port in Mexico is Sonja Sanchez. She was
2 appointed by the president about several months ago --
3 a few months ago.

4 MS. WORD: Uh-huh.

5 MR. DARBEAU: And I invited her over, and she
6 came over with her team and met with me, and we go over
7 and meet with their team. I asked her, show me your
8 projects. She showed me all the projects for Mexico's
9 seven largest ports. They are doing a lot of deep --
10 they're doing other things. How long do they take to
11 get her projects entitled? Two years. I contrasted
12 1984, today, two years.

13 So as we go into this process we have to
14 recognize we ourselves have become the third world,
15 right? That is part of our problem, not just Congress.

16 It's that, even in the states we miss the mark in
17 trying to get things done well. The goal is good but
18 we loaded it up with so many requirements that we're
19 killing business, we're making it difficult for
20 government to do all the synergistic things you're
21 talking about, and you are right, the economy is --
22 that's real.

23 MR. GABRIELSON: I'd point out, first of all,
24 the hockey score was 2:2, final, so they must be in a
25 shoot-out right now.

1 MS. WORD: Thank you. Thank you. Thank you.

2 MR. GABRIELSON: But our Subcommittee on
3 Freight Movement is looking at -- beginning to take a
4 look at not just Mexico, but also Canada --

5 MS. WORD: Yes.

6 MR. GABRIELSON: -- and what the freight
7 issues are, what the policies need to be, and what the
8 recommendations will be in place. So that's something
9 we're just starting.

10 MS. WORD: And that would be, I think, ideal
11 to feed into the process. So I don't know, you know.
12 Something that you're just starting, I don't know how
13 long it would take you to come up with some
14 recommendations, but I think that would be -- it would
15 be extremely useful to have your input.

16 I mean, you guys are the people that really,
17 you know, get things done. You're the people that
18 provide the funding, you're the people that know what's
19 happening and what needs to be done to improve, you
20 know, the process.

21 MR. GABRIELSON: There's a strong desire to
22 get that probably overnight. The reality is, to begin
23 even to pull all that together it's going to take a
24 period of time.

25 MS. WORD: I work for the government, so I

1 understand the bureaucracy.

2 (Laughter)

3 MS. WORD: But, you know, whenever you have
4 that available in any of the recommendations, I think
5 stemming from, you know, your various subcommittees,
6 would be extremely, extremely helpful.

7 MR. LONG: We did -- TDS finalized that this
8 morning.

9 MS. WORD: Uh-huh.

10 MR. LONG: And had some other discussions on
11 freight policy and basic train issues.

12 MS. WORD: Yeah. And the single window,
13 that's something that is part of our Beyond the Border
14 work plan with Canada as well, something that we both
15 committed to do within our own countries. As you know,
16 the announcement was made yesterday on single window
17 here in the United States. They're doing something
18 similar in Canada. So the next step, I think, would
19 be, how do we go ahead and harmonize? Then we have a
20 single window for North America.

21 MR. BARONE: An observation, that the single
22 window provides a way to move data, but that data is
23 still subject to regulations that are not harmonized.

24 MS. WORD: Uh-huh.

25 MR. BARONE: So it doesn't really get you very

1 far. So Canadians, as an example, can't bring food
2 product into the United States because USDA and FDA
3 regulations are not harmonized to what, you know,
4 Canadian rules are. They're quite competent. I think,
5 you know, few people would disagree that Canadian
6 authorities are not competent to judge the safety and
7 efficacy of food or medicine, and yet U.S. agencies
8 don't accept that. So it's just not enough to say
9 you're going to have a technical way to do it without,
10 you know, biting the political bullet and saying, hey,
11 we have to harmonize regulations.

12 MS. WORD: Yes. Yes.

13 MR. BARONE: And that's true on the Mexican
14 side as well. I mean, Mexicans coming north are
15 subject to very strenuous Customs examination. Now,
16 sure, there are lots of drugs that are moving north
17 from Mexico. There are probably lots of drugs moving
18 south also, but there's certainly lots of drugs coming
19 north. But there are companies that can be determined
20 to be certifiably not crooked.

21 Those carriers and those companies shouldn't
22 be subjected to the same examination. So, you know,
23 there is a need for fast lanes, real fast lanes, not
24 theoretical fast lanes. You don't see them on the
25 southern border, you don't have it on the northern

1 border right now, as effectively as they could be
2 implemented if there was some regulatory harmonization.

3 We need a north, south, and North America and Mexico,
4 a common economic operator zone that doesn't subject
5 to, each time you hit the border, to a new regulatory
6 framework.

7 MS. WORD: Uh-huh. Uh-huh.

8 MR. BARONE: At this point in history, I mean,
9 it seems to me that that's clearly necessary.

10 MS. WORD: Yes. And I think those are
11 separate issues in some respects. I mean, on the
12 regulatory side, as far as USDA, FDA, and their
13 counterparts. We have a Regulatory Cooperation Council
14 with Canada, we've got a council with Mexico. I must
15 admit, the Council with Canada is working much more
16 smoothly. There's a lot more cooperation between the
17 regulators. The regulations are much more closely
18 aligned, but I agree there are differences that need to
19 be addressed.

20 We have a couple of websites on the Commerce
21 site, at trade.gov/rcc, and then trade.gov/hlrcc, so
22 you can look at the work plans that the committees --
23 or the regulations that the committees are addressing.

24 Again, it's a lot harder to go back and look at every
25 regulation for every product, so the idea is, while we

1 work on some of those things -- and we welcome your
2 ideas. We have an email, so if there are particular
3 regulations you want us to look at, please suggest
4 them. Again, trilateral context, as well. We welcome
5 all input.

6 As far as the Trusted Traveler programs, we
7 are looking at harmonizing Trusted Traveler programs.
8 Part of what Commerce is going to be doing is actually
9 promoting greater enrollment in these programs. But,
10 you know, quite frankly, sometimes we hear that maybe
11 they don't offer all of the benefits, you know, they're
12 very costly, but maybe there could be additional
13 benefits gained if you actually pay for the Trusted
14 Traveler programs. And again, we welcome your input on
15 what those benefits -- how we can increase those
16 benefits as well.

17 MR. LONG: In terms of next steps as we shape
18 the work of the committee we'll be coming to you,
19 against this policy background that you just heard here
20 of much higher engagement with Canada and Mexico to
21 look for the concrete things that you're seeing in your
22 businesses that are a problem, to try to prioritize a
23 response to the policy picture based on what you're
24 seeing, the problems Tony described or that Rick
25 mentioned, what's going on with the borders on that.

1 We'll be coming to try to frame concrete
2 things where business advice will lead to a concrete,
3 more rapid-than-not solution to try to deal with real
4 things. So this is the big picture. What you're
5 hearing here is a major turn in policy to focus on
6 North America.

7 You'll hear it as North America as an export
8 platform for the rest of the world, a deeper engagement
9 with both of our adjacent countries, and we'll be
10 looking to tee up for you specific questions that we'll
11 test with everyone to make sure we've got something
12 that's commercially sensible and that goes with where
13 we're headed in policy terms.

14 MR. DARBEAU: David, could I just add one
15 thing to that point?

16 MR. LONG: Yes, please.

17 MR. DARBEAU: I agree with you completely.
18 One of the things I know, because in San Diego we have
19 a really great relationship with Mexico. The Chamber,
20 the port, we all work together. I go on trips every
21 year. I will tell you this. I will contact the
22 Chamber because they really have good ways of getting
23 through the issues, but there is also, the Mexicans
24 feel they're not respected.

25 The port executive director told me privately

1 the hell she did to come over the border. I don't
2 know. That's a huge part of the national bias. There's
3 some kind of built-in way we treat Mexico that isn't
4 right. President Obama and his team have to look at --
5 can't legislate that, but it's not the way we treat
6 Canadians, see, so we have to keep that -- in terms of
7 what we do. But San Diego has done that as well.

8 MS. WORD: Yes, they have.

9 MR. DARBEAU: They don't feel that way about
10 San Diego, no matter who goes across that border or who
11 comes over here to visit us.

12 MS. WORD: Well, and I think, you know,
13 President Peña Nieto recognizes that as well. But just
14 so you know, too, our Deputy Assistant Secretary,
15 Walter Bastian, along with Assistant Secretary Burson,
16 will be conducting a heartland tour to talk to
17 companies, you know, within -- you know, again, in the
18 heartland to talk about what's going on with the border
19 and the importance of the relationships. But, you
20 know, this is something we can certainly bring to
21 Burson's attention.

22 MR. DARBEAU: Keep up the good work. You're
23 doing good work.

24 MS. WORD: Yes. Thank you.

25 MR. WATTERS: I have to admit, I couldn't hear

1 all the gentleman's comments from San Diego, but I
2 think it's kind of simplistic to assume that we're
3 ready today for everything around the border to be as
4 easy with Mexico as it is with Canada because the
5 simple reality is that there is an incredible amount of
6 smuggling that happens across the border.

7 You have to be really careful with trucks,
8 trains, anything else coming out of Mexico into the
9 U.S. to make sure that things haven't been loaded on
10 there that weren't intended by the original shipper, if
11 you know what I mean. So I think, you know, the simple
12 facts are, it can't be the same right now.

13 MS. WORD: And that's why we do have dual,
14 bilateral initiatives with Mexico and Canada. But when
15 it comes to, again, Trusted Traveler programs, there's
16 no reason why we can't harmonize.

17 MR. WATTERS: Right.

18 MS. WORD: And there are areas for trilateral
19 harmonization. Thank you.

20 MR. LONG: Thanks, Geri.

21 MS. WORD: Appreciate it.

22

23

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1 **CONCLUSION, CLOSING AND ADJOURNMENT**

2

3 CHAIRMAN BLASGEN: Okay. We are out of time,
4 unfortunately. What I might propose, is we were
5 kicking around some ideas, given the Department's
6 knowledge of what's going on on new issues that may
7 take hold from our committee.

8 My proposal, David, might be we circulate
9 those, things that you're aware of that we've been
10 talking about to this committee. We all know there's
11 enough work going on in the subcommittees to where we
12 don't need anything new right now. We were just
13 thinking about the future as it relates to this
14 committee. So, why don't we do that?

15 What I would appreciate is, when the
16 subcommittees go back, think about dates upon which you
17 might make recommendations. And again, this isn't a
18 plea to get everything done by May 15 at all, we are
19 just thinking about making sure we're remaining
20 relevant and in front of the Secretary and those that
21 are going to receive the recommendations out of this
22 committee as opposed to waiting a year, and then here's
23 12 recommendations.

24 Probably a better strategy is to sort of gate
25 them and make sure that they're coming out routinely

1 from us as they make sense to do so. So I just want to
2 personally thank everybody for all the great and hard
3 work. We got one recommendation out, another proposal,
4 and we'll have several more by May, which I think is
5 fantastic progress.

6 So David, anything further?

7 MR. LONG: Let me just thank everyone for the
8 great job on this. I think the first set of
9 recommendations is dynamite. As I mentioned before, a
10 lot of people were familiar with the work from what's
11 already on the public record about that. The idea of a
12 steady stream of recommendations is totally positive on
13 that. I guarantee, people are reading this stuff, so
14 this is good. We'll make every effort to get further
15 questions defined with you to pick things that would
16 make sense to do and that have something to do with the
17 problems you run into in real life. So, thank you very
18 much.

19 (Applause)

20 CHAIRMAN BLASGEN: Leslie has sent this
21 around, too.

22 MS. BLAKEY: I was hoping just to get a quick
23 word in, and that is that we are happy to host any of
24 the subcommittees at this conference and after next
25 that are working on the Canadian/U.S./Mexico concerns.

1 And we are doing this in Chicago the week after
2 Easter, which is the 22nd or the 25th, and we are very
3 happy to work with any of the subcommittees or the
4 group as a whole to focus on some issues at this
5 summit. So you've got the information, the agenda is
6 on the website.

7 (Whereupon, at 3:02 p.m. the meeting was
8 adjourned.)

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C E R T I F I C A T E

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2 This is to certify that the foregoing
3 proceedings of a meeting of the Advisory Committee on
4 Supply Chain Competitiveness (ACSCC), U.S. Department
5 of Commerce, held on February 20, 2014, were
6 transcribed as herein appears, and this is the original
7 transcript thereof.

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10 _____
LISA L. DENNIS

11 Court Reporter
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