



Supply Chain Issues

House Transportation Committee

November 17, 2021

Chairman Hennessey, Chairman Carroll, and distinguished members of the Pennsylvania House Transportation Committee, it is my honor to present this written testimony on the disruptions in the global supply chain on behalf of the Pennsylvania Motor Truck Association (PMTA). My name is Rebecca Oyler, and I am President and CEO of PMTA. I sincerely apologize that I could not present this testimony in person due to a prior commitment.

Over 327,000 hardworking Pennsylvanians are involved in transportation in the Commonwealth and are a critical part of the global supply chain. The global supply chain is a delicate balance involving the movement of raw materials and manufactured goods within and among suppliers, manufacturers, distributors, retailers, and consumers. There are countless moving parts and many points at which a disruption can snowball into issues elsewhere. And because so much of our economy depends on component parts and goods from overseas, the supply chain truly is global in nature.

COVID-19 has caused major disruptions in the global supply chain. When the pandemic first hit our nation, some states, including Pennsylvania, mandated "stay at home" orders, causing manufacturing and food processors to shut down. This in turn caused a lack of supply while demand was still raging. Without workers, nothing can be produced or distributed. While trucking was considered an essential service, when a warehouse that stores food or goods for shipment is forced to cease operations, no products can be picked up and delivered by trucks. Today, we still have a major issue with staffing across our nation, including in Pennsylvania. Most companies cannot reach full staffing levels, which continues to cause major delays in the supply chain.

PMTA is part of a national organization, the American Trucking Associations (ATA). I offer you the attached report published by ATA describing the Supply Chain. This article will provide you with a national and international perspective, which is helpful to understand.

The end of this article contains Do's and Don'ts for policymakers in Washington. Below I highlight some of these and add a few more for the Pennsylvania legislature to consider:

- **DO promote open, fair and competitive practices in our nation's ports, including chassis choice and interoperable chassis pools at all Pennsylvania ports.**
- **DO NOT further disrupt the supply chain with one-size-fits-all vaccine mandates.**
- **DO increase truck parking throughout Pennsylvania.** This requires an investment by the Commonwealth to make certain our truck drivers have rest areas with facilities to park safely. It is estimated that our nation's truck drivers leave the highway early every day just to find safe parking, which forces each driver to lose over 9,300 miles per year that they could be delivering products. This problem is very frustrating for drivers, with truck parking tied for first place in top

concerns among drivers. Improving truck parking will go a long way toward solving the crisis our industry is experiencing with a shortage of truck drivers by making the job less aggravating and more rewarding.

- **DO stop PennDOT from instituting winter weather restrictions on interstates during winter storms.** By continuing these restrictions, which take the most experienced drivers off the roads during storms, PennDOT is single-handedly shutting down the supply chain in Pennsylvania and increasing delays in shipments every time it snows.
- **DO stop PennDOT's P3 bridge tolling plan.** Our nations trucking companies cannot **afford** tolls of any kind as these toll costs cannot be passed along to their customers. Bridge tolling puts Pennsylvania trucking companies at a competitive disadvantage while we try to compete with trucking companies in other states.

Bottlenecks in the supply chain are a global issue in which every state plays a part. There is no single solution, but the most impactful change would be to encourage people to get back to work in our manufacturing facilities, food processing plants, warehouses, and yes, our trucking companies too.

In closing, governments cannot solve the supply chain crisis, but they can hinder solutions with mandates that restrict what businesses can and cannot do.

Thank you for inviting PMTA to provide this testimony.

Respectfully Submitted by:
Pennsylvania Motor Truck Association

Rebecca K. Oyler
President & CEO

Enclosures

Supply Chain Watch



America's trucking industry is a central and critical link in the supply chain. With more than 7.6 million employees nationwide – including 3.3 million professional truck drivers – the industry moves 10.23 billion tons of freight annually, or 72.5% of total domestic tonnage shipped in the United States.

As an essential link, truckers feel pressure any time the supply chain gets squeezed. Today, those pressures are felt upstream and down—from diminished factory production in Asia as a result of the Delta variant, to faltering infrastructure here at home following decades of disinvestment by Washington.

Trucking is not the source of these current woes, but we will be a key part of the solution—just as we were through the darkest days of the pandemic. Truckers have been on the frontlines since Day One, delivering PPE, medical supplies, life-saving vaccines, and life's daily essentials. We persevered through unimaginable hardships to ensure the economy's wheels kept turning.

Now, as the global supply chain struggles to untangle itself out of the COVID recession, rest assured truckers will continue to have America's back.

Big Picture: The Global Supply Chain

Understanding the current crisis requires a long lens.

The flow of global commerce depends on a complex and delicate international supply chain. It takes a holistic view to see how a confluence of factors is now causing that chain to buckle.

SUPPLY CHAIN

MANUFACTURING

Factory output in Asia remains at around 50% of pre-pandemic levels because of the Delta variant.

An acute microchip shortage is crippling the production of cars, appliances and a wide range of electronics.

SHIPPING

There is a **global shortage of containers** as crates pile up at coastal and inland ports around the world because of surging demand and a lack of labor.

Today, an estimated 90% of the world's goods are transported by sea, with 60% of that packed in large steel containers.

PORTS

In order for efficient drayage, truckers need access to three things: information, equipment, and space. **Right now there is a lack of all three.**

Information sharing is disjointed; chassis are unavailable, and there's no physical space—both in warehouses and portside—for truckers to deliver loads and return empty containers.

WAREHOUSES

Warehouses near seaports are at full capacity because of a lack of workers and equipment to move the goods further down the supply chain.

Containers can't move out of the ports if there is nowhere to offload the goods.

TRUCKING

A chronic shortage of truck drivers, exacerbated by the pandemic, coupled with a shortage of trucks, caused by a lack of semiconductors.

It's hard to move more freight with fewer drivers and fewer trucks.

CHASSIS

Recent tariffs imposed on Chinese-made chassis have led to a shortage of this crucial equipment, and **systemic issues within the chassis market** have hindered the efficient movement of freight for years.

(/sites/default/files/2021-10/Supply%20Chain%20Infographic.png)

→ **Manufacturing** →

Decades ago, large elements of the U.S. manufacturing base began migrating overseas as companies looked to reduce labor costs. It's from Asia where many of today's pressures are emanating.

As the Delta variant continues its deadly surge, factory output there remains crippled – at about 50% of pre-pandemic levels. High-volume container ports in China, Vietnam, and Malaysia are operating at reduced capacity, with severe downstream effects for American consumers.

China is the largest foreign supplier (<https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>) of goods into the U.S.; we depend on the Chinese for machinery, furniture and bedding, toys and sports equipment, and agricultural products like processed fruits and vegetables. Vietnam and Malaysia provide the U.S. with medical instruments, microchips (a key component in new devices and automobiles), apparel and footwear, and grocery items like pastas, cereals, baked goods, and vegetable oils.

A major reason for delivery delays and empty shelves is that these goods are stuck in Asian factories and ports.

→ Shipping →

The advent of large steel shipping containers enabled globalization by drastically reducing the cost of moving vast quantities of freight over the ocean. Some 90% of globally traded goods move by sea (<https://www.weforum.org/agenda/2021/10/global-shortagof-shipping-containers/>), 60% of which are packed into those crates. That includes virtually all of the imported fruits, smartphones, TVs, kitchen appliances, and other modern marvels that consumers take for granted.

The problem? A global shortage of containers, as crates pile up at coastal and inland ports around the world because of surging demand and a lack of labor. This has driven up the cost of shipping six-fold (<https://www.theatlantic.com/technology/archive/2021/09/pandemic-supply-chain-nightmare-slow-shipping/620147/>), contributing to the rising prices consumers see in-store and online.

The ocean shipping industry, comprised almost entirely of foreign owned-companies, has consolidated in recent years into three large alliances. As White House executive order on competitiveness recently noted, this foreign shipping oligopoly poses problems for the American consumer.

→ Ports →

In order for efficient drayage, truckers need access to three things: information, equipment, and space. Currently, there is a lack of all three. Information sharing is extremely disjointed; chassis are unavailable; and there's no physical space—both in nearby warehouses and portside—for truckers to deliver loads and return empty containers and chassis.

More trucks and longer hours only help if truckers have real-time information to make pickups and returns, have chassis to move containers, and have somewhere to drop freight and return equipment.

Information Sharing

Information sharing inside major ports is extremely disjointed. Each terminal within a port system have separate information portals. Having no global view of operations makes it difficult for truckers to service multiple terminals throughout a port system. Within a terminal, truckers are given little or no notice as pickup and return availabilities open and close.

Chassis

Intermodal chassis might be a term unfamiliar to many consumers, but this rudimentary piece of equipment is a critical linchpin of international trade. Chassis are the rolling framework on which a shipping container sits for truckers to haul in and out of ports. Before a truck can pick up a container, they must first pick up a chassis from a provider inside or near the port.

Recent tariffs imposed on Chinese-made chassis have made them prohibitively expensive, and American chassis manufacturers are unable to keep up with demand. Moreover, deeper, systemic issues within the chassis market have hindered the efficient movement of freight for years.

Often times, foreign-owned ocean carriers require truckers to lease chassis from a specific provider which the steamship line has a partnership with. For example, if Trucker John wants to pick up a container from a Red Ocean ship, he must lease a red-colored chassis from Red Chassis Co. – even if no red chassis are readily available, and despite the fact blue chassis are abundantly available. As a result, the container can't move, and the backlogs worsen.

Moreover, after dropping a load at a warehouse or distribution center, Trucker John then has to return that red chassis to its pool, even if it's located in Terminal A and his next pickup is on the other side of the port in Terminal E. John might wait 40 minutes to get through Terminal A's gate, only to find that return location is now full, leaving him with an empty chassis that he can't use to pick-up his next container.

Detention and Demurrage

All parties in the supply chain should be focused on the common goal of moving freight as safely, efficiently, and cheaply possible for the American consumer. However, this incentive structure is often misaligned, with one example being the practice of detention and demurrage fees.

These charges are levied on motor carriers by ocean carriers when containers are not picked or returned “on time.” The problem is that delays often arise from factors completely outside of truckers’ control. Charges can be levied even though return locations may be unavailable, containers are not yet shown as available for pick up at a terminal, or for days when ports are closed. Imagine trying to return your book to the public library, only to be told “sorry, we have no room for it right now, so you’ll have to continue paying your late fee until we find space.”

Although the Federal Maritime Commission has tried to address this grotesque practice through an interpretive rule, it thus far has had little impact. This system pads the bottom line of foreign-owned ocean carriers at the expense of hardworking American truckers.

The Trucking Link *When trucking stops, America stops.*

Truckers aren’t just the backbone of the economy – they are the heartbeat of our nation.

As a central link in the supply chain, America’s trucking industry finds itself caught in the middle of these cascading pressures – from the shuttered factory in Asia, to the backlogged ports, overflowing warehouses, and pothole-lined highways across the U.S. Our ability to move the economy forward and get goods onto store shelves and into the hands of consumers is hindered by this sequence of hurdles.

Like other freight industries, we face our own capacity challenges. The long-term truck driver shortage predates COVID-19 but was exacerbated by the pandemic, as state DMVs and driver training schools closed, cutting off the pipeline of new drivers entering the industry. In 2021, we estimate the industry is roughly 80,000 drivers short of what it needs optimally meet current freight demand.

There is no single cause for the truck driver shortage. Contributing factors include a high average age of current drivers, which leads to a high number of retirements; the fact that females comprise only 7% of all drivers; and the inability of some would-be and current drivers to pass a drug test.

While there is no single cause to the driver shortage, the trucking industry is pursuing a range of solutions to help address the issue. We are in full-on hiring mode: Truckers’ earnings are currently increasing at a rate 5x their historical average, and the average weekly earnings for long-haul,

truckload drivers are up more than 25% since the beginning of 2019.

OPPORTUNITIES IN TRUCKING

Truck driving is among the three most common – and last remaining – routes to a middle-income lifestyle **without a bachelor's degree**



Truckers' earnings are currently **increasing at 5x** their historical rate



The average weekly earnings for long-haul, truckload drivers is **up over 25%** since the beginning of 2019

The median salary for a truckload driver working a national, irregular route is more than \$53,000

The average private fleet driver earns **more than \$86,000 annually**



The fact is truck driving is among the three most common (<https://heartlandforward.org/wp-content/uploads/2021/07/Heartland-of-Opportunity.pdf>) – and last remaining – routes to a middle-income lifestyle without requiring a bachelor's degree. The industry has ramped up recruiting in underrepresented communities, including women, urban and minority hiring. We're building pipelines for exiting military service members to transition into trucking careers. And we're advocating for new apprenticeship programs that will help prepare and train high school graduates for long-term careers in trucking.

Today, the average age of a new truck driver entering the industry is 35 years old, and the average age of all drivers is 47. As the current workforce ages out and retirements grow in number, it's critical the industry has the clearance it needs to recruit the next generation of truck driving professionals.

Dos and Don'ts for Policymakers

- **DO pass the bipartisan infrastructure bill.** The Infrastructure Investment and Jobs Act will make long-overdue investments in trade infrastructure. It contains crucial programs to help strengthen trucking's workforce and grow the number of truck drivers in our economy. There can be no immediate nor lasting solution without passage of IJJA.
- **DO promote open, fair and competitive practices in our nation's ports, including chassis choice and interoperable chassis pools.** The chassis market is broken and one of the most significant, overlooked chokepoints gumming up the movement of freight through coastal and inland ports. The current system is designed for inefficiency, profiting foreign-owned ocean carriers at the expense of American truckers and consumers.
- **DO pass the Ocean Shipping Reform Act of 2021.** The current law has not been updated in two decades, during which dramatic changes have occurred in the maritime shipping marketplace. This legislation would strengthen penalties for unfair trade practice and help alleviate bottlenecks by ensuring American truckers, shippers and exporters are no longer at the mercy of foreign-owned ocean carriers.
- **DO NOT further disrupt the supply chain with one-size-fits-all vaccine mandates.** The forthcoming OSHA rule threatens to fuel truck driver turnover and retirements and could sever a supply chain already in danger of snapping. Truck drivers operate in one of the safest environments for mitigating viral spread – alone and inside a truck cab – and the industry has proven throughout the pandemic that it can operate safely while delivering

vaccines, PPE, and critical medical supplies to the frontlines.

- **DO NOT enact AB5 or the PRO Act.** These state and federal proposals would essentially outlaw independent contracting, decimating truck capacity overnight. Independent contractors are an essential pillar for a viable trucking industry. This is especially true today, as the holiday season nears and surging freight demand is pushing the supply chain to the brink. If not for the AB5 injunction now in place, the crisis playing out in the Ports of LA and Long Beach would be exponentially worse.

Dos and Don'ts for Consumers

DO be patient and plan ahead. Untangling global supply lines won't happen overnight, and we anticipate these challenges will persist into 2022. With the holiday season upon us, it'd be prudent for consumers to anticipate delays and get their shopping done ahead of time.

DO NOT horde. Panic buying solves nothing and adds fuel to the fire by spreading a sense of mass hysteria.

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MAILING ADDRESSES

ATA Headquarters
950 North Glebe Road, Suite 210
Arlington, VA 22203-4181

ATA Capitol Hill Office
430 First Street, SE, Suite 100
Washington, DC 20003

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