

The Distribution and Supply Chain Team has been leading the charge to address critical issues of the U.S. supply chain infrastructure.



# Our Supply Chain Infrastructure: The Competitiveness Context

By: Russell Adise

Several years ago, a little-noticed public service advertisement appeared on Washington, D.C. buses. Paraphrased, it stated: "The product you're using today was on a vessel yesterday."

Relatively few visitors to Washington recognized the significance and context of this advertisement. However, America's manufacturers and shippers – indeed, all who import, export, and move their goods and products throughout America and into the global economy – understand

that statement and its context.

America's domestic supply chain infrastructure is the crucial link in the international trade chain that connects our producers, and American jobs, to the global economy. Improving the flow of U.S. goods into global markets is crucial to improving American competitiveness in world trade, and to the success of President Barack Obama's National Export Initiative, which seeks to double America's exports by the end of 2014 to support millions of jobs here at home.

---

Our supply chain infrastructure's problems are a crucial aspect of the competitiveness issues that face America's producers and exporters. Any supply chain infrastructure failure or chokepoint can delay the domestic and international movement of American goods and products, causing higher costs, lost sales, and missed export targets.

To address this issue, and to further President Obama's National Export Initiative goals, the Departments of Commerce and Transportation are working together in a Competitive Supply Chain Initiative. This is a comprehensive, user-focused effort to improve the efficiency and connectivity of the entire U.S. freight and supply chain infrastructure. The goal: to support sustained American economic growth and boost U.S. exporters' ability to sell their goods in the global marketplace.

### **Supply Chain Infrastructure: Competitiveness Impacts**

America's supply chain infrastructure is crucial to U.S. domestic growth and global trade. Its ability to meet America's commercial and economic growth demands affects all industries, all sectors, and all levels of development. As Secretary of Commerce Gary Locke has noted, "To be competitive in today's global economy, U.S. companies need to be able to move products and goods securely, quickly and efficiently within our borders and beyond. America

cannot compete successfully in the 21st Century with a 20th Century infrastructure."

Our domestic supply chain infrastructure is straining to keep pace with the long-term growth of U.S. commerce and trade. U.S. shippers and transport modes alike report that the biggest impediments to our trade flows are found in the inland and landside links through which goods are transported to and from U.S. export and import seaports and within the United States.

Leading U.S. CEOs have described systemic, long-term deficiencies throughout America's entire domestic transportation infrastructure, including:

- lack of sufficient last-mile road and rail port connections;
- overloaded and deteriorating roads and highways;
- insufficient rail system and intermodal interchanges;
- and a general lack of communication and coordination between and among shippers, carriers, and regulators.

America's shippers say that these problems have a dramatic impact on the speed and predictability of goods movement throughout the United States. A top manufacturing executive recently told Commerce and Transportation officials that when all of our domestic transport and logistics system inefficiencies are

taken into account, a finished good moves between Midwest locations and East Coast ports at a top speed of twelve miles per hour. Recently, one senior transport executive asked whether our policy makers really think we can substantively expand our manufacturing base with our existing supply chain infrastructure.

Shippers blame these systemic problems on our failure to implement a comprehensive, system-wide U.S. freight infrastructure development strategy and on our mode-specific approach to transportation planning and investment. The result, they say, is that America is not improving our freight infrastructure fast enough to keep pace with the export demands of 21st Century supply chains.

The issue is critical to American economic recovery and sustained growth. In a world in which entire supply chains compete with one another, supply chain competitiveness affects the cost of every single product made or moved, bought or sold, in the United States, and whether we can meet global prices. It also determines where companies invest and hire.

In contrast to the United States, our top trading partners – including Canada, Asian nations, and European Union countries – are developing comprehensive, cross-modal freight and infrastructure policies to facilitate the movement of their goods in order to meet their national export and

growth goals in a global economy. To avoid falling behind these nations, and to meet the President's National Export Initiative goals, the United States must move quickly.

### **The National Export Initiative.**

The Competitive Supply Chain Initiative is a key element of President Obama's National Export Initiative, also known as the NEI. Announced in January 2010, as part of the President's State of the Union Address, the NEI is a long-term growth effort intended to double America's exports over five years to support millions of American jobs. It marks the first time that the U.S. Government has deployed a Cabinet-wide export promotion strategy, with focused attention from the President. The NEI comprises five strategic components:

- An Administration-wide effort to improve Federal trade advocacy and trade promotion on behalf of U.S. exporters;
- Increased access to export financing, especially for small and mid-size businesses;
- Action to remove overseas trade barriers that block the sale of U.S. goods and services, to open as many new markets as possible;
- Robust enforcement of trade agreements and rules; and
- Promotion of domestic and global policies that lead

to strong, sustainable, and balanced economic growth.

The NEI is playing a central role in the renewal and rebalancing of the U.S. economy and its job base. In 2009, exports accounted for 11.2 percent of America's gross domestic product (GDP). By focusing on helping U.S. exporters to expand their existing sales overseas and to enter new target markets in both developed and emerging countries, the Administration is helping to create new export-related jobs that pay an average of 15% more than non-export related jobs, and to generate private sector economic activity that significantly expands our GDP.

The Administration's September 2010 Report to the President on the NEI explicitly

recognizes that intensified collaboration among Federal agencies to improve America's supply chain and transportation infrastructure – including its marine system – is crucial to our efforts to help U.S. exporters expand their sales in both existing and new overseas markets. As the Report states:

“Improvements in the U.S. transportation and supply chain infrastructure are critical to enabling exporters from all 50 states to get their goods to ports quickly and inexpensively. Maintaining a globally competitive, user-focused U.S. supply chain infrastructure is critical to the success of the NEI and to sustained American economic growth. ... Canada, the European Union, and other competitors have already adopted similar policies that



**Transportation Secretary Ray LaHood speaking at the May 9, 2009 “Game Changers” Conference.**

promote their supply chains and national development. Many of the United States' most important exporters are farmers located in rural areas and manufacturers that have built plants in rural areas to keep production costs low. The Federal Government needs to make sure that these exporters, like their counterparts in the urban markets, are connected to export ports through a systematic and smoothly functioning network of airports, railroads, roads, and waterways."

### **The Competitive Supply Chain Initiative.**

Through the Competitive Supply Chain Initiative, the Departments of Commerce

and Transportation and our interagency partners are seeking to meet the President's export goals while responding to industry concerns over the state of America's supply chain infrastructure. The ultimate objective is to achieve seamless, facilitated goods movement across all transport modes and throughout the nation in order to boost our domestic commerce, our export sales, and our national competitiveness.

The Initiative began in May 2009, at a national conference titled "Game Changers in the Supply Chain Infrastructure: Are We Ready to Play?". The event was co-led by Secretary of Commerce Gary Locke and Secretary of Transportation

Ray LaHood. At the conference, government leaders met with top U.S. supply chain executives to discuss how our domestic supply chain, transportation, and investment policies and how these must be improved to maximize America's competitiveness in the global economy.

At the conference, top-level executives from such firms as Coca-Cola, Cisco, Caterpillar, and Deloitte emphasized that America needs to address these issues as part of a comprehensive, cross-modal national policy that promotes seamless goods movement across and through the United States and into the global economy. Both Secretaries expressed their commitment to work towards this goal, together and with stakeholders, to improve the domestic and global competitiveness of America's supply chains.

Since then, Commerce, Transportation, and other participating agencies have been working together and with stakeholders to identify the critical elements of a freight policy that would meet these national objectives. Under this policy, the multiple, interconnecting modes and infrastructure elements that comprise our freight system would be strategically improved as part of our larger effort to improve America's national competitiveness.

Our efforts include the following activities:

### ***Memorandum of Understanding:***



**Commerce Secretary Gary Locke speaking at the May 9, 2009 "Game Changers" Conference.**

---

In April 2010, both Secretaries signed a Memorandum of Understanding (MOU) on National Economic and Supply Chain Competitiveness and Sustainability. Under the MOU, the Departments of Commerce and Transportation will work individually and jointly to advance the competitiveness of U.S. supply chains through the development of a comprehensive national freight policy. The activities anticipated under the MOU include coordination in freight policy development, studies to identify freight transportation capacity and constraints, and identification of appropriate freight movement and supply chain performance measures.

#### ***Supply Chain Competitiveness Advisory Committee:***

Secretary Locke has now established a Federal Supply Chain Competitiveness Advisory Committee. The Committee will provide policy makers with continual, high-level advice from industry advisers on how to develop comprehensive national supply chain and freight policies that improve the competitiveness of our exports and our economy. It will include representatives from America's trade-dependent and shipping industries and from each mode of freight transportation. Through the Committee, America's shippers and industries will have a key opportunity to offer solutions that boost the connectivity and

competitiveness of American commerce and international trade.

#### ***Congressional Interest:***

In April 2010, Assistant Secretary of Commerce Nicole Lamb-Hale and Assistant Secretary of Transportation Polly Trottenberg testified before the Senate Finance Committee, noting the need for a comprehensive, competitiveness-oriented national freight policy to increase America's exports, jobs and economic growth. Additional opportunities to testify on this issue are anticipated during the 2011-2012 Congressional session. A number of Members of Congress have expressed support for the types of policies that the Departments are pursuing under this joint initiative.

#### ***Regional Outreach:***

Commerce and Transportation are engaged in a comprehensive series of regional freight stakeholder outreach forums. Through these forums, our Departments are improving our knowledge of each region's top freight infrastructure issues and how these affect (and are affected by) national freight policy. Since September 2010, five major events – in Atlanta, Chicago, San Diego, Kansas City, and Seattle – have been held, with crucial lessons learned at all three events. Additional forums are being planned in 2011. America's

shippers, transportation industries, infrastructure owners, and other stakeholders are actively engaged in the planning and execution of these events.

#### ***Our Next Steps: Continuing to Improve the Connection***

The success and health of our national supply chain infrastructure and freight system is vital to the President's National Export Initiative and its focus on creating and sustaining American jobs through increasing U.S. exports. America's supply chain stakeholders must continue to play a crucial role in this effort. Going forward, it is "mission critical" that we all continue to work together through the Competitive Supply Chain Initiative to ensure that America's producers can succeed – and that the United States can remain competitive in the 21st Century – by comprehensively improving the connections that link American producers to the global marketplace.

For more information about the supply chain initiative please contact the Distribution and supply Chain Team at [\*\*supplychain@trade.gov\*\*](mailto:supplychain@trade.gov)