

ADVISORY COMMITTEE ON SUPPLY CHAIN COMPETITIVENESS

Department of Commerce  
Room 4830  
Washington, DC

Thursday,  
September 11, 2014

The meeting was convened, pursuant to notice,  
at 9:14 a.m., MR. RICK BLASGEN, Chairman of the  
Committee presiding.

APPEARANCES:

COMMITTEE MEMBERS:

MR. RICK D. BLASGEN  
MR. PAGE SIPLON  
MS. LESLIE T. BLAKEY  
MR. DENNIS E. BOWLES  
DR. SANDOR BOYSON  
MR. RICHARD BREFFEILH  
MR. STAN BROWN  
MR. JOSEPH G. B. BRYAN  
MR. CARL Q. CARTER  
MR. JAMES COOPER  
MR. BRANDON FRIED  
MR. LANCE R. GRENZEBACK  
MR. JIM JACOB

MR. JEVON T. JAMIESON

MR. RAM KANCHARLA

MR. RICKY KUNZ

MR. TONY McGEE

MS. TIFFANY MELVIN

MS. ELIZABETH MERRITT

MR. MARK MICHENER

MS. GINA REYNOLDS

MS. CYNTHIA RUIZ

MR. NORMAN T. SCHENK

MR. PAGE SIPLON

MR. MIKE STEENHOEK

MR. RONALD F. STOWE

MS. ANNE STRAUSS-WIEDER

MR. JUAN VILLA

MR. SHAWN WATTLES

MR. THOMAS WEILL

MR. DEAN H. WISE

U.S. DEPARTMENT OF COMMERCE:

UNDER SECRETARY STEFAN M. SELIG  
International Trade Administration

TED

MR. DAVID LONG  
Director

Office of Service Industries

MR. BRUCE HARSH  
Division Director  
Distribution and Supply Chain

MR. RUSSELL ADISE

MR. RICHARD BOLL

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**COMMITTEE WELCOME**

**CHAIR AND COCHAIR COMMENTS AND COMMITTEE BUSINESS**

**Rick Blasgen, Committee Chair**

**David Long, Director, Office of Supply Chain,**

**Business & Professional Services**

**U.S. Department of Commerce**

CHAIRMAN BLASGEN: Good morning, everybody. Welcome back. Before we get started, we just thought we would have a moment of silence for remembering what occurred 13 years ago today -- so just a quick moment.

[Pause.]

CHAIRMAN BLASGEN: Terrific. Thank you.

In addition, there were a few of us who were not able to make it yesterday who are here. Not to put you on the spot, but if you could just tell us who you are on the committee and introduce yourself briefly, that would be great. There is one or two I think.

MR. BREFFEILH: Richard Breffeilh -- the Port Authority of New York and New Jersey.

CHAIRMAN BLASGEN: Thanks, Richard.

Was there anyone else?

MR. KANCHARLA: Ram Kancharla with Port Tampa Bay. Sorry I was not able to be here yesterday.

1 CHAIRMAN BLASGEN: Great. Thank you.

2 MR. ENDORF: Brian Endorf. I work with the  
3 U.S. Department of Transportation.

4 CHAIRMAN BLASGEN: Anyone else?

5 MS. MERRITT: Liz Shaver, Airlines of America  
6 -- Liz Merritt, Airlines of America. Sorry.

7 [Laughter.]

8 CHAIRMAN BLASGEN: Always good to know who  
9 you are.

10 MS. MERRITT: I'm sorry. I was just --

11 COMMITTEE MEMBER: No. No. People who  
12 weren't here yesterday.

13 MS. MERRITT: I'm late. That's why I don't  
14 know.

15 [Laughter.]

16 MS. MERRITT: Thank you.

17 COMMITTEE MEMBER: You went by the other name  
18 yesterday; right? So you are just --

19 MS. MERRITT: Exactly. All bases are covered  
20 now.

21 [Laughter.]

22 MS. MERRITT: Terrific. Great. So any  
23 housekeeping or anything --

24 MR. LONG: Everything is as it was. There  
25 will be more coffee. There will be a working lunch,

1 light snacks for that. Food will be available all day.  
2 I would ask you to please take care of the room. Food  
3 and drink are okay here, but at the end we need to have  
4 the place clean so we can use it next time.

5 I think everybody is cool on the ground rules  
6 for what we are going to do. The key point, whatever  
7 we decide here today -- final recommendations approved  
8 by the committee have to be done by the entire  
9 committee in a public setting like this one. So the  
10 goal today is to go as far as we can toward the  
11 recommendations you all have worked so hard and so well  
12 to produce. If we can final text, we can take that  
13 forward and advance it to the Secretary that way.

14 Without further ado.

15 CHAIRMAN BLASGEN: If there is a  
16 recommendation that we don't get to, we don't have to  
17 wait until the next committee meeting to approve it.  
18 We can do it much like we did with the single window  
19 recommendation, pass it out -- the final version to  
20 everyone -- do a call and have a vote electronically or  
21 over the phone if you vote for that. Keep that in mind  
22 as well.

23 MR. LONG: The last thing, too, I expect we  
24 will see Under Secretary Selig at about 2:00. There is  
25 a chance he may come slightly earlier. So if that



1 happens, we will call an audible on that and rearrange  
2 the schedule accordingly. I think you will find it a  
3 worthwhile visit.

4 CHAIRMAN BLASGEN: Terrific. Sandi, we  
5 wanted to pass it over to you for some quick comments  
6 on your team.

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1                   **INFORMATION TECHNOLOGY AND DATA DEVELOPMENTS**

2                                   **Sandor Boyson**

3                                   **Subcommittee Chair, IT and Data**

4  
5                   MR. BOYSON:    Okay.  Well, thanks, Rick.

6                                   First of all our subcommittee, our IT & Data  
7 subcommittee met yesterday and it was really a  
8 pleasure.  We have three new members.  We have Tiffany  
9 and we have Anne down there.

10                   MR. LONG:     Could you turn the volume up,  
11 please?  It is hard to hear.

12                   MR. BOYSON:     I'm sorry.

13                   MR. LONG:     And by the way, the sound systems  
14 and recording systems are on and working.

15                   MR. BOYSON:     I'm sorry about that.  Thank  
16 you.  I appreciate it.  Can everyone hear me?

17                   COMMITTEE MEMBER:  That's better.  Much  
18 better.

19                   MR. BOYSON:     Okay.  So I was saying that our  
20 IT subcommittee has three new members, Tiffany, Anne  
21 and Mark.  Where is Mark?  Mark is right across from me  
22 here.  Anne is over there and Tiffany is right to my  
23 left.

24                                   So we met as a committee with our established  
25 members, you know, folks like Stan Brown.  Is Gary

1 Lynch here this morning? He was here yesterday. He  
2 must be on his way.

3 It was really nice to get together and to  
4 meet. My sense of the committee--particularly with the  
5 new membership on it--is that it is going to be a more  
6 diverse set of issues that they are going to want to  
7 take on that are important and that have, frankly,  
8 largely been crowded out by the single window issue that  
9 we have been dealing with.

10 So I am really looking forward to these new  
11 issues emerging over the next couple of months and  
12 being fleshed out by all of our members, our  
13 subcommittee members, so that we can have actionable  
14 steps once we put to rest our work plan. And our work  
15 plan for now and December is largely still focused on  
16 the single window issue.

17 If I could just very, very briefly -- last  
18 year for those of you who were not on the committee at  
19 the very beginning of the year -- single window emerged  
20 as a flashpoint issue. Many constituencies wanted  
21 urgent action about it and the IT & Data Committee took  
22 on what has been basically about a 16 month research  
23 and policy development effort to make recommendations  
24 and involved things like government-wide interviews,  
25 and many levels of government.

1           We had pretty extensive discussions with CBP.  
2           We went from the strategy level to the actual computer  
3 programming level. We did even start doing  
4 international benchmarking. Several of us were on a  
5 teleconference with the principals of TradeNet, which  
6 is a Singapore System which actually processes millions  
7 of transactions in about ten seconds or less and has  
8 been around since 1989.

9           So we did a fairly extensive review of the  
10 situation. We made some recommendations. Our  
11 recommendations were formalized last year and were  
12 looked at by this committee, approved by this committee  
13 and were sent on.

14           The primary emphasis of the recommendations  
15 was that after 16 years and many billions of dollars  
16 without having a system stood up, we felt that the  
17 White House needed to create an urgent politically  
18 empowered -- process. They needed to get involved. We  
19 encouraged and worked with the principals like Krista  
20 Brizowski (phonetic) who was at the White House at the  
21 time and who formulated the Executive Order on single  
22 window.

23           So the Executive Order came out and set a  
24 deadline, a final deadline if you will--as if there is  
25 ever any final deadline--but a final deadline for the

1 single window to be deployed. So based on the  
2 recommendations being formalized -- passed through the  
3 process, there was a series of meetings that we have  
4 been having the last several months with CBP staff and  
5 we have been sort of wanting to find out more  
6 information, wanting to see if we could be of any help  
7 with them.

8 We reiterated our subcommittee's concerns  
9 which have to do with the fact that we believed -- and  
10 a number of our members have rather extensive  
11 experience in building portals, large portals --  
12 myself, actually, included Stan Brown, Gary Lynch. A  
13 number of us have served in the CIO role. We believe  
14 they needed a very highly experienced technical  
15 integrator. We believe they needed an end-to-end  
16 system definition document that outlined the entire  
17 system from beginning to end. We believe they needed  
18 an inspection function which we were not that deliverer  
19 of, but we believed they needed that.

20 So we have continuously conveyed that. Krista  
21 Brizowski has taken us up on our offer when she met  
22 with us and she is now considering bringing on a  
23 executive [indiscernible] from TradeNet, the Singapore  
24 program, to help them benchmark what they are doing.  
25 We have put her in touch with the director of the

1 Singapore Economic Development Board here in Washington  
2 and we hope that they will begin discussions about  
3 organizing that.

4 We also understand from Krista that the  
5 Secretary of Homeland Security is going to be going  
6 over to Singapore and that the single window will be an  
7 item of discussions with the Singaporean authorities.  
8 So we are hopeful that they can learn from the best  
9 which is clearly the gold standard which is Singapore.

10 So while insisting that our committee has  
11 concerns, et cetera, et cetera, we also, of course,  
12 listened to them. Three things came out that we will  
13 be discussing later. They would like our advice as a  
14 full committee. The subcommittee has passed that on to  
15 David and to Rick.

16 They want help with preparing frequently asked  
17 questions for the trade portal. They want help in  
18 determining if there are any overlapping regulatory  
19 requirements and they want help in user-testing. We  
20 have outlined in some specificity a way to begin a  
21 series of user-testing, starting with design and scale-  
22 up kinds of activities and then in full-scale  
23 transaction testing.

24 We have recommended they look at locations,  
25 key locations, key users, key industrial sectors that

1 they can put to the test of the system. And that is  
2 contained in the document you will be getting next  
3 week. Okay.

4 MS. RUIZ: Sandi, refresh my memory. What is  
5 the new deadline for the implementation of the single  
6 window?

7 MR. BOYSON: Twenty-sixteen. I believe it's  
8 -- let's see. They gave us a series of cards yesterday  
9 -- December 2016.

10 CHAIRMAN BLASGEN: It might be worth sending  
11 a copy of that Executive Order out to everybody,  
12 especially the new members. [Indiscernible.]

13 MR. BOYSON: So In addition, to this sort of  
14 conversation we are having trying to be helpful to  
15 them, trying to work with them as best we can -- it  
16 also has come up that they are under some pressure. I  
17 would like to believe at least partially due to the  
18 recommendations we made, again, which not only included  
19 a swat team and an integrator and benchmarking for  
20 other systems like Singapore's, but it also looked at  
21 the whole issue of harmonization of the U.S. system  
22 with our regional partners and essentially through the  
23 WCO, World Customs Organization, universal trade portal  
24 standards.

25 There is an emerging set of multi-country

1 universal data elements for different processes in the  
2 import-export bundle clearance realm that they have  
3 been putting forward. So they have asked us to do some  
4 research and give them some research in that regards in  
5 recommendations. And we are working on that right now.

6 We have an initial, very initial report the  
7 subcommittee has prepared that we will be sending out.  
8 Bruce, I believe you said you would send it out next  
9 week electronically, once our subcommittee members have  
10 completely vetted it -- sending it out. It is about a  
11 14 page document so far.

12 We will be expanding it. We are currently in  
13 the midst of doing case studies on two industrial  
14 sectors, automobiles and energy which we think are very  
15 important sectors in a regional integration environment  
16 for trade. So we have been talking to organizations.  
17 We have been trying to get a feel for how is the trade  
18 system working right now -- import/export process for  
19 those two sectors.

20 It is hard to do these kinds of regional case  
21 studies. We hope that by December we have some help  
22 from some of our doctoral students at the University of  
23 Maryland who have jumped in. Bruce is working very,  
24 very closely pulling in interns as well from  
25 Georgetown, I believe it was. Is that correct, Bruce?



1 MR. HARSH: Johns Hopkins.

2 MR. BOYSON: Johns Hopkins. I'm sorry. We  
3 have had some intern help from them and hopefully we  
4 will have a good brief that we will discuss at length  
5 with our subcommittee in the next couple of months and  
6 through that process create a set of recommendations  
7 around regional single window.

8 The sense that I get from the information we  
9 have received to date is that it would be some kind of  
10 -- our recommendations will be along the lines of some  
11 type of hybrid strategy is what I anticipate here,  
12 meaning that the focus on a regional trading system is  
13 much more than automated forms. It has to do with  
14 trying to sync up processes, trying to coordinate  
15 technological infrastructures. It is much more than  
16 just sort of harmonizing some data elements.

17 So we think that that is going to be a  
18 prolonged and persistent level of effort needed to  
19 bring that kind of regional trading system online. We  
20 have proposed and looked at the different technological  
21 fixes--if you will--for harmonization that doesn't  
22 involve everyone doing exactly the same thing, which is  
23 never going to happen country to country. It is never  
24 going to happen.

25 So we have looked at flexible middle-ware

1 driven kinds of ways that this can come about and we  
2 will have to balance that regional focus with the WCO  
3 trading universal single window standards. It is going  
4 to have to be a balance there because we are going to  
5 have to deal with the rest of the world as well as our  
6 immediate neighbors where probably the biggest payoff  
7 is, that regional [indiscernible] is probably the  
8 biggest payoff. But, it is also the most work, all  
9 right to get that harmonization done well.

10 So we intend to make some recommendations  
11 about that and I think the sense of the committee is  
12 once we do that -- of course, we are an advisory  
13 committee, as I said yesterday, not an inspection or  
14 audit committee -- I think we will have fulfilled our  
15 mandate at that point to provide guidance, a sense of  
16 the private sector on single window and I think it is  
17 the hope -- at least it is my hope and I would hope the  
18 members of the subcommittee that we will be able to  
19 move on to other pressing issues at that point.

20 CHAIRMAN BLASGEN: Sandi, one quick question.

21 You had a couple of recommendations that they did not  
22 take, for example, the chief technology officer that  
23 was from the private sector. Was the sense that they  
24 just didn't want to do that or didn't have the time or  
25 funding or -- how did that -- and is there a chance to

1 revisit that if the committee feels strongly about it?

2 MR. BOYSON: Well, you know, it is a very  
3 good question. We still cannot tell you the true  
4 status of the systems. We still cannot tell you, with  
5 all of the interviews, all of the discussions. I mean,  
6 Stan would probably agree.

7 MR. BROWN: I, a lot, agree.

8 MR. BOYSON: Yes. And Stan is our most  
9 experienced technology member. He is the CIO for CA  
10 technologies.

11 COMMITTEE MEMBER: Sandi, I would suspect that  
12 if you can't find -- at this point, if you still can't  
13 find the state of the systems, then I would say that  
14 that tells us about the state of the systems.

15 [Laughter.]

16 MR. BOYSON: Well, I -- it is not an unfair  
17 statement at all. I tend to be evidence-driven and we  
18 have asked rather repeatedly for the source document,  
19 that is the system's definition document. They told us  
20 it was prepared in the early 2000s and has not been  
21 necessarily modified since. Rather [indiscernible]  
22 well, it is a standup series of functionalities as  
23 opposed to a system architecture. And that is what  
24 they are in the middle of now that they call waterfall  
25 development for standing up the series of individual

1       functionalities.

2                 Frankly, I think not a lot of definition of  
3       the total system, what the user area should be. It has  
4       taken a backseat to just building out [indiscernible]  
5       that infrastructure.

6                 I must tell you that this is all being  
7       developed internally. There is off-the-shelf software  
8       -- as I have told you -- that can be customized very  
9       quickly for this kind of trade portal. I mean 100  
10       countries have done this all ready. It is not rocket  
11       science.

12                Yes, you have to accommodate the complexity of  
13       the United States economy, but it can be done. Mexico  
14       did it in a couple of years.

15                They did have an integrator which was IBM,  
16       that has since been let go, I understand. They are not  
17       involved or engaged in that process right now and the  
18       software effort is, again, it is resident native  
19       development. And it is being run by the folks who have  
20       been doing this for a while within the department.

21                Did other people on the subcommittee have  
22       anything they want to add to that? Stan, do you want  
23       to --

24                MR. BROWN: I think you said it quite well,  
25       Sandi. The only point I would reiterate is that if

1 they don't have a document that defines what the  
2 requirements are, that is up to date they are only  
3 going to be building something that is appropriate for  
4 2000. We all know how the world has changed since the  
5 early 2000s.

6           So when they talk about they are on schedule,  
7 they are on track, it might be that they are building  
8 the code and it is doing transactions, but it might not  
9 be doing the transactions you need it to do in today's  
10 world. So if that is the case, what good is it?

11           All right. Just saying that they are on track  
12 -- I don't remember the statistics. Brenda mentioned  
13 it yesterday, but I think they are at 60, 65 percent  
14 success in doing the things that they are doing. When  
15 asked the question, how much is that -- is that 5  
16 percent of the total or is that 90 percent of the total  
17 if they are at 40 percent? You know, didn't get an  
18 answer.

19           So the point that -- my take away is that you  
20 might be doing some [indiscernible] and moving forward,  
21 but it might be totally useless to the community in  
22 today's world in what they are doing. At the end of  
23 the day, what good is it? It is just more wasted  
24 money.

25           MR. BOYSON: Now the other thing that has

1       been a historic concern is the inconsistency of  
2       financing and funding of this thing. So for many years  
3       they were getting in the vicinity of somewhere between  
4       \$350 million, right in that vicinity plus or minus.  
5       This past year, they have gotten \$140 million we heard  
6       yesterday, \$140 million. So it is a pretty serious  
7       reduction for a project that has been put on such an  
8       incredible fast track.

9                 Sixteen years has been very little and they  
10       want to complete this thing in the next two years, but  
11       funding has gone from \$350 million, roughly, to \$140  
12       million. So \$200 million got shaved off what is a very  
13       urgent, high priority administrative initiative. Which  
14       is another--I think--another point of concern.

15                So you get the picture, I think. I mean we  
16       have done our very best. We really have tried to do  
17       our due diligence and it hasn't been clear. It's been  
18       a little murky there. They have been very nice folks  
19       from CBP, really, really--I think--very open to  
20       talking, very open to sharing information. But, when  
21       you are in a process and you are in a system, sometimes  
22       it is kind of hard to think beyond the immediate logic  
23       of that moment or of that system that you are in to see  
24       alternatives or see other ways of doing business.

25                So we hope we have opened their minds a little

1 bit to those other ways of doing business. I think,  
2 really, that is sort of a mandate of our group.

3 MR. BROWN: I had one other point. I think  
4 also my numbers are accurate that both 47 or 48  
5 entities haven't agreed to what they are building.  
6 Okay. I think the EPA and the FDA -- I might have  
7 gotten those acronyms wrong -- are the ones that are  
8 the most leading the charge of this build-out.

9 I don't know if she was -- Brenda wasn't able  
10 to answer the question of how many others are not on  
11 board, but a significant number she said. Again,  
12 what's the use of building it out if everybody is not  
13 going to be on board?

14 MS. MERRITT: From a trade point of view -- I  
15 leave the CBP administrative project stuff to these  
16 guys who are the professionals. From a trade point of  
17 view, with these 48 agencies, they all have their forms  
18 today. Some of them have their individual IT systems  
19 out their today all ready. It would be nice to see  
20 their game plan for the end state.

21 Each agency has forms A, B, C and D and it all  
22 ready has electronic system X. This is how it's  
23 planning to integrate it into ACE and ITBS. This form  
24 is going to be turned into an electronic form. This  
25 form is going to be something that you could image and

1 send in.

2 How are they planning on turning this stuff  
3 into the future electronic world? It would be nice to  
4 see that from all of the agencies that are involved as  
5 well.

6 MR. BOYSON: And by the way, Elizabeth Shaver  
7 is on our subcommittee. I neglected to mention her. I  
8 am terribly sorry for that. I couldn't see you from  
9 this angle. She has been really the most knowledgeable  
10 person in terms of the dynamics of the single window.  
11 She actually sits on the trade support network which is  
12 a private sector group trying to put a design input  
13 into this and some testing inputs.

14 So I think Liz raised a very important point  
15 yesterday which is the migration from legacy  
16 environments. If you are in the trading -- the  
17 migration legacy environments to the new single window  
18 environment or what is supposedly the new single window  
19 environment, that path, that migration path has not  
20 been identified yet, but at least anecdotally -- Liz, I  
21 think you mentioned yesterday you have been hearing  
22 from some companies that it has been a really difficult  
23 process for them to consider this migration path. Is  
24 that correct? Did I interpret that correctly?

25 MS. MERRITT: There is just not enough data



1 out there yet to be able to understand what the  
2 [indiscernible] is. I mean, there has been some work  
3 with individual agencies in figuring out what are the  
4 data elements from these forms that need to be  
5 automated and how do we make that work and very  
6 productive work, for example, at the EPA. But what is  
7 the game plan? You know, what do we need to plan for  
8 in the next five years? That's kind of not what is out  
9 there yet. There is not enough information.

10 MS. STRAUSS-WIEDER: One thing that came out  
11 very clear in our conversations yesterday and is clear,  
12 some of the issues for considerations break into two.  
13 One is the internal within the government of 48  
14 agencies and all the procedures, forms and so forth,  
15 the collaboration and that needs to be in place for the  
16 external elements of this and how it relates to  
17 transitioning over, making it a very simple system for  
18 all the users.

19 So we have got an internal situation and an  
20 external interface with users set of considerations.

21 MR. JAMIESON: Like Liz, I sit on TSN and  
22 well as on the CSAC and there are a couple of things  
23 that I think a lot of people don't understand. One, I  
24 think that customs felt as if they really got burned  
25 when they moved out the initial ACE manifest process

1 and they used a [indiscernible] they used SAP and they  
2 tried to make it do something that it was never, ever  
3 dreamed of or designed to do.

4 And so when that didn't work with truck, they  
5 rebuilt everything for the other three modes and are  
6 now converting truck based on their own product and  
7 their own piece which I think it is working out fairly  
8 well, I think. Slow, but working well.

9 Secondly is, there is a big problem with  
10 getting the other OTAs on board with defining what it  
11 is they want, how they want it, when they want it and  
12 where they want it. It is kind of he who blinks first  
13 -- is the feeling that I have gotten over the years and  
14 that, okay customs, you tell me what you want. No,  
15 FDA, you tell me what you want. And there is this  
16 continual back and forth and razzmatazz going on.

17 Nobody will define documentation. Nobody will  
18 define exactly where they want it, what mailbox do they  
19 want it, et cetera.

20 So from a trade standpoint, we are like, just  
21 somebody step up and here is what you need. Here is  
22 what we've got. Force somebody's hand. But nobody  
23 within any of the agencies is really willing to step up  
24 and do that and that's the problem and that's the  
25 dynamics that we are facing right now from a trade

1 perspective of trying to get these agencies just to  
2 step up and say, here is what I need. It is not  
3 happening.

4 CHAIRMAN BLASGEN: So, David, the role of  
5 this committee -- Sandi brought up this point yesterday  
6 -- how far do you push? We are an advisory committee,  
7 not a policing organization. But at some point, should  
8 we not -- we are going to talk about North American  
9 projects which this, obviously, plays an important  
10 role. At some point do we say we made these  
11 recommendations? We have had several conversations and  
12 here, from the advisory committee's point of view, are  
13 the things that we see that are gaps and here is what  
14 we think you ought to do and bring out some of the  
15 points that were discussed here. Without that, no  
16 progress will be made; right?

17 MR. LONG: That is exactly right. What you  
18 are seeing right now, this kind of discussion is  
19 exactly why this committee was picked to be one of a  
20 handful of committees providing continuous input into  
21 this whole process.

22 I think it would be very helpful to, maybe,  
23 set down a letter that describes some of the current  
24 concerns, what you think has happened here. I think as  
25 an interim measure too, it might be very beneficial --

1 when we get through the meeting, maybe I could take  
2 some of the transcripts of the discussion we have had  
3 so far and just share this with people because it is  
4 these kinds of concerns that the people running this  
5 need to hear to be able to get the system right and  
6 earlier is better than later on all of this, obviously.

7           Some of these points I know people are dealing  
8 with, but it sounds like they are going way too slowly  
9 on this. I think it would be good to set down your  
10 views on where things are and what you think the issues  
11 are.

12           MR. BOYSON: Yes, I kind of would like to  
13 emphasize one point though, David. I think that there  
14 is no one we have met yet, at least, I have not  
15 identified this person who has had the experience of  
16 building an end-to-end system like this, and how to  
17 navigate the creation of simplifying a cross-agency  
18 data field.

19           This is routinely done in other places. There  
20 are consulting firms that routinely do this, deal with  
21 exactly these kinds of political technical issues.

22           MR. WATTLES: Well, Sandi, didn't you say  
23 there were 100 countries that have done this and at  
24 least some of them will have complex requirements,  
25 maybe not like the U.S. But you would think there are

1 plenty of people out there who have done this before;  
2 right?

3 MR. BOYSON: Well, if you think that 50  
4 percent of world trade is going through Singapore right  
5 now. I mean that is a pretty big load that they are  
6 managing with their single window system. Fifty  
7 percent of world trade goes through the Singapore, you  
8 know, they are a major trans-shipment hub. So things  
9 are coming in, getting broken down, moving to other  
10 modes. It is very complicated.

11 So, they have very talented executives in  
12 Singapore who work directly with a government-sponsored  
13 consulting firm which is called Crimson Logic which was  
14 spun off from the old NCB, National Computer Board. It  
15 is a private sector company empowered by the Singapore  
16 government to host, upgrade, work with a trade advisory  
17 group to plan improvements in the technology and it has  
18 been a very orderly process. It has been in the  
19 business since 1989. They have a large pharmaceutical  
20 industry in Singapore like we do. They have a large  
21 electronics industry like we do. They have a huge  
22 energy industry like we do.

23 You know, there's lots of ways that people  
24 have figured out how to do this. The problem is in-  
25 house right now it seems like. They have people who

1 have been trying to build a system here with not  
2 necessarily that end-to-end, multi-country experience  
3 base to build it from. And we think that that's a real  
4 problem.

5 MR. LONG: I think a letter that teed up  
6 those questions would be very valuable because it's --  
7 obviously, no one sees this committee as an auditor or  
8 having any judicial authority in this, but what they  
9 are looking for are the kinds of questions and issues  
10 that you have been raising and we all have been  
11 discussing. So even something as simple as just a  
12 listing of the questions that you see being important  
13 -- where is the auditor? Where is the end-to-end  
14 system document? What is the state of play and what  
15 the final end-stage should look like.

16 It should be a real help in galvanizing  
17 people's sense that industry is on this and cares about  
18 it. I know, for example, that the Secretary of DHS is  
19 doing a number of contacts with counterparts in other  
20 agencies to be talking about these things. And that is  
21 all very good, but I think also the questions you are  
22 teeing up here, what I am hearing from a technical  
23 reaction, is something that would be good to hear  
24 again.

25 It doesn't have to have answers -- simple

1 questions -- what are you doing about this? Why is  
2 this in play? How will you handle this problem, that  
3 problem? I think would all be a real plus. And to  
4 really make the most out of being identified  
5 -- as somebody who advises this group -- I think a  
6 continuing series of contacts like that makes a lot of  
7 sense. We can have people come to the full meeting and  
8 talk about it, continue the things at the subcommittee  
9 level and otherwise address the issues, but on a  
10 regular basis. It doesn't even have to be at the level  
11 of a full committee recommendation.

12 CHAIRMAN BLASGEN: No, but it is a letter to  
13 Secretary Pritzker to say here is our recommendation.  
14 We've met several times in terms of wanting to  
15 understand the development from it and here is what we  
16 see as --

17 MR. LONG: Yes. Here are some questions.  
18 How is this developing? How is that developing? Do  
19 you have a solution for this? That sort of thing.  
20 Does that sound reasonable to you? You would not be an  
21 auditor in that way.

22 MR. BOYSON: Sure. I think it is fine and  
23 Bruce, you can certainly work with the subcommittee and  
24 help to draft such a document. That's fine.

25 MR. LONG: The more things we hear from

1 industry, the more ways in which the questions, issues,  
2 recommendations from key sectors, the more that gets  
3 out there, the more aware people are that industry is  
4 ready to participate in these things and they are  
5 looking for certain types of concrete answers. That is  
6 a real plus.

7 CHAIRMAN BLASGEN: Okay. Sandi, thank you.

8 MR. BOYSON: No problem.

9 COMMITTEE MEMBER: Great work.

10 MR. LONG: Yes. It is really excellent.

11 Thank you.

12 CHAIRMAN BLASGEN: We are waiting for Russ;  
13 right -- to provide the electronic version of what you  
14 guys discussed yesterday. Like a good supply chain we  
15 are flexible.

16 [Laughter.]

17 CHAIRMAN BLASGEN: Norm, maybe we can turn it  
18 over to you for a regulatory development side.

19 MR. SCHENK: Okay.

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**REGULATORY DEVELOPMENTS****Norman Schenk****Subcommittee Chair, Regulatory**

MR. SCHENK: A couple of slides --

MR. MARSH: While he is bringing it up, just and administrative note -- to help our audio recorder, when you are making comments--this will be more important later, but if you are making comments, just state your name first. It helps her know who is talking and giving your comments to your name on the recordings. I know it is hard to remember.

THE COURT REPORTER: Thank you.

MR. SCHENK: Actually if I could make a comment for this, Sandi, I certainly appreciate all the fine work that you and the committee are doing now on single window. Single window is certainly a step forward in improving bottlenecks at the border. For that, we certainly support it. That being said, I would also want to comment that single window is not the destination.

The challenge with single window is it is still transactionally-based and we need to get out of the -- customs needs to get out of the transactional clearance business. And actually working with Shawn's

1 group, maybe we can cover it in another meeting as  
2 Express Association has developed a new clearance model  
3 called Accelerated Border Clearance. It is based on a  
4 precertification-trusted trader.

5 Tony Barone is no longer a member, but I will  
6 use the Pfizer example of the thousands of Lipitor  
7 shipments moving across the border that get the exact  
8 same treatment that is if one of us go online and buy  
9 some kind of special herbal tea and it is just  
10 ludicrous for highly compliant companies to do that,  
11 but again, not taking anything away. Single window is  
12 really positive.

13 COMMITTEE MEMBER: You and I agree.

14 MR. SCHENK: I just wanted to get that little  
15 plug and maybe working with Shawn at a subsequent  
16 meeting, we could a little overview of that.

17 COMMITTEE MEMBER: Great point made.

18 MR. SCHENK: Okay on the Regulatory  
19 Subcommittee -- I have just a couple of slides to cover  
20 here and I first want to acknowledge our team here. We  
21 have a fine group of experts with knowledge in putting  
22 some of the things together. One of the things about  
23 the Regulatory Committee is we cover a lot of ground on  
24 a lot of different topics and how do you land on a few  
25 things that you can really work on that are going to

1 make a difference, really, at improving the supply  
2 chain?

3           So what we did is kind of consolidate from  
4 some of the previous work that was done under Ron Woll  
5 and then discussed some new things. We have a handful  
6 of things that we wanted to cover today.

7           The first is related to trucking and outdated  
8 ground transportation regulations. I will just go over  
9 them briefly. If I could maybe go through and then  
10 have comments afterwards. We can do it that way.  
11 There are three specific ones that related to trucking.

12           The first one is that the current limitation  
13 for commercial vehicle, twin-trailer combinations is 28  
14 feet on interstate and federal highways. If we can get  
15 this increased up to 33 feet which is what Canada has  
16 up on there, it would result in environmental benefits,  
17 reduce the number of trucks on the road, some of the  
18 congestion and of equal importance, increase trucking  
19 industry competitiveness. So that is one there.

20           The second one is the current hours of service  
21 for commercial vehicle operators includes provisions  
22 related to a 34 hour restart and sleeper regulations.  
23 Basically what this means is, if somebody drives  
24 through the week -- how you arrive at the 34 hour  
25 restart is that they need two--I guess--two eight-hour

1 rest periods over the weekend before they can start  
2 driving. So the intent of giving them a rest makes  
3 some sense, but at the same time, it creates some other  
4 challenges which are okay, you get your rest. Then  
5 everybody is back out on the road on Monday morning  
6 creating -- when congestion is there as well as the way  
7 it is set up, it actually moves more trucks on the road  
8 during the day with that. So that is the second one  
9 there.

10 Then the third one that we have a  
11 consideration is related to the safe and efficient  
12 transportation act and that is to increase gross  
13 vehicle weight limits on interstate highways up to 97  
14 thousand pounds with an axle.

15 So those are several of the things -- what we  
16 wanted to do with the items we have today here is we  
17 have done a lot of core work on it, but at the same  
18 time we wanted to tee up and see kind of consensus-wise  
19 if there is any folks that are having serious heartburn  
20 or something because we would rather focus our energies  
21 on the ones that we can move forward on that.

22 Before I go to the next one, any comments on  
23 these three?

24 CHAIRMAN BLASGEN: Norm, the only question I  
25 would have on number 2 there, where you say "a

1 regulatory remedy is needed" -- should we provide one,  
2 a suggested one?

3 MR. SCHENK: Yes, I think the answer is yes.  
4 So what we are doing, again, kind of reviewing where  
5 we are with these and then based on today, then we are  
6 going to really put the meat to it on specific  
7 recommendations for the next go round.

8 MR. LONG: On that do you need any particular  
9 specialty briefings from some of the regulatory  
10 agencies or DOT or is that useful for you in looking at  
11 the next round?

12 MR. SCHENK: I think we are okay. We have a  
13 lot of experts on our group as well as -- possibly.  
14 You know what? It is a great suggestion. Why don't we  
15 commence on it and if we need to, we can. It is a  
16 great suggestion.

17 Okay the next one is related to alternative  
18 fuels. While it is only several lines on here, we know  
19 this is a huge -- I wouldn't put it up there with world  
20 peace, but it -- trying to resolve all of the things  
21 related to alternative fuels can be quite challenging  
22 from both a statutory and regulatory perspective. But  
23 I wanted to touch on several here because this is  
24 another one that we have all ready done a lot of work  
25 on it, but we want to take further and come up with

1 some recommendation.

2 In a nutshell, the primary challenge is there  
3 are a lot of disincentives out there for companies who  
4 want to do more investment in alternative fuel  
5 vehicles. Those things include federal weight limits.

6 As I mentioned above, it needs to be increased to  
7 accommodate the heavily insulated fuel tanks. So for  
8 these vehicles that have the LNG on it, because of the  
9 tanks and the insulation, the weight is quite a bit  
10 higher and it actually would take away your capacity to  
11 carry. So that needs to be changed from that one. It  
12 ties back to the first one.

13 Then the second thing is tax on LNG fuels  
14 should be reduced because basically it is 17 cents more  
15 per gallon. If you look at it on an energy equivalent  
16 basis, I mean, the tax for both is 24 cents a gallon,  
17 but it takes 1.7 gallons of liquid natural gas to equal  
18 the equivalent of 1 -- I am looking over at some of the  
19 members so if I am off on the stats a little -- you get  
20 the point on that one. So there is a disincentive  
21 there.

22 And then the third one is the 12 percent  
23 federal excise tax on the acquisition of new trucks  
24 basically adds \$12,000 in costs to those of us that  
25 are--and members in the room--that will be buying new

1 LNG tractors compared to the cost of the diesel  
2 tractor, it should be reduced. It costs almost twice  
3 as much for an LNG tractor.

4           Ironically, this is probably the one area --  
5 big heavy trucks is probably the area that has the  
6 greatest opportunities for the savings on it. With the  
7 smaller vehicles, you can do other things, but the  
8 greatest opportunity for that is on the big trucks on  
9 that.

10           And then just mentioning a couple of other  
11 things related to this. In addition to the vehicles,  
12 you have the issue of the fueling stations which  
13 roughly cost about \$1.5 million dollars per fueling  
14 station to put these in. Some of the benefits that we  
15 have received--our industry--is there have been some  
16 tax credits in terms of requiring some things in the  
17 past, but just thinking about the other costs  
18 associated for fueling stations alone is quite high.

19           Then one other thing is that possible other  
20 areas that the government can help are with -- giving a  
21 previous example of a success story is the government  
22 research funding and national lab expertise was very  
23 instrumental in the development of the fracking  
24 technology for that. So maybe there is an opportunity  
25 to leverage some of the expertise on that.

1           VICE CHAIRMAN SIPON:    Before you move on, I  
2 just had a question quickly.

3           MR. SCHENK:     Sure.

4           VICE CHAIRMAN SIPON:    In the first section  
5 and the second section you talk about truck weight  
6 limits in both areas.  The first one you talk more  
7 generally about federal weight limit should be  
8 increased to 97,000 pounds across the board.  And then  
9 the second one it seems more--I will call it--commodity  
10 specific because I think that is basically how it is  
11 done.  At least on a state level done it -- for certain  
12 commodities, you are allowed to carry heavier weight  
13 per commodity.

14                   So, the second one seems more commodity-  
15 driven.  You know increase weight limits for heavily  
16 insulated fuel LNG tanks.  Is that the direction the  
17 subcommittee is going for looking to increase the  
18 commodities on that list or is it an across the board  
19 increase in weight limits?  Because it seems like you  
20 are going in two different directions between that last  
21 bullet and the first bullet.

22           MR. SCHENK:     Jevon, do you want to jump in on  
23 this one?

24           MR. JAMIESON:    Yeah, I think that it is an  
25 across the board change to go with increased weight



1 limits, but the second part just emphasizes the  
2 additional need in order to -- one of the points in  
3 order to enhance those weight limits is that you have  
4 the LNG needs for specific types of things, et cetera.

5 VICE CHAIRMAN SIPON: So it would be a  
6 reinforcing point. So if you got --

7 MR. SCHENK: It is more -- you can't do it  
8 across the board or it is going to take longer to do it  
9 -- at a minimum, we should do this so we can get this  
10 moved.

11 VICE CHAIRMAN SIPON: Okay. Well, I think it  
12 is important to get to the priorities. Yeah, if you  
13 got the first one, you wouldn't need to seek that  
14 exception or that recommendation on the second bullet.

15 MR. SCHENK: Exactly. Yeah.

16 MR. STEENHOEK: Just to clarify, to Page's  
17 point, you are not suggesting that vehicles that are  
18 LNG outfitted -- they have their weight limits  
19 increased regardless of whether there is an additional  
20 axle or not or is that it can be increased only if  
21 there is an additional axle for just the LNG --

22 MR. SCHENK: I think from a safety  
23 perspective, you probably want the extra axle anyway  
24 because you want the breaking to be equivalent.

25 VICE CHAIRMAN SIPON: That specificness, I

1 think, would give a lot more credibility to the  
2 recommendation, whichever way you want to go.

3 COMMITTEE MEMBER: We can add that with the  
4 additional axle.

5 VICE CHAIRMAN SIPON: Sure.

6 MR. SCHENK: Again, the idea today was to  
7 review where we are with the core items that we are  
8 working on. Certainly, there is some more work to be  
9 done and any feedback or questions or others that want  
10 to get involved, we certainly would be more than  
11 welcome to have.

12 MR. JAMIESON: I don't think the direction  
13 would be an analogy vehicle -- because you are talking  
14 specifically just on a specific tractor would be to add  
15 an extra axle because that extra axle is going to way  
16 outweigh more than what your insulated tank and stuff  
17 is going to be. So I don't think that is just a matter  
18 of bump that up, saying hey, that bigger tractor, it's  
19 weighing as much -- this LNG vehicle gets to -- take  
20 that into account and haul basically an equal load.

21 MR. SCHENK: Okay.

22 MR. BOWLES: Norm, you know the railroad had  
23 similar restrictions.

24 COMMITTEE MEMBER: Could everybody speak up?

25 MR. SCHENK: Yes, with the fan here it is a

1 little hard to hear, but his comment was the railroad  
2 has similar restrictions.

3 MR. BOWLES: Restrictions compared to the  
4 trucking industry.

5 COMMITTEE MEMBER: Ask Dean. He is sitting  
6 right next to you.

7 MR. WISE: I can update on the whole LNG by  
8 rail. What is the question, Elizabeth? I just walked  
9 in. I am sorry. What restrictions?

10 MR. BOWLES: They have 12 percent federal  
11 excise tax [indiscernible] new trucks, of course 70  
12 cents more per gallon than diesel. So are they also  
13 hitting you with LNG?

14 MR. WISE: Well, it's a good question. We  
15 don't have an excise tax on diesel because we pay for  
16 our own right of way and we would like to -- as we  
17 switch to LNG -- which BNSF is planning to over the  
18 next five years -- there are still a bunch of hurdles  
19 there. But one of the regulatory issues is obviously  
20 whether LNG is treated the same way from an emissions  
21 standpoint, from the STB regulatory standpoint and from  
22 the tax standpoint. We would expect it would not be  
23 taxed again because we -- that diesel tax is to pay for  
24 our infrastructure and the rails pay for their own  
25 infrastructure.

1           VICE CHAIRMAN SIPON:    Norm, is there an  
2 opportunity to maybe tie in the railroad component? I  
3 mean, this is strictly focused on trucking, but it  
4 sounds like there may be some railroad perspective on  
5 taxing, that kind of stuff, that might [indiscernible]  
6 --

7           MR. SCHENK:    I think that is very good  
8 feedback. I just made a note here that we need to  
9 consider the other modes of transportation.

10          VICE CHAIRMAN SIPON:    Sure.

11          MR. SCHENK:    So --

12          VICE CHAIRMAN SIPON:    I think it is clear  
13 here.

14          MR. SCHENK:    Yes. So I will make a note and  
15 we will look at it from the broad perspective  
16 [indiscernible] very good, very good feedback.

17                 The one thing too -- if I could go back to  
18 Jevon -- yesterday when we had our pre-meeting, he was  
19 sharing with us about some of the capacity issue.  
20 Folks, the reality is there are some that would  
21 question the potential safety impact on some of these,  
22 an increase on it. But our infrastructure network is  
23 so stressed out. Jevon, would you mind sharing that  
24 example of yesterday? It was pretty impactful.

25          MR. JAMIESON:   Well, yes. When you are

1 talking about what's left, what's available, trucking  
2 is looking for drivers, rail is at full capacity from  
3 everybody's understanding. It is hard to get in and  
4 out, especially if you are going through the northwest,  
5 that sort of thing.

6 Then it brings up the question of is it  
7 container freight, is it going to be [indiscernible]  
8 freight, is it truck freight and then you bring in the  
9 ag component as well. And some questions could arise  
10 of, are they even going to be able to handle this on  
11 the rail side. Is it going to have to sit? Are they  
12 going to be able to even move some of this stuff in  
13 order -- is it going to sit and rot? Are they going to  
14 be able to pay for truck?

15 There is just a number of questions that come  
16 into play. There are a number of studies that are  
17 being conducted right now to try and better quantify,  
18 better define what are the capacity issues. How are  
19 they going to play into this? What modes? What  
20 different areas? What different commodities are going  
21 to be more impacted over the other, et cetera?

22 Capacity issues, availability, there is a  
23 segment that we were discussing yesterday talking about  
24 being able to have -- who is available for workers, et  
25 cetera. So it is not just a truck shortage. It is not

1 just rail shortage. There is a lot of this that is  
2 coming into play and I think that these types of pieces  
3 are going to be able to help placate and fix some of  
4 the issues that are out there.

5 MR. SCHENK: Any other thoughts on those two?

6 [No response.]

7 MR. SCHENK: Okay. Let's go to the second  
8 slide. The first one on there is -- we will call it  
9 our miscellaneous package that we are working on and  
10 that is primary issue related, that is enhancing  
11 regulatory efficiency particularly with respect to  
12 outdated, overlapping and inconsistent regulations.

13 So we have been looking at and getting  
14 feedback. I am going to go ahead and put a plug here  
15 because I know we have a broad diversity of membership  
16 and a lot of different aspects of the supply chain. As  
17 we are looking at this, our thought is to look at some  
18 of the ones that should be a little bit easier to do --  
19 get in, get some quick hits that would definitely have  
20 a good impact on the supply chain on that that are not  
21 going to get all bogged down all over the place.

22 So, again, I know we have a lot of diversity  
23 here. So if you have some ideas -- I will go through  
24 several examples, but if you have some other ideas, it  
25 would be great to provide those to us because we are

1 thinking that we can consolidate these simple type  
2 solutions and maybe do one submission on it. So I will  
3 run through three examples to give you a sense of it.

4 One is outdated customs regulations that  
5 restrict the sharing of information within controlled  
6 third-parties, limiting efficiencies to support supply  
7 chain services. To give you a little bit background on  
8 that, Part 111 is a Code of Federal Regulations that  
9 oversees customs brokers and I think it was written  
10 back in the horse and buggy era and it is just woefully  
11 outdated. For those of us who work on that side of the  
12 business, it really needs an overhaul -- 111 does.

13 But there is one particular area that there is  
14 pretty much [indiscernible] agreement on is, when these  
15 were written it was about one company doing one  
16 service. If you think about how we have all expanded  
17 in terms of diversifications, subsidiaries and things  
18 like that, use of third-parties for simple things as  
19 runners, messengers, collection services -- it really  
20 restricts to do that.

21 I will give you an exaggerated example which  
22 is a true example from a service perspective. So for  
23 UPS, we have multiple entities. We have our  
24 traditional supply chain. We have got the express. We  
25 have got customs brokers on that. We legally cannot

1 even share our customs brokerage information related to  
2 accounts with the other entities in UPS so that we can  
3 provide single contact and coordination for our  
4 customers. That is how restrictive it is.

5 So a way to work around it is you have to do  
6 special power of attorneys and it is very cumbersome.  
7 There is pretty much agreement on this one. I think  
8 what we would like to see with this one is -- and  
9 actually we are working with the national customs  
10 brokers on this as well. So in case you are wondering,  
11 they are very supportive of this. Instead of waiting  
12 for a whole overhaul of Part 111, we want to make a  
13 specific recommendation to move on this one because it  
14 definitely has impact on the supply chains. So that is  
15 one example.

16 The second one is burdensome patient  
17 protection and the Affordable Care Act employer  
18 reporting that companies may not be able to comply with  
19 the requirements on that one. To explain that one a  
20 little bit -- companies that have over 50 employees  
21 have to report on an annual basis the benefits that you  
22 are providing not just for your employees, but  
23 employees and their dependents.

24 I know a lot of us in the room use the unions  
25 to do a lot of our work. So for example, for UPS, the



1 Teamsters, our partner there -- we have the requirement  
2 to do all of the reporting requirement, but we actually  
3 don't manage the benefit plans. So we give the money  
4 to the Teamsters and then they manage for that. So for  
5 us to even to have all of this information, it is just  
6 really complicated and as far as we know, nobody has  
7 objection to it.

8 For those of us in the room that have  
9 companies over 50 employees and have a union-type  
10 situation, it is a simple thing. In fairness to it, we  
11 are not trying to make it a political statement. It  
12 was just that when you have a significant piece of  
13 legislation, you write a regulation, sometimes the  
14 little things fall through the cracks and this is one  
15 of them. So that's the second example.

16 Then third one that Jim might want to  
17 elaborate on is the waiver process for the Jones Act.  
18 It is complicated and timely. Jim, would you like to  
19 elaborate on that?

20 MR. COOPER: There is a big issue right now  
21 with trying to transport raw materials for fuels. You  
22 will see it, probably, in the news for the next several  
23 years if things don't change. Right now, from what we  
24 are understanding, the railroads have tapped out. They  
25 are trying to move a product. They are booking the

1 railroads to such an extent that other materials used  
2 in manufacturing throughout the supply chain can't  
3 move.

4           So you have got bottlenecks all over the  
5 place. One way that the issue could be resolved is if  
6 they simplified the waiver process for the Jones Act to  
7 allow -- because right now they are backlogged just  
8 building barges. So you are not even going to see  
9 capacity to be able to do it on U.S. flagships for  
10 years. So unless they somehow simplify the waiver  
11 process, this is going to continue.

12           It is going to keep gasoline prices high. It  
13 is going to keep a whole lot of essential materials  
14 that aren't fuel-related from moving and forcing people  
15 to do things by truck. I think we have heard an  
16 example during our discussions yesterday where up in  
17 Canada, they could not move -- I think it was corn --  
18 by rail. So they just let it rot because they couldn't  
19 afford to move it by truck. It just didn't make any  
20 economic sense.

21           So now you see food stuff sitting there wasted  
22 because of this type of situation. So that is  
23 something that might be a long-term project. I don't  
24 know, but we did -- I know Dennis and I put heads  
25 together last year was it, Dennis?

1 MR. BOWLES: [Nods affirmatively.]

2 MR. COOPER: And we did a lot of groundwork  
3 on the background write-up for this issue. So at least  
4 we have got a platform from which to start. We did it  
5 with the Trade and Competitiveness Committee, but it  
6 kind of fell through the cracks a bit, so we were  
7 hoping to do it with the Regulatory Committee this  
8 year.

9 MR. SCHENK: So, again, there were several  
10 examples and we are going to -- actually we have got  
11 the core work done. It is just a matter of tying this  
12 together, but I would open it up to the group -- not  
13 necessarily now, but if the different part of whatever  
14 you do, if you know of any relatively simple -- nothing  
15 is totally simple -- but relatively simple ones that  
16 you think would have a positive impact on supply chain  
17 efficiencies and competitiveness, let us know and we  
18 can kind of add it into this miscellaneous package that  
19 we are going to be putting together.

20 MS. BLAKEY: I just have one point. I think  
21 this is a good brainstorming process, but it isn't  
22 clear to me when you start getting into issues with the  
23 Affordable Care Act, companies of 50 employees, or  
24 more, I don't see how that is really supply chain  
25 particularly. It isn't that we should never have any

1 opinion on anything that isn't squarely within our  
2 jurisdiction, but it does seem to me that that is  
3 really stretching. So I just urge you to consider that  
4 unless you can explain while this has a supply chain  
5 implication, particularly. I think that is really off  
6 topic.

7 MR. SCHENK: Actually, that comment came in  
8 before with the things on it. I don't think we are  
9 willing to fall on the sword on it, that's for sure. I  
10 think at the same time where it does is it is an item  
11 that creates a bit of cost internally for those  
12 companies that have those types of situations. So  
13 ultimately any cost drives cost to the customer.

14 But if there was a sense from the group that  
15 they would just prefer not to see it in there, there  
16 are other mechanisms to pursue this particular one.

17 MS. BLAKEY: Yes. I don't mean to backtrack,  
18 but I did want to actually make a comment as well on  
19 the LNG fuel tax because given our extreme constraints  
20 on investment in transportation infrastructure, I don't  
21 think we should be advocating for reducing the tax. We  
22 should probably be advocating for equalization or  
23 harmonization of the tax policy. And we should be  
24 probably advocating for the LNG tax to be applied to  
25 infrastructure exclusively or something to that effect.

1 But I don't think we should be advocating to reduce the  
2 tax because we actually are in a situation where the  
3 fact that fuel taxes, motor fuel taxes, haven't been  
4 raised for over 20 years is costing us dearly in every  
5 other respect.

6 MR. SCHENK: Thank you for your comments.  
7 Related to that, Mike and I had a brief conversation on  
8 that this morning and -- just thinking out loud -- is  
9 this something that may be better served on the Finance  
10 Subcommittee? I think for the sake of today, we  
11 certainly don't want to complicate all of the good work  
12 that has been done on that one and we can look at it  
13 related to your point in tying it -- not to digress,  
14 yesterday I voiced some concern about the idea of  
15 raising taxes on that fuel being that for our company  
16 alone we spend over \$4 billion a year.

17 Just to clarify on that, I did circle back  
18 with our folks yesterday and we are okay with it. It  
19 is hard to say any idea of increasing taxes is always a  
20 tough one because ultimately when it comes to supply  
21 chain competitiveness, it is going to get passed on to  
22 customers. So it is an inflationary item. That being  
23 said, the need for improving the infrastructure is also  
24 very critical. So while I voiced concern with it  
25 yesterday, I will just say we are okay with it --

1 hardly give it a ringing endorsement, but --

2 MR. COOPER: It is kind of a heavy lift  
3 though because you are talking about an act of  
4 Congress. If it were something that the Secretary  
5 could do, that is one thing, but when you are trying to  
6 rail something through Congress, it is a whole  
7 different animal. I am not saying we shouldn't try.  
8 It is perfectly appropriate for an advisory committee  
9 to advise the Secretary to push for something like  
10 that, but it is going to be a heavy lift I think.

11 MS. BLAKEY: David, could we put this issue  
12 to rest because it has been brought up in a number of  
13 meetings and I believe that we are addressing the  
14 federal government as a whole. All three -- I don't  
15 know exactly what the courts have to do with this, but  
16 we are addressing the federal government as this  
17 committee. We are not lobbying Congress, but we are  
18 not limited in our -- restraining our views to things  
19 that are strictly under the control of the Executive  
20 Branch. Is that correct?

21 MR. LONG: We have broad scope to talk about  
22 most anything. The thing to do is take this offline  
23 and sort it through that way. It is clearly not --

24 MS. BLAKEY: A point of clarification because  
25 it has come up quite a few times in the finance area in

1 particular, for example, almost everything that we  
2 could possibly discuss has more to do with legislative  
3 branch action than it does with executive branch  
4 action. So I believe that we should be clear that we  
5 should not be circumscribing our thoughts to only  
6 things that are something that could be affected under  
7 the executive branch.

8 MR. COOPER: To be clear, I am not advocating  
9 that we limit it. What I am saying is that  
10 traditionally, FACAs advise the Executive Branch. They  
11 do not advise Congress traditionally. But that doesn't  
12 limit us to confining ourselves only to ideas within  
13 the Executive Branch. It is just a heavier lift and it  
14 is usually a lot of resources put into things that have  
15 a low probability of success.

16 MR. LONG: The key in this one -- basically,  
17 there is no restriction on what you can recommend. The  
18 guidance is simply that whatever comes out of this  
19 committee goes to the Secretary of Commerce who ensures  
20 that it goes to the rest of the Executive Branch. Some  
21 of those recommendations can include things about what  
22 should be pursued in legislative terms.

23 Ultimately there is a judgment call to be made  
24 about what you feel about the probabilities or  
25 usefulness of some kinds of recommendations. But there

1 is no set boundary.

2 MR. SCHENK: Jim Jacob, you had a comment?

3 MR. JACOB: [Off microphone.] Yes, I do.

4 The point went by [indiscernible] from a tax  
5 perspective, I think you might want to consider  
6 stepping back a little bit and looking at what the  
7 ramifications are, because as we look at making --  
8 providing advise on what should be done -- I think the  
9 rest of the world is moving on with technology, moving  
10 on with alternative methods of [indiscernible].  
11 Companies like ourselves, for example, have invested  
12 [indiscernible] money in being very efficient  
13 [indiscernible] equal miles per dollar spent is the way  
14 [indiscernible] competitiveness.

15 So if you were to apply -- prescribe a fuel  
16 tax, for example, you might want to consider technology  
17 advancements that are all ready in play and companies  
18 like us who are investing a lot of money. For example,  
19 last year [indiscernible] for being efficient on  
20 transportation systems [indiscernible] over 500  
21 thousand truckloads of [indiscernible] and that is  
22 significant. So the multiplying factor for that in  
23 terms of investing [indiscernible] plus adding tax on  
24 top of that would actually be counterproductive.

25 I think we might want to consider areas of



1 technology advancement and then what companies like  
2 ourselves are doing [indiscernible].

3 MR. SCHENK: Okay. I think all very good  
4 comments on that. I think the intent from the  
5 Regulatory Subcommittee was to say that the use of  
6 alternative fuels within supply chain and the  
7 opportunities to improve that have been significant  
8 enough that we will look at. They were more of  
9 anecdotal examples of why we want to look at it versus  
10 specific recommendations on that.

11 So for the purpose of sharing with the group,  
12 it was teed up as this is the one that we want to do a  
13 lot more work on with that, but the feedback and the  
14 comments are all much appreciated and will help us in  
15 our guidance.

16 CHAIRMAN BLASGEN: And I think as we have  
17 said since the establishment of this committee, there  
18 are barriers to all of these types of things, but we  
19 should be rising up it and say, look, for the country's  
20 competitiveness from a supply chain standpoint, this  
21 will help us. However we get there -- it is up to the  
22 powers that be to figure it out, but our job is to  
23 recommend those things that will help the supply chain  
24 be more competitive.

25 If we as a committee feel that these are

1 those, then we have an obligation to state it. It may  
2 be difficult, but state them anyway.

3 MR. SCHENK: Okay. The last two I will go  
4 through very quickly. They are on there. I don't have  
5 much to report on this, but the outdated air traffic  
6 control technology. I think it is pretty well-known.  
7 It is out there.

8 There is a lot of advocacy for the NextGen air  
9 traffic control system. The challenge is that for  
10 companies to invest and do that type of thing, it needs  
11 a lot of overhaul. This was a carryover item from last  
12 time. I am not a particular expert on this one --  
13 didn't really have time on this one, but I think what  
14 we will do for the next meeting is do a little more  
15 research and if we can either identify that --

16 MR. FRIED: We are woefully behind. We have  
17 to catch up, obviously. Not much has change.

18 MR. SCHENK: So we wanted to leave it --  
19 please?

20 MS. BLAKEY: Could I just make a comment on  
21 the NextGen? I don't know if you all have looked at  
22 this. Some of you that are in the aviation sector may  
23 be participating on the Eno working group headed up by  
24 Jim Burnley and Senator Dorgan. The Center for  
25 Transportation is looking at the possibility that

1 NextGen could be advanced greatly by -- for lack of a  
2 better word-- privatizing air traffic control. Are you  
3 all aware of that?

4 MR. FRIED: No, but --

5 MS. BLAKEY: You might want to -- in updating  
6 your NextGen recommendations, you might want to look at  
7 the progress that they are making on considering that.

8 MR. FRIED: Okay.

9 MS. BLAKEY: There is a lot of very good  
10 efficiency reasons why following the Nav Canada or one  
11 of the other models in other parts of the world that  
12 have done this might advance the process very rapidly  
13 and you might coordinate.

14 MR. FRIED: Which senator is it?

15 MS. BLAKEY: Eno -- E-N-O. The  
16 transportation --

17 MR. FRIED: The transportation consumers --

18 MS. BLAKEY: Yes.

19 MR. FRIED: That is Jim Burnley?

20 MS. BLAKEY: Jim Burnley is the co-chair  
21 with, I think it is, former Senator Dorgan. Yes.

22 MR. FRIED: Thank you.

23 MR. SCHENK: So what we will do is we are  
24 going to take a deeper dive on that and if there is an  
25 area that we can make a recommendation, we will look at

1 it. If not, we are going to take it off the list of  
2 [indiscernible] items.

3 And the last one really there is no need to  
4 discuss. It is on there as workforce development.  
5 Really, the only reason I am mentioning that is I note  
6 some of the members and previous chair, Ron Woll, had  
7 put a lot of work into this effort. So whoever is  
8 taking over this new committee, there is a lot of good  
9 background information that -- certainly, again, I want  
10 to acknowledge Ron and some of the members that put a  
11 lot of work into it. It will help to be a part of  
12 that.

13 Then closing, I would just say while we have  
14 kind of collected stuff within our group in terms of  
15 what to work on, we want to look at the interest of the  
16 full committee and there are a lot of areas that we  
17 probably don't have representation on. So even if you  
18 just have an idea of something you want us to look at,  
19 just bounce a small email or something or you are  
20 welcome to join the committee.

21 MS. BLAKEY: I am sorry to keep chiming in,  
22 but just a suggestion for you again on the aviation  
23 side, the issue of unmanned aerial vehicles is a hot,  
24 hot topic, obviously, with Amazon considering using  
25 drone drops and other -- a lot of people are looking at

1 this from a freight point of view. I suggest that you  
2 all maybe take a look at the UAS -- Congress, in  
3 particular, House Aviation Subcommittee -- I just had a  
4 meeting with them on the subject about two weeks ago.  
5 They are very, very interested in considering what the  
6 regulatory environment should be for UASs and how that  
7 would impact the supply chain.

8 MR. FRIED: I think the FAA just opened up  
9 those six research centers.

10 MS. BLAKEY: Right. So that is another  
11 point.

12 MR. SCHENK: So before I would turn it back  
13 over, anybody else on the committee want to add any  
14 other thoughts or comments?

15 [No response.]

16 MR. SCHENK: A good talented group -- except  
17 for me. I just do the reporting.

18 [Laughter.]

19 MR. SCHENK: I got the easy part. Okay.  
20 Well thanks and that is all we have for today.

21 CHAIRMAN BLASGEN: That is great progress.  
22 So you may be in a position to draft up a final draft  
23 recommendation to this group somewhere between now and  
24 the next meeting? Is that what I am getting at?

25 MR. SCHENK: Yeah. I think that is our

1 intention on -- really, there are three core ones. So  
2 I think the answer is yes -- between us we will be able  
3 to do that.

4 CHAIRMAN BLASGEN: Great.

5 VICE CHAIRMAN SIPON: This will be for both  
6 of you. We never really talked about prioritization.  
7 We were talking about some of these recommendations  
8 might have to take a Congressional path and thus be  
9 longer. But if it is very high priority, we know that  
10 and we go into it eyes wide open. We never really  
11 talked about prioritization of when these letters of  
12 recommendation to the Secretary -- should we or can we  
13 -- it would be helpful if we prioritize those. If you  
14 can't do anything else, make sure you do number one.  
15 That's our priority from a recommendation point of view  
16 and specifically for this that might sort action or  
17 maybe provoke a little more action on some of these  
18 going forward.

19 CHAIRMAN BLASGEN: Yes. I was thinking, too,  
20 we can acknowledge what takes an act of Congress and  
21 say we understand that, but here are ones that might  
22 have a clear runway.

23 VICE CHAIRMAN SIPON: Some way to prioritize  
24 especially the ones that have long lists to them.

25 MR. WISE: I came in late so I apologize if

1 this has been covered all ready. Was there a section  
2 on permit speed and reform covered? Permitting speed?  
3 Permitting reform? The process of permitting new  
4 facilities?

5 When we talk about capacity, that is actually  
6 something we see as a long-term constraint, is permit  
7 speed and reform. There are some initiatives going on.  
8 Commerce has taken a position. The President has  
9 taken a position, but it is really just scratching the  
10 surface.

11 Canada actually provides a very good role  
12 model for -- we call it a stop clock. So you have X  
13 amount of time to say your piece, but you cannot submit  
14 it at the 11th hour an extension of another 3 years.  
15 So you know, two to three years to really review inside  
16 and out impact of a new facility.

17 We have facilities -- I won't bore you again  
18 with all of this, but we have -- 8 years in the making  
19 and all we have to show is \$20 million of legal fees,  
20 environmental work, and 10 lawsuits.

21 COMMITTEE MEMBER: Gee, that sounds like ours.

22 MR. WISE: That sounds exactly like yours and  
23 we have three more like that. If we knew going in  
24 eight years ago, we wouldn't bother; right? But these  
25 are the facilities that are actually going to solve

1 some of the longer term capacity constraints. It's not  
2 just rail. It is everything -- so just some  
3 consciousness of the cholesterol that we are adding all  
4 the time with the permitting regulations -- not just  
5 EPA, but everything.

6 MR. SCHENK: This is in general --

7 MR. WISE: General regulatory issue around  
8 permit speed and reform.

9 [Simultaneous speech.]

10 MR. COOPER: You did have a bullet on your  
11 slide. Part of one of your recommendations was around  
12 the timeliness of permitting -- I don't know if it was  
13 specific to the kind of facility --

14 [Simultaneous Speech.]

15 COMMITTEE MEMBER: The Jones Act.

16 COMMITTEE MEMBER: It was much more than the  
17 Jones Act.

18 MR. COOPER: This was separate from the Jones  
19 Act.

20 MR. SCHENK: Okay. We can take a broader  
21 look at it.

22 COMMITTEE MEMBER: Yes, we just kind of  
23 touched on the subject yesterday because we wanted  
24 focus on the stuff we were carrying over for last year,  
25 but I kind of threw that in during our subcommittee



1 group meeting yesterday because that is a big issue for  
2 our industry as well.

3 MR. LONG: That was also one of the framing  
4 questions for the entire group to be looking at so it  
5 is a real good one to add.

6 VICE CHAIRMAN SIPON: But an example -- that  
7 one should really have some specificity to it because  
8 just permitting is too slow would be more of a  
9 statement than a recommendation. So here are some  
10 things that are most important to supply chain -- if it  
11 EPA, if it is whatever, here are the ones that are top  
12 priorities and permitting are the worst -- the most  
13 cumbersome --

14 MR. WATTLES: I think on your recommendation,  
15 it was included in one of the sub-bullets, so maybe it  
16 is important enough to [indiscernible].

17 MR. SCHENK: Right. All I would say in  
18 closing is that knowledge bears responsibility. So if  
19 any of you are aware of specific examples, please -- we  
20 can look at it, but it would help to have examples so  
21 that we could look at it from that perspective as well.

22 Thank you.

23 CHAIRMAN BLASGEN: Super. Terrific.

24 MR. CARTER: Could we get copies of the  
25 recommendations from their committee for the --

1 [indiscernible] today?

2 CHAIRMAN BLASGEN: Sure. Absolutely.

3 MR. LONG: Everything here is going to be on  
4 the web.

5 CHAIRMAN BLASGEN: The question was can we  
6 get copies of the recommendations from the committee  
7 for the full committee.

8 COMMITTEE MEMBER: What was the answer?

9 CHAIRMAN BLASGEN: The answer is yes.

10 [Laughter.]

11 [Chatter.]

12 CHAIRMAN BLASGEN: Thank you. I appreciate  
13 it.

14 We are a little bit past our break. What we  
15 though we would do -- Anne stayed up all night and  
16 drafted up a scope document for that workforce  
17 development sub-team. So we wanted to show you that  
18 and get the reaction of this group and make sure we  
19 solidify folks that want to work on that subcommittee.

20 But before we do that, we owe you a break. So  
21 let's take 15 minutes of a break and we will come back  
22 and we will have Anne talk through her scope document  
23 and then move along.

24 [Whereupon, at 10:29, the meeting was  
25 recessed.]

26

1 AFTER RECESS

2 [10:51 p.m.]

3 MR. LONG: Okay -- reconvening here.

4 Before we get into the next things, I just  
5 wanted to add one reminder with regard to single window  
6 and the ITDS system. You will recall from earlier  
7 emails and discussions, we are especially looking for  
8 everyone's input and recommendations, ideas -- hearing  
9 the information on three topics.

10 One is any thoughts you have on companies that  
11 might like to be participants in a pilot program, key  
12 companies, key sectors -- where the attention should be  
13 on that. There will be information coming out on that.

14 Second, any information you have on what the  
15 frequently asked questions are that you are hearing --  
16 what are the companies you are working with asking you  
17 about this? What are the points that people are asking  
18 about for how single window is going to work and how it  
19 should be?

20 The last one -- just to restate some of the  
21 stuff that Sandi presented earlier -- a big issue is  
22 looking for areas where the regulations overlap, where  
23 there is multiple regulation in the same area. Also  
24 keeping in mind the relationship between -- as new  
25 regulation emerges over time to install the system and

1 make it run right, does this line up with or does it  
2 conflict with the objectives of lower costs and higher  
3 efficiency?

4 So I will send this around every time in all  
5 of the emails going forward. But please give a little  
6 thought to that. Those three things are important:  
7 pilot programs and participants, frequently asked  
8 questions and regulatory overlap.

9 Let me turn it back to our Chairman.

10 CHAIRMAN BLASGEN: So Anne had provided us, as  
11 I mentioned, a document on workforce development. What  
12 I would like to do is have the whole committee take a  
13 look.

14 As we are going through -- I know several of  
15 you yesterday, indicated your desire to participate on  
16 that subcommittee. So coming out of this, maybe we can  
17 have a definitive list of those who want to participate  
18 on that subcommittee. If you want to think about it  
19 and let us know later, that is fine as well. But if  
20 you definitely want to be on that, let's just make that  
21 list if we could so we can plan that going forward.

22 So, Anne, do you want to take us through your  
23 thoughts?

24

25

26

1                                   **PROPOSAL TO CREATE A**  
2                                   **WORKFORCE DEVELOPMENT SUBCOMMITTEE**  
3                                   **Anne Strauss-Wieder**  
4                                   **ACSCC Committee Member**

5  
6                   MS. STRAUSS-WIEDER:    I am just going to read  
7 this for everyone and please wordsmith away.

8                   So this is a proposal to create a Workforce  
9 Development Subcommittee and to summarize the  
10 background and to recognize all of the great work that  
11 has been done so far as well as all of the issues that  
12 we have.

13                   The background -- just to read it is -- a  
14 sufficient and trained workforce is essential for an  
15 efficient supply chain to operate, adjust to dynamic  
16 customer needs and technological changes, and grow as  
17 the demand for services grows.

18                   However, the U.S. supply chain industry faces  
19 increasingly acute workforce shortages in nearly every  
20 element of the system. Shippers and carriers are  
21 dealing with truck driver shortages. Skilled craft  
22 labor, including diesel mechanics and welders, are in  
23 increasingly short supply. Distribution centers and  
24 other businesses constantly seek every type of worker  
25 from the highly-skilled information technology

1 professions to the unskilled hourly workforce to the  
2 point of becoming a factor in location decisions. This  
3 workforce shortage has the potential to impact the  
4 competitiveness of the nation's supply chain, as well  
5 the shippers, regions and markets served.

6 So if preceding as a subcommittee, the  
7 starting point would be a four-step work plan. One is  
8 to articulate the workforce shortages. So we have one  
9 precise document really saying what that is. We won't  
10 [indiscernible] but let's put it in one place.

11 Second, identify the best practices both here  
12 domestically and overseas that have been used to  
13 address the shortages. Whether these have been done by  
14 local economic development organizations, brought up in  
15 diversity workforce development groups, let's get those  
16 all documented.

17 Third is to consider the existing mechanisms  
18 that federal agencies have to address this issue.

19 Fourth is to identify new initiatives that can  
20 be undertaken.

21 So with that, the end result would be both  
22 assuring that workforce needs of the supply chain  
23 industry are met, but also enhancing job opportunities  
24 for job seekers throughout the U.S.

25 So for committee consideration.

1           CHAIRMAN BLASGEN:    Great.  Thanks, Anne.  So  
2    comments?

3           VICE CHAIRMAN SIPON:   Not to get too much in  
4    the weeds before the committee even gets formed, but we  
5    definitely need to articulate the workforce shortages.  
6    I don't think that's a heavy lift.  There are lots of  
7    different sources out there.

8           I think another thing that should be a part of  
9    this is defining the logistics workforce and defining  
10   the supply chain workforce.  Even within the -- and we  
11   have done some research on this and published a report  
12   on it.  I think if you look at the federal definitions,  
13   there are just conflicting views of what is a supply  
14   chain from how the federal government defines it, how  
15   industries define it, how universities and schools  
16   define it, different codes and again, that is not a  
17   heavy lift because a lot of that work has been done --  
18   organizations and [indiscernible] and others.

19          I think that will be an important thing for us  
20   to have a statement of what is supply chain workforce,  
21   what we mean guided by industry, not necessarily the  
22   federal definition and so on.  I believe that would be  
23   an important first step so everybody knows what we are  
24   talking about.  I think we can make considerable  
25   contribution to that clause.

1           MR. WATTLES: I second that. One of the  
2 things that I see so often when we are recruiting for  
3 interns and things -- that we talked about wanting  
4 supply chain folks to come -- what we get is a lot of  
5 people from supply chain but they come to be 99 percent  
6 they want to be a [indiscernible] they want to be  
7 [indiscernible]. Yes, that is part of the supply  
8 chain, but there is [indiscernible]. So I think to  
9 your point being if we could define the types of jobs  
10 that we are talking about, that would be a big  
11 improvement.

12           MR. SCHENK: I agree with the statement. The  
13 way the wording looks, it says "supply chain industry".  
14 That gives me the impression--if I am not  
15 knowledgeable enough--that we are talking about one  
16 industry, when in fact we are not.

17           In fact, there is no such thing as a supply  
18 chain industry. So I would expand that to be more  
19 inclusive of everything that we are talking about here  
20 as opposed to just saying "supply chain industry".

21           CHAIRMAN BLASGEN: Yes, we typically refer to  
22 it as a discipline, a supply chain discipline as  
23 opposed to an industry.

24           VICE CHAIRMAN SIPON: Well, we were talking  
25 about the supply chain workforce; right?



1 [Simultaneous speech.]

2 MR. SCHENK: We all know that, but somebody  
3 who is reading this says, "supply industry". Oh, you  
4 are just looking at one industry.

5 By the way if I Google it or look it up, there  
6 is no such thing as a supply chain industry. So what  
7 are we really talking about here? So a little clarity  
8 around that I think would make sense.

9 CHAIRMAN BLASGEN: Thank you Stan.

10 MR. COOPER: I am fully supportive of this  
11 idea, definitely, and am passionate about workforce  
12 development. And I agree, since these are public  
13 documents, that we should clearly define the scope of  
14 what we are covering in language that everybody is  
15 going to understand. And I will be one of the first to  
16 throw my hat in the ring to work with that sub-group.

17 VICE CHAIRMAN SIPON: I think the challenge  
18 is going to be who here does not want to be on the  
19 Workforce Committee.

20 [Laughter.]

21 MR. WISE: I don't.

22 [Laughter.]

23 COMMITTEE MEMBER: Dean's out. You didn't  
24 make the cut.

25 MR. WISE: You will quickly find this is not

1 just about training. It is about immigration policy.  
2 It is about pay levels. It is about technology  
3 [indiscernible]. So this is a very, very big item and  
4 I think it will be a good challenge to see how do you  
5 direct focus to the recommendation.

6 VICE CHAIRMAN SIPON: You made that comment  
7 before, defining our scope of what we are going to be  
8 doing, maybe some of our recommendations have gotten  
9 into other agencies, other departments that -- maybe we  
10 should -- just for thoughts -- define our scope to be  
11 really within the Department of Commerce. What are  
12 those things that the Department of Commerce can do on  
13 the Secretary level if that is who we are making  
14 recommendations to, not policies that go completely  
15 much broader than this. Although they have impact,  
16 maybe we can just define our scope and move the needle  
17 on a few of the items that make up workforce  
18 competitiveness.

19 MR. WISE: I think actually identifying all  
20 of these dynamics is going to be very interesting. For  
21 example, the welding shortage is going to be acute  
22 because the number of -- they are called spreads, but  
23 it is basically the team of people you need to build a  
24 pipeline. It is 500 people with all of the equipment  
25 and that's welders and those folks are going to be

1 fully booked for the next five years with the gas  
2 pipeline growth.

3           There is a competition between industries.  
4 You probably wouldn't think of that as -- the pipeline  
5 construction industry as part of the supply chain, but  
6 that is the competition for [indiscernible]. So the  
7 dynamics of this will probably good to articulate.

8           MR. STOWE: Just a quick comment. It is very  
9 important not to reinvent the wheel here. Everybody  
10 knows that a lot of this stuff is going on. As you  
11 commented yesterday, people couldn't wait for the  
12 government, so a lot of companies -- they shouldn't  
13 have, but a lot of companies have taken very creative  
14 steps here and we should help define, as Page said,  
15 what we are looking at, the scope of what we are  
16 looking at, find the experiences here and try and  
17 refine it as much as we can. There is a lot of really  
18 good work defining the issues and some really good work  
19 on solving them.

20           I think it is immensely important and I would  
21 ask -- maybe, David, you know -- wasn't there a couple  
22 of years ago somebody appointed in the Secretary's  
23 office as Chief of Education, Business Initiatives or  
24 educating the workforce?

25           MR. LONG: I don't think that happened, but I

1 will look. The Secretary is very high on workforce  
2 issues. Since she --

3 MR. STOWE: I was just saying if there is  
4 someplace at least that exists on paper all ready,  
5 maybe we can use that to leapfrog so they won't think  
6 it is something they have to do new. They can start to  
7 build out what they looked at three or four years ago.

8 MR. LONG: I will do that.

9 MR. WISE: There are several TRB studies that  
10 have been done or are in progress on this as well --  
11 work with that.

12 MS. STRAUSS-WIEDER: There is definitely no  
13 shortage of work that has been done or practices that  
14 have been done. I think the real challenge here is to  
15 get all of that in one place so that everyone can learn  
16 from it and we have an action plan for progressing it  
17 all.

18 MR. LONG: One area that I would ask everyone  
19 to look at too, some of the things coming out of the  
20 German economy -- there is a lot of things happening  
21 there -- the relationship between apprenticeships,  
22 university education and various gradations between  
23 that. It is being applied in large parts of the U.S.  
24 right now where German investment is high. It is worth  
25 a look.

1 CHAIRMAN BLASGEN: Sure.

2 MR. BOYSON: Rick, I was going to ask a  
3 question. Have you seen anyone who has actually  
4 inventoried -- this is hardly a supply problem. Has  
5 anyone actually inventoried all of the sources  
6 of --

7 COMMITTEE MEMBER: We can't hear.

8 CHAIRMAN BLASGEN: Speak up Sandi.

9 MR. BOYSON: Okay. I'm sorry. I said since  
10 this seems to be largely a supply problem, has anyone  
11 inventoried the resources out there that are producing  
12 a supply? So what I mean is, we know there are  
13 consortiums of community colleges. We know there are  
14 universities involved. We know there are association  
15 certifications. Have you seen anyone pull all of that  
16 together?

17 VICE CHAIRMAN SIPON: We took an effort  
18 towards that and we brought a small report on the  
19 supply and demand of logistics education--to your  
20 point exactly--looking across the United States at the  
21 education codes that -- a small fraction of what we  
22 would call logistics -- that is where I got the  
23 definition point. What are the educational programs  
24 and certificates -- some of them are very obvious like  
25 truck driving and warehousing and others -- and put

1 those into a pool and then they crosswalk into the  
2 demand side. You know, what are the job codes that  
3 people are hiring? And you can compare the two and it  
4 is a pretty staggering result. We only have about 20  
5 percent of the supply. Again, [indiscernible] that we  
6 need to create.

7 So there has been some work done there just  
8 using the federal codes. Again, that is a small  
9 fraction, I think, of the total supply but there are  
10 ways to quickly do that. We have done part of that,  
11 but that could be a part of that definition process.

12 MR. BOYSON: Yes.

13 MR. COOPER: I think a lot of individual  
14 industries sectors have undertaken that in the last  
15 couple of years as well. What I will do -- we have  
16 been heavily involved in multi-stakeholder  
17 conversations on this with a lot of different  
18 industries. So I will check with a friend of mine over  
19 at Commerce to see if they have actually pulled  
20 together the separate industry information into one  
21 package. I will check with NAM too.

22 VICE CHAIRMAN SIPON: That is the challenge  
23 is that all of these different job codes are buried  
24 inside -- there is no group that is called logistics or  
25 supply chain from a job perspective -- to Stan's point,

1 there is no legitimate supply chain industry, but you  
2 have to dig inside of these different ones and have  
3 some industry insight on what is a logistician. Well  
4 you have to go three layers down into advance  
5 manufacturing to find out where those jobs and those  
6 numbers are located. And if you are not going with a  
7 specific purpose, you are just not going to have those  
8 in the mix.

9 VICE CHAIRMAN SIPON: That is the challenge.

10 MS. STRAUSS-WIEDER: And not all of it is in  
11 those codes. For example, a lot of the workforce in  
12 warehouses and distribution centers -- we actually  
13 finally found them in temp agencies because a lot of  
14 facilities use workforce agencies to hire their staff  
15 as contract employees. So that is where the jobs are.  
16 So the number of jobs generated in a particular  
17 warehouse building, you look at it in the census  
18 number, it is going to show this tiny little number  
19 when you really have 1200 people working there.

20 CHAIRMAN BLASGEN: Good point. Jim Jacob, do  
21 you have a question?

22 MR. JACOB: Just a contribution to it. I  
23 think there might be a reason to add incentives and  
24 decentives for practitioners of supply chain as well as  
25 people, companies who use supply chains. So there are

1 two sides to it.

2           There are supply chain practitioners from the  
3 company [indiscernible] all of that is slightly  
4 different to companies that use supply chains. Now  
5 when you say that, since our overall charter is about  
6 supply chain competitiveness and -- I think I am right  
7 to assume it is for North America, what happens is you  
8 are opening up the supply chain capabilities that will  
9 be difficult for our competitors who are coming from  
10 other companies.

11           So, they can as much as we can use the same  
12 services. So where is the differentiation for America?

13           I think we might want to look at what the incentive  
14 and decentive structure is so that we can help  
15 ourselves.

16           CHAIRMAN BLASGEN: Yes. Good point.

17           PUBLIC PARTICIPANT: [Out of mic.] Just on  
18 the education side, the Department of Labor is funding  
19 some interesting pilots with community colleges and  
20 universities. Now we are looking at--also--high school  
21 enrollment and how to get vocational style programs  
22 combining STEM and supply chain, especially in urban  
23 areas. I will contribute that to the [indiscernible].

24           CHAIRMAN BLASGEN: Terrific.

25           MR. CARTER: Just one other quick comment.



1 Actually a number of consulting firms and companies  
2 that are actually working with private corporations now  
3 because private corporations like the one that I work  
4 for have set up internal supply chain academies where  
5 we are actually teaching and training non-supply chain  
6 professionals how to get active and move into supply  
7 chain [indiscernible].

8 MR. JACOB: I second that, actually.  
9 Companies like [indiscernible], Gemini -- many  
10 companies like that have started a very acute practice  
11 of supply chain [indiscernible]. They have actually  
12 booked so much that companies like [indiscernible].

13 CHAIRMAN BLASGEN: Okay. So we have a lack  
14 of energy on this.

15 [Laughter.]

16 CHAIRMAN BLASGEN: Why don't we do this? If  
17 you definitely want to be on the committee, send an  
18 email to David and Rich Boll just nominating yourself  
19 so we can go through that and understand how many  
20 people want to participate. Then I think the initial  
21 step would be to address what Anne so graciously  
22 provided us with and make sure we get that in the right  
23 format with the right wording and then we will go  
24 forward and kick off that subcommittee.

25 Does that sound good?

1           VICE CHAIRMAN SIPON:    What?  The chairmanship  
2   and --

3           CHAIRMAN BLASGEN:    Yes.  If you are  
4   interested in chairing the committee as well, go ahead  
5   and nominate yourself and we will see who wants to step  
6   to lead that effort and pay is good.

7           [Laughter.]

8           [Simultaneous speech.]

9           MS. RUIZ:    So who did all of this work?

10          CHAIRMAN BLASGEN:    Anne did.

11          MS. RUIZ:    Great job.

12          CHAIRMAN BLASGEN:    Terrific.  Thank you.

13          So we will move on to freight.

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1                   **FREIGHT POLICY AND MOVEMENT DEVELOPMENTS**

2                                   **Cynthia Ruiz**

3                   **Subcommittee Chair, Freight Policy and Movement**

4  
5                   MS. RUIZ:     Okay.

6                   Yesterday afternoon the Freight Policy and  
7 Movement subcommittee had a meeting. I want to thank  
8 everybody. We had some new members as well.

9                   So basically what we did is we took into  
10 consideration the discussion that we had yesterday and  
11 wanted to incorporate the dissenting opinion into our  
12 information that we present to you today. So I know  
13 Russ is in the process of making copies for everyone.  
14 So you will get a hard copy shortly.

15                   What we finally came up with was two final  
16 documents that we will be presenting this morning. One  
17 is the actual letter to the Secretary and then the  
18 second part of it is the actual report with the  
19 background.

20                   So what we did to incorporate Chris Smith's  
21 comments is -- basically what we did is we added some  
22 language in the background report to hopefully address  
23 some concerns. But we also eliminated some information  
24 around Map-21 that we didn't think was that relevant  
25 because we are moving forward instead of really going

1 backwards.

2           So what you have before you is the actual  
3 report. If you could go up just a little bit -- as I  
4 indicated -- the other way. Sorry. The subcommittee  
5 recommends to the advisory committee basically six  
6 recommendations.

7           The first is make strategic investments in the  
8 U.S. freight transportation system to improve  
9 competitiveness of the U.S. supply chains. Again, what  
10 we want to do is look at the supply chain holistically  
11 and make sure that strategic investments are made.

12           Number two, use supply chain performances to  
13 inform U.S. freight transportation policy and target  
14 strategic investments in the freight transportation  
15 system. So these two have not changed.

16           The third recommendation has not changed  
17 either. Use travel time, travel time reliability and  
18 cost as the key measures of a supply chain performance.  
19 That has not changed.

20           The next one is -- we have made a slight  
21 modification here. Provide analytical tools to cost-  
22 effectively measure end-to-end supply chain performance  
23 -- and this is where the change came in -- single mode  
24 or multi-mode -- we felt it was important to clarify  
25 that -- and identify critical bottlenecks for

1 improvement.

2           If we can put it up just a little bit. This  
3 has not changed. Apply supply chain performance  
4 measures at the industry level, metropolitan level,  
5 state and multi-jurisdictional level, national level  
6 and the North American level.

7           Number five to number six -- disseminate  
8 supply chain performance information routinely to  
9 supply chain stakeholders. So again, the crux of our  
10 recommendation is the same. Our recommendations -- a  
11 slight change was adding the single mode or multi-mode  
12 language in there.

13           So those are the recommendations that we are  
14 putting forth as a committee for consideration today.  
15 If you look in the background of the document, we  
16 eliminated all references to the Map-21.

17           Then if you go to the very end of the  
18 document, this is where we changed the language to  
19 include Chris' concerns. This is the last paragraph,  
20 "Based on these findings, we believe that it is both  
21 feasible and desirable to measure the performance of  
22 U.S. supply chains and for policy-makers to use this  
23 information to shape public freight transportation  
24 policies and prioritize transportation improvements."  
25 This is the key point here, "The recommendations are

1 intended to support the important work of federal  
2 government, state departments of transportation, local  
3 agency and others contributing to an effective National  
4 Freight Network."

5 So that is the part that we changed and we  
6 added to. We felt that that addressed Chris' concerns.

7 We believe that this will improve the performance of  
8 U.S. supply chains and make the U.S. businesses and  
9 industry more competitive in domestic commerce and  
10 international trade.

11 So again, we just made a slight tweak to our  
12 recommendations and then we made the slight tweaks to  
13 adding language acknowledging that we are supporting  
14 the work of federal government and state departments of  
15 transportation and local agencies. We feel by  
16 incorporating this language, it addresses the concerns  
17 of all our committee members. So it was supported  
18 unanimously by the committee -- now in all fairness  
19 because Chris wasn't there -- but it was supported  
20 unanimously that we feel this addresses all concerns  
21 and we want to put forth the recommendations to the  
22 full committee for consideration.

23 I apologize that you don't have hard copies in  
24 front of you. I don't know if you want to wait until  
25 we get them.

1 COMMITTEE MEMBER: Maybe if we could just  
2 look at them one at a time and maybe just get comments  
3 on each one.

4 CHAIRMAN BLASGEN: That sounds good.

5 MS. RUIZ: Sure. So you want to go back to  
6 the beginning of the recommendations.

7 MR. LONG: You have the draft that was edited  
8 for this in the package of materials you have from  
9 yesterday. It is the large one -- so you can follow  
10 here to see what has be adjusted.

11 MS. RUIZ: So make strategic investment in  
12 U.S. freight transportation system to improve the  
13 competitiveness of the U.S. supply chain. That is  
14 recommendation number one.

15 Any questions or comments on this one?

16 [No response.]

17 MS. RUIZ: Use supply chain performance --  
18 well, I don't have to read them. I just read them. So  
19 number two?

20 VICE CHAIRMAN SIPON: The only comment I  
21 would make is just -- you use the word "prioritize"  
22 later. You use the word "target" here. I don't know  
23 if we want to get into that kind of wordsmithing, but  
24 is it really to target strategic investments or is it  
25 to help to prioritize? Maybe you mean the same.

1 MS. RUIZ: We mean the same.

2 VICE CHAIRMAN SIPON: Okay.

3 MS. RUIZ: And then the third, travel time,  
4 travel time reliability and the costs. We did have  
5 other discussions that there are other factors that you  
6 can use, such as risks and security, but we chose not  
7 to use those. We figure these three are the primary  
8 indicators. Like I said --

9 COMMITTEE MEMBER: Is that what it was before?  
10 Did we change that?

11 MS. RUIZ: That has not changed. So the next  
12 one changed slightly to include Paul's comments for  
13 single mode or multi-modal which we felt was good  
14 addition.

15 PUBLIC PARTICIPANT: [Out of mic.] May I also  
16 make one comment on that? When you start the tools  
17 [indiscernible] you also specify the method because if  
18 you can get agreement on the method that you are going  
19 to use to measure performance and it is a verifiable  
20 method, it is an acceptable method, it is a consistent  
21 method, the tools that they use may be less relevant  
22 and therefore, it is not the focus of [indiscernible]  
23 we want to get them to -- again, this is a suggestion  
24 -- get agreement on a consistent method for measurement  
25 and performance [indiscernible] tremendous



1 inconsistency.

2           So the suggestion is just to keep the wording  
3 to reflect the methods that are accepted by certain  
4 communities, whether it is engineering [indiscernible]  
5 scientific communities that are verifiable and accurate  
6 methods.

7           MS. RUIZ:   Lance or Joe, you guys want to  
8 address that?

9           VICE CHAIRMAN SIPON:   You are referring to  
10 all of those and then you say "analytical tools".  
11 There were a lot of --

12           PUBLIC PARTICIPANT:   [Out of mic.] I am  
13 saying it is the other way around because that seems to  
14 be the biggest problem, certainly in the work that we  
15 do with regard to delivery performance -- is that there  
16 is such a focus on the tools and there is a focus on  
17 the analytics, the models, the data, but the method  
18 that is used to actually measure and decide and the  
19 decision what to measure tend to be just assumed. That  
20 is where the inconsistency comes up.

21           The methods in many cases aren't consistent or  
22 acceptable or applied consistently across industries or  
23 across disciplines. So once you agree on the methods  
24 with statistical and non-statistical, quantitative or  
25 not, then the tools and analytics are just in support

1 of that. Maybe it is just the tweak for private  
2 industry, but it seems like the method [indiscernible]  
3 roadblock [indiscernible] methods.

4 MR. GRENZEBACK: We could say "provide  
5 analytical methods and tools". That would certainly be  
6 -- I have no objection to that. I think the methods  
7 are out there. DOT and much of the academic research  
8 practitioners are looking at travel time, that is well-  
9 established.

10 What the concern here was that if you are  
11 looking at supply chains across jurisdictions or across  
12 modes, the question of how you assemble that data,  
13 standardize it -- it is less of a concern, I think, in  
14 the transportation industry or the methods are a more  
15 concern of "I do not have any money. How do I do this  
16 quickly and efficiently?" and some of the words that  
17 federal highway has been sponsoring as we look at how  
18 we produce results.

19 We have no objections to saying -- at least on  
20 my part -- of saying "providing analytical methods and  
21 tools". But I think the methods are out there. It is  
22 the --

23 [Simultaneous speech.]

24 COMMITTEE MEMBER: And the methods out there  
25 are consistent and agreed upon and --

1 [Simultaneous speech.]

2 MR. WATTLES: That is my -- I guess I would  
3 challenge that. We struggle to get -- we go out to  
4 look at [indiscernible] the methodology, I guess,  
5 appears consistent, agreement on consistent methods to  
6 measure this. I guess I missed it [indiscernible] we  
7 get -- everybody has all of this great tools  
8 [indiscernible] analytics and brings in a good story,  
9 but when you go in [indiscernible] Well, what was it  
10 based on? What was included? How did you capture it?  
11 I don't see the consistency.

12 So if it is there, I guess I am not seeing it.

13 MR. GRENZEBACK: We are talking about  
14 measuring travel time, reliability, costs across truck  
15 movements, rail movements, like that. We are not  
16 looking at internal manufacturing supply chain  
17 operations or anything like that. It was in the  
18 transportation profession. I think there is pretty  
19 wide consistency on how we measure travel time and  
20 reliability. There are options.

21 We are not going to impose an absolute for  
22 this process. I don't believe my position will impose  
23 standards on how you do that, but the industry has been  
24 spending years and millions of dollars of looking at  
25 that and there are some fairly standard practices that

1 would be used.

2           Again, we can certainly put the word in, but I  
3 don't -- our major concern wasn't developing the  
4 methods. It was applying them.

5           MR. JAMIESON: Lance, don't you think even  
6 going back to the most simplest form, looking at what  
7 impacts a lot of us, especially from truck and rail  
8 trade is border crossing wait times. U.S. Customs  
9 can't even agree on how they want to measure it and  
10 when they want to measure it. So from looking at it  
11 from the regard, I don't know if I could agree that  
12 there are consistencies on measuring that.

13           MR. GRENZEBACK: Well, that isn't the issue,  
14 the method of measuring is the -- it's a question of  
15 whether you have the data and --

16           [Simultaneous speech.]

17           MR. JAMIESON: -- how they want it. Are you  
18 going to use transponders? Are you going to use  
19 cameras? Whether they are going to use [indiscernible]  
20 and then trying to pass that debt on to say Buffalo or  
21 all of those other metropolitan areas that when you are  
22 affecting a national level, now all of a sudden you are  
23 in multi-jurisdictional or that metropolitan area, you  
24 have got a lot of crosshatching and one is doing it one  
25 way and one is doing it the other way and they can't

1 agree [indiscernible] --

2 MR. BRYAN: There is no particular objection  
3 to adding the word "methods". [indiscernible] --

4 MS. RUIZ: So it sounds -- I am hearing that  
5 we want to add provide analytical tools and methods?

6 MR. GRENZEBACK: Right. So methods and  
7 tools.

8 MS. RUIZ: Methods and tools.

9 MR. GRENZEBACK: Analytical methods and tools  
10 will be fine.

11 MR. BOYSON: Could I ask you a related  
12 question?

13 MS. RUIZ: Sure.

14 MR. BOYSON: I was really impressed --

15 COMMITTEE MEMBER: Speak up.

16 CHAIRMAN BLASGEN: You have to speak up,  
17 Sandi. They can't hear you in the back.

18 MR. BOYSON: You did pilot information  
19 gathering studies of five sectors. I am looking at it  
20 and I am very impressed with what you did. I am  
21 wondering to what extent you could sort of extract from  
22 it. First of all, expound on it. It is not expounded  
23 on here and it seems like a very important piece of  
24 what you did and it addresses the question directly of  
25 if you have been able to extract data from these five

1 supply chains, then you know a little bit now about  
2 sort of accessible methodology tools because the  
3 circumstances of each of these supply chains are  
4 different and it may be good to kind of answer these  
5 sorts of questions by actually looking at the lessons  
6 learned from these cases. It is not in here. So why  
7 not use it if you've got it.

8 If you understand my point, I think if you are  
9 able to extract the data from five diverse, different  
10 supply chains to your satisfaction, it would be helpful  
11 to point out what the methodology was, how you did it,  
12 et cetera, et cetera.

13 VICE CHAIRMAN SIPON: That would go in the  
14 background document?

15 MR. BOYSON: Sure.

16 VICE CHAIRMAN SIPON: Because it won't impact  
17 the recommendation at all.

18 MS. RUIZ: So --

19 MR. BOYSON: Well, it might if it goes to the  
20 issue that you have a methodology that seems to have  
21 worked across these multiple supply chains and if it  
22 represents a crystallization of certain approaches that  
23 are out there that you have used successfully.

24 VICE CHAIRMAN SIPON: But I don't think  
25 that's what they are advocating, that they have

1 identified -- you aren't saying that you have  
2 identified "the methodology, the thing you use".

3 MR. BOYSON: No. They just say that they  
4 have done a study.

5 VICE CHAIRMAN SIPON: That is important to  
6 continue to try to identify those tools and provide  
7 them to all of the stakeholders.

8 [Simultaneous speech.]

9 MS. RUIZ: Do we want to impose the  
10 methodology that was used on others as well? I know  
11 there is a need for consistency.

12 VICE CHAIRMAN SIPON: Because there are a lot  
13 of other studies, TRB, there are lots of other methods  
14 and tools that are out there. Maybe that is the action  
15 item that comes out of making this recommendation, is  
16 pulling some of that together and actually providing  
17 them.

18 MR. BOYSON: Well I am being a little more  
19 basic than that. I am just saying, you have done these  
20 five studies in support of your recommendation and yet  
21 they are not discussed. You just sort of list them.  
22 So there may be some things in there that could  
23 foundation your recommendation.

24 VICE CHAIRMAN SIPON: Supports the  
25 recommendation.

1 MR. BOYSON: Yes.

2 MS. RUIZ: Okay.

3 MR. GRENZEBACK: I guess the question was  
4 only how much technical material you can stuff in the  
5 advisory committee report on this?

6 MR. BOYSON: I think it is pretty important.  
7 It seems like you did some really excellent work.

8 [Simultaneous speech.]

9 MR. BOYSON: Why not take the work you've  
10 done and highlight it.

11 MS. BLAKEY: I just want to reference the  
12 fact that we also -- in our paper and in the background  
13 materials, our background to the paper along with the  
14 discussion of the five studies reference the Canadian  
15 freight fluidity index and this whole issue -- we  
16 should keep in mind that these are policy  
17 recommendations. We are not trying to basically lay  
18 out the technical clause for doing this work, but  
19 Canada has done it and we do refer to that when we are  
20 speaking -- recommending to the Secretary that she take  
21 this up with DOT.

22 So I think it is really there. And I think  
23 that the references to how DOT certainly is all ready  
24 involved in this work in a very deep and elaborate way  
25 through TRB and other efforts, including working with



1 transport Canada -- so I think it is there. I don't  
2 think we really need to explain too much on it.

3 MR. WEILL: A question on number one, we are  
4 talking about the "make strategic investments". Is  
5 that too vague? Do we need to be more prescriptive  
6 about what those four examples of what someone's  
7 "strategic investments" might be? No I should --  
8 because it is like, okay let's do that and I don't know  
9 if that is sort of actionable.

10 MS. BLAKEY: You know, the issue of strategic  
11 investments -- the point is what we are telling DOT is  
12 that they need to rather than just throwing money out  
13 into the public space the way that it has kind of  
14 traditionally been done, that they need to use  
15 analytical tools to strategically target investments.  
16 So we do not want to be prescriptive on what those  
17 investments are.

18 MR. WEILL: So do we then need to rephrase it  
19 and say, do what you just said and put a strategic plan  
20 and then spend the money against that strategic plan?

21 MR. GRENZEBACK: I guess I would argue that  
22 is certainly understood by the DOT. From a DOT  
23 perspective a strategic investment is the two bridges  
24 that are about to fall down, which I don't have  
25 sufficient money.

1 [Laughter.]

2 MR. GRENZEBACK: We are saying that if you  
3 have a choice, of doing -- if you have only enough  
4 money to do one, you want to also inform yourself about  
5 the supply chain implications of one bridge ought to be  
6 done sooner because it needs to carry a heavier load  
7 for a particular supply chain. I guess making  
8 strategic investments -- it's highways, it's ports,  
9 it's railroads. The list goes on and on.

10 [Simultaneous speech.]

11 MR. WEILL: I'm not --

12 MR. GRENZEBACK: But you are asking the right  
13 questions, but the answer --

14 MR. WEILL: It just seems to me like that  
15 seems like a really good idea, but how do I -- I don't  
16 know how to act on it. I don't know.

17 MS. BLAKEY: They do. That's my point. DOT  
18 does know how to act on it. They have been working on  
19 criteria for this for a long time and we are  
20 reinforcing what their work has been.

21 VICE CHAIRMAN SIPON: And the second  
22 recommendation backs that up; right? It says if you  
23 are the Secretary and you don't know what to do, well  
24 use supply chain performance measures to help identify  
25 those investments. So one and two could almost be

1 combined. First we say, make strategic investments and  
2 then the second we say and to make those strategic  
3 investments, we should us supply chain performance  
4 indicators to inform that policy and also target those  
5 strategic investments. So really that is referring  
6 it --

7 {Simultaneous speech.]

8 PUBLIC PARTICIPANT: [Out of mic.] So was the  
9 suggestion to actually expand the scope of what they  
10 were looking at or not -- as far as criteria?

11 MS. BLAKEY: Through a number of different  
12 rulemakings, such as when DOT spent over a year working  
13 up the rulemaking for projects of regional and national  
14 significance, for example. They have all ready taken  
15 that a good deal further in the way that they are  
16 approaching the Grow America Act.

17 So there are a number of different ways where  
18 DOT is zeroing in on freight as a priority and  
19 strategically analyzing investment in freight as a  
20 priority. We are saying as a means of informing those  
21 criteria that are all ready -- have been long-under-  
22 development that these three measures are important for  
23 them to take into account. But I think that it is a  
24 mistake for us to prescriptively tell them what those  
25 investments then should be.

1           MR. GRENZEBACK:    This goes back with the  
2 discussion we had earlier, the transportation industry,  
3 highways, roads, airports, ports all have strategic  
4 investment programs and they all do performance  
5 measurement to greater and lesser degrees and quite  
6 sophisticated methods at some points. The concern that  
7 we found in discussing with people is that it tends to  
8 be prioritized from a systems engineering point of  
9 view.

10           So if I am running a state DOT, I will look at  
11 my highways and bridges and I am going to say, you  
12 know, in terms of capacity or safety or environmental  
13 impact, which ones are falling down? Which ones are  
14 going to cost my gopher's job and so on like that. So  
15 I tend to look at it from a system point of view.

16           What we heard from the supply chain side is  
17 well, we are not looking at it from what are the  
18 critical links for a particular supply chain. So what  
19 we are saying basically is in addition to sort of  
20 safety and physical condition, we need to look at  
21 [indiscernible] role of this facility in the supply  
22 chain. You need understand what the supply chain is  
23 and where it is going.

24           PUBLIC PARTICIPANT:   [Out of mic.] And that  
25 reflects the private industry, really --

1           MR. GRENZEBACK:    It is paying attention to  
2 the trip.  It is the trip stupid, as well as the  
3 facility and the material.  So what we are saying is  
4 when you are making strategic investment decisions --  
5 it could be policy or actual physical stuff -- you will  
6 have to be looking at both sets of factors so what is  
7 missing -- is the supply chain side of it and what are  
8 your key criteria there.

9           PUBLIC PARTICIPANT:  [Out of mic.]  So just  
10 for clarity, then, so the value and content is  
11 incorporated into the recommendation as far as  
12 incorporating that -- thinking strategy which may not  
13 be considered today because it is a little bit early  
14 from an engineering and infrastructure standpoint?

15          CHAIRMAN BLASGEN:   That is the broad  
16 argument.  I think it probably overstates -- I mean  
17 state DOTs do understand that there are supply chains  
18 And they do worry about that, but as a general practice  
19 the focus is more on the engineering side.  So we are  
20 saying you really ought to look at value streams in the  
21 supply chain.

22          MR. WEILL:        And that is what I guess is my  
23 point, the way you just said that, then it is sort of  
24 saying don't do it the way your are doing it today.

25          MR. GRENZEBACK:    We took a stab at writing it

1 up on the second page. [indiscernible] -- I mean,  
2 it's --

3 MR. WEILL: Okay. You mean across the whole  
4 thing or there is specifically a paragraph?

5 MR. GRENZEBACK: If you look down at  
6 paragraph -- let's see. It is the second full  
7 paragraph on the background. We said U.S. business  
8 industry look at the U.S. freight transportation system  
9 and think about its performance in terms of shipping  
10 [indiscernible] supply chains. The public sector is  
11 accustomed to looking at freight transportation systems  
12 and thinking about its performance in terms of  
13 networking or capacity [indiscernible] safety.

14 As a result, we are often not as effective as  
15 we should be as a nation in making strategic  
16 investments in our freight transportation system that  
17 will directly improve our supply chains. We believe  
18 that a more systematic effort to look at the  
19 performance of supply chains and compliment and inform  
20 federal, state and local freight transportation policy  
21 investment decisions and result in a more effective and  
22 competitive supply chain.

23 We worked that to make it a little bit more --  
24 the idea is you -- we have a long practice of looking  
25 at performance of the transportation systems

1 [indiscernible] less experience on the public sector  
2 side of looking at the performance of those systems  
3 through the lens of a supply chain is what we are  
4 basically saying. That is [indiscernible] --

5 MR. WEILL: So maybe it is simple as you tie  
6 that paragraph back to that and say make investments  
7 based on -- make your strategic investments based on  
8 this, or something like that. And then it ties it back  
9 to that [indiscernible] --

10 MR. GRENZEBACK: The next paragraph maybe  
11 doesn't [indiscernible] it says accordingly, we should  
12 routine and evaluate the general performance of  
13 representatives of supply chains serving our major  
14 industries, especially those driving our global export  
15 earnings. We should look at performance trends over  
16 time as an indicator of supply chain competitiveness.  
17 Where we seek deterioration in service, we should look  
18 at the performance of major links of those in the  
19 supply chains that fight critical bottlenecks -- this  
20 is, I guess, to your point -- then work with affected  
21 shippers, receivers, carriers [indiscernible] corrected  
22 policy for target [indiscernible] strategic  
23 improvements. That was the general intent.

24 MR. WEILL: And I get it. Thank you.

25 PUBLIC PARTICIPANT: (Out of mic.) I agree.

1 I think those are good comments addressing the question  
2 of freight, but the other [indiscernible] you might  
3 want to consider as well on there is some reference  
4 talking about competitiveness. The private sector  
5 seems to be more of an issue every day [indiscernible]  
6 exposure so if there is a particular industry or  
7 particular part of the supply chain where you do have  
8 failure and exposure displacement to another country,  
9 to another competitor, incorporating that in the  
10 evaluation process or having that -- again, you don't  
11 want to be so prescriptive but on the other side of it,  
12 its an economic piece of it.

13 And then there is the economic piece of it and  
14 displacement sometimes means market erosions when we  
15 can't get it back [indiscernible] and it just seems  
16 more of a focus in the private sector and the  
17 [indiscernible] consider displacement impacts more than  
18 just a financial impact of a loss of a period of time.

19 MR. GRENZEBACK: So if we put in to identify  
20 critical bottlenecks and displacement impacts --

21 PUBLIC PARTICIPANT: [Out of mic.] Yes, from  
22 a macro economic standpoint, the markets are going to  
23 be hurt as a result of the displacement. So, again --

24 MS. BLAKEY: I almost feel like that's a  
25 future policy issue that this committee could take up



1 because it isn't really an infrastructure issue per se.

2 PUBLIC PARTICIPANT: [Out of mic.] I'm sorry.

3 I am not following you.

4 MS. BLAKEY: Well there are various reasons  
5 for that displacement. And it isn't just

6 [indiscernible] it is not just about infrastructure.

7 It sometimes is, but it is also a number of other  
8 factors that play into it.

9 PUBLIC PARTICIPANT: [Out of mic.]

10 Definitely. It just seems like from an exposure  
11 standpoint [indiscernible] displacement could be a  
12 major concern, especially in --

13 MR. GRENZEBACK: Let me suggest that after  
14 the words "identify critical bottlenecks" we insert  
15 "and economic costs" because that is certainly what the  
16 transportation industry has been doing.

17 MS. RUIZ: One of the things I talked about  
18 yesterday is that initially we were getting too far out  
19 in the weeds and we decided because there was going to  
20 be different, unique circumstances for every supply  
21 chain, there is going to be a lot of different factors.

22 So trying to get too far -- we tried to come back up  
23 and keep it more broad. So I like economic impacts --  
24 or what was the term you used Lance?

25 MR. GRENZEBACK: Economic costs or impact.

1 MS. RUIZ: Costs. I have no problem  
2 incorporating that, but if we start getting into  
3 specific displacement, then we are going to get back in  
4 the weeds. That is just my opinion.

5 Page, what did you?

6 VICE CHAIRMAN SIPON: No. I had a separate  
7 question.

8 MS. RUIZ: Go ahead.

9 VICE CHAIRMAN SIPON: Well, I am still on the  
10 third bullet and it maybe ties into this. You  
11 mentioned [indiscernible] risks and you decided not to  
12 use risk and I think I said the word "resiliency", but  
13 you say travel time twice. Do you need to have travel  
14 time reliability? That seems very prescriptive on the  
15 type of reliability you are looking at, rather than if  
16 you just said reliability. That would impose  
17 resiliency and liability [indiscernible]. Do you need  
18 to have "travel time, travel time reliability" or can  
19 you just say "travel time, reliability and costs"?

20 MS. RUIZ: Reliability and costs. I like  
21 that.

22 MR. GRENZEBACK: No. I think I would argue  
23 at the moment to leave it in because we know how to do  
24 most freight.

25 VICE CHAIRMAN SIPON: Okay.

1           MR. GRENZEBACK: We spent a good deal of time  
2 -- Dean and others -- looking at how one would measure  
3 risks and also safety. It is clear how you can do it  
4 from an individual corporation and an individual supply  
5 chain point of view because you know all of the  
6 factors, but from a public sector look from the  
7 outside, you are looking at [indiscernible] supply  
8 chains. It wasn't clear how you would do that and make  
9 sense of it, justify it. So we think the concept of  
10 looking at risks and its effect on reliability is  
11 important, but we couldn't figure out how to do it  
12 quickly and cost effectively at this time.

13           MR. WISE: I think we concluded that these  
14 three are the core and they are [indiscernible] -- is a  
15 foundation, but this is a result; right? So these  
16 three changes would reflect whether it be a risk issue  
17 premiums and so forth.

18           VICE CHAIRMAN SIPON: So risk and reliability  
19 and resiliency --

20           MR. WISE: They would be reflected in these  
21 three. These are the three you can say this is what  
22 makes me competitive or not. Obviously you could  
23 debate whether safety does nor not, but these are the  
24 three that really affect the competitiveness of  
25 [indiscernible] market.

1           What we don't address here is getting those  
2 three measures for China, for Germany -- that is for  
3 the next advisory group. But having something fairly  
4 straightforward and simple that are really the three  
5 core things -- I hope that is a good start.

6           VICE CHAIRMAN SIPON:    Okay.

7           MR. GRENZEBACK:    It wasn't because we didn't  
8 think it was a good idea. It was because we couldn't  
9 figure out how to do it in a reasonably straightforward  
10 manner.

11          VICE CHAIRMAN SIPON:    That part  
12 [indiscernible] I don't think our recommendations  
13 broadly should be limited on what we know how to do and  
14 we know how to go find. Frankly, if we knew how to do  
15 them all, we wouldn't be sitting here. We should be  
16 pushing the envelope a bit to say, okay, if reliability  
17 is important and we want to figure out how to measure  
18 reliability from a private sector point of view, if  
19 that impacts the competitiveness of our supply chains,  
20 we should make that recommendation -- not say, well,  
21 okay we will say travel time and reliability because we  
22 know how to go do that.

23          That part concerns me a bit, that we are  
24 settling for travel time. Maybe I am misreading it.

25          MR. BRYAN:    We are not. As Dean is saying,

1 those three really are -- every time you talk to  
2 anybody, those will be the three --

3 VICE CHAIRMAN SIPON: Okay.

4 MR. BRYAN: So if you get those, you get the  
5 most important [indiscernible] acknowledgment of the  
6 other factors --

7 COMMITTEE MEMBER: There are definitely more  
8 factors, yes. That is kind of the point.

9 MR. GRENZEBACK: To Chris' point, we are not  
10 recommending these as the sole criteria that you are  
11 looking at when you are measuring performance and  
12 transportation system [indiscernible] supply chain. We  
13 are saying these are three as a starting  
14 Point.

15 MR. WISE: I think you could also say when  
16 one or two or three of these go bad, you have got a  
17 problem.

18 CHAIRMAN BLASGEN: When you get into the  
19 diagnostics, it might be risk or resiliency or anything  
20 else --

21 MR. GRENZEBACK: And again, I think it is  
22 important to go back to earlier conclusions or findings  
23 of the subcommittee, it was that we are not trying to  
24 replicate what EBF does in their internal operation or  
25 International Paper does. The public sector can't do

1 that and we are looking at broad pattern across the  
2 country. You don't want to do that. What you want is  
3 something that is a bellwether. You are beginning to  
4 watch the trend on this, you see problems  
5 [indiscernible] then it is time to go talk to people  
6 and start putting heads together. So this is not a  
7 precise predicting tool that is going to be applied to  
8 every single supply chain [indiscernible] public  
9 policy.

10 MS. RUIZ: And then number five is just  
11 acknowledging the different levels in the supply chain.  
12 Number six is simple--just make sure the stakeholders  
13 get the information.

14 So what I heard from the conversation today is  
15 that -- I assume there is a consensus on number four,  
16 provide methods and analytical tools so we will be  
17 adding methods. Then with the background information  
18 that we have, Sandi was referencing in terms of the  
19 different studies that we have done. I am not quite  
20 sure how -- the background is going to go with the  
21 letter, so I am not sure how we would pull that  
22 information out and add it to the recommendation.

23 MR. BOYSON: No. I wouldn't do that. I  
24 would elaborate on it in the background.

25 MS. RUIZ: Oh, okay.

1           MR. BOYSON:    Yes.  That is what I am  
2 suggesting.  I think it is very interesting that you  
3 did that because I think it would be useful to just  
4 understand a little bit more [indiscernible] of the  
5 pilots that you have done and any important points they  
6 raised.

7           CHAIRMAN BLASGEN:    So the background document  
8 will be attached to the letter.  Did we capture all of  
9 the edits that we wanted to have in the letter because  
10 the ultimate goal of this meeting is edit this and vote  
11 on it so that when we leave here today we know it is  
12 going up the ladder?  So I want to make sure that we  
13 have captured analytical methods and tools.

14                   Was there anything else that we said we were  
15 going to edit?

16           MR. GRENZEBACK:    In other words -- the third  
17 paragraph on page two that starts "accordingly", the  
18 next to the last line it says, "supply chains will  
19 identify critical bottlenecks" and then insert the  
20 words "and economic costs".

21           CHAIRMAN BLASGEN:    Okay.  Was that in the  
22 paragraph that starts "accordingly"?

23           MR. GRENZEBACK:    Correct.

24           CHAIRMAN BLASGEN:    Go ahead, Lance.

25           MR. GRENZEBACK:    So looking at the last

1 sentence there -- next to the last line, that  
2 paragraph, the one that begins "supply chain" after the  
3 word bottlenecks insert "and economic costs" or "and  
4 economic impacts" -- whatever.

5 MS. RUIZ: I like economic impacts.

6 MR. GRENZEBACK: Impacts is broader I think.

7 CHAIRMAN BLASGEN: Okay. Were there any  
8 other suggested edits?

9 MR. JACOB: [Out of mic.] I want to ask a  
10 question because I care, of course.

11 [Laughter.]

12 COMMITTEE MEMBER: You don't have to qualify  
13 your questions.

14 MR. JACOB: [Out of mic.] I don't know how  
15 to address it, but the dynamics of supply chain as we  
16 know it is going to change with the next decade  
17 drastically. 3-D printing will disrupt supply chain as  
18 we know it where trucks are involved, where you  
19 electronically transfer -- a piece of software will get  
20 printed somewhere and [indiscernible]. Drone supply  
21 chains are all ready starting to form some of our  
22 thinking in supply chain. I am wondering whether we  
23 are going to submit something that is going to stand  
24 for a long time.

25 My point is will it stand the test of time



1 with such fluid dynamics right now. So it's a point to  
2 think about. I don't know. Just last month we had a  
3 part that we required for something [indiscernible]  
4 Japanese company transfers something to one of our  
5 units, we 3-D print it, we've got the part. There is  
6 nobody involved in it.

7 MS. RUIZ: So I understand what you are  
8 saying, but what would your recommendation be?

9 MR. JACOB: [Out of mic.] That is why I said  
10 I don't understand [indiscernible] -- there is formal  
11 brain power here.

12 [Simultaneous speech.]

13 MR. WISE: I would argue that these three  
14 measures get you what you want, drones for the last  
15 mile will improve reliability. Right? Driverless  
16 trucks will reduce costs. These measures should  
17 reflect these technology changes. And these three are  
18 still the core issues to see that change happen.

19 [Simultaneous speech.]

20 MR. GRENZEBACK: I guess the thought of my  
21 supply chain is to push a button on the internet that  
22 sends the software to somebody else -- there is no  
23 travel time on that.

24 MR. JACOB: [Out of mic.] Right. I was just  
25 thinking travel --

1           MR. GRENZEBACK: I think the understanding we  
2 have, though, the focus of this was -- the core  
3 question was should the public sector -- I am focusing  
4 around the department's of transportation who worry  
5 about investing in highways, in railroads or other  
6 [indiscernible] should we be informing those decisions  
7 about supply chains as part of the decision investment  
8 process. I think that is the focus here.

9           We are not trying to prescribe how in private  
10 sector companies like 3-M measure their supply chain in  
11 detail. This is really focused on how do you inform  
12 public sector investment policy and decisions, rather  
13 than how you measure --

14          MR. JACOB: [Out of mic.] Yes. I respect  
15 that. I think my point is more to do with  
16 [indiscernible]. I mean, are we creating something  
17 inside this that may provide competitiveness for  
18 others. You said travel time is a thing  
19 [indiscernible] disrupted by printing [indiscernible].  
20 That's what it is. Just something to think about.

21          MR. GRENZEBACK: We had a discussion last  
22 night about what the next steps for the committee would  
23 be. That might --

24          MR. JAMIESON: But even in your scenario, the  
25 supply chain is still very relevant because the

1 Japanese software vendor who pushes the buttons is a  
2 very minuscule portion of the supply chain. You are  
3 receiving the parts and pieces for that printer, all  
4 the various raw materials to create the dynamic of what  
5 that thing is going to print from et cetera, et cetera.

6 So that --

7 MR. JACOB: [Out of mic.] Yes, I agree with  
8 you there.

9 MR. JAMIESON: -- is very minimal in scope of  
10 the overall supply chain -- what it takes to create  
11 that piece.

12 MS. RUIZ: So as a committee, with the edits,  
13 this is what we have to put forward for voting for the  
14 full committee. I just have a few other things I want  
15 to touch on afterwards.

16 VICE CHAIRMAN SIPON: Can we vote on the  
17 letter and not the background document?

18 CHAIRMAN BLASGEN: Yes, that is the question  
19 I had too.

20 MR. LONG: If the background document is  
21 going to go with the letter, we need to vote on that  
22 too. You can do two votes if you want or do them all  
23 at once.

24 CHAIRMAN BLASGEN: So do we need to go  
25 through the background document much like we just did

1 the letter?

2 MR. LONG: It would be helpful -- to make  
3 sure everybody is okay with it.

4 VICE CHAIRMAN SIPON: But if you are  
5 advocating we put more detail around those five supply  
6 chains, that is not something we are going to do today  
7 regardless. The only comments have been made on that.

8 MR. LONG: Then one option to handle that, if  
9 you would like, it would also be possible to include  
10 some of the presentations that are underlying that as  
11 an additional attachment.

12 MS. BLAKEY: David, we do have a previous  
13 background document that talks about the five studies  
14 that was used leading up to this. So it is certainly  
15 possible that we could vote on in a future iteration an  
16 appendix to provided on those studies without actually  
17 having to incorporate the language into this.

18 [Simultaneous speech.]

19 VICE CHAIRMAN SIPON: A separate document  
20 that would not go with the letter that outlined those  
21 five supply chain studies. We would not have to vote  
22 on it. So leave the letter and background document as  
23 is and then with the understanding that your committee  
24 would create a separate non-attachment to the letter to  
25 go to the Secretary that would outline those thoughts

1 in more detail.

2 MR. GRENZEBACK: I guess that would work  
3 quite well because Nicole sponsored at last year's TRB  
4 a whole workshop on this. So our contribution -- the  
5 real focus of our pilot studies was just to see is it  
6 feasible or are we talking about a pie in the sky. And  
7 I think the answer is we think it is quite feasible. I  
8 think the answer is we think it is quite feasible and  
9 that will get rid of -- because there are a dozen other  
10 papers [indiscernible] examples.

11 So the question comes [indiscernible] reading  
12 that would make sense out of this and yes, that is  
13 certainly feasible, but I certainly wouldn't want to  
14 send it to the Secretary and say read this overnight.

15 [Laughter.]

16 MR. BOYSON: No, but again -- the IT & Data  
17 subcommittee originally was looking at this issue and  
18 fluidity studies. The big challenge that we saw was  
19 actually implementing it here. So I am coming back to  
20 this five pilots you did because I think at some level  
21 they call for the reader to kind of suspend disbelief.  
22 You know, and say, yeah it can be done.

23 So I think to that extent it is just a useful  
24 thing for reference. I don't --

25 CHAIRMAN BLASGEN: It's kind of a proof of

1 concept, right Sandi?

2 MR. BOYSON: Right.

3 MR. LONG: It also strengthens the work by  
4 adding for the continuous flow of things that guide  
5 this. The money side of this as a user of these  
6 recommendations at to what you are putting forward here  
7 is something that has not been done elsewhere which is  
8 applying supply chain methodologies to something that  
9 is usually handled differently, maybe by mode or with  
10 less of a commercial integration to it. The fact that  
11 that is here is a big --

12 CHAIRMAN BLASGEN: So are we saying -- we can  
13 vote on the letter now. That is fine. And then we  
14 have got to take another vote on the supporting  
15 document?

16 VICE CHAIRMAN SIPON: The background  
17 document, so we can vote on the letter and the  
18 background document as presented today. And then the  
19 understanding would be no changes to those, we can  
20 create another special appendix document that would not  
21 go to the Secretary -- that they would write about  
22 those five supply chains that would just be added to  
23 the website?

24 MR. LONG: Or you could send it -- you could  
25 write another one that says, "Dear Secretary, here is

1 some additional..." --

2 VICE CHAIRMAN SIPON: A separate letter.  
3 That way we can vote on what is presented and get the  
4 recommendations flowing and come back for some follow  
5 up --

6 MR. LONG: You can decide who to send it to.  
7 It is better to send it to the Secretary to be sure  
8 that it gets a high look.

9 MS. RUIZ: So do you need a formal motion?  
10 So I make a motion that the full committee approves our  
11 recommendations submitted by the Freight Policy and  
12 Movement Subcommittee as amended at today's meeting --

13 VICE CHAIRMAN SIPON: Second.

14 CHAIRMAN BLASGEN: Any further discussion?

15 MS. RUIZ: -- with the understanding that  
16 additional background information will be submitted at  
17 a later date.

18 CHAIRMAN BLASGEN: All in favor say aye.

19 [A chorus of ayes.]

20 CHAIRMAN BLASGEN: Anyone opposed say No.

21 [No response.]

22 CHAIRMAN BLASGEN: So it shall be written.

23 So it shall be told.

24 [Laughter.]

25 MS. RUIZ: I just want to acknowledge all of

1 the hard work of the committee. I have a great  
2 committee. We have worked very hard on this so I just  
3 want to give them a round of applause.

4 [Applause.]

5 MS. RUIZ: And then just moving forward, we  
6 are also talking about the next topics that we will be  
7 dealing with. So the subcommittee decided that the  
8 next topic we want to talk about is a North American  
9 trade policy.

10 The Department of Transportation has agreed  
11 that they will be providing our subcommittee a webinar,  
12 specifically on the North American trade policy. We  
13 are setting that up for October.

14 I would like to -- I don't know if I can do  
15 this, but I would like to invite other full committee  
16 members if they want to participate in the webinar to  
17 get that briefing. I am more than happy -- so I will  
18 just make sure that you are notified when that is setup  
19 and whoever wants to participate is more than welcome  
20 to participate.

21 CHAIRMAN BLASGEN: Great.

22 MR. WATTLES: I would like to participate  
23 because with the trade subcommittee that one kind of  
24 lands in our camp too.

25 CHAIRMAN BLASGEN: Sure.



1           MR. LONG:     That is going to be central to  
2 what we are looking at for North America. It is a  
3 great thing to do.

4           CHAIRMAN BLASGEN:     So, Cynthia, what we would  
5 like to do is have you take one last look once this  
6 edits are made, printed out, you can take a look. Then  
7 we will sign it, you and I. That will go up when,  
8 David? This week, next week?

9           MR. LONG:     As soon as --

10                     [Simultaneous speech.]

11           CHAIRMAN BLASGEN:     Okay. And then we can  
12 follow up with the addendum that you are planning on.

13           MR. GRENZEBACK:     Juan just whispered in my  
14 ear that the proceedings from the TRB workshop on  
15 freight mobility and performance measurement --  
16 proceedings are completed and approved -- the one that  
17 Nicole sponsored at the TRB. So it may be easier for  
18 -- the summary of the pilot studies that you are doing  
19 as a part of that, so it may be easier to deliver what  
20 you are looking for than I thought. We can recycle the  
21 TRB --

22           CHAIRMAN BLASGEN:     Sure. Great.

23           MR. LONG:     Well, thank you. That is just  
24 excellent.

25           MS. RUIZ:     So Mr. Chairman, that completes my

1 report.

2 CHAIRMAN BLASGEN: Thank you very much and  
3 congratulations. Good job. You tackled a lot of hard  
4 detail there. A good one.

5 As far as the agenda goes, we have lunch  
6 coming up. And then we need to hear from two other  
7 committees, the Finance and Infrastructure Committee  
8 and Trade and Competitiveness. Also, Mr. Selig will be  
9 joining us, he said potentially a little early. And he  
10 will be with us for about a half an hour. Is that  
11 right?

12 MR. LONG: Yes.

13 CHAIRMAN BLASGEN: Okay.

14 MR. LONG: And I do have bios of Mr. Selig --  
15 pass these around.

16 CHAIRMAN BLASGEN: Is he going to be open to  
17 questions?

18 MR. LONG: Yes. He will talk for probably  
19 eight or ten minutes and be available for questions on  
20 any of the topics that you have in mind -- anything you  
21 want to ask him.

22 CHAIRMAN BLASGEN: Good. We can go ahead and  
23 break for lunch and reconvene at 1:00.

24 [Whereupon, the meeting was recessed at 11:58  
25 a.m.]

26

1 AFTER RECESS

2 [1:04 p.m.]

3  
4 CHAIRMAN BLASGEN: All right. So welcome  
5 back. We were just informed that the Under Secretary  
6 may be here a little early, between 1:30 and 1:45. So  
7 whenever he gets here -- he has to catch a flight. So  
8 we will stop what we are doing and have him address the  
9 group when he arrives.

10 We also thought that at the end -- we have to  
11 go through--next--with the Finance Committee and then,  
12 of course, Shawn with Trade and Competitiveness and  
13 then we will have a conversation at the end about how  
14 the meeting went and then if there are any changes we  
15 want to make for the future in terms of how the two  
16 days went along. So think about that as well as we go  
17 forward.

18 MR. LONG: One other thing.

19 CHAIRMAN BLASGEN: Sure.

20 MR. LONG: Let me add an additional thing.  
21 We have taken these topics a long way so far. We are  
22 wrapping up a number of recommendations on it. What I  
23 would like to do shortly is start setting up the  
24 specific questions with everyone, build on the  
25 materials you have all ready seen from us on what's

1 coming out of the North American Leadership Summit, the  
2 high level dialog with Mexico, beyond the border, all  
3 of the things that relate to North America as an export  
4 platform.

5 So following this meeting you will be seeing a  
6 lot detailed information and what we know so far about  
7 what reasonable questions for that would look like. We  
8 are all ready seeing where the Secretary and others  
9 have been asking us for, commercial advice on these.  
10 That's coming your way.

11 CHAIRMAN BLASGEN: All right. Terrific. All  
12 right, Mike?

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**FINANCE AND INFRASTRUCTURE DEVELOPMENTS****Mike Steenhoek****Subcommittee Chair, Finance and Infrastructure**

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5 MR. STEENHOEK: Okay. Well thank you, Mr.  
6 Chairman and I think our -- do we have the document  
7 from the -- you each got the hard copy, so we can just  
8 -- yes. There we go.

9 I just thought we would go through the  
10 specific recommendations, but before we do so, I wanted  
11 just to highlight -- we listed on the second page of  
12 the document some guiding principles that were utilized  
13 to direct our deliberations and our ultimate decisions.  
14 We originally had four of those and as you can see,  
15 based on some feedback we received, we also added  
16 transparency so the whole concept of enhancing public  
17 confidence and how we are financing our infrastructure  
18 -- that confidence goes up when they have a greater  
19 understanding of it, when it is less of this funding  
20 disappears into this abyss, this black box and then out  
21 pops some kind of transportation project -- not really  
22 knowing how that money was spent and what the decision-  
23 making process was. So that is something that was  
24 added and certainly I think that can be justified as a  
25 guiding principle.

1 I also received some feedback from Tom which I  
2 think makes some sense as well and it is partly covered  
3 in the guiding principles as they are currently  
4 written, but the whole issue of how effective the  
5 expenditures are, the whole concept of are we getting  
6 appropriate bang for our buck. What is the return on  
7 this investment? It is touched, but I think it could  
8 be further emphasized. So under transparency could add  
9 a bullet point of effectiveness as well.

10 I guess that is the feedback received on the  
11 guiding principles. I guess before we proceed to the  
12 actual recommendations, any comments, feedback,  
13 enhancements, deletions that should occur from that  
14 part of the document?

15 MS. BLAKEY: Mike, I think that it is  
16 important to point out that these track change edits  
17 that are appearing here have not been discussed by the  
18 subcommittee as a group. They were added in and then  
19 there was no further conversation about them.

20 So there may be -- I have an issue with the  
21 transparency -- not that it is not a good idea, but  
22 because when we had our discussions -- I think,  
23 actually, there are issues with how you can evaluate  
24 the transparency of any particular financing approach.

25 So I think it bears further study as to whether or not

1 it belongs in our list. Because we evaluated our  
2 recommendations without that included, I am not sure  
3 that it belongs in our report if we are voting on this  
4 report today.

5 MR. STEENHOEK: Is it possible just to have  
6 transparency listed as kind of a -- since these are not  
7 very specific, there are just more aspirational is  
8 it --

9 MS. BLAKEY: I think we could --

10 MR. STEENHOEK: -- appropriate to include  
11 transparency as a concept or is it because you can't --

12 MS. BLAKEY: Rather than putting it in the  
13 guiding principles, I think we could acknowledge it in  
14 a paragraph of text that says and it is good to the  
15 degree that it is possible to apply transparency --  
16 these things about -- these characteristics of more  
17 transparent investment approaches that are beneficial.  
18 I think we could say something that explains that it is  
19 a positive attribute, but I hope -- we have not  
20 evaluated our recommendations on the basis of  
21 transparency.

22 MR. COOPER: If I may since I am the one who  
23 offered this suggestion, we are talking about  
24 government funding, not private funding.

25 MS. BLAKEY: Right.

1           MR. COOPER:    And when we talk about  
2 government funding, that's -- if you are talking about  
3 any potential tax increases to get business on board,  
4 if you don't have transparency as a guiding principle,  
5 there is no way you are going to get most any private  
6 business to support that.

7           MS. BLAKEY:    And I wouldn't disagree that  
8 it --

9           MR. COOPER:    I do understand --

10                         [Simultaneous speech.]

11           MR. COOPER:    -- discussion.  I'm okay.

12           MS. BLAKEY:    Yes, it is an important  
13 consideration, but I think we can't add it as a  
14 principle.

15           MR. COOPER:    That means -- I know I cannot  
16 support it today without that as a principle because I  
17 went in and talked to a lot of people about this issue  
18 -- because being in the fuels industry, when you talk  
19 about raising taxes and things of that nature, usually  
20 that sends a shudder up several people's spines.  But  
21 they said we have got a list of principles internally  
22 where we could accept an increase in the fuels tax and  
23 things of that nature and here are some "ifs".

24                         And that was probably one of the larger ones.  
25           There were two real big ones.  One is transparency



1 because there is just a horrible lack of transparency  
2 sometimes in some of these funding processes. And the  
3 other was the money actually has to go to that funding.

4 MS. BLAKEY: And I don't disagree with what  
5 you are saying, but what I am saying is that as a  
6 matter of process, we say that we looked at these  
7 principles against each of the -- I mean, this whole  
8 appendix of different mechanisms against which we used  
9 these principles to consider them and we didn't  
10 incorporate that. That needed to be incorporated  
11 previously.

12 MR. COOPER: I understand.

13 MS. BLAKEY: Because we can't exactly add it  
14 now and say we evaluated our recommendations against  
15 these principles. So I think -- what I am suggesting  
16 is we could add a paragraph that acknowledges the  
17 importance of transparency, but in terms of the work  
18 that we have done in considering each of these  
19 approaches to funding and financing, we did not  
20 incorporate that and check that box.

21 MR. COOPER: I understand and that is  
22 unfortunate timing-wise because I know I can't support  
23 it. And I know I am only one person, but it is that  
24 important to a lot of folks I work with.

25 MR. STEENHOEK: Any other feedback?

1 MR. WEILL: I agree with Jim. I think  
2 whether we put the effectiveness on the -- I think if  
3 we are not ready, then we are not ready. It is not  
4 just what is getting done and you throw it in there. I  
5 think it is too important an issue.

6 MS. BLAKEY: You know, I think that if we  
7 were to sit here and have all the rest of the night to  
8 go through each of the items in the appendix, we could  
9 probably make a determination on the transparency and  
10 say we have done that, but that just hasn't happened.  
11 So I'm --

12 CHAIRMAN BLASGEN: So you are saying the  
13 recommendations have not run through the filter of  
14 these five guiding principles and you want to have a  
15 chance to that?

16 MS. BLAKEY: It has been run through the  
17 filter of four of them. And now if we are adding a  
18 fifth, it hasn't been run through that.

19 MR. STEENHOEK: I guess my only point is I am  
20 trying to think of one of our recommendations that if  
21 all of a sudden transparency is one of the filters we  
22 ran through, what of our recommendations would all of a  
23 sudden not make the cut. And say, oh, no that's -- all  
24 of a sudden we care about transparency, so therefore  
25 suggestion one, two and five no longer will make the

1 cut.

2 I think -- I mean I see the point that we made  
3 the deliberations based on those four guiding  
4 principles, but I -- transparency to me is like  
5 honesty. It is kind of luck, well all of a sudden you  
6 emphasize honesty or transparency -- I don't think that  
7 is going to impact any of the specific recommendations  
8 that we would have had. I can't think --

9 MS. BLAKEY: Well if everybody is comfortable  
10 with that.

11 MR. STOWE: There has got to be some way to  
12 make an umbrella statement about transparency without  
13 saying that we did something we didn't do. Nobody is  
14 trying to undercut transparency, but we don't want to  
15 have this and then have another principle or --

16 MS. BLAKEY: Just as a practical matter, if  
17 you look at the appendix, all of the other ones do have  
18 these four listed and it is not -- transparency would  
19 be a fifth cell here, but it is not there. So I am  
20 just saying I agree with you. I think that -- and I am  
21 not trying to say we shouldn't incorporate it somehow,  
22 but practically speaking, we can't go there very easy.

23 MR. STOWE: What do we need to decide -- if  
24 we wanted to have an umbrella thing that covered this  
25 and made the problem go away while recognizing

1 transparency, what do we need to do without drafting it  
2 right here and right now? Have somebody take a look  
3 at --

4 MR. COOPER: I thought I was pretty clear it  
5 has got to be one of the guiding principles --

6 MR. STOWE: Oh, all right.

7 MR. COOPER: It ought to be a fifth  
8 principle. If nothing else, because I agree that this  
9 is a wrench in the process and hopefully it is a good  
10 learning experience and we should probably recap this  
11 later on today because this is that important to me and  
12 I sure as heck don't want to be the guy with spotlight  
13 saying "oh, by the way" at the last minute. I don't  
14 like throwing a wrench into any kind of process, but  
15 when it is really, really important -- and to us  
16 raising gasoline taxes is pretty important -- that's a  
17 big one.

18 MR. STOWE: So what is the harm in taking the  
19 time after today to do that evaluation? Is that a  
20 problem?

21 MR. STEENHOEK: Well I guess if the goal is  
22 to advance something today, then we are not able to  
23 advance something if we have to kind of regroup, number  
24 one. Number two, I guess you can go through the  
25 exercise of saying, now all of a sudden, transparency

1 is one of the values that -- a filter we are going to  
2 run everything through. To me, I don't think that  
3 would be a useful exercise because I think -- that is  
4 kind of -- that is more than implied. That is  
5 something that has been on our minds. I don't think  
6 anything will no longer make the cut because all of a  
7 sudden we emphasize transparency.

8 So my recommendation would be to leave it as  
9 is presented on the board and just proceed with that.  
10 But, again, this is a --

11 MR. BRYAN: So Mike, what are we going to do  
12 next? Are you going to walk us through?

13 MR. STEENHOEK: We are going to go through  
14 all of the different policy suggestions.

15 MR. BRYAN: Could we -- also in the course of  
16 you walking us through that -- just think more on  
17 transparency and say this could be an issue here or  
18 couldn't be and just kind of wrap it up that way? Is  
19 that --

20 MR. STEENHOEK: I think that is an excellent  
21 suggestion. Any other suggestions?

22 MR. BROWN: I have a question -- changing the  
23 subject -- a clarifying question on equity. Is the  
24 subcommittee suggesting that we address any funding  
25 issue, any recommendation equally? That you split it

1 up 18 different ways, 12 different ways, 47 different  
2 ways, everybody gets the same share?

3 MS. BLAKEY: No. That is not what equity  
4 means.

5 MR. BROWN: I didn't think it was, but that  
6 is my interpretation the way the sentence is written.

7 MR. STEENHOEK: It is a general statement.  
8 We don't have a suggested pie chart or anything like  
9 that attached to it. It is really just kind of getting  
10 at the point of should one segment of the economy  
11 receive disproportionate attention, versus the other.  
12 Should we look at it more holistically? Should we look  
13 at --

14 MR. BROWN: When you talk about funding, are  
15 you talking about, you know -- you have 47 people in  
16 the room. If I have \$47 equally everybody gets \$1.

17 MS. BLAKEY: No. It is not saying that we  
18 are dividing things equally.

19 MR. BROWN: Okay.

20 MS. BLAKEY: Equity doesn't mean that. It  
21 means are we considering equity among the 47 people in  
22 terms of any approach that is taken, do we take that  
23 into account.

24 MR. BROWN: I didn't think your intent was.  
25 Yes, I am reading it the way I described it.

1           MR. GRENZEBACK: I think that equity there is  
2 you get what you pay for. Is it equitable in that  
3 sense? It is not equalized. That definition of equity  
4 is not -- I don't read the same definition.

5           MR. BROWN: That's my -- that is what I am  
6 saying. I think it needs to be reworded to reflect the  
7 fact -- what you are saying because that is what my  
8 assumption of what you were trying to say was, not what  
9 my interpretation of what I read was.

10          MR. GRENZEBACK: Equity is not equalized.  
11 Equity means fairness. If I am taxing you, am I  
12 taxing you in proportion with the benefits you are  
13 receiving? Is that equitable? That is not the same as  
14 equalized which is spread the tax over everybody or  
15 spread the benefits over everybody.

16          MR. BROWN: Equity among industries, modes,  
17 regions -- I am just interpreting that as being --

18          MS. BLAKEY: Could we address this by saying  
19 "Does the funding financing mechanism fairly address  
20 industry's modes, regions and users?" Will that work?

21          MR. BROWN: I'm okay with the concept. I am  
22 suggesting that the wording be changed to reflect the  
23 concept you are trying to get across. That's all --

24                   [Simultaneous speech.]

25          MR. BROWN: That is what I am suggesting.

1 MR. STEENHOEK: I think that is a great  
2 suggestion, so it's "does the funding financing  
3 mechanism fairly address -- delete equity -- fairly  
4 address --

5 MS. BLAKEY: Industry's -- delete and modes.  
6 We are not trying to get equitable distribution.

7 MR. BROWN: I didn't think you were.

8 MR. STEENHOEK: Is everybody satisfied?

9 MR. GRENZEBACK: I am sorry equity is not --  
10 it does not mean equal.

11 [Simultaneous speech.]

12 COMMITTEE MEMBER: We agree --

13 COMMITTEE MEMBER: I am not sure that --

14 MR. STEENHOEK: Does this proposed  
15 sentence --

16 COMMITTEE MEMBER: Saying fairly isn't the  
17 same as saying equitably. Maybe somebody will Google  
18 the definition, but --

19 MR. STEENHOEK: Is this imperfect sentence --

20 [Laughter.]

21 MR. STEENHOEK: -- sufficient? Or does  
22 anyone want to fall on the sword on this sentence? So  
23 the four guiding principles were advanced to the full  
24 committee. We received some feedback up to this point,  
25 transparency being one. The second feedback that was



1 received was emphasizing further the concept of  
2 effectiveness which would be a proposed sixth guiding  
3 principle, effectiveness.

4 Tom, does that accurately describe what you  
5 were suggesting, this whole return on investment,  
6 getting --

7 MR. WEILL: The value for every dollar that  
8 we spend.

9 MR. STEENHOEK: Practicing good stewardship?

10 MR. WEILL: If we are asking for more money,  
11 then we want to make sure we are spending it.

12 VICE CHAIRMAN SIPON: Mike, is Appendix A in  
13 the printed copy also going to be submitted to the  
14 Secretary as well as your recommendations?

15 COMMITTEE MEMBER: I can't hear you.

16 MR. STEENHOEK: The question is, the appendix  
17 at the end, is that going to be submitted along with  
18 the recommendations to the Secretary. My opinion is --  
19 my hope is no because then that involves a lengthy  
20 process that I don't think we have time for and I would  
21 rather just advance the recommendations.

22 VICE CHAIRMAN SIPON: And that was more of a  
23 tool that you used, correct?

24 MS. BLAKEY: Yes. Exactly it explains --

25 MR. STEENHOEK: It substantiates. It

1 provides context.

2 VICE CHAIRMAN SIPON: My point in bringing  
3 that up is if we add these two guiding principles --  
4 these documents, whether they are submitted to the  
5 Secretary or published online, we need to go back  
6 through it. We don't address transparency in the list,  
7 so we are going to have four with comments -- good,  
8 diminishing, excellent, poor and comments around each  
9 one of those. It just seems incomplete if we add the  
10 two -- again, it might not affect the vote for today  
11 and moving forward, but we do need to do work as a  
12 subcommittee to go back and add those two in there and  
13 have a conversation about those two criteria. So there  
14 is work left to do on that appendix.

15 MR. STEENHOEK: Yes.

16 MR. BOYSON: I just have a question. I keep  
17 reading it again and again and I am still not clear  
18 what we mean by "transparency". It just doesn't -- it  
19 is not very concrete to me. I know that you have a  
20 very strong opinion about that and I want to make sure  
21 that I understand why and how you would evaluate that.

22 MR. COOPER: It is basically -- I look at  
23 transparency as -- the synonym is openness.

24 MR. BOYSON: Okay.

25 MR. COOPER: Okay. Where the taxpayers know

1 where their money is being spent, know why it is being  
2 spent that way and has full detail on -- or at least  
3 access for information seekers -- has access to the  
4 information and can readily get access. Where, right  
5 now that is not really the case for many, many, many,  
6 many different projects.

7 As an analogy, this is true in several  
8 different agencies where the appearance to the public  
9 is there is this little black box. You shake it up and  
10 this output spits out, but all you know is the output.  
11 You know none of the reasoning, justification, or  
12 anything behind it. And that is --

13 MR. WEILL: Criteria around equity or  
14 fairness or whatever --

15 MR. COOPER: Yes. You wouldn't have any of  
16 that without transparency. And in my opinion, that is  
17 what is really lacking today. So when you talk about  
18 something as sensitive as a tax increase without the  
19 transparency, I just don't see that getting too far.

20 MR. BOYSON: So the question I have -- which  
21 I certainly can appreciate what you are saying. It  
22 makes a lot of sense to me. But what I am trying to  
23 get at is how do you measure that? How do you put that  
24 in as a performance metric?

25 MS. BLAKEY: This is not about performance

1 issues here.

2 MR. BOYSON: Well, if it is about criteria  
3 for supply chain investment, then it is.

4 MS. BLAKEY: No, actually, it isn't. I think  
5 you are misreading it. The purpose of these principles  
6 is for the group here to say we can recommend this as a  
7 funding, as a revenue stream, or as a distribution  
8 mechanism for funding transportation projects.

9 It is not a performance measure, so you are  
10 not trying to "measure it". It is a logic exercise. I  
11 will give you an example.

12 Let's just say that we are talking about a  
13 local sales tax revenue to support the building of a  
14 new bridge. If you say, you, the taxpayer, I am going  
15 to raise your sales taxes locally and put every cent of  
16 that money toward the new bridge that your community  
17 needs. You would vote yes for that because it is  
18 transparent and it is clear.

19 If you say, we are going to raise sales taxes  
20 broadly and you may get something out of it in some  
21 material way, but you don't know what it is. And by  
22 the way, some of it might go to transportation, but  
23 then some of it might go to funding the parks and  
24 recreation's junket to Bermuda, you are not going to  
25 vote for it.

1           And that is what we are talking about here in  
2 terms of principles. It is not a performance measure.

3           MR. BOYSON: But that is a little confusing  
4 because if you look at --

5           [Simultaneous speech.]

6           MR. BOYSON: Excuse me -- just one more  
7 thing.

8           If you look at, for example, Federal Freight  
9 Trust Fund, you have criteria. And then you have  
10 performance next to it. So what you are doing is you  
11 are using criteria--the four criteria you have  
12 established--to measure, if you will, the performance  
13 to meet that criteria.

14           So under adequacy, you have a whole list of  
15 minimum needs threshold, et cetera, et cetera. These  
16 are very specific performance measures that you believe  
17 are meeting the criteria of adequacy.

18           So if you put transparency in there -- I am  
19 trying to understand how that would very specifically  
20 play out in terms of an anticipated performance. At  
21 some level, it is a much higher objective than these  
22 four. That is kind of what I am wondering.

23           MR. COOPER: Transparency is measurable. It  
24 is is the information readily available for the public  
25 to see project by project justifications, where

1 specific money goes. It is almost like, okay, we are  
2 going to raise your taxes and everything goes towards  
3 infrastructure. That is not good enough. Just saying  
4 it is going to go to a specific trust fund is not good  
5 enough anymore.

6 It is okay, it is going to the trust fund but  
7 when that fund operates, are they doing it in such a  
8 manner that the public has ready access to information  
9 on what projects are being funded, why they are being  
10 funded and things of that nature. It is more of a  
11 yes/no than a measurement type of thing.

12 MR. BOYSON: Carl, you had a good comment  
13 about that I think.

14 MR. CARTER: Oh, did I?

15 [Laughter.]

16 MR. CARTER: No. It seems to me that we are  
17 struggling with a question of are we really concerned  
18 about disclosure or is it really -- are we concerned  
19 that the actions are transparent in terms of what the  
20 people will be doing related to the financing.

21 MR. COOPER: I don't distinguish the  
22 difference between --

23 MR. CARTER: When I think about disclosure,  
24 I'm thinking that you are saying let's put everything  
25 out there so that anybody who is interested in what is

1 happening from a finance standpoint, they have the  
2 information, they know what is going on.

3           When I think about transparent, I think about  
4 whether the actions that are being taken related to  
5 whatever it is we are trying to decide are transparent  
6 such that there is an equity among the decisions that  
7 are being made.

8           MR. BOYSON:   Where you can determine  
9 efficiency because the information is provided. The  
10 question is efficient to who? So if it is efficient to  
11 the taxpayer because they can see that as a loop of  
12 return back directly to the projects they care about,  
13 the things that are interesting for them, then it meets  
14 an efficiency criteria.

15           So transparency to me seems some type of meta-  
16 responsibility. It doesn't fit into these more narrow  
17 -- described equity efficiency.

18           MR. COOPER:   Well, how do you measure -- I  
19 don't know. How do you measure equity? How do you  
20 measure any principle? I mean, there are ways --  
21 either something is equitable or it is not. There are  
22 not degrees of equity. There may be, but then you are  
23 getting into measurement that is not productive.

24           MR. BOYSON:   To Carl's point -- that is why I  
25 think it is an interesting distinction. We are saying

1 that if you provide information about why you are  
2 asking us for this tax and where it is going to -- to  
3 support it. That means that people have -- the  
4 information has been disclosed enough for them to  
5 decide whether there is efficiency and equity.

6 So in that sense to me, it is a higher level  
7 of values than efficiency or adequacy. These are more  
8 easily measured. They are more concrete.

9 Whereas, transparency is an information loop  
10 that has to --

11 MR. COOPER: You are using the word  
12 "measurement", but there is nothing in the appendix  
13 that actually measures anything. There are no  
14 numerical values -- when you use these extremes in the  
15 appendix, there are is no measurement scale.

16 MR. BOYSON: But you have anticipated  
17 performance that illustrates -- or if you will --  
18 highlights what adequacy means, what efficiency means  
19 and it is rather concrete. It is very concrete.

20 MR. COOPER: Well, then don't use the word  
21 "measurement" because you are not measuring anything.  
22 What you are doing is you are doing just like we did  
23 for transparency. It is called professional opinion.  
24 Is it transparent or is it not?

25 When money goes into the Highway Trust Fund



1 and that funding is then put towards projects, is it  
2 done in a transparent manner or is it not? Just like  
3 is it efficient or is it not?

4 MR. STEENHOEK: Can I make a recommendation?  
5 I think both sides of the argument, they make a lot of  
6 sense. I can see the points of both.

7 My suggestion is going to be to not include  
8 transparency. And the reason is throughout all of the  
9 deliberations of the Finance Subcommittee --  
10 transparency is a value of each one of ours. It is  
11 assumed. At no point did someone say, I would like  
12 less transparency. I would like more opaqueness. So  
13 it's a value.

14 No certainly, I don't have an objection with  
15 including it to emphasize it more, but because it is  
16 something that really is just embedded in the entire  
17 deliberation of the subcommittee, probably the  
18 deliberation of every subcommittee, my recommendation  
19 is in order to move this process forward is just to  
20 keep it -- to not list it.

21 Maybe, Leslie, we can acknowledge it in the  
22 actual tax that transparency is a key value. It is  
23 important. It is an important role of good government,  
24 et cetera, et cetera and so that it is acknowledged  
25 clearly, but yet it is not listed as a guiding

1 principle.

2 VICE CHAIRMAN SIPON: You use the same  
3 language --

4 [Simultaneous speech.]

5 MS. BLAKEY: Alternatively --

6 MR. STEENHOEK: I'm sorry? Say that again,  
7 please.

8 VICE CHAIRMAN SIPON: You use the same  
9 language you have here and just put it outside of the  
10 guiding principles, just sort of an overarching in all  
11 things financially related --

12 MR. STEENHOEK: So that it is acknowledged --  
13 clearly acknowledged as something that we value.

14 VICE CHAIRMAN SIPON: Right.

15 MR. COOPER: The word "principle" means  
16 something different to me than it does to the  
17 subcommittee. When I look at a principle -- see these  
18 are judgment criteria. That, I didn't gather when I  
19 read the document.

20 Because they were labeled as principles and  
21 really the four categories were things by which you  
22 judge. And so to me that is judgment criteria.

23 A guiding principle is, I think, what you are  
24 talking about, what you are all talking about -- that  
25 is that higher level thing that is assumed and that is

1 a mode of operation that permeates whatever. So I am  
2 comfortable with removing it as long as somehow it is  
3 built in. And there probably need to be several more  
4 actual principles that are identified.

5 MR. BOYSON: So could I ask a question as one  
6 last follow-up? I think this is a really good  
7 conversation. Could it be the guiding principle and  
8 these other, sort of, criteria?

9 MR. COOPER: Yes. That is exactly what I am  
10 saying and I think effectiveness falls into that kind  
11 of overarching --

12 MR. BOYSON: [Indiscernible] measure a thing  
13 like --

14 MR. COOPER: Oh, you can measure it. I  
15 agree. But these are criteria that aren't measuring  
16 anything. They are criteria that look generally at  
17 those funds in whatever and they called them principles  
18 and that kind of threw me off because I was thinking,  
19 okay, principles. Why wouldn't transparency be one of  
20 the principles?

21 MS. BLAKEY: I am perfectly happy also for us  
22 to -- with the permission of the rest of the group --  
23 go back and add to our appendix--which is not being  
24 submitted as part of the document--an analysis of the  
25 transparency of each of the mechanisms that we are

1 talking about because I think we can give that  
2 explanation, which is essentially what the appendix  
3 does and what those boxes are designed to do, is to  
4 provide a succinct explanation against which you can  
5 say, okay, that seems pretty adequate or that seems  
6 pretty transparent.

7 So I am happy for us to go back and add it  
8 into the judgments.

9 MR. COOPER: I don't think it is necessary.  
10 I think I am very comfortable with the suggestion of  
11 labeling the four things as criteria, because really  
12 that's what they were and then -- Tom, I don't know how  
13 you feel about this --

14 MR. WEILL: I think effectiveness can be  
15 written up the same way -- does the funding -- for each  
16 one of these things, I think you can add effectiveness  
17 as another one of those things. Is the money being  
18 spent and are we getting the most value out of it?

19 I don't think that is sort of a -- maybe a  
20 guiding principle, but we certainly aren't living it  
21 today in this world that we live in.

22 MR. COOPER: It could be both, actually. It  
23 could be criteria by which something is judged, but I  
24 think it probably takes a little more effort to judge  
25 the effectiveness.

1           You know looking at the appendix and the  
2 exercise they went through, that might require actual  
3 measurement versus just professional judgment.

4           But I am comfortable with transparency being  
5 made into one of those overarching principles  
6 explicitly and those being viewed as criteria. I am  
7 very comfortable.

8           CHAIRMAN BLASGEN:    You are suggesting you  
9 would include that in your text in the letter, you  
10 would build some verbiage in that?

11          MR. STEENHOEK:    Yes. It is just fine. It  
12 will be in the preamble, introduction kind of little --  
13 we will make sure that that's --

14          MR. COOPER:    I think that is a reasonable  
15 path forward.

16          MR. MICHENER:    And I like the idea of  
17 changing the principle instead of criteria or factors.

18          MR. STEENHOEK:    There are guiding -- you said  
19 criteria?

20          MR. MICHENER:    Instead of having principles,  
21 change that to criteria or factors or something that  
22 you use to evaluate and then working transparency  
23 into --

24          MR. STEENHOEK:    Are there any objections with  
25 changing principles to criteria? Any objections?

1           MR. GRENZEBACK: Well, I guess to muddy the  
2 waters, in transportation economics they seldom use the  
3 word transparency. Transparency is the decision  
4 process or in this case I think the criteria -- we  
5 would think about it in terms of user pay principles  
6 and transparency. For example, if you look at the  
7 Highway Trust Fund, it is generally regarded as a  
8 transparent [indiscernible] program because it is  
9 collected from motor vehicle users and pretty much  
10 dedicated through the trust fund to be spent on  
11 highways and related stuff.

12           So the connection is very direct -- is there a  
13 direct user pay to benefit -- a direct cost to benefit.

14           If that is what is intended by transparent, it is easy  
15 enough to add that as a criterion. For example,  
16 Highway Trust Fund -- gas tax revenues to Highway Trust  
17 Fund is considered highly transparent, general revenue  
18 to transportation, probably not because as a general  
19 revenue source you don't quite know where they are  
20 going. It is easy enough to add as criteria within  
21 there.

22           MR. WISE: Well couldn't we add that to the  
23 equity? To what extent does the user pay and the user  
24 benefit is really an equity issue.

25           MR. GRENZEBACK: Equity was, you know, are

1 you paying and you have no benefit.

2 MR. WISE: Right. And if you measure that,  
3 you have transparency.

4 MR. GRENZEBACK: But there are two different  
5 transparencies. One is the equity of user pay, the  
6 other is do I see the political decision process. And  
7 we are not trying to tackle that problem here.

8 MR. WISE: I would actually argue it would be  
9 good to have something on user -- there is user pay and  
10 user benefit in the equity. To me that is a criteria,  
11 maybe even a principle that I am interested in. If  
12 that is implied by what you all ready have now, fine.

13 MS. BLAKEY: It seems to me as though it is  
14 quite possible to simply put in the paragraph prior to  
15 getting to this criteria that would simply say "The  
16 committee acknowledges and recognizes the importance of  
17 transparency in any approach to funding and financing  
18 using public dollars. And this is manifested in  
19 certain ways, acknowledge the use of pay principle is  
20 an inherent value that we acknowledge as part of the --  
21 an equitable approach to transportation infrastructure  
22 funding."

23 And it could be as simple as that and I think  
24 we would pretty much be there. So if the group is  
25 willing for us to add that kind of language, then we

1 can state -- and I don't mind if we want to change  
2 instead of five guiding principles, just say five  
3 criteria for achieving. I think that that would maybe  
4 get us beyond this sticking point.

5 MR. COOPER: The way he is doing it right  
6 now, I am perfectly fine with because it really -- once  
7 you have something as a guiding principle, it is  
8 automatically given a certain amount of weight in a  
9 recommendation. When you have something as decision  
10 criteria, that increases the transparency of your  
11 exercise, but it is -- what you have got right there, I  
12 think is a reasonable way to --

13 VICE CHAIRMAN SIPON: Mike, if we leave it  
14 like this, you've got your four guiding criteria and  
15 then some overarching principles. If we can come up  
16 with a sentence that describes what we mean by the word  
17 "effectiveness" as the return on the investment, or is  
18 it being applied?

19 MR. STEENHOEK: Yeah, and I was thinking is  
20 there -- gosh every single one of these words you could  
21 semantic it to death. Is there sufficient return on  
22 the investment? Is there proper return on the  
23 investment? A robust -- I mean --

24 [Simultaneous speech.]

25 COMMITTEE MEMBER: Or logical return?



1 COMMITTEE MEMBER: Is there an effective  
2 return on the investment.

3 MR. STEENHOEK: Tom, was that -- yeah. Is  
4 there sufficient return on the investment?

5 COMMITTEE MEMBER: Appropriate?

6 MR. STEENHOEK: Is there an appropriate  
7 return on investment? Every one of those adjectives  
8 you could --

9 [Simultaneous speech.]

10 COMMITTEE MEMBER: Do the benefits at least  
11 equal the costs?

12 COMMITTEE MEMBER: It might be duplicated --

13 MS. BLAKEY: Well --

14 COMMITTEE MEMBER: You could combine those two  
15 and say adequacy and effectiveness of. It is basically  
16 the same definition.

17 MR. STEENHOEK: Yes, you can see some  
18 difference.

19 MR. COOPER: Is effectiveness in this case,  
20 though, return on investment because I look at that as  
21 a revenue generating type of -- are you looking at  
22 value or are you getting value? Are you getting  
23 benefit --

24 COMMITTEE MEMBER: Economic benefit.

25 MR. WEILL: It seems to me I could sit here

1 and argue even longer and say effectiveness to me  
2 really is am I getting the most value out of  
3 everything. It isn't even am I getting appropriate  
4 ROI. I can spend twice as much as I need to on  
5 something and it could still pay back.

6 I want to make sure that for every dollar --  
7 if we are asking people to pay more dollars, then we  
8 should be getting as much as we possibly can out of  
9 every single dollar that was spent. And that's the  
10 gist of what I believe we need to build in here.

11 Now I don't want to drag us down for another  
12 hour. I just think we have to have -- to me value is  
13 is it safe? Is it quality? Was it cost effective? Is  
14 it environment -- those are -- there are five things  
15 that could potentially go into effectiveness.

16 MR. GRENZEBACK: Your questions you are  
17 asking are quite correct, but they are really a much  
18 broader question about program effectiveness in my  
19 mind. And what we were focusing on are what are  
20 feasible and necessary financing mechanisms, not  
21 whether the programs involved in those are effective or  
22 not. You're asking a question which is a good one, but  
23 it is huge.

24 MR. WEILL: Right, but my point is -- Norm  
25 brought it up yesterday. It is really hard to go and

1 say, hey let's just -- you made a really good point  
2 about something hasn't been changed since 1993. I get  
3 the world has moved on, inflation, you know, we need  
4 more money, but do I need twice as much money or do I  
5 need 40 percent more money because if I spend it more  
6 effectively, I may be able to do more with the money  
7 that I have and that is just the spirit of what I am  
8 trying to build into this thing. We seem to always  
9 lose that.

10 MR. GRENZEBACK: I agree.

11 MR. WEILL: In private industry, every dollar  
12 we invest in anything has got to be preciously spent.

13 MR. GRENZEBACK: Aren't you asking a whole  
14 larger question than the subcommittee was tasked with?

15 MR. COOPER: Well that is why I suggested it  
16 as a principle and not one of those criteria, but it --  
17 I think what we are arguing is almost semantics -- what  
18 is effectiveness in this case? The most simple  
19 regulatory definition is going to be cost/benefit. Do  
20 the benefits -- are the benefits in accordance to the  
21 cost?

22 If they are not, there is something wrong with  
23 this picture. And I think that is another way to  
24 define it value. But when I looked at return on  
25 investment, I always think of that in financial terms

1 of actual financial returns. But I think -- are we not  
2 talking about the same thing, Tom, where that value  
3 derived is a balance -- the appropriate balance of cost  
4 and the benefit to people paying those costs?

5 MR. WEILL: That is why I like the word  
6 "appropriate" -- because --

7 VICE CHAIRMAN SIPON: So is it the return on  
8 the investment phrase? If we said "maximum value and  
9 value for the investment" or something like that?

10 MR. WEILL: Something like that.

11 VICE CHAIRMAN SIPON: Is there sufficient and  
12 appropriate value returned on the investment?

13 CHAIRMAN BLASGEN: Value to the spend or  
14 value --

15 VICE CHAIRMAN SIPON: Generated. Maybe value  
16 generated.

17 MR. STEENHOEK: Is there a sufficient and  
18 appropriate value from the investment?

19 VICE CHAIRMAN SIPON: Yes.

20 MS. BLAKEY: Value to the public I think we  
21 mean to --

22 MR. COOPER: Well value to those who have to  
23 pay.

24 MS. BLAKEY: Well --

25 MR. COOPER: That's what the user type of

1 thing is all about is those who pay have to get some  
2 kind of value out of that.

3 VICE CHAIRMAN SIPON: Can we go back up to  
4 the word "equity line" and use the phrase "industries,  
5 modes, regions and users"? Can we reuse that in this  
6 one? "Is there value generated for industries involved  
7 in industries, modes, regions and users" because it is  
8 going to vary mechanisms --

9 MR. STEENHOEK: These are recommendations  
10 talking about the U.S. supply chain. So I am thinking  
11 that any statement that we make is within that context  
12 so that is who we are referring to. We are referring  
13 to the public. We are referring to --

14 COMMITTEE MEMBER: These are measurements?

15 MR. STEENHOEK: Yes. So criteria was  
16 changed. Tom, it is my understanding that your  
17 suggesting that this be a fifth guiding criteria.

18 MR. WEILL: That is what I would have  
19 suggested, but as long as we include it.

20 MR. STEENHOEK: Okay. Any objections with  
21 having that effectiveness -- again, this imperfect  
22 suggestion be included as a fifth guiding criterion?

23 MR. GRENZEBACK: Yes, because I don't how you  
24 talk about it. We did not try to evaluate  
25 effectiveness as a program. I understand -- it is a

1 good question. It is a clear question. It is a vital  
2 question, but that is not what we evaluated in the  
3 working committee.

4 MR. STEENHOEK: So then it is an alternative  
5 to do what we did with effectiveness that we did with  
6 transparency? To emphasize to make that statement  
7 about effectiveness in the preamble, the introduction  
8 in the document so that it is clearly emphasized that  
9 it is clearly something that we valued? Is  
10 that --

11 MR. GRENZEBACK: [Nods affirmatively.]

12 VICE CHAIRMAN SIPON: Can we not leave it  
13 like this, as a bullet? Do you want to have more words  
14 put around it?

15 MR. STEENHOEK: We will have to -- it will  
16 not be -- so we are just going to have four guiding  
17 criteria that will --

18 COMMITTEE MEMBER: Right.

19 MR. STEENHOEK: -- effectiveness or  
20 transparency will not be included in that. We will  
21 work those two concepts into the document --

22 VICE CHAIRMAN SIPON: Okay.

23 MR. STEENHOEK: -- emphasizing them. So --

24 MR. COOPER: Why wouldn't you leave it as is  
25 because those aren't part of the four up top? Those

1 are clearly labeled as something different than the  
2 four things on top. Those two things, to me, are given  
3 more weight because those are overarching principles  
4 the way they are labeled right now.

5 I am trying to save you some work. You don't  
6 have to go back and try to retool --

7 MR. STEENHOEK: My only objection with that  
8 is when you start doing bullet -- when you start adding  
9 overarching principles, bullet, bullet, then all of a  
10 sudden that opens the door for more bullets.

11 MR. COOPER: I have only heard two  
12 overarching principles so far.

13 MR. STEENHOEK: Okay. If that's the only  
14 two, then I am fine with that. Okay. Good enough.

15 COMMITTEE MEMBER: And you might want to get  
16 rid of the word "include".

17 MR. STEENHOEK: Do you want to get rid of the  
18 word "include"?

19 MR. BRYAN: It says "include" -- you are  
20 worried about will the list get longer?

21 MR. STEENHOEK: Mm-hmm.

22 MR. BRYAN: Then get rid of the word  
23 "include". Overarching principles are --

24 MR. STEENHOEK: Okay. Overarching principles  
25 are.

1           We are getting ready to delve into the fuel  
2 tax.

3           [Laughter.]

4           COMMITTEE MEMBER: This was the easy part.

5           MR. STEENHOEK: I know that we have got --  
6 the Under Secretary is going to be coming pretty soon.  
7 Is that my understanding? Any guidance? Do you want  
8 to just --

9           MR. LONG: Let's start.

10          MR. STEENHOEK: Proceed.

11          MR. LONG: We will go until we have to stop.

12          MR. STEENHOEK: Okay. So we have got the  
13 motor fuel tax that is on your hard copy. It will be  
14 coming upon the screen. Restore the purchasing power  
15 of gas and diesel tax by increasing the rate and  
16 indexing it to inflation. That was our subcommittee  
17 recommendation to the full committee.

18                 Feedback received subsequent to that is in  
19 blue with all proceeds going directly to and remaining  
20 in the Highway Trust Fund and dedicated exclusively to  
21 funding highway infrastructure. And then, of course,  
22 that opens up things like, what about transit because  
23 they are a beneficiary of the Highway Trust Funds --  
24 storage tanks, things like bike paths, they are other  
25 beneficiaries of it.



1           So that's pretty much capturing the feedback  
2 from the full committee up to this point. I guess this  
3 is the opportunity for any other suggestions or  
4 comments.

5           MR. MICHENER: Just one comment about -- that  
6 doesn't address the fuel efficiency gains. So you want  
7 to incorporate that into -- I think that is a valuable  
8 comment.

9           MS. BLAKEY: Mike, let's point out one thing  
10 about this which is these are near-term  
11 recommendations. In other words, these we divided  
12 these up into near-term and longer-term with the notion  
13 that eventually the motor fuel tax is going to have to  
14 be replaced with some other mechanism. So this is a  
15 transitional approach.

16           So we were wanting not to over complicate it  
17 by asking for something that was patently unreasonable  
18 like a .50 cent increase -- even though that is really  
19 what is needed, but we were trying to keep the  
20 recommendation relatively simple and achievable.

21           MR. STEENHOEK: And to Leslie's point, on a  
22 couple of pages -- on page five, listed at the bottom  
23 you have longer-term recommendations and that at that  
24 point -- because of this trend line, Mark, that you  
25 mentioned, this greater fuel economy standards the

1 recommendation is to increasingly incorporate a fuel  
2 tax -- a tax on mileage travel. We use the word  
3 supplement or replace fuel taxes.

4 So we see in the immediate future keeping the  
5 fuel tax regimen in place, increasing revenue going  
6 toward it and then as this trend continues over time,  
7 incorporating a vehicle miles traveled approach.

8 So I guess the question is really unless there  
9 are any other further suggestions or amendments to that  
10 language -- if not, there are basically two questions.

11 Number one, do you keep it as is which is restore the  
12 purchasing power of gas and diesel tax by increasing  
13 the rate and indexing to inflation. End of statement.

14 Or do you include what's in blue font? Again,  
15 the impact of that is when you dedicate it exclusively  
16 to funding highway infrastructure, for every 18.4 cents  
17 per gallon of tax on gasoline, about 15.4 cents goes to  
18 the highway fund, about 2.5 cents go to transit, and  
19 then about a fraction of a cent goes to what is called  
20 the leaky underground storage tank fund.

21 MR. GRENZEBACK: I understand the intent, but  
22 I wouldn't put it in because we did not discuss  
23 changing the allocation. Rather, the issue was is  
24 there sufficient funding for freight projects that  
25 support supply chains. And the answer was no during

1 the highway program, insufficient funding to support  
2 highway and bridge maintenance and it was just left at  
3 that.

4 It wasn't the suggestion that it would go  
5 elsewhere. It wasn't any suggestion that it would be  
6 reallocated. I think that opens up a can of worms.

7 MR. GRENZEBACK: And I would think to your  
8 point, and I guess that would be my recommendation too,  
9 especially because we divided it per your guidance,  
10 Lance, of dividing these things into two categories,  
11 what generates revenue and what distributes revenue.  
12 If there is a real objection with how the funding is  
13 allocated, if you are having an objection with the pie  
14 chart, essentially, of the Highway Trust Fund, then  
15 that could be a separate discussion of how the money is  
16 actually allocated.

17 I would like transit to get more, transit to  
18 get zero. That seems to be a separate discussion.

19 MR. COOPER: I have a middle-of-the-road  
20 suggestion. Put a period after trust fund and take out  
21 that last clause that solely dedicates everything to  
22 highway and construction fund, but keeps all of that  
23 money in the Highway Trust Fund explicitly.

24 MS. BLAKEY: I think that by statute that  
25 would be the case. In other words, I don't think that

1 there -- it cannot be --

2 MR. COOPER: It is supposed to be the case.

3 MS. BLAKEY: Well it is the case. There is  
4 no money that comes into -- [indiscernible] am I wrong  
5 -- that it comes in through motor fuel taxes that does  
6 not go into the Highway Trust Fund? Then how it  
7 allocated out of that is --

8 MR. GRENZEBACK: By adding that phrase, you  
9 are not saying anything that isn't happening.

10 MS. BLAKEY: Isn't happening currently.

11 [Simultaneous speech.]

12 COMMITTEE MEMBER: If that's the way it works,  
13 why are those comments in blue necessary?

14 COMMITTEE MEMBER: Then it must be --

15 COMMITTEE MEMBER: They are redundant to --

16 MS. BLAKEY: They are, essentially, statute  
17 now. Yes.

18 MR. COOPER: So then it is a distribution  
19 issue because that is a real issue as far as -- I know  
20 my organization would go right up to the Hill and kill  
21 any attempt to attach that tax without ensuring that  
22 money goes to certain things on the distribution.

23 MR. GRENZEBACK: That recommendation -- if  
24 you look on the distribution side of it, is just to  
25 continue with current programs. If someone wants to do

1 that differently, that's fine.

2 MR. JAMIESON: Yes, because -- different  
3 points too as to how you want to allocate, but not only  
4 how do you collect it? How do you raise it? Is it  
5 just a fee straight across the -- percentage? No. Do  
6 you look at the EPA's rate of what they want to charge  
7 to the café standards and -- that way.

8 MR. LONG: Let me interrupt for a moment,  
9 please.

10 TED: Greetings to you all. It is good to see  
11 you all again. I have been cautioned that I don't need  
12 to read Stefan's bio, but I will just say for my first  
13 ten months in government I had no boss or no boss'  
14 boss. And as you can imagine, there are certain  
15 advantages to that.

16 But is that happy state of affairs was to end,  
17 it is my great good fortune that Stefan Selig answered  
18 Secretary Pritzker's call and joined the Department of  
19 Commerce as our Under Secretary in International Trade  
20 just a couple of months ago. We have been talking to  
21 him about this committee and its work and I am just  
22 very grateful you are able to make some time.

23 Stefan is headed out on a flight in the not  
24 too distant future, so he may not have a ton of time to  
25 spend with us, but I did want to make sure he was able

1 to meet you all in person. I will pass it over to  
2 Stefan.

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1                   **DEPARTMENT OF COMMERCE SUPPLY CHAIN EFFORTS**

2                   **Stefan M. Selig, Under Secretary for ITA**

3                   **U.S. Department of Commerce**

4  
5                   UNDER SECRETARY SELIG:    Thank you, Ted.

6                   Actually, it is not just a flight, but it is a series  
7                   of flights to get to El Paso to deal with a lot of the  
8                   border issues that I know you have been spending a lot  
9                   time talking about.  But because it is an American  
10                  carrier flight, it is now also delayed.  So I will miss  
11                  my dinner, potentially, with five congressman and the  
12                  mayor of El Paso that are talking about a number of  
13                  infrastructure projects that the Secretary and the Vice  
14                  President outlined as part of the high-level economic  
15                  dialogue that was initiated last year to try and make  
16                  the border a more efficient supply chain, frankly, for  
17                  U.S. businesses and U.S. tourists.

18                  What I thought I would do is just quickly  
19                  introduce myself and then talk a little bit about the  
20                  good things that you guys are doing here today.  As Ted  
21                  said, I have been in my chair for about 85 days--not  
22                  that I am counting.

23                  I spent my entire career in the private sector  
24                  working on Wall Street, the last 15 years of which I  
25                  was the executive vice chairman of the Global Corporate

1 Investment Bank at Bank of America. So I am quite  
2 familiar with the importance of the topic which brings  
3 you all together, having advised clients across all  
4 industries in the United States in terms of how to grow  
5 their businesses and create value. The issues which  
6 you are all grappling with are things that I have long  
7 understood to be so important to the success of U.S.  
8 companies.

9 I would like to start by first thanking you,  
10 thanking Rick for his leadership of the committee and  
11 all of you guys for doing this. I have come to more  
12 fully recognize the demands that it makes on all of  
13 your times and schedules to convene and take the time  
14 out of your busy professional lives and not use that  
15 time personally, but to do the good work that you are  
16 doing here today.

17 The Secretary also--as you know--is a private  
18 sector person by background. She has run a number of  
19 businesses that more than fully acquaint her with the  
20 importance of effective supply chains. This is very  
21 high on her list. In fact--as I am sure you know--it  
22 is something that she has included not only in her  
23 original open for business agenda, but in her strategic  
24 plan.

25 Your initial recommendations for February of



1 this year were extraordinarily important and the single  
2 window customs processing issue in the United States is  
3 getting so much visibility and time and attention in  
4 the interagency. You all will be happy to hear that  
5 the topics and your thoughtful and insightful work is  
6 getting a lot of attention and focus as it rightly  
7 should.

8 So maybe with that, Ted, I would just open it  
9 up for any questions, or thoughts, or observations and  
10 most importantly hear from you as to anything that I  
11 can be doing or should be doing to make your work  
12 easier and more effective.

13 CHAIRMAN BLASGEN: If there are questions for  
14 the Under Secretary? We have got a lot on our mind.  
15 We have been talking for a couple of days now about a  
16 lot of important things and the debates have ensued,  
17 but recommendations have been reached. So what  
18 questions do we have?

19 VICE CHAIRMAN SIPON: Just a general question  
20 -- we have asked this of previous speakers who have  
21 addressed us. First of all, thank you for taking the  
22 time out of your busy schedule to join us.

23 UNDER SECRETARY SELIG: Sure.

24 VICE CHAIRMAN SIPON: What would success --  
25 if you could just broadly define -- if this advisory

1 council is going to be a success to you and to your  
2 team, what would that look like? It's an on-the-spot  
3 question.

4 UNDER SECRETARY SELIG: I would say a couple  
5 of things, Page. One is I think, frankly, getting  
6 private sector expertise and voices together in and of  
7 itself is a success. So the United States government  
8 and this Administration have not done as good a job as  
9 they possibly can in listening and learning from the  
10 private sector in ways to help the private sector.

11 So I think, frankly, just the convening of  
12 this and getting the brain power that is around this  
13 table together to share your thoughts and expertise and  
14 recommendations is in and of itself and definitionally  
15 a success. This is--as I am now learning--kind of an  
16 unusual TIMP [sic] and it can be very insulating. As a  
17 result of that, we don't always have -- after 85 days I  
18 am a "we" as opposed to "they".

19 [Laughter.]

20 UNDER SECRETARY SELIG: That was awfully  
21 fast. We don't always have the benefit of the most  
22 current thinking and frankly, not only the most current  
23 thinking, we don't always have the benefit of real  
24 insight into the issues that companies, businesses and  
25 individuals face on a day-to-day basis.

1           So assembling that, coalescing that thinking  
2 and then presenting it to the government, the Secretary  
3 and ultimately to the President is an unbelievably  
4 valuable thing. I have all ready seen the value of  
5 that, not only in the work you have done in single  
6 window, but my first such meeting like this was with  
7 the President's Travel and Tourism Board and similarly  
8 to some of the issues you were talking about, it was a  
9 lot about the entry experience into the country.

10           That particular council made a very specific  
11 recommendation to the President about the amount of  
12 time and a metric around the quality of the experience  
13 that should be if you are going to ensure that we are  
14 as well-positioned as a country to attract travel and  
15 tourism dollars. I will tell you that there is -- the  
16 imprimatur of coming from a council such as this really  
17 adds kind of heft and credibility as opposed to just  
18 the Commerce Department fighting with the Department of  
19 Homeland Security and coming up with some arbitrary  
20 number.

21           So that is how I would answer that.

22           MR. KANCHARLA: Welcome. Thanks for coming  
23 here. I am going to digress slightly, but it is still  
24 about supply chain.

25           To make a long story short, Mexico is going to

1 be the new China in a manufacturing. Let's assume some  
2 of that comes true and the transportation system  
3 between the two countries is very, very, very  
4 underdeveloped. The inefficiencies are enormous.

5 I am coming from the point of view of the  
6 port. I am with Port Tampa Bay, the largest port in  
7 the state of Florida. Shipping happens only within  
8 U.S. ports, but the volume of cargo is coming from  
9 Mexico or the road to the United States. I am not  
10 saying Mexico is a part of the United States, but some  
11 of these efficiencies we are trying to dialed needs to  
12 be extended beyond our borders when all of this  
13 bilateral trade is happening between partner countries  
14 with NAFTA agreements, et cetera.

15 I really thing that we would do a huge service  
16 not just to American industry, but to this bottleneck.  
17 I am talking about trade in the trillion dollar range  
18 that is going through highly-inefficient modes and  
19 continues to get worst on a daily basis for any number  
20 of reasons. There are trucking reasons, the railroad  
21 bottlenecks, the change of rail roads that they have to  
22 go through, et cetera.

23 If you want to enhance the supply chain on a  
24 monumental level to make an impact, you need to study  
25 the Mexico-United States transportation and logistics

1 and how that is working. You can truly make a  
2 difference.

3 UNDER SECRETARY SELIG: We appreciate that.  
4 Obviously our two biggest trading partners are Canada  
5 and Mexico and so it makes sense that -- fixing those  
6 borders and having those borders be more efficient is  
7 something that is going to be extraordinarily effective  
8 and important.

9 I will tell you that the Secretary's--I  
10 think--first trade mission is down to Mexico. We are  
11 now convening the second high-level economic dialogue  
12 which was initiated last year by the Vice President  
13 which both she and I will be attending potentially in  
14 December. These issues are at the very top of the list  
15 of what is driving the economic dialogue.

16 So heretofore the dialogue with Mexico,  
17 frankly, has been strategically focused and not  
18 economically focused. As a result of that, frankly, a  
19 lot of these issues have not been historically  
20 addressed at the highest levels of our government.  
21 They are now getting visibility as evidenced by the  
22 fact that they are sending me to El Paso tonight. And  
23 everybody is well-aware that whether it is sea, rail,  
24 or road we have to do a better job. We have to do a  
25 better job of it.

1           The Holy Grail, of course, is not to make  
2 those kind of three separate commercial entities, but  
3 to figure out how goods and services can flow all the  
4 way up and down those borders in a more seamless way.

5           MR. WISE: Private sector career, three  
6 months in the public sector -- where have you been  
7 surprised, the influence of the department,  
8 surprisingly more than you thought? Where do you think  
9 [indiscernible] of the department?

10           UNDER SECRETARY SELIG: You know, I got asked  
11 that question at lunch today. That would be a 45  
12 minute answer, but I won't bore you. I will just give  
13 you a few surprises or a few initial observations.

14           Observation 1) Not to embarrass my two  
15 colleagues here -- I have been extraordinarily  
16 surprised and impressed with the quality of the folks  
17 in the Commerce Department and who work for me in the  
18 ITA. People are subject matter experts. They are  
19 extraordinary smart, hardworking and well-educated.  
20 That would be the first observation.

21           Observation 2) The Commerce Department, the  
22 U.S. government is a big and complicated place and  
23 getting stuff down, frankly especially an interagency  
24 process, I think is more cumbersome than I fully  
25 expected, even having come from Bank of America which

1 isn't exactly a Silicon Valley startup.

2 [Laughter.]

3 UNDER SECRETARY SELIG: So I guess that is  
4 Observation 2.

5 Observation 3) I think both the Secretary and  
6 I are of the strong view that the United States has a  
7 significantly underutilized asset which is our private  
8 sector and our business community. What we are going  
9 to try to do for the next 2.5 years -- if you have to  
10 have one overarching -- is to figure out how to use our  
11 business clout as a country to help advance not just  
12 our economic agenda, but our strategic and diplomatic  
13 agenda. And that is going to be done at the Department  
14 of Commerce, led by her.

15 So if we can figure out how to do that,  
16 especially in a world where overall economic might is  
17 relatively less effective than it has been, perhaps, in  
18 decades past and our interest in using our military  
19 might is little bit more restrained than it has been in  
20 the past, then that will be a great thing for our  
21 country. It will be a great thing for U.S. businesses.

22 So that in many ways is what I am most excited about  
23 and the Commerce Department--under her leadership--  
24 taking the leadership role in that dialogue.

25 So don't be surprised -- now that we know you

1 all are willing to serve your country -- if you hear  
2 from us again.

3 [Laughter.]

4 MR. JAMIESON: Mr. Secretary, thank you for  
5 joining us and entertaining our comments. As a  
6 representative of the highway carrier community and as  
7 a major North American carrier that transacts business  
8 in all three countries, there has been a large issue  
9 with the southern border for many years. Whether or  
10 not -- that it creates a significant competitive  
11 disadvantage for not only carriers, but importers in  
12 the United States as well -- comparing the southern  
13 border versus the northern border.

14 The last couple of years, Mexico customs has  
15 been extremely engaging and very courteous in working  
16 with carriers and customs as well in order to affect  
17 change in rules and regulations as well as the border  
18 crossing process in general to more mimic and harmonize  
19 with what we have in Canada. It would be great to see  
20 Commerce continue that dialogue and engage with  
21 Customs, DHS and their trading partners in Canada and  
22 Mexico in order to continue to facilitate those trades,  
23 those benefits and maybe even come up with new and  
24 better plans to enhance whatever is currently there on  
25 the forefront for the --



1           UNDER SECRETARY SELIG:    Your comments are  
2 well-received.  This week I met with the Assistant  
3 Secretary of Homeland Security who is responsible for  
4 this issues as well as a senior official at CBP.  I  
5 think it is appropriate to be discussing this on  
6 September 11; right?

7           We are hopefully coming out of the period  
8 where all of our laws and regulations -- while we are  
9 going to be highly sensitive and focused on the  
10 security of our country, also take into consideration  
11 while preserving the security of our country, the  
12 ability to grow our businesses and to transact in a way  
13 that is more efficient for our companies and as I said,  
14 that is why I am going down there today, to address  
15 this issues.  We are very focused on it.  I think you  
16 are quite right that the Mexicans are focused on it.  
17 The only way we are going to fix it is to identify it  
18 as an issue, which we have -- identify it as a  
19 priority, which have and now go about and try and make  
20 some very specific and concrete changes.

21           A number of those were identified in last  
22 year's high-level economic dialogue with the Mexican:  
23 two particular bridges, which hopefully will be opened  
24 over the course of the next few months; Trusted Trader  
25 Program; and the Trusted Traveler Program.  So it is

1 going to be something that over the next 2.5 years both  
2 the Secretary and I and our entire teams are going to  
3 have on the list.

4 MS. BLAKEY: Earlier this week, in fact I  
5 guess it was the day before yesterday, there was an  
6 Infrastructure Summit hosted at the Department of  
7 Treasury, co-hosted by the Department of  
8 Transportation. Secretary Pritzker spoke at that  
9 Infrastructure Summit that was attended by  
10 institutional investors, representatives of pension  
11 funds, and large financial institutions from all over  
12 the world.

13 One of the points that was made among many  
14 really excellent aspects of that discussion was that  
15 from the investment standpoint, as a market for  
16 institutional investment, the United States is way down  
17 the list, behind Canada, the EU and Australia for  
18 investments in transportation infrastructure and other  
19 types of heavy infrastructure. As a nation, there are  
20 many barriers here and we are losing out to the rest of  
21 the world in terms of attracting this capital in the  
22 form of public-private partnerships and other kinds of  
23 financing.

24 I am just wondering because Secretary Pritzker  
25 was very eloquent speaking at this, but -- this was a

1 joint Treasury and Department of Transportation  
2 initiative, but I know that the Department of Commerce  
3 can play a role in supporting the effort to improve on  
4 our record in that regard. I am wondering how you see  
5 the possibility of this department participating with  
6 those other two in ramping up our ability to attract  
7 that kind of capital into investment infrastructure.

8 UNDER SECRETARY SELIG: Well, I was not there  
9 and I did not see the Secretary's remarks, but I would  
10 say a couple of things. Infrastructure is a national  
11 priority for us.

12 I was at the White House last Friday meeting  
13 with Valerie Jarrett as a part of my first introduction  
14 here and I said would you give me some sense of what  
15 you think the President's priorities are going to be as  
16 it generally relates to the economic agenda that is  
17 relevant to me. One of the three she mentioned was  
18 infrastructure. So I don't think there is a lot of  
19 debate that America's infrastructure is wildly beneath  
20 what should exist in our country.

21 I am a New Yorker. I don't know the last time  
22 you landed at JFK Airport, but you don't need to kind  
23 of be too smart to understand where our infrastructure  
24 is. You land in the richest, most important city,  
25 economically, on the planet earth and that is JFK. You

1 land in that airport and you take the Van Wyck  
2 Expressway down to [indiscernible]. So it is bright  
3 and clear to anyone that that just is not acceptable.

4 Infrastructure in many ways is kind of one of  
5 those Holy Grails, not just for this country, but  
6 internationally. Everything we are doing in trade to  
7 some degree involves, ultimately, especially in  
8 developing markets, infrastructure. And those  
9 countries that are doing a better job than us have a  
10 wild advantage.

11 We just hosted last month this African  
12 Business Forum with Bloomberg Philanthropies. Frankly,  
13 at the center of every discussion was how do we get  
14 electricity? How do we get roads? How do we get  
15 infrastructure in these countries? How can we really  
16 effectively export to those countries? How can those  
17 economies grow without infrastructure?

18 Prime Minister Modi from India is coming here  
19 in the next few weeks to meet with the President. His  
20 issues are electricity. His issues are sanitary  
21 issues. One-half of the population in India does not  
22 have toilets. It is extraordinary.

23 So this is not just an issue for the United  
24 States. It is an international issue and it deserves a  
25 lot of focus. Sadly for us, as it relates to our

1 country -- this, I think, is one of the things that is  
2 caught up in the partisan politics that we have in  
3 Washington today. So I think one of the things we can  
4 and will continue to do--as I presume the Secretary  
5 said in her remarks--is continue to underscore and to  
6 point out the importance of infrastructure investment  
7 for businesses in our country.

8 If we are going to grow our economy, if we are  
9 going to create jobs, infrastructure investment is  
10 going to be a key foundational element.

11 Well with that, I will go attempt to catch a  
12 plane and drink margaritas and eat nachos.

13 [Laughter.]

14 UNDER SECRETARY SELIG: And try and help our  
15 southern border to do all -- to add to all of the good  
16 work that you all are doing. So I really want to end  
17 with where I started which is thanking you. Thanking  
18 you on behalf of the United States government, thanking  
19 you on behalf of the Secretary for all of the things  
20 that you are doing on the council to help our  
21 businesses become more globally competitive.

22 MS. RUIZ: So I just have one final question  
23 -- you said --

24 [Laughter.]

25 MS. RUIZ: -- the White House gave you three

1 priorities, infrastructure being one. What were the  
2 other two?

3 UNDER SECRETARY SELIG: Well I think that is  
4 a good question.

5 [Laughter.]

6 MS. RUIZ: You can get back to us.

7 UNDER SECRETARY SELIG: It would force me to  
8 remember them, but -- it may not have been three. Two  
9 of the other ones were, again, central to what we are  
10 doing here which is to help grow our export base to  
11 grow our economy.

12 So the fact is this, you don't need to be an  
13 economist to know that the United States economy is  
14 growing 2-ish percent. The fact is that the world is  
15 different than it was in 1965 when we didn't have to  
16 look outside of our borders and all of those issues we  
17 raised with our southern and northern border were  
18 interesting, but those markets weren't developed. They  
19 weren't growing quickly and we were growing plenty fast  
20 ourselves to buy all of our own goods and services.

21 So we have to do a much better job to look  
22 externally than we have. There is a huge growing  
23 middle class around the world that we need to be able  
24 to provide goods and services to. So helping our  
25 companies do that is clearly one of them and the

1 President and Valerie -- as articulated by the  
2 President -- fully gets that joke.

3 MS. RUIZ: Thank you.

4 UNDER SECRETARY SELIG: Anyway, with that, I  
5 really will leave.

6 [Laughter.]

7 [Applause.]

8 CHAIRMAN BLASGEN: All right. So, in  
9 conclusion -- just kidding.

10 [Laughter.]

11 MR. STEENHOEK: That's my report.

12 [Laughter.]

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1           **FINANCE AND INFRASTRUCTURE DEVELOPMENTS (Continued)**

2                           **Mike Steenhoek**

3                           **Subcommittee Chair, Finance and Infrastructure**

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5                   MR. STEENHOEK:    So the suggestion was keeping  
6 the statement as submitted to the full committee,  
7 "Restore the purchasing power of the gas and diesel tax  
8 by increasing the rate and indexing it to inflation."

9                   MR. GRENZEBACK:    I think it might be  
10 worthwhile for you to talk about it for a moment --  
11 when the subcommittee started work on this, we  
12 accumulated -- I don't know -- 50 or 60 different  
13 financing mechanisms, techniques that could be applied  
14 to supply chain freight infrastructure and just drowned  
15 in the stuff.

16                   A question that Mike posed somewhere early on  
17 was if you are thinking about supporting supply chains  
18 by addressing freight infrastructure investment  
19 improvements, where are the problems? What are the  
20 feasible ways of doing that?

21                   So what we began doing was sorting these out  
22 into well, is the problem one -- it is a revenue  
23 collection problem? You don't have enough revenue. We  
24 don't have any revenue. Or is the problem you are not  
25 distributing it? You don't have a distribution



1 mechanism for financing or things like that.

2           So what you are seeing here is really a  
3 calling out and kind of pigeon-hole some of these and  
4 say, highways short-term, your problem is not  
5 distributing the money. The problem is really you  
6 don't have enough money.

7           You have got highway programs and they focus  
8 on freight and they could be used for a lot of this  
9 stuff. The problem is you are not funding it. So what  
10 is the short-term? And the parallel, what is the long-  
11 term?

12           I guess in the discussions and all -- there  
13 was enough going on at the station to try to figure out  
14 where to pigeon-hole these things without getting into  
15 the blood sport of trying to figure out how to manage  
16 the details of each one of these. So these are not --  
17 my sense -- detailed recommendations on how to fine-  
18 tune change of a Highway Trust Fund, gas tax rates or  
19 something like that.

20           These are the questions, if you not investing  
21 in infrastructure that supports the supply chains, what  
22 are the short-term needs and what are the short-term  
23 feasible funding and financing mechanisms? So it is a  
24 somewhat less comprehensive, less detailed -- I think  
25 -- than what Jim was concerned about.

1           He is concerned about how you do it and how  
2 you parse it out [indiscernible] Congressional and  
3 10,000 other people look at this. This was an effort  
4 to say, if I were the Secretary, if somebody said what  
5 should you focus onto do the freight for supply chains,  
6 here are the kind of starting points I would worry  
7 about, rather than getting a market basket of 500 of  
8 these things and saying [indiscernible].

9           That is our excuse for not having written the  
10 legislation on this.

11           MS. BLAKEY: And additionally to expand on  
12 one point about that, this is not intended to be an  
13 exhaustive list either. There are emerging concepts  
14 for funding and distribution and other issues related  
15 to this that are coming through the pipeline all the  
16 time. So we don't consider this to be the final word  
17 even.

18           But this is what we believe is an appropriate  
19 list for this point in time with knowledge that is  
20 available and within a somewhat feasible political  
21 scope.

22           MR. STEENHOEK: Every one of these you can go  
23 into greater specificity. You can always add concepts  
24 to the list. So that is the dilemma for us. That is  
25 the dilemma for every one of the subcommittees in there

1 kind of comes a point in time where you have to call  
2 the ball and actually try to aggregate and consolidate  
3 what are the key values. What are the key important  
4 concepts that we want to suggest?

5           Proceeding under the -- if you are looking at  
6 the highway row, the second column, recommended  
7 distribution mechanisms, as stated, it is basically  
8 continue the current program -- how the funds are  
9 allocated once the -- once revenue does go to the trust  
10 fund, how is it apportioned among, again, those three  
11 categories that I cited earlier. We decided to not  
12 amend that, to just keep it as is.

13           Any other questions on that?

14           MR. COOPER: Well, just for my knowledge  
15 base, are you saying that all three of those on the  
16 right come out of the Highway Trust Fund?

17           MS. BLAKEY: No.

18           MR. STEENHOEK: No. You have got the highway  
19 row and then the column to the left is generating  
20 money --

21           MR. COOPER: No. I understand that the one  
22 to the far right is distribution of money, but there is  
23 nothing in that middle column that I see. So that --

24           MR. STEENHOEK: Because that --

25           MS. BLAKEY: We are not changing that.

1           MR. GRENZEBACK:    It was not to indicate that  
2 trust fund money should be spent on rail or just to  
3 indicate the -- the blank means the subcommittee didn't  
4 think there was a revenue collection problem on this.

5           MR. STEENHOEK:    For rail in that case.

6           MR. GRENZEBACK:    For rail or port.  The  
7 problem was on the distribution side.

8           MR. COOPER:       Got.  Okay.  That is what I  
9 wasn't clear about.  Thank you.

10           MR. STEENHOEK:    Okay.  Under rail, we the  
11 committee, thought highly of the -- it is a really  
12 underutilized program, but it is a program of value,  
13 particularly for short-line railroads called the RRIF  
14 program, the Railroad Rehabilitation and Improvement  
15 Financing Program administered by the Federal Railroad  
16 Administration.  It is a loan guaranty program, again,  
17 mainly directed towards short-line railroads.

18                            Any comments or questions about that?

19                            [No response.]

20           MR. STEENHOEK:    Okay.  Dean had a comment  
21 that he made to me regarding -- also within the rail  
22 space, primarily directed toward short-line railroads.

23                            Dean, you wanted to expound on that a bit?

24           MR. WISE:        Yes, the 45 -- which you mentioned  
25 in your list is very important to the short-line.  BNSF

1 is a Class 1 railroad. We don't [indiscernible] at  
2 all. It is relatively modest, but it is a -- for every  
3 \$7500 a mile they put into their right-of-way, they get  
4 a 50 percent tax credit. And it is something they have  
5 to fight every year to get approval on it. Many of  
6 these feeder lines really rely on it to kind of keep  
7 them afloat. And we all rely on them to maintain a  
8 safe right-of-way that is going to be able to handle ag  
9 and crude and so forth.

10 So it is very important to the short-line  
11 industry. I am not advocating it because I am a Class  
12 1, but I just want to let everybody to know they really  
13 care about it.

14 MR. STEENHOEK: This was a concept that is --  
15 if you look in our appendix -- it made that list, but  
16 given the fact we were asked to -- I asked the  
17 subcommittee members to kind of come up with their  
18 handful, seven, eight top priorities. It didn't make  
19 that list. We certainly can include that and again,  
20 just to describe it -- it is as Dean said, a 50 percent  
21 credit for -- not for new infrastructure, but for  
22 maintaining and improving short-line railroad  
23 infrastructure.

24 It is has widespread support on the Hill, well  
25 over 200 House co-sponsors, well over 50 co-sponsors in

1 the Senate. It is not very controversial. The only  
2 reason it doesn't get -- it is not instituted and it  
3 keeps expiring is because it is lumped in with all of  
4 these more contentious tax extenders provisions. So it  
5 kind of falls victim to the same fate of all of these  
6 other income tax bigger more consequential issues.

7 So I guess, Dean, did you -- what we presented  
8 to the full committee is just kind of the more modest  
9 lists, not exhaustive list of recommendations. The  
10 reason this short-line tax credit wasn't included was  
11 not because -- we didn't have any disagreement with it  
12 because it wasn't a top priority. It certainly  
13 benefits the agriculture industry, so I think highly of  
14 it.

15 Dean, do you have a recommendation of having  
16 it included or did you want to make sure you --

17 MR. WISE: No. I don't want to make it a  
18 recommendation. I just wanted to mention it is  
19 important to that subset. You may have thought about  
20 your -- I see where you did that. I haven't read  
21 everything -- basically put up all of the collection  
22 and distribution and you came up with a package that I  
23 assume you think actually could be simpler and cover  
24 all of the needs.

25 If somehow this package you are presenting

1 covers that need, I am good. It may be through the  
2 RRIF loans, which you did endorse. They could get RRIF  
3 loans.

4 MS. BLAKEY: Dean, if you are not willing to  
5 put forward the proposal that we included -- I think it  
6 does belong as a sub-bullet or second bullet within the  
7 rail box there and all we have to do is say reauthorize  
8 the program and include it in. To tell you the truth,  
9 as Mike said, it probably isn't here simply because  
10 nobody said, hey, put it in there. But I think we all  
11 support it. I don't think there is a problem with it.

12 MR. BOWLES: Can they go after TIGER Grants?  
13 A lot of the railroads are doing that right now.

14 COMMITTEE MEMBER: They all can. The TIGER  
15 Grant -- as much as everyone lauds it -- it is  
16 basically a lottery. You can apply every year for the  
17 lottery and never win. Frankly, the odds are like a  
18 lottery.

19 MS. BLAKEY: And actually it is really --  
20 most of the short-line tax credit really isn't aimed at  
21 the kind of thing that would actually work in TIGER.  
22 As was previously said, it is for maintaining and  
23 improving infrastructure, but it really is a capital  
24 investment program by the railroads and we are just --  
25 from the public sector, we are incentivizing. The

1 short-lines do that by giving them the tax credit, but  
2 it is investment in their own infrastructure. So it  
3 really is not a TIGER Program.

4 MR. WISE: I would like to propose that Class  
5 1's get a 50 percent tax credit, but I don't think that  
6 would fly.

7 [Laughter.]

8 MR. STEENHOEK: And this has been -- this was  
9 instituted into law in -- I don't know -- 2005 or  
10 something like that, but it expires and then they pass  
11 the tax extenders package and that is included in that  
12 extenders and then it is retroactive. That is --

13 COMMITTEE MEMBER: It is clearly an  
14 infrastructure investment.

15 MR. STEENHOEK: If no one objects, this would  
16 be a collection mechanism since it's a tax credit. It  
17 would be a --

18 MS. BLAKEY: No. It's a distribution. That  
19 is an expenditure. Yes, it is a distribution.

20 MR. STEENHOEK: Yes. Okay. Thank you. So  
21 you can just put "Extend the short-line" -- yes --  
22 "reauthorize the short-line rail tax credit". Okay.  
23 Sounds good.

24 Okay. Proceeding under the port row, second  
25 column, regarding the Harbor Maintenance Trust Fund --



1 this can be a very contentions issue. It has been.

2 There is kind of wide agreement that we need  
3 to have 100 percent of the fund used for its original  
4 purposes. Some wanted to emphasize that part more and  
5 then if we are able to make that work, then all of a  
6 sudden open the door for expanded qualifying  
7 activities. So there is even dispute within that  
8 particular phrase.

9 The subcommittee recommended that we have this  
10 statement as it is and given the fact that there are  
11 these -- as I mentioned yesterday, a number of ports  
12 that collect a lot of revenue via the harbor  
13 maintenance tax and they really aren't the  
14 beneficiaries of it, primarily on the west coast. So  
15 that is our statement.

16 MS. RUIZ: But, Mike, hasn't this all ready  
17 been addressed in WARTA? I mean it has all ready been  
18 passed and signed by the President. So I would think  
19 that that is kind of a moot point.

20 MR. KUNZ: Except that it doesn't come until  
21 2025. So I think we should leave it in.

22 MR. STEENHOEK: Right. And I think your  
23 point is well-taken. I guess the reason why we -- and  
24 WARTA has this provision where they incrementally  
25 approve the amount of revenue dedicated to that so that

1 by the year 2025, 100 percent of the revenue goes  
2 toward its intended purposes.

3 I guess I am of the mind set of keeping that  
4 in there because just because something was instituted  
5 in WARTA, that doesn't mean that can -- first of all,  
6 the government has a long history of intentions not  
7 becoming outcomes.

8 COMMITTEE MEMBER: Really?

9 [Laughter.]

10 MR. STEENHOEK: So keeping that pressure on,  
11 making sure that statement is very clear and emphasized  
12 I think makes a lot of sense.

13 MR. KUNZ: There is all ready 6 or 7 billion  
14 that is gone.

15 MR. STEENHOEK: And all of this depends upon  
16 government actually having the will to find spending  
17 offsets for that. It appears that the Department of  
18 Energy is going to be the -- there budget is going to  
19 get cut to free up that revenue, but every year,  
20 depending upon that will, that Congressional will to  
21 make sure that money is actually allocated.

22 MS. RUIZ: I'm supportive, but I am just  
23 saying if the intent is to just reinforce it, I'm --

24 MR. STEENHOEK: Yes. Right.

25 Okay. On to waterway. This is a revenue

1 collection mechanism. The barge industry -- actually  
2 they pay a 20 percent tax per gallon for diesel fuel  
3 that they utilize and that is about 12,000 miles of our  
4 inland waterway system is taxed by the inland waterways  
5 tax.

6 The barge industry is proposing that that tax  
7 get increased anywhere from six up to nine cents per  
8 gallon. And that money is used for new construction  
9 and major rehabilitation of lock and dam sites on our  
10 inland waterway system.

11 So this is actually the barge industry. The  
12 ones paying it are recommending this. So that was  
13 included in our recommendation as well.

14 VICE CHAIRMAN SIPON: Solely for barges?  
15 Just barges are the only ones paying for it?

16 MR. STEENHOEK: They are the only ones. So  
17 if you are paddling a canoe on the Mississippi River  
18 and you go through the 27 locks between Minneapolis,  
19 St. Paul and St. Louis, you do not pay a dime. There  
20 is no lock toll that you pay when you go through a lock  
21 and dam. The private sector contribution comes from  
22 that tax that the barge companies pay.

23 And you can argue is that adequate? Is there  
24 sufficient revenue? Clearly, it is not, but the barge  
25 industry is suggesting paying more.

1           Okay. Moving on to the National Freight  
2 Network -- we have got the general fund -- we have  
3 increasingly been relying on the general fund to  
4 provide revenue for, most notably, the Highway Trust  
5 Fund because the fuel tax has been inadequate. So this  
6 is, again, more of a near-term recommendation because  
7 even if you increase that fuel tax, the consensus is  
8 that that is still going to be not able to accommodate  
9 the needs of our economy -- so continuing those general  
10 fund support when necessary.

11           There is a comment underneath that in blue,  
12 allocating a portion of corporate tax receipts to  
13 freight programs.

14           MS. BLAKEY: I think if we are going to  
15 include that, it should be under the longer-term  
16 because we probably are not going to have a mechanism  
17 effectively to change corporate tax structure anywhere  
18 in the very near term.

19           VICE CHAIRMAN SIPON: Is there a percentage  
20 now that anybody has identified that comes out of the  
21 general fund that goes toward freight programs? Those  
22 are big words.

23           MS. BLAKEY: Well, basically, we have been  
24 subsidizing from the general fund into the Highway  
25 Trust Fund at \$8 billion here, \$12 billion there on an

1 ongoing, kind of Band-Aid basis. And then as part of  
2 those transfers, there has been funding provided for --  
3 to some extent -- for freight programs, I guess, that  
4 TIGER has been authorized -- or has been appropriated  
5 separately out of general fund revenue.

6 So it is an appropriations deal, not an  
7 authorization deal. And what we are recommending here  
8 is that we institutionalize TIGER through the next  
9 authorization -- by authorizing TIGER as a freight  
10 program or TIGER-like program, but basically for  
11 smaller projects and that we put a competitive grant  
12 program in place for mega projects -- so two  
13 competitive grant programs, one small and one big --  
14 one, obviously, having a higher threshold for entry and  
15 the small starts approach having a lower criteria basis  
16 basically.

17 VICE CHAIRMAN SIPON: I guess my point is, in  
18 that first bullet, if it is happening now, we are  
19 getting some -- maybe we don't know the exact amount --  
20 if there is some money coming out of the general fund  
21 to pay for TIGER programs and other --

22 MS. BLAKEY: Yes, exactly.

23 VICE CHAIRMAN SIPON: -- because this bullet  
24 makes it sound like we are not doing that at all and we  
25 should start. Maybe it is semantics, but --

1 MS. BLAKEY: Well, actually the --

2 MR. STEENHOEK: Continue to allocate or  
3 increase the allocation or --

4 MS. BLAKEY: Yes. I guess it would be to  
5 increase the general fund allocation -- would be the  
6 action for there. What is in blue there was added on  
7 and I think it belongs in a different place, but if we  
8 are looking just at the general fund revenues, it  
9 probably needs to be an action verb which says  
10 "increase general" -- it shouldn't say "revenues" --  
11 "general fund allocation".

12 MR. STEENHOEK: So "increase general fund  
13 allocations".

14 MR. GRENZEBACK: Leave "general fund  
15 revenues" up there and then the action is increase --  
16 after the hyphen -- take out allocations and after the  
17 hyphen, put down "increase" -- get rid of that whole  
18 piece -- keep it as a continuation of the sentence,  
19 "general revenues". You need a hyphen or a dash after  
20 revenues.

21 COMMITTEE MEMBER: Typing -- this is not easy  
22 text.

23 MR. GRENZEBACK: "Increase general fund  
24 allocations to freight related projects". Yes. Great.

25 MR. JAMIESON: Mike, can I throw something in

1 this? The National Freight Network is actually tagged  
2 in Map-21 as a national highway process. Do we need to  
3 kind of show caution in defining what we have here as  
4 National Freight Network as a general fund revenue  
5 piece -- because right now it is clearly defined in  
6 Map-21 is a highway piece? In here we are showing it  
7 as general fund. Do we need to change the name here,  
8 National Freight Network not to cause confusion with  
9 what is all ready defined in Map-21 as a highway piece  
10 only?

11 MR. STEENHOEK: Yes, that is a good point.

12 COMMITTEE MEMBER: Or is that different from  
13 projects?

14 MS. BLAKEY: Let's say National Freight  
15 System and not call it network just to avoid it being  
16 defined by Map-21.

17 MR. STEENHOEK: Okay. So we are on the right  
18 side of that column. Any other comments about either  
19 Regional Freight Program, the TIGER-style program for  
20 projects, medium size regional freight projects and  
21 then National Freight Program, establish a competitive  
22 projects of national and regional significance -- a  
23 style program for large freight projects?

24 [No response.]

25 MR. STEENHOEK: Okay. And then transitioning

1 to the longer-term recommendations. We have the  
2 vehicle miles traveled tax, the supplement or replace  
3 motor fuel taxes with a road-user tax based on how many  
4 miles motorist travel on public roads and there are  
5 just some comments about some of the -- some  
6 objections.

7 The virtues of a VMT is that you are still  
8 collecting revenue regardless of fuel economy standard  
9 of the vehicle and then one of the concerns that is  
10 widely expressed is from privacies, civil liberties  
11 perspective about is the government being too intrusive  
12 by monitoring that.

13 So we left that -- we did not go into actual  
14 implementation because that is -- not only when that  
15 should be instituted or how it should be instituted  
16 because that really starts opening up a can of worms  
17 and so we kept it clean with just advancing the concept  
18 and how it needs to be increasingly incorporated into  
19 how we finance our system.

20 Any thoughts?

21 PUBLIC PARTICIPANT: [Out of mic.] There are  
22 a number of blanks. By leaving it blank, doesn't that  
23 undercut the recommendation? Is that going to be a  
24 future topic that the subcommittee addresses or --

25 [Simultaneous speech.]



1 PUBLIC PARTICIPANT: [Out of mic.] What  
2 happens there by leaving it blank --

3 COMMITTEE MEMBER: I think the blanks reflect  
4 either there wasn't a proposal out there that seemed to  
5 have legs and nobody had a better idea.

6 COMMITTEE MEMBER: If we are sending these  
7 things to the Secretary --

8 COMMITTEE MEMBER: Well I think you also have  
9 to look down to the national freight --

10 MR. GRENZEBACK: It doesn't imply that there  
11 is nothing going on in the area. The question was --  
12 the question sort of -- you are looking at the tables  
13 and what you want to say is, if the Secretary said,  
14 there are 323 financing and distribution mechanisms out  
15 there that people have imposed. Which ones  
16 [indiscernible] pay attention at least on the first  
17 [indiscernible] viable, useful for freight for supply  
18 chains.

19 PUBLIC PARTICIPANT: [Out of mic.] On  
20 consideration or [indiscernible]. Shouldn't the box  
21 say something?

22 COMMITTEE MEMBER: Yes. We can put something  
23 in there to say --

24 MR. STEENHOEK: Well, the goal was to narrow  
25 the focus. Yes, you could populate each box with an

1 infinite number of concepts. I guess the question is  
2 -- so are you just saying the optics of it kind of look  
3 like we don't have anything to say?

4 PUBLIC PARTICIPANT: [Out of mic.] If the  
5 Secretary says okay, you want to [indiscernible].  
6 Well, how do I do it? You say, well we don't know how  
7 and [indiscernible] will say, well why should I look at  
8 the VMT?

9 MS. BLAKEY: Mike, could we just clarify that  
10 -- I think that there is a possibility that after we  
11 get done with this process we might remove these  
12 things, actually, from putting in a chart form and put  
13 it in a little bit more elegant form for purposes of  
14 the letter.

15 MR. STEENHOEK: Oh, yes.

16 MS. BLAKEY: This is trying to clarify this  
17 to make it easy for discussion, but for the purposes of  
18 expediting it to the Secretary in a letter we might put  
19 this in a little bit different format.

20 MR. STEENHOEK: I am not suggesting one of  
21 the four pages going to the Secretary is a chart that  
22 basically has three things in it. So we would -- this  
23 is just how we structured our deliberations and so we  
24 would just list those things.

25 PUBLIC PARTICIPANT: [Out of mic.] Mike,

1 maybe we can put in the recommendation [indiscernible]  
2 resources to study the alternative means of  
3 distribution and that guiding principles -- this  
4 earlier discussion should be used in conducting that  
5 review. To say nothing seems open-ended. We think you  
6 should do it. We don't have a position, but at least  
7 there is a lot of expertise in the department -- maybe  
8 they would spend time working on it.

9 MR. GRENZEBACK: I guess the -- read the  
10 tables as -- in our subcommittee discussions we had 50  
11 or 60 possible pieces on there and Mike's question was,  
12 so we can't swallow all of those. What is the top half  
13 dozen we ought to be looking at and what types of  
14 initiatives are people to be paying attention to?  
15 These represent that top, but it doesn't indicate that  
16 there is nothing there.

17 For example, on the future under highways, the  
18 current problem is you are not getting enough in from  
19 motor fuel tax. So the short-term fix is just increase  
20 that. That has diminishing yield over time as people  
21 switch to hybrids and electrics and other things, so if  
22 you look at all the possibilities out there and what  
23 you could do to replenish as a revenue mechanism the  
24 highway -- you would begin to look at probably the one  
25 that is getting the most legs and the most research and

1 that was the VMT tax, something like that as a  
2 supplement or replacement.

3 You probably still, in the future, use the  
4 Highway Trust Fund mechanisms to distribute that money.

5 So the blank there is -- it is not that there is  
6 nothing there. It is that we don't have a better idea.

7 PUBLIC PARTICIPANT: [Out of mic.] I'm saying  
8 the Secretary has run a number of companies and a bunch  
9 of us here did. And of I got a memo that said, look at  
10 the vehicle mileage tax. I would say okay. Tell me  
11 how to do it? You are a group of business  
12 [indiscernible]. And I would say, will I am not going  
13 to spend any time on it because the business community  
14 can't -- has no position on how it should be collected  
15 or distributed. So I am just wondering whether -- I  
16 agree that this is a tremendous [indiscernible] I think  
17 it should be a focus, but should we say this is  
18 something that maybe we take up in the interim?

19 MR. GRENZEBACK: Hidden behind this  
20 recommendation is a huge amount of work going on on  
21 vehicle miles tax for the last 15 or 20 years. A bunch  
22 of states are -- trucking industries, in fact, operate  
23 on a vehicle miles tax for fuel and registration.  
24 There are a bunch of states doing experiments and  
25 things like that, so there is a huge reservoir of work

1 going on out there that we didn't, basically, try to  
2 replicate here.

3 So the question isn't what do you do to do  
4 that. The question is, if you are looking at financing  
5 that will help freight to the local supply chains, what  
6 should you tell the Secretary are the worthwhile  
7 efforts going on, rather than tell her how to implement  
8 a VMT program. I guess that is implicit in here. It  
9 is not very well explained.

10 PUBLIC PARTICIPANT: [Out of mic.] All right.  
11 Thank you.

12 MR. STEENHOEK: Okay. Moving on, National  
13 Freight Network. We had the establishment of a federal  
14 freight fund supported by a user-fee as a percentage of  
15 the cost of transportation of --

16 MR. GRENZEBACK: You want to change  
17 "networks".

18 MR. STEENHOEK: Oh, that's right.

19 MR. GRENZEBACK: Network to system.

20 MR. STEENHOEK: System. And we have some  
21 feedback on this. Leslie, did you want to talk about  
22 the virtues of the proposals? That is one of the  
23 issues you spent a lot of time on.

24 MS. BLAKEY: Yes, the idea being that --  
25 somewhat to the Highway Trust Fund, establishing a

1 Federal Freight Trust Fund or dedicated account because  
2 we use trust fund as kind of shorthand, but that means  
3 dedicated funding with a limitation on the use of the  
4 funds for their -- exclusively for the purposes  
5 prescribed for freight.

6 So the idea is that similar to the Highway  
7 Trust Fund, it needs to be an approach for collecting  
8 money for freight infrastructure and applying it to  
9 freight infrastructure. And that is to be accompanied  
10 by a freight program that provides for how that money  
11 is going to be used, particularly focused on  
12 distribution through competitive grant approaches, with  
13 the recognition that every state has a certain amount  
14 of mostly kind of low level freight needs that -- when  
15 I say low level, not talking about complicated multi-  
16 modal projects usually, but rather corrections to  
17 existing roads or networks that are relatively  
18 straightforward that might be amenable or appropriate  
19 for some kind of formula program.

20 So the idea here in terms of distribution is  
21 to allow for both of those, but to concentrate the  
22 funding on the competitive process that allows for the  
23 highest priority, the highest ROI, so to speak, the  
24 best leverage, the most effective use of funds to be  
25 filtered through an objective criteria process and

1 funded award through a competitive grant approach. So  
2 that is kind of the Yin and Yan of this.

3 We do not specify at this point in time how  
4 the trust fund -- what the user-fee would be precisely.  
5 This is an area that needs a great deal of in-depth  
6 exploration. There is no magic bullet, having been  
7 through about 1000 different discussions and  
8 iterations, it is a subject that this committee could  
9 take up as an elaboration on this proposal in the  
10 future, but it is a -- it is for further discussion,  
11 but there is a need to recognize the use of principle  
12 in supporting our National Freight System. And that is  
13 what this tries to be.

14 MR. STEENHOEK: And there were some comments  
15 regarding the impacts on the trucking industry if  
16 something like that were to be instituted. Anyone want  
17 to comment on that?

18 MR. JAMIESON: There are just so many issues  
19 with trying to move forward as it is depicted here with  
20 a waybill or something like that. From a carrier  
21 standpoint, you are looking at a good chunk of this as  
22 freight that doesn't even move on a contracted  
23 carrier's bill of lading because it is all private. So  
24 you throw that out of the window.

25 Then you have got the other side of the coin

1 of trying to get some government agency, the IRS, et  
2 cetera who is going to try and tackle handling the  
3 input of these funds when you are looking at Norm's  
4 group and how many ever billion shipments a year you  
5 all create, 100s of millions that regular carriers are  
6 going to create every year. Customs can't swallow the  
7 date they are getting in right now, so I think that at  
8 a bare minimum, you are going to have those issues.

9 Then you have got the allocation piece of how  
10 are you going to in an equitable fashion disseminate  
11 all of this revenue that is coming in. Are you going  
12 to be able to track the fact that 80 percent of all the  
13 highway revenue coming in now is via truck, versus  
14 rails, ports, ocean, and air and everybody else? How  
15 are you going to systematically push this money out  
16 over the broad spectrum of these infrastructure  
17 projects?

18 So just at a minimum --

19 MS. BLAKEY: Keep in mind that this is under  
20 the long-term future suggestions here. And we are  
21 talking about a principle here. We are not  
22 recommending a specific user-fee. We say, "e.g." which  
23 means example. So we are not saying it is a waybill  
24 fee. We are not saying it is any particular fee. We  
25 are saying, in principle, the user-pay concept is



1 needed for supporting a freight system.

2 That could be completely removed from  
3 carriers, completely removed into something like a  
4 national sales tax that would be totally not in the  
5 space that you are talking about. Ultimately, the  
6 consumer is the user in the freight system. So it  
7 could be -- again, the corporate tax reform could allow  
8 for some sort of user-fee, essentially, concept be  
9 incorporated.

10 So we are not recommending a specific  
11 mechanism here. One of the problems in this space, and  
12 not to criticize what you just said, but is  
13 historically everybody says, oh, it is too hard to do.

14 It just kind be done. There are too many problems  
15 with it. We need to recognize that in general we have  
16 to support our infrastructure and in general we need  
17 some mechanism to do that and in general, it should be  
18 based on who uses and who benefits, in general. And  
19 that's all this is trying to do.

20 COMMITTEE MEMBER: If we backed up, it would  
21 be the e.g. around really that whole meat of that  
22 recommendation. So the concept is create a federal  
23 trade trust fund. -- e.g. supported by a user-fee and  
24 all that stuff. It is not just a waybill fee portion  
25 that is the example.

1           What you just said was that -- whether it is  
2 the user-fee or it is a percentage of transportation  
3 goods, that is all -- this is hypothetical, so if we  
4 took that whole piece of it and made it as an example  
5 instead of just having it around waybill fee, would  
6 that be helpful?

7           MS. BLAKEY:    Just strike the e.g.  But we  
8 were trying to allow here for people to have something  
9 to think about because otherwise, they automatically  
10 revert to, oh they must be trying to tax one mode or --

11          COMMITTEE MEMBER:   Or you could put e.g.,  
12 waybill, user, sales, user, -- you want to get some  
13 examples of --

14          MS. BLAKEY:    A variety --

15          COMMITTEE MEMBER:   Because it sounds specific  
16 until you get to that waybill part.  So I can  
17 understand the --

18          MS. BLAKEY:    I think we should just strike  
19 the parenthetical, but we didn't want for people to  
20 read this and automatically think of something mode-  
21 specific.

22          MS. RUIZ:     And Leslie, although I agree with  
23 you in concept, my concern is I don't want to be  
24 confused with a container fee because as a port, in the  
25 past, we have been opposed to a specific container fee.

1       So although I agree, we would have to figure this out  
2       and figure out a way to pay for it. I just don't want  
3       it to be left vague to people to say, okay, we are  
4       supporting a container fee.

5               MS. BLAKEY: Right. And that is exactly and  
6       example of what I mean. If we didn't put the  
7       parentheses there with some examples, you know, you  
8       reading this would automatically think, oh, they were  
9       trying to get a container fee. A trucking company  
10      might read it and say, damn it, they are trying to put  
11      more taxes on truck tires. Everybody kind of reverts  
12      to a defensive position, so what we would like to say  
13      here is that --

14             MS. RUIZ: We need to figure it out.

15             MS. BLAKEY: -- some broad approach needs to  
16      be -- it needs to be reconciled.

17             COMMITTEE MEMBER: Why don't instead of using  
18      the word goods, use freight. [indiscernible].

19             MR. JAMIESON: Because that can get passed on  
20      as a drayage fee which, in turn is going to double hit  
21      the carrier twice,  
22      so --

23             VICE CHAIRMAN SIPON: But again, it is a  
24      long-term concept. When you are talking about general  
25      -- if we are going to strike -- basically, you start

1 with striking all of that. I mean, "We are going to  
2 create a Federal Freight Trust Fund". And then just  
3 have "e.g. sales, user fees, waybill fee, et cetera" at  
4 the end of it. Just put in a few examples. Obviously,  
5 it requires conversation and there is heated debate  
6 whether it is a container fee, or a waybill fee, or  
7 drayage fee. Some of those things -- some of them are  
8 unconstitutional, import fees and --

9 [Simultaneous speech.]

10 MR. GRENZEBACK: How about "Create Federal  
11 Freight Fund supported by a user-fee assessed as a  
12 percentage of transportation" or something like that --  
13 just leave it completely -- strike the rest of it.

14 [Simultaneous speech.]

15 MR. STEENHOEK: So, Lance, you are suggesting  
16 "Create a Federal Freight Fund supported by a user" --

17 MR. GRENZEBACK: A user-fee -- "supported by  
18 user-fees", maybe.

19 MR. STEENHOEK: Yes.

20 MR. GRENZEBACK: Assessed as a percentage --

21 MR. STEENHOEK: Period.

22 MR. GRENZEBACK: I think --

23 MR. STEENHOEK: Supported by a user-fees.

24 MR. GRENZEBACK: Period.

25 VICE CHAIRMAN SIPON: And then assessed by

1 percentages and all that stuff is the fee; right?

2 MS. BLAKEY: Right.

3 [Simultaneous speech.]

4 COMMITTEE MEMBER: That would work.

5 MR. JAMIESON: Because what I think -- not  
6 directly, but when you say, "as a percentage of the  
7 cost of the transportation of goods" -- well, that is  
8 delaying it through the bill of lading or the  
9 [indiscernible] so whatever that rate is. So you are  
10 still empirically saying --

11 COMMITTEE MEMBER: Any more specificness on  
12 the user fee, you start going down the transportation  
13 pass, potentially.

14 MR. STEENHOEK: So "Create a Federal Freight  
15 Fund supported by user-fees."

16 VICE CHAIRMAN SIPON: Do you want to put the  
17 e.g. sales, --

18 [Simultaneous speech.]

19 COMMITTEE MEMBER: I would not.

20 VICE CHAIRMAN SIPON: Or just not.

21 MR. STEENHOEK: So "Create a Federal Freight  
22 Fund supported by" -- delete a -- "supported by user-  
23 fees." Okay. And then just grammatically on the right  
24 with just those supports, maintains, establishes.  
25 You've got that plugged in.

1           So any other comments or discussions?

2           TED: I hate to interrupt your discussion.  
3 Even from this half hour I have a fresh appreciation  
4 for the extent to which you are rolling up your sleeves  
5 in the course of these recommendations to really come  
6 up with this material that has been so useful.

7           I hope your takeaway from Stefan's visit and  
8 his engagement and the fact that the work you are doing  
9 and the recommendations you are coming up with fit into  
10 so many of the other things that you heard that even in  
11 his two months on the job he has all ready scaled up on  
12 -- gives you confidence that the rolling up of sleeves  
13 is valued and is making a difference and is helping to  
14 shape how we think about our work here.

15           So I have got to run to something at 3:00, but  
16 I just wanted to thank you again for everything that  
17 you are doing, taking time with Stefan today. I  
18 thought it was important -- a short meeting today --  
19 but I thought it was important for us in our work  
20 together that early on in his time here he hears more  
21 about what you are doing, hears directly from you about  
22 the questions you are focused on and issues you are  
23 focused on.

24           So from my perspective, at least, my objective  
25 -- just making sure -- in our building people are very

1 aware of the good work you are doing. I think you have  
2 success in this meeting and they really appreciate your  
3 thoughtful questions and challenging them on a few  
4 points as we are looking at this stuff. Thank you  
5 again for everything you are doing.

6 CHAIRMAN BLASGEN: So Mike and team, great  
7 work.

8 Are we at a position where we can vote on your  
9 recommendation or do we need more time for --

10 MR. STEENHOEK: It is my opinion that what --  
11 that the amendments that were going to be made are to  
12 the actual description, the narrative within the  
13 document. So I think the recommendations are ready to  
14 be approved or disapproved by the full committee.

15 CHAIRMAN BLASGEN: Okay.

16 MR. LONG: I have a question. So the  
17 assumption is that it will be the letter with the  
18 charts we looked at, but the appendix is not going with  
19 it on this? And therefore, the accompanying text  
20 document of the appendix comes out too? There is some  
21 stuff up on the --

22 COMMITTEE MEMBER: You are moving away from  
23 the charts.

24 VICE CHAIRMAN SIPON: Right. We are going to  
25 convert the charts just into English.

1 MR. WISE: I kind of like the charts.

2 [Simultaneous speech.]

3 MR. WISE: One thing I am not clear on is --  
4 it looked like about 30 different mechanisms on both  
5 sides, and you landed on about 10. Which is great, but  
6 what should people assume about the ones that you did  
7 not land on? I heard a couple of different reasons.  
8 Why isn't this in? Why isn't that in? Does the ten  
9 that you picked cover and satisfy the whole need here?

10 MR. STEENHOEK: It was an inexact, imperfect  
11 science. It was very much a subjective kind of  
12 process. It was basically defining the playing field,  
13 cataloging everything that we wanted to consider and  
14 then it was -- we had kind of two different ranking  
15 processes. One is, which ones do you strongly support  
16 to strongly disapprove of. That kind of helped narrow  
17 it further.

18 Then it is really a kind of matter of -- among  
19 these, what are the ones that are most consequential,  
20 in your opinion, to our global [indiscernible]. It  
21 clearly is not exhaustive.

22 MR. WISE: Do you want to just maybe add a  
23 sentence there that these are the -- you feel the  
24 most --

25 VICE CHAIRMAN SIPON: Well, we say that --



1 not to interrupt, but -- two things, one the sentence  
2 about Appendix A, the highlighted sentence here is  
3 going to be struck from the letter. The beginning of  
4 that sentence, "We do not consider this catalog to be  
5 exhaustive. We believe it represents the most  
6 reasonableness and possibilities known at this time."

7 MR. WISE: When you say "catalog", I am  
8 thinking about three, but you mean the set of  
9 recommendations is not exhaustive?

10 VICE CHAIRMAN SIPON: Maybe catalog isn't the  
11 right word to describe the set of recommendations. We  
12 do not consider these recommendations to be exhaustive.

13 MR. WISE: These are the ones you feel most  
14 excited about?

15 VICE CHAIRMAN SIPON: Correct. Yes. We say  
16 that, "it represents the most reasonableness and  
17 possibilities known at this time." And that gets us  
18 language that we can vote on the recommendation package  
19 as is with the understanding that we reformat this into  
20 a nice letter type format. But there is no content  
21 being changed.

22 MR. GRENZEBACK: Completing the circle back  
23 to Jim's questions earlier, whether these would qualify  
24 or be evaluated as transparent. I think all --  
25 listening to them as we have been through them again --

1 all of them would qualify as transparent in the sense  
2 of user-pays. The user is paying and it is fairly  
3 directed into a fund that would benefit that user. The  
4 one that doesn't fit that is anything under the general  
5 funds which is a little harder [indiscernible] out of  
6 the set. Transparent in the sense that a connection to  
7 when user pays, user benefits is reasonably consistent  
8 in all of these.

9 It doesn't address Tom's question about  
10 whether they are effective programs or --

11 MS. BLAKEY: Well, I think it does because  
12 when we talk about a -- using competitive criteria for  
13 distribution, the -- now one can debate and GAO and  
14 others have debated whether or not the Department of  
15 Transportation has been as open as they could be on  
16 specific allocations from TIGER, but the competitive  
17 process according to every analysis, has worked very,  
18 very well including looking at cost benefit analysis,  
19 looking at the ability to leverage the federal dollar  
20 using public/private funds from other sources and so  
21 forth and so on.

22 So the effectiveness of the competitive grant  
23 process is well established as an effective  
24 distribution mechanism and we can encourage greater  
25 transparency on the specific selection among highway-

1 rated projects. But that gets kind of into the weeds,  
2 but I think that it has been well established by a  
3 number of studies and a number of organizations that  
4 have weighed in on that.

5 MR. WISE: I would just add, though, I think  
6 it is totally insufficient. It is competitive. It is  
7 a nice change from earmarks, but it --

8 MS. BLAKEY: Well that is why we were  
9 recommending a \$2 Billion a year fund, because it isn't  
10 -- I mean, \$500 million for each round of TIGER is  
11 still insufficient and furthermore, it is nonexclusive  
12 to freight.

13 MR. WISE: I was worried about the \$2  
14 billion. So the \$2 billion is just for the competitive  
15 projects?

16 MS. BLAKEY: That is, actually, that is an  
17 interesting point. Looking at the Administration's  
18 Grow America proposal, the Administration has proposed  
19 \$2.5 billion per year over 4 years with half of that  
20 going for competitive projects. So it would be \$1.75  
21 billion for competitive projects -- is what is proposed  
22 in Grow America.

23 Our organization's calculation is that it is  
24 justified at the level of \$2 billion. But, hey, a  
25 quarter of a billion here, a quarter of a billion

1 there, you know.

2 MR. WISE: I don't find that to be bold  
3 enough, frankly. My little company is spending \$5  
4 billion a year. The needs you are talking about 10,  
5 20, 100-fold of this.

6 MS. BLAKEY: But keep in mind, Dean, that  
7 when we are talking -- one of the advantages of the  
8 competitive approach is that it calls for advantaging  
9 projects that are able to bring other money to the  
10 table. So you actually leverage that \$2 billion of  
11 federal dollars probably at least 5-fold, maybe 10 or  
12 more fold in terms of the leverage value you get out of  
13 it.

14 So that is one of the great advantages of  
15 using a competitive grant project.

16 MR. WISE: That's true.

17 MR. BOYSON: [indiscernible] I think there  
18 has been quite a lot of debate about all of this. I  
19 mean, I think -- I would like to put forward a motion  
20 to accept the recommendations.

21 COMMITTEE MEMBER: We can't hear you, Sandi.  
22 Sorry.

23 COMMITTEE MEMBER: What did you say, Sandi?

24 MR. BOYSON: I want to put forward a motion  
25 to accept the recommendation.

1 MR. STEENHOEK: Do we have a second?

2 VICE CHAIRMAN SIPON: I will second.

3 MR. STEENHOEK: Any more discussion?

4 MR. BRYAN: I have a very minor thing, just  
5 right at that line we have there, where it says "goal  
6 of \$2 billion a year", can we make that "at least"  
7 because earlier we say at least?

8 CHAIRMAN BLASGEN: Okay. All in favor?

9 [A chorus of ayes.]

10 CHAIRMAN BLASGEN: Any opposed?

11 [No response.]

12 MR. LONG: This is painful and difficult  
13 but --

14 [Applause.]

15 [Laughter.]

16 COMMITTEE MEMBER: That wasn't so hardy as  
17 the first one.

18 CHAIRMAN BLASGEN: Great job.

19 MR. LONG: Wait to go.

20 CHAIRMAN BLASGEN: Shawn?

21

22

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1                   **TRADE AND COMPETITIVENESS DEVELOPMENTS**

2                                   **Shawn Wattles**

3                   **Subcommittee Chair, Trade and Competitiveness**

4

5                   MR. WATTLES:     So mine ought to be a no  
6                   brainer.    The title of our paper is The Equity and  
7                   Transparency of our Basic Principles in Taxation of  
8                   Trade.    So this ought to go really smoothly.

9                   [Laughter.]

10                   [Simultaneous speech.]

11                   MR. WATTLES:     On a serious side, we have a  
12                   short one to review with all of you.    A letter that we,  
13                   hopefully, is ready to walk through it and we will be  
14                   proposing to go forward, basically supporting trade,  
15                   really looking at a letter that is touching on kind of  
16                   fairness in trade between the U.S. and our partners  
17                   aligning and simplifying some of the processes to  
18                   facilitate that trade and address some of the risks  
19                   associated with the trade.

20                   Really those kinds of themes resonates  
21                   throughout here and if we just go through paragraph-by-  
22                   paragraph -- if we have got it up.

23                   [Pause.]

24                   MR. WATTLES:     Well you can't see it, but trust  
25                   me it is really well written.

1 [Laughter.]

2 CHAIRMAN BLASGEN: Yes. I don't know that  
3 you made any changes from what was in the packet --

4 MR. WATTLES: There was the one sentence that  
5 changed yesterday that Eugene made during a  
6 subcommittee and then he was hopefully going to submit  
7 it for today.

8 [Pause.]

9 MR. WATTLES: If all you can find is the old  
10 version, go ahead and put it up. There is only one  
11 sentence that changed.

12 [Pause.]

13 VICE CHAIRMAN SIPON: Does everybody have a  
14 paper copy?

15 [Simultaneous speech.]

16 VICE CHAIRMAN SIPON: Do we have more paper  
17 copies?

18 MR. LONG: Yes, we do. We have a bunch here.

19 MR. WATTLES: And then we can talk about the  
20 sentence.

21 MR. LONG: Here are five more copies. Who  
22 doesn't have one.

23 MR. WATTLES: It is in there. It is easy to  
24 skip over since -- just one double-sided document  
25 there.

1 [Pause.]

2 CHAIRMAN BLASGEN: Okay. Go right ahead,  
3 Shawn. Thank you.

4 MR. WATTLES: All right. So just kind of  
5 straight and forward -- the opening paragraph here is  
6 -- yes, it is just our introduction, but we really  
7 tried to hit the theme there, really emphasizing global  
8 competitiveness as critical to America's economic  
9 recovery and to our national growth and prosperity and  
10 of course, then offering our support in any way that we  
11 can. So it is just a preamble, but it gets right to  
12 the heart of where we want to go.

13 The next paragraph is really around fairness  
14 and it -- as you can see here, this is where we made  
15 the one sentence change, the new paragraph. It starts  
16 the same. "The committee would like to express its  
17 support for the current trade and economic negotiating  
18 agenda to boost American trade competitiveness. We  
19 also urge the Administration to vigorously assure  
20 adherence by our trading partners to agreements that  
21 have all ready been negotiated and to enforce those  
22 agreements. Through the negotiation and adoption of  
23 trade agreements, we look for the opening of markets to  
24 American products in the same way America opens its  
25 markets to foreign competitors of American producers."



1           So really just trying to emphasize supporting  
2 the agreements that are in place, but also soliciting  
3 the enforcement of that all around the interest of  
4 fairness.

5           This is a short paper, so I just thought I  
6 would -- any issues or questions or hot points so far?

7           [No response.]

8           MR. WATTLES:   Okay.  The next paragraph  
9 really kind of gets into streamlining the import-export  
10 process.  "The committee also supports those elements  
11 of the trade facilitation agreements signed in Bali  
12 that seek to simplify export and import processes and  
13 procedures.  One of the great impediments to the United  
14 States exporters is a complexity of export regulations,  
15 access to information and regulations on the importing  
16 side and the risks associated with inadvertent non-  
17 compliance with U.S. regs that result from complex  
18 regulator frameworks.  We believe a goal of the  
19 Administration should be regulatory simplification and  
20 we stand ready to assist in achieving that goal."

21           So a general statement on streamlining import  
22 and export, but emphasizing the changes we would like  
23 to see and why.

24           The next paragraph and there are several sub-  
25 bullets under it are really all around the

1 harmonization and simplification requirement.

2 "The Transatlantic Trade and Investment  
3 Partnership, the Transpacific Partnership and the Trade  
4 in Services agreements now being negotiated provide  
5 opportunities to address regulatory harmonization and  
6 simplification. We urge negotiators to: 1) Assure that  
7 duty elimination reductions, to the extent achieved,  
8 are not frustrated by complex country of origin  
9 evidentiary requirements so difficult to obtain and  
10 maintain that the benefits are significantly diminished  
11 or otherwise that the door is closed, especially to  
12 smaller- and medium-sized companies."

13 This is the second typo that we have fixed.  
14 There is a period missing at the end of that statement  
15 that is added in the update.

16 The next sub-bullet is to "Set as primary  
17 objectives harmonization and integration of the rules  
18 and requirements of the various border oversight  
19 agencies." Similar to one of the statements one of the  
20 teams made earlier this morning -- "As examples we cite  
21 the importance of American food exports and imports to  
22 both American farmers and consumers of foreign-origin  
23 products. Regulatory harmonization with our trading  
24 partners is essential to the safe and efficient flow of  
25 these commodities."

1           Anything so far? Am I triggering any hot  
2 buttons?

3           [No response.]

4           MR. WATTLES: Oh, this is too good. Okay.

5           "We urge alignment with the OECD on transfer  
6 pricing policies as a means to bring into harmony  
7 customs valuation with tax valuation principles. A  
8 major part of all international trade is conducted  
9 between related parties. Lack of tax and customs  
10 harmonization on pricing issues often puts American  
11 companies in the untenable position of having to comply  
12 with one or the other. Harmonization should  
13 specifically focus on rules within trade agreements  
14 respecting the duty treatment of royalty and license  
15 fees. These should be modernized to reflect the  
16 practice of modern businesses."

17           And the last sub-bullet here under the  
18 harmonization and simplification -- "We urge alignment  
19 of security programs in such a manner as to facilitate  
20 and not frustrate or impede legitimate trade. The key  
21 to modern, efficient supply chains is predictability  
22 and reliability. Except in the case of credible  
23 evidence of security threat, border authorities should  
24 be held accountable to specific, transparent" -- there  
25 is the word -- "clearance standards. We extend that

1 to the application and approval of export license  
2 applications."

3 And then our closing paragraph -- "The members  
4 of the committee are privileged to be in a position to  
5 offer these ideas and insights. We reaffirm our  
6 commitments to the department to continue to dialog as  
7 a means to add clarity to these suggestions in support  
8 of American global trade competitiveness."

9 So, if there are no hot buttons, no  
10 contention, no resistance --

11 MR. JAMIESON: Can I --

12 MR. WATTLES: Yes.

13 MR. JAMIESON: Shawn, can you just verify  
14 that last -- except in the case of credible evidence,  
15 border authorities should be held accountable to  
16 specific transparent clearance standards. What does  
17 that mean?

18 MR. WATTLES: Well, I will give you my  
19 feedback and then any other member of the team can  
20 speak up, but today the clearance standards -- the  
21 easiest way I can put this is that I don't -- there is  
22 a lack of consistency today, I think, in clearance  
23 across our borders.

24 MR. JAMIESON: Right.

25 MR. WATTLES: And so we think that what it

1 takes, those standards should be clear, should be  
2 transparent and it shouldn't matter what day of the  
3 week you are transporting something into Canada or  
4 across which point of the border.

5 MR. JAMIESON: That's what I thought you were  
6 going for, but I just wanted to be sure.

7 VICE CHAIRMAN SIPON: Shawn, to build on that  
8 a bit -- first of all it's great work. It is a great  
9 concept here.

10 MR. WATTLES: Well thank you very much.

11 VICE CHAIRMAN SIPON: I guess the only  
12 question I have is that -- just the format and the way  
13 some of these are broken down. As an example, on that  
14 one that you just brought up, there are a couple -- it  
15 seems like there are a couple of recommendations buried  
16 inside here and they are laid out as more of a  
17 narrative.

18 For example, the bulleted stuff is preempted  
19 by saying "we are negotiators to". Well we are not  
20 talking to negotiators. We are talking to -- these are  
21 recommendations to the Secretary.

22 And instead of just offering ideas and  
23 insight, maybe some of these things could be broken  
24 out. And I am not advocating for this. I am fine like  
25 they are.

1           But you talked about credible evidence in the  
2 security and clearance standards. That seems to be a  
3 topic that has recommendations quality to it, but then  
4 right after that you talk about extending the  
5 application approval to export license applications.  
6 That seems to be a separate item, but we have boiled  
7 that all into a paragraph that we are going to urge  
8 negotiators to consider.

9           So I just think there might be some more  
10 clarity if you broke some of these down into more of a  
11 recommendation format. That would be my only comment.

12           MR. BOYSON: Can I ask you a point of  
13 clarification? Are these recommendations going to the  
14 Secretary ala what the other subcommittees have done?

15           MR. WATTLES: Yes.

16           MR. BOYSON: So this is the same process.

17           MR. LONG: Exactly the same.

18           MR. BOYSON: Okay. Just checking. Thank  
19 you.

20           MR. LONG: Comments? Further questions for  
21 debate on this? Is everyone happy with transparency?

22           [Laughter.]

23           MS. RUIZ: Everything has got harmony and  
24 simplicity.

25           MR. STOWE: Shawn, are you saying that

1 different agents interpret the same standards  
2 differently or that there are different sets of  
3 standards being used at different times?

4 MR. WATTLES: Yes. They use different  
5 standards, I think and --

6 MR. STOWE: Because I think it might be  
7 helpful to clarify that because we all run into  
8 circumstances where -- whether it is TSA or anybody  
9 else, you get a rule and then the next day through the  
10 airport, you get a different rule.

11 VICE CHAIRMAN SIPON: That is a good example,  
12 yes.

13 MR. STOWE: And it is 100 times worst if  
14 you've got a truckload of stuff.

15 [Simultaneous speech.]

16 COMMITTEE MEMBER: [indiscernible] in New  
17 York, but always in Savannah.

18 [Laughter.]

19 MR. STOWE: I think you should clarify -- not  
20 to take on TSA. You should clarify whether it is  
21 different people interpreting the same things or --  
22 that is a matter of training. And then if there are  
23 different rules being applied and that is a matter of  
24 processing.

25 [Simultaneous speech.]

1 COMMITTEE MEMBER: Is it intentional or it  
2 falls --

3 COMMITTEE MEMBER: By design. The randomness  
4 and the need to have randomness in the process.

5 COMMITTEE MEMBER: Well that's just there  
6 deliberate security thing.

7 MR. JAMIESON: It falls on one word,  
8 "interpretation". You will have one CBP officer in  
9 [indiscernible] you bring it across the Section 321  
10 legitimate item. They will look at it, yes, you go.  
11 You got the same guy that you are crossing in Champlain  
12 with the same shipment, there interpretation -- well, I  
13 don't know. Is it a U.S. good?

14 It is interpretation and I think your question  
15 is very well in play, but it is interpretation. It is  
16 not, well, we are going this way or we are -- it is how  
17 are they perceiving, how are they interpreting 19 CFR  
18 and how are they going to apply what they think it  
19 means.

20 VICE CHAIRMAN SIPON: Is the word -- instead  
21 of "specific and transparent" maybe it is "consistency  
22 amongst" --

23 MR. BROWN: Unambiguous.

24 VICE CHAIRMAN SIPON: "Unambiguous?"

25 COMMITTEE MEMBER: I like that.



1           VICE CHAIRMAN SIPON:    So replace "specific  
2 and transparent" --

3           [Simultaneous speech.]

4           PUBLIC PARTICIPANT:   [Out of mic.]   The only  
5 caution there is that at this point that we have a  
6 level of comfort that it is truly not a result of local  
7 profiling, local decision and risk assessment and  
8 interpretation based on the conditions at that point in  
9 time and whether or not that is done by design or that  
10 is done just by lack of training.

11          COMMITTEE MEMBER:    There is a lot of that.

12          MR. JAMIESON:        You look at Sweet Grass,  
13 Montana versus the Ambassador Bridge in Detroit, oh my  
14 gosh.  Night and day.  There is a lot of that factored  
15 in.

16          PUBLIC PARTICIPANT:   [Out of mic.]   So it is  
17 only a word of caution that we feel comfortable that it  
18 is -- really inconsistency is not driven by the need.

19          PUBLIC PARTICIPANT:   [Out of mic.]   Might  
20 there be a place to put in evidence-based research or  
21 somehow disclose what best practices are and how they  
22 are being implemented?

23          MR. JAMIESON:        Well I think, too, if you are  
24 going to go to that degree, I think you even have to  
25 take into account that you have got an officer that has

1       been working in passenger for the last four years and  
2       all of a sudden, now they go to cargo. That is a huge  
3       change. That makes a big difference.

4               MR. KANCHARLA:     And all of these things apply  
5       to [indiscernible] amazingly different are the mega  
6       ports, or the real small ports -- is there too much  
7       time? Whatever you want to call it, all of these  
8       things apply. There is no consistency. There is no  
9       proper training. The guy is thrown on the job. He  
10      does whatever the heck he wants. He doesn't even know  
11      the rules for the most part.

12             MR. KUNZ:       This is not only between CBP, but  
13      the agencies, USDA versus CBP, for example.

14             MR. JAMIESON:    That is what I was going to  
15      bring up. Here in your second bullet point it says  
16      "harmonization and integration rules and requirements  
17      of the various oversight agencies" -- you know, you are  
18      talking about some of the agricultural pieces. Norm, I  
19      know you know this -- look at the fight we are having  
20      with AFIS, USDA, FDA, Ag -- okay, yes, we are the  
21      oversight. We are the responsible -- yes, but CBP it  
22      is your responsibility to inspect that. Oh, yes, but  
23      we are going to collect the exam fee, but you are going  
24      to get part of it. That is a huge fight right now that  
25      is being garnered in a lot of different places.

1 MR. WATTLES: So we use the Ag as an example,  
2 but the issue still holds around the -- you have got  
3 different agencies, so you have got to get a line on  
4 what the requirements are.

5 PUBLIC PARTICIPANT: [Out of mic.] This is  
6 just a drafting point. In the last sentence, in the  
7 final bullet say [indiscernible] -- you should extend  
8 or we recommend these be extended.

9 CHAIRMAN BLASGEN: Yes, we were just talking  
10 about some wording issues here, Shawn. We want to set  
11 these up in the form of real recommendations as opposed  
12 to urging anybody to do anything.

13 So it is just a little wordsmithing here to  
14 keep it consistent with some of the other words that we  
15 have used.

16 MR. WATTLES: Okay.

17 VICE CHAIRMAN SIPON: Is that something you  
18 -- are we going to hash through that now? I think it  
19 would be better -- I would recommend that we maybe take  
20 it back and put it more into a recommendation format.  
21 And some of these things, I think, would have more  
22 impact and clarity if you separated them out.

23 MR. WATTLES: Okay.

24 MS. RUIZ: But the content is good.

25 VICE CHAIRMAN SIPON: The content is real

1 good. They just needed some more clarity on what the  
2 actual recommendations are.

3 MR. WATTLES: Despite deeply hurting my  
4 feelings here, I think we can do that.

5 [Laughter.]

6 MR. WATTLES: That will be the first working  
7 task for our new subcommittee -- okay -- new members of  
8 our subcommittee.

9 VICE CHAIRMAN SIPON: Because I don't think  
10 there is any disagreement on content. Maybe we could  
11 talk for a minute on that.

12 Is there any other points of concern or "happy  
13 to glad" type changes we need to make?

14 MR. BOYSON: Yes. I have a question on the  
15 bullet related to transfer pricing. If you could kind  
16 of just help me understand what you mean by this. I  
17 mean, I know what transfer pricing is, obviously. I  
18 know what related party issues are. [Indiscernible] --  
19 long enough to understand transfer pricing. Many of  
20 the companies there do globally.

21 But what does this mean, exactly? I am not  
22 clear about this.

23 MR. WATTLES: So --

24 MR. BOWLES: We had that originally as a line  
25 OECD on transfer pricing. That may -- you know if we

1 have the letter behind the -- perhaps we could put the  
2 committee as a whole has all ready looked at and  
3 basically approved.

4 VICE CHAIRMAN SIPON: I don't think a  
5 PowerPoint is appropriate.

6 MR. BOWLES: Oh, no. Not PowerPoint, but if  
7 we separated, maybe, a bullet point or too many bullet  
8 points. It definitely defines what we have all ready  
9 gone over it.

10 MR. LONG: Talking format for a second. It  
11 looks like as we get above the bullets on the first  
12 page, where it says "we urge negotiators to" -- that  
13 could become something global like "we recommend that"  
14 -- then just state assure that its primary objectives  
15 that align something with OECD pricing, align security  
16 programs. That would solve the, is it an urge or  
17 recommendation.

18 Is the other question whether they should be  
19 split into multiple bullets? Is that what we are  
20 talking about?

21 CHAIRMAN BLASGEN: I think Page was  
22 suggesting where we say "we should extend that to the  
23 application" -- that is a separate --

24 MR. LONG: Separate. Split it there.

25 MR. JAMIESON: I am also looking at the last

1 piece where they are talking about the alignment of  
2 security programs. Are you thinking about basically --  
3 mutual recognition between [indiscernible] is that what  
4 your thought process is in that sentence, being able to  
5 facilitate and not hinder legitimate trade? When you  
6 say "security programs" is that your direction of  
7 thought? And then because when you break that out to  
8 the last sentence, "We extend the application approval  
9 to export licenses". Those are two really very  
10 different things. It probably --

11 MR. WATTLES: That is why -- yes. We are  
12 going to split those two.

13 MR. JAMIESON: Break them into separate  
14 bullets.

15 MR. WATTLES: Yes.

16 MR. SCHENK: Shawn, can we go back to the  
17 OECD?

18 MR. WATTLES: Yes.

19 MR. SCHENK: I heard Sandi's question, but  
20 all I know -- I am not an expert on transfer pricing.  
21 I have got a fair amount of knowledge. I know it is a  
22 highly, highly sensitive issue for many companies and  
23 not necessarily all in exact alignment.

24 Also, with the International Chamber -- this  
25 is a big issue that we discussed on that and I have

1 never heard a reference to following OECD guidelines on  
2 this before and I was wondering what the genesis of the  
3 tie is on that one. They have been on the other side  
4 as a --

5 MR. BOYSON: Yes. I also -- I am not clear  
6 about the linkage between, the accounting principles  
7 behind transfer pricing, which are handled in their tax  
8 filings. And the duty treatment of royalty and  
9 licensing is -- I mean it would be helpful if you could  
10 kind of illuminate that connection. I mean that seems  
11 like you have to have really a specific knowledge base  
12 to understand that and I am wondering if the Secretary  
13 and other folks who view this might benefit from at  
14 least some examples of why this is important.

15 I admit I just don't understand what you are  
16 saying here. So this helps people like me.

17 MR. LONG: You are on to a good point. I  
18 think this one is very well advanced. I think there  
19 are enough format issues, substantive questions, issues  
20 to raise in supporting background to give it some  
21 context -- to me it strikes me as reasonable to take  
22 this back for another look knowing that we are almost  
23 there with it.

24 We can do interim reviews of this with a large  
25 conference call or deal with it at the next meeting as

1 you like. But I think we are talking about small  
2 refinements and key substantive clarifications to go  
3 with it. All the points we have heard in the last ten  
4 minutes, I think, suggest we probably want to go back.

5 VICE CHAIRMAN SIPON: And maybe to your  
6 point, Sandi, a simplification on that OECD transfer  
7 pricing, giving an example or some more detail why that  
8 is an important recommendation.

9 MR. BOYSON: What is conflict between the  
10 accounting treatment and -- how transfer pricing works  
11 in the accounting level versus the kinds of duty issues  
12 you are raising -- transfer pricing? I have actually  
13 never heard about that. So I would love to hear more  
14 and know more.

15 MR. WATTLES: A clarifying example would  
16 help. Okay.

17 MR. LONG: I think the guideline has to be if  
18 a nonspecialist audience looked at this, they would  
19 understand it.

20 VICE CHAIRMAN SIPON: What the issue is and  
21 what we are recommending to change or do.

22 MR. WATTLES: Okay.

23 CHAIRMAN BLASGEN: So, if you -- Shawn, get  
24 it done -- our next meeting is in January. So if you  
25 get this done and you



1 want --

2 MR. WATTLES: We will get it done before then  
3 so we can get it -- and then wait until January so we  
4 can do a --

5 MR. LONG: Whatever you're comfortable with.  
6 We can arrange a call on this. We need about three  
7 week's notice to setup the public notices to go with  
8 it. We have to do an FRN for that, but with notice we  
9 can do an interim call if you would like, to deal with  
10 it.

11 MR. WATTLES: Okay. If the room is  
12 agreeable, I would just as soon take -- give the  
13 subcommittee -- give us a little time to put it  
14 together. So if we plan a month or so out for a  
15 conference call to review the updates and the rewritten  
16 version, that would be great.

17 If people would rather wait until January, we  
18 can do that too, but I would like to knock it out. I  
19 really do feel like it is more a question of  
20 reformatting now and providing some clarification,  
21 separating a few of these that really probably should  
22 have been separated in the first place.

23 CHAIRMAN BLASGEN: So the process. Your  
24 committee gets another draft. Send it into David and  
25 team here. He will make sure it is in the right format

1 to go out to the Secretary. We pass it all out to the  
2 committee. We have got to give a three-week notice for  
3 the Federal Register to be applied --

4 MR. LONG: To announce the call.

5 CHAIRMAN BLASGEN: -- to announce the call.  
6 And we will have a conference call and we can actually  
7 have a vote.

8 MR. WATTLES: Got it. Sold. Okay.

9 MR. LONG: That is super. This is a good  
10 bridge into what will be coming too. As we are working  
11 our way through the current agenda -- almost there --  
12 we will be able to start focusing more concretely on  
13 what we are going to be looking at with North America  
14 as a whole and a different set of issues for it.  
15 Timing is good.

16 CHAIRMAN BLASGEN: Great.

17 MR. LONG: That's excellent.

18 CHAIRMAN BLASGEN: Well done.

19 MR. LONG: Thank you very much.

20 CHAIRMAN BLASGEN: Did you want to tee up  
21 anything else?

22 MR. LONG: I think that is all I had to say  
23 about those topics. As I mentioned earlier, I  
24 committed to provide some more detailed guidance,  
25 backup documents on some specific questions on what we

1 are going to be looking at for North America, kinds of  
2 things that we are hearing from Mr. Selig and the  
3 Secretary.

4 I mentioned earlier the three things we were  
5 looking at for support on the ITDS. Thoughts on pilot  
6 sectors, key products that way, frequently asked  
7 questions and regulatory overlap.

8 I think what we need to talk about at this  
9 point -- we did the meeting the way we did this time  
10 with half a day -- your time on the afternoon before  
11 the first day, leaving time for subcommittee meetings.

12 That was basically the spirit of the room from the  
13 June meeting. I was curious if you found that workable  
14 this time or if you would prefer to have, say, the long  
15 day the first day and the short day the second day, or  
16 -- what works for your schedules on this? Did what we  
17 did this time make it easy for you to plan and attend?

18 [A chorus of yes.]

19 MR. LONG: Should we plan on doing that next  
20 time? Is this a good scheme overall?

21 COMMITTEE MEMBER: I think so.

22 CHAIRMAN BLASGEN: We talked about the first  
23 day having the full day meeting and the second day the  
24 -- is there a reason to change to that, or flip  
25 flopping --

1           VICE CHAIRMAN SIPON: I think the half day  
2 works better first. The subcommittees can meet and  
3 then come deliberate.

4           MR. LONG: Is that the sense of the room on  
5 this?

6           MS. RUIZ: Yes.

7           MR. LONG: Other business?

8           CHAIRMAN BLASGEN: You have the dates. We  
9 don't have plans to change the dates as of this point.  
10 We wanted to get those out to you as early as we can  
11 so that you can fulfill your and inspect your calendars  
12 and also we will talk about whether or not we want to  
13 change locations as well. If you have ideas about that  
14 as we talked about yesterday, there are lots of  
15 different options with that as well.

16           MR. LONG: Let me thank you for an excellent  
17 set of meetings, at least from our point of view. It  
18 seemed like a really productive session. I am glad we  
19 were able to move so much forward. And again, thank  
20 you for all of your time, commitment and energy to  
21 this.

22           CHAIRMAN BLASGEN: Really well done, guys.  
23 Thank you.

24           MR. LONG: Thank you.

25           [Whereupon, at 3:37 p.m., the meeting was

1 concluded.]

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

This is to certify that the foregoing proceedings of a meeting of the Advisory Committee on Supply Chain Competitiveness, held on Thursday, September 11, 2014, were transcribed as herein appears, and this is the original transcript thereof.

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LISA DENNIS,  
Court Reporter