

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

Thursday,
January 15, 2015

The meeting was convened, pursuant to notice, at 9:10 a.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

MR. CARL CARTER

MS. LAURIE HEIN DENHAM

MR. PAUL FISHER

MR. BRANDON FRIED

MR. JEVON T. JAMIESON

MR. TONY MCGEE

MS. TIFFANY MELVIN

MS. ELIZABETH MERRITT

MR. MARK MICHENER

MS. GINA REYNOLDS

MS. CYNTHIA RUIZ

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

NICOLE BRYAN

ALLESANDRO DANTAS

MARISELA CARABALLO DIRUGGIERO

KEITH DEVEREAUX

BRIAN FLOOD

MARTIN ROJAS

DARREN ROTH

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COMMITTEE WELCOME

David Long, Director, Office of Supply Chain,

Professional and Business Services

U.S. Department of Commerce

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7 MR. LONG: If I can have everyone's attention.
8 Let's get started. This is day two of the meeting of
9 the Advisory Committee on Supply Chain Competitiveness.
10 Everyone is familiar with the ground rules, where the
11 facilities are. And without further ado let me turn it
12 over to our Chairman, Rick Blasgen.

13 CHAIRMAN BLASGEN: Thanks, David. Good
14 morning everyone. We are ready to go here. I hope you
15 all have a copy of the agenda here. The only change is
16 we have the Deputy Secretary, Mr. Andrews, coming at
17 11:30 as opposed to 11:15. So he'll be with us right
18 up until lunch. So we'll look forward to hearing from
19 him.

20 There is a bio on him. Hopefully you've all
21 seen that.

22 So today we'll hear from the four subgroups
23 and certainly we want the whole full committee to weigh
24 in on the direction that each subgroup is going. We
25 had several subcommittee meetings that occurred

1 yesterday evening which is great. So we'll have some
2 fresh updates from all the groups.

3 As always, we can be flexible on time, but we
4 certainly want the input of this full committee to
5 provide direction and advice to the subcommittees as
6 they go forward with their work.

7 So with that, let me turn it over to Anne.

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1 **WORKFORCE DEVELOPMENT SUBCOMMITTEE LAUNCH**

2 **Anne Strauss-Wieder**

3 **Subcommittee Chair, Workforce Development**

4 **A. Strauss-Wieder, Inc.**

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6 MS. STRAUSS-WIEDER: Newest committee, first
7 up. I'm hoping everybody has had their coffee.

8 [Laughter.]

9 MS. STRAUSS-WIEDER: We had our first meeting
10 yesterday, to get started. And I'm going to walk
11 through very briefly what we're coming up with and for
12 consideration for the committee.

13 So we can go to the next slide there.

14 So this was also a technology effort. First
15 time I've ever developed a PowerPoint on an iPad and
16 attempted to send it somewhere.

17 There are four areas that were of initial
18 inquiry, actually, three leading up to a series of
19 potential action items for the full committee
20 consideration.

21 First, is looking at what workforce elements
22 we want to focus on in the subcommittee and ultimately
23 within the committee; second, identifying the best
24 practices; third is summarizing those levers available
25 at the federal level to address what we identified; and

1 finally emerging out of those three the kind of of
2 action we want to take.

3 So if you go on to the next item, and I do ask
4 that the other members of the subcommittee chime in.
5 It was very much a group effort here. We realize that
6 we are blessed with a couple things.

7 First of all that lots of people are working
8 on the subject and also that, I guess, the Secretary
9 has indicated an interest in this area. But it also
10 means that we have to be strategic in what we initially
11 focus on. So, our thoughts are to focus on supply
12 chain and production workforce needs not likely to be
13 addressed by technology, so where we definitely need
14 labor and where we do not have it now and into the
15 future. And understanding why that has occurred
16 including all the various ways that skills are
17 provided, how we recruit people.

18 It was brought up that sometimes people don't
19 know what supply chain is or manufacturing, or that
20 these industries don't have the best reputation as a
21 good source of income. Even though the Wall Street
22 Journal had a good article last week about how much,
23 you know, a welder right out of high school was making.
24 But it really is a mindset.

25 And then also recognizing that we need to

1 recruit in three areas: students, as they come up
2 through the educational program, returning vets, and
3 also mature populations and what goes on with that
4 recruiting as well. And we talked about some of the
5 issues there.

6 We go on to the next piece. This is best
7 practices and, again, a huge amount of work going on in
8 this area both in the universities, the high schools,
9 the colleges, industry and union apprenticeships, as
10 well as economic development agencies.

11 I was going to ask Tiffany and Dean if they
12 could just briefly discuss two examples here in
13 whichever order the two of you want to do. Dean, you
14 mentioned about BNSF and what it took to get 7,000 new
15 workers and Tiffany, you talked about the accreditation
16 program and then Gina, you may want to talk about the
17 initiative down in Florida as well.

18 MR. WISE: We've been under a lot of stress
19 not being able to perform as we would like, and our
20 customers would like, and one of the solutions was
21 simply to over resource our workforce. We had about
22 45,000 people last year and we hired 7,000 last year
23 for a net increase of 3 to 4,000. We will probably do
24 something like that again this year.

25 It's true of all of the railroads, it's a

1 growth business. But to get 7,000 and there will be
2 probably a 10 percent fall out after six months to a
3 year, which is not a bad turnover. Trucking industry
4 is in the triple digits turnover, ours is only maybe 10
5 percent.

6 To get 7,000 people our HR folks estimated
7 that they had to process about 400,000 applications and
8 so we've gone through a whole effort of how do we
9 streamline all of that because there's so much washout
10 from all the various requirements, drug testing. We
11 have BMI testing, you have to be reasonably in good
12 physical shape to be working on a railroad outdoors.

13 So the process just to get through that and
14 the effort by our HR team to do that and plus a lot of
15 the challenge is really in the areas of greatest
16 demand, geographic -- Edmond, North Dakota. I'm not
17 sure North Dakota is going to be seeing that next year,
18 but we've had to pay all kinds of additional moving
19 fees, sign-up fees, bonuses, stay-with fees, et cetera,
20 to get people and retain people. So it's a mad
21 scramble. I'm not sure we can say it's best practices
22 but we succeeded in getting that level of recruiting
23 which, you know, ten years ago we weren't doing stuff
24 like that.

25 I don't know if you want to call that best

1 practice, but other companies hire more than we do.
2 I'm sure Amazon hires more than we do in a year, but
3 for us to kind of set that up, and a lot of these are
4 the jobs you're talking about that at least for the
5 next 10, 15 years, they won't be challenged by
6 technology.

7 MS. MELVIN: Okay. Great. So I was just
8 telling Anne this morning -- I missed the meeting last
9 night -- but NASCO has been working with an
10 organization called the Manufacturing Skills Standards
11 Council and it is the national -- the U.S. nationally
12 accredited body to develop and train -- develop these
13 certification programs in entry and mid-level logistics
14 and manufacturing jobs. They've got certified
15 logistics associate, certified logistics technician,
16 certified production technician, they have a bunch of
17 different courses already that are designed to be
18 taught at community colleges or online, but they have
19 started going into high schools and they work with --
20 they can work directly with the community colleges to
21 set up the training programs, but a good kind of best
22 practice example is in the North Texas area and they
23 have worked -- and they've done this in several places,
24 Ohio, all around the country already. But they work
25 with the local kind of metropolitan planning

1 organizations or council of governments and the
2 workforce sections of those entities.

3 And so in North Texas they applied for a grant
4 to work with the North Texas Workforce Board and the
5 MSSC and they have gone into high school and even
6 elementary school to talk to kids about, hey, a
7 transportation job, a logistics job, a manufacturing
8 job is a great career path. And to get them kind of
9 excited because right now we're having a lot of the
10 kids that come out high school that aren't interested
11 in those types of jobs and so really starting at a very
12 early age to talk about opportunities in that type of
13 career. And then going on and having the certification
14 programs offer at high schools so that by the time they
15 graduate they're actually certified.

16 And then another example from the North Texas
17 area is the Alliance and Global Logistics Hub. It's a
18 huge intermodal, inland, global logistics hub in north
19 Fort Worth. And they have partnered, because they have
20 so many companies that work there, with the MSSC to
21 promote those training capabilities and to have that
22 workforce ready as a way for economic development.
23 Come to our area, we have your workforce ready and if
24 not, we've got a training program right in place. And
25 so there's a lot of great stuff going on with this.

1 And since this is already a nationally accredited body,
2 the other thing is that they just got their ISO
3 standards, so now they can actually offer these
4 certification programs on a global basis. So we've
5 helped introduce them to Mexico and Canada because our
6 organization is promoting a North America portable
7 credential and as this council gets more into the North
8 American issues, the concept is, you could be trained
9 in one country, but if you move to another, your
10 certification is respected and has value and you don't
11 have to retake the courses.

12 So I told Anne that I would introduce her and
13 the committee to the MSSC and possibly they could do a
14 presentation on one of the conference calls we're
15 talking about, the webinars. But it's a great existing
16 best practice that already works all over the United
17 States and certainly is something to think about for
18 the committee.

19 MS. REYNOLDS: Actually what Tiffany was
20 talking about is pretty much in line with what we're
21 doing in Florida. We recognize that when kids graduate
22 from high school, they're graduating without skills in
23 most cases. So we created career academies that are
24 specific to industries that are providing industry
25 certifications so when the kids graduate they're

1 prepared for the workforce in those same areas that
2 we're trying to recruit in economic development or
3 existing businesses.

4 MS. STRAUSS-WIEDER: So there are a couple
5 things we want to do. These are just three examples.
6 Jim talked about another one yesterday. We all have
7 them and there's just so much research going on and we
8 are not subject-matter experts in labor, we recognize
9 that. But we thought what we would do in working with
10 John is begin to assemble all these reports and
11 resources in a website or something so we have a
12 database, a file tab and have all of these so everyone
13 can look at them.

14 The other thing is, we've determined as a
15 subcommittee that we'll try to hold four conference
16 calls or maybe even webinars between now and the next
17 meeting where we'll hear about up to four different
18 programs, try to select one of those for the whole
19 committee to hear about at the next meeting. And we do
20 invite other members of the committee to join in on
21 those conference calls.

22 CHAIRMAN BLASGEN: Anne, one quick question.
23 When we talk about supply chain and workforce needs not
24 likely to be addressed by technology, so we're talking
25 about jobs that probably wouldn't be replaced by a tool

1 or some --

2 MS. DENHAM: A robot or --

3 CHAIRMAN BLASGEN: Right. Is that what you're
4 -- you know --

5 MS. STRAUSS-WIEDER: Yeah.

6 MR. WISE: Can you give us some examples?
7 Right now I think everything is replaced by robots.

8 [Laughter.]

9 CHAIRMAN BLASGEN: It's just a matter of time.

10 MS. STRAUSS-WIEDER: This came up and I do
11 credit Paul who came up with a good recommendation
12 about -- the fact is, we all recognize that technology
13 is shifting workforce requirements. It's also changing
14 the skills that are required. Because, fine, it gets
15 replaced by a robot, they need someone to service the
16 robot. We're not kind of at the George Jetson era yet,
17 but there are certain jobs that have been receding and
18 other ones are growing. So we don't know what those
19 are yet, but we're sure that there are segments that
20 are just not going to be replaced. Just not likely to
21 be -- at least in the near future.

22 So it's a hard part, but we had to figure out
23 how we could narrow down the focus. We don't want to
24 say replaced by technology, necessarily. But private
25 sector, if there's a way of doing it more efficiently,

1 the industry is going to do it. I think of the Amazon.
2 You've got to keep a robot. That doesn't mean you
3 can cut down on the labor in your warehouses. So there
4 is all sorts of needs. We just need to identify, but
5 we had to figure out what we could focus on here.

6 CHAIRMAN BLASGEN: Right.

7 MS. STRAUSS-WIEDER: So a part of it is going
8 to be defining, Rick, exactly what we mean by that
9 statement. But at least we've got people intrigued by
10 it.

11 Just to go on to possible levers, because
12 that's where we can help with actions. We recognize
13 the president just announced a community college
14 initiative. The Department of Labor has also the grant
15 programs. The idea was brought up to come in with the
16 new Congress potentially looking at models among states
17 that provide tax credits to certain businesses or
18 educational initiatives to help pay for them. And what
19 we need to do there is personal. It became really
20 clear, really quickly -- and Rick experienced this
21 yesterday when he was talking on a panel -- that just
22 about every single organization has a workforce
23 initiative. So that's good news to get. Everybody is
24 focusing on this. And I don't know if we'll have more
25 than 47 departments, the way the other committee has

1 it, but I think we're going to get somewhere close.

2 And in fact, when we get to the next one,
3 we'll talk a little bit further about that. But we did
4 ask John if he could kindly begin to assemble on a
5 federal level, all the different department actions and
6 advisory committees that have been set up on this so we
7 do know what's out there.

8 And then also beginning to develop
9 simultaneously at the state level as we develop all
10 these reports, what are some of these great practices
11 that we could see emulated or nurtured at the federal
12 level.

13 And I just want to go up to the last slide,
14 finally, with the bills on this, we recognize just how
15 much work, and I know the Department of Transportation
16 has now set up on a group on this as well, but we
17 actually may have a recommendation to put in front of
18 the committee at our next meeting which is really
19 simple, and that's to recommend that the White House
20 focus on interagency coordination because with so many
21 people looking at this question, there may just be too
22 many cooks in the kitchen. So at least get everybody
23 organized and focused on it and working together so
24 there's no duplication of effort. But this may require
25 the White House and indeed -- I'm trying to remember

1 the name of the group. What was the group that's
2 working on the White House task force?

3 MS. DENHAM: Oh, the National Economic
4 Development.

5 MS. STRAUSS-WIEDER: So there is a task force
6 at the White House level as well. But we thought it
7 would be good to begin to coordinate that.

8 And what may also come out of identifying
9 what's happening at the federal level is that there may
10 be another speaker that we ask to come in, in April as
11 well.

12 So I open it up to discussion. But first I
13 want to ask other members of the subcommittee to chime
14 in, thoughts or comments, whether that covered our
15 really deep discussion yesterday?

16 MR. CARTER: Anne, I'll just add that I think
17 one of the key points also that was discussed in
18 subcommittee is that there were really three areas that
19 we think there needs to be focus on in terms of
20 addressing the workforce issues. We think they're at
21 the high school level, college level and also the
22 employer level. We talked about the fact that there
23 are a lot of high school programs now that are being
24 set up in various states that are viewed as pipeline
25 programs. One of the issues is that in the past a lot

1 of high schools across the country have all vocational
2 programs, but the issue is that those high schools now
3 don't have the funding. So we think there's an
4 opportunity to partner with the high schools, the
5 junior colleges.

6 Tennessee has a promise program. President
7 Obama just announced his program. We think if we can
8 start linking all those various areas which are
9 focusing and partnering we can make some progress.

10 MR. FISHER: I'd just add to Carl's statement.
11 We also talked about shortages of programs at the
12 university level that train senior logistics people if
13 there's a shortage of that -- keep it focused on
14 technology, et cetera.

15 CHAIRMAN BLASGEN: Yeah, it seems we always
16 end up talking more about transportation than anything
17 else because there's these numbers on pending truck
18 driver shortages and so on, and it's a big number as it
19 relates to total logistics across the United States at
20 least.

21 You know, the other thing that you talked
22 about was the image that the industry has. I know
23 transportation -- the transportation industry has been
24 fighting that -- how do you professionalize a truck
25 driver? That's where the impact is felt immediately

1 and how do you drag it down into the lower levels of
2 education? You know, people don't see logistics --
3 transportation logistics or supply team management as a
4 career until they stumble across it at some university.

5 And yet, we're not graduating enough of students out
6 of our university programs to fill the management
7 positions let alone from my workforce workers whether
8 they be in distribution centers, transportation
9 companies, or manufacturing organizations.

10 So, you know, there's a lot of technology that
11 exists in the logistics pipeline as we all know and yet
12 younger people are not -- they don't see that. They
13 don't see it as a sexy, you know, career destination,
14 and yet it is. And so, there's an opportunity for a
15 major marketing campaign, if you will, on what it is.
16 I mean, UPS, you know, brought it a little bit down
17 that pathway. We love logistics. If you recall that
18 advertising campaign and so on and so forth? But I'm
19 sure you guys see it in your recruiting.

20 Every time I go to speak at a university or a
21 community college, I ask them, do you have
22 relationships with high schools in the area so that you
23 can talk about the programs you're building and figure
24 out a way to get a feeder program. I think that's a
25 huge opportunity for this community as well.

1 MS. DENHAM: And I think kind of our idea is
2 to be a clearing house for that sort of thing.

3 CHAIRMAN BLASGEN: Right.

4 MS. DENHAM: There's different things going on
5 and instead of reinventing the wheel have things -- you
6 know, have a clearing house where people could pick and
7 choose, this is good, or this works or collaborate with
8 other groups on what they're doing.

9 CHAIRMAN BLASGEN: And I think it's an area
10 this committee can get behind, if you think about it
11 we're the Advisory Committee on Supply Chain
12 Competitiveness, it's hard to be really competitive
13 globally if you don't have the people with which to be
14 competitive --

15 [Laughter.]

16 CHAIRMAN BLASGEN: And we can take that under
17 our guise and come up with an elegant solution on the
18 way you get there.

19 MS. STRAUSS-WIEDER: And it's been brought up
20 in the press already. As companies have looked at
21 bringing production back to the U.S., one of the issues
22 has been finding a workforce with the correct skills to
23 make that happen. So it's already a competitive issue
24 and one that we can get behind pretty easily.

25 MR. MICHENER: Did the subcommittee talk at

1 all about situations where there's licensing
2 requirements to do that job and the way the licensing
3 requirements are set up they -- I'm thinking
4 specifically of the driver situation. So the driver
5 can't get a CDL until he's 21 years old. So most
6 people then have started a career in something else
7 already and now you're asking them to change careers.
8 So that may be a situation where -- and I think it's
9 primarily for safety reasons. But, you know, if
10 somebody has gone through the proper amount of
11 training, you know, meets the requirements to be able
12 to get that license, I would think that somebody should
13 be able to get a license, you know, at 18, or, you
14 know, right out of school.

15 And there may be other situations like that.

16 MR. COOPER: There are some situations also
17 within certain states where you can't even do a coop
18 program with high school kids because the law says they
19 have to be 18 to be employable within a certain type of
20 working environment. And so really a fresh look has to
21 be taken across the board at these impediments to
22 drawing the younger people in. Because there are
23 certain types of jobs where kids could become familiar
24 with how manufacturing works without putting them into
25 a hazardous situation at such a young age.

1 MR. MCGEE: One of the best sales tools would
2 be people that are currently in the field. And one of
3 the issues that I'm struggling with is I'm constantly
4 trying to get reimbursed for additional training for
5 our people. Because if you have a person that's been
6 doing it for a number of years and they go out and
7 they're speaking to the young people and they're
8 making, you know, \$80, 90, 100,000 that's as big of a
9 marketing campaign as you can get. But what I'm
10 struggling with and then I'll ask Gina about it, is how
11 do you access some of these different grants and things
12 like that for additional training for your current
13 workforce? And every time I sit and talk to the
14 people, it sounds good, but then once you start going
15 through the process, oh, well, you're not approved for
16 that. So if we can, kind of, dumb that process down
17 and make it very accessible to industry as it stands
18 today, I think that will be one of the huge factors in
19 drawing more people in.

20 Once again, your best recruiters are the
21 people that are currently doing it and they're making a
22 good living at it. They can spread that message.

23 MR. LONG: Are there useful international
24 examples to draw from? Are there particular practices
25 we've seen abroad or --

1 MR. COOPER: Germany is probably one of the
2 models most talked about currently. What a group of us
3 over the past couple of years have been discussing is
4 you don't have to adopt the full German model. You can
5 do a hybrid approach where in Germany a lot of the
6 concern is, do kids have a choice once they're pegged
7 into a career path? What happens if they just don't
8 like it several years later, are they stuck in that
9 career path?

10 You know, it doesn't have to be that way. And
11 so that's probably one of the main models held up
12 because they do start them in high school on a dual
13 track training where there's an academic part of it and
14 then in the afternoon they actually go to a job.

15 MR. LONG: There are some good examples with
16 German investors in the U.S. like BMW and Mercedes and
17 others working, not so much at the federal level, but
18 with state governments and chambers of commerce of
19 Tennessee and the Carolinas and I think possibly
20 Alabama too. They do a lot of work at sort of the
21 local and regional level. Maybe some of that could be
22 tapped into.

23 MS. DENHAM: Well, and last year the president
24 announced the update initiatives with apprenticeships
25 for companies. And so starting in July companies can

1 apply for funding for apprenticeships. But I don't
2 know how lengthy the process is. I've sat in a two-
3 hour webinar about how to go about it.

4 MR. LONG: Well, this is actually something
5 interesting that would give it even more attraction
6 inside the government is that a quality improvement in
7 workforce training makes it more attractive to invest
8 here. And it seems like the entire system right now is
9 working to make that a more attractive place to invest
10 in.

11 MR. WISE: We're hiring -- about 25 percent of
12 our new hires are from the ex-military and very good
13 background and learned some disciplin and how to work
14 in solid organization and they've got some skills. And
15 it's not just railroads, but I think the DOD connection
16 here should be important too because that's a very good
17 background for these kinds of jobs.

18 MR. FISHER: To pick up on Tony's point, one
19 of the things we're going to look at is the range of
20 federal programs out there to see which ones really
21 work. Sometimes these incentives are put out there and
22 then nobody takes advantage of them. So to survey all
23 of this and say how do we concentrate federal
24 assistance and business participation and workforce
25 training maybe simplify how we assist that and to

1 encourage companies -- and many of them are doing it
2 now -- to involve themselves with the universities and
3 junior colleges to prepare people for their businesses.

4 So that's definitely one of the things that we want to
5 look at and this White House task force is in part
6 designed to take a look at all the programs out there
7 and say, how do we pick and choose and put the federal
8 dollars behind what works.

9 CHAIRMAN BLASGEN: And that's just the federal
10 program. There's a ton of state programs out there as
11 well.

12 MR. FISHER: Well, you know, the federal
13 government has supported infrastructure development
14 where there's a state match. So that's maybe a pretty
15 good model in workforce development and the idea to
16 say, what's best practice? What are best practices at
17 the state level, the qualified programs maybe as a
18 concept and say you apply. And the things that came up
19 was the "race-to-the-top" concept that came out of the
20 Department of Education to say, okay, there's federal
21 money, but let's see people apply for it in this
22 workforce area and see which ones the federal
23 government supports as an experiment that might be
24 replicated across the nation.

25 CHAIRMAN BLASGEN: You know, I facilitated a

1 panel not long ago and it was one of these supply chain
2 2025, what's the world going to look like and if we
3 find life on Mars we'll have an intergalactic supply
4 chain.

5 [Laughter.]

6 MR. WEILL: Should we start planning that now?

7 CHAIRMAN BLASGEN: Yeah, I think soup. They
8 need soup.

9 [Laughter.]

10 CHAIRMAN BLASGEN: But I said, you know, the
11 eight-hour workday, is that becoming obsolete? You
12 know, you think about how everybody works, you know,
13 how often are you online some Saturday morning e-
14 mailing somebody and they e-mail you right back?
15 They're like how's the coffee? I don't know, How is
16 your? Why are you working on Saturday morning? I don't
17 know. Why are you working on Saturday? Now everybody
18 is immediately connected and immediately responding, it
19 makes you wonder about, you know, that's just simply
20 how we direct people whether they're exempt or non-
21 exempt, or what overtime means and doesn't mean. Is
22 the eight-hour workday becoming obsolete?

23 We talked yesterday about the border, right?
24 One border, What's the point -- so, you know, how do
25 you all feel about -- like, Dean, in your world there's

1 -- it would change life immensely but you have to
2 figure out a different way to adjust the workforce and
3 who knows what the duties would say and so on and so
4 forth.

5 You know, we're trying to run everything 100
6 percent of the time. Right?

7 So why is an eight-hour workday? What's the
8 magic about that?

9 MS. STRAUSS-WIEDER: And not just an eight-
10 hour workday, but 9 to 5 is --

11 PARTICIPANT: Make it 12 hours.

12 [Simultaneous conversation.]

13 MS. STRAUSS-WIEDER: Look at the typical D.C.
14 It's maybe running three shifts. It may be doing it
15 24-7. People don't necessarily work those kinds of
16 hours. And going back to the idea of why this is
17 occurring, you know, again, the mismatches, the image.

18 If we're talking about working different hours, can
19 they get from where they live to where they work?

20 And where, also, the millennials choose to
21 live and the environment where they choose to work. So
22 we recognize a lot of different organizations are
23 looking at this. We'll start with a repository, get up
24 to speed, but one of our easiest recommendations is
25 that we will have to get organized on this because it's

1 nice that everybody is looking at it, but everybody is
2 starting in their own little silos. So that's the
3 least we can do is get us organized and focus on what
4 David said. We can't compete globally if we don't have
5 the workforce and the infrastructure to do it.

6 MR. FRIED: And there is one other thing I've
7 been thinking about and that's the millennial workforce
8 Anne just talked about wants to now start working in
9 the cities, they're gravitating toward the cities now.
10 And the supply chain jobs are typically out in the
11 rural areas. So how to address that in the future, I
12 think, is crucial.

13 MS. STRAUSS-WIEDER: I'm looking at Amazon
14 because I know with the deal in New Jersey -- 7A --
15 part of the deal with the economic development agency
16 was I think a shuttle service between -- some sort of
17 transportation between D.C. and at least one of the
18 communities that -- you probably know more about it
19 than I do.

20 MR. MICHENER: We do that at several of our
21 buildings to help people get to and from work.

22 MR. FRIED: I think Google is offering
23 driverless cars to do that.

24 [Laughter.]

25 MR. MCGEE: One more question on the DoD.

1 Dean mentioned something about military guys. Are
2 there any programs or incentives that can be offered
3 for that? And I'll tell you why, a very specific
4 example. I had a young man that we hired and this guy
5 put a water pack on his back so he wouldn't have to
6 take time for a break. I mean, that's efficient.

7 [Laughter.]

8 [Simultaneous conversation.]

9 MR. MCGEE: But I'm saying like -- but that's
10 a workforce that needs a job too when they come out.

11 CHAIRMAN BLASGEN: Yeah, you know, there are
12 examples of industry, you know, Howard Schultz from
13 Starbucks is going to be our keynote speaker at our
14 CSCMP Conference in September in San Diego, a
15 conference which you will all attend.

16 [Laughter.]

17 CHAIRMAN BLASGEN: He wrote a book called *For*
18 *Love of Country* and it's all about generating funding
19 to support returning vets from the post-911 wars. And
20 Starbucks has gotten behind that and said, we're going
21 to hire 10,000 vets and put them in our stores over X
22 number of months or years or something like that. So
23 there's a lot of examples in industry like Dean alluded
24 to as well that's happening, but why aren't we talking
25 about that in this committee. You know, it is a

1 perfect place to make a recommendation on just that
2 topic.

3 MR. COOPER: DoD actually does have a program,
4 it's a transition program where now it's mandatory for
5 returning vets -- their last six months on active duty
6 are spent in a transition program. They can include
7 training depending on -- I know down outside of San
8 Antonio, the big Army base down there, a lot of
9 companies work with the base, go in there, start
10 conducting training before they even, you know, get out
11 of active duty. But one of the things that has been
12 expressed by a lot of folks is those are very regional
13 efforts and it depends on the base and the location
14 where, you know, you've got a lot of folks who are
15 coming back where their base may not be collocated in a
16 big industrial area. You know, Camp Lejeune, North
17 Carolina being one of them where, you know, you're
18 stuck out there in an area where there aren't many jobs
19 for folks getting out. And so there is another avenue
20 to reach veterans that is very rarely talked about. My
21 organization is going to be tapping that over the next
22 year or two and that's things like the VFW, you know,
23 the American Legion. This is where they go join, so,
24 you know, they can basically hang out with the guys
25 that they used to hang out with and they don't have the

1 levels of bureaucracy, per se. Some of the DoD
2 programs, some of the companies tossed up their hands
3 and said, well, you know, I'll just go work with the
4 base, to heck with trying to work with the Pentagon.

5 And so at a national level if you want to
6 instill something, there are veterans groups, you know,
7 Purple Heart Foundation, there are veterans groups that
8 are really bastions of communication and the ability to
9 reach a wide audience quickly.

10 The goal is getting them before they get back
11 to the block and start hanging out with the friends
12 that they used to hang out with and that kind of thing.

13 You know, so it's a very narrow window of opportunity
14 that we're going to have once these tens of thousands
15 return over the next couple years.

16 MS. BRYAN: From the research side, we might
17 want to build a little bit on what's been learned from
18 the sort of tech involvement and how to get different
19 people involved in STEM, coding, all of this to sort of
20 change the image from sitting in a corner. So there is
21 a ton of research on that as we know and a lot of money
22 that has been put into that. So I think that learning
23 from what have been the obstacles to getting young
24 people into STEM careers to be also adopted with this.
25 Happy to share that.

1 CHAIRMAN BLASGEN: Well, how do you -- David,
2 maybe you can answer this -- do you just march over to
3 the Department of Education and say, hey, we need to
4 get this field into lower levels of education and they
5 push a button and bang it happens?

6 [Laughter.]

7 CHAIRMAN BLASGEN: Because how do you do it?
8 I mean, in the discussion yesterday on this panel -- my
9 two sons went to a very good high school in northern
10 Illinois in Lincolnshire, 4,000 kids and I'd always get
11 this letter that the business teacher would send home
12 saying, hey, we're bringing in these folks from a
13 Chicago-based company, somebody from Boeing to talk
14 about finance, somebody from Sears to talk about
15 marketing, somebody from Motorola to talk about IT,
16 somebody from, you know, some other company, Kraft
17 talked about sales. So what did I ask? How come
18 you're not bringing in some senior supply chain person?
19 They said, yeah, we heard about this field, that it's
20 kind of up and coming.

21 [Laughter.]

22 CHAIRMAN BLASGEN: I boxed up a bunch of stuff
23 and sent it to them and said you're going to have a
24 meeting with me and we're going to talk about this. So
25 then I got to thinking about, how do you get this field

1 as a destination career into lower levels of education,
2 let alone grade school, you know, they might hear about
3 it. But how do you do that? Is it up to the states to
4 do it? Is it --

5 MR. COOPER: It is. Education at that level
6 is basically determined by the states. However, there
7 are federal -- there can be federal standards of things
8 like no child left behind, et cetera. And those either
9 take an executive order or they take an act of Congress
10 to initiate.

11 MR. BRYAN: I'll add something on that though.
12 There are a couple of charter programs that I've seen
13 at the high school level in the north east. One of
14 them is operating in New York City. It's up in Harlem,
15 a small operation. They're only in their second year,
16 but the idea is to feed people who are young enough
17 towards the jobs and make sure they know what the
18 fields are. The idea is really to give them the option
19 for college prep. And so a number of them want to go
20 on to that. But not everybody will. That's supported
21 by local industry. The Port Authority is one of the
22 supporters.

23 In Massachusetts there's an effort underway
24 that's actually being driven by the MBTA, so the
25 transit agencies who are worried about their labor

1 supply. So they're trying to establish a charter
2 school on the same lines in order to be able to gear
3 people towards that. And they're interested in the
4 full range of jobs that might be available and the
5 connection to STEM careers as well as to other types of
6 careers.

7 So what you're seeing is local agencies, but
8 large ones who are taking action for their own long-
9 term labor supply. And then I would think there's a
10 method to -- there are options to organize that more
11 nationally.

12 MR. LONG: There are things going on with that
13 too like junior colleges and links to development
14 agencies. That goes back to your point about how you
15 break into this. A lot of what's happening at state
16 and local and just chamber of commerce level is because
17 it hasn't been worked out at a higher government level.

18 So a combination of good recommendations, what's
19 happening, and coming in very high in the government
20 levels, that sort of thing makes a difference.

21 MS. DENHAM: And I think just what you did,
22 really for the states, the industry has to be involved
23 and for our high school programs, the high schools are
24 required to have industry advisory boards. And that
25 engages the industry because it's the industry that

1 needs the employees.

2 You know, we were talking yesterday, a lot of
3 the high school teachers, you know, they don't have any
4 more time than we do anymore. And, you know, they have
5 all these new regulations they have to follow. And so
6 to put in a whole other curriculum, oh, God, here's
7 something new, they first have to be convinced that
8 these are really good things and there are careers for
9 their students in it. So I think it takes a joint
10 effort with industry as well.

11 CHAIRMAN BLASGEN: There are association
12 examples. The International Franchise Association has
13 a program called VET FRAN which is all about promoting
14 the hiring of veterans and so on. Bruce was just
15 sharing that with me. So there's -- you know, a lot of
16 organizations on the veteran side that are promoting
17 that which is a good thing.

18 I just think that we have a major opportunity
19 to send a message about this industry and, you know,
20 whether it's driving a truck, working in a
21 manufacturing facility, what are the careers and
22 logistics in supply chain management and how do we make
23 that more appealing to younger people?

24 MR. VILLA: Actually the council used to have
25 a very good booklet when I was a member, you know, that

1 had, you know, why should you get into logistics?

2 CHAIRMAN BLASGEN: Yep, they still have that.

3 We've refreshed it. There is a video now
4 called, "What in the World is Supply Chain" and it's a
5 45-minute video and it walks through Intel and
6 different types of companies and things around the
7 field and the discipline and the careers in it as well.

8 MS. STRAUSS-WIEDER: If it's okay, for April
9 -- we're trying to get maybe two speakers, one on a
10 best practices and one from one of the federal
11 agencies, whether it's Labor or Department of Defense
12 or the Veterans Administration, just to begin putting
13 forward again and working towards two recommendations,
14 one is coordinated efforts that we could become a
15 clearing house as well as encourage at the most senior
16 level possible coordination of efforts that are going
17 on at the federal level. And then very much to Rick's
18 point about improving the image, so this is a career
19 that people want to get into and want to encourage
20 their kids to get into. And that's the whole spectrum
21 again in supply chain unskilled to skilled and
22 production facilities as well as you heard from
23 Tiffany.

24 MR. LONG: From what you discussed yesterday
25 and what was mentioned about the scholarly literature

1 on those, are there pretty good numbers that estimate
2 the scope of the problem?

3 MS. STRAUSS-WIEDER: The numbers are old. The
4 truck driver numbers have been probably the most out
5 there. Some of which are -- you know, there was an
6 article last week in the *Wall Street Journal* -- I know
7 John's seen it -- about the welders. Truck drivers are
8 talking six figures in terms of the shortages. That
9 may be self-correcting because I know a number of the
10 trucking firms are both reorganizing the way that they
11 hold goods going more towards kind of a hub and spoke
12 so that drivers get home at night. They're doing
13 signing bonuses. The average pay is getting better.
14 That may be self-rectifying now, hard to tell. But I
15 suspect as we go through and meld this file cabinet of
16 literature, we'll see the extent of it.

17 But it's huge. We were talking yesterday just
18 in the federal government alone, how many people are
19 retiring out of agencies. And look at the average age
20 of a truck driver which is in the upper 50s now.

21 CHAIRMAN BLASGEN: Right.

22 MS. STRAUSS-WIEDER: So that's the other issue
23 we have. We have -- in addition to all the needs -- we
24 have a very large group retiring now. So the need is
25 compelling. And David highlighted it. If we don't do

1 this, we can't staff the businesses. We can't be
2 competitive.

3 Just one other quick comment, we also work
4 with the National Association of Manufacturing and
5 Manufacturing Institute. Jennifer McNelly is their
6 President and I saw her in a presentation about a year
7 ago. And I've always remembered this little anecdote
8 that she had because it shows even more what the
9 problem is with getting people excited about these
10 jobs. And she said that they understood that there's a
11 sexiness image problem with transportation and
12 manufacturing and so they did a huge research like a
13 survey that they sent out to thousands of people across
14 the country. And it was right around -- it was right,
15 you know, after the big financial recession and it was
16 kind of barely kicking off. And it was a series of
17 questions, very general, about, you know, what do you
18 think is going to get our country out of this mess?
19 And it was all about, you know, returning to what made
20 the country great in the beginning. And everyone was
21 giving like super high remarks, like very important,
22 you know, totally agree with manufacturing and
23 logistics and, you know, return to this. And it was
24 like a series of questions, and the importance of the
25 logistics industry, and, yes, I agree, and all that

1 stuff. And then the last question was, would you
2 encourage your child to go into this line of work? And
3 it was like 80 percent of the respondents or 90 said
4 no.

5 [Laughter.]

6 MS. STRAUSS-WIEDER: And so they were saying
7 -- all the questions led up to that one final question.
8 And everybody was, yes, yes, yes. So important,
9 extremely important for our competitiveness, for
10 everything, for every individual, and then would you
11 encourage your kid to do it? No. And so it's kind of
12 a -- you know, if you're going into that elementary
13 high school level, it's kind of a parenting thing, like
14 what you hear at home about, oh, God, don't do that.
15 So I just thought that was interesting. I've always
16 remembered it because it's --

17 MR. WISE: I think we have to acknowledge that
18 that that's a rational response. Who wants to be a
19 truck driver? I don't think any amount of promotion
20 and training is going to get more people to want to get
21 into a truck unless the pay is lot higher, I'm sure it
22 can be. And you have to kind of acknowledge a couple
23 of recommendations that are tied into trade policy. We
24 just on Tuesday are now going to allow Mexican truckers
25 permit into the U.S. That's a big supply solution;

1 right?

2 We were down at Tiffany's conference in Mexico
3 City and I was just amazed the condition of the truck
4 fleet in Mexico City, the long-haul trucks is better
5 than the U.S. So just kind of getting through some of
6 that and of course labor, U.S. labor doesn't like that.

7 That's a big solution that will solve a lot more of
8 this problem. The other one is just general
9 immigration policy; right?

10 There are a couple big things you're not going
11 to dive into, but I think the Secretary of Commerce, we
12 ought to put a few of those on her list and then you
13 get to the promotion and the training.

14 CHAIRMAN BLASGEN: Dean, you had some other
15 issues with engineers; right? You were trying to hire
16 -- I know you were in this committee talking about
17 trying to hire a bunch of engineers and how many people
18 you had to go through to get --

19 MR. WISE: Well, I was just saying most of our
20 jobs. But our jobs are good jobs. I mean, they're
21 well-paying jobs, they're union jobs. You start as a
22 conductor, you career path, you become an engineer.
23 You could be making six figures, right?

24 Trucker, you're not in, you're still not
25 there.

1 MR. JAMIESON: I think it depends on which
2 trucking firm you work for.

3 MR. WISE: Yeah, that's true. LTL pays better
4 and so forth.

5 MR. JAMIESON: But I'll tell you on the Mexico
6 thing with the pilot program that just concluded and
7 the whole report that just came up from the DOT, over a
8 three-year time period they only had 28,000 crossings.

9 And of the 1.5 million miles logged by those 13
10 carriers that participated, 1.2 million of those miles
11 were in border states. So, I mean, it basically came
12 down to those carriers that left the border states of
13 Arizona, New Mexico, California and Texas, they had
14 nothing to get back. So everything was out past
15 basically the 25 mile marker, not that much further and
16 then they went back. And with only 28,000 crossings in
17 a three-year time period, my gosh, you saw how many
18 crossings they had on Laredo on a given day, that's
19 nothing. That's a spit in the wind.

20 So DOT acknowledging the report said, look, we
21 missed the mark big on getting participants in and
22 yeah, I'll grant you, those fleets are pretty nice when
23 compared to it. And when you looked at the final
24 report it said, they were equal to or if not better
25 than the average U.S.-Canadian fleet that's crossing on

1 the northern border. So it's there. But we only had
2 three participants crossing into -- excuse me, five
3 participants of U.S. carriers crossing into Mexico.
4 You know, fuel is a big thing. And you can't get that
5 -- for diesel that these new rules and regulations
6 require amongst other issues.

7 So I just don't know if the Mexican crossing
8 fleet coming in is going to be the answer. You know,
9 there's still a lot of head butting going on with the
10 number of agencies in the U.S. that are fighting it.
11 IBT, and everybody else along the line, so I just don't
12 know if that's really an answer to the question at this
13 point.

14 Juan and I were talking today about so many
15 different things that could be done along the southern
16 border to increase the efficiency and the enhancement
17 of the crossing process, not just building another
18 road, not just building another gig, not just sticking,
19 you know, an officer in a booth 24 hours a day. There
20 are so many other things that can be done, but you've
21 got to get through the bureaucracy and the brokers
22 associations.

23 CHAIRMAN BLASGEN: Well, David, with our North
24 American focus, which I'm going to talk about later, I
25 would assume these are things that we can certainly

1 bring up from this committee's perspective in
2 recommendations.

3 MR. LONG: All of this is fairly right in the
4 middle of the agenda for that and it can be construed
5 as part of the freight and competitiveness agenda as
6 well as part of any of these groups. I think the dream
7 here is to write up how these things ought to be and
8 these are things that affect how trade, regulatory
9 policy, IT, the whole workforce development, how it all
10 fits together.

11 CHAIRMAN BLASGEN: You know, if we would have
12 said 10, 12 years ago, there's going to be this company
13 called Uber that's going to do what it's doing today --
14 you know there are people out there thinking about Uber
15 for trucking.

16 [Simultaneous conversation.]

17 MR. FRIED: I have a buddy of mine who just
18 opened up an Uber for tow trucks.

19 CHAIRMAN BLASGEN: There you go.

20 MR. FRIED: You know, you want tow truck, you
21 do the Uber thing and they --

22 [Simultaneous conversation.]

23 MR. FRIED: Uber for driverless trucks.

24 [Laughter.]

25 MS. STRAUSS-WIEDER: There are a couple of

1 companies that have Uber trucks. Transfix, actually
2 Drew McElroy was the CSCMP round table president and he
3 won the six-minute pitch at TRB on that Monday at
4 Transfix.

5 CHAIRMAN BLASGEN: What was the topic again?

6 MS. STRAUSS-WIEDER: Well, his company is
7 called Transfix, they are basically essentially an Uber
8 for trucking. And TRB does a six-minute pitch, kind of
9 like a shark tank and they select four, they go up
10 against the investors and freight won it this year,
11 hands down.

12 CHAIRMAN BLASGEN: Okay. So, Anne, in terms
13 of level of priorities, what are the things -- I mean,
14 I think we've got to keep this at a level that we can
15 have an impact.

16 MS. STRAUSS-WIEDER: Absolutely. The first
17 one in terms of impact, I think that was the thought of
18 the subcommittee is exactly what's on the screen right
19 now. To really start first with an initiative that
20 begins to organize all this. So, that would be our
21 first initiative, to get that White House attention to
22 herd all the cats in one direction.

23 And then I think building off of there, we
24 need to create a repository of information. Assemble a
25 list of all the agencies. We are going to have these

1 conference calls, build up two presentations, and I
2 agree with you also, looking at marketing and image,
3 that's crucial. So we have a number of different
4 pieces. But those are our starting points at least on
5 a very broad and important subject. So does that sound
6 reasonable to everyone?

7 CHAIRMAN BLASGEN: Yeah. Other feedback?

8 MR. CARTER: The one other comment I'd make
9 and I think Anne just hit on it was in terms of the
10 marketing and branding. There is also an opportunity
11 for redeploying, if you will, professionals from other
12 areas to the supply chain. We don't want to overload
13 that.

14 CHAIRMAN BLASGEN: Right. Right. That's a
15 good point.

16 I mean, I can tell you from where I've talked
17 with companies, we don't have enough management talent
18 let alone workforce talent and so on and so it's a
19 great field. It's a great time to get into supply
20 chain which is another reason why our quest for world
21 supply chain dominance needs to be.

22 All right. So we are right at 10 o'clock and
23 we always build into this meeting a morning break so we
24 can refresh our coffee and make a phone call or two and
25 take a bio break. So we'll see you all back here at

1 10:15.

2 [Whereupon, at 10:00 a.m., the meeting was
3 recessed.]

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AFTER RECESS

[10:25a.m.]

CHAIRMAN BLASGEN: Okay. We've got the next committee, the ITDS committee. Sandy Boyson is on the phone and he's here with us. So we're passing around some documents for us to review. So once we get those, we will take a moment to read those and then Sandy --

[Simultaneous conversation.]

CHAIRMAN BLASGEN: So, Sandy, take it away.

1 **INFORMATION TECHNOLOGY AND DATA DEVELOPMENTS**

2 **Sandor Boyson, Subcommittee Chair, IT & Data**

3 **Co-Director, Supply Chain Management Center,**

4 **Robert H. Smith School of Business**

5

6 MR. BOYSON: Thank you very much, Rick. First

7 of all, I do want to thank the members of the IT and

8 Data Subcommittees for the opportunity to serve as

9 chair with them and to also express my gratitude that

10 Tiffany Melvin has taken on the new chair and I hope

11 this [indiscernible] in the months ahead.

12 I would encourage the advisory committee as a

13 whole to engage with the ITDS development to really

14 [indiscernible] and it was very gratifying to hear the

15 progress that they get today. I did listen in on that.

16 And I do feel there are many [indiscernible] and

17 unknowns and before addressing the report or any

18 questions that may arise from actually two reports and

19 a letter that we as a subcommittee have developed,

20 there are some things that I just kind of want to

21 reflect on with the committee as a whole for just a

22 minute, if you don't mind, Rick.

23 There are many looming [indiscernible] and

24 unknowns about this project that we just have not been

25 able to get information - or an understanding of in my

1 opinion. For example, we've never been able to obtain
2 or review any departmental planning assumptions that
3 have been used or how they've changed or been modified
4 over the past decade and a half. And let me give you
5 just a couple of really quick examples. We don't
6 really know what they're basing their technology sizing
7 plan on. Is it based on projecting user patterns,
8 usage patterns that were formulated before the great
9 recession? Or are they in the potential size and
10 demand that are generated by all three trade agreements
11 that are being negotiated.

12 We also don't know anything about their phase-
13 over plan. How have they configured the network to
14 guarantee 99.9 percent up-time or availability? What
15 are the security features that they built into the
16 network to assure legitimate access, block intrusions,
17 et cetera.

18 We also don't know very much about the
19 financial and staffing. So what is their staffing
20 plan? And we are mindful of the need that
21 [indiscernible] has really had a difficult time with a
22 steady flow of financial resources particularly for
23 technical help. So if you look at their 2013 report to
24 Congress, on page 16 they state that they had 30
25 contractor positions that were eliminated and that

1 staff were now doing tasks that were unfamiliar to them
2 that were previously done by contractors.

3 Plus if you look at their projected expansion
4 to \$3.2 million in 2014, I'm sure many of you would
5 recognize that's a lot less than many corporate single
6 company IT budgets. They have a reserve of about 26.2
7 million which they deem adequate but cannot identify
8 funding sources to include export data elements into
9 their system.

10 So going into the final stage of building and
11 deploying ITDS when technical help support needs could
12 be more intense, will they have adequate funds? We
13 don't know. And how will they ramp up staffing with
14 the right mix of skills to deploy and maintain the
15 system? We don't know.

16 We had made a recommendation that has gone
17 through several modifications and I felt we needed to
18 explain that to the committee as a whole. We felt that
19 there was still need for various [indiscernible] and
20 senior technical leadership, and executive residence
21 was the way that we targeted the idea. Someone who had
22 very specifically single window total system life cycle
23 experience and that would help them understand the
24 entire requirement planning cycle, whole implementation
25 cycle, maintenance cycle, best practices transfer, et

1 cetera. So this executive position was conceived
2 originally not at the Silicon Valley that comes in as a
3 troubleshooter, but as a high-level project manager
4 with unique experience in single window technology.

5 We had originally proffered the idea of
6 Singapore because first of all it's a leader in single
7 window technology. It has also been a leader in
8 spearheading regional integration work in ASEAN and
9 it's a key ally of the Trans-Pacific Partnership. So
10 we had been in touch with the representative of the
11 Economic Development Board which their single window
12 trade net is part of in D.C. who we knew from prior
13 experience. They were quite enthusiastic about finding
14 the right executives for the project. They recognized
15 the merits to them of doing that.

16 And we made that known to CBP and we thought
17 that if someone like that could be paired with CBP's
18 internal technical gurus, particularly folks like Tom
19 Middleton who has met with -- he is very knowledgeable
20 about technical architectures, middleware issues, et
21 cetera, et cetera. They could come up with rapidly a
22 very credible work breakdown structure, a very detailed
23 schedule [indiscernible] as a clear guidance to
24 government and industry.

25 So the pilots that we heard about yesterday

1 are set to begin in May. We don't know yet which
2 industries or companies are engaged. And these
3 questions are still frankly unanswered in my mind. And
4 I'm just reflecting on about two years of work in my
5 comments.

6 Our executive report, all of that was touched
7 upon in our first report from our IT & Data
8 subcommittee. Our second report was really focused
9 more on the longer term and the need to do more
10 detailed opportunity analysis, feasibility analysis, on
11 interoperating North American regional single windows.

12 Now, this precedent for this, if you look at
13 what ASEAN has been doing in its various regional
14 integration pilots, we felt that a lot of issues had
15 been raised, for example, in the ASEAN where things
16 around technical architecture issues relating to
17 particularly cyber security. And so without
18 interfering with what we knew was the urgent schedule
19 that is in fact needed to implement ITDS by CBP, we
20 felt that the internal engagement committee which David
21 Long is on could host and incubate such study
22 activities and help guide sort of the timing and the
23 staging of activities with Mexico and Canada to be
24 least distracting to CBP and we hope this effort gets
25 mounted.

1 So I want to just kind of make note of the
2 sort of background observations. I will be happy to,
3 you know, answer any questions I can. And we can go
4 forward.

5 MS. MELVIN: Okay. Thanks, Sandy, so much.
6 This is Tiffany. I think first I should say thank you
7 so much to Sandy for all of his work as chair of the IT
8 & Data committee because it was certainly a critical
9 time for the single window and ITDS deployment. And I
10 think the subcommittee -- I'm relatively new still, and
11 they did a ton of work over the past couple of years
12 really working with the main agencies involved in this
13 process and keeping them on track and giving good
14 suggestions. And with the knowledge that I could
15 potentially be the next chair, a few weeks ago I
16 reached out to a few people from the different
17 agencies, trying to get up to speed on some things, and
18 all of them that I spoke to actually really
19 complimented Sandy, you know, very personally on his
20 work and went so far--one of them--to say that he was
21 really a mentor in helping with the technology issues
22 and what they needed to be aware of as they move
23 forward. So great job, Sandy. And he's still on the
24 committee, obviously. And it's ironic because we are
25 going from a chair that has intensive technology

1 expertise to one that has virtually none.

2 [Laughter.]

3 MS. MELVIN: So we're going to be leaning
4 heavily on the other members of the subcommittee for
5 that intense technological experience.

6 So we met last evening and I had an
7 opportunity yesterday at the meeting actually though to
8 get a little insight into some, I guess, concerns that
9 some of the agencies might have about some of the
10 recommendations that we are proposing today. And we
11 met and did a lot of wordsmithing and made some changes
12 to some of the things. Nothing too material, I don't
13 think. But just, I wanted to kind of review. I had e-
14 mailed to you before the North American -- the Trade
15 Automation and the North American Single Window Portal
16 document and then we just passed out the letter to
17 Secretary Pritzker that is going to accompany, if you
18 guys agree, this document.

19 In the front of this document on page 3 it
20 starts the proposed recommendations. So you guys have
21 the changes. In an effort to save paper, we didn't
22 want to reprint the entire document with the changes
23 because if you guys don't like them, they're not going
24 to be official, so we're just going to kind of work
25 from the two different documents.

1 And first of all, we thought that it would be
2 a good idea -- I'll do the letter last, actually,
3 because it kind of recaps the recommendations. So
4 let's start with the document that's entitled
5 "Modifications." And please, subcommittee members,
6 chime in if you think that I'm skipping over something.

7 The first recommendation was -- well, not the first
8 recommendation, but for the recommendations we thought
9 it would be a good idea to applaud the different
10 agencies and particularly Customs and Border Protection
11 and the Border Interagency Executive Council for the
12 work they've done so far because they all have a lot on
13 their plates. They are all really, really, as we heard
14 yesterday, focused on this. And I think in the past
15 several months they've really ramped up their efforts
16 to get the 48 agencies working together. So we want to
17 make sure that they understand that our recommendations
18 are coming from a positive place in an effort to assist
19 them as they move forward and not critical of them at
20 all because they've all done a fantastic job. So that
21 paragraph that you see right there is the paragraph
22 that will go before the recommendations.

23 Oh, also we've changed -- we have recognized,
24 I think, at the subcommittee level, and in some of the
25 talks that I've had with people that even within the

1 different agencies there appear to be words that kind
2 of are buzzwords that either are good buzzwords or
3 maybe that cause concern. And so that the importance
4 of the words we choose -- I think it is why we did so
5 much wordsmithing last night -- I think really will
6 have an impact because our recommendations -- there's a
7 lot of, I think, confusion about some of even the
8 technical words like "portal" and like maybe someone
9 from one of the agencies has used portal as one thing,
10 but maybe our subcommittee is referring to a portal as
11 something else. And so we need to make sure that we're
12 explaining what we mean by the words that we're
13 choosing so as not to alarm anyone or cause extra work
14 for anybody.

15 And so one of the first things we did was
16 change the name of the entire document from Trade
17 Automation and the North American Single Window Portal
18 to Trade Automation and the North American Trade Portal
19 which seems like a minor change, but I'll explain in a
20 bit why we did that.

21 So then we had the paragraph applauding their
22 efforts and also applauding their efforts in reaching
23 out to Canada and Mexico through a lot of the different
24 initiatives that are present in vehicles and mechanisms
25 by which to do that.

1 And then the first bullet, the recruit an
2 executive in residence, that one we are changing. We
3 are proposing the changes to "in order to ensure
4 successful implementation" and this is where you will
5 follow along in your modifications page, "Recruit an
6 executive in residence to manage the work by Customs
7 and Border Protection, and the participating government
8 agencies on its ITDS Single Window Strategy Planning
9 Group, and assist in Single Window life cycle planning
10 and best practices." So that is our proposal for the
11 new bullet there.

12 And the ITDS -- we're calling it now, the ITDS
13 Single Window because there is some -- I think not
14 necessarily confusion, but some people refer to the
15 single window and they mean one thing, and others are
16 talking about the single window and they mean another.

17 And we're trying to figure out what exactly does
18 everyone mean by the single window and/or ITDS. Some
19 people that are familiar, and most of the people around
20 the table probably know about international trade data
21 systems for decades and the work they've been doing.
22 But then some that are relatively new hear about the
23 single window and I think there is a bit of confusion
24 out there about what is ITDS and what is single window?
25 Are they the same thing? Or what is ACE, and how does

1 that tie into everything. So we're trying to get
2 unified ways of talking about this. So we're coving
3 all the bases with ITDS Single Window.

4 Okay. And this executive in residence is to
5 focus specifically on the U.S. ITDS and working to make
6 sure that all the different agencies are participating
7 and staying on time. And the rest of our
8 recommendations go to a more mid- and longer-term
9 objective. So that first bullet is really the short-
10 term and specific to the U.S. ITDS Single Window.

11 MR. WEILL: Do you want to add U.S. there?

12 MS. MELVIN: Well, I think the ITDS is the
13 U.S. system. But that might make sense to put the U.S.
14 before ITDS just to be extra clear.

15 MR. FISHER: What is an executive in
16 residence? It's sort of self-explanatory, but what are
17 the --

18 MS. MELVIN: Well, this predates me a bit, so,
19 Stan, do you want to talk about the executive in
20 residence idea?

21 MR. BROWN: Yes, it's the [indiscernible] when
22 you need to understand what is going on with the
23 project, manage the activities -- it's a person to
24 manage the project that is outside of the U.S.
25 government.

1 PARTICIPANT: An ombudsman type?

2 PARTICIPANT: Yeah. That would be a --

3 PARTICIPANT: Like a very high-level intern?

4 PARTICIPANT: No. No. No, it would be
5 somebody that -- as Sandy was stating -- that has deep
6 knowledge of how to manage large, complex IT projects.

7

8 MS. MELVIN: Like a program manager.

9 CHAIRMAN BLASGEN: That's hired by the
10 government?

11 MS. MELVIN: For like a one or two-year frame
12 to get them through the December 2016 deadline to bring
13 in an expert in kind of program management and the
14 issues they're facing to help coordinate everything and
15 ensure that it's being done on time and in the correct
16 manner.

17 MR. FISHER: How tough is it to recruit
18 somebody like that?

19 MR. BROWN: The problem in the past, as we've
20 talked about in previous meetings, is that there is no
21 urgency that they give us other than the date, but as
22 far as managing the project, you know, from a phase
23 perspective, from a deliverables perspective, you know,
24 it's not up to the expectations like private business
25 would have, in doing a large complex IT project.

1 MR. WISE: Are these page references, by the
2 way, tied -- I mean, I can't find this. It says see
3 page 4. What about the executive residence, where do I
4 find that?

5 MS. MELVIN: I have no idea.

6 MR. HARSH: That was more a general statement
7 about the need for the executive residence.

8 MS. MELVIN: He's saying --

9 [Simultaneous conversation.]

10 MR. HARSH: It doesn't say -- in this paper,
11 page 4 does not go specifically to the executive in
12 residence. It's talking more in a broader sense in the
13 complexity. So maybe we can say something about --

14 MS. MELVIN: Rationale.

15 MR. HARSH: -- the rationale for why we need
16 the executive in residence.

17 MR. BROWN: The other problem is that the
18 pages no longer line up because it was page 4 before
19 and we added a whole bunch of paragraphs and sentences.
20 So it wouldn't line up from one version to the next.

21 MS. MELVIN: We can just double-check to make
22 sure the page numbers --

23 [Simultaneous conversation.]

24 MS. MELVIN: We can add like a background
25 rationale, see page 4, something like that for the

1 purpose behind the recommendation. Good point.

2 Okay. So then the next thing we discussed is
3 that rather than having -- at the top of your original
4 document in blue -- kind of the title of the
5 recommendations was proposed recommendations developing
6 a North American Single Window Portal. We're dropping
7 that. It's just going to say Proposed Recommendations.

8 And then each bullet will address if it's North
9 American related or not. So we're adding a second
10 bullet, the proposal is to add a second bullet that
11 simply says -- where is my second -- right, to develop
12 -- this will be a standalone bullet point -- develop a
13 North American trade portal, a single access point to
14 the Canadian, Mexican, and the United States single
15 windows eliminating the repeated submissions of
16 duplicative data. So we did that really in a response
17 to some of the comments we heard yesterday and some
18 conversations that we had also with some of the
19 different agencies.

20 But there appears to be -- it's more of a
21 political concern, I think. Like our committee, as we
22 move more to North America, and just with the North
23 American integrated supply chain already as it is,
24 there's a lot of talk out there, you know, all over the
25 country and industry about we really need to have one

1 single window for North America. So that you're not
2 having to go -- like if they're all developing them in
3 isolation, then that means that any industry is going
4 to have to go to three different places. And the idea
5 of a single window is to go to one place. So because
6 we're talking about North America competitiveness
7 versus other parts of the globe's competitiveness, and
8 how we need as a continent to band together and work
9 together, and we already have such an integrated supply
10 chain system and so many of the major importers and
11 exporters that are doing business with Mexico and
12 Canada are the major volume of trade that is crossing
13 the U.S./Mexican/Canadian border that it makes sense to
14 have one place. But I think the word "portal" was
15 concerning some people from different agencies about
16 what does that actually mean? And a single window,
17 right now I think -- it's my gut feeling that several
18 of the agencies have their hands completely full with
19 just making sure that they can do the internal U.S.
20 stuff to get this thing going. And so the concept
21 behind working with Mexico and Canada is not really as
22 high on the radar. And that's understandable, a bit,
23 but in the end, we don't want them -- there needs to be
24 a constant awareness of an -- and there are existing
25 mechanisms, but this middleware that make it very easy

1 to connect the systems. And so we don't want them to
2 lose sight of the ultimate objective which is that, you
3 know, if we are going to be a North American trading
4 block that is competitive with the rest of the globe,
5 we need to make it easy for businesses to do business
6 in our three countries.

7 And so the idea behind our North American
8 trade portal and then defining it so specifically was
9 to say, we recognize they have got to work on just
10 getting the 47 or 48 U.S. agencies coordinated. That
11 is a full-time job. They had the meetings with the six
12 deputies that came out the priorities or the pilots
13 making sure the technology works. But they also had
14 the priorities of an interoperability and then regional
15 competitiveness. And by region they mean North
16 America.

17 But most of the attention is being focused on
18 those pilots and on making sure the technology works.
19 But they have to deliver the other two which is
20 interoperability and regional competitiveness. And so
21 our committee felt it is very important to keep that on
22 their radar and to talk to them about develop your
23 U.S., make sure that it works with the 47 agencies,
24 that's obviously a huge benefit. But then you're going
25 to have Ventanilla Unica and you're going to have a

1 single window from Canada and there needs to be a
2 single access point for North Americans. And that it
3 can be done by middleware and by connecting the systems
4 to where they can go on and if you have to answer
5 certain questions from Mexico that are different and
6 certain from the U.S. and certain from Canada then
7 maybe all those questions are in one spot. And so you
8 answer all of it and the technology sends the required
9 information to the different countries and this can be
10 done very easily. It's not requiring extra work, it's
11 just extra software, from what I understand, middleware
12 that would connect this. So we really feel as a
13 subcommittee, and hopefully as an entire committee,
14 that we should keep this on their radar and urge them
15 to develop a single access point for North Americans
16 because otherwise you're going to have repeated
17 submission of duplicative data.

18 MR. LONG: I have a question.

19 MS. MELVIN: Yes.

20 MR. LONG: Are you talking about a software
21 solution to connect different systems, or are you
22 talking about an identical series of datasets for this?

23 Is the message set for the U.S. system somehow to be
24 identical or perfectly harmonized with Mexico and
25 Canada, or is it a connection?

1 MS. MELVIN: It doesn't have to be. I mean,
2 we also have a recommendation down below about the
3 World Customs Organization standards. So the World
4 Customs Organization has set out a set of standards for
5 all countries to comply with as they develop their
6 single windows. And so a comment that I received when
7 talking to someone was that we can't give preferential
8 treatment to Mexico or Canada because this is supposed
9 to work with the globe. And the globe, all of the
10 countries working on single windows are supposed to
11 comply with these World Customs Organization standards.

12 But the issue is that not all countries interpret the
13 World Customs Organization standards the same way. And
14 so my response was, well, that could take 25, 30, 50,
15 never it could be so many years and never happen if
16 everyone is interpreting differently. And the U.S.
17 can't worry about the globe. But if it's going to
18 worry about any other countries, it ought to be Mexico
19 and Canada because they're our continental partners.

20 MR. LONG: Then are we implying negotiating
21 identical message --

22 [Simultaneous conversation.]

23 MR. BROWN: The answer to your question in the
24 short form is, yes, they need to be harmonized. And a
25 silly example would be the manifest numbers. Okay.

1 The U.S. is 10, Canada is 15 and Mexico is 20. I just
2 made that up. Okay. When we put this together in our
3 pseudo access point here in the U.S., we have to give
4 20 characters to that data point so that any one of
5 those three manifest numbers could be input at the time
6 it needs to be input. All right.

7 So from a standardization spectrum, no, we
8 don't have to make sure that the definition for Mexico
9 and the definition for Canada and the definition of a
10 U.S. is all the same, but we have to look at what the
11 data elements are and make sure that if we have to
12 enter data for a Canadian, or for a Mexican or for a
13 U.S. point that the system that we use to enter the
14 data here in the U.S. can accommodate them all.

15 MR. JAMIESON: Let me throw two things in
16 this. Back in the early 2000's during the high point
17 of the ACE development process there was a TSN, Trade
18 Support Network Subcommittee, called the Harmonization
19 Subcommittee. And it had all the players at the table,
20 U.S., Canada, Mexico, and it was just this. Okay. You
21 call a manifest number this, I call a master bill this,
22 these are the data elements we need based upon
23 everybody's criteria where it's ACE, ACI, Mexico,
24 that's just gone the way of the dodo bird. Nobody
25 knows why. I think that that would be a huge benefit

1 to talk to this conversation.

2 Secondly, Mexico Customs has come to U.S.
3 Customs and said, look, we know you're developing an
4 export manifest, we know that truck doesn't even have
5 one by regulations, so you're talking at least two to
6 three years. So that 2016 date is blown out the
7 window. But Mexico went to U.S. Customs and said, we
8 will put in exactly what you want us to do so that when
9 your export data goes out, our import data will match.

10 And so Mexico is realistically already on
11 board with whatever U.S. Customs says they need, Mexico
12 says, just tell us and we will make it match to the
13 export side so that we can swap data interchangeably
14 and nobody has to do something different for a Mexico
15 import manifest.

16 MR. LONG: I raise the question just to urge
17 really, really high levels of precision on what it is
18 you're asking people to do here. Because the big
19 picture on this one is getting this thing implemented
20 in the United States by the end of 2016 is right at the
21 top of the list and they will not be able to divert
22 massive resources to negotiating with Canada or Mexico
23 or other governments for that matter until very late in
24 the program when this thing is basically in the can.
25 The work to get ready for interoperability and the

1 international work is going to be preceded by a lot of
2 work to ensure that people are moving in the right
3 direction so no one makes an irrevocable mistake on the
4 way through, chooses a technology or a definition
5 choice that complicates things down the road.

6 But the great fear inside the program
7 management team is that they don't want to be diverted
8 by really complicated technical negotiations. The ones
9 on that screen --

10 MR. BOYSON: David, this is Sandy Boyson. And
11 if you don't mind, I'd like to comment on that.

12 MR. LONG: Please do.

13 MR. BOYSON: From the very beginning and in my
14 opening remarks here, we've been very clear that they
15 have a very urgent timeline to get ITDS stood up in the
16 United States. And so this was seen more as a sort of
17 venture analysis, opportunity analysis group that could
18 begin looking at what is really changing technology
19 profiles or this kind of platform around the world
20 changing practices that are very dynamic -- with some
21 of our major trading regional blocks in ASEAN and so
22 the whole point that really with very, very little
23 distraction to the ITDS implementation date a research
24 group could be formulated, it could be [indiscernible]
25 this committee, subcommittee is that could take a look

1 at, what is the opportunity? What are some of the
2 technology options? What is currently in place that
3 could be built on? What might be added at what
4 incremental cost, what we think the greatest return is,
5 et cetera.

6 So that's kind of, I think, how we can use it.
7 And Stan would you go along with that? You know,
8 you've been instrumental to the forming of that
9 recommendation as well.

10 MR. BROWN: Generally, yes, I would, Sandy.
11 The point is that the executive in the city, this issue
12 that we talk about right now will be right on his radar
13 screen to go in and try to resolve, try to get the
14 right parties to sit at the table and discuss to come
15 up with the right solution. That's the reason why we
16 need that executive in place to be able to do that.

17 MS. MELVIN: And we understand that their
18 plates are very, very full getting the U.S. one done.
19 And I think that that first bullet with getting the
20 executive in residence, that is to assist them in
21 making their goals and deadlines for 2016. I mean,
22 they're already speaking with Mexico and Canada. I
23 don't know that it would add that much work. I don't
24 want to say it's a long-term objective, but it could be
25 a mid-term and hopefully not necessary and it could be

1 a short-term one. But we recognize that their number
2 one priority is getting the U.S. squared away. These
3 are just suggestions because -- and a farther bullet
4 point down that we'll get to talks about outreach and
5 education. I think a lot of people are expecting the
6 single windows to be interoperable with the rest of the
7 globe in December 2016. So there's even some question
8 about they're interpreting the deadline of December
9 2016 differently. Like what that means, December 2016,
10 what is supposed to be done? The agencies don't quite
11 agree on what that is yet. But then the people in the
12 industry that are out there and that understand is that
13 there's a December 2016 -- I think are expecting a
14 solution.

15 MR. LONG: I just raised it to just check and
16 see --

17 [Simultaneous conversation.]

18 MR. BOYSON: Could I add one last comment?
19 And that is the issue of systemic risk. I think the
20 profile -- the risk profile of ITDS changes
21 considerably once it's up and running and there are
22 interactions with North American counterpart systems.
23 And it becomes then a systemic -- North American
24 systemic risk issue. And I think that's why there
25 needs to be an early startup [indiscernible] that

1 risk.

2 MR. JAMIESON: And we can't forget either that
3 Canada is having a very difficult time even getting ACI
4 mandated. And the problem from a regulatory standpoint
5 is internal bickering, et cetera. So, you know, it
6 just continually moves that kick the can down the
7 hallway kind of a thing and I don't think until they
8 can get that resolved and get it mandated that we can
9 even begin this discussion right now with them. I
10 don't know.

11 MR. LONG: I just wanted to tee up the
12 question. It sounds like you have answers for it.

13 MS. MERRITT: I did just want to add, though,
14 with regard to what you said, I mean, there are these
15 initiatives ongoing to do exactly what you're talking
16 about, this regulatory simplification harmonization
17 across the borders. And it's a lengthy, lengthy
18 process just to do this one thing for trucks crossing
19 the northern border two times, right? They are
20 starting in Canada --

21 PARTICIPANT: In transit modes.

22 MS. MERRITT: -- dipping into the U.S. and
23 back to Canada or vice versa is taking just a huge
24 amount of time. But there are these regulatory
25 initiatives in place, and this is simply to say, don't

1 forget the technology side of that regulatory work that
2 you're doing. Make sure that you get the technology
3 solutions thought about as you're doing the regulatory
4 work as well.

5 MR. BROWN: I just want to make one
6 clarification. The harmonization I know that we're
7 talking about is not policy or regulation
8 harmonization. It's technology data harmonization.
9 Okay. So we're not asking anybody, at least, in my
10 opinion, to change any of the rules and regulations,
11 that they have in place. It's just, as I gave you an
12 example, making sure that when we set up the fields for
13 manifest, it takes into account the highest common
14 denominator and we make it 30 characters as opposed to
15 15 because the U.S. is 15. That's what we're talking
16 about.

17 MR. JAMIESON: And, Stan, that's exactly what
18 the harmonization subcommittee focused on, was making
19 sure, you know, just what Canada calls a master bill is
20 what we call a master bill and what Mexico calls a
21 master bill. That is 15 characters, it's 15
22 characters. That's exactly what it's talking about.

23 MR. FISHER: Who actually develops the
24 software?

25 Is that procured? Is that a procured --

1 MR. BROWN: They're building it themselves.

2 MR. FISHER: Who is "themselves", the
3 government?

4 PARTICIPANT: The government.

5 [Simultaneous conversation.]

6 PARTICIPANT: So it would be great to have all
7 of this harmonization, but why not think about a
8 recommendation that maybe this ought to be something
9 that's outsourced? If that's an issue.

10 PARTICIPANT: The cart has already gone on
11 that one.

12 MS. MELVIN: The third bullet down is going to
13 stay the same. Or it's actually the second bullet down
14 on your document that now becomes the third bullet
15 because we just added that other bullet.

16 Create a Regional Trade Portal Advisory Group
17 under CBP BEIC and to study and advise CBP on
18 developing more interoperable single window systems
19 with Mexico and Canada. This ad hoc BEIC working group
20 would participate in two forums, the Beyond the Border
21 Initiative in Canada and the High Level Economic
22 Dialogue with Mexico and provide solutions for the
23 Customs agencies in the three different countries to
24 resolve issues related to the single window portal
25 inconsistencies. We kind of addressed this already.

1 This is both the Beyond the Border and High Level,
2 already supported presidentially, current forums to
3 resolves these types of issues, the work should be able
4 to begin shortly.

5 Any question or comments about that?

6 [No response.]

7 MS. MELVIN: Okay. All right. So then the
8 previous bullet three, which now becomes -- it's
9 actually bullet five now. It was bullet four before.
10 Okay. Perfect. All right.

11 Oh, there we go. That's nice. So this would
12 be have the Regional Trade Portal Action Group --
13 that's -- yeah, that's the wrong one. There we go.
14 Yeah. We didn't change that one. Okay. This one is
15 the correct one to be changed. Have the Regional Trade
16 Portal Action Group decide upon the set of operating
17 standards most appropriate for a phased-in approach to
18 our regional interoperability ensuring compliance with
19 the World Customs Organization open data exchange
20 standards.

21 So we added -- and we dropped Singapore and we
22 added to ensure compliance with World Customs
23 Organization. And, again, there's some discrepancy
24 country to country on what that means, but they should
25 at least -- we should at least be making sure that the

1 U.S. is doing that as we go forward because that's
2 going to be the common standard for interoperability
3 with the other countries.

4 Okay. Any questions on that?

5 [No response.]

6 MS. MELVIN: All right. Then we're adding on
7 former bullet six, new bullet six -- sorry, just a
8 footnote to explain what sandbox proxy server is. I
9 think only one person on our subcommittee actually knew
10 what that was who was there last night. So we thought
11 it needed to be more clear. So we're adding a footnote
12 that a sandbox is a nonproduction environment for
13 testing purposes that does not disrupt the overall
14 integrity of the live system.

15 Meaning, you set up this other server, you can
16 play around with it, fine tune, fix things, and it
17 doesn't disrupt what's already going on. And then as
18 you get things tested and proven out, then they can be
19 added to the live operation system.

20 Okay. And then the last one -- the last
21 bullet, yes. I don't have a numbering issue anymore.
22 Have the White House provide -- okay, it used to say
23 summit during the first quarter, but we changed it to a
24 status report during the first quarter -- possibly near
25 the anniversary of the executive order -- to share the

1 progress made, what resources are still needed and what
2 institutional challenges need to be addressed to make
3 the deadline.

4 This progress report should be followed up
5 with a robust, ITDS communication and education plan to
6 all impacted stakeholders to include at least quarterly
7 progress reports. This is our effort. We didn't think
8 a summit was realistic. And they have plenty to do,
9 but we do think someone ought to be sending out -- and
10 they're doing a great job of already providing blogs
11 and updates that way and they have the website where
12 you can go. But we think that a lot of people don't
13 take the time to go to the website. And it needs to be
14 really a more comprehensive progress report about what
15 they've done, what resources they still need, and what
16 challenges they're having because that's the way that
17 this committee and industry and beyond from all over
18 the country can weigh in and be helpful. But if we
19 don't know what they need, or if we don't know what's
20 possibly going wrong, there's no way to provide ideas
21 or suggestions.

22 And then the education plan, we were just
23 discussing that there are so many people out there that
24 hear about these things, that are involved in the
25 industry may not really know what ITDS was or has

1 become. Here the single window concept, there's just a
2 lot of uncertainty and questions related to this. But
3 it's a big topic out there, you know, at the grassroots
4 level because people hear about it and think this is
5 going to impact me and my business, or it's going to
6 streamline things, but what does it even mean? So we
7 think that there needs to be an outreach and education
8 program that explains clearly what ITDS is and what the
9 single window effort is, and probably what they think
10 of the December 2016 deadline, what is that for?

11 So to also manage expectations of industry
12 because I think a lot of people think it's going to be
13 finished and implemented by December 2016 and it looks
14 like it may be technologically ready, but we don't know
15 about political issues and things like that.

16 CHAIRMAN BLASGEN: Is there a natural entity
17 that ought to prepare that education plan? And should
18 we start that in here?

19 MS. MELVIN: That's a good question.

20 MR. BROWN: It should be part of the project
21 team. They're the ones that know what the changes that
22 they're going to be making to the existing systems are,
23 what the new systems will be able to do, it should be a
24 subset of the project team to do that.

25 MR. LONG: And we have a mechanism in place

1 now to take the materials that come from that project
2 team through the external engagement group and get them
3 out. you will see more on the website.

4 MS. MELVIN: Okay.

5 MR. LONG: They have to be produced, to be
6 disseminated.

7 MS. MELVIN: Right. Okay.

8 MR. BROWN: You know, change management is the
9 reason that IT projects fail; right? So project teams
10 and industry in my company, we have a whole subset of
11 people on the project team that have no other
12 responsibility other than change management indication.
13 They should have that same type of plan. Again,
14 that's what the executive in city or however we call
15 it, would be responsible to do.

16 MR. LONG: I agree and have said so, by the
17 way.

18 [Laughter.]

19 MS. MELVIN: And so on that bullet, the letter
20 that we've written, the only change the letter that we
21 sent out for everyone's approval is that bullet because
22 at the end of the letter that we had written that we
23 talk about having a summit, and so we have now changed
24 that wording to make sure that it reflects the progress
25 report and be the exact wording in the recommendation

1 in the letter, so that they match. So that's the only
2 change to the letter.

3 And then page 10, what are we talking about on
4 page 10? Oh, okay, so then on page 10 of the report,
5 in the United States section we had a suggestion to add
6 a footnote to try to -- following a sentence about --
7 this is after ACE, so the end of the first sentence --
8 add ACE here -- there..

9 Okay. So under the United States section, the
10 very first paragraph, it mentions ACE, and so what
11 we're talking about is adding the sentence, "For more
12 information about the history of developing the system
13 in the United States, please see the 2013 ITDS report
14 to Congress." And we just thought that since --

15 PARTICIPANT: Would that be a parenthesis?

16 MS. MELVIN: Okay. "IDS report to Congress",
17 so we found a typo. And then to put a footnote with
18 the link to that website. And that is just so -- it
19 was a recommendation we received so that people that
20 are reading this report and trying to understand what's
21 all gone on, there's not a lot of history in this
22 report about what ITDS is and how it started and what
23 it was designed to do and the status of it. So we are
24 giving them a link if they are curious about that, that
25 they can go to, to make it easy to get that

1 information.

2 And that concludes our changes and our
3 recommendations.

4 CHAIRMAN BLASGEN: Okay. So we have two
5 options, it seems to me. We can, considering all of
6 these changes, vote on this at this time or is there
7 any protocol problem with doing that versus waiting for
8 another rewrite for the whole committee to get it
9 again? What's the most expeditious way to do this and
10 do it right?

11 MR. LONG: To do it right an ideal would be to
12 have an entire clean document, I think. Within the
13 rules of the system, if everything that was discussed
14 is acceptable to the entire committee as is. Because
15 we can't change substance on our own and just do it.
16 We can edit things cosmetically, format, but the
17 substance is entirely yours. So if everyone is
18 entirely comfortable with the entire document as is --

19 CHAIRMAN BLASGEN: Well, let's bring that up
20 because what we need to do is make sure that the full
21 committee is in agreement with the report as well as
22 the recommendations -- the modifications to the
23 recommendations. The letter we can wordsmith some
24 more, but how do you all feel about everything that's
25 in the report including the modifications and all that?

1 MR. BROWN: I'm okay with it.

2 [Laughter.]

3 MR. WEILL: My only question is, I did hear
4 two different things sort of on the date, to David's
5 question.

6 [Simultaneous conversation.]

7 MR. WEILL: My bias would be to sort of go
8 with what the committee recommended because I think it
9 would be faster to have a system that would accommodate
10 the different data today and then evolve to something
11 versus proposing that the three countries align on what
12 the --

13 [Simultaneous conversation.]

14 MR. WEILL: You know, so I think that's where
15 the committee was, but I'm not sure. That's what I
16 heard this morning from some of the commentary.

17 MR. LONG: This is not something that has to
18 be rushed. If it takes longer than we have today,
19 that's fine. The thing is to get what you want and get
20 it the way you want it.

21 So one additional option, if there are still
22 open questions and we're not sure about everything, if
23 you're not sure about everything you'd like to say, we
24 can set up an entire conference call devoted to
25 rationalizing.

1 CHAIRMAN BLASGEN: Well, I mean, we've got
2 some time allocated to this now. I just want to make
3 sure that the full committee gets its questions
4 answered. You had your thoughts about North America
5 and the U.S. and so on. And I wanted to sort of say,
6 to me, this has more impact if we can talk about the
7 three continents together with a focus on how does the
8 U.S. -- but we've got experts here that are saying on
9 the data side, let's make sure we don't build something
10 or recommend something that nobody is going to
11 implement. That common denominator there. Leslie?

12 MS. BLAKEY: Yes, is there any precedent for
13 this executive in residence role? Any of you guys, is
14 there such a thing that has ever been done with a
15 regulatory agency before?

16 [No response.]

17 MS. BLAKEY: No one knows?

18 [Laughter.]

19 MS. BLAKEY: Well, I mean, you know, there
20 are --

21 [Simultaneous conversation.]

22 CHAIRMAN BLASGEN: There is the analogy that
23 czars that used to be appointed early on.

24 MS. BLAKEY: Well, the czars are --

25 PARTICIPANT: The term sounds so passive.

1 Don't you mean a project manager?

2 MS. MELVIN: Yes, I think -- Leslie, this
3 predates me, but I think the idea is that it's done in
4 business apparently quite regularly where you bring in
5 someone to be the project manager. So it might make
6 more sense to call it a project manager instead of a --

7 MS. BLAKEY: Well, surely they do have a
8 project manager.

9 MS. MELVIN: I don't know that they -- do they
10 have one?

11 [Simultaneous conversation.]

12 MS. BLAKEY: Every government agency over
13 every single initiative that ever takes place has a
14 project manager.

15 PARTICIPANT: Well, I can tell you from a
16 Customs standpoint there is.

17 MS. MELVIN: I don't think they have one to
18 coordinate all the different agencies involved in this.
19 I think they all have --

20 MS. BLAKEY: I think what you're talking about
21 is a joint program development office. I mean, all I
22 am suggesting is that you figure out what this is and
23 you get the right lingo. Because if the role doesn't
24 exist at the federal level already, you'll never get it
25 to happen.

1 MR. JAMIESON: Amy Hatfield is that -- she's
2 the owner for ACE. And you've got Delanski who is the
3 owner for export, and you've got so and so that's the
4 owner -- I mean, what I'm hearing, that's their job --
5 but now somebody to manage the process for FDA and how
6 everything integrates, I don't know --

7 MS. MELVIN: Like a manager, all those people
8 you just named, I think we're talking about is all of
9 the people you just named, they have their own
10 ownership of their own stuff they're doing, but that it
11 would be good to have someone up here that is
12 responsible for managing all these to make sure it's
13 all --

14 MR. JAMIESON: That's the old Brenda Smith
15 job --

16 [Simultaneous conversation.]

17 MR. LONG: -- deputy secretary -- and he has
18 his project people for the different subparts. He is
19 responsible for that. There is not an exact
20 corresponding person. What you're describing is an
21 end-to-end czar.

22 [Simultaneous conversation.]

23 MR. HARSH: But the discussion that has been
24 going on is to say the CBP's technical advisor needs
25 help. And that this group has seen through personal

1 experiences like Sandy Boyson's -- DARPA and Stan Brown
2 had some extensive experience with developing
3 programs. So they feel based on what they've seen at
4 CBP, they need an outsider to come in and oversee
5 what's going on so that -- so I'm just saying that that
6 was the intent. So maybe the title needs to be
7 changed. But the intent is to have this overseer,
8 program manager, to handle this whole process.

9 MS. BLAKEY: And my point is -- and you guys
10 are actually employed by the government. So correct me
11 if I'm wrong, but if this is something that really has
12 not existed in the federal, you know, structure
13 previously as a role, position, job, whatever,
14 proposing it is, you know, we don't invent these things
15 easily in the federal government. It seems to me as
16 though if there is such a role, you want to --
17 analogous in some other area, you want to use what has
18 previously been established as this type of role and
19 the nomenclature for that. And for example, for the
20 Air Traffic Control System for NEXTGEN, it's the Joint
21 Program Development Office. You know, it certainly
22 hasn't necessarily worked expeditiously, but it unifies
23 all the different agencies that are working on it and
24 has a person at the top of that, that's supposed to be
25 managing the structure.

1 PARTICIPANT: Part of your talk here though is
2 you also want a dedicated resource; correct?

3 MS. BLAKEY: Yeah.

4 PARTICIPANT: So is that also part of that
5 precedent?

6 MS. BLAKEY: Well, I mean, you know, you don't
7 have people running government programs who aren't
8 employed by the government.

9 PARTICIPANT: Yeah, no, but they have
10 multiple --

11 [Simultaneous conversation.]

12 MS. MERRIT: It's almost like you need a --

13 [Simultaneous conversation.]

14 MR. LONG: This is part of what Christine was
15 talking about yesterday. I think they're working on
16 this, but I think we may want to follow up with her and
17 see if she's in a position soon to tell us more about
18 it. Creating new positions from old cloth in the
19 government in the middle of this is tricky. But what I
20 took away from her comments yesterday was that they
21 were working on this and looking for volunteers from
22 effective industry to be considered for it.

23 [Simultaneous conversation.]

24 MR. MICHENER: Yeah, that thing that was
25 concerning yesterday is that they are just doing the

1 job description definition. They're probably not very
2 far in the recruiting process. I do think that this
3 person needs to be at an executive level, somebody that
4 has built these systems before, done this, experience
5 driving large technology projects. So my concern would
6 be changing the title to project manager and program
7 manager.

8 MR. JAMIESON: You go into it from a 13/14 job
9 to now a potential SES job and that's a huge step
10 difference.

11 MR. VILLA: I think the other point we need to
12 make sure is that some of the recommendations on the
13 coordination with North America are already being done.
14 Because as Jevon pointed out, that probably is
15 happening or happened. So we don't want to come with
16 recommendations and they will say, yeah, done, done,
17 done, done, what's the next one. So I think we should
18 run these ones that are in the final form through them
19 again before making it official.

20 MR. FISHER: It would be worthwhile to add in
21 the appendix an organization chart to establish who is
22 a common entity. It seems to me you're creating a
23 structure of a lot of big committee as we are talking
24 about this, but really establish who is accountable to
25 and at the White House endorse that so that the

1 different agencies will respect that chain of command.

2 Because if you're an executive in residence and you're
3 an outsider, how do you get people to do what you want
4 to do? You know, so maybe that's an appendix item.

5 MR. BOYSON: Well, this Sandy Boyson again.
6 This recommendation has gone through a series of
7 iterations largely in response to what we've been
8 hearing from CBP. So we started by saying they needed
9 a SWAT team, that they were very behind schedule, that
10 their technical folks -- it was not clear who was the
11 technical leadership of the project. And there seemed
12 to be senior policy people at the most senior levels,
13 but they didn't seem to have the total technical
14 systems overview. They did not have the total systems
15 view of the project.

16 So we first came up, if you recall in our
17 initial recommendation, with the SWAT team concept. We
18 tried to get a senior technical leadership, single
19 point of contact an empowered senior technical
20 executive to manage the project and then to work with
21 the policy leadership. You will recall, that was my
22 first recommendation. That was not followed up.

23 Our second recommendation was, let's find
24 someone. If you're not going to promote from within or
25 hire from within, find someone who has a set of skills

1 for total systems development, you know, requirements
2 planning, definitions, system plan, overall system
3 development, et cetera, et cetera, the kinds of skills
4 that Stan has been talking about. We put that forward.
5 We've identified only one person in all our energies,
6 a gentleman by the name of Tom Mills, who is working at
7 the project level, not at the project overall senior
8 technical project management layer, but sort of in a
9 deployment day-by-day layer.

10 So since they weren't going to hire within, we
11 thought well, let's make the recommendation that maybe
12 they can recruit from without, much the same way they
13 did with the health exchanges. Because, you know,
14 there is a similar sense of urgency here as in health
15 exchanges, and that's what they did. They brought in a
16 sort of a technical expert from without. And that's
17 the way it's evolved.

18 Now, we originally suggested someone with
19 extensive single window system experience. And there
20 are many executives like this, who have developed very
21 large single window systems.

22 They felt that, you know, that it was easier
23 for them to get executive [indiscernible] by moving
24 with this high tech, sort of SWAT team core that the
25 Obama Administration has created that they've

1 apparently stood up, not just with health exchanges,
2 but they're using them now in other high-need technical
3 area. So that's why it kind of was left at this step.

4 You know, preferably it should be within. But
5 that doesn't seem to be happening.

6 They're not going to do a single window
7 executive. So what's left is an external sort of high-
8 tech executive that might be able to be brought in. Is
9 it the perfect solution? Absolutely not. Is it the
10 only one that CBP has sort of resonated with, in our
11 discussions with them, yes, that's the one that seems
12 to have been resonating.

13 MR. FISHER: You know, the health care
14 exchange is a pretty good model for how not to do it
15 from what I can read. And it was an after group that
16 came in and fixed it, of executives. It might be
17 worthwhile to learn a little bit more about that
18 example and propose a structure that would be
19 responsive, address the problems that they -- because,
20 you know, this is a terrific concept. Obviously it has
21 huge advantages for the supply chain. And the question
22 I have is, what's the recommendation on effective
23 implementation? And it might be in the weeds. But if
24 you look at the healthcare exchange issue, maybe you
25 can shape some proposals around implementation and make

1 it part of it.

2 CHAIRMAN BLASGEN: The other thing I wanted to
3 talk about too is should -- you know, we're business
4 people here, we always have deadlines, is there a
5 logical date by which we would recommend this person be
6 appointed or hired or in place? You know, I don't like
7 open-ended recommendations. You know, appoint an
8 executive in residence. Okay. We'll do that in 2021.

9 That's not what we're saying. We're the Advisory
10 Committee for Supply Chain Competitiveness and there
11 should be a sense of urgency, a bias to action on our
12 part.

13 MR. LONG: Is there a point at which
14 appointing someone like that no longer has value? I
15 guess if you get too far along the design.

16 MR. WISE: Is this really our role here? I
17 mean, I see this whole background piece as really
18 interesting. But what I heard -- just not being on the
19 subcommittee, I heard yesterday from the three folks
20 who spoke is they spent last fall getting to know each
21 other. And that was nice, but our observation would be
22 they spent last fall getting to know each other.
23 There is 47 agencies. You have a deadline of two
24 years. What are you doing? Here's five things from
25 our experience you ought to get right on the ball. You

1 know, how you solve it is your problem and it really
2 falls to the White House or you might have another
3 Obama Care thing.

4 MR. JAMIESON: Dean, that goes back to what my
5 question to them yesterday was. ITDS has been going on
6 for 20 years, close to it now, or more, and the fact
7 that now we've got the executive order, hey, that's
8 great. Appreciate it. The problem is, there's nothing
9 behind it. There's no substance behind it to provide
10 any support or means for them to actually get involved.

11 So like you said, we spent last fall going, hey, how
12 you doing?

13 MR. WISE: Maybe our job is simply to raise
14 the red flag. You know, we like the efforts, but two
15 years? How are you going to get there? Here's five
16 ideas of how to get there soon.

17 MR. LONG: I was part of some of those
18 meetings and they came about in large part because many
19 of us squawked to get the kind of pilot testing
20 planning going that you had recommended earlier. It's
21 something we worked on for a number of months to get
22 into the system side. They definitely heard that and
23 the work has well advanced to identify contacting, that
24 the people involved are in economically significant
25 testing.

1 I think your good course is to continue to say
2 what you think ought to be done. None of us would
3 attempt to filter it. I don't think it's quite fair to
4 just describe this meet and greet. It's more like what
5 we're hearing from industry is real testing with real
6 volumes and real companies across multiple agencies are
7 absolutely essential to make this work.

8 CHAIRMAN BLASGEN: But we want to be as
9 impactful as possible and make a bold statement from
10 industry. I mean, this group is assembled because this
11 is the voice of industry on what we think should happen
12 and how our companies would respond, just say what we
13 want, what we think should be done and do it in a way
14 where we're not completely conflicting with that CBP is
15 already doing or anyone else is already doing. I think
16 that's a little bit of the message we got yesterday.

17 So, you know, I commend the group for taking
18 that input, that feedback and building it into our
19 modified recommendation here.

20 MS. MELVIN: I have a question. Suggested
21 language on instead of this executive in residence,
22 maybe instead of naming it to maybe describing what it
23 means. So recruited dedicated senior program manager
24 immediately or by whatever date. Because then they
25 could --

1 MR. WEILL: Call it whatever they want.

2 MS. MELVIN: They could call it whatever they
3 want, they could do it however they want, but the point
4 is, get all the different people -- and I know that it
5 may follow up to Brenda Smith or the deputy or
6 whatever. But are the deputies actually overseeing
7 each of the managers responsible for the different
8 agencies? Like it seems to me, like in talking to some
9 of them, they don't even necessarily agree on the
10 results of the meeting they had. And I'm not going to
11 name names of anything like that, but also on Juan
12 Carlos' point -- did he just leave the room? He was
13 talking about how --

14 [Laughter.]

15 MS. MELVIN: -- he was talking about how there
16 are already mechanisms -- like they're already meeting
17 with Mexican and Canadians and I agree, yes, they've
18 done a great job of reaching out to Mexican and
19 Canadians, but I think what we're talking about in
20 these recommendations is that when I've asked them
21 about the technology, like the one spot for North
22 Americans to go, they've said, no, we're not working on
23 that. And so that's something that I think we're
24 trying to recommend that they work on. And that they
25 should keep in mind as they're developing the U.S.

1 system, that eventually it is going to need, whether
2 it's through middleware or whatever, to tie in and be
3 effective with these others, and if the countries don't
4 agree on the World Customs Organization standards and
5 what that means, then they should be reaching out to
6 Mexico and Canada to make sure that those three
7 countries agree on what the World Customs Organization
8 standards are.

9 And so we're not necessarily talking about the
10 politics of it. We're talking about the technology
11 that ultimately it needs to be one place -- that we
12 believe, and maybe we don't, but if the committee
13 recommends that the North Americans should have one
14 single system, or one single place where they go to
15 enter their information one time and it gets sent to
16 the three countries, that's kind of what we're talking
17 about here. And it's our understanding that that is
18 not being focused on at all.

19 They are talking to Mexico and Canada and I
20 think they're talking about, let's harmonize our
21 regulations, let's work together on this, but I don't
22 think they're talking about these must -- there should
23 be one spot and it should go to everyone.

24 PARTICIPANT: That sounds like a
25 recommendation.

1 MS. MELVIN: Yes, that's what that is that
2 we're doing is to develop -- but the words used, it's
3 not on here. It's on your modification page.

4 MR. FISHER: In addition to an organization
5 chart which I think makes some sense and you can
6 analogize, it's possible you could go to Leslie's point
7 -- how about an implementation strategy timeline which
8 is really what Rick is suggesting because business
9 people, I think we have a sense of what should come
10 first, what should come second. And there are all
11 these other efforts, but a suggestion of how they would
12 be integrated into an implementation strategy that
13 produces a result by a certain date.

14 MR. LONG: You're looking for more detail than
15 what's on the charts --

16 [Simultaneous conversation.]

17 MR. WATTLES: If there's one program manager
18 that's put together -- who is responsible for brining
19 the integration from all the different groups, that's
20 what we'd be looking for; right? Correct me if I'm
21 wrong here, but I think five years ago one of Obama's -
22 - one of his export control reforms, one of his
23 principles, his pillars there was going to be, when you
24 get to one common processing system to file export
25 application, new license applications. And I think

1 David decided, I think, the DoD had a U.S. export
2 system, that was going to be the one that was used. I
3 think we're five years in and there is no single --
4 they haven't gotten there. And I don't believe that
5 single window is going to be used for export license
6 applications.

7 MR. LONG: No. It actually is.

8 MR. WATTLES: Is it?

9 MR. LONG: The only thing missing right now is
10 in the license numbering. The export side is well --

11 MR. WATTLES: Okay. I misheard what this guy
12 said. Sorry, my error there. But my case in point
13 there, that was one of those, we are going to go do
14 this five years ago. And because there hasn't been
15 anyone driving to here's the schedule, here's how we're
16 going to do it, it hasn't happened. Right? So maybe
17 some day if single window is going to do that for us,
18 but we don't want to wind up in that same position
19 where everybody says they're working to it, but there
20 is no -- the integrated schedule saying here, here's
21 how we're going to bring this together.

22 MR. LONG: We're going to be interrupted in
23 just a minute.

24 MR. WATTLES: Okay.

25 MR. LONG: Actually very soon. One question

1 in terms of a program management czar, are you looking
2 at more detail on the one that's out on the CBP site?
3 There is one that lays out on the --

4 MS. MERRITT: That's what I was just going to
5 say. You know, CBP has done a fantastic job with their
6 ACE development and deployment schedule that they've
7 got on their site. And it had this one band at the
8 bottom that's for the PGA stuff, the ITDS development.
9 It's like you need to take that band and expand it and
10 provide a lot more detail.

11 [Simultaneous conversation.]

12 MS. MERRITT: Yeah. Exactly. Specifically
13 focused on ITDS.

14 MR. LONG: Because there's part of that and
15 there's also what should be up there now is a pilot
16 testing program with -- plus readiness dates for the
17 PGA as participating in a different part of the same
18 site. You may want to check that.

19 CHAIRMAN BLASGEN: I do think we should be --
20 I mean, we're being heard on this topic and we will be
21 heard again, so let's be as direct and pointed as
22 possible to say what we want and to make sure that it's
23 impactful and it's actionable as well.

24 So we've got a lot of work to do on this.
25 There's been a lot of work done. So I think that what

1 we're arriving at is have the committee go back and
2 refine what we have including modifications, make the
3 edits to the document and let's wait to ratify this
4 thing until it's in such a position to say what we
5 think and if we want to address or recommend
6 implementation of this executive in residence or this
7 leader of some sort, come up with some nomenclature and
8 a descriptor on it. And if there's a natural timeframe
9 for that -- David, I don't know if there is or isn't.

10 MR. LONG: The sooner we have things that we
11 can take forward and show at the meetings and say this
12 is what -- you know, within the external engagement
13 side, where I've spent most of my time on, my part of
14 the building is implementing the data -- anything we
15 have from business that says they would prefer
16 something a certain way is a real plus. It's something
17 we can work with.

18 MS. MERRITT: If I can just make an
19 administrative comment. I'm on the subcommittee but
20 due to a communications glitch, I didn't get a copy of
21 the letter until late yesterday. And I think that it
22 doesn't include enough on the North American data
23 portal, the trade portal. I think we need to
24 definitely put a specific paragraph in there addressing
25 that. And then also talking about addressing key

1 differences between the data elements and regulatory
2 differences between and among the agencies, that's in
3 the third paragraph. That's great. But as we were
4 talking this morning about, you know, eight hour work
5 day, I mean, our planes move 24/7, 365. I'm sure your
6 trucks do and your ships do. And we have some federal
7 agencies that don't work 24/7, 365. And a lot of times
8 we're waiting for inspections until the next Monday
9 morning when somebody is there for perishables and
10 things like that.

11 And along with making sure that there's
12 regulatory coherence, also an idea in terms of response
13 times and the boom, boom, boom, boom, boom nature of
14 the supply chain, we don't stop on weekends, we don't
15 stop overnight, we keep moving. And if people are
16 going to have sort of through this system visibility
17 and hold authority and things like that, that there
18 needs to be sort of response time parameters around
19 that as well because as a carrier, I can do whatever
20 you tell me to do as an agency. You want me to hold
21 the shipment, you want me to move it over here? You
22 want me to do X, Y, or Z? I can do it, but you've got
23 to tell me in time so that I don't move it on to its
24 next spot before you tell me. So just moving at the
25 speed of the supply chain is something that the

1 agencies need to be thinking about as well.

2 CHAIRMAN BLASGEN: I think that's a great
3 point. And, again, I'll bring it right back to the
4 mission of this of this committee, is to make
5 recommendations on the competitiveness through the
6 supply chain for the country. And if that's one, then
7 we should be bold and make that statement.

8 MS. MERRITT: I think that would fit in this
9 paragraph nicely, along with harmonization. We think
10 about harmonization in terms of response times.
11 Because CBP has done a fantastic job within the past
12 few years in being very responsive and being there
13 through various mechanisms. Being there when we need
14 them to be there.

15 MR. BRYAN: Could I make a summary point here?
16 Our concerns amount to, you're taking too long and
17 you're not including everything you ought to. And our
18 recommendations have been things like SWAT teams, you
19 know, executives, et cetera, among other things.
20 Fundamentally what we're saying is you're not putting
21 enough attention onto this. And so what we're really
22 getting at is you need dedicated resources, which means
23 people need to be seconded to the project and taken off
24 other things so they pay attention to this for a
25 sustained period of time. It's what companies who are

1 serious about new product development do. They remove
2 people from one place, put them on the team. Once the
3 team has been justified, but when it is justified,
4 that's what they do and they work on it until it's
5 done. And if you don't do that, then you will never
6 get the work accomplished.

7 So we should incorporate that concept into
8 what we recommend.

9 PARTICIPANT: Great idea.

10 PARTICIPANT: Well said.

11 PARTICIPANT: And the specifics of how to do
12 it, that's their problem.

13 MS. MELVIN: Okay. So I've been taking notes,
14 I don't -- this is my first time chairing. David and
15 you guys, are you writing down all this stuff? And --

16 MR. LONG: We got it.

17 MS. MELVIN: You got it all? Okay.

18 MR. LONG: And it's all being recorded and
19 transcribed.

20 MS. MELVIN: Okay. Perfect. So are you guys
21 okay then with the modifications we've suggested with
22 the discussion -- changes based on the discussion and
23 changing the lingo to make it fit with what might
24 actually be possible doing within the federal
25 government for a program manager, putting in timelines,

1 talking about dedicated resources? I also think --
2 Dean brought this up, I'm not sure that the
3 recommendations actually fit in this whole document --

4 MR. LONG: Just let me --

5 MS. MELVIN: Okay.

6 MR. LONG: We're going to be interrupted in a
7 second. Our Assistant Secretary Marcus Jadotte is
8 going to introduce Bruce Andrews. And then we'll get
9 the meeting back to --

10 CHAIRMAN BLASGEN: We will deal with this
11 right after.

12 [Pause.]

13 MR. LONG: It's my pleasure to introduce Bruce
14 Andrews, our Deputy Secretary of the Department of
15 Commerce. You all have his bio, he has extensive
16 experience in private practice and the Hill -- broad
17 familiarity with virtually every issue we deal with
18 back to [indiscernible]. Without further ado, let me
19 hand it off to the Deputy Secretary and let me also
20 mention that he will be talking about our new Assistant
21 Secretary, Marcus Jadotte.

22

23

24

25

1 **U.S. TRADE AND INVESTMENT OBJECTIVES:**

2 **NORTH AMERICAN SUPPLY CHAIN**

3 **Deputy Secretary Bruce Andrews**

4 **U.S. Department of Commerce**

5

6 MR. ANDREWS: Well, good. Well, first of all
7 thank you for having me here this morning. As was
8 mentioned, I have from a variety of issues, almost
9 every facet of my life and different things I've done,
10 but particularly foreign supply chain issues were
11 obviously incredibly important and a critical part of
12 what we did at the company. So I can't claim any
13 expertise on what we do, but I do have a strong
14 familiarity and obviously great appreciation of the
15 importance of it.

16 First I want to thank Rick for all the work as
17 the Chairman of the ACSCC, and thank all of you for
18 your work because what you do is critical to us every
19 day. But before I start that, I want to introduce
20 Marcus Jadotte, our new Assistant Secretary for
21 Industry and Analysis. We are very excited to have
22 Marcus here. Through the magic of the Senate they
23 confirmed him in December which I had to admit was
24 quite exciting because when he first agreed to come
25 over, the President nominated -- coming from NASCAR, I

1 guess a pretty significant supply chain interest in
2 NASCAR. But Marcus has been a great addition to an
3 already strong team, but we are so excited to have him
4 on board, not only for his great private-sector
5 experience, but also an intimate understanding of
6 Washington and how things work here as well. So he is
7 a perfect fit for our agency to lead our industry and
8 analysis team.

9 But let's talk about the importance of the
10 committee's work and the Department's priorities. One
11 of the things that Secretary Pritzker and I have tried
12 to do is really reframe the Department as a customer
13 service organization, and the business community is our
14 key customer service or our key customer unit. You are
15 our stakeholders, and the feedback and the
16 understanding that we get from your feedback and input
17 is critically important for us to be able to do our
18 jobs well -- the President's priorities and the
19 department's priorities that are intimately related to
20 what you all do here and what you do in your
21 businesses, and frankly your recommendations which we
22 find critically important both in the past and also in
23 the future going forward.

24 If we're going to be effective on your behalf,
25 having clarity on what your issues are, what your

1 priorities are and how you think we or the federal
2 government can be of better assistance to you is
3 completely -- is totally important to us and something
4 that we find very valuable.

5 I also just want to thank you for your
6 commitment because I know this is something that you
7 all do apart from your day jobs. And so that level of
8 contribution to our policy -- and frankly I want you to
9 know though how important the recommendations are and
10 how seriously we take them because it's very valuable
11 to us in terms of the work that we do, you know, on
12 your behalf.

13 I also want to thank Rick for his leadership
14 because having talked to the team and knowing how
15 integral your leadership has been to helping us to be
16 impactful on behalf of this group and obviously it
17 takes the partnership between our department, but it
18 also takes Rick's leadership, all of your leadership,
19 and all of your commitment to help make this
20 successful.

21 So hopefully you have all had a chance at some
22 point over the course of time to see our department's
23 strategic plan. One of the things that when Penny came
24 in, you know, as any good business person, the first
25 thing we sat down and did is we said, let's do a

1 strategic plan that covers the entire department. And
2 the first pillar of the strategic plan is trade and
3 investment. And within that it really -- you know, one
4 of the things we looked at is how do we help exporters
5 to be more successful and how do we make sure that we
6 as a government are doing everything we can to improve
7 that process?

8 And a key part of that and something that --
9 you know, it's not only been something that we've done
10 here, but also it's been critical in President Obama's
11 interactions with President Peña Nieto at the North
12 American Leader Summit, and the Canadians as well, but
13 has been very important is the whole issue of single
14 window and the recognition that -- and coming from one
15 of your recommendations -- that we need to move to a
16 single window system which as you all know we're in the
17 process of doing and we're in the process of working to
18 implement your recommendation which is so important.

19 But I think the approach to this issue that
20 we've taken in this group is actually a model for how
21 this should work. I mean, at the end of the day, we as
22 government need to be responsive, but we need your
23 feedback, we need your focus, we need your suggestions
24 so that we can then go forward within the federal
25 government process. And this one has been one that's

1 been, I think, particularly both challenging, but also
2 rewarding to make progress on to the extent that it
3 involves multiple government agencies.

4 As you all probably know from your various
5 experiences dealing with Washington, it is not always
6 easy when you have multiple government agencies
7 involved. It's, you know, I don't know if herding cats
8 is the appropriate metaphor, but this is one that I do
9 think how important this is to industry and frankly
10 just recognizing the importance to help make us more
11 competitive and to smooth the system. So we are going
12 to continue to work to make sure this is implemented
13 quickly and effectively and get it into place.

14 I do want to take a moment though to stop and
15 specifically recognize Sandor Boyson. Where is Sandor?

16 [Simultaneous conversation.]

17 MR. ANDREWS: Oh, he's on the phone, okay.
18 Sandor, I want to thank you in your capacity as the
19 chair of the IT & Data subcommittee. Because your
20 vision and leadership has been something that has
21 really helped the government and helped us as we worked
22 with other agencies in developing the international
23 trade data system.

24 I understand that today you will be
25 considering a new recommendation on how the U.S.,

1 Canada, and Mexico can make our single window systems
2 interoperable, which I think is actually very exciting
3 and help us achieve the export goals established in the
4 North American Leader Summit in our high-level economic
5 dialogue with Mexico. I think that's something that,
6 you know, we can make a real tangible success here and
7 something that will be tangible as all of you do your
8 businesses if we can be successful with that
9 recommendation as well.

10 Another key policy area though that I do want
11 to mention, which your input has helped us, involves
12 our administration's effort to improve America's supply
13 chain infrastructure and improve our freight policy and
14 movement of goods in North America. And as I
15 mentioned, having worked at Ford previously, that's one
16 that our team will stay very focused on as you can all
17 imagine. But I know how important it is and I
18 understand that your work has not only been well
19 received within the administration, but by DOT as well,
20 who is considering your recommendations and your input
21 as they develop our federal freight policies which is
22 something I know they're very focused on how they can
23 improve.

24 So your work is particularly timely and
25 valuable right now, especially as the North American

1 relationships are so important and we just appreciate
2 all of the effort that you put into this.

3 Secondly, I want to talk quickly about the way
4 this relates to the Secretary's priority she's putting
5 on the North America relationship. I think not for a
6 while we've had various secretaries who have been
7 focused on the cross-border issues, but I think
8 Secretary Pritzker particularly is really engaged on
9 this and frankly made this a priority. You know, she's
10 really elevated the high-level economic dialogue not
11 only within the department, but within the U.S. Federal
12 Government making sure that we're actually not just
13 having meetings, but we're getting deliverables done.
14 We're actually focused on something not just a bunch of
15 talk, but then how do we deliver on what's agreed to in
16 those meetings.

17 And I think it's something that has been
18 particularly effective, frankly, in terms of moving the
19 dialogue forward. She's developed a great relationship
20 with her counterpart, Secretary Vojarda [phonetic],
21 which I think has also helped because I think together
22 they have really taken this as a priority in making
23 sure that we're reaching the potential that we can with
24 that relationship.

25 Her relationship with the Canadians has been

1 fantastic as well. And there have been, I think
2 sometimes Mexico gets a lot of focus, but Canada is
3 obviously very important. It's something that we need
4 to remain focused on as well. But, you know, we can
5 always use your continued input on these issues,
6 particularly the problems and the challenges you're
7 facing.

8 Without your input, we don't necessarily see
9 what the problems are. And so it's so critical for us
10 to be able to help, for us to be able to find solutions
11 in the challenges you're facing, you giving us that
12 input is hugely important. I can't underscore how
13 important that is to us.

14 We're going to continue under our strategic
15 plan to execute on all of these issues. We appreciate
16 your continued input a little bit. And, you know,
17 we're going to continue to focus on North America.
18 Because it's important and there's great opportunity
19 that we see every single day. And so we'll continue to
20 push on all of these and continue to execute on all of
21 these recommendations and priorities that you've
22 identified. So with that I would love to just take an
23 opportunity to open it up to questions and hear what's
24 on your mind. And if there are issues that you
25 specifically want to raise or questions you have, I

1 would welcome the dialogue and anything that's on your
2 mind.

3 CHAIRMAN BLASGEN: Well, I can certainly
4 start. Thanks for spending a little bit of time and
5 for your words. It's meaningful to this group. We
6 care about making an impact and we care about the
7 feedback. All feedback is a gift in our mind, and we
8 want to hear back from the recommendations that we put
9 forward to see how they're received.

10 But trade agreements, how are we doing with
11 getting trade agreements like the Trans-Pacific
12 Partnership, the TTIP and so on through?

13 MR. ANDREWS: That is a great and a timely
14 question which is, you know, not to say people get
15 excited in Washington too often, but I actually think
16 there is a real level of excitement right now about the
17 trade situation. I think we have this real
18 opportunity. You know, frankly after elections you
19 always want to stop and say, okay, things aren't going
20 to work as well, everybody is going to continue
21 fighting. But I don't think that's the case. I think
22 there is particularly with trade, there's an incredible
23 opportunity. We're at this, I think, unique point in
24 history for several reasons. One is, as you mentioned,
25 the Trans-Pacific Partnership, we're getting close to

1 the goal line. It's not done yet, but we're getting
2 closer and closer every day. The opportunity to open
3 up those markets in Asia and in the Pacific really
4 provides an unbelievable opportunity for American
5 business. You know, most of these countries, not all,
6 but most of them have some type of free trade agreement
7 or some kind of access to our market already in a
8 fairly smooth way. But what the opportunity is here is
9 to open up those markets. And Mike Froman and his team
10 have been very focused on it. I think they are getting
11 closer and closer every day and I think all of us are
12 excited to have that agreement closed and then move
13 forward for Congress approving it.

14 The second piece is the Transatlantic Trade
15 and Investment Partnership or TTIP with our friends in
16 Europe. That's a little further behind right now, but
17 I think everyone is focused on the opportunity we have
18 with it. I think particularly with the European
19 economy slumping, I think people recognize the
20 potential to increase not only hard growth
21 domestically, but also European growth with the
22 agreement. And so in a chronological sense it started
23 a little behind and it's not as close to the finish
24 line. But it's something that I think the President
25 and Ambassador Froman are very, very focused on. And I

1 think we're all very hopeful on both of those getting
2 done. Obviously TPP first.

3 But underlying all that -- and I hate to talk
4 about Congressional process because usually people's
5 eyes glaze over when you do -- but there's something
6 particularly important that's going on and is going to
7 take place over the next several months which is the
8 approval of what is called a Trade Promotion Authority.

9 I suspect you guys are a pretty sophisticated
10 audience, so I am not going to bore you with all the
11 details about the familiar. But what essentially the
12 question really brazes is, how is Congress, what is the
13 process Congress is going to consider these agreements
14 under? Because frankly, if you send a trade agreement
15 to the Hill without this trade promotion formula which
16 basically allows to have one up or down vote rather
17 than allowing every single piece of the agreement to be
18 voted on or amended.

19 Frankly every president prior to President
20 Obama has had this authority which has allowed them not
21 only to conclude trade agreements, but then bring them
22 to Congress for approval.

23 It is critically important, I can't even
24 overstate the importance of getting TPA passed and
25 getting it passed soon so we can then move on as these

1 trade agreements close, to move them through Congress
2 quickly.

3 And I think there's a lot of misunderstanding
4 frankly about trade. It's obviously a difficult issue
5 and one that, you know, particularly as we continue to
6 see wages relatively stagnated, I think a lot of people
7 want to blame trade for, you know, and globalization
8 for problems that exist in the economy, and frankly the
9 challenges that some people have.

10 But the data overwhelmingly makes the point
11 that trade develops opportunities, it grows the U.S.
12 economy, and frankly it creates jobs here in the United
13 States. I think that's particularly relevant today. I
14 literally mean today which is probably in most of our
15 lifetimes, there has not been a better time to invest
16 in the United States. And as I travel around the world
17 in this job and talk to business leaders and other
18 governments they're all so excited about what's going
19 on in the United States. I mean, this has become the
20 safe place to do business for a variety of reasons.
21 And I'm sure you all see it in your businesses and your
22 business relationships. And so we've got this great
23 opportunity, but one of the things that will be
24 critical to make North America a true exporting
25 platform, one of the things that's going to be critical

1 to that is having these trade agreements that give
2 access to these other markets.

3 I've heard this as we've gone through these
4 agreements from foreign businesses as they look to
5 invest in the United States where, frankly, as American
6 companies look to make investment decisions here, if
7 they know that they can export out of this platform at
8 a lower price and frankly they don't have to face a
9 tariff in all of these countries, they're not
10 necessarily going to have to locate a factory somewhere
11 else because frankly you have greater incentive,
12 frankly the costs structure, for all of the other
13 reasons.

14 So we're very excited, but it is something
15 that -- this is going to be an all hands on deck
16 effort. The Administration, the President is all in,
17 Secretary Prtizker is all in, our team. This is
18 probably across the department the single issue that we
19 have the largest number of people working on because
20 it's going to come fast, it's important, it is going to
21 take place over the next three months, and we want to
22 make sure we get TPA passed so that we can get to
23 considering these trade agreements in Congress. And
24 so, you know, it's very exciting. But it's also one
25 that frankly for you all to have your voices heard and

1 to educate your workers, your neighbors, your
2 communities, your elected officials, you know,
3 everybody who you can talk to, you need to explain to
4 them the benefits of trade and why trade is important
5 because we're dealing with a lot of mythology that
6 unfortunately I think has taken root within our
7 country, you know, one that is particularly -- is the
8 number of people who say, you know, NAFTA has cost
9 American jobs. Which at the end of the day you look at
10 jobs that have left this country, they have
11 predominantly not gone to Mexico.

12 And then you look at the growth between our
13 U.S.-Mexico trade and the growth has been overwhelming.

14 And frankly, the opportunity as the Mexican middle
15 class grows is fantastic. But you still go -- when I
16 talk to members of Congress, the first thing I hear is,
17 oh, NAFTA was killing our jobs. It's like, no, if you
18 look at the data you look at the facts, you know,
19 that's not supported by the facts. But we have a whole
20 bunch of things that we all need to work together to
21 educate people on.

22 Cynthia?

23 MS. RUIZ: Yes, Cynthia Ruiz, Port of Los
24 Angeles. First of all, Deputy Secretary, thank you so
25 much for being here.

1 MR. ANDREWS: Of course.

2 MS. RUIZ: It's been a honor to serve on this
3 committee for the last couple years. But when we're
4 looking at supply chain competitiveness, I think it's
5 important to look a policy. But you mentioned
6 challenges and today on the west coast, we have some of
7 the biggest challenges we've ever faced with the entire
8 supply chain. And I'm just wondering what the
9 department is doing to look at that, to analyze that
10 because it's a complex issue. It's not just about
11 labor. I mean, that's obviously a big piece of it, but
12 it's about, you know, chassis, it's about bigger ships
13 coming in. It's about a -- it's a very complex problem
14 and right now, I mean, obviously the ports are
15 impacted, but so are so many of the businesses.

16 MR. ANDREWS: Absolutely.

17 MS. RUIZ: So it's really a commerce issue.

18 MR. ANDREWS: We are very focused. And I'll
19 tell you, it's something that for several months now
20 we've actually been very focused in raising within the
21 Administration. I can tell you that this is one of the
22 highest levels of the Administration, the discussions
23 that are going on, the level of concern, you know, I
24 think seeing the Administration encourage the parties
25 to -- FMCS has been has been in mediation -- has been a

1 step in the right direction. Obviously having, you
2 know, both parties going to mediation doesn't get you
3 an agreement, but hopefully it at least puts you on a
4 path. But we recognize how important this is. Frankly
5 the potential economic impact of, you know, what a
6 slowdown or a strike or a lockout, any of this would
7 obviously be hugely problematic for the American
8 company.

9 So we are very focused on it. We -- you know,
10 are encouraging parties to the best we can. Obviously
11 they're two private parties, so there are limits on
12 what you can do. But I also will tell you this is
13 something that we are spending a lot of time on,
14 including myself and the Secretary being very focused
15 on what we can do to help move this all forward.

16 MS. BLAKEY: Leslie Blakey, Coalition for
17 America's Gateways and Trade Corridors and sponsor of
18 NAFTA-NEXT Summit last year where I think that the
19 support for and the recognition that NAFTA has been a
20 tremendous success was vehemently voiced among all
21 three nations who participated and the leaders there.
22 So going back to your comments about needing trade
23 promotion authority and needing to support Congress for
24 TPP, I want to bring up another issue that Congress is
25 going to be dealing with in the next three months. And

1 that is the reauthorization of the current surface
2 transportation authorization.

3 And, of course, the President has the Grow
4 America Act that's on the table as his recommendation
5 to Congress which does include a very significant
6 freight and goods movement program and funding and
7 structure to try and move beyond where we currently are
8 in a highway-based program. And without really special
9 recognition for the importance that goods movement
10 place in our economy. And so I think the Grow America
11 Act is a really good step in that direction.

12 But when we talk with staff on the Hill about
13 it, we frequently hear that they don't hear directly
14 from the Administration's representatives about this.
15 And in particular they've asked about the Department of
16 Commerce's support for Grow America and I'm wondering
17 if you all have a plan for promoting the business point
18 of view for the freight programs and Grow America to
19 the committees with jurisdiction on the Hill?

20 MR. ANDREWS: Sure. So here's what I would
21 say, which is, look, we recognize that infrastructure
22 is critically important to Commerce. Frankly for
23 American businesses to be successful, we've got to have
24 good infrastructure. And frankly we've also got to
25 have the funding for that infrastructure. You know,

1 the Department of Transportation is obviously the lead
2 agency in this and they deal directly with those
3 committees because the committees we are talking about
4 are not the ones who have our direct jurisdiction. But
5 I will tell you, and the Secretary talks about this
6 with people all the time, how important infrastructure
7 is. When we look at our strategic priorities, it's
8 something that underlies a whole bunch of priorities
9 that we have that we want to be successful.

10 So, you know, I think we have been very clear
11 with people. We're not a daily participant in that
12 debate just because the committees who are considering
13 that don't have jurisdiction over the Department. But
14 I think we have been very vocal and we continue to be
15 vocal and I'm happy, you know, if people want to hear
16 more from us -- DOT has obviously been very clear in
17 their support and the President has been very clear in
18 support of how important infrastructure is in getting
19 all of this done right.

20 MS. BLAKEY: I'm just wondering how it might
21 be possible to help facilitate a little bit more
22 dialogue from the Department of Commerce directly with
23 Transportation Infrastructure Committee in the House,
24 for example? Because the staff has said, you know,
25 we'd really like to hear from the Department of

1 Commerce about this. Do you all need a request up here
2 at a hearing or what are the other mechanisms that
3 could be --

4 MR. ANDREWS: Why don't we follow up with our
5 team offline? I don't think a hearing is actually
6 frankly the most -- these are not our -- and DOT has
7 great economists who frankly our team works with in
8 terms of making the economic argument. But let's
9 follow up with our team off line because we're happy to
10 engage them, you know, because at least to my knowledge
11 I don't think we -- I mean, they know where to find us.
12 To my knowledge, I don't think we've received any
13 request from them.

14 Time for one more quick question.

15 MR. WISE: I think as you look back on the
16 U.S. competitiveness in the world market, -- our
17 innovation as our strength and even though labor costs
18 may not have been in our favor, and so forth and so on,
19 we've always innovated out of the problem.

20 MR. ANDREWS: Sure.

21 MR. WISE: But more and more and more you read
22 that the regulatory fabric is actually constraining
23 innovation. It is true for our company, BNSF Railway.
24 We would love to convert to LNG locomotives, but the
25 biggest hurdle is not the technology or our capital to

1 do it, it's going to be three levels of regulation.
2 You hear about drones. The adoption of drones in the
3 U.S. is being constrained compared to European adoption
4 of drones because of regulation. We hear about new
5 drugs, on and on and on. Every single facet, there's
6 some regulatory fabric or layers of regulatory fabric.
7 I'm just wondering, does the Department of Commerce
8 have any kind of initiative to explore this, evaluate
9 it, look at, hey are we just kind of putting rigor
10 mortis around our system which has worked so well so
11 that 20 years from now, you know, it's the innovation
12 success -- it's not going to be there.

13 MR. ANDREWS: Sure, so we are constantly
14 engaged in the interagency process discussion about
15 regulations. Some touch us more directly than others.
16 You know, I'm not sure we're going to get in the
17 business of commenting on food and -- you know, like
18 FDA regulations, about whether a drug should be
19 released or not. I hear your point though. There is
20 always a balance between, you know, there are things to
21 protect, consumers, or protect citizens, you know,
22 drones is a good example. We're actually involved in -
23 - the President announced there's an Executive Order
24 that's going to come out on drones working to try to
25 balance so you at least have some degree of not having

1 people just really flying things that, you know,
2 airplanes and helicopters. So I hear your point on
3 regulation, but I also think they're figuring out what
4 that balance is. But we constantly look to work in the
5 interagency process to try to make sure that whatever
6 regulation is out there -- and obviously your CEO has
7 been in [indiscernible] a whole bunch of times talking
8 about various issues. Our doors are always open. We
9 are always happy to take -- where we can be helpful,
10 you know, in terms of engaging -- we do want to do
11 everything we can. But regulation is something that is
12 particularly challenging in some ways only because, you
13 know, the solution may not -- you know, you've got to
14 make sure the solution matches the problem. But there
15 are usually legitimate issues underlying why these
16 regulations have come out.

17 Good. I apologize that I have a noon call
18 that I have to leave for. But it's been a great
19 pleasure being here today. I really appreciate all of
20 your work. You know, the good news is, these are
21 easier meetings to come to where your priorities and
22 recommendations match up with what we're trying to do.

23 And let's just keep working together. Please know our
24 doors are always open and we want to hear from you, we
25 want to work with you in every way we can. So thank

1 you very much.

2 [Applause.]

3 [Pause.]

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1 **U.S. TRADE AND INVESTMENT OBJECTIVES:**

2 **NORTH AMERICAN SUPPLY CHAIN**

3 **Marcus Jadotte, Assistant Secretary**

4 **Industry and Analysis**

5 **U.S. Department of Commerce**

6 MR. JADOTTE: I would love to have the
7 opportunity to just go around and thank you.

8 MR. LONG: Sure.

9 MR. JADOTTE: I don't want to stand in the way
10 of lunch. So as you break for lunch, really excited to
11 have an opportunity to not only serve in a role as
12 Assistant Secretary, but specifically working with this
13 group and David and his team. Very much excited.

14 MR. LONG: Oh, thank you.

15 MR. JADOTTE: And I do not want to get in the
16 way of lunch. So --

17 PARTICIPANT: Spell your last name, please?

18 MR. JADOTTE: It's J-a-d-o-t-t-e.

19 PARTICIPANT: Can you just tell us what you
20 do?

21 MR. JADOTTE: Oh, yeah. Absolutely. I am now
22 fully getting in the way of lunch.

23 So within the International Trade
24 Administration, there are three business -- one is
25 focused on enforcement and compliance, E&C,

1 specifically they are the folks who, you've probably
2 heard in the news recently, development around
3 countervailing duties related to sugar. So that group
4 within the International Trade Administration produces
5 work that effectively is focused on holding our trading
6 partners to their agreements.

7 The second group is our Global Markets
8 Business Unit. They are the USEACs, probably many of
9 you interact with folks in the domestic field.

10 And the Foreign Commercial Service. They are
11 our biggest business unit.

12 My group is Industry and Analysis which I
13 would describe as really revolving around three
14 pillars. One is engagement with the business community
15 including the Office of Advisory. That office not only
16 includes your group, but the ITACs and the PEC, for
17 example, the President's Advisory Committee on Trade.

18 The second component of the group is made up
19 of trade policy negotiators and economists. So their
20 role is both to support Ambassador Froman and his
21 group. USTR as you probably know, is a pretty small
22 group of folks. They have a staff of just under 200.
23 So USTR relies on input from the Office of Trade Policy
24 which [indiscernible].

25 And then finally we have a group of sector

1 analysts across manufacturing services, including
2 David--textiles--and that group, I think, does a pretty
3 good job of reflecting the trade sectors -- tradable
4 sectors of the economy and the -- and in total our
5 business unit, again, is focused on engaging the
6 business community, being a conduit to the Secretary
7 for concerns across -- across the business community,
8 specifically related to trades.

9 Just to address your earlier question, some of
10 the work that the economists in the group have done
11 over time is to review regs and the economic impact.
12 The impact on trade competitiveness and various regs
13 that have been proposed or [indiscernible].

14 MS. RUIZ: And your background is NASCAR? Is
15 that what --

16 MR. JADOTTE: So I actually -- I spent the
17 last ten years at NASCAR. Prior to that, I was a Chief
18 of Staff on the Hill for Members from Florida. I
19 thought I would spend a couple years, take a break from
20 the Hill and work on what was then a pretty narrow
21 marketing communications project for NASCAR. And ten
22 years later I returned to D.C.

23 MR. LONG: Why don't we go around and
24 introduce ourselves.

25 MR. JADOTTE: Sure -- quickly. I, again,

1 don't want to stand in your way of lunch.

2 CHAIRMAN BLASGEN: We are supply team people
3 so we can put it in the blender and drink it.

4 [Laughter.]

5 MR. JADOTTE: Great. I would love that if you
6 have time.

7 MR. LONG: It is a great group. Tiffany?

8 MS. MELVIN: I'm Tiffany Melvin, I'm the
9 president of North American Strategy Competitiveness.
10 We're a nonprofit organization that is a grassroots
11 organization with Mexican, U.S., and Canadian members,
12 from all of the three countries that are government and
13 industry and educational institutions, universities,
14 community colleges, that kind of thing. And our three
15 main focus areas are supply chain logistics, energy,
16 and skilled workforce.

17 MR. WISE: I'm Dean Wise, I'm the VP of
18 Network Strategy at BNSF Railway.

19 MS. RUIZ: Cynthia Ruiz, Port of Los Angeles
20 the number one container port in United States.

21 MR. CARTER: Carl Carter, Associate General
22 Counsel, International Paper Company.

23 MS. MERRITT: Liz Merritt, Airlines for
24 America. We used to be known as the Air Transport
25 Association. We represent the major North American air

1 carriers. And I can survive on a bag of pretzels.

2 [Laughter.]

3 MR. JAMIESON: I'm Jevon Jamieson, I'm the
4 customs compliance manager for ABF Freight System. We
5 are the second largest union LTL carrier in North
6 America.

7 MR. FISHER: Paul Fisher, Vice Chair of
8 CenterPoint Properties Trust and Chair of Supply Chain
9 Innovation Network of Chicago.

10 MR. BREFFEILH: Richard Breffeilh, Port
11 Authority New York/New Jersey.

12 MR. BINGHAM: I'm Paul Bingham, economics
13 practice leader with infrastructure consulting firm,
14 CDM Smith.

15 MR. FRIED: I'm Brandon Fried, the executive
16 director of the Airforwarders Association, we're like
17 the travel agents for cargo.

18 [Laughter.]

19 MS. STRAUSS-WIEDER: I'm Anne Strauss-Wieder,
20 with A. Strauss-Wieder, Inc. We're involved in all
21 aspects of the supply chain and economic development.

22 MR. BROWN: I'm Stan Brown, global vice
23 president and chief procurement officers for CA
24 Technologies. We're a software company that makes
25 security software for enterprise businesses.

1 MR. COOPER: My name is Jim Cooper, I'm with
2 the American Fuel and Petrochemical Manufacturers. We
3 represent the refineries and the petrochemical plants
4 in the country.

5 MR. SMITH: My name is Chris Smith. I'm with
6 AASHTO. I'm here representing 50 state departments of
7 transportation.

8 MR. STOWE: I'm Ron Stowe, formerly head of
9 government relations for Eli Lilly with special supply
10 chain challenges and now doing consulting work for
11 people who are trying to deal with the U.S. Government.

12 MR. BRYAN: I'm Joe Bryan. I work with
13 Parsons Brinckerhoff which is a large engineering firm
14 and I'm representing OneRail which is a coalition of
15 the public and private rail interests.

16 MS. BLAKEY: Leslie Blakey, Coalition for
17 America's Gateways and Trade Corridors. We are a
18 member-based organization that has members nationally
19 concerned with policy regarding freight infrastructure
20 and the supply chain infrastructure issues.

21 MR. VILLA: Hi, I'm Juan Carlos Villa with the
22 Texas A&M Transportation Institute. We're a part of
23 Texas A&M University system. We do research in all the
24 areas of transportation. And I'm in charge of the
25 logistics and trade practice.

1 Mr. McGEE: Tony McGee, HNM Global Logistics,
2 a small business from Orlando, Florida.

3 MS. REYNOLDS: Gina Reynolds, Florida's
4 Heartland Regional Economic Development Initiative and
5 I represent communities in the south and central part
6 of the state, rural communities.

7 MS. DENHAM: I'm Laurie Denham. I'm president
8 of the American Society of Transportation Logistics and
9 we provide training and certification for industry
10 professionals globally.

11 MR. MICHENER: Mark Michener, director of
12 transportation at Amazon.

13 MR. WATTLES: Shawn Wattles, director of
14 supply chain logistics for Boeing Company.

15 MR. WEILL: I'm Tom Weill. I'm the chief
16 procurement officer for Campbell Soup.

17 MR. JADOTTE: Thank you very much. Great
18 group. Really impressive. Well, I look forward to
19 attending your meetings going forward. If I can be
20 helpful, just let me know..

21 MR. LONG: This is a surprise. We didn't know
22 Marcus was back from New York yet.

23 [Simultaneous conversation.]

24 PARTICIPANT: Well he drives fast.

25 [Laughter.]

1 MR. JADOTTE: I think I might have gotten back
2 faster in a carpool.

3 [Laughter.]

4 MR. JADOTTE: Thank you all.

5 CHAIRMAN BLASGEN: Thank you.

6 [Pause.]

7 CHAIRMAN BLASGEN: Would you like to wrap up
8 that conversation?

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1 **INFORMATION TECHNOLOGY AND DATA DEVELOPMENTS**

2 **Sandor Boyson, Subcommittee Chair, IT & Data**

3 **Co-Director, Supply Chain Management Center,**

4 **Robert H. Smith School of Business**

5 **(Continued)**

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7 MS. MELVIN: I think that's what I was trying
8 to do before. And just to make sure that I've got
9 everyone's changes. I think everyone's -- I mean, we
10 have the recording that we'll listen to. I've taken
11 notes, but I was really just recapping the comments
12 that I heard, the big ones that jump out, and then the
13 other ones we'll find in the minutes.

14 But basically giving a timeframe for having
15 this project manager appointed for the management of
16 all the different agencies and then I think we're going
17 to separate -- I'm going to look through this and
18 separate out background paper that's this, and take the
19 recommendations out of it because the recommendations,
20 I don't think really go exactly with the paper. And so
21 -- and that first recommendation is very short-term,
22 immediate, get someone to manage the different
23 agencies.

24 The others are more related to the North
25 American issue and so I think they need to be separated

1 possibly with a bit of explanation that this one is
2 specific to the U.S. and these are more of the North
3 American related issues and more about the North
4 American trade portal initiative in the letter, the
5 original letter and in talking more about how -- to
6 move to the speed of the supply chain. And that it's
7 really taking too long. They're not putting enough
8 resources together, so a big recommendation to add
9 would be to have dedicated resources, whether that's
10 full-time staff, you know, taking people off of their
11 current projects to put on this is the only way we're
12 going to meet the deadline. And then the other
13 recommendations that we had the modifications to. So
14 does that pretty much sum it up?

15 [No response.]

16 MS. MELVIN: And making sure we get the right
17 nomenclature for whatever this project manager is.
18 Does that pretty much cover the major suggestions and
19 fine points, so the subcommittee will meet, I'll work
20 with the staff and we'll kind of redraft this a bit and
21 then -- yeah, great that's going to be necessary.

22 [Simultaneous conversation.]

23 MR. LONG: We can set up a call when we get
24 the document. [Indiscernible.] Set up a big bridge
25 with a much larger access.

1 MS. MELVIN: Okay.

2 CHAIRMAN BLASGEN: So yes, like we have done
3 in the past, we won't to wait until April to make sure
4 we vote on this.

5 MR. LONG: I think we can set it up as a
6 webinar so we can --

7 MS. MELVIN: Okay. So that's it. Thanks for
8 all the input.

9 CHAIRMAN BLASGEN: Thank you. Again, thanks
10 to Sandy and his leadership and Tiffany for the journey
11 you are about to embark on.

12 [Laughter.]

13 CHAIRMAN BLASGEN: Anyway, so our plan, we'll
14 hear from the next three subcommittee beginning at one.
15 We've got another visitor, right, David?

16 MR. LONG: Yeah, we have. What's coming up
17 next, we'll take care of the Trade and Competitiveness
18 Working Group right after lunch. Then we have two
19 related things. We have presentations by our friends
20 at DOT about the specific programs going on and some of
21 the things out of the North American Leadership Summit,
22 a high level economic dialogue with Mexico. There's a
23 lot of work coming out of that on freight corridors,
24 joint freight planning, infrastructure issues. And DOT
25 is holding a strategic plan for North America. We have

1 a chance to shape what that strategy would be like and
2 provide a supply chain prospective on which issues to
3 pick and how they should do them.

4 After that we've got this tentatively down
5 here for me to say something about finance and
6 infrastructure. This is a place holder. Mike was
7 unable to make it today. We're fresh off the
8 recommendations before. Let me just take care of this
9 right now.

10 What I wanted to do at that time, which I see
11 that group here, is just mention that we're going to be
12 taking up an initial set of issues coming out of North
13 America and we'll try to go to the next level on this
14 and look at some new and maybe outside-the-box thinking
15 on different types of financing measures that are
16 possible. So I think we'll be able to define a sequel
17 to that that makes sense in light of the new issues.

18 CHAIRMAN BLASGEN: So we'll target wrapping up
19 by three? No later than three. If we get done early,
20 that's fine. But that seems to be the way to go.

21 MR. LONG: So lunch is outside.

22 CHAIRMAN BLASGEN: Enjoy lunch. We'll see you
23 here at one.

24 [Whereupon, 12:15 p.m., the committee recessed
25 to be reconvened this same day at 1:00 p.m.]

AFTER RECESS

[1:01 p.m.]

CHAIRMAN BLASGEN: All right. Are we ready to get going again?

MS. RUIZ: So, Rick, before we get started I just have a question. I very much appreciate Bruce Andrews coming today, but at any point are we going to be able to have access to the Secretary, herself?

CHAIRMAN BLASGEN: That's a great question. I talked to David and he fires that one up the ladder every time before these meetings because I do think she owes the committee a personal visit. We've been around for quite a long time right now. So obviously scheduling is always an issue, but we were very close this time and it just sort of waned toward the end.

MR. LONG: After [indiscernible.]

MR. WISE: Tell her, her customer service reputation is at risk.

[Laughter]

MS. RUIZ: One of the things I would like to hear from her -- she mentioned a strategic plan or what her vision is, make sure that we're reading into that vision.

CHAIRMAN BLASGEN: Yes. We have got our dates set for the rest of the year. So hopefully she's on

1 the calendar, I guess, for April.

2 MR. LONG: I think Bruce was very taken with
3 what he saw today, the response, the enthusiasm of
4 people.

5 CHAIRMAN BLASGEN: So, thanks, Cynthia, for
6 bringing that up.

7 All right. Let's move on to the Trade and
8 Competitiveness Development Team, Shawn. At 1:45 p.m.
9 we've got some guests coming in from DOT. And we'll
10 get a review of their offering as well, and that's
11 scheduled for 1:45 p.m.. So you've got about 45
12 minutes there Shawn, so take it away.

13 MR. WEILL: The strategic plan you're talking
14 about, is that on the DOC website?

15 MR. LONG: Yes, it is.

16 PARTICIPANT: We should probably read it.

17 [Laughter.]

18 MS. RUIZ: Can you email it to the group,
19 please?

20 MR. LONG: Absolutely. There are a bunch of
21 things to send out.

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TRADE AND COMPETITIVENESS DEVELOPMENTS**Shawn Wattles, Subcommittee Chair****Trade and Competitiveness****Director, Supply Chain Logistics, The Boeing Company**

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6 MR. WATTLES: Okay. This is take two. Those
7 of you who can remember back to September, it's hard
8 for me sometimes, we did a review of a draft letter
9 from the trade and competitive committee and we had a
10 list of ideas. They weren't framed in the form of
11 recommendations, and so since then we've gone back,
12 reworked it, restated things in terms of
13 recommendations, dropped one or two items, added one
14 new one in here. So we've got essentially four sets of
15 recommendations with short explanatories.

16 So if we could just kind of wander through
17 here. We're getting hopeful that we're close. So the
18 first couple of paragraphs here, the first one is just
19 the standard kind of thank you and support what we're
20 doing to support the U.S. trade attempts and kind of
21 the basic opening stuff.

22 We get in the second paragraph and really talk
23 about some of the major things that we're going to be
24 focused on which is, assuring adherence by our trading
25 partners to the agreements that are being negotiated or

1 have been negotiated and to ensure that a part of that
2 progress is the opening of the foreign markets. And
3 then we get into some specifics here. And this is
4 where we really go into four areas. The first of which
5 is some recommendations pertaining to the trade
6 facilitation agreement.

7 We've got some paper copies for those of you
8 to look at as well as up on the screen. Essentially we
9 want to make sure that the elements of the TFA are that
10 -- we support those. We would like to see some
11 additional efforts placed in terms of ensuring that
12 there's a coordinated message to the various
13 organizations related to the TFA to ensure that we get
14 a coordinated and support involvement in getting that
15 global capacity -- supply chain.

16 And that's going to involve working with the
17 European Unions to get some efficiencies. If we get,
18 you know, improvement on one side or the other, but
19 those aren't coordinated in practice you don't actually
20 realize any benefits.

21 And then the last two bullets revolve really
22 around communication and engagement with industry which
23 is a part of the intent of the TFA anyway. But those
24 were our bullets to really recommend ensuring that
25 industry is involved and that communications come back

1 and in the case of that last bullet, for example. The
2 third bullet is really about involving industry and us
3 in terms of where we're going with the U.S. side of the
4 regulatory implementation process. The fourth bullet
5 is really to ensure Commerce's help in making sure that
6 proposed foreign regulatory changes that we're going to
7 have to deal with as part of our trade gets shared as
8 well so that industry can prepare for those.

9 So those are the bullets that we had under
10 recommendations to the TFA. I'm going to stop for a
11 moment to see if there are questions or comments.

12 MR. LONG: I do have one comment?

13 MR. WATTLES: Sure.

14 MR. LONG: Some of the things you mentioned
15 there are already priorities in the organization here
16 already and there's a lot of interest in making sure
17 there's private sector engagement directly in the
18 implementation.

19 MR. WATTLES: So stop me if I'm rushing on,
20 but since most of you have seen most of this in a
21 previous version, I'm running along until someone
22 throws up a stop sign.

23 This is interesting given the deputy's
24 conversation that we just heard, but around TTIP and
25 TPP, we have some recommendations there as well.

1 Really around harmonizing and simplifying the
2 regulatory deployments. So, the first bullet under our
3 recommendations there is allowing a duty reduction to
4 be put in place, but having such convoluted processes
5 to actually achieve it that small or mid-sized
6 companies can't afford to do it, to realize those
7 benefits seems counterintuitive. So we're looking to
8 make sure that the requirements are on duty reduction
9 to achieve those are simplified and harmonized so that
10 we don't have industry bypassing opportunities for
11 doing the reductions.

12 Harmonizing and integrating rules and
13 requirements of the various border oversight agencies.

14 So I think there is some kind of best -- tangential to
15 some of the conversation we had earlier this morning,
16 but I think that one kind of stands on its own in terms
17 of what we are looking for there.

18 We are urging alignment on transfer pricing
19 policies so that we can come back in with a customs
20 valuation, with the tax valuation principles because
21 frankly I know what my company is seeing is that in
22 some cases we wind up in a position of we are able to
23 comply with one or the other and because they are not
24 the same, we cannot comply with both. That is not
25 exactly a smooth competitive position for -- industry

1 to be in.

2 Our next bullet down is aligning the security
3 programs so as not to frustrate or impede legitimate
4 trade and realize that there are significant security
5 issues that need to be addressed. In the absence of a
6 credible threat, we are really looking to have the
7 clearance standards be simple.

8 Questions? Comments on -- yes?

9 MS. MELVIN: I am backing up a little bit.

10 MR. WATTLES: Sure.

11 MS. MELVIN: I think the last meeting I had to
12 leave way early, like five minutes after it started.

13 MR. WATTLES: Your problem. It ain't mine.
14 I'm kidding.

15 [Laughter.]

16 PARTICIPANT: That is a foul.

17 MS. MELVIN: On the second paragraph, "We also
18 urge the Administration to vigorously assure adherence
19 by our trading partners to trading agreements that have
20 already been negotiated and to the opening of
21 markets...". I think that maybe we should also urge the
22 administration to adhere to agreements that the U.S.
23 makes with other trading partners because the U.S. has
24 been known in the past to not comply with their own
25 negotiations and agreements and trade agreements and

1 has dropped the ball -- NAFTA issues, it has not done
2 parts of the agreements like they were supposed to. So
3 I think it is kind of like the pot calling the kettle
4 black if you want to urge other countries to do what
5 they say for us. We should do the same for them.

6 MR. WATTLES: Okay. It could be a fairly
7 simple update. Okay. Thank you.

8 MR. WEILL: I have a question. On the one
9 that you just covered. It says the "The lack of tax
10 and customs harmonization on pricing issues often puts
11 American companies in the untenable position of having
12 to comply with one or the other."

13 I think last time you had discussed some
14 examples where you couldn't do both. I think there was
15 some conflict where you make that point. Am I
16 remembering that incorrectly or --

17 MR. WATTLES: Possibly, but it has gone right
18 out of my head what example --

19 MR. WEILL: My point is what we are saying is
20 some untenable position of having to comply with one or
21 the other, meaning that you couldn't comply with both
22 sometimes. We might want to have some examples in an
23 appendix so we can kind of make the point better.

24 MR. WATTLES: Okay. Thank you. Other
25 questions, comments so far? We are already at the mid

1 point, through two of our four areas.

2 [No response.]

3 MR. WATTLES: All right. So moving on then to
4 our third major category around U.S. Customs and Border
5 Protections Trade Transformation Initiatives.

6 So we have some recommendations specific here.
7 Ensuring that CBP work closely with the Committee and
8 with the Commerce Department on the Trade
9 Transformation Initiatives so that we don't wind up
10 with trade initiatives that conflict with existing
11 controls. So basically to make sure that the
12 initiatives align with the current control compliance
13 environment so we don't wind up having another example
14 of where you can comply with one set of department or
15 another, but not both.

16 Strongly support the C-TPAT for Export
17 program, the new C-TPAT going outfacing instead of
18 inward facing, being made by the U.S. as part of what
19 they are doing with the Mutual Recognition Agreement.
20 Our position is suggesting to Commerce that given the
21 maturity and sophistication of the existing export
22 systems and controls, that doing anything beyond
23 meeting those specific requirements, so any additional
24 requirements we would argue are not necessary through
25 U.S. exporters beyond those that are basic

1 requirements.

2 And then finally, as CBP is developing their
3 trusted trader concept, we would like the Department to
4 look at the possibility of replicating that in the
5 export world as well as on the import side. We believe
6 that that would really help with intercompany related
7 activities and we recognize there are some dual use
8 considerations that come into play there.

9 The fourth and final area of our
10 recommendations is around the advanced export
11 information. This one is new. So those of you who
12 were not at our subcommittee meeting yesterday haven't
13 seen this one from us yet.

14 Census Bureau has established a pilot program
15 for the purposes of testing a new initiative that
16 basically would eliminate what is known as "Option 4"
17 which is post-departure filings and would then require
18 that all filings then are done in advance. Option 4
19 has been in existence for quite a while. The companies
20 that are allowed as export Option 4 filers today were
21 vetted years ago to get into that program.

22 When we have looked at Option 4, what that
23 will do in terms of eliminating the ability for post-
24 departure filing within five days of the departure, the
25 additional costs in modifications and creation of IT

1 platforms to support that as well as the delays that it
2 would impose on getting expedite required exports out -
3 - and for Boeing, our example, if there is an airplane
4 on the ground somewhere that is out of commercial
5 service because a critical part has failed and we need
6 to get it out of the country today, we export that and
7 then we have a few days to do the filing for it because
8 we are a vetted Option 4 filer and under this that
9 opportunity would go away.

10 One of the other concerns we have with that is
11 that it is not unusual to have an information change.
12 There are slides in departure schedules. Sometimes the
13 ship or plane or whatever they expect an export to be
14 leaving on winds up having mechanical problems, some
15 things get moved. All of that causes rework to have to
16 do a pre-departure filing.

17 So we see the extra costs on that. So we are
18 proposing that the Option 4 not be eliminated. That it
19 simply adds additional costs and risks of the export
20 process.

21 So that was a new one for us and actually on
22 that one, there is a meeting today that the National
23 Association of Manufacturers requested with CBP. I
24 know 3M, Chrysler, Boeing -- I am not sure if any other
25 companies are represented. Two of my team is there

1 actually talking about some of the facts and data
2 around Option 4.

3 So those are the four recommendations that the
4 Trade and Competitiveness Subcommittee would like to
5 put forward.

6 CHAIRMAN BLASGEN: So comments, questions?

7 MS. MERRITT: Shawn, on option four, I would
8 just like to suggest some language.

9 MR. WATTLES: Okay.

10 MS. MERRITT: On the CBP side, one basic
11 principle that we keep trying to promote is the idea of
12 account-based management, not transaction-based
13 management for both the import and the export side.
14 Option 4 is a great account management example that
15 seems to have worked well.

16 As you say here, there has not been any
17 evidence that it is not working well. Why fix
18 something that isn't broken? So if you could just
19 couch it in that language, that getting rid of Option 4
20 is basically reverting back to transaction-based for
21 something that has worked successfully as an account-
22 based program for what; a decade now?

23 And then also in regard to that, something
24 that we worked with on COAC is the idea that you have
25 the exporter piece of the process and you have the

1 carrier manifest piece of the process. Manifests are
2 just by definition a transaction-based thing. We are
3 listing everything that is going out on our aircraft
4 which includes your shipments if they are on there.

5 Where there is a need to put some sort of a
6 transaction-based program in place, let's just use the
7 manifest to do that instead of putting additional
8 burdens on the exporter to do export transaction
9 filing. Let's use the manifest system that is already
10 going to be there to do the transaction-based piece of
11 it, so better integration of the commodity filing side
12 of it and the manifest filing side of the equation.

13 So that would go for Option 4 and then
14 probably also for the C-TPAT for export program, the
15 second bullet under the CBP Transportation Initiative.

16 Again, you know, for U.S. exporters to comply with
17 additional export security criteria -- a lot of that
18 would be taken care of in the automated export
19 manifest. So take advantage of what is going to happen
20 with the automated export manifest to do those initial
21 security checks. Don't put an additional requirement
22 on exporters if you do not have to.

23 MR. WATTLES: Okay. Thank you. I will have
24 to look at how it would affect the --

25 MS. MERRITT: I can send you some --

1 MR. WATTLES: Yeah, I think that would be --
2 because that is not what we talked about. Okay.

3 PARTICIPANT: Make sure you copy me. please.

4 MR. WATTLES: Other thoughts? Questions?
5 Inputs?

6 [No response.]

7 CHAIRMAN BLASGEN: Okay. So this is one--once
8 we have the edits--we can go ahead and vote on. So
9 should we do that on a conference call, or --

10 MR. LONG: Yes.

11 MR. WATTLES: If we do a -- that would be --
12 yes. I think from what I got, I think a couple of
13 fairly simple wording type of changes and one or two
14 inputs there that would actually be an additional
15 comment.

16 CHAIRMAN BLASGEN: But the whole group then is
17 pretty much aligned with all of the recommendations
18 made? No fatal flaws for anybody or major issues?

19 [No response.]

20 CHAIRMAN BLASGEN: Great. I think we are
21 done.

22 MR. WATTLES: Thank you.

23 CHAIRMAN BLASGEN: Can we move on to Cynthia,
24 then?

25 MR. LONG: Yes. Since we are this far ahead,

1 let's flip the order a little bit. Does that work?

2 MS. RUIZ: Because DOT is here.

3 PARTICIPANT: Fred is actually not here yet.

4 So I am not sure if you want to wait or -- are you all
5 ahead of schedule? Is that --

6 MR. LONG: Yes. Substantially.

7 MS. RUIZ: I don't have a problem going ahead.
8 I just --

9 MR. LONG: Yes. Let's start and then when the
10 rest of the team gets together, we will take a break
11 and hear them.

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1 **FREIGHT MOVEMENT AND FREIGHT POLICY DEVELOPMENTS**

2 **Cynthia Ruiz, Subcommittee Chair**

3 **Freight Policy and Movement**

4 **Deputy Executive Director of External Relations**

5 **Port of Los Angeles**

6

7 MS.RUIZ: Okay. So I wanted to give a report
8 on the subcommittee and the subcommittee is the Freight
9 Subcommittee on Policy and Freight Movement. I am
10 happy to report that since our last September meeting,
11 Rick and I have actually submitted the letter to
12 Secretary Pritzker for the recommendations that were
13 approved last meeting.

14 Yesterday we had a subcommittee meeting and we
15 are in the processing of establishing -- now that we
16 have made recommendations, what is our work plan for
17 2015. We actually did get a presentation by the
18 Department of Transportation, many of them who you will
19 hear from today. I want to thank them for coming to
20 the subcommittee and giving great information.

21 They gave us information and actually had some
22 action items for us. They gave us information on the
23 North American Leaders Summit and the high-level
24 economic dialogue.

25 One of the things that we were talking about

1 is what cross border and regional national freight-
2 flows issue needed to be considered from the supply
3 chain standpoint -- DOT. You will hear from them.
4 They also have a workshop coming up and they asked for
5 participation in that.

6 They also asked about what other North
7 American supply chains and forwarders need to be better
8 understood from a freight fluidity standpoint and how
9 we can get better data. I think that some of the
10 members of the subcommittee, in particular Joe and some
11 of the people that have worked on the technical pieces,
12 have really done a great job in proving that the data
13 is there in terms of the supply chain and basically,
14 they have been able to prove that you can look at the
15 supply chain and evaluate speed reliability and costs.

16 We also talked about ways to value the
17 industry of improving the fluidity of cross border from
18 the North American standpoint, in particular, how does
19 the North American freight fluidity grow jobs in the
20 U.S.? We also talked about kind of what Juan was
21 presenting on yesterday about the border issues, the
22 border time issues. So I don't want to talk for DOT,
23 but you will hear from them and basically just building
24 on what they are going to present today.

25 In terms of what our committee is looking at

1 making recommendations as we move forward, I don't
2 think we are at a position to say what we are
3 recommendations are yet. We had very robust dialogue
4 about what we should be looking at and it ranged from
5 getting out of the weeds going more towards policy,
6 what should be in a freight plan.

7 We also talked about doing some benchmarking
8 in terms of what other countries do. One of the
9 recurring themes that came up -- and we have talked
10 about this before -- is funding. If we have a freight
11 plan, how is that funded? I don't know if anybody has
12 really been able to answer that question and what does
13 a freight system look like?

14 We also talked about other areas. I know
15 Chris brought up the whole energy issue and energy in
16 terms of how we transport that. Also we talked about,
17 what I brought up earlier with the Secretary's office
18 is unfolding before our eyes right now. The west coast
19 is a whole issue of challenges to the supply chain and
20 taking a look at that and lessons learned. What are
21 the issues in the supply chain as a result of all the
22 congestion at the ports on the west coast? How does
23 that impact the supply chain? So we felt it was
24 appropriate to bring that up.

25 Leslie, did you want to add anything on that?

1 MS. BLAKEY: Well only that I think from the
2 standpoint of this committee, a couple of points that
3 all of this gets filtered through the popular media and
4 the popular news. We are all probably more aware of
5 the fact that the west coast port and gateway
6 conditions are so heavily congested due to a number of
7 factors, not simply one or two things that get reported
8 on in the popular media as, you know, it's the labor
9 crisis that is causing the port congestion, which is
10 actually not accurate.

11 This is an opportunity, though, for all of us
12 who care about trying to focus our federal programs and
13 resources on improving the freight infrastructure for
14 the U.S. because while the conditions that are present
15 on the west coast are there now, they could be on the
16 east coast tomorrow. These are problems that are
17 systemic and the fact that we have allowed our
18 infrastructure to get to a point where we have no real
19 wiggle room left, there is no elasticity left, so that
20 whatever the challenge is that comes along, it throws
21 the whole situation into a heavily congested state.

22 So we should not waste this crisis. We should
23 take advantage of it to make our points to both the
24 Department and give the Secretary of Commerce a full
25 sense of why these things are interrelated and

1 hopefully, maybe that can be translated into a sort of
2 spur to action by both the Administration and Congress.

3 So it is an opportunity for us to weigh in on the need
4 to be very proactive in supporting our national freight
5 system.

6 MS. RUIZ: Dean, did you have some thoughts on
7 that?

8 MR. WISE: Not really to add to what Leslie
9 said -- it is something that is a concern to us for
10 sure. I was very glad to hear from the Deputy
11 Secretary he is very focused on it as well.

12 MR. WATTLES: The only part that throws me is
13 -- I realize that I think the point you make is that
14 any impact -- given the status of various
15 infrastructure elements being what they are, that any
16 impact results in a significant issue. When you made
17 the comment that really the labor issue isn't the
18 problem -- from a customer standpoint, I would
19 challenge that. I realize that it is the
20 infrastructure that is kind of at a breaking point,
21 then when there is a problem like the labor slowdown,
22 the repercussions of it that we see -- I don't want to
23 -- I want to make sure that I understand where you are
24 going with that.

25 If I take what you said as all of the labor

1 slowing down isn't really causing --

2 MS. BLAKEY: I did not mean to minimize that
3 as a problem. But the congestion and backlog that we
4 are experiencing is not exclusively because of that and
5 in fact, might even have occurred to some degree even
6 if there had not been a labor problem.

7 There is the chassis shortage. There is the
8 fact that shipper's orders were placed in a somewhat
9 different timeframe than typically. Probably one of
10 the biggest factors contributing to this in a sense --
11 and this is one reason why it is a major issue for all
12 of our gateways -- is that to a certain extent it is
13 the growth of demand in the economy.

14 We have gone on a buying binge and so the
15 opportunity here is -- again, not to minimize --
16 hopefully by the time that we might get through
17 producing some recommendations about this, hopefully
18 the labor issue will be resolved. The opportunity here
19 is to talk about why this situation is of grave concern
20 beyond just dealing with one issue.

21 MR. WATTLES: Okay. Thank you.

22 MS. RUIZ: I just want to pick up on that in
23 two areas. One, resiliency, and we talk about this as
24 continuity. One of the blessings -- shall we say -- of
25 the great recession is that the demand was a little

1 lower and we had some capacity to spare when we had to
2 flex through the system and Sandy or Katrina hit, could
3 use another part of the system and so forth.

4 One thing that we are seeing coming out of the
5 great recession is capacity limitations, whether it is
6 on the rail, whether it is in trucking, across a
7 variety of modes. And when you don't have that ability
8 to flex -- I am not suggesting we need redundant
9 capability, but in keeping our costs low because, heck,
10 who doesn't like free shipping? It has gotten us to
11 the point where we don't have that ability to flex as
12 much as we used to.

13 The other point I just want to bring out on a
14 more positive note on this regard is something that has
15 been going on in the Port of New York and New Jersey.
16 Ironically, it somewhat came out of Sandy and that is
17 when everybody worked really hard together to recover
18 after that disruption. One thing that came out of this
19 was the Council on Port Performance. A public-private
20 collaborative effort and he could probably talk to it a
21 lot more than I can. It has been looking at creating a
22 -- for chassis, dealing with gate issues. So they have
23 taken that cooperative spirit that was borne out of
24 destruction and started -- along the way.

25 So I just offer that as a positive sample. I

1 do not know if you want to comment on that more.

2 MR. BREFFEILH: Yeah -- no -- it is kind of a
3 unique way of looking at some of the problems that we
4 are going to be confronted with. Chassis is a perfect
5 example. We have come up with a great chassis fleet
6 concept. It will be implemented probably in the next
7 year, which will address a lot of the problems that we
8 see on the west coast. Labor, the amount of labor that
9 is available has been increased. A lot of the root
10 causes that we see to a lot of these problems are being
11 addressed well beforehand.

12 CHAIRMAN BLASGEN: Isn't it true that our
13 ports, some of them were beyond capacity even before
14 the recession? I remember viewing that in the contest
15 of --

16 MS. BLAKEY: No.

17 CHAIRMAN BLASGEN: -- all of these other
18 countries that were building these worldclass ports and
19 we were talking about how we were not investing in our
20 ports and if the economy -- if you shoot forward 10 or
21 15 years with the economy, look at the simple --

22 MS. BLAKEY: Well, if you follow projections,
23 potentially that would be true, but in terms of --

24 [Simultaneous speech.]

25 MS. BLAKEY: Yes, actual movements. I mean a

1 lot of those projections were going out to 2025. They
2 are not necessarily wrong that we could reach a
3 capacity situation, although, fortunately, our ports
4 are pretty good about looking at the demand headed in
5 the direction and trying to get the berths and the
6 crains and dredging and so forth that is needed. We
7 have not reached -- you guys in the port --

8 MR. BREFFEILH: The drop off in 2009 was so
9 significant that we are not back there yet. So there
10 is excess capacity.

11 MS. BLAKEY: That really -- when we talk about
12 capacity, of course, this is a situation where you have
13 got many parts that have to hook together in order to
14 have capacity throughout the system. You may have
15 capacity at a port, but you may have such congestion on
16 the inland roadways that access the port or issues for
17 the rail transfers or whatever that the capacity is a
18 system-wide issue. It is not a single point of failure
19 issue.

20 CHAIRMAN BLASGEN: That is great, but when you
21 translate down into a company's transportation
22 department that is routing free, they will say I ain't
23 putting my stuff through [indiscernible] because I
24 ain't never getting it out. Now whether that is true,
25 false, or labor issue, or port capacity issue, or

1 railroad issue, it is an issue for somebody who is
2 routing freight and they are going to say I am going
3 elsewhere.

4 MS. BLAKEY: And that is why we need to take
5 this up in this committee because that is a
6 competitiveness issue. That cargo is going to Prince
7 Rupert today, right now. It was coming here and now it
8 is going there. So I think this is exactly the
9 competitiveness problem that we are talking about.

10 MR. WATTLES: And actually, the things going
11 to Prince Rupert and other places, if you are not
12 careful, the Canadian ports are not handling the stuff
13 that they can tell is being diverted from a U.S. west
14 coast port -- some of the Canadian ports, their teams
15 are refusing to handle them.

16 MR. JAMIESEN: It is none for Vancouver here
17 recently, issues.

18 MS. BLAKEY: Yes, they are about to have a --

19 MR. WATTLES: So we are taking the more
20 expensive option. I am flying stuff in -- if I can fly
21 it.

22 MS. MERRITT: Yay.

23 PARTICIPANT: Keep flying, Tom.

24 [Laughter.]

25 [Simultaneous speech.]

1 MS. BLAKEY: Shawn, Prince Rupert is taking
2 anything. You were talking about Vancouver.

3 MR. WATTLES: Yes, Vancouver is one --

4 MS. BLAKEY: Yes, you are talking Vancouver,
5 but Prince Rupert is taking up everything they can get.

6 [Simultaneous speech.]

7 CHAIRMAN BLASGEN: -- parts that are so large
8 many of them can't be --

9 MR. WATTLES: I have got some parts that I
10 can't put on the plane, yes.

11 MS. RUIZ: So Rick, just to close out the
12 committee report, we have not identified what
13 specifically we are going to work on next. As you can
14 see, we have a lot of different thoughts. So our plan
15 is to come up with our next plan for the
16 recommendations.

17 PARTICIPANT: Well you have got a timely one
18 though.

19 MS. RUIZ: Exactly.

20 CHAIRMAN BLASGEN: Just a question. When we
21 run into an industry issue like this -- it may be
22 outside of the purview of this committee, but would
23 there not be interest in the committee's point of view
24 when we end up with a supply chain disruption that has
25 nothing to do with one of our recommendations or

1 anything like that? Should we write something up and
2 say, here a perspective from industry on this
3 particular west coast issue?

4 MR. WATTLES: I am not sure it is not part of
5 our purview if we are --

6 CHAIRMAN BLASGEN: Well, I agree.

7 MR. WATTLES: -- supply chain competitiveness.

8 MR. LONG: Yes, you are free to provide
9 recommendations on such things as you would like.

10 CHAIRMAN BLASGEN: Yes, when the committee was
11 established, we chose to go down to subcommittees and
12 attack certain areas and so on, but it does not stop us
13 from drafting up something from the committee's
14 perspective on a particular issue.

15 MR. LONG: I think the whole concept of
16 looking at -- what you just described about the nature
17 of the congestion issue, that is certainly squarely in
18 the middle of the purview for --

19 MS. BLAKEY: Even if the statement is only to
20 underscore the importance of the federal role in
21 working with our public and private partners in the
22 supply chain pieces throughout the country. But there
23 is an important federal rule in ensuring that these
24 problems do not cripple our economy. Even if we only
25 said that, it would be worthwhile.

1 MS. RUIZ: Is that a motion?

2 MS. BLAKEY: I think it is.

3 [Laughter.]

4 MR. LONG: It has to be a consensus.

5 PARTICIPANT: It is just a thought.

6 CHAIRMAN BLASGEN: So more information
7 forthcoming in terms of what you are going to -- is
8 Fred here?

9 MR. LONG: Let me thank both groups again
10 before I -- I want to thank Sheldon and Cynthia for
11 great work on this.

12 I think what we are going to hear now from
13 Fred and our friends at DOT is going to sharpen both
14 sets of discussions that we just had. So without
15 further ado, let me turn it over to Fred Eberhart.
16 Here -- if you would like, or sit at the table.

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1 **BRIEFING ON FREIGHT ISSUES: NAL/HLED, NFAC**

2 **Fred Eberhart, DOT**

3 **Ed Strocko, DOT**

4 **Crystal Jones, DOT**

5

6 MR. EBERHART: Thank you. Greetings. Just to
7 introduce myself, I am Fred Eberhart. I am the Deputy
8 Director in the Office of International Transportation
9 and Trade in the Office of the Secretary of
10 Transportation.

11 I do know some of the folks in the room from
12 our activity on the North American Freight -- on the
13 National Freight Advisory Council. I am working in the
14 capacity as sort of the overseer of our North American
15 and Western Hemisphere activities.

16 I have been working these issues for about
17 nine years now and I have to say, things have evolved
18 quite substantially in time. I came on back in 2006
19 during the Security and Prosperity Partnership. At
20 that time when we talked about freight corridors it
21 was, it was usually in the context of sort of a black
22 helicopter conspiracy theory that the North American
23 Union was being formed secretly and this was a
24 mechanism --

25 [Laughter.]

1 MR. EBERHART: I have to say, it wasn't easy
2 to talk about freight and corridors back in those days.

3 I think DOT was not set up either to really talk from
4 a national perspective about this. I think our
5 orientation has always been aimed at the state and
6 regional requirements for transportation
7 infrastructure, freight infrastructure. Projects are
8 planned through the states. They are funded through
9 the states when we are talking about the core
10 infrastructure in the transportation sector and so that
11 is the logical way that we have been proceeding over
12 recent years.

13 MAP-21 really created a bit of a new
14 perspective for us. It instructed us to go forth and
15 develop a national freight strategic plan. Some of the
16 folks from DOT that are working on that are in the room
17 and will be able to talk a little more about that.

18 I think the bottom line is that it enabled us
19 to turn our dialogue with our North American neighbors
20 from one which was focused almost exclusively on the
21 efficiency of border crossings to more of an expansive
22 view of what the entire system looks like. Because the
23 United States is charged now with doing a national
24 freight plan, I think it makes total sense that we
25 would be doing it in collaboration with our North

1 American neighbors. That was something that the
2 International Subcommittee of our National Freight
3 Advisory Committee recommended very strongly. You just
4 can't take a domestic perspective on freight planning.

5 It really has to be in the broader international
6 context. In that international context, North America
7 is very important. That was music to my ears because
8 of my existing relationship.

9 Around the same time, we also decided to
10 change our -- the interagency decided to change its --
11 particularly for Mexico with the Peña Nieto
12 Administration coming on, I think there was explicitly
13 an effort to kind of turn our dialogue more from a
14 negative story, security and illicit trade and that
15 sort of thing and more to the positive side, that our
16 economies rely on each other, that we co-manufacture a
17 huge portion of our national product that, in fact,
18 products and manufacturing facilities are moving back
19 from Asia to take advantage of the new opportunities in
20 Mexico and in the United States and Canada as well. So
21 it all made sense to start to look more at the freight
22 planning and collaboration with Canada and Mexico.

23 Under the high-level economic dialogue with
24 Mexico, we inserted a working activity to start to
25 collaborate more closely on the whole gambit of freight

1 planning activities from data acquisition, definition
2 of data requirements, data analysis, planning
3 processes, just about everything we are doing. I think
4 our folks from Federal Highway are going to talk a
5 little more about the specifics of that.

6 Very early on we took a multi-modal team down
7 to Mexico to really be sure we were on the same page,
8 that we understood the differences on how we are
9 planning freight and to set out a common agenda moving
10 forward, focusing on all of these dimensions. Since
11 then we have had several workshops focused on data,
12 focused on freight planning, focused on infrastructure
13 finance, and we are going to continue to do that.

14 I know that we invited Mexico to participate
15 in a TRB meeting on freight fluidity as a technique for
16 better understanding freight flows in the region. I
17 think the bottom line is that we want to get on the
18 same page in terms of how we organize ourselves. I
19 think we recognize that in North America we are still
20 three sovereign countries and we have slightly
21 different planning approaches.

22 In the United States, at least for
23 transportation, we have to be absolutely focused on
24 what the regional and state orientation is. Again for
25 reasons that I mentioned earlier, it is how projects

1 are developed here in the United States.

2 Mexico and Canada are a little more
3 centralized in the way they approach it. They are more
4 inclined to say, well, we are the feds. We are going
5 to tell you what the priorities are for corridors and
6 border crossings.

7 I think somewhere in the middle we are able to
8 meet because I think the bottom line is that we find
9 that there are priorities in all regions. We have kind
10 of set this out in an early way through our joint-
11 planning border crossings.

12 DOT works with Mexico, for example, on a
13 series of regional border master plans which engage the
14 states on both sides of the border, but also all of the
15 federal agencies that need to participate in cross
16 border transactions. We found it to be a good way to
17 begin to plan forward for infrastructure. I just came
18 from a meeting today with CBP and they are using that
19 as an input into their own infrastructure planning
20 process.

21 I mentioned Mexico. We have done virtually
22 the same thing with Canada. Right now we have kind of
23 kicked it off as a parallel bilateral initiative. We
24 have not made it a North American trilateral effort
25 quite yet, but I think that is where we are going. We

1 are working on freight with Canada with the Beyond the
2 Border Initiative. We are using existing initiatives.
3 No need to reinvent the wheel. There is a lot of
4 flexibility to do that.

5 Also the way we are tying this in trilaterally
6 is through the North American Leader Summit, probably
7 everybody in the room is aware that one of the targets
8 under the NALs process is to develop a North American
9 Transportation plan. This is a little misleading I
10 have to tell you. I think somebody was looking for a
11 good sound bite that worked.

12 I think from our point of view, it is really
13 what I have been talking about. It is collaborating on
14 freight, initially, to be sure that our perspective
15 systems are in alignment. We are not planning
16 corridors that the Mexican's are not aware of or vice
17 versa that all of our states are part of the process
18 and working with the provinces and the states in
19 Mexico. So I say for this initial phase -- is going to
20 be consolidating this effort to be speaking the same
21 language in terms of how we plan the freight system so
22 that we are looking at more of an integrated system as
23 we move down the line.

24 One of the first steps on this trilateral
25 effort is a major study that we are embarking on to

1 look at requirements for corridors and border
2 infrastructure over the next 30 years. This is a study
3 that is co-funded by the Office of the Secretary and
4 Federal Highway. It was just launched -- Camp Dresser
5 Mckee and Smith, CDM Smith is the contractor on this.
6 Paul might be a good contact within this group for that
7 effort.

8 What we are going to be doing through the spring
9 of 2016 is working with stakeholders in the supply
10 chain area in freight border issues. We are going to
11 look at different scenarios that we can look at from --
12 really from a North American point of view. We want to
13 be on the same page with Mexico and Canada to be sure
14 that we are making the same assumptions about where the
15 economies are going, what reasons specifically are
16 expected to see growth in manufacturing, requirements
17 for freight and supply chain infrastructure, passenger
18 infrastructure, as well. I think we see tourism as
19 very important, as well.

20 So it is not only the movement of goods, but I
21 think we see this looking out over the 10-year, the 20-
22 year, the 30-year horizon as a way to get on the same
23 page with Mexico and Canada, to work from the same
24 assumptions as we move our planning forward, and I
25 think it is going to be very useful, as well, to our

1 own interagency federal planning for border
2 infrastructure.

3 That study, as I said, goes until the spring of
4 2016, but we are right at a critical juncture. We will
5 be holding over the next month-and-a-half a series of
6 stakeholder events. We want to pull experts together
7 in all dimensions of this, anybody that has something
8 to say about this, into a U.S. workshop, which will
9 probably be held in Washington.

10 We are going to have a workshop in Mexico and we
11 are going to have another workshop in Canada just to
12 sort of set the stage to get the stakeholder input
13 before the consultant goes off and starts to do the
14 analysis and gather additional data.

15 We will also bring folks back together later in
16 the process and we expect to be dealing with this,
17 managing this trilaterally. We are working with Mexico
18 and Canada closely on this. There are always actually
19 quite a few Mexican agencies and stakeholders on the
20 calls already, Canadian stakeholders.

21 So it's looking very promising. I think we're
22 going to have what we consider to be a truly trilateral
23 outcome that I think is going to be very beneficial to
24 this group.

25 One aspect I would leave you with, and maybe Ed is

1 going to echo that, as well, is that we get your
2 participation in the study. We really wanted to be
3 sure that you have a chance to shape the study as it
4 goes forward, very important.

5 I would also encourage you, if you work on a North
6 American basis with partners in Mexico and Canada, to
7 get them engaged, as well, when we have our workshops
8 in Mexico and Canada. We definitely want your input
9 into this process and we look forward to working with
10 you.

11 I think I'm going to leave it at that. I will
12 turn it over to -- is it Ed?

13 Let me just warn you that our office of acronyms
14 must not have been there when they named this. I'm
15 joking. There is no office of acronyms.

16 [Laughter.]

17 MR. EBERHART. That would be the first to go if
18 there were budget cuts.

19 Scenario planning, future freight, passenger
20 traffic flows across the US-Mexico and US-Canada
21 borders. Let me just emphasize that this is not a
22 border study. We are talking about Yukon, Puebla.
23 We're talking about national movements. We're not
24 talking about just moving trade between Monterey and
25 Texas. So I we have a very large scope.

1 PARTICIPANT: Is there a Website or where can we
2 get more information about the workshops that you are
3 offering?

4 MR. EBERHART: I think probably what we should do
5 is just put it out for your network. I don't believe
6 we've put out the Website yet. We will. But I think
7 once we have it, why don't we just pass it through your
8 network here?

9 MR. LONG: We'll circulate it.

10 MR. EBERHART: To be sure that you've got it on
11 your distribution.

12 MR. STROCKO: And we know that you're great at
13 getting the word out.

14 [Laughter.]

15 MS. MELVIN: Our new campaign, being North
16 American, we're launching it today. I brought the
17 stickers for everyone. I've got one on my car.

18 MR. EBERHART: I would suggest going on to Ed and
19 then we have general questions and we'll both be
20 available to do that.

21 MR. LONG: This is a great topic because I think
22 as our group, we are going to want to pick specific
23 aspects of this to make contributions on behalf of the
24 entire group. So this will help us define some of the
25 things we've talked about on trade.

1 It is worth mentioning, too, that some of the work
2 we did on MAP-21 issues found its way to actually
3 helping some of the single-window IT conversations,
4 because it flagged for many people looking at the
5 border management issues how the supply chain should
6 work.

7 So all this stuff is important to us.

8 MR. STROCKO: Thanks, Dave. I'm Ed Strocko with
9 the Federal High Administration, in the Office of
10 Freight Management and Operations. I lead the Freight
11 Research and Analysis Team. And it's good to be back
12 with everybody.

13 Today I was very fortunate to bring another leader
14 with me, Crystal Jones. She is the team leader for
15 Freight Program Delivery in our office. So we kind of
16 split off the office between the two of us. So we are
17 going to tag-team.

18 We're going to talk a little bit about some of the
19 North American projects we are working on, following-up
20 on what Fred said. And then, Dave, you mentioned MAP-
21 21. We'll be happy to give you a brief update on where
22 we are with that.

23 So I think probably to the last point is just to
24 follow-up on that workshop and that study you mentioned
25 that we're very excited about, and a little bit more

1 detail on that.

2 It's really as much about process as it is about
3 forecasts. We want to get that common framework, that
4 understanding between ourselves, Mexico and Canada on
5 how we should be looking at -- how we should be
6 thinking about the freight and the passenger flows that
7 go between the three countries.

8 So we're using this scenario planning technique.
9 Chris Kaplizo (phonetic), who I know has been here
10 before, did a lot of work for us and for Chris Smith in
11 developing a process for using it, and Dean had
12 reminded me yesterday that Shell Oil is one of the
13 pioneers in using that.

14 We have been very successful in the past. We are
15 going to bring that back. And that's why any help, any
16 assistance that you can give us is critical, because to
17 develop the scenarios to really gut-check does this
18 really make sense, are these possible futures, we need
19 to hear from you. Otherwise, it's not going to be
20 worth anything.

21 So that's really the next step and that's where
22 we're going to have this set of workshops, defining
23 what the future scenarios are.

24 After that, we are going to build off of that and
25 try to develop some forecasts on what the flows would

1 look like. Multi-mobile, you've got the air cargo, as
2 well as tourism, water flows, rail flows, as well as
3 highway flows. And we want to take both a macro look,
4 looking at huge regions between the countries
5 bilaterally, and then also on a more micro look at
6 those specific border crossings so we can understand
7 what is happening right there, as well as what is the
8 North American context for this.

9 We really think that it is going to help us as we
10 go forward in understanding in the multi-mobile
11 corridor and gateway needs as we try to align some of
12 the infrastructure plans.

13 So it's a pretty quick study for us. We want to
14 get it done in the next 8 to 12 months. So we'll do
15 this workshop and then we'll probably come back in the
16 summer and do another one and get another gut-check as
17 we get into the forecasts there. So that's that.

18 The other thing I want to talk about is validity,
19 where this group has been so instrumental improving the
20 thinking on this. I think we've really started to get
21 our legs under us because we're working, seeing here
22 and the direction we've gotten.

23 Joe and Lance have done some work with the I-95
24 Corridor Coalition. We've talked about that before.
25 Juan has done some stuff and Fred mentioned the

1 Transportation Research Board. At a workshop we had we
2 brought Canada and Mexico in and out of that we have
3 taken the next step and tried to tackle some North
4 American supply chains.

5 So the first one we are looking at is automotive
6 and we're looking at it from Windsor down to -- Windsor
7 and Detroit down to Mexico and focusing mostly on the
8 highway side of it, but looking at that complete
9 picture end-to-end there.

10 Once we get that down, we'd like to expand it and
11 what Cynthia mentioned before and one of our asks is
12 what are the priorities. How should we figure this? I
13 know Lance talks about what is that market basket. So
14 the North American market basket, what do you think we
15 should be doing? How should we proceed and what is the
16 right number and what would you like us to try to kick
17 off next there?

18 So I think it's very exciting. I think what is
19 probably really instructive to us is some of the work
20 that we got here from what datasets are out there and
21 then some of the work when Joe and Lance actually
22 applied it, and it took some of the fear factor away.
23 We can do this and here is data. There is always
24 concern is that data that is going to give us the
25 visibility at the supply chain level, so we have a

1 little bit more confidence in that now.

2 I think I'll turn it over to Crystal. You can
3 talk a little bit about some of the specific border
4 pieces there.

5 MS. JONES: So as Ed said, I lead the team of
6 program delivery at Federal Highway's Office of Freight
7 Management Operations, and that includes everything
8 ranging from outreach to some of the border initiatives
9 that we have been working on.

10 The Safe Freight Planning Initiative and also some
11 of the major programs like Projects of National and
12 Regional Significance and TIGER, which, by the way, if
13 we did have an office of acronyms, had NRS come out
14 with the regional first, if you think about what that
15 acronym would have been, it would be PNRS.

16 So anyway, what we've been doing based on MAP-21
17 largely and also continuation of what we were doing
18 even before MAP-21 is enforcing with our states the
19 need to do effective freight planning, to be able to
20 develop freight plans into collaboration with the
21 private sector that allows us to basically put some
22 prioritization on the most important investment needs
23 for our transportation system and freight movement in
24 the nation.

25 So MAP-21 had safe freight planning as an

1 encouragement. So states do not have to develop state
2 freight plans, but as I mentioned, for the most part,
3 what we find with most of our work that we've been
4 doing with the states, the states have been doing
5 freight planning for a long time. It's just now
6 becoming, I guess, more defined from MAP-21 and
7 hopefully is something akin to GROW AMERICA passes. It
8 continues to be an emphasis area to ensure that we do
9 effective planning, to make sure that we are making the
10 investments into the highest priority needs for our
11 freight system.

12 So along those lines, one of the other things that
13 we've encouraged our states to do is develop state
14 freight advisory committees. And people like you,
15 within your own jurisdictions and areas, are the folks
16 that we'd like to see represented in that process,
17 because in the end, we know that we are the Federal
18 Government and we don't know everything there is to
19 know about the freight systems within the area.

20 So those state freight advisory committees are one
21 of the linchpins to making sure that we do effective
22 freight planning. So that's another aspect we talked
23 to Cynthia and her group, her subcommittee, about
24 yesterday, making sure that either as a mandatory
25 component of something like GROW AMERICA or even an

1 encouragement in the MAP-21, we should see those state
2 freight advisory committees that require public and
3 private participation as one of the key steps in our
4 freighting planning effort.

5 So along the border, I think Greg mentioned beyond
6 the border and all those other high level, prime
7 minister and presidential initiatives, and, for the
8 most part, we've always been at the table for that,
9 going back to the establishment of the transportation
10 board or working group of Canada and the joint working
11 committee with Mexico. We've always been very engaged
12 with transportation agencies in Mexico and Canada to
13 advanced our efforts to make sure that we have a more
14 effective border crossing.

15 Most recently, we worked in collaboration with
16 Customs and Border Protection and Juan and some folks
17 in Texas and putting in place what we hope to be the
18 start of a framework that allows us to have better
19 information about when and where to cross the border,
20 how to optimizes your border crossing experience
21 through better information such as border wait times
22 and beyond border wait times, disseminating that
23 further back into the transportation system or traveler
24 information system to provide kind of a corridor
25 perspective on how long is it going to take you not

1 only to cross the border, but how long is it going to
2 take you to get through the border and what that entire
3 border crossing experience is going to be like.

4 So that area is one of the areas that we are going
5 to be doing a significant amount of work in, going
6 beyond sort of understanding how the border is
7 operating, but understanding how the system that leads
8 up to the border is operating. So we'll be doing work
9 with that.

10 In general, the whole concept of using an
11 intelligent transportation system as a multiplier to
12 the transportation process has always been something
13 DOT has been interested in whether it's for safety
14 purposes or traveler management and mobility.

15 We hope to carry some of those things from a more
16 North American perspective and we've been working on a
17 specific initiative that provides freight traveler
18 information; so not just information to the general
19 traveling public, but also specific information to
20 folks who are operating within the transportation
21 system that is specific to what is the freight
22 experience going to be like on our highway system.

23 So that's some of the other ITS initiatives,
24 intelligent transportation initiatives we've been
25 working on.

1 Some of you may have heard of connected vehicles.
2 There's a component of it that looks at the safety
3 aspect and a component that looks at the mobility
4 aspect. So we are working primarily more so in Canada
5 and New Mexico at understanding what that future
6 connected vehicle is going to mean to freight transport
7 or crossing the border between Canada and Mexico.

8 So under the Regulatory Cooperation Council,
9 that's one of the specific areas that we are looking at
10 advancing as a way to, again, make sure that the
11 freight system is operating as efficiently as possible.

12 So those are kind of the key highlights I had.
13 I'm more than happy to answer any questions about
14 anything ranging from border operations to the freight
15 planning or Projects of National and Regional
16 Significance.

17 I will mention that we are required under the MAP-
18 21 to develop a report to Congress that basically
19 provides Congress a comprehensive list of Projects of
20 National and Regional Significance. We are concluding
21 that work now. We had two issuances of surveys to go
22 out to the state DOTs and other eligible project
23 sponsors to get input on that comprehensive list.

24 All I'm allowed to say right now is that we have
25 received over 300 projects that have been identified as

1 Projects of National and Regional Significance. Beyond
2 that, I can't give any information that we haven't
3 provided Congress yet. But it has been an interesting
4 process to see what the investment need is as
5 identified through that survey process.

6 The report to congress was due in October. It's
7 going to be a little late, but we are hoping that the
8 lateness is kind of made up for by the fact that we do
9 think that we've done a great job in going after the
10 stakeholders that can help identify really what that
11 investment need is for the Projects of National and
12 Regional Significance.

13 MR. STROCKO: I'm going to throw in two more and
14 then maybe we could take questions. Then if you want,
15 we could talk about MAP-21.

16 Two other things I think are of interest. We are
17 seeing a lot of interest in urban freight issues. And
18 so we have a number of activities going on with that.
19 We're doing an intermodal connectors study and I forgot
20 to bring this up yesterday, so I'm going to try to get
21 Cynthia to consider looking at this, as well, and
22 anyone else.

23 We could use some reality-check on this. We're
24 doing some case studies. We want to understand how
25 these last mile connectors are working. What are the

1 conditions? What is the performance? How do we ensure
2 that we have proper funding for them? How do we make
3 sure they are working as intended? Often, they're the
4 stepchild of -- they're not -- it's part of the state
5 system, there may be a municipal system. So we've got
6 to make sure we can get into the port, get into that
7 intermodal rail yard.

8 So we have a pretty big study going on and we'd
9 like to get a reality check from this group sometime
10 mid-spring there.

11 The other thing we're working with, and this is a
12 huge effort, this is one of those it takes a village
13 efforts, the vehicle inventory and use survey. This is
14 something that the Census has done in the past. They
15 started it in the 1960s and then because of budget
16 constraints, they ended it around 2002. It was every
17 five years.

18 It looked at the operating and physical
19 characteristics of the truck fleets in the United
20 States. So it was an important source for a number of
21 different purposes. So we're trying to bring it back.

22 We're funding it at Federal Highway. We have BTS, our
23 Bureau of Transportation Statistics, helping to fund
24 it. USDA is on board funding it, as well as the Energy
25 Information Agency.

1 We've chunked it up into three phases -- the plan,
2 the pretest, and the survey. So right now we're trying
3 to understand what it would look like, the scoping of
4 it, the introduction of technology, putting trackers in
5 the trucks to get a lot more information from how they
6 move and how the engines are performing. And we'll see
7 where we are at the end of the summer and then we'll be
8 ready to go into the next phase.

9 It's probably going to be a \$10 million to \$20
10 million survey. So it's a big thing and we're looking
11 at how to actually make this happen from a funding
12 perspective. But I know it's something of interest to
13 a lot of folks in the industry. So I wanted to mention
14 that.

15 The last thing, going back to urban freight, two
16 things. Off-hour delivery, we've done one round of
17 competition. We have a project in DC and down in
18 Florida, in Orlando, looking at how you can make
19 deliveries off-hours, improve productivity there.

20 We're going to go back out in the next couple of
21 weeks and offer some more grants to folks to try to
22 pilot this. It was very successful up in New York when
23 they did the pilot. So we're trying that out.

24 We're very excited about that because it's low
25 cost. Really it's just an operational change.

1 The last thing is we see a lot of municipalities
2 pushing these road diets, that complete street and you
3 want to get the pedestrian and the bicyclist, the
4 automobile in there. A lot of times they're forgetting
5 the freight vehicle, unfortunately. We are injecting
6 ourselves in that conversation, making sure that they
7 don't forget about it, that there is room for the
8 loading zone, there is room to make those deliveries.

9 So we have a project working with the EU to try to
10 get that in the dialogue there.

11 So with that I'll stop and be happy to answer
12 questions.

13 MS. RUIZ: Crystal, the PNRS report, when is it --

14 MS. JONES: Right now our date is early April.
15 Hopefully, it will get through the clearance process
16 and we hope to release it in early April.

17 MR. STROCKO: And we'll be happy to come and brief
18 everybody.

19 MS. JONES: And I should say that that's a program
20 that has freight as a major component in terms of the
21 types of projects, but it's also transit and passenger
22 rail and the whole gamut of major projects.

23 So freight is a major component of the program,
24 though, and obviously some of the -- kind of how TIGER
25 played out, the TIGER discretionary grant program is

1 modeled somewhat after PNRs.

2 I'm sure most of you know there is another round
3 of TIGER, also, and that is going to be happening here
4 in the next few months, as well. Though our office
5 doesn't manage the policy side of TIGER, our office
6 does manage the delivery of the TIGER projects.

7 We've had a lot of lessons learned from a great
8 TIGER freight project that we are hoping to put
9 together in some sort of package that helps advance
10 financing and innovative financing of freight projects
11 and using some of the lessons learned from some of the
12 TIGER discretionary grants.

13 MR. LONG: From the Commerce point of view, this
14 is all very interesting, especially in terms of trade
15 investment matters, especially for North America.

16 You mentioned looking for priorities and applying
17 different types of priorities. Could you mention it up
18 against also some of the things NALS and the high level
19 economic dialogue, talk about like freight forwarder
20 planning?

21 Could you talk a little more about the kinds of
22 priorities and relationships with Mexico and Canada are
23 involved in that? We're looking for what we could
24 contribute to that supply chain.

25 MR. EBERHART: I think the biggest areas are

1 really the whole cycle of project planning. I think I
2 mentioned the definition of what data is required so
3 that was on the same page and we're collecting
4 comparable data, using comparable analytical tools,
5 sharing information as we go forward, and ultimately
6 when we come out with a final planning process, they
7 are cross-informed.

8 I think it is unlikely that we are going to see
9 anytime soon a single North American plan. I mean,
10 you've got 50 states, it's very important to keep the
11 states in this process, from our point of view. Canada
12 has got provincial considerations, and Mexico states,
13 as well, even though they seem not to factor that into
14 the decision-making process.

15 But I think our real priority is working out how
16 we can match this up, how we can marry up the different
17 approaches, get them as close as we possibly can so
18 that as we put these plans out, as we start to move
19 projects forward, they are on the same page.

20 MR. STROCKO: Something you said yesterday, Fred,
21 I thought was really important, that we can't forget to
22 focus a lot on getting things into the country, we
23 can't forget about getting things out of the country.

24 MR. EBERHART: That is a good point. Particularly
25 having worked border crossings for a long time, a lot

1 of the effort seems to be aimed at the northbound in
2 Mexico and southbound in Canada. I think certainly
3 these are part of the equation, but we and all of the
4 Federal agencies are responsive to the President's
5 National Export Initiative and we see exports of jobs
6 is really the core reason we're working on this.

7 So I think that the key here is that, yes,
8 facilitating the flow and planning for northbound
9 Mexican traffic and southbound Canadian traffic is
10 fine, but we really need to understand what the
11 bottlenecks to exporting are.

12 I think we've recognized that Ambassador Medina-
13 Mora makes his visits around town, he always comes
14 equipped with the argument that products that are co-
15 manufactured, products that are actually manufactured
16 or assembled in Mexico have 40 percent U.S. content,
17 and when it is offshore, it is not anywhere near that.

18 So that is a very strong selling point from their
19 point of view. Maybe a slightly smaller number for
20 Canada.

21 I think it's really important -- actually, I guess
22 that is a good point. I'll reiterate it, that it's
23 very hard to find case studies. I have to say I've
24 been for years looking for good examples of -- in fact,
25 this week was a major milestone in our cross-border

1 trucking efforts. We completed the pilot. We
2 announced on Monday that we are now proceeding, we are
3 moving forward and we will be accepting applications
4 for regular long-haul authority.

5 That is not the point of why I'm saying that,
6 though. I remember probably seven years ago when we
7 made another stab at doing that program and we
8 announced that we were starting the pilot, one of the
9 major manufacturers or one of the reps of the
10 manufacturers here in town said, "You know why this is
11 so important to us? It's because this will enable us
12 to keep plants open in the United States."

13 We're going to be able to co-manufacture with
14 Mexico and as a result of that, plants in the United
15 States, at least for appliances, are going to stay
16 here. They're not going to go to Asia.

17 I have to say we haven't had the same public
18 reaction that we did the SPP, where everybody was
19 frightened of the prospect of a North American
20 corridor, but I think it's really important that
21 participants in the North American supply chain be as
22 forthcoming as they can in providing evidence of the
23 U.S. benefits of doing this.

24 It's easy to say that we should do it, but often I
25 think each company may have reluctance to offend their

1 Korean or Japanese partners or they may not want to
2 share any information with their competitors, but I
3 think there really needs to be a way to tell the story
4 of why this is so important and how this is indeed
5 contributing to jobs in the United States.

6 So that's an ask. If that's something you could
7 turn your attention to, I think it would be very
8 valuable.

9 MS. JONES: And I'll just say that the complexity
10 of designated priority corridors on the highway side is
11 complicated by some of the historical weight that we've
12 classified corridors. We have a national network which
13 was promulgated as a network. That's important for
14 commerce. So we have that network.

15 We have the national highway system, which was
16 promoted as where we should be making the Federal
17 investment. We have high priority corridors that were
18 designated by Congressional acts years ago and now we
19 have the MAP-21 that's requiring us to designate
20 another network.

21 For us on the highway side, I would say that the
22 prioritization of corridors is probably not as easy as
23 it might be for our Mexican and Canadian counterparts.

24 I don't know if Ed wants to add anything to that,
25 but I think the danger of a process with comparable

1 data and how you might designate corridors is an
2 approach, but I think you still have other corridors
3 that exist already for the purpose of promoting
4 commerce, which are the interstate, of course, the
5 national network, the national highway system.

6 So it's a bit complicated on just the pure highway
7 side.

8 MR. LONG: I think we're interested to hear how it
9 matches up to what's happening in Canada and Mexico.
10 Are their priorities roughly looking like ours?

11 MR. EBERHART: I think it's interesting. You guys
12 may be able to answer more scientifically, but there is
13 often impatience in Mexico and Canada with our need to
14 really consult with our regional and state
15 stakeholders, the need to work through that process.

16 I think I said yesterday that Canada, I think,
17 understands how important the states are because of the
18 transactions with the new international trade process.

19 It wasn't really DOT that was running that process.
20 It was Michigan. I think it became very apparent that
21 they can't turn to the U.S. Government to make a ruling
22 and make all the problems go away. They have to work
23 very closely with state involvement.

24 I think on the Mexican side it's the same thing in
25 some ways. They have six years per administration and

1 I think they would like to get right to work in
2 building the corridors and it is sort of an
3 inconvenient middle step to have to consult with the
4 local stakeholders in the process.

5 It's interesting, however, that when you look at
6 the outcome, Canada -- and probably the Pacific gateway
7 has come up in discussion, if not this time, probably
8 in past meetings here, but Canada came out of the gates
9 with its Pacific corridor running through Prince Rupert
10 and Vancouver and not long after that, all of a sudden,
11 they were talking about a central corridor and an
12 eastern corridor. And darned if it didn't start to
13 shape up to accommodate for all their stakeholders and
14 all the provinces that probably were complaining about
15 it.

16 Even though the central government in Mexico wants
17 to have control of designating corridors, if you look
18 at the maps of what their priorities are, they tend to
19 run through the key points that we consider to be
20 important. They do actually coincide pretty well with
21 what we consider to be the major corridors here.

22 It is probably just in which specific road in a
23 region and what freight line to use where there is
24 disagreement.

25 But I think from our point of view, working

1 through our regional border master plans and working
2 with the state freight stakeholders really shouldn't be
3 much of a disruption to that process.

4 I think we probably come out pretty much the same.
5 It's just we have to take care of our respective
6 stakeholders.

7 MR. BRYAN: Fred, there is something I'd like to
8 bring up to you, also, just as something to think
9 about. This comes out of some work we were doing for
10 economic development purposes in Michigan.

11 What we are looking at is cross-border trade
12 opportunities and basically there was a major split
13 between cross-border activity on the manufactured goods
14 side and cross-border activity on the distribution
15 side.

16 The manufacturing side, it's not exactly a fluid
17 border, but it's an open border. There is a decent
18 amount of activity going back and forth, not every
19 industry, but plenty.

20 On the distribution side, they are completely
21 different worlds. It's a hard border and supply chains
22 are designed for the U.S. and for Canada and they do
23 not cross.

24 The reasons seem to have to do with, for example,
25 on the retail side, have to do with how many SKUs are

1 we managing, and then the differences in specifications
2 on each side of the border, it's not just the metrics
3 and the language, but it's also things like what are
4 the electrical specifications. We just don't agree to
5 be able to accept each country's or each other's
6 requirements.

7 What that leads to, though, is what it says is the
8 further along in the supply chain you go, the more we
9 are in different worlds. The more you can break down
10 that part of the border, the more the supply chains are
11 fluid across the continent and the more we do that, the
12 more we act like a single economic entity instead of
13 only a partially integrated system.

14 There are clearly logistics advantages of the
15 total logistics system if you're able to be more fluid
16 than you otherwise are. And there are certainly
17 consumer products companies who are making bi-national
18 products. The issue is there aren't that many of them.

19 And the more you have harmonization on that issue, the
20 more it would be an open, fluid border.

21 MR. EBERHART: I think that makes a lot of sense.
22 What I am hearing is that standards and rulemaking --

23 MR. BRYAN: Correct.

24 MR. EBERHART: The way we look at it is that
25 infrastructure is the hardware, standards and

1 regulations are the software, and they are both
2 necessary to do the job right. They have to be
3 consistent and compatible.

4 I think we've been making efforts under the
5 Regulatory Cooperation Council, but I think we have a
6 lot of work to continue.

7 DOT has a very robust program of regulatory
8 cooperation. We've been talking very closely on the
9 issue of crude oil by rail, as those standards are
10 enhanced. Crystal mentioned the ITS collaboration.

11 But it sounds to me that what you're talking --
12 and this is something I had not thought about. The
13 standards of doing business actually create as much of
14 a barrier to the border as actually the cross-border
15 process.

16 MR. BRYAN: If you look at the consequences in
17 practice, at that level, they are completely different
18 markets.

19 MR. EBERHART: I think what would make that even
20 more complex is the fact that probably some of those
21 rules are provincial and state rules and others are
22 Federal rules. So it's a challenge.

23 But I know that we have been committed to working
24 closely with Canada to try to remove those barriers. I
25 think -- and this is me speaking -- it's a long haul.

1 It's a cultural thing. It's a comfort thing. But I
2 think there is a recognition that that is an obstacle.

3 Again, the case where we've probably got to make
4 more of -- I think what we've found is that the
5 Canadian companies call more for this regulatory
6 harmonization than on the U.S. side, probably by virtue
7 of the different sizes of the markets. But it's
8 another case where the U.S. industry is seeing an
9 obstacle to exporting to Canada and the same to Mexico,
10 would make an awful lot of sense.

11 MR. BRYAN: I would think so. And I will add,
12 too, that it is certainly true that tastes in Canada
13 and tastes in Mexico are going to be different than in
14 places in the U.S., but tastes in Chicago are different
15 than tastes in Atlanta.

16 The funny retail adjustment to consumer
17 preferences that are still done within a single supply
18 chain, not across the board.

19 MR. EBERHART: Incidentally, the RCC -- I mean,
20 we've set most of our agendas for 2015 for the RCC at
21 this point, but I think the suggestions for specific
22 items to address is always open. And so if there is
23 something very specific that we can get our hands on --
24 I'm not sure which entities, which agencies, which
25 jurisdictions govern that, but I think it would be very

1 | productive.

2 | MR. STROCKO: I would also say going -- this gets
3 | away from the regulatory side, but you're thinking
4 | about, well, what is the next North American supply
5 | chain pick, do we pick some of those retail ones or
6 | those distribution ones, everybody has some
7 | conversations with Transport Canada about that.

8 | From a jobs perspective, it is probably less
9 | controversial. If you've got retail outlets in both
10 | places, it's not about jobs, it's about moving the
11 | goods more efficiently.

12 | MR. LONG: This could be considered in ways that
13 | would feed into making sure -- it sounds like it's also
14 | have you picked the right supply chain for that, and it
15 | sounds like it's working out the same. It sounds like
16 | there is plenty of opportunity to offer reasonable
17 | regulatory suggestions.

18 | Are you looking also for new paths on financing
19 | the associated infrastructure? I think our next round
20 | of financing recommendations might be a good time. Is
21 | that attractive?

22 | MR. EBERHART: Yes. I think it's very attractive
23 | to us. I know that Secretary Foxx, that is one of his
24 | core agenda items, financing infrastructure. It's a
25 | big, big problem.

1 So we're talking about innovative approaches for
2 border crossings, but I think it goes across the
3 spectrum. How do we enable -- how do we free up more
4 financing for the infrastructure that supports freight
5 and supply chain?

6 MR. STROCKO: I can agree it's something that is
7 on my Crystal's mind and my mind every day, and
8 probably on Chris' mind, too. We're at a critical
9 point there and we keep kicking the can down the road.
10 We've got to figure out some solutions and we've got
11 to figure them out now.

12 MR. LONG: In your discussions, are you looking --
13 a lot of this is directly at the land crossing side.
14 Are you looking at air services or freight services of
15 rail?

16 MR. EBERHART: Yes. This is all -- this study
17 that we're talking about with Canada and Mexico is a
18 multimodal study, looking at all modes.

19 Federal Highway is engaged in it, but we're
20 bringing in all of the key stakeholders from all of the
21 points.

22 MR. STROCKO: When we were talking about this
23 group with Federal rail and our maritime industries,
24 one of the things that they brought up was just that
25 the financing and the water versus the land bridge and

1 the cost of transportation in the U.S. versus the world
2 and the cost of infrastructure, it was definitely on
3 non-highway modes.

4 MR. FISHER: I'd like to make three observations.
5 First, thank you for coming and giving us this
6 briefing.

7 First, looking at financing, I represent -- I'm
8 vice chair of CenterPoint Properties Trust and we
9 finance infrastructure, major rail infrastructure
10 around the country and other logistics and real estate.

11 There is plenty of private capital out there that
12 wants to tackle these projects, but we need some
13 assistance or seed money from the Federal Government.
14 So working on Triple Ts and enabling that ought to be a
15 priority of the Federal Government, because if the
16 money is out there, business knows where this money
17 ought to be invested. But it's really the partnerships
18 where government provides the seed capital that can
19 make it happen.

20 The second thing is that I'm also the chair of the
21 Supply Chain Innovation Network of Chicago. We don't
22 have an acronym. It's called SCINC. But in any event,
23 it's a group of supply chain executives across the
24 supply chain.

25 The group came together because there is a

1 recognition that we can't look at the supply chain in
2 segments. So I would hope that considering projects of
3 national significance, looking at the connection points
4 between different modes, not just modes in isolation,
5 because what we found in this group is that trucking
6 companies really don't understand rail, rail doesn't
7 really understand water.

8 And the bottlenecks out there that are costing
9 Chicago real money are where there is the handoff
10 between mode to mode. And so looking at the corridors,
11 I think you've got to look at multimodal corridors to
12 increase efficiency and that's a heavy focus of our
13 group in Chicago, where there is more trucking
14 companies, more rail, more everything. And when
15 Chicago sneezes, the nation really has a problem. We
16 learned that last winter.

17 The third observation is I think it's terrific
18 that you are looking at off-peak delivery. Our group
19 set that as an initial priority issue for our region,
20 because there aren't enough truck drivers, there aren't
21 enough roads, and the idea is how do we get better
22 utilization.

23 So I think we're working with CMAP, our agency, on
24 one of the grants and, if I can pitch it, I hope that
25 you will give our request a favorable consideration,

1 because our industry group sees that as a high priority
2 for freeing up capacity so more goods can not only be
3 delivered in Chicago, but more goods can be
4 manufactured in Chicago and move out to the Midwest.

5 So I think those are three areas that I encourage
6 you to look at or congratulate you for looking at.

7 MR. STROCKO: I have struggled with this and I'm
8 glad I'm in the room with people smarter than myself,
9 because I can't figure the answer out and I'm hoping
10 maybe you guys can help me.

11 On this off-hours concept, we have been very
12 successful with the carriers. The drivers feel
13 actually it is safer at night, not in congestion. They
14 don't have to park a couple of blocks away. They can
15 park out in front of the retail establishment and
16 deliver it and then they can complete their route in
17 time.

18 It is how do you deal with the receiver. If it's
19 a mom-and-pop florist shop, you probably don't want to
20 stay open until 10:00 at night. But how do you
21 convince, how do you sell that to the retailer there
22 that this makes sense and what are the hooks there?
23 And we're still trying to figure out the shipper-
24 receiver part of that.

25 So any thoughts, suggestions, advice on that would

1 be much appreciated.

2 MR. LONG: Well, we are zeroed in on that.

3 MS. STRAUSS-WIEDER: As you know, when Stacy did
4 it in New York, some of the issues they ran into, they
5 had to do curbside, elevators or labor, they didn't
6 work overtime. But they were exploring at some point
7 items like a caged area or restricted area so they
8 could give keys to their vendors.

9 It also ties with the work that you're doing on
10 the supply chain, because the auto parts DCs, when they
11 deliver to dealerships, they do have the keys, they do
12 have a designated area, and they do deliver overnight.

13 So there may be some practices there. It is
14 harder with the mom-and-pop because they don't want to
15 be there. But that kind of drop-box situation and some
16 of the alternatives may help.

17 I know that in New York City, some of the
18 incentives helped.

19 MR. FISHER: We see it as a concept that can be
20 expanded to shipments running out of business parks
21 connected with intermodal and you could increase port
22 throughput. So the development concepts and inventory
23 replenishment inner city, those same concepts or
24 incentives, if you will, can be expanded to these other
25 freight areas.

1 It could really help us with truck utilization,
2 shortage of truck drivers, better infrastructure
3 utilization.

4 MR. BLASGEN: Good deal.

5 MR. LONG: Other questions?

6 MR. ROJAS: You mentioned you had a meeting with
7 CBP and, obviously, you mentioned bottlenecks. There
8 is probably no better example of bottlenecks than some
9 of the ports of entry that we deal with on a daily
10 basis.

11 One of the key issues that we've been dealing
12 with, obviously, we have a lot of repetitive freight, a
13 lot of freight that is low risk being transferred by
14 low risk carriers, low risk drivers, all CTPAT, and we
15 are lacking some of the -- we have the proverbial fast
16 lane, but they're not really fast lanes, they're fast
17 gates. We don't have the lanes that get all the way
18 into the port and that is sort of where you and SCT and
19 the problems in Canada are coming into play.

20 But one of the things that we're sort of looking
21 at, and that's a really critical aspect, but the
22 borders of the future that we're sort of having a
23 discussion about should be highly automated from going
24 to the B2B thing, but at the same time, transponders --
25 we don't have to get to B2B yet. We already have

1 transponders. We already have ACE, submitting
2 information, all these things.

3 We'd love to see FHW and DOT overall sort of be a
4 support for how do we unclog the bottleneck at the
5 border. And, yes, we have agencies with security
6 responsibilities and those are important, but there is
7 a lot of repetitive freight, again, but it's low risk
8 and it could move through quicker.

9 Is that in the discussion specifically that you
10 were having such as yesterday or where are you going
11 with this?

12 MR. EBERHART: One of the things I didn't mention
13 under HLED is that we are coordinating very closely
14 with Mexico on intelligent transportation systems.
15 Crystal talked a bit about that.

16 A good example is the work they are doing in San
17 Diego, Baja right now. They are treating it as a
18 regional system that would be tied together. Actually,
19 they're working on pilots right now to develop that
20 system. We see that as a great example of something
21 that could be done once all along the border and tied
22 into -- across the agencies into the operations.

23 Maybe, Crystal, you could --

24 MS. JONES: I think I probably didn't make as
25 solid a point as I wanted to make about sort of --

1 we've been very engaged with Customs and Border
2 Protection on, first of all, getting the right
3 information to understand what times are the borders
4 most clogged, can you think of operational changes to
5 make it more efficient.

6 But I think that's the key next step is that now
7 that we have all this information that's fairly
8 consistent and fairly accurate, how do we move toward
9 high impact, low cost solutions beyond just building
10 infrastructure, because in some cases there is, number
11 one, not money to build new infrastructure and, number
12 two, you're landlocked and you can't expand anymore.

13 So I think as Fred pointed out, the San Diego
14 project is going to look at concepts of dynamic
15 pricing. So get this guaranteed level of service based
16 on information that is being generated through traffic
17 management systems and you always have the option to
18 cross at a time where it may be a little bit more
19 congested and you may have a to pay a little more.

20 So the whole traffic management process, we are
21 very engaged with trying to apply those to the border
22 crossing experience. But unfortunately, like
23 everything else, it's limited by funding. But
24 certainly I do believe that the next logical step
25 beyond getting the good information on what the border

1 crossing and border delay times is figuring out how you
2 use that information to make a better border crossing
3 experience.

4 I was just sitting here thinking that having done
5 this 11-12 years myself, I remember there was a border
6 concept that -- assume it off-peak, where you had this
7 sort of first-in-best-out concept, where you had your
8 paperwork cleared and you were ready to cross the
9 border, you'd have some staging area before the border
10 crossing and only those that were the best prepared
11 would get to advance to the border, whereas folks who
12 needed paperwork changes could work that out.

13 So I think we're looking forward to figuring out
14 some innovative concepts to use the information to make
15 a positive change in the border crossing experience.

16 We don't have everything yet, but I think as Fred
17 pointed out, the San Diego, Baja work is one of our --
18 what we consider our probably best initiatives that we
19 have ongoing right now to understand how you can apply
20 traffic management concepts to better operate.

21 Again, we have advanced our partnership with CBP
22 tremendously over the last 10 years and I think we are
23 looking forward to doing this, what we're saying,
24 figuring out how to make it a better crossing
25 experience for the users.

1 MR. EBERHART: I'd like to emphasize that. In the
2 9 years I've been working on these issues, there has
3 never been a better level of cooperation among the
4 agencies that work on this stuff.

5 It has always got to get better, there is no doubt
6 about it. We are not complacent about it. But I think
7 we're at a point where we talk candidly with each
8 other. We are really in problem-solving mode and this
9 is exactly the kind of topic we can get focused on.

10 The biggest issue is working around these
11 constraints in financing. CBP is doing a pretty good
12 job with the money that they receive. The problem is
13 they were able to get some money last year, but a
14 couple of years before that they were pretty well
15 zeroed out for new infrastructure.

16 They've got \$6 billion of deferred maintenance on
17 their existing facilities. So you talk about expanding
18 capacity, it would be a tough decision, if I were in
19 charge of that, to put money into a new process.

20 But new capacity is part of the discussion, as
21 well. So I'm pretty optimistic.

22 MR. BLASGEN: Thanks, guys.

23 [Applause.]

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1 set up as the more specific version of the agenda we've
2 been talking about.

3 With that, as soon as we can get some dates
4 together, we'll do conference calls to take care of the
5 trade group's recommendation and see where we are
6 shaping up the ITGS recommendations, as well.

7 Like Rick, I want to thank you for your incredible
8 patience on this and appreciate your support. I think
9 it was a good meeting and I think we've just heard the
10 agenda.

11 MS. BLAKEY: What are the dates of the April
12 meeting?

13 MR. BLASGEN: I have them as 15 and 16.

14 MR. LONG: I'll send a calendar around. Thank you
15 very much.

16 MR. BLASGEN: Thanks, everybody.

17 (Whereupon, at 2:41 p.m., the meeting was
18 concluded.)

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C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of the Advisory Committee on Supply Chain Competitiveness, United States Department of Commerce, held on Thursday, January 15, 2015, were transcribed as herein appears, and this is the original transcript thereof.

LISA DENNIS

Court Reporter