TESTIMONY OF JEFF TUCKER

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ON BEHALF OF

TRANSPORTATION INTERMEDIARIES ASSOCIATION

CENTER OF THE SUPPLY CHAIN

BEFORE THE

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HEARING: "THE STATE OF TRANSPORTATION"

Chairman Graves, Ranking Member Larsen, and members of the House Transportation & Infrastructure Committee: Thank you for the opportunity to speak with you today to highlight the vital role that logistics companies play in the supply-chain and how the logistics industry combined with an effective infrastructure directly impacts the overall American economy.

My name is Jeff Tucker; I am CEO of Tucker Company Worldwide based in Haddonfield, New Jersey, and a former Board Chair of the Transportation Intermediaries Association (TIA). I chair and co-chair committees in other national and international logistics organizations, which give me a variety of perspectives. Tucker Company Worldwide is the oldest privately-held freight brokerage in North America, specializing in project cargo like oversized and overweight shipments—including some of the largest structures humans can move on the ground--to extremely expensive and high security items like pharmaceuticals, vaccines, and life-science goods. We provide U.S. military logistics support and have supported countless Presidential missions, DNC and RNC national conventions security logistics support. In the aftermath of 9/11, our company provided trucking services at Ground Zero; we supported FEMA during countless disasters; and moved radioactive containment structures during the Three-Mile Island partial meltdown. We operated during excessive regulation, and we helped lead the industry through Presidents Carter's and Reagan's and multiple Congress' bipartisan efforts to deregulate price controls and contracting controls that stifled the industry. In those earliest days of deregulation, my father Bill Tucker was a founding member of TIA, which celebrated their 45th year as an association in 2023. Along with my brother Jim, we are third-generation owners of the company that my grandfather founded.

I am honored to be here today to represent TIA's more than 2,000 member companies. TIA is the professional organization of the $232 billion third-party logistics industry, representing approximately 1 in 4 freight dollars spent. With over 33 years of experience in the field of logistics and supply chain management, I am pleased to share insights into the intricate relationship between logistics, infrastructure, and the overall efficiency of the supply chain. Make no mistake—investment in American infrastructure, combined with incredibly resilient and innovative logistics providers combine to supercharge America's economy, its jobs and the health and welfare of Americans. We make the world go 'round.

The word 'logistics' encompasses transportation, warehousing, distribution, and inventory management and is the foundation of every supply chain. When done well- it involves the seamless coordination and integration of many transactions to ensure the timely and cost-effective movement of goods from the point of origin to the end consumer.

Logistics companies specializing in transportation are freight forwarders and freight brokers. I am here primarily representing freight brokers, who focus on surface transportation within North America. Freight brokers stand at the center of the supply chain: we routinely solve the most difficult challenges; we facilitate and arrange the efficient and economical movement of goods by working with tens of thousands of shippers and carriers to help arrange the movement of freight by truck, rail, air, and ocean carriers. Increasingly, we are the parties with the most significant investment in freight and logistics technology.

Every fortune 500 company utilizes the services of at least one freight forwarder and one broker, and often they use many brokers to handle their freight transportation allocation. Arranging the freight is only the tip of the iceberg, and the easiest work we do. We provide critical data to help companies manage their businesses more effectively; we provide technological support and innovative solutions to strategic and tactical problems, and we help manage aspects of their business relationships, identifying waste and opportunity for savings and efficiencies. By helping companies understand the supply chain, and working with them, their suppliers, and their customers to educate them on the value of time, the value of delay, the value of useful information versus bad, we help companies revolutionize and revitalize their operations. All of this is possible because we move their freight and use their own data, combined with market data and internal learnings to help them continually evolve, and compete with domestic and foreign competitors.

The work that logistics companies do has taken on new importance to America since the pandemic upset global supply chains. The pandemic, China's misguided and unsuccessful Zero-Covid policy, and the increasing geo-political tensions around Taiwan, the Taiwan Strait and the South China Sea, and the inordinate shipping delays that ensued at the peak of the freight crisis, have collectively caused many American companies to rethink China and return to the Americas, and to the United States.

We learned of examples of healthcare manufacturers who were solely dependent upon Chinese suppliers for lifesaving products, parts of syringes, many types of personal protective equipment ("PPE") and many other critical to life products. Companies sought to mitigate these risks by finding other manufacturing locations in—closer to home and in the U.S. Logistics companies are critical to supporting this effort. We are helping companies choose locations wisely and to move new freight volumes throughout the country. These are exciting times, especially for our company, since my grandfather founded the company and supported rigging companies who were dismantling factories in the Northeast and moving them South, West or overseas. Today, 60 years later, we see America building again.

Transportation efficiency is paramount in the U.S. GDP and the global supply chain, as it directly impacts the speed and reliability of delivering products. The optimization of transportation routes, the utilization of advanced technologies such as GPS tracking and the integration of multi-modal transportation options all contribute to a more resilient and responsive supply chain. Logistics companies view infrastructure as the chess board, and we are adept at strategically helping our customers and our carriers make the best moves to help their businesses thrive.

Logistics companies are the largest investors in logistics technologies within the industry—more than shippers and carriers. We play a critical role in mitigating many risks within the supply chain. Continuous investment in solution development, technology, modeling, and piloting new methods of delivery are central to what logistics companies do today. We help organizations respond swiftly to disruptions, ensuring continuity of supply even in the face of unforeseen challenges, like when natural disasters hit, when new products launch, and of course when global supply chains are disrupted by pandemic or war or blocked canals. The supply chain bent but never broke during the pandemic, due to the incredible resilience of our transportation system, and due to the risk mitigation actions and the taken by logistics companies.

Let me repeat myself. The supply chain bent, but never broke during the pandemic. There was never a day—ever—where we were not able to locate a truck to move a shipment. It may have cost a lot more to lure a carrier away from steady business, or to send an empty truck hundreds of miles to pick up a critical shipment. But we moved it.

Today there are more than twice as many trucking companies as a decade ago. The nation added over 1 million net, additional for-hire drivers over that same time. I encourage you to think differently about there being a driver shortage. There is not a driver shortage in America. I have been reporting data on this for 13 years. However, if you are a large carrier, you have an awful driver shortage because technology allows smaller carriers to thrive and has encouraged American entrepreneurship. The largest fleets today represent the smallest market percentage in drivers and tractors than at any time since 2011. Overall, however, the industry is thriving.

Logistics companies have never been more important to the economy than they are today. Trucking fleets are becoming smaller and more nimble and more specialized, catering to the specific needs of our manufacturers and importers. Meanwhile, manufacturers are lean, efficient and they wish to deal with fewer suppliers—thus the enormous and ever-growing reliance on logistics companies to support their operations.

This growth in logistics companies and the ever-increasing decentralization of the motor carrier industry are great for America. They fuel ownership, investment, and innovation. They keep America open for business and maintain our position as the swiftest, most powerful distribution system in the world.

In the earliest days of the pandemic, when Washington State nursing homes were being ravaged, and New York City hospital morgues were overflowing with the dead, these smaller fleets volunteered to move loads to these troubled areas, while some larger carriers declined. As we sought carriers to haul medicine and other relief supplies to NYC, large corporately run carriers routinely told us they were not sending drivers to hot spots for their safety and due to Human Resources concerns. Understandable. I get it. But small carriers and drivers volunteered, placed the flags on their backs like superheroes, and helped those in need. Logistics companies, and the deep, interwoven operational relationships we have with our customers enabled these drivers to access this business and to perform this good work. And get paid. And through the worst of it—those first several weeks in April 2020 when extraordinarily little freight was moving—we kept carriers moving. None of us had the revenues that we wanted, or the orders we needed, but we kept America fed and critical supplies flowing. We notched huge psychological wins during a dark period that gave our work new meaning.

The U.S. economy has become intrinsically linked with the broader global marketplace and the worldwide supply chain can have significant impacts. As we saw during the pandemic, the role of logistics in both the United States and internationally remains pivotal to the broader American economic landscape. From the standpoint of our members, the disruptions experienced in the supply chain due to the COVID-19 pandemic are improving, yet several lingering challenges persist.

Some challenges include: (a) individual states undoing the seamless interstate commerce system by attacking small carriers and owner operators with regulations ostensibly geared toward clean air, but are overreaching and overbroad, placing the fundamental strength of our supply chain—our diverse and defragmented market—in grave jeopardy; (b) limitations in truck capacity within specific sectors such as liquid bulk and hazardous bulk shipments; (c) shortages of shipping containers; (d) inflationary pressures driving up the cost of many freight components and reducing consumption of goods, which reduces freight volumes.

I wish to commend the Administration and this Committee for the proactive approaches to addressing supply chain concerns, notably through the FLOW initiative and the creation of the Supply Chain Taskforce. The multifaceted efforts to navigate and optimize the supply chain align with the overarching goal of fostering economic resilience and stability. Logistics companies remain optimistic about continued progress and look forward to ongoing collaboration to ensure the resilience and efficiency of the U.S. supply chain.

I remain concerned about national security as it relates to the supply chain. We were overly dependent upon China before the pandemic and remain so today in certain products. Individual state regulations mentioned earlier, which if left unchecked by Congress, will slow down freight movements and harm American families. Regulations that consolidate the industry may appeal to special interests, but these efforts make it easier for our enemies to disable our trucking industry. It is far more difficult to disable a growing 350,000 carrier fleet with 3.5 million drivers, than it is to disable a consolidated one. Remember how the Colonial Pipeline and Maersk data breaches brought commerce to a halt?

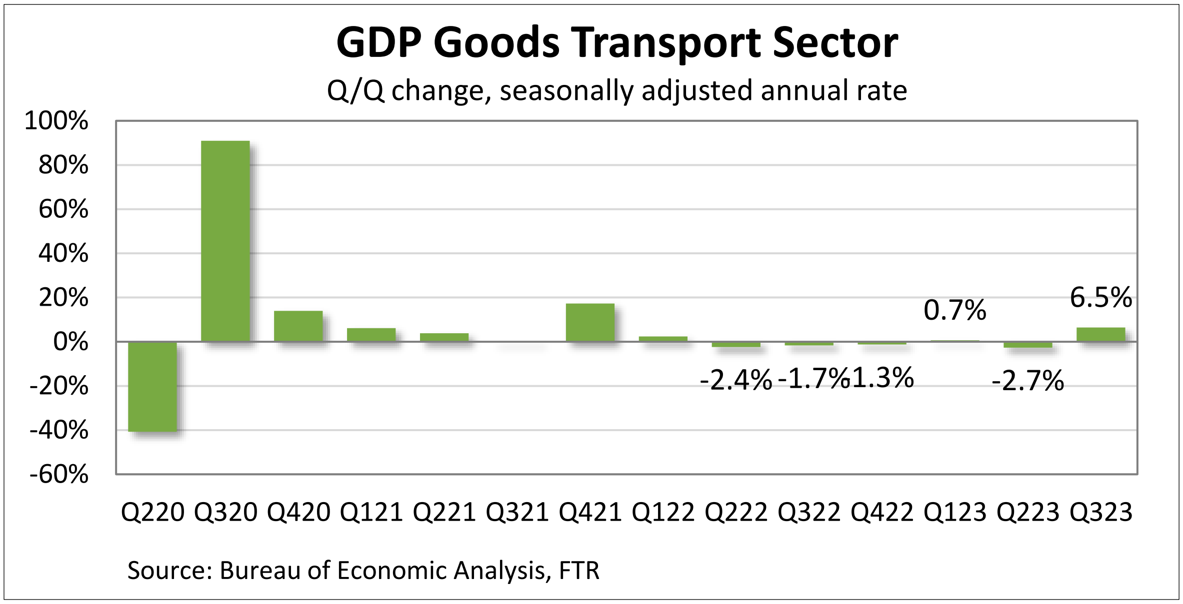
I am genuinely concerned with the Federal Motor Carrier Safety Administration (FMCSA) and their willingness to become involved in commercial aspects of the transportation system. I was selected by FMCSA Administrator Anne Ferro several years ago to serve on its Motor Carrier Selection Advisory Committee's subcommittee. Since 2010, FMCSA has promised to provide safety data to those of us interested in motor carrier safety. They have failed the public miserably. This is the one thing industry needs from them, and they are 13 years overdue and counting. Yet, instead of focusing squarely on life saving safety issues, they keep wasting years of funding and taxpayer support focusing on commercial considerations like performance bonds and what is contained in contracts regarding pricing between private parties, neither of which have any relevance to safety. FMCSA's regulatory mission is safety and reducing crashes, injuries and fatalities involving large trucks and buses. Yet they persistently avoid that responsibility every minute that they focus on commercial interests between private entities. FMCSA must be held accountable to focus exclusively on safety matters and stay out of regulating agreements between companies.

On behalf of TIA, we are particularly grateful for Congress' work to pass the Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law. Infrastructure is the engine that powers sustained growth and is the bedrock of our GDP. Infrastructure, encompassing roads, bridges, airports, communication networks, and energy systems, facilitates the smooth functioning of key sectors. Adequate and well-maintained infrastructure not only enhances connectivity and accessibility but also fosters economic efficiency and creates a conducive environment for businesses to thrive, attracting investments and generating employment opportunities. Additionally, infrastructure investments contribute to improved sustainability by promoting environmentally friendly practices and technological advancements. In essence, allocating resources to infrastructure development is an investment in the future, laying the foundation for a resilient, competitive, and prosperous economy.

Supply Chain Disruptions

TIA publishes a 3PL Market Report that summarizes data collected from participating TIA Members, which gives us insights into the market and analyzes the future market. In the 3rd quarter of 2023, the U.S. economy and the portion associated with freight transportation both posted surpassingly strong results. The Real Gross Domestic Product (GDP) rose 5.2% quarter over quarter on a seasonally adjusted basis – the strongest gain since the fourth quarter of 2021. Despite this solid performance in the third quarter, freight volumes remained sluggish driven by increased consumer spending on travel, experiences, and entertainment (think Taylor Swift and Beyoncé), and inflationary pressures reducing overall spending for many.

In the mid-2020s and 2021, inflation hit trucking and freight before it hit the greater economy. Demand for trucking services and wild changes in supply chains dramatically changed lanes and carrier partners for shippers large and small. Carriers and logistics companies scurried for new customers and new lanes, and shippers scurried for new carriers, bidding up prices to steal capacity from others, since commerce lanes changed so much. Interestingly, overall freight volumes were not particularly abnormal. All of this “inflation” in freight was caused by rapidly shifting supply chains, unlike anything in history. This pricing strength attracted 15% more drivers into the market in just two years from 2020 to 2022. In mid-2022, the supply chain reached a new equilibrium, and most of that new driver capacity that appeared, has been steadily exiting the market. Today’s carrier and driver counts are back to 2019 and 2020 levels. The inflationary period in trucking, air and ocean seems to be over, and its short duration provides hope that today's moderating inflation numbers may portend a short-lived consumer inflationary period.



Looking to the future, logistics companies are paying close attention to consumer spending, manufacturing, capacity and utilization, and retail and wholesale inventories. According to the recent data, the freight industry showed signs of improvement, outpacing a trend of weak performance that began in mid 2022. However, freight volumes and the possibility there may still be overcapacity in the trucking industry paint an uncertain view of 2024. If the market is in equilibrium, we feel a little more positive, as pricing is level and predictable. We watch consumer spending as a leading indicator for the freight economy. And stronger than expected jobs data provides some optimism. Mortgage rates edging down and increased home ownership trends by younger citizens are glimmers of hope for freight. Data shows that spending has kept freight demand in good standing and could continue; however, a sudden weakness in job growth, or a negative shock to the economy could undermine this upswing.

Amidst the prevailing uncertainty, the 3PL (third-party logistics) marketplace stands resilient, experiencing unprecedented strength. Shippers increasingly rely on brokers, and this reliance has witnessed substantial growth, with the broker freight marketplace expanding by over 30% from 2020 to 2022. The agility of TIA members is noteworthy, as they possess the capacity to adapt swiftly, leveraging robust carrier relationships that shippers may not inherently possess.

In navigating the dynamic landscape, shippers consistently seek transportation solutions to meet their evolving needs. Safety and security rank as the top two criteria when a shipper selects a broker. Looking ahead, projections indicate a substantial uptick in the role of brokers, with estimates suggesting that by 2045, brokers will handle nearly 45% of the freight in the supply chain—a significant increase from the current approximate share of 30%. And the number of brokers continues to grow, offering shippers and carriers more choices and a much wider range of partners and specialties, catering better to their needs.

This trend underscores the growing significance of brokers in the logistics ecosystem, positioning brokers as key facilitators in meeting the evolving demands of shippers while maintaining a steadfast commitment to safety and security.

Fraud in the Supply-Chain

One developing challenge is that the supply chain is currently grappling with a pervasive fraud epidemic, costing upwards of $800 million for American consumers, with brokers, carriers, shippers on the front lines. Regrettably, the industry is witnessing a surge in malicious actors engaging in illegal activity, registering with FMCSA as carriers using numerous motor carrier numbers, and perpetrating fraud, theft, and freight hostage situations without facing legal consequences.

Unfortunately, and yet again, FMCSA is falling short in enforcing the law or investigating the tens of thousands of fraud complaints lodged with the Agency. Although the FMCSA expressed intentions to utilize funds from the Infrastructure Investments & Jobs Act (IIJA) for increased enforcement, to date, progress has been slow. We do understand the constraints and limitations that the Agency faces, and this is an issue that we all need to tackle head on together. I encourage this Committee, Congress, and the Administration to use every tool at your collective disposal to refocus and reprioritize FMCSA's attention away from commercial interference between brokers, carriers, and shippers, and concentrate all its efforts on safety and national security. Fraud in trucking affects critical freight like pharmaceuticals, food, and even military freight. These are legitimate and present threats to public safety.

Fraud not only undermines market security but also poses risks to safety on our nation's highways, inevitably leading to additional costs for end consumers. The situation's urgency prompted Congress to take issue with it, as evidenced by the inclusion of language in the fiscal year 2023 THUD Appropriations Bill, mandating the FMCSA to report back to Congress on the issue and their actions. However, the awaited report is yet to be issued. FMCSA has commercial interference on its mind instead.

Another contributing factor to supply chain fraud is the proliferation of unlicensed and unregulated "dispatch services," often based outside the United States. These services, hired by owner-operators to secure loads, including sensitive Department of Defense freight, raise concerns about national security. FMCSA has decided to exclude these services from obtaining a freight broker license, instead of recognizing the pervasive nature of this issue. Making matters worse, in some cases, foreign nationals, operating overseas for these dispatch services have direct IT connections with U.S. carriers and/or payment services here. This opens a Pandora's Box of IT risk that is incomprehensible. Collaborative efforts with the Armed Services Committees in the House and Senate occurred in 2023 and report language was included in the NDAA to investigate this issue. One proposed solution involves the implementation of a provision from the Moving Ahead for Progress in the 21st Century Act of MAP-21, requiring brokers to demonstrate industry knowledge or possess a minimum of three years' experience for authorization, mirroring a successful regulation at the Federal Maritime Commission (FMC).

From my perspective, the most significant challenge currently afflicting the market is the prevalence of fraud in the supply chain. Until there are effective measures to address and enforce solutions for this issue, the continued dysfunctionality of the supply chain and its adverse impact on the broader economy will persist.

<u>Conclusion:</u>

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.