

ADVISORY COMMITTEE ON SUPPLY CHAIN COMPETITIVENESS
U.S. DEPARTMENT OF COMMERCE

Wednesday,
January 14, 2015

The meeting was convened, pursuant to notice, at 12:18 p.m., MR. RICK BLASGEN, Chairman of the Committee, presiding.

APPEARANCES:

ADVISORY COMMITTEE MEMBERS:

MR. RICK D. BLASGEN, COMMITTEE CHAIR

MR. PAUL BINGHAM

MS. LESLIE T. BLAKEY

MR. SANDOR BOYSON (VIA CONFERENCE CALL)

MR. RICHARD BREFFEILH

MR. STAN BROWN

MR. JOSEPH G. B. BRYAN

MR. JAMES COOPER

MS. LAURIE HEIN DENHAM

MR. PAUL FISHER

MR. BRANDON FRIED (VIA CONFERENCE CALL)

MR. JEVON T. JAMIESON

MR. RAM KANCHARLA

MR. TONY McGEE

MS. TIFFANY MELVIN

MS. ELIZABETH MERRITT

MR. MARK MICHENER

MS. GINA REYNOLDS

MS. CYNTHIA RUIZ

MR. NORMAN T. SCHENK (VIA CONFERENCE CALL)

MR. CHRISTOPHER S. SMITH

MR. RONALD F. STOWE

MS. ANNE STRAUSE-WIEDER

MR. JUAN VILLA

MR. SHAWN WATTLES

MR. THOMAS WEILL

MR. DEAN H. WISE

DEPARTMENT OF COMMERCE REPRESENTATIVES:

RUSSELL ADISE

EUGENE ALFORD

RICHARD BOLL

DAVID LONG

JOHN MILLER

ALSO PRESENT:

NICOLE ADAMS

SARAH BONNER

NICOLE BRYAN

ALLESANDRO DANTAS

MARISELA CARABALLO DIRUGGIERO

BRIAN FLOOD

FRAN INMAN

LEAH LISTON

GIOVANA PINTO

NORMA REIN

MARTIN ROJAS

DARREN ROTH

TIM WARREN

JOHN YOUNG

C O N T E N T S

	<u>PAGE</u>
COMMITTEE WELCOME	4
David Long, Director, Office of Supply Chain, U.S. Department of Commerce	
INTRODUCTORY REMARKS AND MEETING GOALS BY CHAIR AND VICE-CHAIR	10
Chair Rick Blasgen President and Chief Executive Officer Council of Supply Chain Management Professionals	
PRESENTATION ON FREIGHT AND TRANSPORT DEVELOPMENTS IN NORTH AMERICA	14
Juan Villa, Program Manager Texas A&M Transportation Institute Update fact base for ACSCC discussions of North American supply chain	
ITDS UPDATE AND DISCUSSION	44
Christine Turner, Director, Global Supply Chain Security, National Security Council, Executive Office of the President Keith Devereux, Office of the Secretary, DHS Maria Luisa Boyce, Senior Advisor for Private Sector Engagement, CBP Updates on ITDS program, status of ACSCC Recommendations, and pilot testing plans	
REGULATORY POLICY SUBCOMMITTEE REPORT AND RECOMMENDATIONS	85
Norm Schenk, Subcommittee Chair Trade and Competitiveness Vice President, Global Customs Policy and Public Affairs, UPS Subcommittee report and deliberation and Draft recommendation	
CLOSING AND ADJOURNMENT	104
David Long, Director Office of Service Industries U.S. Department of Commerce	

P R O C E E D I N G S

COMMITTEE WELCOME/INTRODUCTION AND MEETING LOGISTICS

David Long, Director, Office of Supply Chain,

Professional and Business Services

U.S. Department of Commerce

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MR. LONG: All right. Let's get started, please. Let me set this up. We've got a full agenda for today. There are some meetings going on right now and there will be some afterwards. So I think we want to try to stay on schedule here.

Let me start by welcoming everyone to the January quarterly meeting of the Advisory Committee on Supply Chain Competitiveness. My name is David Long. I am introducing the committee on behalf of our designated federal officer Richard Boll.

I want to thank everyone for traveling this way, this far in such lovely weather here on the tundra in Washington. And I really appreciate all of the work you've put into the work we're going to be reviewing today.

Before we get started, let's take a quick run around the room and just everybody just say quickly who they are are.

I am David long, obviously. John?

1 MR. MILLER: John Miller, here with the U.S.
2 Department of Commerce.

3 MR. MICHENER: Mark Michener with Amazon.

4 MS. RUIZ: Cynthia Ruiz, the Port of Los
5 Angeles, a congested port at the moment. The port of
6 Los Angeles.

7 MR. LONG: America's congested port.

8 MS. MELVIN: Tiffany Melvin with North
9 American Strategy for Competitiveness.

10 MS. BLAKEY: Leslie Blakey, Coalition of
11 America's Gateways and Trade Corridors.

12 MR. WATTLES: Sean Wattles, the Boeing
13 Company.

14 MS. REYNOLDS: Gina Reynolds, Florida's
15 Heartland REDI.

16 MR. STOWE: Ron Stowe, the SPECTRUM Group.

17 MR. VILLA: Juan Villa, Texas A&M
18 Transportation Institute.

19 MR. SMITH: Chris Smith, American Association
20 of State Highway and Transportation Officials.

21 MR. BROWN: Stan Brown, CA Technologies.

22 MS. STRAUSS-WIEDER: Good afternoon, Ann
23 Strauss-Wieder, with A. Strauss-Wieder, Inc.

24 MR. BINGHAM: Paul Bingham, CDM Smith.

25 MR. FISHER: Paul Fisher, Center Point

1 Properties and Supply Chain Innovation Network.

2 MR. WEILL: Happy new year everyone. Tom
3 Weill from Campbell Soup.

4 MR. JAMIESON: Good morning. Jevon Jamieson,
5 ABF Freight System.

6 MS. MERRITT: Liz Merritt, Airlines for
7 America.

8 MR. BREFFEILH: Richard Breffeilh, Port of New
9 York and New Jersey.

10 MS. DENHAM: Laura Denham, American Society of
11 Transportation and Logistics.

12 MR. MCGEE: Tony McGee, HNM Global Logistics.

13 MR. WISE: Dean Wise, BNSF Railway.

14 MR. DEVEREUX: Keith Devereux, Department of
15 Homeland Security.

16 MR. FLOOD: Brian Flood, Bloomberg BNA.

17 MR. ROJAS: Martin Rojas, American Trucking
18 Association.

19 MS. ADAMS: Nicole Adams, Canadian Embassy.

20 MS. REIN: Norma Rein, The Boeing Company.

21 MS. PINTO: Giovana Pinto, representative of
22 the Brazilian Government -- Commerce and Services.

23 MR. DANTAS: Allesandro Dantas, representative
24 of the Brazilian as well.

25 MS. INMAN: Fran Inman, Majestic Realty and a

1 member of the California Transportation Commission and
2 the National Trade Advisory Committee.

3 MS. CARADALLO-DiRUGGIERO: Marisela Caradallo-
4 DiRuggiero, Port of Los Angeles.

5 MR. ADISE: Russ Adise, Commerce Department.

6 MR. ALFORD: Eugene Alford, Commerce
7 Department.

8 MR. LONG: All right, terrific. Let's see, a
9 couple of things. Does everyone have copies of the
10 agenda? We had a meltdown with the Xerox machine this
11 morning.

12 PARTICIPANT: I do not have one.

13 MR. LONG: All right. We have plenty here.
14 Here's Thursday. And here's today.

15 MR. FRIED: Brandon Fried from the
16 Airforwarders Association is on the line.

17 MR. LONG: Oh, I'm sorry, who do we have?
18 I'm sorry, could you repeat on the phone,
19 please? I didn't hear you.

20 MR. FRIED: Yes, it's Brandon Fried from the
21 Airforwarders Association on the line.

22 MR. LONG: Oh, outstanding. Thanks for
23 joining us.

24 MR. FRIED: Thank you.

25 MR. LONG: Okay. We definitely have a quorum

1 here. A couple of updates for tomorrow's agenda.
2 Although we were unable to secure the Secretary of
3 Commerce for this, we have Bruce Andrews, her deputy.
4 All I can say is Bruce is outstanding and will not
5 disappoint. I think this will be a fine presentation.

6 Let's see. Let me mention a few of the
7 housekeeping items before we get started here.

8 Coffee and sandwiches are available outside
9 the room. We will have more light snacks tomorrow and
10 food for a working lunch. It's okay to bring food and
11 drink in here, but please be careful with cleaning up
12 after and help us leave the room clean afterwards. It
13 makes it easier to secure this room for future
14 meetings.

15 Facilities are down the hall. The men's room
16 at the near end, the women's room further down.

17 There will be time for breaks, calls and e-
18 mail as we go through the day.

19 One thing I wanted to stress for everyone, as
20 always, everything is on the record. Everything we do
21 here is recorded. And we publish full-text transcripts
22 of the meeting of the proceedings on the website.
23 Every document that is shown, discussed, presented for
24 the committee's deliberations here also winds up on the
25 website. So, you know, just keep in mind that it's a

1 public meeting designed to secure decisions and advice
2 in a public setting.

3 Finally, before I hand it off, as always, I
4 just want to emphasize a couple of things. It's your
5 meeting. The whole purpose of these meetings is to
6 hear your ideas and your views. We'll have a number of
7 government representatives with us here today and
8 tomorrow to talk about specific things to help your
9 deliberations, provide information. But the key point
10 is what counts today is what you say, what you
11 recommend, what you think we should be doing. So the
12 best information we can have on that would be terrific
13 and we'll do everything we can to provide the support
14 you need for it.

15 So as you will hear many times today, what
16 comes out of this committee is important and it's being
17 used widely across the government.

18 So, without further ado, let me turn it over
19 to our chairman.

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1 **INTRODUCTORY REMARKS AND MEETING GOALS BY**
2 **Chair Rick Blasgen**
3 **President and chief Executive Officer**
4 **Council of Supply Chain Management Professionals**
5 **(CSCMP)**

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7 CHAIRMAN BLASGEN: Great, thank you, David,
8 and welcome you everybody. I appreciate everyone being
9 with us today. I know it's a little bit of a
10 complicated schedule with the subcommittee meetings
11 plus we've got another TRB convention going on across
12 town that many of us are involved with as well. So I
13 appreciate the -- like a good supply chain, we are
14 agile and flexible.

15 [Laughter.]

16 CHAIRMAN BLASGEN: So as you know from
17 previous meetings since September, the North American
18 issues are already getting increasing focus from
19 several different agencies here in Washington and our
20 group will also have a participation role in that
21 effort. And as David mentioned, we've arranged for
22 some presentations to hear from some expertise on a
23 number of different issues related to that: single
24 window, North American trade, and freight movement.
25 And then updates on the government work getting

1 underway in freight planning with Canada and Mexico as
2 well. So we will have a full-packed level of
3 information that's transferred between our group and
4 others as well.

5 From an outcome standpoint, as you know, I'm
6 always sort of wondering how we're going to gate the
7 recommendations. I want to keep them in front of the
8 Secretary and keep this group involved in getting that
9 feedback so that we don't get apathetic with our work.

10 I mean, one of the things, as we've often talked
11 about, is we've got to hear feedback on what it is
12 we're doing or there will be a level of discontent that
13 grows and we have not seen that yet because I think
14 we're getting those recommendations heard and feedback
15 back. But we want to push that a little bit harder,
16 so, I'm going to try to do that on behalf of the group.

17 So we may have as many as four recommendations
18 that we'll be voting on somewhere between two and four,
19 depending on how the subgroups tee those up and what we
20 want to hear, what they want us to hear and vote on
21 over the next couple of days, which is very good. And
22 I might add too, if they're not in perfect form, as I
23 learned early in my career, perfect is the enemy of
24 better. So if something is to a state that we can take
25 a look and understand the essence of it, we can

1 wordsmith it and get it done into a final form and vote
2 as we've done in the past on conference call and so on.

3 So if the committees feel there's a recommendation
4 that's in a form where it can go to the full committee,
5 my suggestion is we push that along and let the
6 committee respond to it and then we can get it in a
7 final form and take one last complete authorized vote,
8 if you will.

9 So we will have an update from Juan who has
10 joined us today on developments in North American
11 Freight and Trade Flows. We want to make sure that
12 everybody has a common fact set on what those
13 developments are and make sure we get a chance to ask
14 questions around that effort as well and it's timely.

15 As you know President Obama just met with his
16 Mexican counterpart on HLED issues which is a huge
17 priority for both governments and relates directly to
18 our business with this committee which is something
19 we'll take very seriously up the ladder.

20 After that we'll hear from the National
21 Security Council Staff, DHS and CBP on where ITDS and
22 single window, where that program stands and how our
23 recommendations over the past year fit into the overall
24 picture. And, again, that's one we should continue to
25 ask for feedback on and make sure that we understand

1 where that's going.

2 And then following that, we will turn the
3 discussion over to Norm, and I believe he'll be back
4 with us on the phone, who will lead the deliberations
5 on the regulatory policy recommendations which this
6 group should comment on and understand.

7 And that process will be the same. We'll
8 handle that the same way we did with earlier work.
9 From the progress that we've seen so far, it should be
10 a fairly easy process for us to manage as we go forward
11 for that subject as well.

12 So any questions before we ask Juan to address
13 the group?

14 [No response.]

15 CHAIRMAN BLASGEN: No? No snow coming our
16 way, I understand; is that right?

17 MR. LONG: No, we escaped the snow, but we are
18 light a few members. There were some unexpected
19 surgeries, injuries, and diseases that kept --

20 [Laughter.]

21 MR. LONG: -- that actually kept four members
22 away today. So let's advance.

23 CHAIRMAN BLASGEN: It's good that they are
24 unexpected, by the way.

25 [Laughter.]

1 CHAIRMAN BLASGEN: So without further ado,
2 let's get started and we'll turn the discussions over
3 to Juan to bring us up to date in the research on North
4 American freight and trade. Oh, there he is. Thanks,
5 Juan.

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1 **PRESENTATION ON FREIGHT AND TRADE TRANSPORT**

2 **DEVELOPMENTS IN NORTH AMERICA**

3 **Juan Villa, Program Manager**

4 **Texas A&M Transportation Institute**

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6 MR. VILLA: Thanks again and Happy New Year to
7 everyone.

8 Thank you for the opportunity to share with
9 you some of the findings and the research that we have
10 been doing at TTI for the last 10, 15 years now.

11 What I put together was a presentation trying
12 to deal first with -- we can go to the next slide --
13 dealing with first some statistics of North American
14 trade, U.S.-Mexico, U.S.-Canada, then trying to focus
15 more on the U.S.-Mexico trade and transportation
16 environment. Then what's happening in North America,
17 particularly in Mexico nearshoring and the Mexico
18 energy reform.

19 As David mentioned earlier, and Rick as well,
20 we met early January and there was a big discussion.
21 Important from the outcomes of that meeting were two
22 key items probably for our committee which is basically
23 the border is important and they're trying to
24 streamline a process to build more efficient border
25 crossings, and also education. And, you know, we have

1 another subcommittee now on education. So I think
2 those are key points that are on the table now and we
3 should follow up with those.

4 So, anyway, so let's move on with the
5 presentation. Well, as you can see, public surface
6 trade between U.S. and their NAFTA partners have been
7 growing extremely fast at 5.75 annual average growth.
8 And that's much, much higher than GDP growth. So
9 that's very important.

10 And the key finding here is that U.S.-Canada
11 grew at 4.2 while U.S.-Mexico at 8.6 although they
12 started from a lower point, so that's why growth has
13 been so extremely high. But still, you know, it's 8.6
14 average per year. It's pretty high.

15 Next. That is the good news. The bad news is
16 that there's very few ports of entry where that trade
17 actually crosses the land borders. Ten POEs, or ports
18 of entry, concentrates 70 percent of total surface
19 trade.

20 Next. And as you can see, Laredo has actually
21 -- this is 2013 data -- Laredo has reached number one,
22 Detroit, Michigan used to be, for a long time, the
23 largest port of entry but now Laredo is number one. So
24 basically we have on the top ten, you know, five in the
25 northern border, five in the southern border which

1 again gives you an idea about, you know, five POEs
2 basically concentrate the crossings on most of the land
3 border crossings.

4 Next. In terms of actual trucks, you know,
5 the figures I show were value. In terms of trucks,
6 there's 10.9 million trucks or commercial vehicles
7 crossing the border every year. And that's a 30
8 percent growth since 1995. And, again, from Mexico to
9 the U.S., the growth has been 82 percent in that 20-
10 year NAFTA period.

11 Next. And what is moving in those trucks --
12 mainly in 70 percent truck and 30 percent, roughly,
13 rail, but again, what is moving in those vehicles
14 either truck or rail -- it's interesting, the five top
15 commodities are vehicles, mineral fuels, computers,
16 electric machinery, that's U.S.-Canada and then the
17 next slide you're going to see U.S.-Mexico. And the
18 interesting thing is that most of the commodities are
19 the same.

20 Yes?

21 MS. BLAKEY: Sorry to interrupt, but on that
22 slide just before, I actually just have a quick
23 question. No, the previous slide. Yeah, that one. Is
24 that graph showing that truck traffic hasn't grown
25 essentially since -- what is that peak back there like

1 -- I can't read the date, about 2000? It looks like it
2 kind of hit a peak there and has been either falling or
3 stagnant since. Is that what that's showing?

4 MR. VILLA: Yes.

5 PARTICIPANT: So the value of that stuff has
6 gone up?

7 PARTICIPANT: Over the last five years though.

8 PARTICIPANT: Yeah, it's a rebuild off the
9 great recession.

10 MR. VILLA: Right. It was going up and then
11 it was -- it came down 2008, 2009 and then it's
12 recovering.

13 MS. BLAKEY: But I mean, it's -- from 2000
14 forward, it doesn't look like there's been any growth.

15 MR. VILLA: Right. And if you saw on the
16 previous slides, the value has grown. So that means
17 we've moving --

18 PARTICIPANT: More expensive stuff?

19 MR. VILLA: Exactly. And I have a slide
20 showing that.

21 More higher value stuff in the trucks. And
22 then the other interesting thing is, these numbers show
23 total volume of trucks and that doesn't mean all of
24 those are loaded trucks. You know, probably those guys
25 who are in the trucking business know that, especially

1 at the southern border, there's a lot of empties moving
2 back and forth.

3 MR. BROWN: Question, Juan.

4 MR. VILLA: Yes.

5 MR. BROWN: Do you count tandems equal to a
6 single trailer or --

7 MR. VILLA: Tandems don't cross the border.
8 They're not allowed in the U.S., so therefore -- I
9 mean, it's just one truck.

10 MR. BROWN: One truck. Okay. Thank you.

11 CHAIRMAN BLASGEN: And just to build off what
12 you said, I can see this -- the number of trucks
13 between Mexico and the U.S. has increased and the
14 number between Canada and the U.S. has decreased but
15 the levels never hit the peak that we saw there and
16 that is 2000.

17 MS. BLAKEY: I mean, it's over a decade of
18 essentially a stagnant number of crossings, but we know
19 we're doing more business. So does that mean that the
20 rest of it is going by rail? Or is that rail included
21 in here? That's truck business?

22 MR. VILLA: No, that's only trucks.

23 MS. BLAKEY: That's just a very -- I mean, we
24 know that the growth -- the trade growth is there. So,
25 you would logically think that you would see more

1 crossings. No?

2 MR. VILLA: Again, the value has increased, so
3 every shipment has a higher value. And also probably
4 the number of empty trucks has decreased.

5 CHAIRMAN BLASGEN: We're not talking tonnage,
6 we're talking value, per se. So --

7 MR. JAMIESON: But the total number of
8 crossings --

9 MS. BLAKEY: That still doesn't make any
10 sense.

11 MR. JAMIESON: The total number of crossings
12 has increased but when you factor in recession, the
13 peak time back 2005, '06, '07 was pretty high. From
14 Mexico's standpoint those numbers have actually
15 increased over the high points in '05 and '06. Canada
16 is a little bit different story because I think a lot
17 of that manufacturing is shifting from Canada to
18 Mexico.

19 MR. WEILL: Like when you look at the sales,
20 the chart before or whatever, it was -- even with the
21 recession it dipped down a little bit, but it was --

22 MR. VILLA: It came back again.

23 MR. JAMIESON: From the value standpoint you
24 see a lot from the manufacturing side in Mexico of
25 manufacturing the bottle tops and widgets to now you've

1 got the entire assembly piece that's now being
2 manufactured. So the value of the product as a whole
3 has increased.

4 MS. BLAKEY: It would still indicate that you
5 would see more crossings because you've got more
6 products at a higher value going -- I don't know, that
7 would just be my --

8 [Simultaneous conversation.]

9 MR. BROWN: This graph is -- the thing that is
10 missing is the number of widgets that actually have
11 passed. That's what you don't have. Because that's
12 what you're assuming, because the number of widgets
13 have gone up, you would expect to see more crossings.

14 MR. JAMIESON: In the past you see a lot of
15 action come back inside, back and forth, back and
16 forth. Where now the entire process is done in Mexico,
17 so you've taken out a lot of the back and forth
18 crossings to just one.

19 MR. VILLA: And the data is available. So if
20 you want I can --

21 MS. BLAKEY: Not that I'm questioning you,
22 Jaun.

23 (Simultaneous conversation.)

24 MR. VILLA: No, no, no. It's not my data,
25 it's BTS.

1 MS. BLAKEY: Okay. Sorry, I didn't intend
2 to --

3 CHAIRMAN BLASGEN: That doesn't include rail.

4 MR. VILLA: Right. It's only trucks. But,
5 no, I think it's a good point and I think if needed, we
6 can do an analysis because the data is available by
7 empty and loaded trucks and also empty and loaded rail
8 cars. So we can go back in history and see what we
9 see, you know, what we can find.

10 MR. WISE: And the surprise is not the
11 recession, it's the fact that it is flat after 2000.

12 MR. VILLA: So if we go to the next slide, I
13 mean, these are the six commodities that concentrate
14 two-thirds of the total trade between U.S.-Mexico and
15 U.S.-Canada. And, again, it's not surprising.
16 Vehicles, obviously, you know, the automobile
17 manufacturing in North America is very comprehensive.
18 It's a lot of cross-border parts and finished vehicles
19 between the three countries. Computers, electrical
20 machinery, oil, and plastics and articles thereof. So
21 basically, again, those six commodities are
22 concentrating allowing the trade which is good news and
23 bad news because as we saw when the auto industry
24 crisis hit, you know, the three industries, the three
25 countries were hit by the same crisis.

1 Next. Now, we go to U.S.-Mexico trade in
2 particular. We can identify three, and that's going
3 back to your question, three specific basically time
4 periods. The first one is just after NAFTA was signed
5 between '95 and 2000 there was a growth of 17 percent
6 per year. Then, you know, it was like 2001 not only
7 the security, but also the economy went down. So that
8 diminished the growth rate. But then after 2008, 2009
9 it has picked up again, so we have a 14 percent growth.

10 Next. And this is what I was telling --
11 basically from T-shirts to vehicles and electronic
12 equipment. You can see on this graph the value of
13 Mexican exports has increased much higher. I mean, so
14 this is ratio of value to weight. So we're sending
15 more -- shipping, especially between U.S. and Mexico,
16 higher value commodities than we did when NAFTA
17 started.

18 Next. Here's the rail. Again, 9 percent
19 average annual growth rate with U.S. exports at 10.4
20 percent. Those are blue exports and red imports
21 between U.S. and Mexico. And also you need to
22 remember, back in 1995, the Mexican rail system was
23 privatized and now it's run by basically private sector
24 companies, two main railroads, KCSM and Ferromex. KCSM
25 is a full subsidiary of Kansas City Southern and

1 Ferromex has 26 percent of UP, all the rest is Mexican
2 ownership.

3 Next. And this is the rail network.
4 Basically hitting most of the key land border crossings
5 starting from west to east. We have Mexicali, but
6 actually there's no rail line on the California side,
7 so there is no crossing, even though it's shown there.

8 Then there's Nogales. Obviously crossing into
9 Nogales, U.S., Nogales, Arizona is a lot of produce.
10 There's a Ford auto plant in Hermosilla that ships a
11 lot of containerized and finished vehicles. Then El
12 Paso, Juarez, which basically links two railroads,
13 BNSF, and UP -- also a lot of grain traffic and other
14 commodities coming into Mexico.

15 Then Laredo which is the highest one, and then
16 on the very west Matamoros which there's a new rail
17 crossing being opened hopefully soon. It's going to be
18 inaugurated by both presidents some time soon.

19 So, again, that's the rail network, as I said,
20 privatized in 1995 and it's running smoothly between
21 the two countries.

22 Next. And this is the Mexican highway
23 network. Again, not as developed as in the U.S., but
24 still has a very large toll road component with very
25 high standards especially reaching the key industrial

1 areas and population areas.

2 Next. Now, going back to the specific border
3 crossing process, different than the U.S.-Canada, the
4 U.S.-Mexico there are three potential inspection
5 locations. One of them is in Mexico, which you might
6 say why do the Mexican authorities want to inspect the
7 cargo going out? But basically this is due to some of
8 the maquila regulations. You can import into Mexico
9 without paying any duties, and then you need to export
10 that commodity or finished product. So the Mexican
11 customs has to check to see if what these companies are
12 reporting is correct. So there's a random selection
13 there for inspection.

14 Then the truck crosses into the U.S. and
15 that's where CBP, it's a federal compound, but it's
16 basically run by CBP. There are other agencies that
17 actually operate as well inside the POE which are
18 basically the Department of Transportation, FMCSA.
19 There is also agricultural inspection at the federal
20 level and some other ones. And then finally the truck
21 has to go through a third step of the vehicle
22 inspection station. Those are run by the state
23 governments. The state has -- most of the states have
24 built vehicle inspection stations where they check for
25 the vehicle road ability and make sure that that

1 complies with U.S. rules and regulations.

2 So, again, that causes that the crossing is
3 relatively inefficient. With these three potential
4 locations for inspection the reliability of that
5 crossing time is very, very -- really bad.

6 Joe is back here. He was presenting earlier
7 on that report that he did with Lance. The reliability
8 index was in the San Diego area, what, three times? It
9 was between one hour and four hours. So, it's kind of
10 -- if you want to plan a just-in-time trip, if you want
11 to make that cross and then probably go into the
12 airport to go into another location, then it's, you
13 know, the inventory costs go very, very high.

14 It is not easy. As I mentioned, TTI has been
15 working there for ten, 15 years. I used to have hair
16 when I started.

17 [Laughter.]

18 MR. VILLA: And you know, it's very difficult
19 because there are two countries, public-private
20 stakeholders, federal, state, local, and you name it,
21 you know. There is everybody involved and everybody
22 has most likely a different objective. So it's not an
23 easy way to solve. But, again, you know, hopefully for
24 out of this committee we could come up with
25 recommendations to help them move forward.

1 Next.

2 CHAIRMAN BLASGEN: What about going in the
3 other direction?

4 MR. VILLA: The other direction, it's here,
5 this slide basically. On the top, I mean, you can
6 hardly see it, but basically because of the not opening
7 of the border for Mexican trucks which was announced
8 last week -- that might change. I don't know if it's
9 going to really change or not, but you have Mexican
10 trucks there. A shipment from Mexico to Detroit, you
11 have a Mexican tractor pulling that cargo all the way
12 to the border. Then there's a drayage truck that moves
13 it into the U.S. and then it's hauled all the way to
14 destination. So basically you need three different
15 tractors to do that movement.

16 On the southbound movement basically it's the
17 same, but you have another wrinkle which is basically
18 you have the Mexican custom broker which is liable for
19 -- I mean, it's representing the importer, but it's
20 liable for whatever goes into Mexico. So there's an
21 additional inspection there at the border and then that
22 custom broker produces the paperwork, files and
23 information to Mexican customs and then the truck goes
24 into Mexico.

25 So answering your question, there is no actual

1 inspection other than the Mexican customs in Mexico.
2 There is no export inspection from the U.S. and there
3 is no -- inspection either. But, again, the custom
4 broker issue makes it not very efficient in terms of
5 moving stuff into Mexico.

6 MR. WEILL: How about the time?

7 MR. VILLA: The time, it depends. I mean,
8 it's not as bad as going north, because, again, there
9 are fewer inspections. And the Mexican customs system
10 has a red light/green light random selection. So, you
11 know, you file your papers electronically like in the
12 U.S. and then -- I'll speak about that -- and then
13 again when you reach the actual inspection station, you
14 might be red lighted to go into a full-blown
15 inspection. But it's only about 10 percent inspection
16 rate on that one.

17 Speaking about some potential opportunities
18 for us as a committee, and the single window, right now
19 a shipper has to file the same type of information,
20 almost the same with both the U.S. and the Mexican
21 Government. I think we spoke about that during our
22 last meeting. And it will be great if you can file
23 only one single form for NAFTA shipments. You know,
24 that would be a great savings for shippers and carriers
25 as well.

1 Next. Now, what's happening in Mexico,
2 basically nearshoring. As probably we have all read
3 and heard, there are a lot of industries which are
4 coming back to North America, not only Mexico, but the
5 U.S. and Canada as well because the supply chain is
6 more efficient with shorter distances.

7 So, next slide. I found this analysis. It
8 was done by Alex Bernhard in 2014 on the actual reasons
9 why different companies want to nearshore or reshore.
10 And the two key elements are lowered freight costs and
11 improved speed and market attraction. So those are the
12 two key findings from this study from Alex Bernhard.
13 It was a large interview with shippers and carriers and
14 those are the two elements.

15 So, again, in the next slide basically you see
16 that again if you have more control over your supply
17 chain and the cost of labor are getting higher in China
18 or Asia and are becoming -- Mexico, it's getting more
19 competitive.

20 Next slide. And you can see the labor in
21 China against Mexico. It's reaching to be -- I mean,
22 this is 2012, and this is projected. But, still, you
23 know, it's getting to a point where that's not a factor
24 where you would have probably lower transportation and
25 supply chain costs.

1 Next. And this is just one example. As I
2 mentioned earlier, the auto industry is basically a
3 North American industry. But not all the plants are
4 moving into Mexico. Some of the ones which didn't have
5 any manufacturing presence in North America, you know,
6 we just had a recent announcement Kia is going to be
7 there in Monterey. We have already Mazda, you name it.

8 I mean, all of them are there, which is good for North
9 America. Because, again, most of the parts are not
10 only coming from Mexico -- I mean, from in Mexico, not
11 manufactured in Mexico, but are coming from the U.S. or
12 Canada.

13 Next. The other key element that I think is
14 going to bring some changes into the supply chains is
15 the Mexico Energy Reform. Although, within the last
16 three or four weeks where the oil went down, I don't
17 know what's going to happen. But, eventually, you
18 know, it's going to happen.

19 So the energy reform was signed in 2013, last
20 year there was all the rulemaking. It's finally gone
21 and now there is what's called the first round of
22 basically contracts to be awarded to the private
23 sector.

24 Next. Here you can see where the basin is,
25 the Burgos Basin which is in the border with Texas from

1 the coast in Brownsville, Matamoros all the way to
2 central Texas, basically. So, again, we at TTI, we did
3 some analysis of what's a potential impact. And mainly
4 it's going to be there is no refining capacity in
5 Mexico. So there's going to be a lot of crude oil
6 moved back into Texas for refining, basically, in
7 Louisiana. Sand and water, you know, that may be also
8 probably coming from the Midwest. So it might be
9 railed into Mexico and then final distribution by
10 truckor might come into the ports, either Corpus
11 Christie or Brownsville, or even in Mexico. Again, the
12 distance to the final locations, it's higher than
13 shipping into Texas.

14 So, again, you know, the --

15 MR. FISHER: Does the crude run by rail?

16 MR. VILLA: Yeah. I mean, we expect it's
17 going to be run by rail to the refineries because
18 there's not enough pipeline capacity. And pipelines
19 will take quite a while to be built.

20 But, again, you know, we don't know again with
21 this -- this might be delaying things, but still, you
22 know, this is the areas where they have identified
23 where the oil is going to be extracted.

24 Next. So, again, potential impacts -- being
25 sent to U.S. refineries by rail mainly. Crude by rail

1 would be increased. That will basically bring, again,
2 more stress into the border crossings. As I mentioned
3 earlier, there's very few rail crossings, and some of
4 those are at capacity as we speak. So, again, if you
5 add the crude by rail, it's going to add more
6 inefficiencies.

7 Again, the safety concerns are still out
8 there. You know, there was some discussion at PRB
9 earlier this week about what's going to happen on that.

10 So, again, the ball is still in the air, so let's see
11 what happens on that. But, again, that's something
12 probably we should, as a committee, keep an eye on and
13 see how that evolves.

14 Next. And I think that's all I have. Again,
15 I think those two items are the ones that I see as
16 potential impacts, but, you know, there might be some
17 other ones coming in the future. So if you've got any
18 further questions, I'm here. Or you can send me an e-
19 mail. Thank you.

20 MR. STOWE: Can I ask, you pointed out the
21 infrastructure improvements were having some impact on
22 the change in volume, or the change in value, but is
23 there pressure on infrastructure improvements on the
24 Mexican side or the Canadian side? Is that playing a
25 role, or is it mostly market demand?

1 MR. VILLA: I think it's market demand
2 basically. I mean, the demand is improving, therefore
3 volumes are being increased. You know, the
4 infrastructure changes. There's a very aggressive
5 infrastructure investment plan in Mexico. As I
6 mentioned in my presentation, most of the roadways are
7 toll roads and the PPP structure has been proven in
8 Mexico and it's been widely used, so I don't see any
9 issues with that.

10 As I mentioned, I think the key point will be
11 border crossings. We're working for the North American
12 Development Bank right now in an analyses on developing
13 border crossing infrastructure. It can take from ten
14 to 15 years to build a new crossing. So, you know,
15 it's a long time. So I think, again, not only building
16 new ones, but also to add capacity to existing ones.
17 There is -- if I show you the number of agencies
18 involved in the construction or modification of POEs,
19 it's extremely high and there's a lot of red tape.

20 MR. JAMIESON: If I can throw in one thing
21 about the border crossing issue that Juan talked about
22 is that there's been a number of discussions with
23 Mexico customs and the tax office on changing the
24 actual concept in the process for crossing on Mexico to
25 more mimic what it does with Canada. You know,

1 truckers go up, they give their stuff, they cross, and
2 away you go. As he pointed out in his presentation,
3 it's a very convoluted, very time-consuming, and multi-
4 step process to cross. There is a lot of reasons for
5 that, broker involvement, borders, but ultimately
6 trying to get a typical or a regulated in-bond process
7 like we're used to in the U.S. and Canada into Mexico
8 is going to be helpful, getting rid of a lot of the
9 drayage issues and stuff along the border is going to
10 be helpful. So I know the ATA and a number of folks
11 have been working with Mexico customs to try and create
12 a system or process to get rid of all of the garbage in
13 the middle and create a one-step process, basically
14 mimicking the Canadian border crossing.

15 We're getting there. They have had a number
16 of rules and regulations that were changed and put into
17 effect back in October, more to come, but it's getting
18 over a lot of the hurdles that have been in place for
19 so long. We've always done it that way. Who is in
20 control, et cetera. So --

21 MR. WATTLES: Just to add to Jevon's point.
22 And this is really important for the committee to know.

23 Juan didn't mention it, but we're losing about 30 or
24 40 percent capacity utilization at the border right now
25 because it's not a border -- unlike on a northern

1 border, it's not a border that operates 24 hours. So
2 you're limited in the -- you're losing at least 30 to
3 40 percent on the capacity issue. So, when you even
4 consider new infrastructure, why do we need new
5 infrastructure if we're not utilizing to its full
6 capacity the present infrastructure that's there right
7 now? So that's a really critical component and that's
8 primarily due to business practices, not really to the
9 agencies' issues. So, I mean, if CBP heard me say 24
10 hours right now, they'd want to have a heart attack,
11 but, you know, we tried it once before and nobody
12 showed up. And that's because of the business
13 practices. So that's something that needs to change
14 and that's certainly something this committee needs to
15 consider as a potential recommendation on that side.

16 MR. KANCHARLA: Ram Kancharla with Port Tampa
17 Bay. I have a very direct question. So in round
18 numbers the automobile processing in Mexico is going up
19 from 2.5 million to 4.5 million units in the next very
20 few years. And we are getting very aggressive with all
21 the right partners, if you know what I mean, railroads,
22 airports, which is the largest processor -- automobile
23 processor in the U.S. to bring in the cars, work with
24 all of them, but we are not able to -- with all these
25 issues, we're not able to effectuate the change for

1 these cars to be transported from Vera Cruz and
2 Monterrey to Tampa. That's a two-day sailing. You
3 know, you don't need to go over seven states and border
4 crossings and all of this, but we are really
5 struggling, and we have all the resources and will put
6 more. We want to make that supply chain work and we
7 have not had much success even with the right players
8 who know the industry people, who know the industry
9 partners. I don't know if you can now or later shed
10 some light how to -- you know, there is no reason for
11 it to work the way it is right now.

12 MR. VILLA: Well, again, we need to identify
13 who makes that decision. You know, if it's the shipper
14 or the carrier, you know, the ocean carrier. And,
15 again, you know, the Jones Act comes into play here. I
16 mean, we have done some analyses on shore to shipping
17 in North America and that would be great. You know, we
18 can have really real shore to shipping, especially in
19 the Gulf, as you mentioned.

20 MR. KANCHARLA: Well, but it's coming from
21 Mexico to the U.S. so the Jones Act will not apply.

22 MR. VILLA: Well, but then probably the
23 carrier doesn't want to just stop in Tampa and then
24 probably go back to Mexico or somewhere else. They
25 want to go to New York or a similar place and that will

1 not be allowed. So that's a key point. Again, we need
2 to identify those specific supply chains, who is making
3 that decision, and what would it take to make it more
4 efficiently.

5 MR. WISE: I would just like to pile on with
6 these comments. We do not see this as a bricks and
7 mortar infrastructure, investment issue at the
8 crossing. It's about the process, the customs, and
9 also the infrastructure leading to and from the border.

10 MR VILLA: Yes.

11 MR. WISE: But we got -- we just opened the
12 first rail crossing between the U.S. and Canada in 100
13 years in North Gate Saskatchewan and the biggest delay
14 to getting that going was the U.S. Customs process to
15 put a building on the rail line which is a quarter mile
16 away from the existing Customs crossing at the highway.

17 But just put a little building that somebody could sit
18 in and watch one train go by every week. That's the
19 volume. And the biggest delay was getting that
20 building right and getting it in the right spot and all
21 that sort of thing.

22 The same in the -- you mentioned the new
23 crossing at Matamoros, that's been ready to go. I was
24 standing at it two months ago. There's a brand-new
25 \$100 million rail crossing at the border of Matamoros

1 and Brownsville and what's holding it back is moving
2 the Vikas machines from the existing border crossing to
3 the new border crossing. So it's just on and on. It's
4 basically process and coordination and so forth. You
5 solve that stuff before you -- a lot on bricks and
6 mortar. That ought to be the focus.

7 PARTICIPANT: Right.

8 MS. BLAKEY: Is the Canadian border 24 hours?

9 PARTICIPANT: Yes.

10 MR. VILLA: And going back to your point,
11 there was an exercise done in El Paso about, you know,
12 open 24 hours and as you said, no one showed up. But,
13 you know, it's the chicken and the egg. You tell the
14 maquilas we are going to do these tests, but only for
15 two months to see if it works. And they say, well,
16 should I hire more people for a third shift and should
17 I do all these changes for two months? No way. So, I
18 think Customs will need to say, okay, let's do this as,
19 you know, a one-year pilot or two-years pilot where you
20 can actually make the changes in your manufacturing
21 processes. Custom brokers need to open 24 hours, you
22 name it, all these type of things.

23 MR. WATTLES: But I think that's a critical
24 aspect. That's going to be more on the Mexican side
25 related to the brokers rather than the U.S. side.

1 MR. VILLA: And also, Terry, just you
2 mentioned now, there is a new PPP program with CBP. I
3 don't know if you heard about that. Are they coming
4 later today or tomorrow, CBP?

5 MR. LONG: They'll be here in a few minutes.

6 MR. VILLA: Okay. Well, basically there is
7 this new program which is being piloted, but eventually
8 might come on board where either private sector or
9 public agencies can pay for extra time for inspectors.
10 And it's been piloted in El Paso. There was an
11 increase in the toll fees at the crossings and that
12 money is being used to have CBP inspectors paid
13 overtime and that has reduced crossing -- So that's
14 something that, you know, could be analyzed.

15 CHAIRMAN BLASGEN: Juan, just a question on
16 the labor rates. You had a chart in there that you
17 talked about the rise of China labor rates. Now
18 they're sort of converging to one -- one would think
19 the economics in Mexico would also have a role in
20 driving Mexican labor rates up. Have you seen any of
21 that over time, or is it just not increasing to the
22 rate --

23 MR. VILLA: No, not to the rate. There was
24 some discussion late last year on that, you know,
25 increasing the minimum wage and there are still, you

1 know, a lot of politics. It's an election year, mid-
2 election year, so --

3 CHAIRMAN BLASGEN: That never happens here,
4 just so you know.

5 [Laughter.]

6 MR. VILLA: So they're fighting about that.
7 But I think eventually. But bottom line, I don't think
8 it's going to increase as fast as we saw on that chart.

9 CHAIRMAN BLASGEN: But yet the amount of
10 manufacturing volume continues to increase; right?

11 MR. VILLA: Yeah.

12 CHAIRMAN BLASGEN: We were talking about fuel
13 before and you mentioned hydraulic fracturing is -- you
14 know, is there any sort of environmental issues in
15 Mexico there or is it less stringent, or how is that?

16 MR. VILLA: I think it's less stringent. You
17 know, it's going to be "easier" to move ahead. As I
18 mentioned, it was passed in 2013 and then during 2014
19 there was all this discussion about this specific
20 ruling. And obviously that was one of the key points,
21 the environmental aspects. But they were eventually
22 passed and I think it's going to move forward when the
23 price is right.

24 CHAIRMAN BLASGEN: And how do you figure that
25 given the drop in oil?

1 MR. LONG: Just a question. In your analysis,
2 do you see a lot of effects of, you know, until the
3 price dropped, just a massive increase in traffic on
4 the networks? Maybe this is a question for the whole
5 group, but is this stressing other industry supply
6 chains as well? I mean, what is happening across the
7 entire network? You see the manifestation, I guess, in
8 the border area with Mexico and Canada, is it affecting
9 others across the country similarly?

10 MR. VILLA: Well, what I've been reading is
11 that, especially in Texas, a driver shortage.

12 PARTICIPANT: Oh, driver shortage is as a
13 whole, across the nation.

14 MR. VILLA: But not only that, what I read is
15 that, you know, because the wages for moving oil and
16 stuff, and the sand and water, it's a higher salary
17 rate. Not only that, you can sleep basically at home
18 because you only do short hauls, you know, delivering
19 stuff. So a lot of the drivers are moving into that
20 industry instead of the typical long-haul drivers. So
21 that's impacting.

22 The other impact -- and, again, we have done
23 several studies in Texas -- is infrastructure
24 deterioration, basically roadways being torn apart by
25 these trucks where, you know, mainly they're moving

1 rural roadways where there used to be very few traffic.
2 So that's another impact. And I don't know whether we
3 can ask highway when they come back here and see if
4 they can have the same impact on federal highways --
5 federal roadways around the areas where oil industry
6 has been expanding.

7 CHAIRMAN BLASGEN: We will have a briefing on
8 some of this tomorrow, but we're just thinking about
9 the role of this committee or subcommittees on what you
10 presented and whether it's something that we should
11 actively pursue in terms of creating a group to make a
12 recommendation on this. How do the rest of you feel
13 about that?

14 David, you've been talking about North
15 American issues and we continue to percolate these
16 things.

17 MR. LONG: Just looking ahead to tomorrow's
18 agenda, we will have a more detailed presentation on
19 what the Department of Transportation is doing in its
20 various fora with the Canadian and Mexican Governments.

21 I want to ask if we had even preliminary ideas on
22 which aspects of this appeared to be the most
23 significant to you for your businesses?

24 MR. BRYAN: Let me add one aspect then playing
25 off of some of what Juan had put out. One of the

1 factors affecting the reshoring is also the general
2 trend towards regionalization and that means that what
3 you really wan to be able to to do is to be able to
4 take advantage of location regardless of the border.
5 And in order to make that work which makes all of the
6 industry more competitive, then you really want as
7 fluid an operation across that border as you can. So I
8 would say, yes, that we definitely do want to push
9 this.

10 MR. LONG: Okay. So fluidity modeling as we
11 looked at last time is something we should be
12 developing more of?

13 MR. BRYAN: Yes.

14 MR. LONG: Okay.

15 MR. VILLA: To Joe's comment and doing it at
16 the North American level now that we've seen that the
17 supply chains are not only domestic, but, you know,
18 really true international, U.S., Mexico, Canada, I
19 think we should have that big picture.

20 MR. RUIZ: So, Rick, I'm wondering if this
21 isn't something, instead of starting a new committee,
22 that this is something that our committee that I've
23 been working on since we've already made
24 recommendations, if it doesn't make sense to roll it
25 into what we've already done and do instead of starting

1 a new committee.

2 CHAIRMAN BLASGEN: Right. We were talking
3 about that as well. And shifts of committee members
4 from one committee to another there are some natural
5 things taking place with the different committees. So,
6 you know, try to apply our horsepower wherever makes
7 the most sense.

8 MR. LONG: We have got an existing structure,
9 and I suspect that these issues will touch all of the
10 different committees in some way.

11 CHAIRMAN BLASGEN: And it would be a good
12 question for Bruce tomorrow, right? Bruce Sanders
13 tomorrow around what he feels this committee should
14 focus on in regard to this as well.

15 MR. LONG: Other questions, comments, thoughts
16 for the presenter?

17 [No response.]

18 CHAIRMAN BLASGEN: Juan, thanks very much. It
19 was real good information sharing. We appreciate that.

20 [Applause.]

21 CHAIRMAN BLASGEN: Okay. David is just going
22 to check on our next set of presenters here and see if
23 they're waiting.

24 [Pause.]

25 MR. LONG: The next item on the agenda is to

1 hear an update on the status of the ITDS and the single
2 window system. We have with us today Keith Devereux
3 from the Office of the Secretary in Homeland Security,
4 Christine Turner from the National Security Council
5 staff, and Maria Luisa Boyce from CBP. I think
6 everyone knows all of our guests from previous
7 adventures. And they'll provide an update on what has
8 been happening with the system since the work that
9 you've all been doing has been going on. So there's
10 news to report and let me turn it over to our guests.

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ITDS UPDATE AND DISCUSSION**Christine Turner, National Security Council****Keith Devereux, Department of Homeland Security****Maria Luisa Boyce, Customs and Border Patrol**

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5
6 MS. TURNER: Hi, thanks so much again for the
7 opportunity to come speak with you all. You guys, as
8 you know, are really at the crux of this project and
9 our key partners in this. So glad to be here to talk
10 to all of you.

11 Just to give you an update, and I can't
12 remember exactly when the last meeting was that we
13 attended, but we have, I think, made a lot of good
14 progress, a lot of -- some of the technical pieces,
15 actually, in terms of interagency work that needs to
16 happen on the ITDS system. We have gone through a
17 process -- we held a deputies committee meeting in late
18 November that actually was very, very well attended by
19 six deputies from around the federal government. And
20 they all, I think, very clearly saw the need for this
21 project to continue apace and for us to all meet our
22 milestones.

23 We talked a lot about the informed partnership
24 with industry and what we need to do to make sure that
25 we are working clearly and effectively with you all as

1 we move through this and then what we can do to
2 increase industry's participation as we move into the
3 pilot programs.

4 And so we have a lot of good, I think,
5 outcomes from that deputies' meeting and really
6 leadership and agreement at the highest level about
7 what it's going to take for this system to successfully
8 launch over the next two years.

9 So that I think was something we had worked
10 towards for a number of months in terms of teeing up
11 the policy issues that were discussed and the different
12 pieces and work streams of these bigger projects to
13 really articulate and have a great discussion with the
14 deputies.

15 And so after that me we then launched into a
16 process in late December -- late November and all of
17 December where -- led by OIRA as part of the Whitehouse
18 which is the Office of Regulatory -- I don't know the
19 exact acronym, but someone here may. But it's the
20 office in the White House that covers the regulatory
21 aspects and oversees all changes in regulation. And so
22 that office led by Howard Shelanski and he was actually
23 in the deputies' meeting and sent out very clear
24 guidance to all of the interagency on what the
25 expectations were about any regulatory changes that may

1 be needed. And there will definitely be some for this
2 system to launch. And so we've gone through the
3 process with the interagency of all of them each
4 individually scrubbing what regulations they think they
5 need to change, what the process is going to look like
6 so that we can then go forward early this year and
7 publicly announce those and have those out for comment.

8 So that process is happening.

9 We did get back all those submissions from the
10 interagency and are in that process right now of
11 reviewing those and the conversation back and forth.
12 But that's really one of the key pieces in a big step
13 for -- and I think, you know, when you get to that
14 level of nitty-gritty in terms of a federal department
15 looking at that level of engagement and really what
16 it's going to take from not just technicians who work
17 on the systems that you all see, but some of the legal
18 aspects are going to be involved and council's office
19 and other aspects of departments that are also engaged.

20 I think it sort of really brought into relief all of
21 the steps we're going to have to take. So I think that
22 was actually -- that's been a very good process. A
23 bit, you know, painful and not the most fun part, but
24 something that is obviously very necessary and I think
25 went a long way towards moving us forward on that.

1 We are also finishing -- and Maria Luisa may
2 talk more about it -- the process of identifying
3 message sets. We have very clear guidelines about
4 dates for when that will be final and those will be
5 out. And then the other big piece I think that we've
6 made a lot of great progress on is the interagency work
7 on pilot programs and what we are going to have to
8 launch for those. We had actually a -- I don't want to
9 steal your thunder but we had a great two-day, off-site
10 meeting with a large number of people from around the
11 interagency really working through some very tough
12 issues on risk management alignment and message set
13 issues, and what the pilots are going to look like and
14 had a really great conversation about how we can
15 structure a cross-modal pilot that really will get at a
16 lot of different agencies and sectors.

17 Because one of the things that was discussed
18 very clearly at the deputies' meeting was the need to
19 build robust pilots so that we're testing this as we go
20 along. And that will be, frankly, starting this
21 spring. And really making sure that we are moving and
22 transitioning flow over into the new system at an early
23 stage so that we can work out kinks throughout the rest
24 of the two years and we're not just launching things in
25 another year.

1 So those are some of the high-level updates
2 from the White House. I think there's just a lot of
3 engagement, you know, both in the -- I've said this
4 before, but the National Security Council, the National
5 Economic Council, and our colleagues in the Office of
6 Management and Budget. So a lot of people really at
7 the highest level in the White House looking at this.
8 So, it's happening and we're in process and, you know,
9 again, want to underscore our thanks because it takes a
10 lot of cooperation both with all of our partners
11 through the interagency and with all of you in
12 industry. This is absolutely a hand-in-hand exercise.
13 So, let me pause there and turn it over to Maria
14 Luisa.

15 MS. BOYCE: Thank you, Christine. And
16 building on that last comment, it's always a pleasure
17 to see all of you and the hard work that you are doing.

18 I wanted to make certain that we thank you for the
19 recommendation that you are moving forward, sending to
20 Secretary Pritzker regarding the need to have the
21 collaboration and more input to the White House
22 continues to give their support to this as Christine is
23 mentioning and for her being here, that is a
24 recommendation that is very important for us. And it's
25 important as we understand for industry to keep being -

1 - not repetitive, that's not the word, but being
2 consistent in their message. That this is very
3 important and so these types of recommendations are
4 important for us because it corroborates the work that
5 we are doing and the importance that is working with
6 all of you as a stakeholder. So we wanted to thank you
7 for that.

8 And also I think it really -- Christine is
9 understating the amount of work that has been taken in
10 the past three months listening to your concerns,
11 right, and the questions that you may have are what we
12 have been doing. So I'm going to give you and offer
13 you a little bit more in-depth of what Christine
14 mentioned and Mr. Devereux is going to give from the
15 perspective from the Department and talk a little bit
16 about the two-day meeting that Christine mentioned and
17 some of the strategic policy high-level perspective.

18 So since the last time we saw you in October -
19 - by the way, Happy New Year.

20 [Laughter.]

21 MS. BOYCE: It's going to be a great year,
22 2015. Since the last time we saw you, we did launch a
23 web page on the Border Interagency Executive Council.
24 And we're going to be partnering with David and his
25 team to send it out to all of you so you have the link.

1 Where we have information of the BIEC, where we are
2 posting the schedule of the pilots that are coming up.
3 What is important of the schedule, the pilots of what
4 we're looking at and what Christine talked about, we
5 heard very loud and clear from all of you that we need
6 the brokers and we need the software vendors to be
7 aware of what are we launching. What is coming ahead
8 because they're the ones that make possible for the
9 importers and the exporters to be part and to
10 communicate through the system. And so -- the guidance
11 or what we call the technical term the CATAIR. I have
12 learned a lot of technical terms in this past year.
13 But the CATAIR is what we're publishing already on that
14 part. And the schedule that you will see on the web
15 page, it will be updated as soon as we have the
16 guidelines out and the schedule, the time lines, you
17 will be able to see it and that's part of our
18 commitment to give advance notice.

19 In the meantime, we at CBP are working very
20 close with the software vendors and with the brokers
21 giving them all the information. We're working through
22 the Trade Support Network which is a group of
23 approximately 350 plus industry representatives and
24 they're the ones we're working also a lot with them to
25 provide them that information.

1 Big deal and we did an assessment of what are
2 the big agencies that we need to test and pilot and the
3 four top are FDA, APHIS, CPSC and EPA. That, more or
4 less, are the top four that keep coming up as the ones
5 that industry has the most concerns about to be able to
6 test the system.

7 So, that's part of the work that we're doing.

8 So FDA will start the pilot, their short pilot. Their
9 guidance is already posted on the web page, on the ITDS
10 web page, and they're going to start doing a part of
11 the pilot in April and full pilot in June or July.

12 And so that's what they're going to start
13 working of testing the system. And piloting makes
14 certain that the communication -- internal
15 communications between FDA and CBP are working and
16 makes certain that they are addressing the concerns
17 that industry identified of where they have concerns
18 with the FDA system and how it works as we come to the
19 single window implementation.

20 So all those things are very important and I
21 know that's something that you were concerned about.

22 I'm not going to talk -- I'm going to talk
23 later -- I think I'm going to ask Mr. Devereux if he
24 can talk first about the two-day meeting to talk more
25 in detail about what Christine mentioned of the pilot,

1 not only a pilot of testing the agency, but pilot that
2 includes different agencies. So many commodities have
3 oversight -- many agencies have oversight over the
4 different commodities and so we want to have those
5 pilots to tell those commodities that have to deal with
6 customs, EPA, FDA, and APHIS. And so how is that
7 process working? And part of the process is how do we
8 message that out to industry? And so for those of you
9 in your business that you have to deal with the message
10 that you get today, you get a message from FDA or that
11 your cargo is on hold, but there's no specifics of why
12 is it on hold, or what you need. So that's the part
13 that we're working on is to give you very specifically
14 it's on hold by this agency, we need this information.
15 And that will make life much easier, right? Because
16 then we can communicate faster and be able to release
17 the cargo from hold. That's a part of the messaging
18 that Christine was mentioning and that is very
19 important for us because that is going to help us to
20 better coordinate with you.

21 How we're working on the messaging? We have a
22 workgroup and a coauthor advisory committee with
23 industry, brokers, carriers, software vendors, and
24 different agencies to work on the dynamics. What is
25 the type of information that is needed? When and how?

1 Right? Do we send that information? So that becomes
2 very important.

3 I'm going to stop here on my overview to ask
4 Mr. Devereux to give you an overview of the two-day
5 meeting that we had. But any questions so far or --

6 [No response.]

7 MS. BOYCE: It's hard to be after lunch,
8 right? The speakers after lunch. We can do an
9 exercise.

10 [Laughter.]

11 MS. BOYCE: Thank you.

12 MR. DEVEREUX: Yes. Hi, I'm Keith Devereux,
13 again, from the Department of Homeland Security. Thank
14 you for having us. I just want to stress at the outset
15 how important this advisory committee is to our effort
16 and how important your recommendations have been
17 already thus far. You've heard a lot of talk about
18 pilots that have gone on already and that we're
19 planning for this summer. And you look back to the
20 recommendations you provided us last February about
21 pilots and know that we're really considering those and
22 trying to incorporate those ideas into what we're
23 doing.

24 You also have stressed in the past the
25 importance of collaborating with the interagency and

1 having White House leadership. And I think, again,
2 that's a recommendation we're going to hear. And I
3 think Christine's presence and what you're hearing from
4 the White House's role, the Office of Management and
5 Budget's continued role in this process demonstrates
6 that we do -- we are fortunate to have the continued
7 leadership and interest from that level on that is
8 project. But it helps to hear it and have it
9 reinforced from you all, that that's a good idea, and
10 to keep people focused on that.

11 So just a little bit about what we've been up
12 to. At the department level you've often heard, I'm
13 sure, that there are 47 agencies involved in this
14 process. And so what our role is, we work with CBP to
15 try to help coordinate this big project with all those
16 various agencies.

17 And we have something called the Border
18 Interagency Executive Council which you all have been
19 briefed on before. It was formally established by the
20 same executive order that set the December 2016
21 deadline for ITDS. And this is an interagency forum
22 chaired by our deputy secretary that's supposed to
23 address issues related to how can we better streamline
24 our trade processes, how can we work better together as
25 a government to facilitate lawful trade, while at the

1 same time identifying illicit or noncompliant goods.

2 So we spent a lot of time last year organizing
3 ourselves. The 47 agencies, we now had a forum, but we
4 had to figure out kind of how do we all work together?

5 So as I think you've been briefed on before, the first
6 thing we did, we set up a charter that kind of spelled
7 out how we govern ourselves. We established three
8 committees: one on risk management activities, one on
9 process coordination activities, and one on external
10 engagement which Maria Luisa and David Long are helping
11 to lead. And these three committees then spent a lot
12 of time just getting us all on the same page -- the
13 External Engagement Committee reaching out to key
14 advisory committees like this one and key industry
15 groups to get their input and feedback on what we
16 should be working on.

17 The Process Coordination and Risk Management
18 Committee is working on common definitions. What do we
19 mean by "risk management" what do we mean by
20 "streamlining trade processes"? That took a while with
21 47 agencies. But by last fall we were at a point where
22 we were able to start doing table top exercises where
23 we could walk through import and export processes and
24 identify where the pain points are, where the problem
25 spots are for you all that you experience in moving

1 goods across the border, and what we can do better as a
2 government using this new IT capability to move goods
3 quicker across the border. We identified six of these
4 and we came up with some proposed solutions that we're
5 working through still, but some of these areas are
6 advanced information. So CBP gets advanced
7 information, but that's not always been available to
8 other agencies. And we see that as a tool. If other
9 agencies have access to that, they might be able to
10 make decisions quicker in the process to facilitate
11 trade.

12 We talked about further harmonizing and
13 streamlining our data requirements, how different
14 agencies may identify the same company differently.
15 That makes it hard for us as agencies to talk to each
16 other, to make sure that when we're talking about an
17 agency that we know -- when we're talking about a
18 company that we know that the Department of Commerce is
19 talking about that same company and not a different
20 entity.

21 Another issue we discovered is validation. So
22 like a data quality issue. If you're filing trade data
23 with ITDS, how do you know if what you submitted is
24 correct? How do you know if maybe you missed a field
25 accidentally. What can we build in the system to

1 automatically message back to you that we got it all,
2 it looks good, or your missing a field. Or these two
3 fields don't seem to match up. Maybe you should take
4 another look. So building that kind of thing at the
5 front end of the system to help trade filers.

6 We're still working through risk management
7 activities. Each agency has their own risk that
8 they're looking for whether it be fraud or health and
9 safety concerns, and so how do we make those kind of
10 risks more transparent across the government so that
11 one agency knows when another agency is looking at the
12 same shipment and what kind of concerns another agency
13 may have with that shipment.

14 Messaging, Maria Luisa mentioned. How do we
15 as a government coordinate our messaging back to filers
16 to let you know that maybe your goods have cleared,
17 maybe we have more questions about your goods so that
18 you're not getting conflicting messages from various
19 agencies, some saying you're good, some saying, we need
20 more information and that you don't really have a -- we
21 want you to have a good understanding of where your
22 goods are in the process.

23 And then finally something for us on the
24 backend we as agencies need to understand what happens
25 to shipments. So if I'm looking at a shipment that

1 another agency is also looking at, I'd want to know if
2 that agency ended up taking an enforcement action for
3 whatever reason so that I can refine my own processes
4 and next time we can avoid those same problems.

5 So these are the kind of things that we're
6 working through this year, coming to final solutions on
7 these. And this is what we spent two days on in
8 December working through. There's a meeting going on
9 this afternoon talking about this messaging idea of how
10 do we coordinate our messaging back to trade. And I
11 hope and what we're all hoping for and planning for is
12 by the time we get to these cross-agency pilots this
13 summer, we'll be ready to put some of these ideas into
14 practice and see how they work with the system across
15 multiple agencies.

16 MS. BOYCE: Thank you. Thank you, Keith.

17 So that's a general overview, high level.
18 David did ask me to go over some of the recommendations
19 that you guys have presented specifically and give you
20 some details, but before I go in-depth into the
21 recommendations that were presented in that part, any
22 questions or comments for what you have heard so far?
23 Yes?

24 MS. RUIZ: Are all of the 47 agencies actively
25 participating in this and onboard with it?

1 MS. BOYCE: Yes.

2 MS. RUIZ: Okay.

3 MS. BOYCE: And the levels are different. So
4 agencies, for example, when you talk about -- there are
5 some agencies that are like big, high-level data
6 elements like the FDA or APHIS that are very complex,
7 very much involved. There are other agencies that only
8 use one data element for importer or one or two data
9 elements. Those also are involved, but the involvement
10 is at a different level. They're a part of the
11 discussion, but their process is easier. So it's
12 already a glitch. It's already a connection. So those
13 are taken care of.

14 The bigger ones, we're very worried -- not
15 worried, that's not the correct word. We're focusing
16 on the big ones that are going to have more complexity.

17 So those, and everybody's at the table. I can tell
18 you that with a straight face and they are at the
19 table. If not, I will raise a red flag or Christine
20 will hear about it. She's constantly asking for those
21 updates so it's there.

22 MR. JAMIESON: Maria Luisa, thanks for coming.

23 MS. BOYCE: Yes, hi.

24 MR. JAMIESON: My question or concern would
25 be, what agencies are not realistically at the table

1 and have their act together and pushing forth and
2 trying to make this work sooner rather than later? And
3 then this group or individual groups can get with those
4 agencies to try and encourage them or have them show
5 some more initiative. Can you name any of those
6 agencies that need some help?

7 MS. BOYCE: Do I want to have a job tomorrow?

8 [Laughter.]

9 MS. BOYCE: Let me give a try and then I'll
10 turn over to Christine and maybe from a micro
11 perspective.

12 I think all the agencies are involved. The
13 challenge that some agencies face is resources. So
14 it's not that they don't want to be involved or at the
15 table, some of them might be that they have the same
16 person that handles one item has 20 more items in their
17 same portfolio because import and export is not their
18 number one -- that's not the number one role of that
19 agency. Right?

20 Like Customs, we have X number of team members
21 working on this process from different levels, from
22 leadership down to the technical way. And so some
23 agencies don't have that approach. And so I think that
24 what is very important and what I really -- I'm
25 thankful for the recommendation that you guys are

1 pushing forward. It is important to continue to
2 highlight--from an industry perspective--to highlight
3 to leadership in the different areas of government.
4 Why is this important? Why is this a priority for the
5 different agencies to be part of because it has an
6 impact on the economy?

7 Who are the agencies? I really cannot tell
8 you that in detail, but I think it's important that we
9 continue to explain the importance of why is this
10 important for the whole economy.

11 MR. JAMIESON: I think here's where my concern
12 comes into play and I'm sure there are other importers
13 that are more affected by this is that the executive
14 order comes down, that's great. Everybody do it. The
15 problem is, there is nothing there behind that that
16 says, okay, just like you said, there's an individual
17 that handles these 20 processes, where's the effort,
18 where's the assistance to help those agencies get on
19 board sooner rather than later? And that's where I
20 think there are a lot of folks in this room and within
21 the industry are saying, okay, you're fortunate to do
22 it, but you're not given the tools and the necessity
23 pieces in order to then facilitate them getting on
24 board sooner rather than later.

25 MS. TURNER: So I would answer your -- a

1 couple answers, I guess, to your multi-part question.
2 You know, CBP has done a tremendous job of going out
3 very proactively and very frequently to work with those
4 agencies who may not have the same number of staff and
5 we have in one of the -- part of the conversation with
6 the deputies that we had from the White House level was
7 very explicitly, you need to raise a red flag
8 immediately if you feel you don't have the staff and
9 the budget to do this. And that has gone out from the
10 NSC and the NEC, it has also gone out in the budget
11 call through the OMB process. So that was a very
12 explicit ask and requirement for budget.

13 So they were, you know, absolutely hitting on
14 a number of different areas within each department of
15 leadership.

16 And then CBP which does have the lion's share
17 of the staff working on this, is partnering with those
18 departments and agencies that may not have as much
19 staff. So we're actually in a conversation right now
20 with one of the, you know, smaller agencies that is
21 involved, but has been particularly hampered by a very
22 large international issue recently that they've said to
23 us, we have had to put all of our people on this and we
24 haven't been able to take so much, you know, forward
25 movement on the other. And so we're working out and

1 brokering that, frankly, from the White House to make
2 sure that they are getting the support they need to do
3 that.

4 So we did hold the deputies accountable and
5 they know that. And it will also be part of the budget
6 submission which is under deputies to respond back with
7 any flags so that it's on them to let us know at the
8 White House level if they've got issues like that. And
9 frankly, so far we have not heard much of that. So if
10 you guys are hearing that in industry, that is
11 something we sure would like to know because that's
12 been a continual conversation that we've been engaged
13 the departments with.

14 And then on your first question, you know, I
15 think it would be less about -- as Maria Louisa said,
16 everyone is at the table. When we pulled the BEIC
17 together last year, you know, that was quite an
18 exercise. I think I may have spoke to this group about
19 it, you know, in the spring or early summer, to sort of
20 hunt around and find the people in some of these 47
21 departments and agencies that don't live this every day
22 and aren't so familiar and kind of was like, oh, that
23 executive order, yeah, I'm not CBP so that's not my
24 problem; right.

25 And there was a little bit of that, frankly.

1 I mean, I don't think it surprised anybody for some of
2 the real -- as Maria Luisa said, ones that have only
3 one form or one, you know, 100 imports a year or
4 something like that, which there are those. So we
5 hunted around and made sure that we talked to people in
6 every one of those agencies and that we called the
7 deputies and the deputies were aware that they had
8 agencies that were actually invoked under this
9 executive order. Those are much rarer cases.

10 So I think actually the way I would answer
11 your question is the ones that we are, you know,
12 spending a lot of time on and I think would probably
13 give most of you all, I would imagine, heartburn, are
14 the big ones that are not really shocks to anybody --
15 the FDA, APHIS, EPA, Fish and Wildlife Service, you
16 know, so that's been, you know, unraveling and really
17 sitting down with them and working through both what
18 it's going to take technically, but also a large part
19 of our deputies' conversation was about the strategic
20 goals of the executive order and what do we want that
21 to look -- what do we want to have accomplished at the
22 end of 2016? Let's build for what we want. Let's not
23 sort of hamper along and build something that was old
24 ten years ago. Right? We want to build for the 21st
25 century trade. And that's what we've challenged, and

1 that's what we -- part of the conversation -- much of
2 the conversation was around what does success look like
3 at the end of 2016? And how can we build something
4 that is hopefully game-changing and really taking us
5 forward on service provider that we want to be doing
6 and that we want to be partnering with you all with.

7 So those big agencies are the ones that are
8 requiring, you know, they're at the table and it just -
9 - it's just a big process.

10 MS. BOYCE: And then to add to more security
11 checks for us in terms as we're listening to you, we're
12 going to start -- we're going to do a webinar with the
13 four major agencies and we're going to record. And one
14 of the key questions that we heard from polling
15 associations was that where is -- where are these
16 agencies on the single window implementations, what are
17 their guidelines, how is it going to work? And so we
18 agreed to do the webinar on that, and we're going to
19 start doing those types of outreach more frequently
20 because that way you can start listening and hear okay,
21 yes, they are moving forward or not.

22 And I do agree if through this advisory
23 committee, through COAC, if you believe that an agency
24 that you are not seeing the change or anything, please
25 tell us. Because at the headquarters level or

1 Washington level, they're meeting, they're coming to
2 the table, as Christine mentioned, but if you think
3 that there needs to be further movement, please let us
4 know that part.

5 But having the deputy secretaries -- remember
6 the last time you were asking the same about who is in
7 charge; right? Who at the end of the day has that?
8 The deputy secretary's meeting at the White House.
9 That has been a big hump behind. There's no cutting
10 the -- going to the head and make certain to work it
11 out. So that does help.

12 Other questions before I go into --

13 [No response.]

14 MS. BOYCE: No? Okay. So, very briefly
15 because I don't know how we are on time. So, you had
16 some proposed recommendations and I don't know, are you
17 going to vote on those today?

18 So this is the recruit an executive and
19 residents to work with --

20 MR. LONG: Is this the February --

21 MS. BOYCE: Yes.

22 MR. LONG: Yes, those were approved and have
23 been ratified.

24 MS. BOYCE: Okay. So -- so on that one, on
25 recruiting and executive residents with CBP to assist

1 in single window lifecycle planning and best practices
2 transfer, we have been looking into that process.
3 Today I don't have an update on that if a decision has
4 been made or not. And to be frank, it is a big process
5 as Christine says. It has been a very -- what's a good
6 word -- complex process to bring all the pieces
7 together before you're ready to interlaunching we've
8 been launching and building and coordinating at the
9 same time. Maybe that's a better approach. We
10 appreciate this recommendation. At this point a
11 decision has not been made about this. But we are
12 assessing if it is -- if there's a need that we should
13 take into consideration.

14 Or maybe not an executive and research, but do
15 we have maybe like an advisory or be able to consult
16 more in that process. We're looking at the different
17 options from that perspective.

18 I love the idea of the regional trade portal
19 advisory group. But I'm going to be frank with you,
20 right now it is a question of time commitment and
21 resources. Right? What resources do we have? What I
22 would like to ask you, as we are coordinating, we are
23 doing coordination with Mexico and Canada and I think
24 one of the things that we had committed to do is we
25 needed to do a little bit more building inside and be

1 ready before we started to do a lot of the outreach and
2 the interaction. But what I would like to -- if David
3 is okay with that -- is continue to coordinate with you
4 and coop to see how can we have that coordination? If
5 we can have, for example, a joint industry from Mexico
6 and Canada and the U.S. like we had that discussion in
7 Mexico City, be able to have that information to bring
8 it together. Am I going off the wrong paper?

9 MR. LONG: This is the report on possible ways
10 to approach --

11 MS. BOYCE: Yes.

12 MR. LONG: -- regional stuff that will be
13 talked about at these meetings. We know the other
14 recommendation earlier to do pilot testing and the
15 like.

16 MS. BOYCE: So I'm looking at the wrong --

17 MR. LONG: You're looking ahead.

18 MS. BOYCE: I'm sorry. I'm looking ahead.

19 MR. LONG: This is fine.

20 MS. BOYCE: But we are interested -- we are
21 working a lot government-to-government with Mexico and
22 Canada. So that is something that we are doing from
23 the White House perspective, from a customs
24 perspective. What we would like, I think, towards the
25 end of this year as we continue the conversations is to

1 have that more specific dialogue and have it -- be able
2 to have more of the conversation with industry. Yes,
3 Mexico has built a single window, but they are dealing
4 with other challenges right now and Canada is in the
5 process. We are -- so something that has changed you
6 need to be aware of, we are coordinating very close
7 with Canada and Mexico. We are talking, our teams are
8 talking to each other. And so we're looking at that
9 option. I'm going to stop there because if I'm looking
10 at the wrong document, I don't want to respond to
11 something that has not --

12 MR. LONG: This is the previous
13 recommendation. And what Maria Luisa has been
14 responding to is the draft report that you all have and
15 that we'll be talking about in more detail tomorrow
16 along with the letter --

17 [Laughter.]

18 MR. LONG: This will help the discussion.
19 It's okay.

20
21 MS. BOYCE: Well, I'm sorry. So maybe I'm
22 going to stop there. Now I feel that I'm not going --

23 MR. LONG: The key question really, it's not
24 much of a question. I think you've largely answered
25 this already, but earlier last year the group made some

1 recommendations around trying to secure sort of a
2 policies czar for this --

3 MS. BOYCE: Uh-huh.

4 MR. LONG: -- which continues in the
5 discussions looking ahead. There were also strong
6 recommendations to pick out important industrial
7 sectors and combinations of key and significant
8 agencies to do economically significant pilot testing.

9 MS. BOYCE: Uh-huh.

10 MR. LONG: And then an urgency in trying to
11 speed the work forward. And I think that's largely,
12 from what you said already, I think that's largely
13 what's happened.

14 MR. DEVEREUX: Yeah, as these comments make
15 clear and as I mentioned, those recommendations were
16 really instrumental. We've had a few small-scale
17 pilots initiated over the last year, kind of in line
18 with your recommendations to test technology as its
19 developed and make sure it's working. And then what
20 we're really gearing up towards is this idea of the
21 cross-agency pilot testing key industry sectors. We'll
22 have at least three such sectors. Still finalizing
23 which ones, but some of the ones we talked about
24 earlier today where there's a high volume of trade are
25 likely candidates, automotive, electronics, and that

1 information will be out soon, hopefully on the CBP web
2 page.

3 MS. BOYCE: Uh-huh.

4 MR. DEVEREUX: As Maria Luisa mentioned we
5 have not been able to yet bring in a senior executive
6 advisor type role. But it is something we've talked a
7 lot about. We've explored a lot and we are still
8 hopeful to do it, it just has been a little trickier
9 than we thought. But in the meantime, we haven't taken
10 advantage of expertise in the White House's office of
11 Chief Technology Officer to kind of mimic a similar
12 role. But we do recognize that it would be a different
13 need to bring in an outside expert.

14 And then speeding up deployment. The entire
15 development and deployment schedule is available on
16 CBP.gov. We're going to have -- CBP is going to have
17 all the major technical capabilities in place by this
18 summer, really, and then --

19 MS. BOYCE: Well, not in summer. Starting
20 this month. We already have -- we are doing this month
21 by January 31st, we will have the bulk of the big
22 agencies on the web page, so ready to move forward.

23 MR. LONG: Is it possible to say anything
24 about the scope of the pilot testing? In some of the
25 meetings that I've seen, there were some fairly

1 significant percentages of importers and exporters.

2 MS. BOYCE: There is. So on the export side
3 things are moving very fast. As you know we're
4 launching a big deal. The pilot is moving forward in
5 terms with Census and we just launched other
6 capabilities now in January. So you are going to have
7 more testing in place and happening on that area. From
8 the import side, as Keith is mentioning, we are looking
9 at volume; right? And that was -- I think, one of your
10 subcommittees was telling us we want to see more volume
11 and more from that part. By April we hope to start
12 processing that.

13 Please understand that we are not starting on
14 a vacuum or from zero. Companies are already using
15 ACE, our system. And so this is more testing how does
16 it work in communicating with the other government
17 agencies? And so it's not like it's going to be we're
18 just testing the system now. We've been testing the
19 system for a while now, but this is now the
20 collaboration and the coordination and because we're
21 using the agile process, we are very fast and able to
22 address any concerns and challenges.

23 For example, one area that we are looking to
24 work closely is what happens if the system goes down?
25 Right? That's a very important process. And so we're

1 working on that. How is our back up working? How do
2 we communicate with industry when the system is down?
3 Because even two hours, three hours, four hours down,
4 that's a lot of time in our business environment. So
5 we're testing that we're doing the messaging. We would
6 love to work with any subcommittee here that you would
7 like to look at that and see if you have any input.
8 Please let us know on that area because that's
9 everything -- all of those pieces we are working and
10 testing right now on how we make it happen.

11 The key industries, we're looking for a lot of
12 volume. So as Keith mentioned, hopefully by January
13 31st you will have those posted on the web page. Who
14 are we looking to volunteer to start making and doing
15 testing all of the different angles of the process.

16 MR. LONG: For scope on this I think the
17 planning is running to something that would be
18 approximately on the order of 20 percent of imports
19 into the United States in key sectors. So it's
20 material, we're talking about large shares of that
21 combined with the things that run through the ACE
22 system only, very simple implementation, this here,
23 that's an additional 30 percent, 34 percent of total
24 processing. So by the time this thing goes to the end
25 of next year, it's very possible that the pilot

1 testing's program will touch something like 50 percent
2 of the total import trade. So this is not a trivial
3 thing that's happening here.

4 Questions? Is Sandy still on the line?

5

6 MS. BOYCE: Now, you have confused; right?
7 Talking about what you were going to discuss tomorrow.

8

9 So may I give you food for thought about
10 tomorrow? As you're talking about Canada and Mexico,
11 conversations are happening government-to-government.
12 We, United States, are having our conversations with
13 the industry on this, of course, for the single window
14 implementation a lot of talk with importers, exporters,
15 brokers, and software [vendors]. What we -- this is
16 me, I'm sorry -- Customs, from our perspective that we
17 have started a conversation is brokers, U.S. brokers,
18 Mexican brokers and Canadian brokers, can you start
19 giving us thinking through the process as you connect
20 North America. But keep in mind that for us, from our
21 perspective, this is a single window that is going to
22 communicate with the world. Of course, Canada and
23 Mexico are very important volume-wise and we have
24 different challenges in there. But also we're looking
25 at the whole world and how do we keep the data

1 standards working at the standards of WCO, et cetera.
2 So we are taking into consideration all those
3 principles.

4 We're starting the conversations with Customs,
5 with our broker constituents, our customs broker
6 constituents so that they can start flagging any key
7 challenges and we're going to be doing the same with
8 importers and exporters as we get closer to October
9 2016.

10 I'm going to turn over to my right and make
11 sure that that was a good overview and that I didn't
12 miss that. Christine has a lot of the interaction
13 internationally too. So for as that piece it's very
14 important. We're learning. We're having lessons
15 learned.

16 I know you mentioned Indonesia and Asia and
17 getting ahead of that part as some best practices.
18 Keep in mind that we have to do trade enforcement and
19 we're looking at the whole comprehensive single window.
20 We're not just looking at one piece of trade. We're
21 looking at everything, imports, exports, enforcement,
22 facilitation, regulatory, the whole enchilada or
23 empanada or taco, whatever you like, or curry.

24 [Laughter.]

25 MS. BOYCE: What flavor we are. But it is

1 something that our single window is -- we're really
2 looking at doing our homework to have a very
3 comprehensive look at the whole process. And so some
4 other singles have great best practices in some areas.
5 But other areas they don't include what we have to --
6 what we are including in our single window. So that's
7 something that we're doing a lot of research also from
8 that part so that we take that into consideration.

9 I'm going to leave it there since I jumped the
10 time.

11 CHAIRMAN BLASGEN: Well, one question for you
12 and you obviously know this, you know, this world is
13 just great. Here we have industry assembled to try to
14 provide solutions to problems that we see each and
15 every day and the transactions that we rationalize. Is
16 there anything that you're reading in either of these
17 documents, even the one that we're going to talk about
18 tomorrow that you look at and you sort of say, that's a
19 fatal flaw for us. This is never going to happen. Or
20 you wish we would have said that so that we can align,
21 you know, we want to do things and propose things that
22 are actionable. And then there's another -- we can
23 provide an elegant solution if we had all the money in
24 the world, no politics involved and everybody aligned
25 around supply chain people running the world which is

1 what our quest is. What would you tell us we should do
2 or not do?

3 MS. TURNER: I want to -- this is not really
4 exactly on your question, but on the issue of the
5 executive and residents point, Keith was absolutely
6 correct because we have set up with the Chief
7 Technology Office of the Whitehouse, the Office of
8 Science Technology Policy, a program in the last, you
9 know, year, maybe a little over, to pull in executives
10 from private industry who are specialists in different
11 IT really across the board. So really big picture very
12 experienced folks to come in and do basically a year or
13 some time period in the government to help on the
14 challenges in government on the technologies phase.

15 Part of the conversation that Keith has
16 alluded to is, you know, we have Todd Park and Megan
17 Smith who frankly are out recruiting in Silicon Valley
18 and elsewhere executives who may be interested in this.

19 And they've actually -- the last conversation I heard
20 was that when they've gone to ask certain people,
21 they've never been told no because these are very
22 challenging issues, you know, similar to what you might
23 face in a huge multinational and lots of thorny problem
24 sets.

25 So I'll put the challenge out there. If you

1 or any of the companies you all work with have somebody
2 that would fit that bill, we have a program that can
3 set it up and have them come work on this. We have put
4 together a proposal. We've got a position description,
5 we are -- I mean, you know, it's in queue. It's not a
6 very long queue, but it is in queue. As Keith said,
7 we're in the conversation for that. But if somebody
8 wants to raise their hand and you know somebody at
9 FedEx or UPS or any of the other folks out there who
10 deal with these, please let me know because we can try
11 to -- you know, shortcut that conversation. And DHS
12 and the rest of interagency is ready to do it and the
13 White House is ready to do it. It's really just a
14 matching game, finding the right person to come do this
15 for a year or two.

16 MR. VILLA: Where can we get a copy of the job
17 description?

18 MS. BOYCE: I have to -- let me run it through
19 the -- I don't know where they are in the process.
20 The other office at the White House is actually the
21 front for that. But I will find out. Yeah. If you
22 don't have my e-mail, David can get it to you. But,
23 yeah.

24 MR. VILLA: Okay. Thank you.

25 MS. TURNER: So that's one thing that's not

1 quite on your question, Rick, but, you know, we just
2 absolutely see this as a partnership with you all.

3 CHAIRMAN BLASGEN: No, I think it's great and
4 we all know a lot of people in the industry who may be
5 in a position in their life and their career where they
6 want to take on a role like that.

7 MS. TURNER: Yeah, that would be great.

8 MS. BOYCE: To your other part of the
9 question, I do -- and I have to be careful how I answer
10 on this one.

11 CHAIRMAN BLASGEN: Not with us you don't.

12 MS. BOYCE: Yes. No, I have friends from the
13 media. They are in the back. Hi, how are you?

14 [Laughter.]

15 MS. BOYCE: I'm sorry.

16 CHAIRMAN BLASGEN: Certainly we don't want the
17 media reporting anything accurately.

18 [Laughter.]

19 MS. BOYCE: So, no, I think the -- I
20 understand the importance of conveying that. And maybe
21 I didn't read it correctly on that part, but the
22 creation of a North American single window -- I
23 encourage you to rethink a little bit the language that
24 you are using there because North America is definitely
25 a leading economic block in the global supply chain and

1 in the world for many things. And it can be the
2 leading example of many areas of how we work. But if
3 we focus only in North America, then you don't take
4 into consideration, for example, that Mexico is a
5 country that has the largest number of trade treaties
6 in the world. And so therefore they are a part of
7 different trade global supply chains in different parts
8 of the world as are we, of course, and as are Canada.
9 And so if we tailor something only towards North
10 America, the connection -- very important -- very
11 important trade block, we're leaving out, though, a
12 conversation that has to be how do we build a single
13 window system that is -- obviously that helps continue
14 to enhance the economic competitiveness of North
15 America, but furthermore enhances the economic
16 competitiveness of the global supply chain.

17 Does that make sense?

18 CHAIRMAN BLASGEN: It does. And, Sandy, are
19 you still with us?

20 MR. BOYSON: I am. I am indeed.

21 CHAIRMAN BLASGEN: Can you comment on that?
22 Because she's bringing up a good point about just the
23 messaging and nomenclature because it certainly isn't
24 an intent just to allow that single window to operate
25 within North America; right?

1 MR. BOYSON: That's correct. And the reason
2 for first beginning to take a look at North America
3 which includes, of course, Mexico, Canada and the U.S.
4 is because first of all the fact that the size of those
5 economies in trade is just enormous obviously and the
6 most important partners of the United States. And the
7 idea would be, you know, to start there and see what
8 details are required, what is actually needed in order
9 to harmonize the systems that are being put into place.

10 Not at the exclusion of others because obviously we
11 are still -- the ASEAN standards that are emerging.
12 There's plenty of opportunity to look beyond North
13 America. But as you recall, this was raised as a
14 priority by sector Commerce. I think that's what we
15 were trying to respond to. But I think your point is
16 very well taken, and, you know, is I think sort of like
17 a second step.

18 MS. BOYCE: And obviously as a conglomerate of
19 the countries in our continent, we can be leaders of
20 change for the rest of the world too and some of the
21 best practices because also we are talking about
22 complexities that don't exist in other parts of the
23 world or that may exist. So that's food for thought.

24 I think that's the only thing that I'm brave
25 enough to comment right now and then I will read better

1 my homework before our next meeting so I don't start
2 talking about topics that are not for today but for
3 tomorrow. But this is very important and we are
4 reading all the documents and we're paying attention.
5 Words do make a difference, the language, that does
6 make a difference. So keep that in mind as you move
7 forward on this because all these documents then are
8 taken public and we can use them to leverage our
9 relationships with other countries too.

10 One last thing, I'm sorry.

11 CHAIRMAN BLASGEN: Please?

12 MS. BOYCE: One of the things that we have
13 found out as a best practice, we, the U.S. Government,
14 is to work very close with industry, not build a single
15 window in a vacuum, but have the input from industry.
16 And so we have had the input at every step of the way
17 from a tactical to a strategic perspective. So when
18 you talk about that perspective of the North American
19 single window, I think that's something that you can
20 also convey more clearly the importance of having that
21 -- repeating that best practice of not acting in a
22 vacuum, but to have the perspective from the supply
23 chain -- members of all the supply chains so that it
24 really is practical in the implementation.

25 MR. BOYSON: Yeah, I just kind of want to add

1 one thing to that, if you don't mind. And that is that
2 Tiffany Melvin who I believe is in the room and her
3 group, NASCO, I think, has worked in North America
4 including Mexico, Canada, and the U.S. for a very, very
5 long time. I have a great deal of respect for that
6 organization and also the quality of the companies that
7 engage with them. And I think both in terms of the
8 pilots that are going to be undertaken and in addition
9 the studies that are being done about harmonization
10 between at least this first set of countries, there's a
11 good group there that has been a foundation of work
12 that's been done.

13 And I'm delighted that she's going to be
14 working a lot more closely with -- she's going to be
15 working as the chair of the IT Committee. So please
16 keep that in mind. I think that will be helpful.

17 CHAIRMAN BLASGEN: All right. Well, thank you
18 very much. We really appreciate your honesty and
19 candor.

20 MS. BOYCE: If I get in trouble tomorrow, I'll
21 let you know. Thank you so much. Thank you.

22 Thank you all. Good luck with the meeting
23 tomorrow.

24 CHAIRMAN BLASGEN: All right. So food for
25 thought there. I guess we'll talk more about that

1 tomorrow in terms of this document which she was
2 drawing from and whether we want to alter anything in
3 there. But we'll deal with that tomorrow.

4 Is Norm calling in, do we know, David?

5 MR. LONG: He was supposed to be. Norm, you
6 still there? He said he had some other engagement. We
7 lost Norm.

8 [Simultaneous conversation.]

9 CHAIRMAN BLASGEN: So let's move on then to
10 the Regulatory Policy Subcommittee Report and
11 Recommendations. Norm is not on the phone, but I
12 understand -- Jevon? Is Jevon here? Oh, there he is.
13 Take it away.

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1 **REGULATORY POLICY SUBCOMMITTEE REPORT AND**

2 **RECOMMENDATIONS**

3 **Jevon Jamieson, Manager**

4 **Administration and Customs Compliance**

5 **AFB Freight System, Inc.**

6

7 MR. JAMIESON: All right. Good afternoon,
8 everybody. We had a subcommittee meeting here in the
9 room at 11:30 this morning to kind of finalize and
10 touch on some things. Norm is not with us. He has
11 shoulder surgery tomorrow and he had to go in for some
12 final deal, whatever, this afternoon, so he's not able
13 to make it. So between me and Tom and the rest of the
14 crew, we'll make something of this.

15 The recommendations that we have here we
16 provided a little brief overview on last week, kind of
17 worked on it and discussed it further today and I think
18 that we're ready to move forward to move these to the
19 final group for proposal.

20 I'll touch on some of the areas that we're
21 looking at. I don't think we had any real big nos to
22 this that I recall. One area was outdated ground
23 transportation regulations. Does everybody have a copy
24 of this?

25 MR. MILLER: It is up on the board.

1 MR. JAMIESON: Okay. Yeah, there it is. It's
2 hard to see, but some of the stuff I'm just going to
3 kind of go through and some of the other things that we
4 had for more details we'll have discussion on.

5 But the first group talks about basically size
6 and weight issues for ground transportation. There is
7 currently HR-612 that deals with the size and weights
8 issues that nobody knows the real status on that yet.
9 So Martin from the ATA was going to look into that to
10 see if we know kind of a yea or nay and what the
11 regulatory process is feeling on that.

12 The proposals to go from 28- to 33-foot
13 trailers to allow greater volumes, greater weights,
14 reduction in infrastructure, capacity, damage, et
15 cetera. I mean, there's a lot of benefits to doing
16 that. The hours of service rules--if everybody doesn't
17 know--has been nixed at this point. There's a hold on
18 it. So that's a great thing that was in the latest
19 budget proposal that came through.

20 And then, again, size and weights going from
21 basically 80,000 to 97,000 pounds, again, huge benefits
22 from our perspective as carriers and the ground
23 transportation side of things.

24 Norm had in here a piece about barriers to
25 alternative fuels, talking compressed natural gas,

1 liquid natural gas, all of the big things, the big
2 talking points that everybody is moving to today as far
3 as transportation goes, moving away from diesel to LNG
4 or CNG for different types of vehicles in different
5 areas of the country.

6 With that there's a number of tax issues and
7 negative impact on those carriers that actually
8 purchase these vehicles, you know, much bigger tax, no
9 benefits, et cetera. So there's some reform and moves
10 to try and get rid of the excise tax that's already
11 involved, et cetera. Make it more beneficial for the
12 carriers that are actually going to purchase this
13 equipment rather than being at a hindrance and a
14 negative impact towards us.

15 Next page please. Outdated regulations. The
16 big one that Norm has got identified in here is 19 CFR
17 which is the Customs regulations that a lot of folks
18 live and die by. In particular Section 111 which deals
19 with information sharing, rules and regulations
20 pertaining to brokerage and brokerage industry,
21 information sharing, et cetera.

22 Basically at this point it's not a matter of
23 specific areas within the 111 that needs to be changed
24 or addressed, but it's basically rewriting 111. If you
25 live in that industry you know the impact that 111 has

1 on the industry. You know it's probably because it
2 would be just as big, if not bigger to try and rewrite
3 then what the in bond regulations would be. So, one
4 thing that we've thought of is everybody within our
5 group, if I'm not misspeaking, is that we're supportive
6 of those efforts to make the changes. We don't know
7 what tactically needs to be changed, but it's one thing
8 to move it forward and say yes, this needs to be
9 addressed, these need to be changed, let's push it
10 forward to the right agency which will be U.S. Customs.

11 Outdated air traffic is one. From a
12 controller, I can tell you, yes, it is outdated. Liz
13 has some information -- where did she go -- okay --
14 pertaining to agencies that may be involved or groups
15 that might be involved to better handle this issue to
16 better provide information. I'm sure that within the
17 FAA and some of the other areas there are already steps
18 in place, there are already groups that are majorly
19 impacted by this. I think getting on their bandwagon
20 might be the best place for this group to effect
21 change. Again, the whole volume, economy of scale
22 thing is that the more you got involved, the more
23 people that you are squeaking along, the more oil that
24 it's going to get, and the more attention drawn to it.

25 So I don't think that we're going to take this on

1 individually, but I think that being able to get
2 involved, provide more weight to those groups that are
3 already involved is probably our best bet for that.

4 Initially we had workforce development. Out
5 of that another group was formed out of this main
6 committee, I believe. So I think that we'll turn it
7 over and offer any assistance as we can.

8 One thing we brought up was the Jones Act.
9 And Mr. Cooper was nodding. I think, Jim, was that
10 your big deal?

11 MR. COOPER: Yeah, I did bring some background
12 materials just to share at the subcommittee level
13 because the subcommittee hasn't had a chance to see
14 these. This is stuff that we worked on last year under
15 a different subcommittee. And so I wanted -- I did
16 bring extra copies to share with the regulatory
17 subcommittee. That way at the next meeting we might be
18 able to do something with it. Because it's got a lot
19 of background information to support some of the things
20 we've been talking about.

21 MR. JAMIESON: In our subcommittee we brought
22 it up and there are a couple of folks that brought up
23 things such as stays on regulations in times of
24 emergencies or crisis. And you bring you up a point of
25 where one port was just so completely and totally

1 overloaded. Was it Norfolk --couldn't do anything? Do
2 you want to talk about that?

3 MS. STRAUSS-WIEDER: Yes. This happened
4 during Super Storm Sandy which hit at the peak of the
5 peak of the peak import season. It hit New York-New
6 Jersey. it took out that port which is the third
7 largest in the U.S., the largest on the east coast, for
8 one week. Fifty-Seven vessels diverted, over 10,000
9 containers. Most of that wound up in Norfolk.

10 There are several options when all those
11 containers get dropped in one location. One is to set
12 them aside, put them on the next vessel in the
13 rotation, bring them up to New York. All the vessels
14 that are moving containerized cargo internationally are
15 foreign flagged. We'll just assume that. There are
16 exceptions.

17 So the options there were, and there were
18 preparations made, Columbia Coastal, the barge service
19 to bring them up, or because there are existing
20 contracts between the carriers and CSX to pop them on a
21 train, bring them back up or get them to the Midwest.

22 CBP also did a yeoman's job, but had to get
23 all of those containers processed and cleared for entry
24 into the country. The bottom line was that Norfolk,
25 through that surge, was put out of commission

1 essentially for six weeks. It was just completely
2 bollixed up.

3 Having a prescribed waiver that would have
4 helped Norfolk get out from under in this very specific
5 situation would have been helpful.

6 During Sandy there was a Jones Act waiver
7 related to fuel movement. That was understood. But
8 it's harder to justify when you're talking about
9 Christmas items. I think it is easier to justify when
10 we're talking about operationally getting a port out
11 from under because effectively our ability to compete
12 as a nation and be able to respond say if we had
13 another situation through Norfolk was severely impacted
14 by the surge. And Leslie spoke to this as well, the
15 idea is to think through -- while we're not in a
16 disruptive situation -- a prescribed set of
17 requirements that would enable a waiver for an
18 operational situation such as that instruction
19 situation.

20 MR. JAMIESON: Thank you.

21 Now, Leslie, you brought up a point about fuel
22 in Florida.

23 MS. BLAKEY: Yeah, that situation --

24 [Simultaneous conversation.]

25 MS. BLAKEY: -- is just another example. And

1 I think there's probably, you know, some of our other
2 representatives could, you know, identify some others.

3 But the point is that in a crisis situation, as Anne
4 was just saying it's like each time it is reinventing
5 the wheel with trying to get a waiver and it's very,
6 very difficult to do to the point that Florida was not
7 able to get a waiver in their situation which was that
8 -- I can't remember the crisis exactly, whether it was
9 Deep Water Horizon or if it was one of the hurricanes.

10 I think it was the Deep Water Horizon event, but the
11 point was that the Jones Act fleet was entirely used up
12 in terms of capacity of trying to respond to the
13 disaster, and Florida is dependent on Jones Act
14 carriers to bring fuel into the state. That is the
15 only way they get gasoline and petroleum products into
16 the state for ordinary, you know, support of life and
17 business. And they were unable to get a waiver and
18 they literally almost ran out of gas.

19 So, this was a world crisis period for them
20 and they were not able to manage this through the
21 federal process. And there needs to be some kind of
22 expedited way of dealing with these special situations
23 without completely overhauling the Jones Act.

24 MR. JAMIESON: So are they going to make
25 Keystone XL II in Florida?

1 MS. BLAKEY: No, I don't think so.

2 [Laughter.]

3 MS. BLAKEY: We've got other issues.

4 MS. STRAUSS-WIEDER: Yeah, I think what we're
5 talking about here is a way that we can build a more
6 sustainable supply chain when we have a disruptive
7 situation and making sure the Jones Act is part of our
8 tool kit when we do -- when you have part of the
9 systems go down and we need to use other regions' other
10 capacity, that we have that in our toolkit to be able
11 to use as well.

12 MS. BLAKEY: There is a National
13 Infrastructure Advisory Committee chartered by the
14 White House that operates under the Department of
15 Homeland Security that has a working group that is
16 studying transportation resiliency as an issue for that
17 agency and its collaborations with others. And I know
18 that this subject has come up because I serve on the
19 sub-sub of that working group. So I know that this has
20 come up with that. You know, I don't know if they're
21 going to put forward recommendations about it. It
22 would make good sense for our committee to look at this
23 situation of Jones Act waivers and have supportive
24 kinds of recommendations, especially if they're going
25 to be making those.

1 MR. COOPER: If I could just add a comment.
2 And it's not just in times of disaster. There are
3 other circumstances commercially where, for instance,
4 speaking fuel delivery the entire southeast is
5 dependent on maybe two pipelines. And if either one of
6 those goes down, there's going to be an imbalance.
7 It's not necessarily a national crisis situation or a
8 hurricane that caused it or what have you, but there
9 are other circumstances where alternative modes of
10 transportation become very, very important. And if
11 they're not available, the supply chain, that's where
12 you get a lot of bottlenecking occurring.

13 MS. STRAUSS-WIEDER: Maybe the buzzword is to
14 consider this in a business continuity setting.

15 MR. COOPER: Yes.

16 MR. KANCHARLA: I don't know if it's
17 worthwhile taking certain cargos like fuel which is
18 most essential for the economy and just documenting
19 what choices you have, for example, Jones Act. It may
20 not be that simple, but there's a very easy override to
21 that whole situation. You don't have refineries in the
22 state of Florida, so they're screwed. Either domestic
23 or imported goes into the Gulf, gets refined and we get
24 the refined petroleum coming in. It becomes a U.S.
25 domestic movement, hence Jones Act. But the two big

1 ports which 95 percent of the fuel comes into is Tampa
2 in Fort Lauderdale or Everglades. We are both equipped
3 to receive ships anywhere from the world. So the
4 refined petroleum could be coming instead of domestic
5 sources, if it just came from foreign sources. So that
6 could be immediately, you know, a nondisruptive way of
7 addressing the situation. I don't know the competitive
8 forces of the pricing, but we already do get --
9 Everglades gets -- I may be wrong, somewhere in the 15
10 percent overseas, refined petroleum from the -- market
11 Dubai. Tampa gets a little bit less. We are on the
12 west coast, but we are ready and equipped and we
13 already do, you know, foreign fuel. But similar to
14 that, I'm sure there are other key commodities where we
15 could look at, you know, what is available to us in the
16 marketplace and in certain cases if it's not, maybe we
17 should start thinking how do we address that?

18 MS. STRAUSS-WIEDER: Well, realistically, and
19 not to take up too much time on this, one of the first
20 things that happened in Sandy was a waiver of the Jones
21 Act was put in place immediately for fuel. So the
22 lesson was learned from previous disruptive situations.
23 So I think there are certain key commodities where the
24 case has been made.

25 It's a little bit tougher in an operational

1 situation because you're talking about entire classes
2 of movements. Whether it's containerized or something,
3 but it's a recognition that another element of our
4 national system in the region, a major port, rail
5 system, something has gone under. And you have to be
6 able to use the rest of the system as easily and as
7 quickly as possible. And that's, again, business
8 continuity.

9 I think, Jim, you summarized it in a great
10 statement earlier this week at TRB. If things aren't
11 working we don't get paid, businesses go out of
12 business. So it's business continuity.

13 MR. JAMIESON: Anybody else?

14 [No response.]

15 MR. JAMIESON: Okay. I think at this point we
16 discussed, there are a number of issues here that have
17 broad-ranging impact on a number of industries, a
18 number of personnel, trade groups, et cetera. Norm had
19 brought up maybe taking a couple, three of these top
20 two items and prioritizing and say okay, this is one
21 thing we'd like to work on, this is another thing we'd
22 like to work on or the group would like us to work on.

23 What would those be? You know, I think maybe the size
24 and weights issues would be one thing. Sounds like
25 we're hitting more and more implications on the Jones

1 Act issues of not having both policies and procedures
2 in place, maybe that's the second item to have directed
3 to us and guidance from the group as to where we'd like
4 to go.

5 I think that we would like to submit these to
6 the full committee saying here is our recommendations,
7 maybe the committee wants to tag on there, okay, let's
8 look at this first and let's work on this second.

9 MR. BROWN: I have a question. In the
10 subcommittee do you consider the implications of the
11 infrastructure, bridges, roads, in coming up with
12 recommendations for the increased grade size and stuff
13 like that? Is that tangentially something that you're
14 going to be talking about, or you left it alone?

15 MR. JAMIESON: I think we can, but I think
16 there were a number of studies in groups out there that
17 have looked at policy change as to why they've gone
18 from 80 to 97,000 pounds, what the positive impact will
19 be for infrastructure of reducing the number of
20 vehicles on the roads, reducing the amount of traffic
21 over the roads which in turn increases the
22 sustainability of those, et cetera, et cetera. We can
23 take as a group and go find that information and pull
24 it together and present to the group if necessary. I
25 don't think that we were actually the ones that went

1 out and did all of those studies if that's what you're

2 --

3 MR. BROWN: No. I'm thinking that if we make
4 this recommendation to somebody, you know, that might
5 be one of the outcomes of the thought process that says
6 we have failing bridges, why would we want to do that?

7 MR. JAMIESON: Right.

8 MR. BROWN: Okay. But to your point there's
9 implications of the positive effect of doing something
10 like that and making sure that that's not overlooked.

11 MR. JAMIESON: Right.

12 MR. SMITH: One point on that. I'm sorry Juan
13 has left the room. A few years back both TTI and ASHTA
14 together put together a compendium of all the studies
15 related to this. This is in one single document. I'll
16 dust it off and see if I can find it. I'd be happy to
17 share it with the group. It sort of catalogues the
18 different size and weight studies that are out there.

19 PARTICIPANT: That would be great.

20 MR. KANCHARLA: Is it possible, do you think
21 one industry, like the automobile industry and try to
22 implement this and see how it turns out and then expand
23 it to the whole system, or it doesn't make any sense?

24 MR. WEILL: Why would we do that?

25 MR. KANCHARLA: It's a very large industry.

1 (Simultaneous conversation.)

2 MR. WEILL: But why? Other countries have
3 done it. You know, there's enough data out there to
4 kind of -- you know, I don't know what another pilot
5 would necessarily do.

6 MR. KANCHARLA: Okay. Just a --

7 MR. JAMIESON: Anybody else?

8 [No response.]

9 CHAIRMAN BLASGEN: Well, we were just thinking
10 here around -- do we feel that this recommendation is
11 ready for us to put in the form of a letter and send up
12 the ladder, or do we need more time to flesh it out or
13 are we okay with the way it is?

14 MR. COOPER: Are you referring to the overall
15 -- all of the things listed in the document or a
16 separate step? Because I know in my opinion the Jones
17 Act stuff isn't ready because we don't have enough
18 supporting information and background info. I think
19 with the surface transportation stuff, we may have to
20 augment it, you know, with some other background
21 documents. But I think we do have some forwarding
22 material for --

23 MR. JAMIESON: Well, my thought was that in
24 the document since we've -- the workforce development
25 group has taken a new turn, that's in our new group, we

1 would clean that up, the ATC side of things, I think
2 Liz and some of the others that we can add some of
3 that. I don't think as a document itself it's ready to
4 go for final proposal. I think that there was the
5 request of -- and Chris being able to add some
6 information to it and Martin we can kick in some
7 information as far as the surface transportation piece.

8 I think we will probably need a little more time to do
9 a rewrite, move around, maybe the group as a whole can
10 kick in and say, yeah, we would like to hear more of
11 this as topic one, this is number two, and everything
12 else we can shuffle on down.

13 MR. LONG: If that process goes relatively
14 quickly, quickly in the sense of being closer to now
15 than to the next meeting, it's an easy option for us to
16 set up a conference call to just talk about that
17 specific text and take it as far as you would like to
18 with that.

19 MR. JAMIESON: Okay.

20 MR. WATTLES: There are parts of it, as I look
21 at it, that I would, you know, it's an interesting set
22 of challenges and recommendations, but some of it is
23 going to need some expanding and kind of targeting it.

24 For example, just what's up there on the screen,
25 update and simplify regulations to improve supply

1 chain. Okay. That's really broad. And so you've got
2 a sub bullet that says basically we don't like Obama
3 Care. Okay. Well, great, but what's the
4 recommendation?

5 I think from a list of subjects and here's an
6 issue, and there are some recommendations, it's a good
7 list, but I think that what is being presented needs
8 more fleshing out before we can put it into a final
9 document.

10 MR. JAMIESON: Yeah, I apologize. I can't
11 speak to that particular piece on it. That's something
12 that Norm had done and was involved with. I'm not sure
13 what it is exactly that he's referring to there. So
14 there's no problem there.

15 CHAIRMAN BLASGEN: All right. Well that means
16 we don't have to wait until April if we want the full
17 committee to vote on it and send it up the ladder.

18 MR. JAMIESON: Yeah, we can take and --

19 CHAIRMAN BLASGEN: We can easily do that.

20 MR. JAMIESON: We can refine this, put some
21 pieces together, grab some other information and then
22 send it on from that electronic standpoint and discuss
23 it later on.

24 CHAIRMAN BLASGEN: Okay. Any other input for
25 the team?

1 MR. COOPER: Was there another part to this?
2 Because I did take a look at this, I think, earlier
3 today or yesterday on permitting for infrastructure,
4 permitting processes. Was there a bullet in there on
5 that? I don't --

6 MR. JAMIESON: I can't speak educatedly to
7 that, Jim, as to what the thought was there. I don't
8 remember.

9 MR. COOPER: Because I think that also came up
10 -- if I'm not mistaken -- in the last full meeting, but
11 just in a verbal context, not as subcommittee work.
12 But I think it was discussed.

13 MR. WISE: Thanks for bringing it up. That's
14 kind of my main hot button right now and I think it
15 belongs in the regulatory piece as well, which would be
16 permit speed and reform.

17 MS. BLAKEY: I think it's very important,
18 David. I think we really need to request that you all
19 put a focus on that.

20 CHAIRMAN BLASGEN: We can do that.

21 MR. COOPER: Yeah, I can help in that target.
22 We just finished up a two-year conversation on how to
23 bring manufacturing back with a lot of different
24 stakeholders. And that was a recurring theme from -- I
25 mean, everybody from academics to industry to all kinds

1 of folks.

2 MS. BLAKEY: It's an overwhelming concern.

3 MR. WISE: And there's something you can
4 piggyback on including a White House document, report
5 to the president cutting time lines, curbing outcomes
6 for federal permitting infrastructure, you know,
7 endorsing that, reinforcing some of the ideas. You
8 know, simultaneous reviews, shot --

9 (Simultaneous conversation.)

10 MR. WISE: -- three or four things that just
11 conceptually need to be put forward and the same way
12 that the single window is being pushed forward across
13 agencies, this is the kind of issue you push forward
14 across the agency.

15 MR. COOPER: And it's something actionable.

16 MR. WISE: Could be.

17 MR. COOPER: I mean, by the executive it's
18 actionable. It doesn't have to take an act of
19 Congress.

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1 **CLOSING AND ADJOURNMENT FOR FIRST DAY**

2 **Chairman Rick Blasgen**

3
4 CHAIRMAN BLASGEN: All right. Good. For
5 those of you who don't have tomorrow's agenda, there
6 are some copies up here. The only, I think, change to
7 it is that it's Bruce --

8 MR. LONG: Yeah, Bruce Andrews instead of the
9 Secretary.

10 CHAIRMAN BLASGEN: -- is going to be
11 addressing us at 11:15 tomorrow.

12 MR. LONG: 11:30.

13 CHAIRMAN BLASGEN: 11:30. Okay. So that's
14 changed.

15 So a 15-minute time change on the agenda from
16 11:15 to 11:30 we'll hear from Bruce Andrews. And he's
17 not been with us before; right?

18 MR. LONG: No, he has not.

19 CHAIRMAN BLASGEN: Can you take us -- is it
20 worth a little background on him or --

21 MR. LONG: Briefly, he's one of Secretary
22 Pritzker's closest confidants. They've gone back a
23 number of years and he enjoys a very large reputation
24 for getting things done in the Department. He was
25 chief of staff for an extended period before he became

1 deputy. He's taken a personal interest in supply chain
2 work and especially what goes on in this set of issues.

3 Single window is important to him as is the whole
4 complex of freight movement and regulatory stuff.

5 He should be able to enlighten us on the big
6 picture as far as North America single window, general
7 freight movement issues, essentially talking across the
8 full agenda. So I expect that tomorrow we will have a
9 good chance to talk with him on that.

10 We may also with him hear from our Assistant
11 Secretary Marcus Jadotte who will come with him.

12 CHAIRMAN BLASGEN: His name? Bruce Andrews?

13 MR. LONG: Andrews, yes.

14 CHAIRMAN BLASGEN: And I mentioned to David
15 that, you know, we continue to try to get Secretary
16 Pritzker to address this group which I think is
17 important. I think it's all important we have a chance
18 to hear her feelings about this organization and what
19 we've accomplished so far and the path that we're going
20 down. So I guess we just continue to try.

21 MR. LONG: We'll keep at it.

22 CHAIRMAN BLASGEN: Or we walk over to her
23 office and --

24 MR. LONG: Demand a hearing.

25 Talking with Bruce tomorrow is probably the

1 best way to make that a reality.

2 CHAIRMAN BLASGEN: So you have the agenda
3 here. We'll hear from the rest of the subcommittee
4 groups tomorrow as well. We'll reaffirm the dates that
5 we have going forward. It would be great for us, again
6 to get an inkling as to when we think recommendations
7 will come forward. We can talk more about the
8 workforce group that's just been formed and the
9 direction there. And then also a little bit about
10 process if there are folks that want to shift from one
11 subcommittee to another given the new initiatives. And
12 then also refine what's this North America thing do and
13 what are the objectives of what our committee should be
14 thinking about.

15 MR. LONG: For that, the discussion right
16 after lunch with the people from the Department of
17 Transportation should help a lot. Because this will be
18 talking about some of the intergovernmental activity
19 right now on things like freight corridor,
20 infrastructure, and overall freight planning issues
21 would look like.

22 CHAIRMAN BLASGEN: Okay. So the plan is to
23 meet tomorrow at nine. I know there are, I think,
24 three subcommittees meeting this afternoon now.

25 MR. LONG: Yeah. And since we're slightly

1 ahead of schedule --

2 CHAIRMAN BLASGEN: Yeah, you know, we can
3 break. Are there any other major issues anybody wants
4 to tee up while we're all together? And you will
5 recall, we established this meeting to just get sort of
6 a head start on the recommendations that are coming
7 forward so we don't have to stifle any conversation
8 here from a few outside speakers on those topics. But
9 also, I continue to want to reiterate process, things
10 that are going well with the committee. Is there any
11 major change or shift course correction we want to make
12 as a team as we go forward? And we've been together
13 for several years now and I think it's always good to
14 just take a couple of minutes to look at how it is that
15 we feel we're doing.

16 You know, as you heard from me, although I
17 continue to make sure we get feedback on these things
18 because I know myself if we launch things up the ladder
19 and never hear from it, you're going to get a little
20 empathetic over that. And we don't want to do that.

21 MR. MICHENER: I have a question. I'm
22 relatively new to the committee, but I was wondering if
23 -- so I know that there are certain times and I think
24 I've heard that there's going to be a highway bill
25 that's going to be going in front of legislation later

1 this year. So I was wondering if the committee had
2 ever thought about understanding what the timing of
3 some of the different regulations and providing
4 recommendations on those as they're moving through the
5 process rather than trying to, you know, insert
6 recommendations when there's not an opportunity or when
7 that potential legislation is not being discussed?

8 CHAIRMAN BLASGEN: Yeah, that's a great point.

9 In fact, that happened during single window, we had an
10 opportunity to launch a recommendation around the time
11 there was a lot of interest in it from the White House
12 and such. But, you know, we do have some experts in
13 the room here on that on when those things come due.
14 And, David, you guys from the Commerce Department have
15 a point of view.

16 MR. LONG: We can do that. And for example,
17 we also did that with Cynthia's group on contributions
18 to the MAP-21 process. So, yeah, there's no reason why
19 we can't do that.

20 MR. MICHENER: It may be great to get an
21 update on that.

22 MR. LONG: And we can also set that up, not
23 only just the preliminaries, but also for the
24 subcommittees. If that helps, we can arrange it.

25 CHAIRMAN BLASGEN: That would be great.

1 MS. BLAKEY: Rick, David, we make calls on the
2 Hill a great deal and talk about the surface
3 transportation authorization in our group because we
4 want to see a very robust freight infrastructure
5 program in the next bill and building on the start that
6 they made in MAP-21, so we talk about that a great
7 deal.

8 We have heard from committee staff that
9 they're particularly interested in Commerce Department
10 recommendations because the Commerce Department -- they
11 do hear of course from the Department of Transportation
12 a great deal and the president's For America Act was
13 introduced, of course, through that agency, it's the
14 logical place for that to come from. But they feel
15 that on the freight and goods movement issues that
16 Commerce has a vested stake in that representing the
17 business community and they would be very receptive to
18 the Commerce Department weighing in with the committees
19 with jurisdiction. So I would like to encourage us to
20 do exactly what you are saying and work with you,
21 David, to try and forward that idea.

22 MR. LONG: That's terrific. And tomorrow when
23 Bruce Andrews is here, you should ask him that
24 question.

25 MS. BLAKEY: Okay. Good.

1 MR. LONG: I think he would be very open to
2 hearing that.

3 MS. BLAKEY: Will do.

4 CHAIRMAN BLASGEN: Cynthia?

5 MR. RUIZ: So it sounds like we're wrapping
6 up. So I just want to remind my subcommittee the
7 freight movement and freight policy that we'll be
8 meeting -- originally I said 3:30, but I would say 15
9 minutes after the conclusion of this meeting in room
10 1411.

11 CHAIRMAN BLASGEN: 1411. Okay.

12 MS. BLAKEY: Where is 1411?

13 MR. LONG: Right down here to the first floor
14 and over.

15 I'll show you.

16 MS. BLAKEY: Thank you. I will follow you.

17 CHAIRMAN BLASGEN: And do the other two
18 subcommittees also know where they're to meet as well?

19 (Simultaneous conversation.)

20 CHAIRMAN BLASGEN: They're going to meet
21 together, right?

22 MS. MELVIN: And IT and data is meeting 2117.

23 IT and data 2117. Bruce is going to take us
24 all down to the room.

25 MR. LONG: Just one last thing, I was planning

1 to do this tomorrow, but it seems like the thing to do
2 right now. Sandy Boyson, who has done a terrific job
3 as chairman of our IT and data committee is going to
4 step down as committee chairman, but remain on the
5 committee working with us.

6 And we've had the good fortune to secure
7 Tiffany Melvin to be the new IT and data chairman. And
8 I think a big round of applause is warranted.

9 [Applause.]

10 MR. LONG: And that shows remarkable -- no
11 risk aversion here.

12 (Laughter.)

13 CHAIRMAN BLASGEN: Actually, salary gets
14 doubled.

15 [Laughter.]

16 MS. BLAKEY: Well, let's triple it.

17 [Laughter.]

18 MS. MELVIN: I'm very excited. I want to do
19 the best job for the committee. I have a couple of
20 thoughts on the North American single window. I've
21 known Maria Luisa for a long time, so I sort of went in
22 the hallway with her, but I didn't know if it was
23 appropriate to bring them up since I am not the chair
24 and Sandy is on the -- you know, we haven't really
25 talked to the subcommittee about these ideas. So I

1 think what might be better is if the subcommittee meets
2 as planned and then we discuss it tomorrow.

3 MR. LONG: Outstanding.

4 MS. MELVIN: Because I think there's a little
5 bit of confusion surrounding single window and how it
6 works and interoperability and things like that that.
7 I think that subcommittee could be really instrumental
8 in helping move some of those ideas forward and hold
9 everyone accountable for meeting the proper standards.

10

11 CHAIRMAN BLASGEN: And I think we should
12 consider, I don't know if she was trying to sort of
13 send a subtle or less subtle hint about the
14 nomenclature that we're using in our report. If we
15 need to alter that, then maybe we need to do that.

16 MS. MELVIN: Yeah, it was not so subtle.

17 [Laughter.]

18 MS. MELVIN: But I'm not sure that we should
19 abandon our thought process.

20 MR. LONG: No, not at all.

21 MS. MELVIN: So we've just got to figure out
22 how to work together.

23 CHAIRMAN BLASGEN: Okay. Well, great. Thanks
24 everyone. We'll break a little early so the
25 subcommittees can take off and we'll see everyone back

1 here a little bit before nine o'clock so we can try to
2 start sharp at nine.

3 (Whereupon, at 2:39 p.m., the meeting was
4 adjourned to be reconvened on Thursday, January 14,
5 2015 at 9:00 a.m.)

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C E R T I F I C A T E

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2 This is to certify that the foregoing
3 proceedings of a meeting of the Advisory Committee on
4 Supply Chain Competitiveness, United States Department
5 of Commerce, held on Wednesday, January 14, 2015, were
6 transcribed as herein appears, and this is the original
7 transcript thereof.
8
9

10 LISA DENNIS

11 Court Reporter
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