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**BEFORE THE
U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE**

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**"INDUSTRY AND LABOR PERSPECTIVES: A FURTHER LOOK AT NORTH AMERICAN
SUPPLY CHAIN CHALLENGES"**

Chairman DeFazio, Ranking Member Graves, and members of the House Transportation & Infrastructure Committee, thank you for the opportunity to speak with you today regarding concerns and disruptions in the supply chain that directly impact the free-flowing movement of freight in the U.S. and its impact on the American consumer. I appreciate the opportunity to give the perspective of our members today and provide some potential pragmatic solutions that could help alleviate the disruptions.

My name is Anne Reinke; I am the President & CEO of the Transportation Intermediaries Association (TIA). I am honored to be here today to represent our more than 1,800 member companies. TIA is the professional organization of the \$214 billion third-party logistics industry. Our members essentially serve as the central connection between shipper and carrier, matching our shipper's (customer) freight with the carrier who will ultimately move the product, regardless of mode. TIA members utilize the latest technology to efficiently plan global freight transportation across all modes, gain real-time visibility of inventory-in-transit and proactively manage delays specific to ocean/port and inland truck/rail capacity challenges. Additionally, TIA members increase collaboration between all modes of transportation and recognize the incredibly hard-work and dedication that trucking companies, railroads, ocean liners, and airlines play in the supply chain. TIA is the largest organization exclusively representing transportation intermediaries of all disciplines doing business in domestic and international commerce.

Our members have a unique perspective and view into the supply chain across all modes, because their entire goal is to help get goods efficiently from one place to another. From our members' perspective, the supply chain disruptions that we see today are the result of a perfect storm. The supply chain crisis is not the cause of one or even a small number of defined issues, but rather a host of issues that resulted in the failures we are all experiencing. On the supply side, irrespective of

the mode of transportation, there is a labor shortage in all areas of the supply chain (plant employees, drivers, train operators and warehouse employees), a chip shortage, a lack of available chassis, and a lack of warehouse and container storage. And on the demand side, freight is moving at historic peaks, as the pandemic spurred a focus on the goods economy in the absence of a service economy. Capacity simply cannot be added as fast to keep up, though we know all our partners in the supply chain are doing as much as they can as fast as they can. We also have to remember that the supply chain challenges are not confined to the U.S., it is a global phenomenon.

Now more than ever, freight transportation intermediaries are the vital point of connection between freight that needs to be hauled and the trucking and rail operators that need to move it. There's no silver bullet solution on the horizon, even with millions of dollars pouring into transportation and logistics technology. Such technology is being put to use in building new platforms and systems to try to solve the cascading crises that have mounted over the past two years. Instead, the keys to solving this ongoing supply chain crisis lie in having the government incentivize investment and efficiency, and for industry stakeholders to prioritize forging relationships and deploying innovative technology. All industry stakeholders must find new avenues for working together and making more efficient use of existing capacity, equipment, labor, technology, and warehousing space.

To that end, TIA applauds the U.S. House of Representatives and the U.S. Senate for the passage of the Infrastructure Investment and Jobs Act (IIJA) and the historic investment in our nation's transportation and infrastructure projects and needs. Specifically, three provisions relating to TIA membership, including a section that clarifies the role of "dispatch services" in the supply chain, a full review of the FMCSA Consumer Complaint Database, and a pilot program for 18–20-year-old drivers. Importantly, the bill also includes a transformational investment in funding and grants for infrastructure to support ports and the freight network.

About TIA:

TIA members include more than 1,800 motor carrier property brokers, surface freight forwarders, international ocean transportation intermediaries (ocean freight forwarders and NVOCCs), air forwarders, customs brokers, warehouse operators, logistics management companies, and intermodal marketing companies. TIA members handle the purchase of more than \$100 billion worth of transportation each year and employ more than 130,000 people across the country.

TIA is also the U.S. member of the International Federation of Freight Forwarders Associations (FIATA), the worldwide trade association of transportation intermediaries representing approximately 50,000 companies in virtually every trading country.

Transportation intermediaries or third-party logistics professionals act somewhat as the “travel agents” for freight; however, given the wide varieties of freight, specific needs of each shipper, and the diverse issues applicable to any one load means that third-party logistics professionals must have expertise far beyond what a traditional “travel agent” must possess. Using hard-won relationships and advanced technologies, these companies serve tens of thousands of shippers and carriers, bringing together the transportation needs of the cargo interests with the corresponding capacity and special equipment offered by rail, motor, air, and ocean carriers.

Transportation intermediaries are companies whose expertise is providing mode and carrier-neutral transportation arrangements for shippers with specific needs and requirements and matching those with the ability and expertise of the underlying operating carriers.

Supply Chain Crisis:

Stakeholders to the supply chain have been working for decades to increase its overall efficiency as the public now expects consistency and transparency in the delivery of products, or “just in time delivery”, due in large part to the e-commerce utilized by companies like Amazon and consumer demand. This resulted in eliminating “excess” inventory, optimizing networks and transportation modes, increasing labor productivity, and reducing overall labor costs. These efforts produced significant supply chain efficiencies and worked extremely well in a relatively stable economy and transportation network.

However, efficiencies can also result in a lack of “slack” in the system. When there is a significant event like a global pandemic that disrupts the normal flow of goods, the supply chain networks have little slack and therefore limited ability to adjust to market conditions. All resources (trucks, rail assets, labor, and infrastructure) are already assigned to the normal network and shifting them in a different direction takes time. Historically, we have seen these kinds of market dislocations in 2014 with the polar vortex in the Midwest and during various hurricane seasons. However, the global nature and sheer magnitude of the COVID-19 global pandemic has exacerbated this issue to its breaking point.

Furthermore, the demand for freight takes this disruption to another level. Generally, after minor events, the demand grows for freight, but not at this rate. At its peak after the opening of the economy, the demand for freight was 11% higher or more than 50% greater than the previous peak in 2005. The costs to move freight throughout the supply chain is drastically on the rise because of these disruptions, which directly impact everyone throughout the supply chain and ultimately the

end consumers. We are seeing this firsthand as prices jumped 6.2% in October, which is the biggest inflation surge in more than 30-years.

There are certainly several key factors causing challenges – a lack of truck drivers and other critical workforce, a lack of equipment availability (chassis) due to shortages and increased dwell time, and delays in permitted facilities that provide necessary warehousing space. It is important to remember that all these issues are only part of the links in a complex supply chain and have been affected by a variety of reasons.

Potential Solutions:

While there is no single solution or action that will immediately alleviate the supply chain disruption there are several issues that could be addressed that would help the movement of goods. First, while we are in unprecedented times, it's critical to understand that the market can and will adjust, but it takes time. There are some ways that the government can help to expedite the process in the short and long-term, but I would caution any significant government intervention that could have the perverse outcome of slowing the market response. One way to handle this is for shippers to rely more heavily on the spot market and brokers, as they exist to provide more flexibility in the supply chain for situations like these. Brokers can use their technology and relationships to find critical capacity for shippers, when the demand for freight movements exceed the freight moving under contract. Our members are reporting that the request for brokers is more than twice the amount than normal. Our members stand ready to assist in any way possible to alleviate the crisis.

An immediate way that the government can help the supply chain is to help free up productivity and access to the markets, as well as support access to drivers. For example, there are current state laws that could further impede the efficient movement of goods and should be rolled back or

suspended during this crisis. Some TIA members doing business in California are concerned that the AB 5 law, which essentially bars independent contractors from operating in the state, will further exacerbate the supply chain situation by narrowing the pool of available drivers and companies. For example, at the ports themselves, the majority of dray carriers operating at the ports are independent contractors. TIA is aware that the law is working its way through the legal system and is currently under a legal stay until the Supreme Court decides its fate, but the effects to the capacity can already be felt by brokers and motor carriers. This California law attacks the independent contractor model and is upsetting a highly fluid and competitive marketplace and inhibiting to every available company and driver. When almost 90% of all trucking companies are small fleets of fewer than five trucks and the economy is in the middle of a crisis, this law seems short sighted and imprudent. As a side note, many of these fleets in addition to the larger ones were willing and ready to enter the worst hot zones of the pandemic to ensure that essential goods were delivered.

TIA supports all trucking companies and works tirelessly through our Association and members to ensure that the conditions of truck drivers continue to improve and create a win-win-win value proposition for all parties involved. A diversified and decentralized freight system that can adapt to market changes rapidly is the key to our economic health, growth and national security. You can look at the Colonial Pipeline data breach, if only 100 motor carriers existed in the supply chain one hack could severely impair our supply chain. With nearly 300,000 for-hire trucking companies with an average size of five or fewer trucks, redundancies are built in the system. The PRO Act, which would change the way independent contractors are classified at the federal level would make this a national issue and have devastating effects on the transportation market.

In the same vein, certain state environmental regulations are also acting as a chokehold to port access. Let me be clear, TIA is a firm believer in reducing the carbon footprint and becoming a green

industry. TIA works closely with the Environmental Protection Agency (EPA) SmartWay program to incentivize our members to utilize clean trucking companies, but regulations must be right-sized, discrete, and not a deterrent to the efficient movement of freight. For example, several of the California Air Resources Board (CARB) laws directly impact the way our members conduct their business and capacity in the State. Specifically, our members have to navigate CARB's Truck and Bus Regulation, the Tractor-Trailer Greenhouse Gas Regulation, and the Transport Refrigeration Unit Airborne Toxic Control Measure (TRU ATCM) regulation. Additionally, there is a proposed regulation the Advanced Clean Fleets regulation that seeks to achieve the goal of zero-emission trucks and buses in the state of California by 2045 everywhere.

These regulations promulgated from CARB would hold our members accountable for motor carrier emissions compliance for all freight arranged in the State of California. The scope of the requirement is so broad that it requires our members to check compliance of specific trucks and is beyond the scope of how the industry works. These regulations have led directly to several members not doing business in the State anymore, and the same can be said for motor carriers as well, who may not have the resources to install all these green technologies. These regulations have led to a situation where a carrier may haul the freight to the state line and refuse to enter the state, which in turn requires another carrier to finish the load that is willing to operate in the state of California. These regulations can be promulgated on interstate commerce based on a federal waiver under the Clean Air Act that was given to the State of California. In the long-term, TIA would implore Congress to remove this waiver, but in the short term, TIA would urge the State of California and Governor Newsom to temporarily suspend the AB 5 law and these environmental regulations to alleviate the disruption.

Third, wherever possible infrastructure funding should support the supply chain. This is an area where, long-term, the federal government can be a key partner in helping to build a more resilient supply chain nationwide. The IIJA is an important investment in that endeavor. Key programs to support freight, ports and congestion reduction will help to bolster throughput. TIA also appreciates President Biden's recent announcement to help unlock grant funding at the ports. This should be true for the entire supply chain. While the pinch point is currently at the ports, the supply chain must work fluidly at every point. Our members must help move freight from point A to B and use all modes of transportation to make that happen efficiently. Today, our nation's outdated infrastructure system relies on congested roads and aging bridges that have a direct impact on freight efficiently and safely moving forward. We also have world class freight rail networks and their private investment in their infrastructure should continue to be incentivized, to help mitigate the current congestion in intermodal lanes.

Third, we must focus on innovation. TIA members continue to be industry leaders in the technology space as they must constantly innovate to address an ever evolving and growing industry. For example, our members utilize the latest technology to facilitate the movement of freight from one point to another. These solutions include maximum freight visibility with real-time data, automation in the back-end office, and utilizing artificial intelligence. However, as one segment of the supply chain network, there is only so much they can do. Additional data or technology may be necessary across other sectors. We are interested to learn more about the Administration's recent announcement to focus on building a data framework to help move goods more efficiently. This framework may be useful if it reflects the actual nature of how freight is moved and where and how data is shared. As the government considers this step, the 3PL industry should be an integral part of that discussion.

Finally, TIA has been for many years concerned about the motor carrier safety rating process and its effects on the marketplace, capacity and most importantly safety. The Federal Motor Carrier Safety Administration (FMCSA) is still using an outdated physical audit system to rate motor carriers for safety. This antiquated system has led to 90% of trucking companies being “unrated.” This system creates confusion and conflicting information in the carrier selection and vetting process that leads directly to a backlog and time constraints on our member's operations. This lack of clarity is causing several thousand small motor carriers from being utilized and ultimately decreases the capacity of available trucking companies to our members. TIA members and the industry need a new system that is built on fair and reliable data which will expedite the process of selecting a motor carrier and give industry stakeholders like ours more certainty on the carriers they utilize and ensure that only the safest carriers are selected.

TIA has fully endorsed and supported H.R. 3042. The “Motor Carrier Safety Selection Standard Act of 2021,” sponsored by Congressman Moulton (D-6th/MA) and Congressman Gallagher (R-8th/WI). H.R. 3042 would ask the FMCSA to begin the process of developing a new Safety Fitness Determination (SFD) process to change the way carriers are rated. TIA applauds Congressmen Moulton and Gallagher for their leadership on this legislation and would ask the Committee to markup this legislation as soon as possible to move it forward.

Conclusion:

I appreciate the opportunity to testify before the Committee today to provide the perspective of the 3PL industry and offer some potential solutions. I would be happy to answer any questions.