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Before the

House Committee on Natural Resources
Minority Members

Committee Forum about

How Joe Biden Stole Christmas: Addressing America's Ongoing Supply Chain Crisis

December 9th, 2021

Ranking Member Westerman and Republican Members of this Committee, thank you for the opportunity to participate in this important forum. My name is Randy Guillot and I am President of Triple G Express, a national trucking company headquartered in New Orleans, Louisiana. In addition to leading Triple G Express over the last 36 years, I also served as Chairman of the American Trucking Associations (ATA) from October 2019 to October 2020. I look forward to discussing how the current supply chain crisis is affecting the trucking industry, as well as the impact it will have on consumers ahead of the holiday season.

As evidenced by the trucking industry's response to the COVID-19 pandemic, and as highlighted by the current challenges facing our supply chains, trucking is the dynamic linchpin of the U.S. economy. The trucking industry moves over 72 percent of the nation's freight tonnage every year, and more than 80 percent of U.S. communities rely exclusively on trucking to meet their freight needs. We enable flexible multimodal supply chains by moving goods the last mile from maritime, rail, air, and intermodal facilities. When trucks are not operating efficiently, those slowdowns reverberate throughout the supply chain, and the resulting delays and cost increases become a shared burden for both industry and consumers.

The supply chain issues we are witnessing today are not new; they are a result of years of inaction that allowed small problems to metastasize into nationwide disruptions. As this Committee examines the causes and consequences of the ongoing supply chain challenges, I urge you to prioritize solutions that address the root causes—not just the symptoms—of this current crisis. Accordingly, I ask that you please consider four key areas: 1) infrastructure investment, 2) workforce development and the potential consequences of an employer-based vaccine mandate, 3) challenges created by onerous detention and demurrage fees and chassis and labor shortages at U.S. maritime ports, and 4) the impact of volatile fuel prices on trucking companies' ability to remain viable. Addressing these four topics concurrently is the key to ensuring the economic vitality and competitiveness of the American trucking industry and broader supply chain.

(1) Infrastructure Investment

First, with respect to infrastructure, the trucking industry applauds the recent passage and enactment of the *Infrastructure Investment and Jobs Act* (IIJA). Enactment of the IIJA is critically important in the context of alleviating highway congestion and repairing deteriorating infrastructure that adds nearly $75 billion to the cost of freight transportation each year. Given the importance of the National Highway System—and especially the Interstate System—to supply chain continuity and efficiency, a greater share of federal investment should be directed toward the maintenance and improvement of these highways.

Additionally, two other critical barriers to supply chain efficiency are the poor state of freight intermodal connectors and the nationwide shortage of truck parking spaces. Freight intermodal connectors—those roads that connect ports, rail yards, airports and other intermodal facilities to the National Highway System—are an essential part of the freight distribution system, but many are neglected and not properly maintained. Congestion on freight intermodal connectors adds nearly $71 million to freight transportation costs each year. One possible reason connectors are neglected is that the vast majority of these roads—70%—are under the jurisdiction of a local or county government.

Furthermore, the truck parking shortage has contributed to declining industry productivity and a further depletion of the driver pool. In 2019, the Federal Highway Administration found that 98% of truck drivers regularly experience difficulty finding truck parking when rest is needed. The truck parking shortage is not just a safety and compliance issue; it is also an economic issue for drivers and fleets. Time spent looking for available truck parking costs the average driver about $5,500 in direct lost compensation—or a 12% cut in annual pay. Truck drivers give up an average of 56 minutes of available drive time per day by parking early rather than risk being unable to find parking down the road.

While intermodal connectors and truck parking are eligible for federal funding under formula programs, it is clear that simple eligibility does not yield the results our country and the supply chain need. Ensuring that IIJA funding is prioritized to address these deficits should be a priority for Congress, U.S. Department of Transportation, and the states.

(2) Workforce Development and Consequences of a Vaccine Mandate
The trucking industry is proud to be one of the country's leading employers, accounting for one out of every eighteen American jobs. There are 7.65 million men and women working in the trucking industry, including more than 3.3 million commercial drivers. However, despite the enormity of the trucking workforce, the industry has endured an escalating driver shortage over the past years. According to statistics released within the last month, the trucking industry is currently short 80,000 drivers. That deficit will only continue to grow unless Congress and regulators modernize regulations that govern who can drive in interstate commerce and make targeted investments in programs to attract a new, diverse generation of drivers and supply chain workers to the transportation industry. Without substantial action, by 2030 and at current trends, the driver shortage could grow to 160,000. Overall, nearly one million new drivers will need to be trained and hired in the next decade to keep pace with increasing consumer demand and an aging workforce.

The driver shortage is the result of many interrelated factors, but the COVID-19 pandemic exacerbated the trucking industry's already-dire labor constraints significantly. The COVID-19 pandemic brought with it the temporary closures of state DMV's and truck driver training schools, which dried up the already-fragile pipeline of new drivers entering the trucking industry. This pipeline is still slow and inefficient today. As a result, companies working throughout the nation's supply chain are facing higher transportation costs, leading to increased prices for consumers on everything from electronics to food.

Another looming factor that stands to intensify the driver shortage and discombobulate the supply chain is the Occupational Safety and Health Administration's (OSHA) COVID-19 Emergency Temporary Standard (ETS). Trucking workforce data gathered by the American Trucking Associations indicates that an employer-based vaccination mandate based on the arbitrary threshold of 100 employees could mean the loss of up to 37% of drivers for covered companies to retirements, attrition to smaller carriers, or conversion to independent contractor owner-operators. Federal regulations should not play favorites among competitive industries, but this proposal does exactly that. Without a specific written exemption for truck drivers akin to that provided by Canada for its drivers, there is almost no way that the vaccine mandate doesn't further deteriorate our supply chain situation.

(3) Challenges at U.S. Maritime Ports
As media and policymakers focus on the backlog of imported cargo at U.S. maritime ports, particularly on the West Coast, it is an opportunity to examine the long-term trends in port practices that reduce the resilience of supply chains. Volumes are surging at a time when labor and equipment shortages leave inland distributors unable to accommodate the demand. Inabilities to process cargo at ports, dray import and export containers between ports and inland distribution facilities, and transport inland goods efficiently between production facilities and warehouses all create challenges for the overall supply chain. Ultimately, there is an incentive misalignment between major players in the supply chain, and in order to move cargo efficiently at ports, all supply chain partners should, at a minimum, share that mutual goal.

Too often, the delays for pickup and return of equipment and cargo for the movement of goods at ports are due to circumstances beyond motor carriers' control. Part of the challenge is in obtaining the necessary equipment, particularly chassis, to move containers to warehouses. Additionally, labor shortages at those inland facilities can slow the loading and unloading of goods. Federal hours of service regulations do not account for or accommodate labor challenges, so the time a driver spends waiting on a chassis to move goods from the port, or missing the delivery window at an inland facility because of delays at the port is unrecoverable. Drivers and equipment are critical resources for the overall supply chain, and ensuring effective utilization of both is critical to alleviating the current port backlog and strengthening long-term efficiency.

The answer to these myriad challenges is not increasing the amount of time a driver can be on-duty, but rather restoring effective financial incentives for ocean carriers and marine terminal operators to work with shippers and carriers to move goods efficiently. Steamship lines and marine terminal operators should not benefit from unreasonable demurrage charges when cargo is not made available to carriers and shippers in a timely manner, and they should not be able to levy unfair charges for the late return of containers when there is no space for the carrier or shipper to return the equipment or when terminals are not open.

The entire supply chain would benefit from steps to incentivize communication between supply chain partners, realign financial incentives by modernizing regulations related to detention and demurrage charges by ocean carriers and marine terminal operators, and address the chassis and equipment shortage.

(4) Impact of Volatile Fuel Prices
Since the price of crude oil represents over half the cost of diesel fuel on a per gallon basis, the price that refineries pay for crude oil is the largest factor in determining the retail price charged at the pump. Unfortunately, because oil and refined products are global commodities produced and sold on the world market, they are not required to be sold and consumed where they are produced.

The cost of fuel is typically the highest operating expense for a fleet, second only to labor costs. The American Transportation Research Institute (ATRI) released its 2021 Operational Cost of Trucking report last month and noted that fuel costs were 19% of the average cost per mile for motor carriers last year. For motor carriers in the Southeastern U.S., fuel costs companies like mine an average of $0.298 per mile—more than trailer lease and purchase payments. As the cost of fuel gradually increases from the recent low point of $2.37 per gallon in November 2020, motor carriers must carefully rebalance their financial priorities and economize on investment in their businesses and equipment.

Fuel price volatility is not a welcome site in the freight transportation world. The best business planning can be abruptly upended with unanticipated swings in fuel pricing. This especially holds true for over 97% of U.S. registered motor carriers that are small trucking companies operating fewer than 20 trucks. Larger trucking companies are better-positioned to enter into fuel contracts, hedge, and negotiate fuel pricing based upon their large fuel demands. On the other hand, fuel prices paid by smaller trucking companies are oftentimes dictated by the prices advertised on a fueling center marquees. For example, again according to the 2021 Operational Cost of Trucking report, small carriers (under 100 trucks) paid an average fuel cost per mile of $0.326, while larger carriers paid an average fuel cost per mile of $0.293, a premium of 11%. Addressing the increasing, and volatile, prices of fuel, will pay dividends in protecting the small, often family-owned businesses that are the backbone of the trucking industry.

Diesel fuel, gasoline, natural gas, and liquid petroleum gas (LPG) are all petroleum-based fuels with a link to heavy-duty trucking. While diesel fuel dominates the marketplace, fleets are looking for ways to diversify their energy consumption, with natural gas leading the way. Our industry supports the goals of increased national energy self-sufficiency and reduced vulnerability to future energy disruption, and therefore supports government efforts to promote development of domestic oil and natural gas reserves on a timely basis.

One further complication to the diversification of energy sources to power our nation's trucks is the global shortage of semiconductors that is causing major delays in the delivery of new trucks and equipment. These delays are increasing maintenance costs for trucking fleets of all sizes, which must keep older, less efficient trucks on the road in order to meet historic demand for trucking because those power units cannot be replaced.

Adequate and reasonably-priced fuel supply is essential, not just to the trucking industry but to the economy at large. As such, the industry supports policies that will move the United States toward national energy self-sufficiency as a way to reduce fuel price volatility. Such policies include the use of alternative fuels, increased domestic production, and uniform state and federal fuel regulations.