

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

HOUSE TRANSPORTATION COMMITTEE  
PUBLIC HEARING

STATE CAPITOL  
HARRISBURG, PA

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WEDNESDAY, NOVEMBER 17, 2021  
9:00 A.M.

SUPPLY CHAIN ISSUES FACING THE COMMONWEALTH  
STAKEHOLDER TESTIMONY

SUBCOMMITTEE MEMBERS PRESENT:

HONORABLE TIM HENNESSEY, COMMITTEE MAJORITY CHAIRMAN  
HONORABLE ROSEMARY BROWN  
HONORABLE MINDY FEE  
HONORABLE DOYLE HEFFLEY  
HONORABLE JOHN LAWRENCE  
HONORABLE JIM MARSHALL  
HONORABLE LORI MIZGORSKI  
HONORABLE MARCI MUSTELLO  
HONORABLE MEGHAN SCHROEDER

HONORABLE MIKE CARROLL, COMMITTEE MINORITY CHAIRMAN  
HONORABLE AUSTIN DAVIS  
HONORABLE DIANNE HERRIN  
HONORABLE JOSEPH HOHENSTEIN  
HONORABLE SARA INNAMORATO  
HONORABLE PERRY WARREN

MEMBERS PRESENT VIRTUALLY:

HONORABLE LYNDA SCHLEGEL CULVER  
HONROABLE RYAN WARNER

\* \* \* \* \*

*Pennsylvania House of Representatives  
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts online.)

## P R O C E E D I N G S

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1  
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3 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
4 you, Mike. I'll ask Representative Schroeder if she has  
5 any opening comments, since it was your suggestion that  
6 brought us to the table today.

7 REPRESENTATIVE SCHROEDER: Well, thank you very  
8 much, Chairman. First of all, let me thank each of our  
9 testifiers for joining us today and those who have supplied  
10 us written testimony. This is an issue that is certainly  
11 not unique to Pennsylvania, and being proactive on this  
12 issue would help all of us for what is coming down the  
13 pike.

14 At a time of year when the holiday shopping,  
15 retail and traveling is elevated -- makes an already  
16 difficult supply chain logistics even more stressed. A  
17 labor shortage, a product shortage and an unavailable space  
18 seems to be making the perfect storm for our ports and our  
19 transportation routes.

20 I'm anxious to hear if government can be a part  
21 of the solution, or if it's the best thing if -- we do is  
22 take a step back and let the private sector figure it out.  
23 But we know we have a problem. Businesses large and small  
24 are struggling as we continue to try to regain our economic  
25 footing post COVID, and getting our supply chain rolling

1 again will go a long way in helping that. Thank you again  
2 for being with us this morning, and thanks for being here.  
3 Thank you Chairman.

4 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
5 you, Meghan. With that, I'll ask Pam Houst [phonetic] to  
6 call the roll, please.

7 MS. HOUST: Chairman Hennessey?

8 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Here.

9 MS. HOUST: Brown?

10 REPRESENTATIVE BROWN: Here.

11 MS. HOUST: Culver is virtual.

12 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Is --  
13 yes.

14 MS. HOUST: Fee?

15 REPRESENTATIVE FEE: Here.

16 MS. HOUST: Heffley? Kaufer is on leave.

17 Lawrence? Marshall?

18 REPRESENTATIVE MARSHALL: Here.

19 MS. HOUST: Mizgorski?

20 REPRESENTATIVE MIZGORSKI: Present.

21 MS. HOUST: Mustello? Rothman is on leave.

22 Schmidt? Schroeder?

23 REPRESENTATIVE SCHROEDER: Here.

24 MS. HOUST: Stephens? Warner? Chairman Carroll?

25 COMMITTEE MINORITY CHAIRMAN CARROLL: Here.

1 MS. HOUST: Davis?

2 REPRESENTATIVE DAVIS: Here.

3 MS. HOUST: Gainey?

4 COMMITTEE MINORITY CHAIRMAN CARROLL: I think  
5 many of our members, Pam, are going to come in and out,  
6 because it's not a voting hearing. So I'm going --

7 MS. HOUST: Okay.

8 COMMITTEE MINORITY CHAIRMAN CARROLL: I'm going  
9 to say that they are all going to be here, but they're  
10 going to come in and out depending on their schedule. Just  
11 as I say this, Representative Innamorato walks in on cue.  
12 So, I -- I'm going to -- those that aren't here, I'm going  
13 to declare are here. They will be in and out during the  
14 day.

15 MS. HOUST: Okay, perfect. Thank you.

16 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Again,  
17 Representative Ryan Warner is joining us virtually as well.

18 MS. HOUST: Ryan Warner?

19 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Uh-huh.

20 MS. HOUST: Okay.

21 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: If you  
22 are participating virtually and you would like to ask a  
23 question of any of the testifiers, please contact by email  
24 Tori Lauermann or Meredith Biggica. Tori's email is  
25 [tlauermann@pahousegop.com](mailto:tlauermann@pahousegop.com). Meredith's is

1 [mbiggica@pahouse.net](mailto:mbiggica@pahouse.net). With that I think we are ready to  
2 begin the testimony. Our first testifiers are  
3 Kara Templeton, Director of Driver's Licensing for  
4 Pennsylvania Department of Transportation, and also  
5 Mark Kopko who is the Director of Transformational  
6 Technology who join us this morning. Welcome. Please,  
7 come forward. Okay. Thank you. Good morning, and begin  
8 whenever you are ready. Thank you.

9 MS. TEMPLETON: So, good morning. My name is  
10 Kara Templeton, and I am the Director of the Bureau Driver  
11 Licensing at the Pennsylvania Department of Transportation.  
12 And, on behalf of Secretary Yassmin Gramian, I thank you  
13 for the opportunity to discuss supply chain issues facing  
14 the Commonwealth as it relates to operating a commercial  
15 vehicle.

16 I'd like to take a few minutes to highlight some  
17 of the ways that PennDOT has worked to facilitate PA  
18 residents in obtaining a commercial driver's license as we  
19 recognize the importance of keeping freight moving. I have  
20 submitted written testimony, and that stands. I'd like  
21 just to take the opportunity to highlight a couple of key  
22 points from that testimony.

23 Pennsylvania's multimodal transportation system  
24 carries approximately \$1.6 trillion worth of goods within,  
25 into, out of and through the state annually. Maintaining

1 and expanding Pennsylvania's transportation system is vital  
2 to keeping our businesses connected to the global economy.  
3 According to Pennsylvania's comprehensive freight movement  
4 plan, trucks moved more than 867 million tons of goods on  
5 our Pennsylvania highways in 2011. And by 2040, that  
6 number is projected to increase to nearly 1.5 billion tons.

7           In addition to focusing on meeting our  
8 infrastructure needs to ensure the efficient movement of  
9 goods, PennDOT has been focused on ways to address the  
10 supply chain issues relating to our Commonwealth residents  
11 in obtaining a CDL. As a result of the Federal Commercial  
12 Motor Vehicle Safety Act of 1986, Pennsylvania established  
13 its CDL program. It's important to note that any of the  
14 regulations for a CDL, most of them are actually set at the  
15 Federal government level, and most changes to requirements  
16 and processes would need to occur at that Federal level.  
17 The program requires a driver to have a CDL if they plan to  
18 operate a commercial vehicle.

19           In the Commonwealth there are currently a little  
20 over 376,000 CDL holders, and to maintain the number of  
21 drivers needed, PennDOT continues to make CDL testing  
22 available throughout the Commonwealth. At our 75 driver  
23 license centers, Pennsylvania residents may come to take a  
24 commercial knowledge test, and commercial skills testing is  
25 available at our driver license centers at 26 locations.

1 But in addition to that, the Commonwealth has a very robust  
2 third-party testing program, and the Commonwealth actually  
3 has 128 third-part testers where CDL applicants can take  
4 their skills test. And, customers can of course come in to  
5 take that knowledge test at our driver license center, or  
6 call our call center or go online to schedule a CDL skills  
7 test appointment, or contact that third party if they are  
8 interested in taking a skills test at one of those  
9 locations.

10 Even during the height of the COVID pandemic,  
11 PennDOT recognized the importance of keeping needed  
12 supplies moving, and keeping CDL operators on our roadways.  
13 So, we actually opened centers for CDL-specific services,  
14 even at times where noncommercial services were only  
15 available online, just to make sure that our CDL applicants  
16 had access to their services. So we kept them open for  
17 driver license services -- I'm sorry, commercial driver  
18 licenses only until the full reopening of our sites, and we  
19 were able to restore all of our services.

20 Recently, PennDOT opened on a temporary basis for  
21 four Mondays, for four weeks CDL skills testing  
22 appointments as the Commonwealth is facing a school bus  
23 driver shortage. So, we wanted to make sure there were  
24 appointments available for those individuals that wanted to  
25 become school bus drivers. However, there were CDL

1 appointments available, so anybody interested in becoming a  
2 commercial driver could use one of their skills test  
3 appointments. And as a part of that effort, we actually  
4 opened up 276 skills test appointments on Mondays, on days  
5 where we are typically closed. And of those appointments,  
6 149 were filled. So, that demonstrates that getting a CDL  
7 skills test appointment in the Commonwealth is not a hard  
8 accomplish to go through.

9 Act 131 of 2020 brought several changes to  
10 Pennsylvania's Commercial Driver License program. For  
11 example, that law brought with it the implementation of a  
12 Commercial Learner's Permit going from 180 days of a  
13 validity period to going to a full year. Now, changes in  
14 Federal regulation allowed states to make those changes at  
15 the state's option. That is something that Pennsylvania  
16 implemented, because it gives the CDL applicant more time  
17 to prepare for that skills test. At the same time, they  
18 don't have to renew it at that 180-day mark, which means we  
19 have less traffic in our driver license centers which, of  
20 course, also leads to better service and lower wait times.  
21 And, PennDOT implemented that one-year Commercial Learner's  
22 Permit on May 25<sup>th</sup> of this year.

23 Act 131 of 2020 also brought a military knowledge  
24 test skills -- or knowledge test waiver. And what that  
25 means is that for active and former military individuals

1 that had experience operating commercial vehicles in their  
2 service, they did not then have to take the knowledge test.  
3 They would qualify for a waiver making getting a Commercial  
4 Driver License a more simple process. Pennsylvania had  
5 already had in place a skills test waiver for the military,  
6 meaning that they would not have to take that driver's  
7 test. So, PennDOT implemented the knowledge test waiver in  
8 January of this year.

9           Since these changes have to occur at -- a lot of  
10 the changes as it relates to commercial driver licensing  
11 needs to occur at the national level, any changes to those  
12 laws would be needed in order for Pennsylvania to make  
13 changes. PennDOT is aware that FMCSA is currently looking  
14 at a pilot which would allow individuals aged 18 to 20 to  
15 operate a commercial motor vehicle. Right now that age is  
16 21. So, should that pilot prove to be successful and  
17 subsequently result in Federal regulations being changed,  
18 Pennsylvania would definitely be interested in supporting  
19 that change if it is successful in also allowing  
20 individuals between the ages of 18 through 20 to qualify to  
21 have a CDL for interstate commerce.

22           However, even with those efficiencies, there are  
23 changes on the horizon with Federal regulations. And, one  
24 of those changes is happening this February, February 7<sup>th</sup>,  
25 and that -- are -- that change involves new entry-level

1 driver training requirements. That means that CDL  
2 applicants must complete required training from a provider  
3 that's approved through FMCSA on their registry before  
4 being able to get a CDL, before upgrading to a new class,  
5 or before receiving a school bus, passenger or hazmat  
6 endorsement.

7 Also, recent Federal regulations changes put in  
8 place new requirements as it relates to the drug and  
9 alcohol clearinghouse. And what that means is that it  
10 requires employers to report drug and alcohol violations  
11 and conduct queries on their employees, to make sure that  
12 they are not already prohibited from operating commercial  
13 vehicle. But, changes are coming for PennDOT in November  
14 2024, and those changes will require PennDOT to check that  
15 drug and alcohol clearinghouse for violations on applicants  
16 before we can even issue a CDL license or learner's permit.  
17 And if we are notified by Federal Motor Carry Safety  
18 Administration that a person is prohibited from operating a  
19 vehicle when -- a commercial vehicle when they are already  
20 licensed, then we have to go through a downgrade process.

21 So, PennDOT realizes that it's an important  
22 balance between safety and also having ease of access to  
23 Commercial Driver Licenses. So, we're committed to  
24 providing access as simple as possible to CDL applicants,  
25 while at the same time remaining in compliance with the

1 Federal regulations.

2 So, this actually concludes my testimony today,  
3 and I'll be more than happy to take any questions from the  
4 Committee. That sounds great. Thank you.

5 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: I should  
6 mention that we've been joined by Representative  
7 Doyle Hefley of Carbon County, the Gateway to the Pocono  
8 Mountains here in Pennsylvania. Representative  
9 Marcy Mustello from Butler County out near the Ohio Border,  
10 I think. And by Representatives Dianne Harren from Chester  
11 County, and Representative John Lawrence from Chester  
12 County. Thank you. It's a busy day in Harrisburg, and a  
13 number of other hearings are being conducted. So, for the  
14 purpose of informing our viewers on PCN, that's why you  
15 will see people coming and going. But with that said,  
16 Mark, if you want to begin your testimony, go ahead.

17 MR. KOPKO: Certainly. Good morning. My name is  
18 Mark Kopko, and I am the Director of Transformational  
19 Technology at the Pennsylvania Department of  
20 Transportation. As Kara mentioned, on behalf of  
21 Yasmin Gramian, thank you for this opportunity to speak to  
22 you today about vehicle automation and the potential impact  
23 on supply chain.

24 As everyone here quite -- is aware, Pennsylvania  
25 is a hub for freight activity, with a significant amount of

1 interstate truck traffic along our highway system,  
2 specifically along 76, 78, I-80, I-81 corridors. As a  
3 result, freight movement is a significant economic engine  
4 in Pennsylvania, and not only supplies the state, but also  
5 the Midwest and Eastern Seaboard, and the rest of the  
6 country. However, with the ever growing expansion of  
7 freight needs in Pennsylvania comes implications to the  
8 supply chain and the end consumer and our -- ultimately  
9 our -- also our roadway network.

10           It is the belief of several subject matter  
11 experts within the department that the aforementioned  
12 impacts can be alleviated through the use of automation,  
13 including platooning technology. Automation -- automated  
14 vehicle technology holds tremendous potential for improving  
15 safety and mobility on our Pennsylvania roadways. In  
16 recent years there has been a lot of focus on automated  
17 trucking and their ability to supplement and/or enhance the  
18 conventional truck operations.

19           PennDOT is supporting truck automation, and with  
20 our local companies here in Pennsylvania they are  
21 developing this technology; however, it's important to  
22 realize by most accounts this maturing technology is still  
23 several years away from widespread commercial deployment.  
24 However, it is worth noting that Act 117 of 2018 opened  
25 Pennsylvania up to a more tangible use case: truck

1 platooning.

2           Truck platooning allows for two or more  
3 commercial vehicles using a combination of  
4 vehicle-to-vehicle communication systems and low-level  
5 automation to control acceleration and braking to travel in  
6 close headways of approximately 40 to 60 feet apart. This  
7 close spaced operation reduces the aerodynamic drag on all  
8 vehicles in the platoon, resulting in a significant fuel  
9 savings ranging from ten to 17% for all vehicles within the  
10 platoon.

11           According to the American Truck -- according to  
12 the American Transportation Research Institute, fuel  
13 accounts for 24% of the cost per mile for heavy-duty  
14 trucks. In addition, this technology reduces excessive  
15 braking, lessens the impact on the truck and/or pavement,  
16 and could potentially ease the hours service requirements  
17 on drivers. In addition, some companies such as  
18 Pennsylvania-based Locomotion is utilizing higher levels of  
19 automation in their platoon operations to generate even  
20 more efficiencies.

21           The department recognizes that there are  
22 limitations for this platooning technology; however, the  
23 oversight granted to PennDOT through Act 117 allows the  
24 department to work with Transportation stakeholders to  
25 ensure every effort is made to address public safety and

1 operations concerns while being flexible enough to adjust  
2 for changes and advancements in this technology.

3           The Commonwealth is poised to be a hub for  
4 automated vehicle innovations, and when you consider the  
5 potential that automated vehicle technology holds for the  
6 supply chain, we cannot afford not to be proactive.

7           Thank you for this opportunity to discuss vehicle  
8 automation and the potential impacts on the supply chain.  
9 We at PennDOT appreciate the legislature's proactive  
10 approach to innovation and technology while ensure public  
11 safety is a top priority. We are happy to answer  
12 questions. Thank you.

13           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
14 you, Mark, for your testimony. Kara, I'll start off with  
15 you, if I can. Can you tell me how often -- by the way,  
16 we've been using the term, CDL, Commercial Driver Licenses,  
17 for people who are watching on PCN that might not be  
18 familiar with the technology and the acronyms we use up  
19 here.

20           PennDOT opened its centers even while we were  
21 having the pandemic to try to accommodate the need for new  
22 CDL drivers to get their testing, knowledge testing and  
23 skills testing, but also -- it also helped with regard to  
24 renewals of licenses, because even though we were talking  
25 about it, at this point, a 22 -- you know, 20, 22-month

1 period, CDL drivers were concerned about the need to renew  
2 their licenses that they had already obtained.

3           So, I think PennDOT managed to grant extensions  
4 initially.

5           MS. TEMPLETON: Right.

6           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: And then  
7 open up their centers to accommodate their needs. Could  
8 you comment on that, please?

9           MS. TEMPLETON: Absolutely. So, when we opened  
10 those centers specifically for CDL services, it was really  
11 any CDL service, Commercial Driver License service that was  
12 needed. We -- some of those things include renewals like  
13 you talked about. Other types of services went to  
14 processing medical examiners' certificates, even though  
15 there were extensions with the Federal government, and even  
16 ones that we were acknowledging as well as a result of the  
17 waivers that FMCSA provided. We were still processing  
18 those in our centers and in our central office, so it was  
19 really to keep supporting any Commercial Driver License  
20 service needed in addition to the knowledge tests and  
21 skills tests.

22           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
23 thank you. Mark, with regard to platooning, I was  
24 surprised to see in your testimony when I was reading it  
25 last evening that platooning means the second truck is 40

1 to 60 feet behind the first tractor-trailer. And, it seems  
2 to me that that's a large distance, large gap in order to  
3 actually get aerodynamic savings from, you know, what  
4 people would call drafting, I guess, in a NASCAR race. In  
5 NASCAR races they're inches apart, and you're talking about  
6 40 to 60 feet, which is -- you know, basically you could  
7 fit another tractor-trailer in that space.

8 How -- you know, how does that really -- is it  
9 always that far apart? Is that what the drafting concept,  
10 or the platooning concept is really built on, an assumption  
11 that they would be that far apart?

12 MR. KOPKO: So it can get closer, but it can also  
13 be farther apart. Locomation was traveling at times with  
14 headways of approximately two seconds, which on highway  
15 speeds we were talking approaching 200 feet apart, and  
16 you're still getting efficiencies that way, just because  
17 you have that uniformity between acceleration and braking,  
18 and avoids any type of hard braking, which then ultimately  
19 has to accelerate harder, then, to keep up, and that also  
20 reduces fuel savings that way.

21 So, even spreading out the platoon, you still get  
22 savings, but the closer you get to -- the vehicles  
23 together, the more savings that you will ultimately get,  
24 because you have the reduction of drag on the follow  
25 vehicles, and also on the lead vehicle as well. However,

1 40, 60 feet for a lot of people within the industry tends  
2 to be the sweet spot, where you have this ability to have  
3 safety. So, you have any type of vehicles that can still  
4 enter and exit into the platoon that are outside of the  
5 platoon safely, and they can re-engage and still get back  
6 up to that spacing while still having fuel savings and  
7 other mobility benefits from that spacing. So, you can get  
8 tighter and you can get wider, but you'll still have  
9 savings over conventional truck operations.

10 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
11 One other comment that -- or question about your comment  
12 is, you talked about the possibility of easing the hours of  
13 service requirement for drivers. That -- those are  
14 limitations on drivers -- on our commercial drivers, so  
15 they don't get too tired and, you know, make a mistake.  
16 Why would platooning -- well, I understand it's like  
17 computer-assisted driving, but why would that necessarily  
18 lead toward an easing of those limitations on -- you  
19 know --

20 MR. KOPKO: Certainly --

21 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: --  
22 drivers?

23 MR. KOPKO: So, there are some companies within  
24 the industry that are approaching FMCSA requesting this,  
25 knowing that in a specialist -- specifically in a platoon,

1 the lead vehicle is always human operated. So, the follow  
2 vehicle is basically mimicking and using the computer, you  
3 know, automated driving systems to perform all the dynamic  
4 driving tasks of that vehicle, but it's still being driven  
5 by that original CDL driver that's setting the course  
6 that's just making sure it can function safely. So, the  
7 goal is then, that driver that's in the following platoon  
8 can use that time to go towards their break periods for  
9 their CDL.

10           Ultimately, some companies are working towards an  
11 option where you can then piggyback, so that one the follow  
12 driver is off their break, they could accelerate, take the  
13 lead in the platoon, and then the following driver can go  
14 on their mandatory break as part of that. So  
15 there's -- those types of approaches are being discussed at  
16 the Federal level as a way to actually get efficiencies out  
17 of the current workforce that we have within our trucking  
18 industry, while at the same time getting additional mileage  
19 while still having the breaks and having that time to  
20 destress, take your mind off of things and actually have  
21 that time to mentally recover and physically recover, which  
22 is the point of the hours of services.

23           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
24 So, the second and third truck that might be in this  
25 platoon, they all have drivers?

1 MR. KOPKO: Correct.

2 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: It's just  
3 that they --

4 MR. KOPKO: They could be resting.

5 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: -- they  
6 might be, you know, relying more on computer --

7 MR. KOPKO: Correct.

8 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: --  
9 technology. Okay.

10 MR. KOPKO: Yeah.

11 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
12 you.

13 MR. KOPKO: Certainly.

14 COMMITTEE MAJORITY CHAIRMAN HENNESSEY:  
15 Chairman Carroll?

16 COMMITTEE MINORITY CHAIRMAN CARROLL: Okay, Kara,  
17 you're going to have to help me a little bit. A week or so  
18 ago I attended a Pennsylvania School Bus Association  
19 meeting in Lackawanna County with PSBA School Bus  
20 Association officials, including a woman from Craft Buses,  
21 I think, in Chester County who was quite the expert on the  
22 new Federal regulations that are going into effect in  
23 February of 2022. And, the presentation was to school bus  
24 contractors in Northeastern Pennsylvania. My suspicion is  
25 this will also apply to tractor-trailer schools and such.

1 And, the essence of the meeting had to do with FMCSA having  
2 a new computer system where data is going to be logged in  
3 by the trainers and the facilities, and they get a license  
4 for a unique number of some sort. And then that data with  
5 respect to training and certification is provided to FMCSA,  
6 and then that data goes to PennDOT. And then the applicant  
7 gets the S endorsement, or they get a CDL.

8 MS. TEMPLETON: Right.

9 COMMITTEE MINORITY CHAIRMAN CARROLL: And the  
10 meeting was mostly informational with respect to how this  
11 is all going to work, and questions and answers were mostly  
12 related to the computer system that FMCSA is going to kick  
13 off soon.

14 PennDOT came into the conversation mostly with  
15 respect to the transfer of the data from the FMCSA to  
16 PennDOT and how quickly that will occur, and then how  
17 quickly PennDOT will make that update to the driver record,  
18 so that the person who had completed the training, say in  
19 this example to become a school bus driver, can get the S  
20 endorsement.

21 So, that lengthy prelude gets to -- me to my  
22 question, which is, do you anticipate, or is PennDOT ready  
23 -- and can you outline for me what kind of a timeframe  
24 we're going to have here with respect to the movement of  
25 the data that I just described in that prelude, and are we

1 talking days, weeks or months in terms of when the person  
2 will be able to get their S driver's -- S CDL or S  
3 endorsement on a CDL, whatever, to be able to go out on the  
4 road and drive a truck or a school bus?

5 MS. TEMPLETON: Well, thank you for that  
6 question. So, what that question is regarding are those  
7 changes that I discussed going into effect in February,  
8 which is the entry-level driver training. And the system  
9 that you were referencing that the Federal government is  
10 putting together is really known as the training provider  
11 registry, where individuals that provide the training need  
12 to be in this registry in order for it to be an approved  
13 training provider. And in addition to that, information is  
14 entered when individuals complete that training.

15 So, when an applicant comes to us, the way that  
16 the requirements are written is that we need to check by  
17 accessing the training provider registry to make sure that  
18 that individual has completed their training.

19 So, much like we have system checks that take  
20 place today for our commercial drivers -- for example, one  
21 of the checks that we have to go through is making sure  
22 that this person doesn't already have a CDL on another  
23 license, that they are not a problem driver, and that their  
24 product's not suspended in another state. Those are types  
25 of checks that we actually do as part of that counter

1 transaction. So, we envision this to be just one of those  
2 verifications that gets done at the counter when that  
3 applicant is there before us. So we're not talking about  
4 delays of days, weeks, months. And assuming that the  
5 system is up and functioning, then we'll be able to perform  
6 that transaction while the customer is there.

7 COMMITTEE MINORITY CHAIRMAN CARROLL: So I'm  
8 hearing real time then? So it -- that PennDOT's access to  
9 the FMCSA records will be as quickly as FMCSA certifies the  
10 data -- that data is entered by the North Pocono bus as a  
11 certified trainer for FMCSA. They enter the data that the  
12 applicant has gone through that litany of programs or  
13 learning, chapters, whatever they are. And so, FMCSA's  
14 records, PennDOT will have access to them in real --  
15 there's no -- they had concerns at that meeting that there  
16 was some sort of a step between -- either between the data  
17 being entered or FMCSA making it available to PennDOT,  
18 not --

19 MS. TEMPLETON: Right.

20 COMMITTEE MINORITY CHAIRMAN CARROLL: Not  
21 something -- you envision that not to be a problem?

22 MS. TEMPLETON: Well -- I do not envision that to  
23 be a problem. What I cannot speak to though -- I can  
24 obviously speak to the part where our IT individuals are  
25 doing the work for the check from PennDOT with that

1 customer in front of us to that third-party training  
2 database. But, what I cannot speak to that I have  
3 no -- PennDOT does not have any involvement in is the  
4 information from the training providers to that system. I  
5 do not know what those system requirements are, nor can  
6 PennDOT speak to that part of it.

7 COMMITTEE MINORITY CHAIRMAN CARROLL: Fair  
8 enough. I guess I would just call to your attention  
9 that -- the mild concern that I have. And I -- it -- and  
10 you know how this works. I mean, PennDOT's going to get  
11 blamed.

12 MS. TEMPLETON: Right.

13 COMMITTEE MINORITY CHAIRMAN CARROLL: So to the  
14 extent that we can anticipate working with FMCSA. Whenever  
15 something new is rolled out, there's undoubtedly going to  
16 be hiccups. And, what I hope that we could avoid -- the  
17 collective we -- is to have people that have completed the  
18 training calling our office, saying I completed my  
19 training, I want to drive the school bus or the truck  
20 tomorrow, I can't do it because. And, they're going to  
21 shorthand the whole thing to, because PennDOT won't give me  
22 my CDL.

23 MS. TEMPLETON: Understood.

24 COMMITTEE MINORITY CHAIRMAN CARROLL: And that's  
25 going to be unfair in some cases and fair in others.

1 Hopefully not, but I guess let's make sure that we redouble  
2 our efforts to make sure that -- and I got to believe all  
3 50 states are in the same boat.

4 MS. TEMPLETON: Correct.

5 COMMITTEE MINORITY CHAIRMAN CARROLL: It's not  
6 just Pennsylvania; that we highlight and stress to the  
7 FMCSA folks that we got to get this right.

8 MS. TEMPLETON: Right.

9 COMMITTEE MINORITY CHAIRMAN CARROLL: Because  
10 we're going to hear about it if we don't.

11 MS. TEMPLETON: And the system needs to be  
12 accessible. Thank you.

13 COMMITTEE MINORITY CHAIRMAN CARROLL: Thank you.

14 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
15 you, Mike. Representative Hefley?

16 REPRESENTATIVE HEFFLEY: Thank you, Mr. Chairman.  
17 Thank you for being here. So, kind of, I find it amazing  
18 that FMCSA and this administration will be putting more  
19 burdens on this industry at a time when we have a serious  
20 issue, and just a total, I believe, lack of leadership at  
21 the Federal level. I don't even know if we have an acting  
22 secretary -- actually shows up to work. I think he's out  
23 on leave. But, we are in the middle of a crisis, and in  
24 the past, when we have a snow emergency, PennDOT or --  
25 would waive a weight restriction so that carriers could

1 haul more salt; would waive hours of service during the  
2 Gulf War, and for military, people that -- or carriers that  
3 haul for the military, they could haul heavier weights and  
4 lifted hours of service restrictions to haul those  
5 products.

6 We are in a -- I mean, we're getting out of the  
7 pandemic, but right now this is a -- probably one of the  
8 biggest issues facing our economy, is the fact that I have  
9 manufacturers that are shutting down because they can't get  
10 parts to their facility to make their product. Some of  
11 those parts are truck parts, so they can't fix a truck.  
12 And guess what? If you want to buy a truck, you can't buy  
13 a truck. But I -- it's -- it is systemic throughout the  
14 whole supply chain. Is there any thought from the  
15 administration or from PennDOT what we can do in the short  
16 term to relieve -- maybe -- if it's weight restrictions,  
17 hours of service restrictions?

18 We are not going to hire enough bus drivers by  
19 the end of this year to fill the need for bus drivers.  
20 It's just -- it's not practical. It -- I mean, it's not  
21 going to happen, right? It's -- in the real world. Nor  
22 are we going to have enough drivers. Driver shortages have  
23 been going on for years. It's only gotten worse. And now  
24 if you look at the vaccine mandate, if you're hauling to  
25 any kind of Federal job, now the carriers that are hauling,

1 they can't go to any Federal job. So you're going to have  
2 military supply chain issues, because if the drivers aren't  
3 vaccinated they can't get in. You can't get in and out of  
4 Canada without a vaccine as of January, so it's going to  
5 put more of a burden. Looking at that, what are we doing  
6 at -- or is PennDOT doing to examine this and say, we need  
7 to act now, because this is going to crush -- we already  
8 see shortages. You go to the grocery store, and there's  
9 things that aren't there. I talk to manufacturers.  
10 They're sending people home.

11           So, I -- why the Federal government would be  
12 actually putting more burdens on anything is ridiculous,  
13 but what are we doing, forward thinking, right now to  
14 relieve the pressure on the supply chain? What can we do?

15           MS. TEMPLETON: So I'll answer that from the  
16 FMCSA and driver licensing waiver perspective and the  
17 processes as it relates to that from the PennDOT side of  
18 things. So, even throughout the COVID pandemic, there have  
19 been multiple waivers that FMCSA has issued. All of those  
20 -- where we could implement those waivers, we have done  
21 that, where it did not impact the safety of our roadways  
22 and the operators, for example the extension of the  
23 validity period of the products, learner's permits and  
24 licenses. There were waivers as it related to carrying  
25 medical examiner certificates, and that waiver -- one

1 waiver is still in effect through the end of November.  
2 Again, a lot of those things will depend on if FMCSA is  
3 giving us that opportunity. For other issues that are  
4 within our control with PennDOT, an example is we  
5 recognized the school bus driver shortage, so we did a  
6 partnership effort with the Department of Education to put  
7 out a communication to see if more individuals could be  
8 recruited to be a school bus driver.

9 We offered, as I spoke about in the testimony,  
10 taking a look to make sure that we have appointments  
11 available, which we do. And we even offered greater  
12 availability, which the public unfortunately did not take  
13 full advantage of, because we had a lot of remaining  
14 appointments available. But we look ahead, trying to  
15 figure out what some bottleneck areas may be, and just make  
16 sure that, you know, things are progressing, are there  
17 things that we can change, and things such as that.

18 REPRESENTATIVE HEFFLEY: So -- and so everybody  
19 understands the school bus driver shortage, because we see  
20 that, right? That's an impact that we see right away.  
21 But, I guess what I'm asking is, is PennDOT petitioning  
22 FMCSA for relief on some of these restrictions, even if it  
23 be temporary, to increase -- I mean, if you could put an  
24 extra ton on every ton, for every 40 trucks on the road,  
25 you would have another truck -- another load of freight

1 going. So, I'm just like -- what -- and, because everybody  
2 sees that school bus shortage, because you're experiencing  
3 it real time when parents take their kid to the bus stop,  
4 and they say, look, we're going virtual, because we don't  
5 have bus drivers, and that's happening. But this has been  
6 happening in this industry for years, in the commercial  
7 industry, and now we're seeing it by shortages in the  
8 supply chain. So, is PennDOT petitioning the Federal  
9 government for relief on any of these restrictions, whether  
10 it be hours of service, whether it be, you know, increase  
11 in weight for temporary time on certain interstates or  
12 highways to move more product? Because, I mean, you're  
13 looking at -- you're going to -- it's every -- impact  
14 everything. It's going to be home heating fuel, propane,  
15 food. So, I guess that was my question. I understand  
16 that -- the school bus thing, but I'm looking at it a  
17 little bit bigger than that.

18 COMMITTEE MINORITY CHAIRMAN CARROLL: Kara, maybe  
19 before you answer, I'll shed a little light on this for the  
20 Gentleman from Carbon. The Biden Administration in their  
21 first month postponed the Trump regulation that set this in  
22 motion. So, we can thank the Biden Administration for  
23 having the foresight to postpone a regulation that was  
24 initiated during the Trump Era.

25 REPRESENTATIVE HEFFLEY: I'm all for postponing

1 regulations.

2 COMMITTEE MINORITY CHAIRMAN CARROLL: Fair  
3 enough. Then you should be happy with the Biden people's  
4 decision on this. And so --

5 REPRESENTATIVE HEFFLEY: With safety in mind.

6 COMMITTEE MINORITY CHAIRMAN CARROLL: -- the  
7 reality is, is that the FMCSA set this in motion early in  
8 the Trump years. It was an effort -- I'll expect that it's  
9 a sincere effort to try and make sure that we have capable,  
10 safe truck drivers and school bus drivers on our roads.  
11 You know as I do -- I have a CDL. I think you might, or  
12 did at one time. There are plenty of folks with CDLs,  
13 sadly, that probably are not the safest drivers in the  
14 world. And so the FMCSA is down the path of trying to make  
15 sure that we have uniform training standards for CDL  
16 operators, and also making sure that the states have some  
17 uniformity with the way that they license CDL drivers.

18 So, the whole regulatory scheme that's being  
19 unfolded and postponed, thankfully, until 2022 was the  
20 Biden Administration's effort to try and give some relief  
21 to trainers and third-party testers to get this right.

22 MS. TEMPLETON: Yeah, I would just like to add,  
23 whenever there are changes in Federal regulations, there is  
24 a public comment period that FMCSA has. So, when we're  
25 talking about these law changes such as like the

1 entry-level driving training, the drug and alcohol  
2 clearinghouse, PennDOT does review all of those proposed  
3 regulations in full and provides comment when we take a  
4 look at that assessment and see how it impacts our  
5 residents, see how it impacts our processes, see how it  
6 impacts the movement of goods and services. So, we do have  
7 that opportunity to at least provide comment on any  
8 proposed Federal by the FMCSA. So I just wanted to add  
9 that.

10 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
11 thank you. Representative Brown?

12 REPRESENTATIVE BROWN: Thank you, Mr. Chairman.  
13 Kara, Mark, thanks so much for being here this morning.  
14 You pretty much answered my question a little bit with the  
15 relationship with PennDOT and the Department of Education  
16 in regards to the school bus driver shortage. But, last  
17 week this Committee did pass a resolution out to the  
18 Federal government urging them to look at the school bus  
19 driver CDL and ways that we could try to adjust it to --  
20 we're looking at it from all different aspects to try to  
21 help with the shortage. My quick question or comment to  
22 you is regarding the four weeks of the Monday testing that  
23 you did offer, which is wonderful, but it didn't seem like  
24 all the appointments were taken. And, I think more of a  
25 question -- is more of a comment that I hope we don't just

1 walk away from that and say, okay, well, the appointments  
2 weren't taken. Because, I think this is going to be an  
3 ongoing effort as far as how we're trying to effectuate  
4 getting more people interested in becoming bus drivers.  
5 So, I think need may not be there as much now, but it might  
6 be in the future. And I would like to see the  
7 communications stay strong with the Department of  
8 Transportation and licensing with the Department of  
9 Education, even maybe more so on a geographic level that if  
10 one district is really, really getting the need for bus  
11 drivers and needing to have them tested and the skills,  
12 that we would do a center in that region. You know, so I  
13 think that communication needs to be strong. And that's  
14 really more of my comment with everything. Thank you.

15 MS. TEMPLETON: Thank you. I just wanted to  
16 provide a brief response to that, in that, you know, we  
17 share your concerns of making sure that we have  
18 appointments available. So, just in our day-to-day  
19 operations, we take a look at what we call our next  
20 available appointments, just to make sure that we aren't  
21 experiencing a backlog. If there is any type of indication  
22 that we could be getting tight with those appointments,  
23 then we can deploy things such as overtime to make sure  
24 that those appointments would be available for customers.

25 Like I said before, Pennsylvania is lucky in that

1 we have a very robust third-party training program, so we  
2 are also encouraging any type of entity that wants to offer  
3 third-party skills testing to contract with the Department,  
4 and that would also provide even additional options for our  
5 customers. So, I appreciate your comment very much. Thank  
6 you.

7 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
8 thank you. Representative Fee?

9 REPRESENTATIVE FEE: Good morning, and thank you  
10 for your testimony. I am in no way an expert on this, so  
11 maybe my question is a little bit out there. And I'm sure  
12 it's more on a Federal level, but does PennDOT work closely  
13 with our rail folks at all to make sure that we are trying  
14 to get, you know, everything done by rail that we possibly  
15 can with the shortage of our truckers?

16 MS. TEMPLETON: So, PennDOT does have a bureau  
17 that has rail freight as part of that. That's not my area  
18 that I can speak to specifically, but that's something we  
19 would be more than happy to follow up with you on.

20 REPRESENTATIVE FEE: Okay, thank you.

21 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
22 you. Thank you for your testimony, Mark, Kara. I  
23 appreciate you being her to explain to us what PennDOT has  
24 done. You know, it's difficult sometimes for bureaucracies  
25 to move quickly. You guys have done that. Some people

1 would argue you didn't move fast enough, other people would  
2 be satisfied with it, but at least you're trying, and we  
3 appreciate that. And thanks for being here to answer our  
4 questions and to explain what steps you've taken. So,  
5 thank you.

6 I -- you know, not surprisingly I -- we're  
7 running behind our schedule here, but our next testifier is  
8 here from -- joins us from the Philadelphia Port Authority.  
9 He is the district -- or the Senior Marketing Manager,  
10 Dominic O'Brien. And so I think Mike had mentioned  
11 earlier, Philadelphia Port -- PhilaPort is a world-class  
12 facility. I had the opportunity to tour it last year. I  
13 guess it's almost been a year, maybe. So, it's quite an  
14 impressive facility. We have testimony -- written  
15 testimony submitted by Jeff Theobald -- Jeff Theobald, and  
16 so I, you know, recommend that to you -- for your reading  
17 as well. But, Dominic, thanks for being here, and begin  
18 whenever you are ready.

19 MR. O'BRIEN: Thank you. Chairman Hennessey,  
20 Chairman Carroll, members of the Transportation Committee,  
21 from our perspective, here are a few of the major causes of  
22 the supply chain crisis affecting our nation: lack of labor  
23 of course, warehouses are full, lack of rail capacity,  
24 equipment shortages brought about by COVID and disruptions  
25 overseas, and the bunching of container ships brought about

1 by problems at other ports.

2 More importantly in the long term, Philadelphia  
3 is one of the only major ports that is not dual-rail served  
4 for containers. Norfolk Southern has chosen not to open up  
5 their intermodal yard in South Philadelphia.

6 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Dominic,  
7 excuse me. Can -- could you explain what dual-rail service  
8 is so -- because I read it last night, and I wasn't sure  
9 what it meant.

10 MR. O'BRIEN: Sure. We do have intermodal.  
11 That's the container boxes. That's where a lot of these  
12 issues are around, the cargo in the containers. And, we  
13 really only have service from CSX. Norfolk Southern has a  
14 yard up in Morrisville. They don't really market it, and  
15 so it's more difficult to get a container from the Port of  
16 Philadelphia onto the Norfolk Southern rail network.

17 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay, so  
18 you're talking about dual, meaning different --

19 MR. O'BRIEN: Both --

20 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: --  
21 companies as --

22 MR. O'BRIEN: Both carriers, yeah.

23 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: --  
24 opposed to actual dual rails, or --

25 MR. O'BRIEN: That's correct.

1                   COMMITTEE MAJORITY CHAIRMAN HENNESSEY: I didn't  
2 know whether that --

3                   MR. O'BRIEN: No, you're right. There's --

4                   COMMITTEE MAJORITY CHAIRMAN HENNESSEY: -- that  
5 side thing was spacing the rails.

6                   MR. O'BRIEN: There's another term that you  
7 commonly might hear called double stacked, where you stack  
8 one on top of the other, and we --

9                   COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.

10                  MR. O'BRIEN: -- do have double-stack service  
11 going west and north.

12                  COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
13 thank you. Sorry for the interruption.

14                  MR. O'BRIEN: Not at all. Norfolk Southern has  
15 chosen not to open their yard, and CSX has reduced its  
16 services to Philadelphia, this in spite of the fact that we  
17 were the fastest growing port in the USA last year. We  
18 will discuss below how we have helped rail operations  
19 during this crisis. They in turn will need to provide more  
20 services to the Port of Philadelphia.

21                  Additionally, the streets in South Philadelphia  
22 near the port are not good. They are too narrow and are  
23 not laid out properly based on our current volumes, much  
24 less compared to our growth rates. We will at a minimum  
25 need better connections from our marine terminals to I-95

1 and I-76 in order to serve Pennsylvania businesses.

2           Could you go to Slide 2, please? The list of  
3 difficulties is long, but let's be thankful that in 2016  
4 the Commonwealth invested \$300 million in our port. Since  
5 then, PhilaPort has grown our container volumes by 60%.  
6 This year we are on track to hit another record volume of  
7 740,000 containers, which will be a 15% increase over 2020.

8           Imagine if we did not have our improved  
9 infrastructure in place. It would have been a disaster.  
10 The new infrastructure included five new container cranes,  
11 knocking down old warehouses, construction of new  
12 warehouses, building a vehicle processing center, and  
13 fixing our pilings and bulkheads to handle heavier loads  
14 and bigger ships. All of this has allowed us to serve the  
15 Commonwealth and the nation during these difficult times by  
16 handling record cargo volumes, including large quantities  
17 of medicines, medical devices, fresh fruit and vegetables,  
18 and forest products used for personal hygiene consumer  
19 goods.

20           The next slide, please. PhilaPort supports over  
21 10,000 direct and indirect jobs, and we are growing that  
22 number to 17,000 jobs. The Broader Delaware River Port  
23 Complex supports over 30,000 jobs. Most of these are good  
24 paying jobs with benefits. PhilaPort terminals support  
25 everything from tugboat crews to chandelling staff, from

1 ship agents to warehouse workers, from cargo inspectors to  
2 boilermakers.

3           Next slide, please. Although we have invested  
4 wisely, our competitors have spent more. As mentioned, the  
5 Commonwealth has invested \$300 million in our port since  
6 2016; however, since 2016 the Port of New York and New  
7 Jersey has spent \$3.3 billion on infrastructure. Maryland  
8 has spent \$2 billion on their port. Virginia's port  
9 spending comes to \$3.16 billion. In total, US East Coast  
10 ports have invested \$17.9 billion. Ours is a  
11 capital-intensive industry. If we are to compete, we will  
12 need to spend more, a lot more.

13           That's why we were so appreciative of the  
14 Commonwealth's previous investments in PhilaPort. Those  
15 resources gave us the facilities and equipment we needed to  
16 come through the current global supply chain crisis and to  
17 create great jobs for Pennsylvanian's. But we will need  
18 additional state and Federal capital dollars to build the  
19 infrastructure of tomorrow.

20           Next slide, please. To get back to this current  
21 crisis, the Packer Avenue Marine Terminal is our largest  
22 and busiest facility. Holt, the private operator of this  
23 terminal, has taken the following action to address the  
24 congestion. They have extended their truck gate schedule,  
25 adding evening and weekend hours. They leased two

1 satellite container yards totaling over 33 acres. They  
2 partnered with CSX Intermodal to improve operations at the  
3 CSX Greenwich Intermodal Yard. Holt provided two large  
4 pieces of container moving equipment and the labor needed  
5 to operate them. They purchased additional chassis. These  
6 are the wheeled beds or trucks used to move the containers.

7 Finally, Holt paused all vessel operations for  
8 three days, from September 8<sup>th</sup> to September 10<sup>th</sup>. This  
9 delayed arrival of four vessels. Holt did this in order to  
10 clear the deck; that is, work on terminal backups with all  
11 of their labor and all of their focus.

12 The ocean carriers were not happy about this, but  
13 Holt felt it was necessary to deal with the flood of cargo  
14 and the lack of equipment.

15 Let us end on a positive note. Thanks to the  
16 Commonwealth and the US Army Corps of Engineers, the \$1.5  
17 billion Delaware River Main Channel Deepening Project is  
18 nearly complete. We can now handle the same sized vessels  
19 that the Ports of New York and Baltimore receive. If the  
20 Commonwealth continues to entrust us with capital dollars  
21 to grow our port, we will do more than our share to solve  
22 both the current supply chain issues and grow more jobs and  
23 economic opportunity for Pennsylvanians.

24 Mr. Chairman, thank you for letting us  
25 participate in today's hearings. We look forward to

1 working with you and the Transportation Committee to  
2 improve Pennsylvania's transportation system. We were  
3 thankful for your visit to the port last September, and we  
4 hope we can host the entire Transportation Committee  
5 sometime soon to see our port. Thank you.

6 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Dominic,  
7 thank you very much for your testimony. If I can, with  
8 regard to the investments that Pennsylvania has made, I  
9 know you've been appreciative of the fact that we -- that  
10 the state legislature budgeted \$300 million. But, I was  
11 shocked in your testimony that the Port of New York and New  
12 Jersey -- one -- that's one port, right -- has invested  
13 \$3.3 billion on infrastructure, and Maryland has done \$2  
14 billion for the Port of Baltimore, and Virginia is also up  
15 in the \$3 billion range. Were they farther behind than the  
16 Port of Philadelphia, or --

17 MR. O'BRIEN: No.

18 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: -- are  
19 you saying that they are even more modern than we are  
20 today, and we have some catching up to do?

21 MR. O'BRIEN: The latter.

22 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.

23 MR. O'BRIEN: They have been investing more  
24 significantly for years. And so, that -- those numbers are  
25 just since 2016. Prior to that, they also were exceeding

1 our investment levels.

2 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.

3 So, we do have some thinking about that to -- you know, to  
4 try to bring us --

5 MR. O'BRIEN: Yeah.

6 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: -- up to  
7 keep us competitive with the other seaports up and down the  
8 East Coast. As a matter of fact, I think you mentioned it  
9 in your testimony. There was -- what was it? Roughly 150  
10 miles apart up and down our Eastern Seaboard?

11 MR. O'BRIEN: That's right.

12 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.

13 MR. O'BRIEN: That's right.

14 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
15 you. Mike?

16 COMMITTEE MINORITY CHAIRMAN CARROLL: Does the  
17 Federal bill provide any direct allocation of dollars to  
18 the Port of Philadelphia and, I assume, the other ports as  
19 well?

20 MR. O'BRIEN: And I just heard these numbers  
21 yesterday, and I forget them already. I think it's 5  
22 billion that are going to ports, and then there's another I  
23 think 26 billion that we will be able to compete for.

24 COMMITTEE MINORITY CHAIRMAN CARROLL: Okay.

25 MR. O'BRIEN: So, and, Mr. Chairman, I'd just

1 like to thank you for your earlier comments about PhilaPort  
2 and what we're doing. So, thank you.

3 COMMITTEE MINORITY CHAIRMAN CARROLL: Well, and  
4 it is true, and I'm glad the Federal bill, I'm not  
5 surprised, directs money to all of the ports. And if  
6 there's a competitive component to that, I am certain that  
7 PhilaPort would be successful or will be successful. We  
8 have many advocates in DC for PhilaPort, and not just  
9 advocates, capable advocates.

10 MR. O'BRIEN: Representative Joe Hohenstein just  
11 stopped -- you know, said hello and said what can we do to  
12 get in on this. So --

13 COMMITTEE MINORITY CHAIRMAN CARROLL: Right. And  
14 just to comment that, sometimes as a Commonwealth we need  
15 to invest in infrastructure. It is hard to invest.  
16 Raising money by the million, or hundreds of millions, or  
17 billions of dollars is not easy. But when we do not do  
18 that, and we take a pass on investment in roads and bridges  
19 and ports, we pay a collective price for that. It's  
20 admittedly not easy to do, but sometimes we have to do it.

21 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
22 you, Mike. Representative Heffley?

23 REPRESENTATIVE HEFFLEY: Thank you, Mr. Speaker.  
24 I would say, I mean, I think it's definitely the need for  
25 investment in infrastructure. I -- my only concern is the

1 Federal government -- trillion dollars, and yet -- and our  
2 supply chain issue is like one of the biggest things facing  
3 our economy, and only 5 billion out of a trillion dedicated  
4 to ports? That's ridiculous. Where is this money going?  
5 Only 4 billion coming back for infrastructure? That's a  
6 whole other case, but if we're going to spend \$1 trillion,  
7 it -- they ought to be spending it wisely, and I don't  
8 think they are.

9 But, so back to the infrastructure around the  
10 Port of Philadelphia is an issue, and getting trucks in and  
11 out of there. It's not the most desirable lanes of freight  
12 for anybody to be carrying in and out. I would like to  
13 follow up -- not now, but with -- conversations with  
14 Norfolk Southern as to what we can do to encourage them to  
15 make investments here. I mean, the railroads are -- they  
16 have monopolies on a lot of things. They -- Norfolk  
17 Southern has not always been a team player when it comes to  
18 local manufacturing and freight lanes. So, I think that's  
19 something we should continue. My --

20 MR. O'BRIEN: Thank you.

21 REPRESENTATIVE HEFFLEY: One of the questions I  
22 have is TWIX. So, there were some changes made to the  
23 regulations around TWICs, or the people that are  
24 administering it. And I've heard from a couple of carriers  
25 that haul in and out of the ports about their concerns.

1       Could you -- is there something to that, or is that  
2       becoming an issue.  Because, it's hard to get drivers so as  
3       it is, right?  There's a shortage of drivers.  But then,  
4       when you -- if you go into the port, and that -- if you  
5       have to have your hazmat, and then you have to have a  
6       TWICs.  Now you have to have a vaccine.  We're putting more  
7       and more restrictions, and we're shrinking that driver  
8       pool.  But the TWICs issue.  What exactly is going on with  
9       that?

10                        COMMITTEE MAJORITY CHAIRMAN HENNESSEY:  Before  
11       you begin, what is TWICs?  It's TWX, I guess -- think.

12                        MR. O'BRIEN:  No.  Transportation Worker Identity  
13       Card.

14                        COMMITTEE MAJORITY CHAIRMAN HENNESSEY:  Okay.  
15       Thank you.

16                        MR. O'BRIEN:  And this was something established  
17       after 9/11 to go onto all Federal transportation facilities  
18       just to have security.  So it's pretty extensive.  It costs  
19       over, what, \$120 for a truck driver to get one.  And, you  
20       know, we have them.  They do the fingerprinting eye scans.  
21       They ask a lot of questions.  They do some background.  
22       It's pretty intensive.  So it's expensive.

23                        I got to tell you, Representative, we had a TWIC  
24       office in our Port Authority building for the past couple  
25       years.  They've now moved that, so I am less familiar with

1 the latest. I know I have mine. Mine runs out next year.  
2 Several of my colleagues at the port are going to have to  
3 get a new one, and I have not heard of any changes. I  
4 talked to a lot of trucking companies. They have not told  
5 me about it, and I don't know anything from the marine  
6 terminal side, either.

7 REPRESENTATIVE HEFFLEY: Okay. It's just --

8 MR. O'BRIEN: Sorry.

9 REPRESENTATIVE HEFFLEY: -- something that I  
10 heard from a couple of carriers. Because like I said, it is  
11 hard. You look at the driver pool, and then you're really  
12 narrowing it down as you put more and more restrictions on  
13 who can --

14 MR. O'BRIEN: Yeah.

15 REPRESENTATIVE HEFFLEY: -- go -- and for good  
16 reason. Like, I'm not opposed to it. I'm just saying we  
17 need to make it more convenient. So, if there's issues  
18 with that, maybe it's something that the committee -- or we  
19 could send a letter and find out what's going on, just to  
20 make it easier for carriers. Thank you.

21 MR. O'BRIEN: I will get back to you on that.

22 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
23 you. Representative Schroeder?

24 REPRESENTATIVE SCHROEDER: Thank you, Chairman.  
25 Hi. Thanks for --

1 MR. O'BRIEN: Hi.

2 REPRESENTATIVE SCHROEDER: -- being here. So, I  
3 guess, to be honest, when I thought of the idea to maybe  
4 talk about this today as a conversation for our ports even,  
5 specifically, you know, I read an article about empty  
6 containers being put in nearby neighborhoods in  
7 Philadelphia. So are they still there? And what's the  
8 situation? And, I guess also, when they were put there,  
9 like, how did we make sure they were safe for the  
10 neighborhoods surrounding?

11 MR. O'BRIEN: Right. So, the Holts -- as I said,  
12 the operating company, they've leased additional land from  
13 us and some other lands, and so they are able to put some  
14 of those containers. So it's not -- you know, they've  
15 taken immediate steps to deal with it. The flood of  
16 containers is unprecedented. I've been doing this for 20  
17 years; nothing like this. So, it's affecting every port.  
18 And I can tell you that there's truck depots looking at  
19 doing more of this. Part of it is, you need these offsite  
20 locations to have the equipment to move a container off the  
21 chassis. That's called a grounded operation, where you  
22 could stack them. That equipment is expensive and  
23 difficult. And especially in an area like South Philly  
24 where the land is very expensive, it's hard finding these  
25 parcels of land to do it. We are trying to do that, and we

1 certainly work with our -- the folks on city council with  
2 the Mayor's office to try to make sure the neighborhoods  
3 are, you know, okay with that and that we work with them.

4 REPRESENTATIVE SCHROEDER: And that the situation  
5 is safe? That's also --

6 MR. O'BRIEN: Yes.

7 REPRESENTATIVE SCHROEDER: Okay.

8 MR. O'BRIEN: And certainly in -- around our port  
9 area. I have -- I don't know if you've been down there,  
10 but it's pretty far away from some of the neighborhoods.  
11 So, at least the areas that we've been using to store the  
12 containers are pretty --

13 REPRESENTATIVE SCHROEDER: Kind of off --

14 MR. O'BRIEN: -- far away.

15 REPRESENTATIVE SCHROEDER: Okay, great. I guess  
16 then, also I --- and for people that maybe are watching too  
17 from home, what is -- with what you do in the -- with the  
18 maritime exchange, what's your --

19 MR. O'BRIEN: Sure.

20 REPRESENTATIVE SCHROEDER: -- relationship? And  
21 also, I guess, I know that there was written testimony from  
22 them as well. But, if you can explain that.

23 MR. O'BRIEN: Sure. So, the Maritime Exchange is  
24 kind of like a chamber of commerce for the river. And they  
25 represent all three states: Pennsylvania, New Jersey and

1 Delaware which share the Delaware River, and we work with  
2 them all the time. Lisa Humber, the new president, I've  
3 known her for 20 years, and she's very, very knowledgeable.  
4 They do great work on ship tracking, literally tracking the  
5 ships coming up the river. They work with the Coast Guard.  
6 Their system is actually used by other ports around the  
7 country. It's really important in terms of tracking those  
8 ships. They give us great numbers on what ships are coming  
9 up the river.

10 They're also able, unlike us, to lobby, so they  
11 lobby especially on things like lowering tariffs, and  
12 there's other areas that they can lobby that we can't. But  
13 we do work with them. We are a Commonwealth agency. We're  
14 an authority of the Commonwealth, and so that's really the  
15 difference. They are a private nonprofit association.

16 REPRESENTATIVE SCHROEDER: Okay, great. I just  
17 wanted to make sure that everybody knew that. And also,  
18 the last question was, with dealing with how much funding  
19 and everything that you do get, homeland security issues,  
20 of any that, how is that looking right now, too, with  
21 trying to balance, you know, our supply chain issue and --

22 MR. O'BRIEN: Right.

23 REPRESENTATIVE SCHROEDER: -- making sure we're  
24 moving goods, but also keeping everybody safe from our  
25 ports?

1           MR. O'BRIEN: Sure. So, I was at the port on  
2 9/11, and I was working for the port. I was actually down  
3 in DC. I was at a maritime conference in DC on 9/11. So,  
4 right after that there was a lot of discussion a lot  
5 that -- around security, a lot of Federal money. That  
6 has -- I've got to tell you, I don't hear as much about a  
7 it. We take security very seriously. When you folks come  
8 down, you'll see, post -- before 9/11, I could get you on a  
9 ship anytime. We'd just go up. I'd talk to the captain,  
10 get you on a ship. Can't do that anymore. It's very  
11 difficult to get on the ships. It's difficult to get on  
12 the terminals. So, we are taking it seriously, but it's  
13 not -- I haven't been involved in a lot of those  
14 discussions lately.

15           REPRESENTATIVE SCHROEDER: That's great. Thank  
16 you so much. Thank you, Chairman. That's it.

17           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
18 you. You want to make a quick comment?

19           COMMITTEE MINORITY CHAIRMAN CARROLL: Just real  
20 quickly. I -- 60 Minutes segment on Sunday night relative  
21 to the supply chain challenges, and they showed the picture  
22 that I've seen before of containers ships stacked out in  
23 the queue in the Pacific Ocean waiting to get to Long Beach  
24 or to Los Angeles. Do we have that same scenario on the  
25 East Coast with container ships sitting, waiting to come up

1 the Delaware River?

2 MR. O'BRIEN: We do not have it on the Delaware  
3 River. It has happened on the East Coast. Ports of New  
4 York and New Jersey, Ports of Savannah have had delays,  
5 ships sitting off the coast. We had to shut down ship  
6 operations, but it didn't really mean that there were ships  
7 sitting there. They basically were able to slow their  
8 speed coming in, and it did not affect us the way it's  
9 affected what you've seen off the West Coast, Savannah, New  
10 York, New Jersey.

11 COMMITTEE MINORITY CHAIRMAN CARROLL: I guess  
12 that sounds like good news for what's happened in  
13 Pennsylvania. Maybe it's an opportunity to have some of  
14 those ships that can't get into some of the East Coast  
15 ports come to Philadelphia.

16 MR. O'BRIEN: That's right. We have been in  
17 conversations with the ocean carriers to make that happen,  
18 and --

19 COMMITTEE MINORITY CHAIRMAN CARROLL: It seems to  
20 me that that's an opportunity.

21 MR. O'BRIEN: Yes, sir.

22 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
23 Representative Mustello?

24 REPRESENTATIVE MUSTELLO: Thank you,  
25 Mr. Chairman. And, thank you for coming out today,

1 Mr. O'Brien. I'm interested also in the railroads. What  
2 is the reason that they're not cooperating with you? I  
3 mean, they understand that it should be an  
4 all-hands-on-deck problem right now. What's the problem  
5 that they're not cooperating with you?

6 MR. O'BRIEN: Well, there has been some  
7 cooperation. And I was proud of the role of PhilaPort in  
8 getting some conversations going between our marine  
9 terminal operator, Holt, and CSX which improved rail  
10 operations at the CSX Greenwich terminal. However, they  
11 have -- I think it's precision control railroading, PCR.  
12 It's a form of railroading, where you try to, you know,  
13 increase efficiencies. And as part of that, they reduce  
14 services. As of a couple years ago, we had 14 inland  
15 destinations. Now we've been reduced to two, Chicago and  
16 Detroit, and then we also have connections to Canada with  
17 CN. But those -- and that's not just us. That's affected  
18 other ports as well, where the railroads, to save money,  
19 were closing certain nodes on their network.

20 And so within that context, they are cooperative.  
21 We've got good contacts at the railroads who do help us.  
22 We get both the containers, and we also have service with  
23 the traditional, you know, conventional break bolt cargos.  
24 So we do work with the railroads. We would like more  
25 services.

1           REPRESENTATIVE MUSTELLO: And with the short  
2 lines as well? I mean --

3           MR. O'BRIEN: Oh, yes.

4           REPRESENTATIVE MUSTELLO: -- are they all working  
5 in, kind of, conjunction, together? So --

6           MR. O'BRIEN: My interface has been more with  
7 CSX, especially their big yard in South Philly, to a lesser  
8 extent NS. But yes, I have met the folks at the railroads.  
9 North Shore Railroad, I know people there. And some of the  
10 other short lines that -- I see them, but usually it's  
11 being carried from the port by one of the big lines to a  
12 short line.

13           REPRESENTATIVE MUSTELLO: So then there is not a  
14 problem, or --

15           MR. O'BRIEN: I have heard no problems with the  
16 short lines.

17           REPRESENTATIVE MUSTELLO: No, no, no. With the  
18 major ones.

19           MR. O'BRIEN: Oh, with the major ones?

20           REPRESENTATIVE MUSTELLO: With Norfolk  
21 Southern --

22           MR. O'BRIEN: Yes.

23           REPRESENTATIVE MUSTELLO: Yeah. I mean --

24           MR. O'BRIEN: Well, again, the -- they had a  
25 situation where containers were piling up on their yard,

1 and because of staffing limits, because of the way their  
2 yard was situated, we weren't able to get as many  
3 containers as we needed from the marine terminal over to  
4 the railyard. And similarly, we weren't able to get as  
5 many containers from the railyard over to the seaport.

6 After the conversations that I talked to you  
7 about, the Holts, the marine terminal operator, actually  
8 provided equipment to the rail carrier and the labor to  
9 take some of the containers from the chassis and make it at  
10 least partially a grounded operation which has helped.

11 REPRESENTATIVE MUSTELLO: Well, that's good.  
12 That sounds like great cooperation. Thank you.

13 MR. O'BRIEN: Yeah.

14 REPRESENTATIVE MUSTELLO: Thank you,  
15 Mr. Chairman.

16 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
17 you, Marcy. Next is Representative Lawrence. I'm going to  
18 just remind everybody. We're running sort of short of  
19 time, and we have an 11:00 deadline, because House will  
20 open session at 11:00. So, John?

21 REPRESENTATIVE LAWRENCE: Thank you,  
22 Mr. Chairman. Thank you for being here today. It's been  
23 very educational. Could you speak to the Committee with  
24 regard to the Port of Wilmington? I know that they have --  
25 you know, there was a long fight over dredging the Delaware

1 River. And now that it's done, the Port of Wilmington  
2 which fought it for years is taking advantage of it. So,  
3 it's of particular interest to me. A lot of the trucks  
4 that come out of that port go right up Route 41 through  
5 Chester County, which is a problem. And, bringing those  
6 containers in through Philadelphia would be advantageous.  
7 So could you speak to the Committee about that? I would  
8 appreciate your insights.

9 MR. O'BRIEN: Well, I agree with you, it'd be  
10 advantageous bringing it in through Philly. So, they, as  
11 you may know, receive some investment from a company from  
12 the United Arab Emirates, which is putting a lot of money  
13 in down there. One issue is, they do not have the  
14 permitting. So they have a smaller, older facility on the  
15 Christiana River, which is not quite as deep. And then  
16 they have a bigger piece of land, an old DuPont facility  
17 that's actually on the Delaware River. And, their plan had  
18 been to turn that bigger property into a container yard,  
19 and they don't have the permitting. I'm hoping they don't  
20 get the permitting. And if that were the case, there would  
21 not be as many trucks going up. There's only so much we  
22 can do. They've been around for ages. I have to admit,  
23 they do a decent job on the fruit, certainly as an  
24 ancillary to our operations. They've been doing it for  
25 years.

1           REPRESENTATIVE LAWRENCE: Right. Chiquita comes  
2 through there.

3           MR. O'BRIEN: That's correct. Yeah. And so they  
4 are not as well rail served as we are. I hope that stays  
5 the same. I would certainly be opposed to any type of  
6 improved road infrastructure going north from the Port of  
7 Wilmington. And so I share your concerns. I don't know if  
8 there's a lot we can do about it.

9           REPRESENTATIVE LAWRENCE: I mean, I'm not,  
10 certainly, familiar with every road in Delaware, but, I  
11 mean, they do have I-495 that's right there and would seem  
12 to me is fantastic. I think it would be helpful for this  
13 committee -- and I'm sure there's been study after study  
14 done that's sitting on some dusty shelf somewhere. I think  
15 it would be helpful for this committee to see what needs to  
16 happen to -- you said connections to I-95 and I-76. Those  
17 sound expensive. I mean, I remember the project connecting  
18 Interstate 95 to the Turnpike. They brought in -- I mean,  
19 it was just an unreal amount of money to do that. But then  
20 I recall that there was a proposal for when one of the  
21 casino licenses was handed out in Philadelphia, which  
22 PennDOT stupidly said they didn't have to do later. Or  
23 actually, I believe it was the Gaming Control Board waived  
24 it later. When they gave them the license, they said  
25 you're going to put a entrance ramp onto I-76, and then

1 they waived it. But that estimate was only like \$5  
2 million, which we should have made that casino do that.  
3 But I -- you know, I'd be curious to see just what we're  
4 talking about, how much it would cost. It would be helpful  
5 if you could get that to the Committee.

6 MR. O'BRIEN: Yes, sir.

7 REPRESENTATIVE LAWRENCE: Thank you. Thank you,  
8 Mr. Chairman.

9 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
10 you, John. Representative Mizgorski?

11 REPRESENTATIVE MIZGORSKI: Thank you, Mr. Chair,  
12 and thank you, Dominic. You mentioned the substantial  
13 investments that Maryland, New York and New Jersey made.  
14 And my question for you is, where did they get that  
15 funding? And also, if we had an influx of significant  
16 funding, what would be our -- your top priorities for  
17 updating our port system? And, how would that position us  
18 to compete better with surrounding ports?

19 MR. O'BRIEN: Sure. What was the first part  
20 again? The --

21 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Where did  
22 they get the funding?

23 REPRESENTATIVE MIZGORSKI: How did they --

24 MR. O'BRIEN: Oh, how did they get the funding?

25 REPRESENTATIVE MIZGORSKI: How did they raise the

1 money? Where did it come from?

2 MR. O'BRIEN: Yes. So, I haven't seen this  
3 written, but I have been told that in Maryland that part of  
4 their gas tax goes automatically to the port. It's just an  
5 automatic -- you know, when you have that guaranteed  
6 revenue stream, it's easier to do capital bonds. I also  
7 think that they were just able to put more money in over  
8 the years. New York, it's a little different. They have  
9 better cash flow because, you know, it's that one-port  
10 entity. They've got, you know, airports and bridges, and  
11 it's a bigger operation, and it's always been a bigger  
12 port, at least for the past 200 years. And I think that  
13 size maybe attracted capital dollars over the years.

14 Maryland has some advantages. They're also the  
15 furthest port west in the Northeast, just of where they are  
16 situated on the Chesapeake, you're actually a little  
17 further going west, which is of some advantage. Of course  
18 that means you have to send your ship across the Chesapeake  
19 further. So, and we're certainly better going north, and  
20 we have great rail track going west also. And then the  
21 second part was --

22 REPRESENTATIVE MIZGORSKI: If we were able to  
23 provide a greater investment, what would --

24 MR. O'BRIEN: Yes.

25 REPRESENTATIVE MIZGORSKI: -- be your top

1 priorities?

2 MR. O'BRIEN: Well, Mr. Theobald, our CEO, I know  
3 he's looking at that very closely with the leadership team.  
4 We do have an area below the -- south of the Packer  
5 Terminal that's a car facility. And we can see at some  
6 point that becoming a multimodal facility. We've already  
7 gotten a Federal grant. This was before the current  
8 infrastructure bill was passed. We got a \$49 million grant  
9 to do a new berth there. And we actually have the  
10 permitting for that, unlike our friends down in Wilmington.  
11 So, we're hopeful for additional capital dollars to turn  
12 that into a berth. As I said, some of the road areas, both  
13 immediately outside the Packer Avenue Marine Terminal where  
14 you've just got some congestion issues right there, and  
15 then as well as getting us better access onto, especially  
16 I-95.

17 REPRESENTATIVE MIZGORSKI: Thank you. And thank  
18 you, Mr. Chair.

19 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
20 you, Lori. Dominic, thank you very much for your testimony  
21 today. Thanks for bringing us up to speed on what's going  
22 on at PhilaPort. It's an impressive facility, and we do  
23 hope, with some of the easing of restrictions that we'll be  
24 able to bring the Transportation Committee down to see it  
25 in person. Because, it's much more impressive when you see

1 it and lay eyes on it than just hearing about it. So we'll  
2 hope to do that sometime early in the new year.

3 MR. O'BRIEN: Thank you. And, thank you for the  
4 opportunity to speak to you folks today.

5 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: You're  
6 welcome. Our next testifier is Greg Moreland who is the  
7 State Director of the National Federation of Independent  
8 Business, and he is joined virtually by Daniel Sifer, the  
9 Senior Vice President of the supply -- of supply chain.  
10 Greg, good morning. Nice to see you again, and --

11 MR. MORELAND: Thank you, Chairman.

12 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: -- begin  
13 whenever you're ready.

14 MR. MORELAND: All right. Thank you very much.  
15 Thank you for having us here. I'm Greg Moreland. I'm the  
16 State Director for NFIB of Pennsylvania. We're the  
17 National Federation of Independent Business, representing  
18 about 13,000 small and independent businesses all  
19 throughout the Commonwealth, every sector, and every corner  
20 of the Commonwealth as well. We are a nonprofit,  
21 nonpartisan organization that wants to promote the rights  
22 of our members to own, operate and grow their own business.

23 You know, as we are still dealing with the  
24 pandemic, our small businesses continue to struggle.  
25 Recent NFIB data indicates that employers are compensating

1 employees at a record high level while facing a record high  
2 worker shortage. In addition, supply chain issues and  
3 inflation have negatively affected the small business  
4 community, limiting the ability to turn a profit. Going  
5 into the busy holiday season, nearly half of small business  
6 owners who rely on holiday sales as a significant part of  
7 yearly revenue report that both the supply chain  
8 disruptions and the staffing shortages will impact their  
9 holiday sales.

10           In my written testimony to the committee, I did  
11 provide a great deal of statistical data that is provided  
12 by the NFIB Research Center. We have been increasingly,  
13 throughout the pandemic, polling our members to get the  
14 pulse of what their current issues are. And I would just  
15 like to highlight some of these statistics that are in this  
16 document. I will not read through all of them. About half  
17 of small businesses, 48%, reported that supply chain  
18 disruptions are having a significant impact on their  
19 business. And another 34% say that these disruptions have  
20 a moderate impact. Only 6% of our membership said that  
21 supply chain issues are having no impact on their business.  
22 I think that shows you that this is not a one industry  
23 issue or a problem. This is spread across many and all  
24 industries.

25           Supply chain disruptions are becoming

1 increasingly challenging for small business owners, with  
2 62% experiencing disruptions, saying that the supply chain  
3 disruption is worse now than it was three months ago. And  
4 I think what that shows you is that this problem is not  
5 going away. In fact, it is actually getting worse. Almost  
6 all small business owners -- 90% anticipate that supply  
7 chain disruptions will impact their business, and that they  
8 will continue for the next five months or more.

9           So, I don't think that -- our businesses -- what  
10 we've seen in our polling data as business optimism has  
11 been on a decline moving forward, and I think that is due  
12 to the staffing and supply chain shortages. We're dealing  
13 with staffing shortages. 26% of small business employers  
14 are currently experiencing a significant staffing shortage,  
15 and another 22% are currently experiencing moderate  
16 staffing shortage.

17           When employees aren't in the manufacturing plants  
18 and in the stores, making the products and the widgets that  
19 they make, they can't get those products to the  
20 marketplace. That creates a backlog, and that's kind of  
21 what we're seeing now, is -- you know, this was kind of  
22 predictable when the -- when businesses shut down during  
23 the pandemic, but I think the magnitude of the supply chain  
24 shortages globally has far exceeded our expectations.

25           When it comes to pricing and compensation, 69% of

1 small business owners have increased their average selling  
2 prices due to supply chain disruptions and/or increased  
3 compensation due to staffing shortages. And when supply  
4 chain disruption and or the staffing shortage is  
5 normalized, only 5% of our members actually responded that  
6 they anticipate lowering their prices. And I think that  
7 that -- what that information and data shows you is that  
8 the increased prices that we're seeing at the marketplace  
9 now are here to stay. They're not going anywhere anytime  
10 soon, and I think that's a problem for all.

11           Regarding holiday sales, 26% of owners anticipate  
12 these issues will have a significant negative impact on  
13 their business. About half, 42%, reported a moderate  
14 negative impact, and 25 reported a mild impact. Many of  
15 our small businesses rely heavily on holiday sales. And  
16 without them -- and when their shelves aren't full with  
17 product, they can't get a good return. It makes it hard to  
18 compensate your employees well. It makes it hard to keep  
19 the lights on. It makes it hard to continue doing  
20 business.

21           When we're looking at sale levels, 36% of our  
22 members are still receiving 50 to 75% of their pre-pandemic  
23 revenues, right? So 36% of our membership has seen a  
24 drastic decrease in their revenues. Again, that goes to  
25 when they don't have products to sale they can't turn that

1 profit, they can't compensate their employees well, grow  
2 their business. 32% of owners expect conditions will not  
3 fully improve until --

4 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Yeah.

5 MR. MORELAND: -- the second half of 2022, and  
6 27% of our members believe that these conditions will not  
7 improve until after 2023. Again, I think that further goes  
8 to show you where our membership believes -- you know,  
9 optimism is rather low. They kind of see the writing on  
10 the wall that we have been dealing with this pandemic for  
11 quite some time. The supply chain disruptions have been  
12 significant, and our membership does not necessarily see an  
13 end in sight any time soon.

14 So, the above statistics indicate that small and  
15 independent businesses are still experiencing significant  
16 difficulties related to COVID-19. When businesses are  
17 forced to shut down, manufacturing and production also shut  
18 down. When workers were laid off and provided sizeable  
19 checks from the state and Federal government, some never  
20 came back. The current supply chain disruption was  
21 predictable, but the magnitude has far surpassed  
22 expectations. If nothing else, the supply chain  
23 disruptions have shed light on the importance of  
24 manufacturing products domestically when possible rather  
25 than a reliance on other countries. Unfortunately,

1 Pennsylvania has not fared well in comparison to other  
2 states when it comes to attracting and retaining new  
3 business. Despite being the sixth largest economy in the  
4 nation, Pennsylvania ranks 43<sup>rd</sup> in creating new jobs and is  
5 eighth worst state to start a business.

6           Additionally, Pennsylvania is currently ranked  
7 36<sup>th</sup> in the United States for its economic outlook, and 40<sup>th</sup>  
8 in the country for its recent performance. Proposals to  
9 toll nine bridges throughout the Commonwealth would only  
10 further deter business from locating here in Pennsylvania,  
11 and NFIB has provided their support letter to the Committee  
12 and to the General Assembly on Senate Bill 382 which was  
13 just taken up yesterday.

14           We have the opportunity now for a renaissance of  
15 American manufacturing, bringing businesses and  
16 manufacturing back to the nation and to the Commonwealth,  
17 but to do so we need a reliable transportation system, a  
18 tax structure that works for all businesses and less  
19 government interference with how businesses operate.

20           Finally, in closing I would like to say, I think  
21 there are several points that I would like to make. First  
22 and foremost, Chairman Carroll, I did hear your remarks  
23 yesterday in regard to 382 and talking about funding of  
24 infrastructure. You were absolutely right when you said  
25 that we need to get the Pennsylvania State Police out of

1 the Motor License Fund. It's not an issue of funding the  
2 police or defunding police, it is taking from the left  
3 pocket or the right pocket. They need to be out of the  
4 general fund, and our roads and bridges could use that, you  
5 know, six, \$700 million per year that we are giving to the  
6 state police out of the Motor License Fund. That could be  
7 used for our roads and bridges. We need to expedite that  
8 4% reduction in PSP funding from the Motor License Fund.

9           Additionally, I would like to echo the comments  
10 of PennDOT earlier. Our -- many of our businesses would  
11 like to see 18 to 20-year olds be able to travel interstate  
12 with their CDL. I know that is more of a Federal issue,  
13 but that is something that we are taking up at the Federal  
14 level. What we want to see is, you know, the General  
15 Assembly, where they can remove barriers and red tape,  
16 allow for -- you know, if it's allowing for businesses and  
17 transportation companies to haul heavy, reduce costs,  
18 incentivize their workforce to get a CDL, I think those are  
19 steps that we need to take.

20           And finally -- and my last point is a reference  
21 to the 60 Minutes episode that you referred to,  
22 Chairman Carroll, earlier. I think if you watched that, it  
23 was very educational. What it was, was a lot of finger  
24 pointing to, you know, a lot of different entities and who  
25 was creating the problem. But, I think the one takeaway

1 that I did take away from that was, these international  
2 maritime shipping companies are making record profits this  
3 year. They are making record profits while -- that is at  
4 the expense of many of our small businesses struggling  
5 and -- struggling to keep the lights on. So, you have  
6 large international shipping companies making record  
7 profits while mom-and-pop shop on Main Street is closing  
8 down.

9 With that, I provided the umbrella, overarching  
10 statistical data. I would like to pass it over to Dan from  
11 Herr's. Herr's is a member of NFIB, and Dan deals every  
12 day with supply chain management. And, I would like you to  
13 hear from him and what actually is happening on the ground.

14 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
15 With that as a prelude, we will now hear from Dan Sifer of  
16 Herr's Foods. He's the Senior Vice President of Supply  
17 Chain at Herr's. Dan, can you hear me and --

18 MR. SIFER: Good morning.

19 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Good  
20 morning. Begin whenever you are ready. Thank you.

21 MR. SIFER: Okay. Good morning. I appreciate  
22 the opportunity to be able to testify and share some of our  
23 perspective. And I thank Greg for, you know, reaching out  
24 to me with that invite. And, I would just start to say,  
25 for those of you that aren't familiar with Herr's, we are a

1 family-owned business in Southern Chester County that have  
2 been in business for 75 years. I have actually been here  
3 40 of the 75, which is a little ridiculous when I think  
4 about it. It seems it went pretty fast. But, we're a  
5 family-owned business, and I want to talk a little bit  
6 about the business interruptions that we have experienced  
7 or our customers have over the last year and a half or two  
8 years.

9           And I'll just start -- because it's where Greg  
10 ended. Just as an example, when COVID began, we had  
11 roughly about 12,000 customers close for several months.  
12 And now, as the smoke has cleared -- these are mostly  
13 independent corner-store type of retail outlets in the  
14 neighborhoods that people live in. Of those 12,000,  
15 roughly 3,200 of them never opened back and went out of  
16 business, and the remainder are struggling dramatically.

17           And so, I'll talk a little bit about -- I want to  
18 just touch base on the supply side, the labor side, the  
19 carrier perspective, prices and prognosis -- are kind of  
20 the categories I'll try to touch quickly, and then I'll be  
21 real anxious for any type of questions that you might have  
22 to get some perspective on just down in the weeds,  
23 companies that are really dealing with this.

24           So on the supply side, I would say in general  
25 lead times have doubled or tripled for us for most

1 materials. Many supplies have availability problems that  
2 are either delayed or unavailable. Things like spices that  
3 we use for seasoning could be sitting in containers on the  
4 ocean and delaying finished products. Chemical products  
5 that are used in packaging. Treating packaging materials  
6 that we use to package our products come from overseas as  
7 well. The whole matrix of the supply side has stretched  
8 out and put pressure on virtually everything that we look  
9 to source.

10           From [inaudible] labor perspective, our  
11 plan -- at our distribution centers, we've been dealing  
12 with available candidates to fill open positions. We've  
13 managed to keep our production lines up and running  
14 throughout, but it hasn't been without a Rubik's Cube type  
15 of shifting of people and choices online. We've changed  
16 our entry-level pay three times in the hope to both retain  
17 and attract help. We paid bonuses to employees working  
18 during the pandemic as a extra incentive and thank you for  
19 ourselves -- or for themselves. But, even today, in the  
20 job market it's extremely difficult to find people willing  
21 and wanting to do the work. And, that same problem exists  
22 with our suppliers. We have many suppliers that have  
23 material delays.

24           And just briefly, one of the most important  
25 things for our business, flexible packaging. The -- you

1 know, the packages you see chips and pretzels in every day  
2 is driven largely by the polypropylene and polyethylene  
3 resin market. And through last year into this year the  
4 domestic production of that had been drastically affected  
5 both by shutdowns and hurricanes that affected production.  
6 And those suppliers have suffered a backlog of material to  
7 just keep up. And even today, as the supply has come back  
8 in line, they all could have the materials and the capacity  
9 to make the finished product but lack of labor to get it  
10 done. So, the labor backlog is something we're  
11 experiencing not only in our own plant, but suppliers  
12 throughout the country, really.

13           From the carrier perspective, you know, there's  
14 been a shortage of drivers long before the pandemic. And I  
15 remember back before the pandemic, Herr's along with other  
16 snack companies belonged to a trade association called  
17 Snack International. And our group at Snack International  
18 was part of the group leading for the legislation that  
19 still hadn't come to vote, but it is a bipartisan-supported  
20 bill allowing drivers between 18 and 20 to cross interstate  
21 lines. And, back then we used to -- the thought was there  
22 was about a 50,000-person shortage in the driver capacity  
23 scenario in the states. Now it -- the most recent numbers  
24 I've seen have been more like 75 or 80,000 people short of  
25 what we need to move freight across the country.

1           That shortage along with new requirements for  
2 ELDs and the reluctance of young people to get involved in  
3 the industry has really led to a challenge that we really  
4 don't have a solution to. And if you can imagine, young  
5 people that might not want to choose to go to college  
6 coming out of high school and looking for a job, this  
7 industry, because you need to be 21 to drive across state  
8 lines, you miss the opportunity to potentially attract some  
9 of those people to this industry. And then they get  
10 situated in a career path that doesn't have them come to  
11 this as an opportunity later. And when you think about it  
12 a little bit, someone 18 years old cannot drive from  
13 Philadelphia to Cherry Hill, but yet can drive from San  
14 Diego to Northern California. And so, there's some logic  
15 to the idea of having an age requirement, but there is also  
16 some flawed logic in the way it's set up today.

17           So, although it's a Federal issue, I'm sure you  
18 all can do what you can to influence, you know, those who  
19 would be potentially voting on that when we do get a chance  
20 to have them vote on it.

21           That industry in itself, the carrier industry and  
22 the problems we had all existed before COVID. COVID just  
23 took an already troublesome capacity/volume equation and  
24 just completely put it in disarray. Today, the  
25 availability of equipment is extremely scarce, at higher

1 prices, and those will -- you know, they affect both  
2 delivery and prices to consumers. And today there really  
3 isn't a solution in place. Things like driverless  
4 vehicles, the influx of young people and more flexibility  
5 about interstate travel are probably necessities that we're  
6 all going to have to learn to get comfortable with. And  
7 the -- you know, the driverless idea, when you first hear  
8 about that you think, oh, my goodness. But, it's a  
9 real -- it's a real solution that I think we're all  
10 starting to come to grips with probably has a lot of merit.

11           If I speak just a little bit about prices -- and  
12 this is kind of from the Herr's or snack industry  
13 perspective, things like the resin I mentioned for our  
14 packaging have increased over 25% in the last nine months.  
15 Paper that's used for corrugated boxes which is every  
16 industry has increased 15 to 20% in the last four months.  
17 Things like seasoning that we use, and so do restaurants  
18 and other companies, has increased eight to 15% over the  
19 last six months. Corn, and cornmeal and those kind of  
20 things that lots of companies like ours use -- we use have  
21 increased 20 to 30% over a year.

22           And for us, one of the most significant things  
23 is, frying oil has increased 40 to 50%. All those things  
24 are going to impact prices for consumers. And then, the  
25 last point I would make is, it's led to companies like ours

1 needing to make choices about priorities to try to satisfy  
2 consumers' desires and needs as best we can. And I'm sure  
3 anybody that's on this call can share an example of where  
4 you've been to a retail grocer and found things that  
5 typically were never empty that are often empty. And, you  
6 know, we all been reading the news about, for the last two  
7 weeks, shop for your Thanksgiving dinner now. And that's a  
8 -- that's just a quick example of the real problems that  
9 we've been living through with some peaks and valleys over  
10 the last 15 months or so.

11           We don't really expect these challenges that  
12 currently exist -- we expect them to linger through 2022.  
13 And the labor needs I think are a longer range challenge  
14 for all of us. So, I mean, those are some of the notes  
15 about our examples that I shared, and I'd be, you know,  
16 very willing to field any questions related to kind of what  
17 we're experiencing, or what I'm on -- you know, my opinion  
18 on certain things. So with that, I'll thank you for the  
19 opportunity to testify.

20           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
21 you, Daniel, for your testimony. I would just quickly  
22 comment that if -- as you mentioned earlier, there may be  
23 people who aren't familiar with the Herr's Snack Foods that  
24 are available, but if you've missed their potato chips, you  
25 don't know what you're missing. We appreciate the fact

1 that Herr's is a major employer in Southern Chester County.  
2 I will ask our members to remember, we are running a little  
3 bit short on time. We have one more testifier. So, thank  
4 you, Daniel, for being here on behalf of the Herr Family to  
5 testify. John Lawrence, Representative, you have a  
6 question?

7 REPRESENTATIVE LAWRENCE: Thank you,  
8 Mr. Chairman. Yes, briefly. Daniel, I appreciate you  
9 joining us remotely here today, and I certainly echo  
10 Chairman Hennessey's comments about the good work that  
11 Herr's does in Southern Chester County and, really, across  
12 the Commonwealth, and appreciate you being here today.

13 Just to kind of drill down a little bit on some  
14 of your comments, I had stopped by the factory store to  
15 pick up cheese curls for Halloween of all things, and was  
16 informed that the Halloween cheese curls were not produced  
17 this year because you couldn't get the packaging. And it  
18 seems like that's what you were talking about here in your  
19 testimony as well. So, could you elaborate a little bit on  
20 that? I mean, that seems like it would be really  
21 concerning, if I were in the snack foods business and I  
22 can't get bags to put chips in, or cheese curls, or  
23 whatever else it is. Have you had to go to new suppliers,  
24 or are you unable to get the products, or -- you know, at  
25 all? Or what are you doing?

1           MR. SIFER: Yes, thank you, John. And, I  
2 appreciate your comments and your help that you've been to  
3 us through the years. And so we have -- I mentioned  
4 earlier the resin challenges. And so that market -- that  
5 industry has gone through unprecedented challenges that,  
6 you know, I've never seen in the 40 years I've been here.  
7 We've had to make -- both us and the suppliers make  
8 choices. We've reprioritized our SKUs for our converters,  
9 the people that print that film, three times since July,  
10 narrowing down the SKUs that are priorities for us to try  
11 to keep in stock, to try to both protect our top-line  
12 revenue and also offer as much as product as possible to  
13 consumer first that they're typically used to buying. But  
14 that item is a good example of several that we've had to  
15 move away from just to try to keep others in stock because  
16 of the delays in that industry. And it's something we  
17 expect to experience probably through the first quarter of  
18 '22 in that industry.

19           REPRESENTATIVE LAWRENCE: I appreciate the  
20 insight. I'm getting the eye from the Chairman here. I  
21 think we need to move on. I would love to talk about it  
22 more. Maybe we can catch up later. I appreciate you  
23 testifying today. Thank you.

24           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Actually  
25 I was just --

1 MR. SIFER: Sounds good, John. Thank you.

2 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: I was  
3 just -- or looking around to see if you were finished.

4 REPRESENTATIVE LAWRENCE: Oh, okay. Thank you,  
5 Mr. Chairman.

6 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: All  
7 right, we've been joined --

8 MR. SIFER: Can I just ask --

9 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: I'm  
10 sorry?

11 MR. SIFER: Can I just ask, does everybody  
12 have -- will everybody have everyone's email, in case  
13 there's anybody who would like to email me a question?  
14 Feel free to do that as well. Thank you.

15 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
16 okay. Tori will send it out to our committee members.  
17 We've been joined by Representative Perry Warren from Bucks  
18 County. Welcome. With that, we will move to our last  
19 testifier, the Vice President of Supply Chain Policy for  
20 the US Chamber of Commerce, John Drake. John, Can you hear  
21 us?

22 MR. DRAKE: I can. Can you hear me?

23 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
24 Well, begin any time you wish. Oh, good.

25 MR. DRAKE: Excellent. Well, look, thank you,

1 Chairman Hennessey, Democratic Chairman Carroll. I thank  
2 you for the opportunity to speak before you today on this  
3 very important topic. And, Representative Schroeder, thank  
4 you for your advocacy of having this discussion. It's a  
5 very important and timely topic.

6 But, there have been some very good remarks that  
7 have been shared by the witnesses up until now, so what I  
8 would like to do is just use my time to sort of highlight  
9 some of those points and drill down where the Chamber is  
10 focused and active.

11 Everyone here is saying the same point, that the  
12 supply chain crisis is here, it's very real, and it's going  
13 to be with us for quite some time. You know, I don't  
14 disagree with anything that's been shared so far. The  
15 Chamber has been saying that this crisis will be with us  
16 through at least next year, most likely into the fourth  
17 quarter. I think we're going to see a little bit of relief  
18 here in the coming weeks, but really, the challenges that  
19 we're seeing right now are not going to be fundamentally  
20 improving significantly over the next few months. So I  
21 think we need to be patient.

22 You know, what's really driving this is the huge  
23 surge in American consumer spending over the last few  
24 months, along with the labor shortages that we're seeing  
25 across the supply chain. For example, you know -- and a

1 lot of this is driven by COVID. COVID saw -- last year we  
2 saw three times the number of trucking companies go out of  
3 business nationally than what happens in any given year.  
4 And with that we saw approximately 100,000 drivers lose  
5 their jobs because of that downturn in demand. But, very  
6 quickly we saw that demand return, and the truck driver  
7 shortages that we were seeing prior to then are only  
8 exacerbated today. You know, what we're hearing is that  
9 there's approximately 80,000 truck driver shortages right  
10 now, and we expect that that shortage will be up to  
11 1 million in the next few years. What's driving that is  
12 we've got an aging workforce, and we're having difficulty  
13 bringing newer and younger drivers into -- online here  
14 at -- in -- to meet demand.

15 The second thing that I want to touch on is, you  
16 know, we also need to be working to get our ports to be  
17 working faster and with more velocity than what they are  
18 right now. You know, a lot of our members are telling us  
19 that there's a huge increase in the cost of transporting  
20 goods here in the US.

21 About a year ago the cost of transporting a  
22 container from China to the United States was approximately  
23 \$3,000. Today that cost has increased to anywhere from 30  
24 to \$35,000. And when you take into account that oftentimes  
25 many small and medium-sized businesses may have upwards of

1 approximately \$30,000 of goods that are in that container,  
2 you very quickly see that these businesses are struggling  
3 to cover the cost of the goods that they're selling to the  
4 public.

5           And when you also take into account that, you  
6 know, just recently the Consumer Price Index improved --  
7 excuse me -- increased by 6.2% year over year, it's very  
8 easy to see why when you take into account the enormous  
9 transportation increase -- cost in transporting goods here  
10 to the United States. You know, we expect that these price  
11 increases are going to continue going into next year, as  
12 the business community continues to sort of evolve and  
13 adjust to the increase in cost of bringing goods here in  
14 the United States.

15           You know, I think -- but I think what we'd also  
16 like to drill down on is that there are opportunities to  
17 see improvements with this challenge. Like I said at the  
18 top, you know, we really need to figure out ways to make  
19 our ports more efficient and more productive. You know,  
20 Chairman Hennessey and Democratic Chairman Carroll, you  
21 know, I think you made a couple points about this at the  
22 top of the call, about the value of the Port of  
23 Philadelphia to Pennsylvania and to the regional economy.  
24 That's very true. You know, there is a -- Port of  
25 Philadelphia is probably one of the better operating ports

1 in terms of productivity in the United States. But if you  
2 look at World Bank numbers, it ranks #83 in the world.  
3 But, you know, it's doing quite a bit better than,  
4 arguably, the two most important ports in terms of moving  
5 goods into the United States, the Port of LA and the Port  
6 of Long Beach. According to that same study, those two  
7 ports ranked quite a bit down the chain, at 330 -- 328 and  
8 333 in the world. And if you also take into account that,  
9 you know, all the top ports right now that are operating in  
10 the world are East Asian in -- you know, in China, Japan,  
11 Malaysia and Thailand, you know, there is a lot of  
12 opportunity for us to make improvements, especially when  
13 you take into account that ports are really fundamentally  
14 very important to our local economies, and also to our  
15 competitiveness around the world in terms of exporting  
16 goods as well as importing goods. And we need to be  
17 focused on improving the throughput of goods that are  
18 coming into and out of our ports.

19           You know, there's a few opportunities in the  
20 infrastructure bill that just passed Congress, was signed  
21 into law by President Biden. I know there were some  
22 numbers that were bandied about the -- as we understand,  
23 the money that was made available for port infrastructure  
24 was \$17 billion, plus an additional \$25 billion for  
25 airports, and then of course many billions more for roads

1 and bridges. These improvements are incredibly important,  
2 incredibly necessary, but I think I also want to drill down  
3 just a little bit more to say that there is even increased  
4 emphasis on bringing to bear the users of the systems to  
5 help guide state investments in the local infrastructure.  
6 And I think as you look at solutions, I would really  
7 encourage this Committee to really kind of drill down on  
8 making sure that the users of the system have a place at  
9 the table in helping guide these investments.

10           Specifically, there's a state freight advisory  
11 committee that has been set up, I believe by the state, you  
12 know, a few years before. This new infrastructure bill  
13 places additional responsibilities and improves their  
14 standing within the state to help kind of guide these  
15 investments. And I think, especially if you're looking at  
16 the future competitiveness of the state and its economy,  
17 making sure that the users of the system, the ones who are  
18 moving the goods up and down the highways and the like  
19 really have a place at the table to help guide investments,  
20 so that they're the best bang for the buck; is realized.

21           And I think, you know, one last point that I want  
22 to touch on, there's been a lot of discussion, especially  
23 in DC, about the future role of China and when it comes to  
24 our supply chains and where we're getting our goods. There  
25 is increasing sense within Washington that China over the

1 long term probably will not -- that there will be  
2 opportunities to move production to other countries around  
3 the world: Europe, Africa, other parts of Asia and the  
4 like. And, what I would encourage you all to think about  
5 is, with those movements of supply chains, that likely  
6 brings up new opportunities to bring goods either through  
7 nearshore and -- or with the East Coast ports themselves,  
8 that there is going to be opportunities to bring those  
9 goods into these ports specifically and to bolster the  
10 economy for the state. You know, especially as this  
11 traffic moves away from the Ports of LA and Long Beach that  
12 currently is the recipient of approximately 40% of all  
13 imports that enter into our country.

14           So, a lot of long-term opportunities for the  
15 state, but certainly, I think, some immediate opportunities  
16 in front of you as well. And with that I am happy to take  
17 any questions.

18           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Thank  
19 you, John, for your testimony. Thanks for being here and  
20 for, you know, advising our Committee on what you see the  
21 problems are in terms of our -- that we face both as a  
22 state and also across the country. And let me belatedly  
23 thank Greg Moreland on -- who testified on behalf of the  
24 National Federation of Independent Business, and Dan Sifer  
25 who is here on behalf of Herr -- well, virtually on behalf

1 of Herr's Foods.

2           John, if I can, I was a little surprised. You  
3 said that Philadelphia PhilaPort ranks 33<sup>rd</sup> -- 83<sup>rd</sup> in the  
4 world, and you mentioned LA and Long Beach. And I thought  
5 you were going to say that they were very, very high on the  
6 list of -- in terms of activity. But, I was surprised  
7 that -- I didn't jot the numbers down, but where did you  
8 say they rank? And, how is that measured, on volume or  
9 efficiency?

10           MR. DRAKE: It's measured on performance, and the  
11 study comes from a World Bank study that was done  
12 approximately two years ago. I'm happy to share that with  
13 you all if you like, but it is surprising. It's -- you  
14 know, I think on the whole a lot of the East Coast ports,  
15 according to this study, do perform significantly better  
16 than the Ports of LA and Long Beach and some of the other  
17 ports along the West Coast. I think a big reason for that  
18 discrepancy between the East Coast and the West Coast ports  
19 is that, you know, there have been, I think historically,  
20 an embrace of automation and productivity measures that I  
21 think some of the West Coast ports maybe have not been as  
22 forward leaning on as they could.

23           You know, we -- the West Coast ports are going to  
24 be renegotiating their labor contract with the longshoremen  
25 next year, and I think there's a real opportunity to drive

1 home some of these improvements that I think are  
2 desperately needed for the West Coast ports. And, we're  
3 very much hopeful that the crisis that we're seeing today  
4 will help drive that opportunity forward.

5 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
6 thank you. Could you give me those numbers of where LA and  
7 Long Beach ranked? Was it in the 200s or the 300s?

8 MR. DRAKE: 328 for the Port of LA, 333<sup>rd</sup> for the  
9 Port of Long Beach.

10 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Wow. If  
11 we measured it not in terms of productivity but in terms of  
12 volume of throughput, of stuff coming off the ships and,  
13 you know, getting through the ports and out into the  
14 country, where would -- where might they rank in terms of  
15 just how busy they are?

16 MR. DRAKE: You know, I don't have exact numbers  
17 in front of me, but the Ports of LA and Long Beach are --  
18 they're handling significantly more cargo, is my  
19 understanding. You know, so 40% of all imports that enter  
20 into our country enter in through those two ports, and  
21 that's -- I think next in terms of volume would likely be  
22 the Ports of New York and New Jersey, but I would want to  
23 confirm that.

24 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
25 Greg, when -- his testimony indicated that -- he said it a

1 couple of times, that the international shippers are making  
2 a lot of money right now. And I -- you know, the -- and  
3 that's not particularly surprising to me in terms of our  
4 consumers here in the United States and in Pennsylvania,  
5 when we see an increase in terms of the delivery services  
6 offered by FedEx and Amazon, and Prime and all that. But,  
7 they can't be making -- the international shippers aren't  
8 making money when these ships are floating in the ocean,  
9 waiting to come into our ports. How has that affected  
10 their bottom line, and why can't send them to some other  
11 ports? Instead of having 20 or 30 or 40 ships sitting off  
12 the coast of the LA ports, why don't we just ship them up  
13 and down the ports of -- you know, the coastline of  
14 California and find other ports that are -- might be able  
15 to handle them? Or, can't those other ports handle them?

16 MR. DRAKE: You know, that is happening. The  
17 diversion of traffic away from the Ports of LA and Long  
18 Beach is happening. In some cases they're going up to  
19 Oakland or CTac, CL Tacoma, further up the West Coast. And  
20 you've also got some diversions going through to East Coast  
21 ports as well. It's not as much as what's happening at the  
22 West Coast, but there is some of that happening. But, part  
23 of the challenge is that a lot of the traffic that is going  
24 to ports -- into specific ports, you have a network of  
25 truckers and railroads that are contracted to handle those

1 goods that are coming off. So, any time that you divert,  
2 you know, container traffic to a different port, you've got  
3 to have a network or logistics in place to understand where  
4 that -- where those containers are going to be coming off,  
5 and how to get those containers where they ultimately need  
6 to go.

7           You know, another important point with the Ports  
8 of LA and Long Beach is, you know, what's widely talked  
9 about is how 40% of all imports go into those two ports.  
10 What isn't talked about so much though is that 60% of what  
11 goes into those two ports stays in California. So, you  
12 know, there's really -- in a lot of cases it doesn't make  
13 financial sense for a lot of shippers to divert their --  
14 that traffic further away from those two ports, because  
15 it's going to take them longer to get to where it  
16 ultimately needs to go.

17           Now, going back to your first question about  
18 the -- you know, the ocean shippers and the like, you know,  
19 they -- look, these price increases are happening across  
20 the board. You know, it's having a huge impact on  
21 shippers, small business and the like. You know, but even  
22 the ocean carriers, they're paid by the turns their having,  
23 right? So the ships are offloaded and then reloaded. You  
24 know, the more that happens, the -- that's where a lot of  
25 their money is coming in.

1           So, they are -- you know, there are record high  
2 transportation costs that are hitting shippers across the  
3 board, but it's also -- a lot of this is because there is  
4 simply no capacity across the system. You know,  
5 ships -- as was mentioned earlier, ships are sitting at  
6 anchor, waiting to enter West Coast ports. You're seeing  
7 containers that are sitting at dock that aren't moving, and  
8 that's costing shippers as well in storage costs. So, you  
9 know, there -- so a lot of this money is being distributed  
10 across the board and hurting consumers alike -- and shipper  
11 and businesses alike.

12           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay,  
13 thank you for that. Just one follow-up question. 40% of  
14 all imports into America come in through those two ports,  
15 and yet 60% of the offloaded products stay in California?  
16 Is that --

17           MR. DRAKE: That's correct.

18           COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Is that  
19 fruit? Is that consumable products, or -- that seems like  
20 a staggering statistic, you know?

21           MR. DRAKE: Yeah. It's -- I mean, it's pretty  
22 amazing. Yeah, but, you know, California I think is the --  
23 one of the top five economies. I mean, if you split  
24 California off and treat it as their own country, it would  
25 still be one of the top, I want to say, ten economies in

1 the world.

2 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Right.

3 MR. DRAKE: So there's just a lot of consumption  
4 that happens in that state, regardless of, you know, all of  
5 the attention, both good and bad, that the state has  
6 received over the last few years.

7 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Yeah.

8 And in that same kind of comparison, I think if  
9 Pennsylvania was its own economy, I -- it seems to me that  
10 I've heard in the past maybe it's shifted a little bit, but  
11 that we'd be probably in -- somewhere between 17<sup>th</sup> and 20<sup>th</sup>  
12 in terms of the world's economies.

13 MR. DRAKE: Yeah.

14 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Okay.  
15 All right.

16 MR. DRAKE: Yes, sir.

17 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Well,  
18 thank you very much for your testimony. I don't know.  
19 We -- I think we have a question for you from  
20 Chairman Carroll. Mike?

21 COMMITTEE MINORITY CHAIRMAN CARROLL: Not so much  
22 a question. Thank you so much, John, for you being with us  
23 today. And, while you were speaking I googled the US  
24 Chamber's website on the infrastructure. And the -- I  
25 didn't read every word that was written by the US Chamber

1 relative to the infrastructure, but one sentence caught my  
2 eye: infrastructure is not a partisan issue, it is an  
3 American priority. That is --

4 MR. DRAKE: Yeah.

5 COMMITTEE MINORITY CHAIRMAN CARROLL: -- from the  
6 US Chamber's website. I share that view, and I am going to  
7 take this moment to highlight the leadership of the members  
8 of my party that got the infrastructure bill to the  
9 President's desk and signed. All 50 US Senators supported  
10 the Federal Infrastructure Bill, and 19 Republicans, to be  
11 fair. In the US House, 215 Democrats supported the  
12 Infrastructure Bill, and to their credit 13 Republicans  
13 including Mike Fitzpatrick from Bucks County in support of  
14 the Infrastructure Bill. It seems to me those numbers  
15 should have been higher from the Republican Party,  
16 especially in the House. 13 members voting for an  
17 infrastructure bill that's supported by the US Chamber and  
18 so many other organizations that understand the value of a  
19 robust infrastructure in our nation that drives the economy  
20 and creates jobs. I wish there were more support for  
21 infrastructure. And we heard a lot about the  
22 infrastructure bill passed by the US Congress yesterday  
23 during the debate on the floor with respect to PennDOT's  
24 tolling proposal. We have to invest. There is no other  
25 option. The roads and bridges and the ports are not going

1 to build themselves. And so, I am thankful for the  
2 leadership shown by all 50 US Senators that are Democrats,  
3 215 Democrats in the US House and President Biden for  
4 delivering, finally, an infrastructure bill.

5 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: Yeah.  
6 Okay, normally --

7 MR. DRAKE: I think you're absolutely right.

8 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: -- we  
9 don't get to political on the Transportation Committee, but  
10 we might be getting that way a little bit today. I think  
11 we all look forward to the idea of upgrading our  
12 infrastructure all across the country with the passage of  
13 the bill; not so much excited. When I go home tonight, I  
14 might have dinner with my grandchildren, and I won't  
15 necessarily feel good talking about -- to them about the  
16 bill -- the debt we're putting on their shoulders by doing  
17 this. But, to some extent our generation has, you know,  
18 sort of punted on making the investments that were  
19 necessary as we grew, and now we're coming -- you know,  
20 maybe it's time to pay the piper at this point.

21 So, you know, we'll just -- well, we'll end it  
22 with that. I'll thank you very much for your testify --  
23 testifying in front of our committee today. And, thanks  
24 for the information you shared. We have your written  
25 testimony as well, and we'll share that. And, we are up

1 against an 11:00 start time for our session, so we have to  
2 adjourn. Thank you again, John, for being here. We are --

3 MR. DRAKE: Thank you.

4 COMMITTEE MAJORITY CHAIRMAN HENNESSEY: --  
5 adjourned.

6

7 (The hearing concluded at 12:16 p.m.)

1                   I hereby certify that the foregoing proceedings  
2 are a true and accurate transcription produced from audio  
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