GLOBAL SUPPLY CHAINS AND SMALL BUSINESS TRADE CHALLENGES

HEARING

BEFORE THE

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OF THE

COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES

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GLOBAL SUPPLY CHAINS AND SMALL BUSINESS TRADE CHALLENGES

WEDNESDAY, OCTOBER 20, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INVESTIGATIONS,
OVERSIGHT, INVESTIGATIONS, AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:02 a.m., in Room 2360, Rayburn House Office Building, Hon. Dean Phillips [chairman of the Subcommittee] presiding.

Present: Representatives Phillips, Davids, Mfume, Bourdeaux, Chu, Evans, Craig, Luetkemeyer, Hagedorn, Stauber, Meuser, Van Duyne, Donalds, and Fitzgerald.

Chairman PHILLIPS. All right. Good morning, everybody. I want to call this meeting to order. And without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements. First, House and committee rules in practice will continue to apply during hybrid proceedings. All Members are reminded that they are expected to adhere to these standing rules, including decorum.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on, and remember to remain muted until you are recognized to minimize background noise. If you have to participate in another proceeding, we ask that you exit this one and log back in later.

In the event a Member encounters technical issues that prevent him or her from being recognized for their questioning, I will move to the next available Member of the same party and will recognize that Member at the next appropriate time slot, provided that they have returned to the proceeding.

Lastly, in accordance with the Attending Physician's most recent guidance, all Members and staff physically present in the committee room today are required to wear masks in the hearing room except when you are speaking, and that goes for witnesses as well.

Furthermore, all Members and staff who have not been fully vaccinated must also maintain 6-foot social distancing from others. Members will, however, be allowed to briefly remove their masks, as I said, if they have been recognized to speak.

With that, we shall begin with my opening statement. I want to start by thanking our distinguished witnesses for joining us today for this vital hearing on the state of the global supply chain and its impact, grave impact on small businesses.

The ongoing COVID-19 pandemic is, what we hope, is a once-in-a-generation crisis that has created massive economic challenges for businesses and consumers alike.

An extraordinary increase in demand for goods has exacerbated the many weaknesses in our supply chain, which predated this pandemic and has inflicted chaos on supply chains worldwide delaying the delivery of critical goods and products.

The complexities of the global supply chain are often unseen and unappreciated, especially in an age where consumers have come to reliably expect rapid delivery of goods and products. That a port closure in Shanghai can impact a hardware store in Chaska, Minnesota is not a reality that lends itself easily to a sound bite on cable news or to political posturing in Washington.

We are here today because we have a duty to investigate the challenges facing our small businesses and using what we have learned come together to address them. As I mentioned, the COVID-19 pandemic has exposed cracks that have long been present at nearly every connection point in our global supply chain, and this is adding considerable economic stress to small businesses which are already suffering from the economic fallout of the pandemic.

COVID helped create the perfect storm for the disruptions that we have seen over the past 19 months, adding to dwindling natural resources, climate change, workforce development problems, trade wars, and a lack of investment in our infrastructure, which is undermining the entire foundation of the international and domestic supply chain.

What is more, as our economic recovery has picked up, these problems have worsened. Private businesses, whose operations slowed during the height of the pandemic, are now struggling to keep pace with the steep rise in demand as the economy roars back to life putting even more stress on our supply chain.

All of these factors have combined to create difficult circumstances. Disruptions have led to supply shortages, backlogs in major ports, and terribly severe delays in delivering goods, as we all know. These disruptions are not only harmful to consumers; they also can be disastrous for small businesses.

Small companies have limited inventories and cannot afford to wait weeks or months for the products or supplies that they need. At the same time, they often depend on lower prices from overseas goods making the skyrocketing costs of imported materials prohibitive.

These higher costs might be manageable for bigger enterprises that can absorb the higher shipping costs and negotiate favorable terms with shipping companies. Small firms engaged in international trade have no choice but to accept the prevailing market rate.

Throughout the last year, surveys have shown that over half—half of small business owners feel supply chain disruptions are hurting their businesses. I have heard from many of them directly. In fact, Ranking Member Van Duyne and I met with several personally, including one of our witnesses here today, when she visited my district this past September.

So we must take a closer look at how weakened supply chains are hurting small firms and our economy and what Congress can do to strengthen them. By making our supply chains more resilient, we can help ensure the uninterrupted flow of vital goods and prepare ourselves for future potential disasters.

As part of that, I believe the federal government must work closely with the private sector to find solutions—I stress, find solutions. We understand the problems—to alleviate that pressure on our supply chains. We also must look to existing measures that we can utilize to help small businesses with issues surrounding supply chain and foreign trade, which is one reason I look forward to hearing more about SBA's State trade expansion program that aids entrepreneurs as they market and sell their products overseas.

I am on a mission to get to the bottom of this issue, and I commit today to work with Chairwoman Velázquez, Ranking Member Van Duyne, and the White House to make certain that this administration is doing everything in its power to help small businesses weather this terrible storm.

With that, I would like to yield to the Ranking Member, Ms. Van Duyne, for her opening statement.

Ms. VAN DUYNE. Thank you very much, Mr. Chairman. And I very much appreciate you gathering this subcommittee to discuss such an important and timely topic.

Just last month, I appreciated the opportunity to tour businesses in Chairman Phillip's district, as he mentioned, and discuss how supply chain problems are affecting businesses all across the country. These issues are particularly harmful, as the Chairman mentioned, to small businesses who lack the purchasing power, diversified supply networks, robust contingency plans, and pricing flexibility to be able to compete with larger firms.

NFIB's recent small business economic trends report found that 90 percent of small business owners saw supply chain disruptions that are having an impact on their business. Additional reporting has found that nearly 50 percent of all small businesses have experienced product delivery delays from their suppliers. Twenty-five percent of all small businesses have succumbed to slower delivery times to their customers.

And the same study also found that supply chain disruptions might cause approximately 20 percent of all small businesses to rethink their current supply chain. As "help wanted" signs are becoming a common site on the doors of small businesses in local communities across the country and store shelves have become increasingly bare, the American people are taking notice to these Democrat-induced economic crises. For example, a recent survey found that 85 percent of American adults are concerned that supply chain problems may lead to shortages of basic items.

And just let me give you a few examples that we have seen in national news headlines recently: Wall Street Journal, "Supply-Chain Bottlenecks, Elevated Inflation to Last Well Into Next Year"; NPR, "Dual Challenge: Combatting the Shortages of Labor Workers and Supply Chain Breakdown"; USA Today, "Grocery Store Shelves Bare? These Products May Be Hard to Find Due to Supply Chain Issues"; New York Post, "Supply-Chain Woes Forcing Toy Manufacturers to Scramble to Meet Christmas Demand."

In my home State of Texas, a local Dallas news headline reads, "Businesses Have Never Been This Stressful: Supply Chain Issues Hurting Small Businesses in Dallas."

Supply-chain disruptions have left small businesses paying more of their hard-earned money for goods that they may not receive for months on end. The Job Creators Network September monthly monitor poll found that higher prices coupled with inflation continue to be the leading concern for small businesses, and make no mistake, Americans are paying more for just about everything.

The Biden administration's labor crisis is also a key contributing factor to the rising cost of goods and empty shelves. The worker shortages have hindered the ability to get cargo to shore, unpack these much-needed goods, and find truck drivers to transport the products throughout the nation.

U.S. employers across all industries are struggling to fill more than 10.4 million job openings to meet rising consumer demands. And the NFIB reports that 51 percent of small business owners have unfilled job openings. Again, 51 percent of small businesses have unfilled job openings compared to a historic average of 22 percent, which is a 48-year record high for the third consecutive month.

America's economy is being held hostage by Joe Biden's supply chain failures. Last week, the President's very own chief of staff referred to inflation and supply chain disruptions as, quote, high-class problems. Additionally, Secretary of Transportation made jokes about supply chain issues and how they could impact Christmas gift giving for all Americans.

This smug small business negligence within the Biden administration is unfortunately a reality that will crush businesses all over this country, that depend on increased sales and spending during the holiday season. Simply put, small businesses are left to bear the brunt of President Biden's supply chain crisis.

Inflation is skyrocketing. Cargo ships stocked with thousands of containers are circling U.S. ports with no available slips to unload, and small businesses cannot find workers. And without the products or workers, store shelves across the country are becoming increasingly empty.

And while we are holding this hearing, the Biden administration continues to minimize this crisis and seems confounded by the seriousness of our supply chain issues. The challenges that we are facing and this administration's blatant inability to address it go far beyond a slightly less Merry Christmas for the rich.

Supply chain problems are keeping not just toys but medical supplies, oxygen containers, and basic necessity out of the hands of all Americans. And when you couple this with the devastating inflation and escalating energy costs as colder winter sets in, President Biden's policy will literally cost American live this winter. This is the undeniable reality of what we face in the months ahead.

I look forward to hearing from our witnesses today, and I hope to work with my colleagues on real solutions to support our small businesses and secure America's supply chain without enacting legislation that authorizes large amounts of new money and fails to combat overregulation, labor shortages, and taxation.

Thank you very much, Mr. Chairman, and I yield back.

Chairman PHILLIPS. Thank you, Ms. Van Duyne. The gentlelady yields back.

I would like to take a moment to explain how the hearing will proceed. Each witness will have 5 minutes to provide a statement and each committee Member will have 5 minutes for questioning. Please ensure that your microphones are on when you begin speaking and that you return to mute when you are finished.

With that, I would like to start by introducing our witnesses. I begin with Mr. Kevin Loe, the sales director for Redi-Rock International. Redi-Rock is the industry leader of large block retaining wall systems and has been expanding its footprint across international markets, thanks in part to the SBA's STEP program. Mr. Loe has been instrumental in taking Redi-Rock from a business from zero export sales to a global market leader. Prior to joining Redi-Rock, Mr. Loe served with the United States Coast Guard. Appreciate you joining us, Mr. Loe.

Our next witness is Mr. Chris O'Brien, the chief commercial officer of C.H. Robinson, a third-party logistics provider located in the heart of my congressional district. C.H. Robinson is committed to solving logistics problems for companies large and small across the globe. Mr. O'Brien has been with the company since 1993 and has worked his way up from a manager in Raleigh, North Carolina, to president of C.H. Robinson's European division to now senior vice president and then—I sorry, and now chief commercial officer. And we appreciate you being us with today, Mr. O'Brien, remotely.

Our next witness is Ms. Christine Lantinen, the president and owner of Maud Borup, Incorporated, a woman-owned and veteran-owned company reinventing classic sweets profoundly committed to sustainability. Maud Borup, founded in Minnesota in 1907, has a long and delicious history, including chocolate covered marshmallows in my great grandmother's drawer.

Ms. Lantinen purchased the company in 2005 and revitalized and reinvigorated a great small business, which has brought about 150 different products to market. Ms. Lantinen has received numerous awards for her work, including SBA Small Business Person of the Year. We welcome you, Ms. Lantinen.

And now Ms. Van Duyne will introduce her first.

Ms. VAN DUYNE. Mr. Fowke is a Tampa-based, Florida-based small business owner with 40 years experience as a custom homebuilder. Mr. Fowke is also the National Association of Homebuilders' 2021 Chairman of the Board. He has been active in the NAHB leadership structure at the local, State, and national levels throughout his career. And as a senior life delegate, he has served in the leadership of the association for more than 20 years.

He was named builder of the year by the Tampa Bay Builders Association in 2006 and 2009 and is a past president and lifetime director of the TBBA. He was also president of the Florida Homebuilders Association and continues to serve the association. In 2019, he was inducted into the FHBA's Florida's Housing Hall of Fame, and he received the Florida Homebuilders Eagle Award in 2012.

Mr. Fowke joins us today as unprecedented increases in supply chain disruptions and lumber prices have crushed the American workforce over the past year and a half. As we have seen in more recent weeks, these issues continue to harm small businesses, homebuyers, and the housing industry alike. Homebuilders like Mr. Fowke are facing prolonged delivery times, skyrocketing material costs, and escalating labor shortages.

We appreciate you and the other witnesses for joining us today as we explore this critically important and timely topic. And I look forward to your testimony, and I yield back.

Chairman PHILLIPS. And I join Ms. Van Duyne in expressing gratitude to all of you, and with that, we will begin with Mr. Loe. You are recognized for 5 minutes.

STATEMENTS OF KEVIN LOE, DIRECTOR OF CUSTOMER ENGAGEMENT, REDI-ROCK INTERNATIONAL, PETOSKEY, MI; CHRIS O'BRIEN, CHIEF COMMERCIAL OFFICER, C.H. ROBINSON, EDEN PRAIRIE, MN; CHRISTINE LANTINEN, PRESIDENT AND OWNER, MAUD BORUP INC., PLYMOUTH, MN; AND JOHN "CHUCK" FOWKE, PRESIDENT, HOMES BY JOHN C. FOWKE INC., VALRICO, FL, TESTIFYING ON BEHALF OF THE NATIONAL ASSOCIATION OF HOME BUILDERS

STATEMENT OF KEVIN LOE

Mr. LOE. Good morning, Chairman Phillips, Ranking Member Van Duyne, and Members of the subcommittee. I thank you for the opportunity to testify before you here today. I am truly honored to be here. My name is Kevin Loe, and I am the director of the customer engagement team at Redi-Rock International.

At Redi-Rock we believe in changing the world in concrete ways by unleashing the possibility of people, products, and technology to create large block retaining wall systems that you can trust for a lifetime. Today we are working with 120 independently owned and operated concrete manufacturers around 22 different countries around the world that license the Redi-Rock precast product and provide great retaining wall systems throughout.

We provide one integrated solution of wall solutions to create engineered solutions behind the wall and natural stone appearances on the face of the wall, creating like one-ton legos to build fast retaining walls.

Currently, Redi-Rock employees over 55 hardworking team Members with positions in welding, production, marketing, engineering, and finance and sales. We manufacture our products in beautiful Charlevoix, Michigan, in export containers to different countries around the world. Our headquarters is just down the road in Petoskey, Michigan, and Little Traverse Bay on Lake Michigan.

I want to start by saying that because of the State Trade Expansion Program, also known as STEP, and the U.S. Small Business Administration and the Michigan Economic Development Corporation, MEDC, that Redi-Rock went from almost zero export sales to becoming a global market leader in our industry. STEP was a catalyst for us to invest our time and resources into international trade, and as a result Redi-Rock has grown our export revenue to more than $3.5 million in all these 22 countries.

These exports have allowed us the freedoms to get good-paying, hardworking jobs, diversify our sales, increase our market share, and continue manufacturing in the State of Michigan. This has allowed us to work through the global pandemic without eliminating any positions. We could not have achieved the success without the support of the STEP grant in MEDC.

Just a quick story that goes with this is that our very first employee, Larry Pop, has been with the company since we started in 2000. As part of the international growth initiatives, Larry's son, Owen, now works for the company helping us in our manufacturing facility, becoming our first and only multigenerational employee working with us.

We are seeing similar generational success and impacts in the international as well as in France. Our customer, Lashow Baton, had a gravel business that struggled through the recession in 2008 and in the years following. When the next generation took over the family business in 2013, they were hungry to innovate. That is when they chose Redi-Rock. As a result, this family business has seen year over year growth and is invited to the French palace to receive an award for invitation from our product.

Redi-Rock has allowed small family businesses to thrive in the next generation, and the STEP funding has been pivotal in helping us empower small business growth here and also abroad. Small businesses like us, we don't have those resources to be able to navigate the global market and export process. That is where our partners come in handy with MEDC and the federal trade agencies that are absolutely crucial and vital for a company like us to succeed in this market.

During the pandemic even, we quickly had to shift our operation strategy to continue to grow our exports. Through the STEP program and MEDC, we participated in several virtual trade tours and events and looking at potential buyers in Australia and also in Peru. We were able to utilize Zoom, build our relationships, and in the end we secured a new customer in Australia because of the work that they were able to do to help us. We are still working on securing our exports in Peru. It is a work in process.

Typically, these sales would've required extensive travel and these countries to take between 6 and 12 months to finalize. But with the help of STEP and MEDC technology, we were able to secure the export system.

I want to conclude by expressing my strong support for the STEP program. It has been vital for our ability to grow as a small business. We strongly support the reauthorization of the program and continued funding of the STEP program. We would also advocate to increase the funding to $50 million per year. This is good money spent, and we so appreciate that as a small business.

In addition, we strongly support the bipartisan infrastructure bill and investing in our aging infrastructure. This will help ensure we can remain competitive in the global markets while also creating support jobs here in Michigan.

Thank you to this committee, thank you for the opportunity to appear here, and I look forward to your questions.

Chairman PHILLIPS. Thanks, Mr. Loe. You make me want to buy a retaining wall.

Now, Mr. O'Brien, you are recognized for 5 minutes for your opening statement.

STATEMENT OF CHRIS O'BRIEN

Mr. O'BRIEN. Thank you. Chairman Phillips, Ranking Member Van Duyne, and Members of the Small Business Committee, thank you for the invitation to testify at today's hearing. As one of the nation's largest third-party logistics providers, C.H. Robinson has a unique view on how goods and commerce flow from manufacturer to consumer.

My name is Chris O'Brien, and I am the chief commercial officer for C.H. Robinson. I joined the company 29 years ago, and I have been the chief commercial officer since 2015. I am responsible for overseeing our customer strategy, and I lead our marketing and external communications functions.

We were founded in 1905 and have grown to over 15,000 employees globally. We are Minnesota's eighth largest publically held company headquartered in Eden Prairie. We serve customers of all sizes, but we provide critical freight transportation services to over 60,000 small businesses and assign their freight to a network of carriers that includes over 50,000 active small business trucking companies. Freightquote by Robinson, based in Kansas City, includes a self-service tool made specifically with and for small shippers.

In the global trade area we operate similarly. We simplify complex international landscape for our customers by connecting them to the world's ocean and air freight capacity as well as customs and trade support. We do not own any commercial trucks or containerships ourselves but rather build technology platforms and logistics services that allow our customers to save time and money. This is especially beneficial to small businesses who we empower with our prebuilt tech to give them an advantage of larger companies.

The congestion in the supply chain has been well documented, but I want to describe the factors that influence these outcomes. Over the course of my 29-year career, the fundamentals have not changed. Supply of capacity and demand for goods ebbs and flows to create conditions either favorable for the flow of goods and lower freight cost or conditions that challenge the flow of goods and increase freight cost.

Economic growth, weather, labor availability, regulation, and other factors push and pull on the demands of available transportation. Capacity in the form of trucks, drivers, ships, and sports adjust over time to these market signals. For example, right now we are seeing the surge in formation of new small trucking companies.

What makes 2021 unique are the orders of magnitude in speed with which the system has gone from one extreme to the other. The world's supply chain simply weren't built to handle the nearly shut down of early COVID followed by the rapid restart and the robust consumer demand that followed.

The current supply chain congestion is creating challenges for our large customers, but the impacts cause magnified personal stress for small business owners. Like large businesses, small companies have experienced significant and rapid freight cost increases across all modes of transportation, shipment delays, port detention charges, difficulty assessing available capacity, and supply chain challenges have forced all business to make painful choices regarding passing on increased cost to their customers.

As many have said, the current supply chain challenges are complex and with few easy fixes. We would encourage the committee to focus on four primary areas: First, stimulative economic policy in COVID reopening has driven surging demand across the economy. U.S. GDP growth has exceeded 6 percent for two quarters in a row. Freight congestion and cost increases have naturally followed. We feel that if economic growth continues at higher than historic levels, trucking, ocean, air, warehousing, and port capacity will be challenged to keep up.

Secondly, our industry has been dealing with a shortage of truck drivers that predates COVID by decades. Policymakers can help truck driver shortage by focusing on driver quality-of-life investments like truck parking, driver recruitment, and training. Many new truck drivers and warehouse workers are recent immigrants and there are opportunities to increase participation within that workforce. We support both the DRIVE SAFE Act and the Women in Trucking Workforce Act which would expand the driver pool.

The China trade war has increased costs in the form of tariffs and high-price inputs on many small business. Small businesses are asking themselves tough questions. Are tariffs likely to continue or expire? Congress and the administration can provide more concrete signals to small businesses regarding the direction of the trade war so they can make long-term decisions.

Immediate trade relief for small businesses was included in the U.S. Innovation and Competition Act. The Trade Act of 2021 would be retroacted to December 2020 and could mean section 301 exclusion refunds of tens of thousands of dollars in duties for some small businesses.

Next, COVID-related shutdowns in facilities here and especially abroad continue to adversely impact supply chains. Lockdowns, partial shutdowns of ports and manufacturers continue to add to delays periodically and recently. Truck parts sourced from overseas have also seen shortages from foreign factory shutdowns, and this delays repair and takes capacity off the road.

Finally, many small businesses who hire mortar carriers are unaware of the risk they take in selecting them. Some shippers shy away or exclude small trucking companies from business opportunities to mitigate this risk. We would encourage Members to support H.R. 3042 to establish a mortar carrier selection standard to increase safety and protect small businesses and shippers and small business truckers.

Thank you for the opportunity to share our views, and we look forward to the questions.

Chairman PHILLIPS. Thank you, Mr. O'Brien.

And now I recognize Ms. Lantinen for 5 minutes. You have got to unmute.

STATEMENT OF CHRISTINE LANTINEN

Ms. LANTINEN. Thank you. All right. Chairman Phillips, Ranking Member Van Duyne, Congressman Hagedorn, and Members of the subcommittee, thank you for the honor of testifying today. Before I discuss my business supply chain challenges, I would like to give you some background on myself and my company.

My name is Christine Lantinen, and I am the president and owner of Maud Borup, a candy manufacturing and food gift company. We are a privately held, Minnesota-based business employing over 200 team Members. The company's growth has been strong and steady since I took ownership of the business in 2005, and this year we are on track to grow sales by 75 percent.

Maud Borup is over 100 years old, and like me, it has deep ties to Minnesota. I grew up a farmer's daughter in Le Center working as a server at the American Legion at the age of 13. I joined the Army and attended basic training at the age of 17 and went on to serve almost 10 years as a medic. I graduated from Minnesota State University, Mankato, and after working my way up the corporate ladder found myself in a unique position to acquire and lead Maud Borup. Today, as a certified woman- and veteran-owned business, we are deeply committed to our community, with our corporate office located in Plymouth and our factory in Le Center.

I was asked to join today's hearing to share my perspective and experience navigating supply chain challenges. I would begin by placing a spotlight on our workforce. My business faces a dire shortage of workers. At 200 employees, we are down roughly 100 from our optimal number of staff.

Since December of 2020, we have instituted a 36 percent hourly salary increase, and we still have trouble recruiting workers. Some factors driving this situation are economic; our general community maintains a low unemployment rate, almost a full percentage point below the State average of around 4 percent. Other factors are geographic; we are located in proximity to peer businesses competing in the same worker pool.

Perhaps most relevant to this committee is the factor of worker development. Trade programs producing certified truck drivers, welders, and other specialists are not producing workers fast enough for businesses like mine to hire them. I urge this committee to take a hard look at policy solutions to accelerate the pipeline of trade certification and education programs.

To put it directly, the biggest and most immediate challenge to my business' supply chain is a lack of workers. The situation is so severe that despite a purchase of 6 acres of land adjacent to our lot, our business has put expansion plans on hold. Our desire is to continue operating in our corner of Minnesota, but our current workforce shortages are unsustainable.

Another supply chain challenge currently impacting our business is the cost of transportation for goods and supplies. In August of 2020, the cost to ship a standard 40-foot shipping container was approximately $4,300. By August of 2021, that figure had exploded to $30,000. Like our shortage of workers, this situation is also unsustainable from a business management standpoint. We need to see action to alleviate the bottlenecks mostly caused by labor shortages.

According to the U.S. Bureau of Labor Statistics, there are 100 million Americans not in the U.S. labor force. Forty-two percent, 42 million of that number, are retirees. The Fed classifies the U.S. labor force as every U.S. citizen 16 or over who is not incarcerated, in the U.S. military, or in a nursing or residential care home. Retirees are considered part of the labor force.

How can we incentivize retirees and others currently not working but able to work to enter the workforce to help fill the 10.4 million job openings America currently has? Bolstering participation is critical for U.S. competitiveness and economic strength.

Lastly, I would be remiss if I didn't mention a longstanding challenge to businesses like mine, not just in the chocolate and confectionary industry but the broader food and beverage manufacturing sector as well. I am referring to the U.S. sugar program, which consists of a combination of domestic marketing allotments, tariff freight quotas, guaranteed price support loans, and the Feedstock Flexibility Program.

This labyrinth of policy is so convoluted I do not have the time nor the expertise to walk you through it all. The result is that the federal government restricts the supply of sugar to inflate prices. American businesses that rely on a steady supply of sugar are thus often forced to pay twice what our global competitors pay on the global market.

Thank you again for the opportunity to testify today. I am grateful for the subcommittee's interest in my business, and I appreciate you looking at the troubling set of urgent supply chain challenges we are currently faced with. If you have any questions, I would be happy to answer them. Thank you.

Chairman PHILLIPS. Thank you so much, Ms. Lantinen.

And with that, I recognize Mr. Fowke for 5 minutes.

STATEMENT OF JOHN "CHUCK" FOWKE

Mr. FOWKE. Thank you for the opportunity to be here today. Supply chain disruptions have affected the homebuilding industry profoundly. From record high lumber prices to severe shortages of other building materials, the result has been lengthy delays or postponed projects and dramatic price increases. This is further harming housing affordability at a time when we face an ongoing housing affordability crisis.

Coordinating the timely delivery of materials and products to the build site is challenging under the best of circumstances. The COVID-19 pandemic has roiled global supply chains making this once challenging endeavor nearly impossible.

In May of this year, a widely regarded framing lumber index hit a previously unthinkable all-time high of $1,500 per 1,000 board feet. NAHB estimated at the time the dramatic rise in lumber prices was adding nearly $36,000 to the price of the average new single-family home and nearly $13,000 to the price of each new multifamily home.

And while lumber prices began a sharp decline soon after, prices began rising again in September and have increased by more than 40 percent over the past 6 weeks. Lumber pricing and availability is just one of the many problems we face with the supply chain.

Supply chain challenges are driving scarcity and elevated prices on almost every product or good or material that goes into the construction of the American homes. According to the Bureau of Labor Statistics, the average price of goods used as inputs to residential construction has risen 13.2 percent thus far in 2021, more than triple the rate of the core inflation over the same period.

While historically high prices and supply shortages remain a challenge for all homebuilding firms, they pose unique challenges for smaller firms. Among the unique challenges small firms face in these times are volatility and uncertainty as well as the ability, or more often the inability, to pass along these ever-increasing prices.

Without large economies of scale, small businesses generally cannot negotiate bulk discounts. Builders have been forced to commit to purchasing material such as lumber without knowing exactly what the cost will be when delivered. The effects of the uncertainty trickle all the way to the buyer, many of whom have balked at projects at the last minute due to unexpected price increases.

At the core of today's building material supply chain issues are two fundamental problems: Barriers to trade and challenges associated with moving goods to their final destination. I applaud the Biden administration for its action to date on the homebuilding supply chain. Convening the homebuilding supply chain summit in July was critical to identifying some of the issues facing homebuilders.

Prioritizing building materials and supplies is part of the Department of Transportation's hours of service waiver for trucking has been helpful, but it is only a start. More can be done and should be done. Congress and the administration need to consider steps to reduce or move barriers to trade. This includes at least temporarily suspending duties and quotas on a wide array of imported building materials and goods, from Canadian softwood lumber to steel and aluminum.

In addition, Congress and the administration must continue to aggressively explore solutions to port congestion and the persistent delays in truck and rail transportation. Building materials, supply chain challenges exposed and exacerbated by the COVID-19 pandemic are driving an unsustainable increase in the cost to construct a new home.

Until we address all the underlying causes of the crisis, millions of households are denied the American Dream of homeownership and millions more are rent burden. Housing has been a bright spot for the U.S. economy as the nation continues to recover from the COVID-19 pandemic. But historically high lumber and building material prices continue to serve as headwinds for the U.S. housing sector.

And there is mounting evidence that housing is at risk, has seen a dramatic increase in the cost of materials.

One sign that the market may be slowing down is the number of housing units, permitted but not started, has risen over 40 percent in the past year. Any slowdown in housing production would be troublesome as we remain well off the mark of making up the shortages from under building over the past decade.

I commend Chairman Phillips and Ranking Member Van Duyne for holding this important hearing today, and I look forward to answering any questions you may have for me. Thank you.

Chairman PHILLIPS. Thank you, sir. And thank you to all of our witnesses for being with us today. There are current and former small business owners on both sides of the aisle on this committee, and rest assured, we share your pain, we empathize, and I hope

I speak for all when I say our obligation and intention is to identify solutions today.

With that I will begin by recognizing myself for 5 minutes. We pointed out the problem. I don't think we need to keep identifying what is wrong. Mr. O'Brien, I am going to start with you.

You identified four areas that are causing the supply chain issues, surging demand, a trucker shortage, the China tariffs and a trade war, COVID-related shutdowns are the four that I believe you referenced.

You know, my intuition tells me that today you might hear from certain Members of this committee that Joe Biden is responsible for this whole problem, the Biden administration's policies have led to inflation and supply chain issues and labor shortages and the like. You might even hear some say it was the former administration. The fact of the matter is, I don't care who is responsible; I want to find solutions.

So with that, Mr. O'Brien, you know, can you point to a policy of either the past Trump administration or the current Biden administration that you believe is, A, responsible for the issue that we are now facing relative to supply chains, and if so, how do we fix it?

Mr. O'BRIEN. I can't point to any specific policy—thank you for the question, Representative Phillips—but I would say that it is—this is a long-term sustained problem. The current demand—the other thing I would talk—describe is that this has been an unprecedented inversion of supply demand.

This is a very unnatural event when you talk about—the world's supply chain, the world's economy simply wasn't built to shut down and restart and then deal with increased demand, a whole new product set that really occupied the global shipping lanes for the first several months was PPE.

But I will say that this demand has exposed long-term chokepoints in the supply chain. And today, you know, it started with manufacturing and it had to restart, but it has exposed other physical and infrastructure challenges throughout the supply chain from our ports to available chassis to the draymen that haul containers out of a port.

I mentioned in my testimony the one longest term—so every 4 or 5 years we have seen a port slow down when demand is high. We have never seen anything like this. But really in every period of increased demand we have dealt with truck driver shortage.

So if there is one area that I would want the committee to focus on the most, it is the part of the supply chain crunch that has been the most enduring and problematic.

The additional benefit is that it will benefit both the international supply chain and the domestic supply chain. Many small businesses rely on North American trucks. Our job is to consolidate that small carrier group and bring access to them to small shippers.

So like I testified, I would say anything that we can do like the DRIVE SAFE Act and the Women in Trucking Workforce Act to increase supply. It is no secret that truck driving is a business that is not attracting adequate labor, and anything we can do to help the lifestyle and improve the attractiveness of that role is important, and I think anything else to address the other supply chains.

I would just say, it has been a long-term challenge, and today's crunch has just magnified it and brought it to all of our attention. But over the long haul, disruptions like this are unusual. And the international, the global, and the domestic supply chains have been resilient, but probably the weakest link is North American trucking due to the driver shortage that we have had for years.

Chairman PHILLIPS. And, Mr. O'Brien, is it also fair to say that our infrastructure is not as sound and robust as some of our international peers relative to ports? And also a lack of an integrated communication system between ports and customs and the like, is that an area in which we can improve?

Mr. O'BRIEN. That is an area that we can improve. Compared to other world-class ports, ours are backed up more right now, and we have less automation and less adequate communication programs at our ports. So I would agree that there is an opportunity to invest there as well.

Chairman PHILLIPS. And would you say that the—I think it is $17 billion or $18 billion in the bipartisan infrastructure bill dedicated to port improvement, would that help?

Mr. O'BRIEN. I think anything that we can do to improve infrastructure, especially transportation infrastructure, is helpful, not just at the ports but across our highways, our intermodal systems, our rail terminals, anything that can reduce those, you know, endpoint supply chain chokepoints that we have today.

Chairman PHILLIPS. Okay. Well, hopefully we will be voting on that soon in the affirmative.

With that, my time is expiring, so I will turn to my friend and Ranking Member, Ms. Van Duyne, for 5 minutes.

Ms. VAN DUYNE. Excellent. Thank you. And it is good to see so many of you that we visited with when I was up in Minnesota last month.

I want to ask, Mr. Fowke, I understand that you referenced the limitation of pricing flexibility for small businesses.

President Biden's recent announcement mentioned that commitments from large companies like UPS and FedEx, Wal-Mart, and Target to use expanded hours to move goods. But can you walk us through, from the ports to the trucking company to the supply house to the builder, how small businesses continue to be harmed and left out in times of supply chain shortages?

Mr. FOWKE. Well, the biggest challenge we have with the supply chain is the production of goods, and then once the goods are produced having them tracked or delivered to the sites has become a bigger challenge.

Inventories are low for materials. But having UPS and FedEx ramp up their delivery process doesn't do a lot for the challenges that we have with lumber, labor, and things of this nature that are handicapping our industry and creating a shortage of new houses which has put a stress on existing housing stock, and therefore, the possibility of affordable housing has left the scene.

Ms. VAN DUYNE. I was going to ask you, I know that you did a great job in your testimony talking about the impacts actually on homebuyers. Do you want to just kind of just run down very quickly how the supply chain shortages within the homebuilders industry is directly affecting consumers?

Mr. FOWKE. Well, it affects every price level in housing in some fashion. Affordability is the biggest thing that we are affected by. Housing affordability is always a challenge. You know, in my business, if people come to me to have a home built, they want to have an idea what the house is going to cost.

And over the past—you know, I have been doing this a long time. And, you know, every year in January we get a letter from suppliers that there is increases. For the last 12 months, we get letters about increases not every 30 days but every week. So to be able to identify the cost of a house is almost impossible, so therefore the entry level home buyer is being pushed out of the market.

The $36,000 that lumber added to the price of a home, if you do the math, for every $1,000 increase in price of a home, 150,000 people are pushed out of the market. They can no longer afford the American Dream. So if you do the math, the $36,000, the impact for lumber alone.

But the challenges we have as builders, to better answer your question, trying to schedule material has become virtually impossible. I ordered windows last year in November. The windows were delivered to the job site in June. And in the sequence of construction, you cannot produce the home and construct the home without having the windows installed.

And so that is just one of the simple things. You know, the ability to get appliances, the ability to just get cabinets, and if you can't get the cabinets, you can't put the countertops on, so therefore, you know, these things have been slowed up. And anybody and everybody that works in this industry is in dire need of added labor. We have got to do something about the labor situation that will help us with the supply chain.

If the supply chain disruption continues and prices continue, inflation is going to hit us; therefore, Chairman Powell is going to raise interest rates. And our entire economy is going to come to a screeching halt if something isn't done quickly to get people back to work.

Ms. VAN DUYNE. I appreciate that answer and you definitely answered my question.

My first question had to do with how this is affecting small businesses. We know some of the larger businesses, larger companies, multinational companies are being able to work around some of these issues directly because they have got the capability. How are you seeing this affect small businesses the most because they don't have those capabilities?

Mr. FOWKE. Well, the large companies buy in bulk and they design and build in bulk. Small firms, small building firms—and just, for instance, you know, the National Association of Home Builders is built up of—we have 30,000 builder Members. And these builder Members build about 80 percent of the houses built in this country.

We alone, when the pandemic hit, we alone carried the nation's economy on our back with our industry. But with small firms build 80 percent of the houses are handicapped in production, the ability to buy in bulk or even the ability to forecast when materials can be delivered, makes it virtually impossible to run a business much less tell a buyer what the price of a home is going to be.

The large builders can buy in bulk and move materials around where needed where we don't have those opportunities as small businesses. So in Tampa, it is a little different because the large-volume builders build about 70 percent of the houses in Tampa Bay, and that is not, you know, the—similar to in other parts of the country and other regions of the country. But——

Ms. VAN DUYNE. My time is up.

Mr. FOWKE. Okay.

Ms. VAN DUYNE. I am sorry. I apologize, and thank you for answering. I yield back.

Chairman PHILLIPS. The gentlelady yields back. And now I recognize the gentlelady from California, Ms. Chu, for 5 minutes.

Ms. CHU. Thank you.

Mr. O'Brien, as a representative from the Los Angeles area, which is home to the L.A. and Long Beach ports, which together process 40 percent of all shipping imports into the U.S., I have countless constituents whose businesses are impacted by day-to-day conditions at the port. I understand that many of the shipping delays are attributable to supply and demand issues, but it is undeniable that some of these disruptions are due to anticompetitive and unfair practices by shipping companies.

For instance, at the port of Los Angeles and Long Beach, we have seen many shipping containers refuse to load exports from the U.S. because they will make more money sending empty containers back to foreign ports with the highest demand. Some will not even allow containers to be sent inland to collect agricultural products because they would rather immediately load those containers back onto ships.

The federal Maritime Commission is responsible for protecting American exporters and importers from anticompetitive activities, but they lack the authority to take concrete action. That is why I have cosponsored H.R. 4966, the Ocean Shipping Reform Act of 2021, which would give FMC the authority to enforce import and export logistics and implement minimum safety standards, as well as prohibit ocean carriers from unreasonably declining opportunities for U.S. exports.

So can you talk about how anticompetitive behavior in the shipping industry has contributed to the current supply chain disruptions and discuss whether the federal government can step up its enforcement? Do these types of anticompetitive behaviors result in greater hardships for small businesses than larger ones?

Mr. LOE. Thank you, Representative.

Mr. O'BRIEN. I will start with the basics on the export economy, in that containers have always gone back to empty to source of origin. And the greatest problem there and what drive that is a lack of balance trade that the United States has. So since containerization steamships have not made the choice to turn back empty containers but they have brought them back, and I think some of the demand for returning those containers empty today is driven by our own demand for these urgent imports that we have today.

I am not aware, from any of our customer situations, where they have seen illegal activity or had containers refuse to get loaded. I do think, if that is going on, we are curious and looking forward to hearing more about the Ocean Shipping Reform Act. And if there is the possibility in that, you know, to empower, if things like that are happening, I do believe that them having the power to investigate that is a good thing. But from the beginning of international trade, it is our trade balance that has, for rational reasons, sent containers back to Asian manufacturing centers empty.

Ms. CHU. Well, I certainly do hope we have ocean reform because we do have American exporters frustrated with higher freight rates for shipping companies and increased tension between shippers and ocean carriers over fees and the availability of containers.

Nonetheless, let me talk about another issue, which is the fact that there are changing consumer trends that are increasing the demand. In fact, U.S. retail sales increased by 8 percent between 2019 and 2020 and another 14 percent between 2020 and 2021. So Americans have shifted much of their consumption away from services and towards goods, the majority of which are imported.

So the demand that we are seeing at ports like Los Angeles and Long Beach might be a long-term trend that is here to stay, so it is important that we focus beyond the ports at ways improving capacity along the entire supply chain.

I first want to thank President Biden for taking action in southern California to move our ports to 24/7 operation so that we can clear the backlog, but he can't solve the problem by himself. For example, 60 percent of the goods coming through the ports transit through my district in the San Diego Valley via train and truck.

We need containers to be emptied and restocked at the ports, but we also need better, cleaner ways to quickly move these goods to warehouses and businesses. And, in fact, there was a survey from the National Retail Federation which said—had 22 percent of the Members said that they were experiencing intermodal rail delays and that 3 weeks had been added to their supply chains.

Anyway, both the Senate infrastructure bill and the Build Back Better Act will help transform our ports to meet these new consumer patterns. But can you talk about other measures that Congress should be thinking about to increase our capacity to move and process these goods domestically?

Chairman PHILLIPS. Ms. Chu, unfortunately, your time is expired.

With that, I yield to Mr. Hagedorn, the Ranking Member on the Subcommittee on Underserved Agricultural and Rural Business Development. Mr. Hagedorn, you are recognized for 5 minutes.

Mr. HAGEDORN. Thank you, Mr. Chairman. Appreciate that.

Ranking Member Van Duyne, good to be with you.

Thanks to the witnesses.

I mean, I appreciate this hearing. It is a good topic, very important, timely. But I would just encourage my friends on the other side of the aisle that if you want to stop the bleeding of this whole supply chain issue and inflation, let's quit micromanaging the economy, let's quit dumping cash into the economy at a time when businesses aren't ready to respond and spurring more inflation, shortages of products, services, labor, you name it.

I don't think this bill that is coming along, $3.5 trillion, whatever it is, with all sorts of taxes, regulations, higher cost energy, I mean, I don't know a small business out there that says higher-cost energy is going to do the trick. And then, you know, more government spending without any work requirements or technical training requirements for people on welfare, those things all have been stripped out. I tried to put that back in the Ag Committee. Voted down. I don't think that is the way to go.

And, by the way though, Mr. Fowke, I appreciate you being here. The homebuilders have supported a piece of legislation that I have introduced to help people get technical training certificate programs and things like that. Our bill would allow people that have saved for 529 education savings accounts to not just use those moneys for their kids to go to a 4-year college but to also go to vocational school and things like that. I know, you know, you need a lot of those types of skilled workers. Is that still something you support, and do you think it would be a step in the right direction?

Chairman PHILLIPS. Sir, turn on your microphone, if you would. Thank you.

Mr. FOWKE. We are working very hard to train our individuals in our industry. We are an aging industry. For every five people we lose, whether it is retirement or for whatever reason, we are only able to replace them with two right now. And any type of legislation that will help us with training is very, very important.

Mr. HAGEDORN. Thank you.

Ms. Lantinen, and I note for the record that your headquarters, I guess your manufacturing facility, is in Le Center where you grew up. It is in our district, in southern Minnesota, and I have toured it many times. Very impressive. You have been expanding there. And your success is quite something. I think you started your business when you bought it with about $100,000 in sales, and now you are up to about $45 million. That is quite an increase, so congratulations on that.

What do you think about the workforce shortages? Do you have any ideas that maybe we could address here at this committee or across the nation as to how we can help?

Mr. LOE. Hi, Jim. First and foremost, hope your health is is well, as always. I think the most important thing we can do right now is dive into the 100 million Americans currently not in the workforce. Forty-two percent of them are retirees. How do we target that group which is a huge portion of potential workforce we could tap into, provide them with incentives? Can they work tax free up to a certain dollar amount? Are there further Social Security benefits we could give them for coming back to work?

I feel like we need a Rosie the Riveter character focused at retirees that says "We Need You" as the tag line. And we really need to focus on these potential groups that could be contributing to our society because we will fall behind if we don't have the employees to run our businesses.

Mr. HAGEDORN. Many of the businesses I speak with in southern Minnesota tell me that they just sometimes can't compete with the federal government. There is so much money out there flowing from the federal government. It was enhanced unemployment compensation. Now it is a number of different areas, and I think that is still an issue.

I go back to work in technical training requirements for welfare. It works every time that we implement it. We have gotten away from that. Some people say that it is tough for folks to get back in the workforce because they lose benefits, and there is some short-term loss because there is so much out there.

So I am a proponent of transition wages, whatever we have to do in order to get people the incentive to get back to work. It is much more compassionate than having people dependent on government. The compassion is letting folks—giving them the incentive in order to go out there and care for themselves and to be in the workforce contributing. So that is something that I will continue to do.

Mr. Fowke, any other comments that you have? I appreciate what you said about supply chain issues and trade. And yet, I understand we had a deal with China and other countries. We are trying to sort that out. But maybe in this short period of time we need to do some things to alleviate that, but—I have got 20 seconds left.

Mr. FOWKE. We just have to get people back to work. We have an arm of our association, the Homebuilders Institute, we are training military veterans that are acing the military back into public life. We are trying to train incarcerated people. We are trying to get training back into the schools, where it should be, so younger people can learn trades that not only would teach them how to work in the homebuilding industry but it will help them with their lives long range.

Mr. HAGEDORN. Thank you. I am out of time. Again, I appreciate your support for our bill.

Mr. FOWKE. Thank you, sir.

Chairman PHILLIPS. And now I recognize my colleague from Minnesota, Representative Craig, for 5 minutes.

Ms. CRAIG. Well, good morning. The Small Business Committee is well represented by Minnesota certainly each and every day. Thank you so much, Chairman Phillips, for yielding, and thank you to all of our witnesses today.

A special thank you and welcome to Mr. O'Brien and Ms. Lantinen. It is always nice to hear from fellow Minnesotans here on the committee.

I am really grateful that our subcommittee is holding this important hearing today. Every single week I hear from different businesses in Minnesota's Second Congressional District whose bottom lines are being impacted by disruptions to our global supply chains.

But supply chain shortages aren't only impacting businesses. I have also heard from schools in my district who struggle to offer balanced lunches because of shipping delays and, of course, from customers who are facing higher costs on household items.

A strong and resilient supply chain is absolutely vital to keeping our economy moving, which is exactly why I cofounded the bipartisan Supply Chain Caucus last Congress, and this was before the pandemic. In the months to come, I do hope that this bipartisan group can come together and identify commonsense solutions to help resolve these ongoing challenges and deliver relief to the American people.

Many of these supply chains, Mr. O'Brien, as you certainly know, are really run by the private sector. There is certainly a number of contributing factors involved. It is not simple, although it is real easy, just to kind of throw a political barb back and forth and blame one party or the other or one administration or another. We know that these supply chain issues are very, very complicated, and it is going to take more than a slogan or a political barb in order to solve them.

So we have certainly, Mr. O'Brien, seen the cost of moving products into rural America and, of course, the Midwest especially on the rise. You mentioned in your testimony one issue you are seeing is a shortage of truck drivers. I am really proud to represent Dakota County Technical College, which offers a Class-B CDL truck and bus driver training program. How could programs like this help bolster our supply chain?

So Mr. O'Brien, you first.

Mr. O'BRIEN. Thank you, Representative. I think anything that we can do to get more drivers into the workforce is beneficial. Training is an area of current demand. A lot of the training programs and truck driver certifications, you need to get a commercial driver's license. A lot of those programs shut down during COVID and that led to a delay, and I think anything that involves outreach.

Like I said, it is no secret that it is a challenging job. You are away from home, you have other choices. Today you can't become a commercial driver for—in trucking until age 21. That keeps many potential drivers out of the workforce where they find an alternative trade that doesn't keep you on the road for most of the time and away from families. So not only do we support both cooperation between the private sector and public on solving these problems, we particularly see the need for additional programs for driver recruitment and training.

Ms. CRAIG. Thank you so much. I would love to turn now to Ms. Lantinen. First of all, thank you so much for your service to our country in the U.S. Army and for taking time to appear before us today, especially with Halloween so close and the holidays quickly approaching. I am sure that Maud Borup is hard at work preparing for a busy time this time of year.

How have you seen supply chain challenges in the food supply industry? And, of course, what do you think Congress can do to help either do or get out of the way and not do?

Ms. LANTINEN. Thank you, Congresswoman Craig. We are starting to see everything go up. You know, the cost of plastic containers, the cost of food. I truly believe a year from now everything we buy will be 35 to 40 percent higher. It is going to take longer for it to catch up at the register.

I would say as I have spoken with people in the industry, a large part of it is driven by shortages of workers. So we are all struggling to either quickly automate to keep up with increased demand or do whatever we can do to find people.

The shortage of people isn't just in the U.S.; it is actually a worldwide struggle right now happening. So I feel like the U.S. has a really unique opportunity for advancement right now as everyone is struggling on a global level.

What are we doing to tap into our workforce that is here and trying to find those pockets of people and how we can get them out and working and contributing to society is really key right now.

Ms. CRAIG. Thank you so much, Ms. Lantinen. And, unfortunately, I am out of time.

So, Mr. Chairman, I will yield back.

Chairman PHILLIPS. The gentlelady yields back. And now I recognize Mr. Meuser from Pennsylvania, the Ranking Member on the Subcommittee on Economic Growth, Tax and Capital Access.

Mr. Meuser, you are recognized for 5 minutes.

Mr. MEUSER. Thank you, Chairman Phillips, very much and thank you to the Republican Leader Van Duyne for holding this hearing, and thanks to all of you for being here with us. We appreciate you taking the time away from your business and your homes.

So small businesses are not happy throughout my district and throughout Pennsylvania, and wherever else I speak to businesses. I was in business for many years, friends that are owning small businesses nationwide, workforce issues as are being described here, costs are going up randomly, very difficult situation. Container costs, as we are talking about, have gone up from $3,000 less than a year ago to $27,000, $28,000 with no reliability in delivery. Demand is up, supply is low, particularly products made in the U.S.

So you—on top of all of that, the supply side of your business, your industry you have got upset customers, you have got cash flow problems because you are trying to buy things—if you get a prepaid discount, you are sending those checks in to making those payments to try to expedite your deliveries or your scheduling has got to be random, all of your scheduled services and installations and anything related to building is all over the charts. You probably have people showing up to do the job, but the parts and everything else aren't there.

So everybody is pulling their hair out. I mean, businesses are breathless, as I put it, because every time I get them on the phone, they sound breathless. And that is—we are on the Small Business Committee, we got to do what we can here to correct things.

Now, of course, we have the port and part of that was due to COVID, a lot of it was due to mismanagement, a lot of it was due to government disruption. So—and that is where, perhaps, we can come in. And yet as a Christmas present, our—on the Democratic side of our Congress wants to tax you more and have some unclear vaccine requirements, which I am all for the vaccine, but the guidelines, as you all well know, would—are not clarified at this point.

So people don't know if they are going to be laying people off come November 8th or not. No matter how many times I ask the administration for those guidelines, we don't get them.

So let's get to some questions from the real world, which is where you all work and live. So offer me, offer me, Mr. Fowke, the workforce availability. What do you see? You brought up a couple of ideas that were well thought out. Relate it to workforce, what can federal/state government do to improve the workforce climate?

Mr. FOWKE. Well, if you pay a man to not work, why would he work? The headwinds that we see in the near future for the home building industry is lack of labor. So it is simple. We need to get people back using their hands, showing up to work, helping us produce materials, helping us get jobs done in the field. And if we have to incentivize people to get them to work, whatever we got to do. The supply chain issue is not going to resolve itself. It is going to take some effort to get people back out to work.

Mr. MEUSER. You think there is more government necessary for more stimulus dollars and more regulations and other government involvement or perhaps should government back off and allow the open free markets to work?

Mr. FOWKE. Well, there is certainly always needs for the government to help people, but in this case, I think anything that continues to happen in the manner it has been happening is going to simply delay things and pull the hand brake on our economy.

Mr. MEUSER. So what about the Safe Truck Act. That is a specific bill. I will open that up to anyone, maybe Ms. Christine Lantinen. You deal with quite a few imports and trucking issues. The Safe Truck Act would add to our trucking work shortages, workforce shortages allowing those between the ages of 18 and 21 to drive on an Interstate basis. That is just one legislation that really isn't moving here in the House that has got a lot of cosponsors on both sides. That would be something I would think would help make a difference.

Are you folks familiar with that?

Chairman PHILLIPS. Mr. Meuser, I am sorry. Your time is expired.

Mr. MEUSER. Oh. My apologies.

Chairman PHILLIPS. We might have time to come back to a second round, in which case, we will get back to you. I promise.

Now I recognize the gentleman from Maryland, our Chairman—our Vice Chair of the Committee and Chairman of the Subcommittee on Contracting and Infrastructure, Mr. Mfume, for 5 minutes.

Mr. MFUME. Thank you very much, Mr. Chair. My thanks to you and to the Ranking Member for holding this hearing. I want to also add my appreciation and thanks to the witnesses for being with us today.

Mr. Chairman, I heard something earlier that I want to actually start with and hopefully end with because it is exactly what I think the biggest issue is and the one that we have got to figure out how to get our hands around and that is the inversion of the supply demand model, which we all grew up with which we learned about in our first economics class and which is the way we run our households and run our lives.

I can't ever remember a time in history when that has been inverted, where one side dictates to the other in a way that has never happened before. So that inversion to me, I believe, is the one thing that we have got to come to grips with and figure out how we reverse it. Now there are a lot of people who hadn't been paying attention to supply demand issues because they have got other things, quite frankly, that they are dealing with, but when many looked up and saw 100 ships and containers off the coast of California because they couldn't get unloaded, it started people asking why.

Here in Baltimore, our ports are backed up also, not to the same extent, but it is the same issue. It affects all of us. And I think in listening to some of the discussions today and some of the questions, probably we do ourselves a service by getting away from stereotypes and trying to find a way to get to solutions.

I heard one of my colleagues on the other side talk about the way to fix this is to put work requirements on people who are receiving welfare. Well, people who are receiving welfare were receiving welfare before the pandemic. Most of them don't want to be on welfare. Most are White and female and they are taking care of families as best they can. So this quick-fix notion of let's put some work requirements on these people, I think, gets us past where we ought to be. It doesn't give us a solution; it gives us a slogan.

And if we talk about, as I have heard some of the witnesses say, they are recognizing the fact that ultimately they will continue to have to pass along prices to consumers, I understand their pain in that regard because it doesn't help them. It reduces the amount of business that they are able to do; it doesn't increase it.

And right now we have heard this morning from some of the leading economists in the nation that the average family has a cost of $175 more to be able to take care of goods and services in their household than they did last year. Those same economists are saying that we will be in this inflationary trend at least through the first quarter of next year. And if that is the case, it cries out for immediate kind of actions.

I want to commend Representative Chu for her legislation in this regard. I think it takes us a long, long way and I am hoping that we can pass that soon. And this issue of a lack of workers is important. I am listening to the discussion about truck drivers, in particular, and I could not agree more that we don't have enough and that we have got to find a way to make that particular occupation more desirable for the people who are in it and the people who are looking at trying to get in it.

And some of the things that we have to do in that regard, as someone said earlier, is to look at wages and to look at the taxation that we put on those persons. Well, every one of those things has an economic consequence, so unless we are prepared to go headfirst into this, recognizing that we have to, in some instances, spend money in the area of truckers and truck driving in order to rehabilitate and to recreate an occupation that people want to go into, we are going to be fighting this one for a long, long time. We have got to be proactive and sometimes proactive means, in fact, investing.

Now, the issue of incentivizing workers, I would like to go to that. I think it was—well, I don't remember who—I think Ms. Lantinen who brought it up, is something that has some immediacy to it. And when you talk about incentivizing and retirees, it has got to be to the extent where those retirees, in my opinion, feel like it is in their best interests.

So that is something, I think, that is very valuable. I think it is a great solution. It requires expediency. We have got to move on it because this situation continues to languish, but even beyond this situation, I have always been an advocate of incentivizing retirees to help in whatever particular industry or area of expertise they have come out of. And I hope that we don't lose that as we talk about trying to find a way to get to a solution.

I know the notion of suspending duties and taxes is important, and I can support that. I think that helps us to find a way, again, to lower the cost on the respective industries, but at the end of the day, we are still grappling with this inversion of a supply demand model that I don't think we have ever seen before in this nation in a capitalistic society. And unless we come to grips with that——

Chairman PHILLIPS. Mr. Mfume, your time is expired, unfortunately. And we are going to try to do a second round, so if you can stick with us.

Mr. MFUME. Well, I will try, Mr. Chair. But I just would leave all of you with that thought about this model and how we fix it.

Chairman PHILLIPS. Thank you, sir.

And with that, I recognize Mr. Donalds from Florida for 5 minutes.

Mr. DONALDS. Thank you, Mr. Chairman. To the witnesses, thanks for coming, obviously. Supply chain issues is really the core issue, one of the core issues affecting our economy in such a disastrous way. Chuck, it is good seeing you. Chuck Fowke and I know each other back from Florida. For those who don't know, he actually did a lot of work with my mother-in-law for many, many years. So I will make sure I tell Gaila that, you know, that you said hello and were here testifying today.

I have heard a lot of different things in this hearing already, so I am going to try to cut through some of the things, I think, that are important and just ignore some of the things that are not. I think it is crystal clear we have a staffing problem, an employee problem in the United States. My last read on labor participation rate was somewhere between 60 and 61 percent of Americans are actually working Americans are at a labor force.

Our economy needs a labor participation rate of around 65 percent to be kind of humming along. We simply are not there. Pretty much would assume every witness we have could attest to that fact that we have a severe labor shortage issue.

I do remember back in February when President Biden pushed the American Rescue Plan, one of the key provisions for extending federal unemployment benefits through September that he wanted to do, the minority party said do not do that because our economy's ready to start humming along and if you, essentially, pay people—extend their federal unemployment benefits, you will see labor shortage. That is what has happened in the United States.

But specifically to supply chain, there was actually a really good article was on zerohedge.com and the title of the article was essentially—I will pull it up right now—"Empty Christmas Stockings? Don't Blame COVID; Blame California."

And one of the things it talked about was that California has actually put through two very interesting pieces of legislation that have crippled the trucking industry in California, specifically.

One is AB5, which was targeted at gig workers, to protect gig workers by making them employees, but what has been—what has actually happened is that in California, the ports were actually accessed by owner/operator truckers, but the owner/operator truckers are essentially in that gig classification. So they can't access the ports in California anymore.

So now you have to go, essentially, with union truckers also dealing with the union issues we have at the longshoremen as exists right now. So no matter what business you are in, one of the reasons you are having issues accessing a lot of product is because there are less trucks, actually, accessing the ports in California.

The second California issue was, they passed emission laws that they struck a deal with the EPA on where if your truck has an engine that is more than 10 years old, that truck is not allowed to be licensed and to be registered in the State of California, which means that truck cannot access and be driven on the roads in California, which means now you have supply companies who are taking the newer trucks to the ports, driving the newer trucks just to the State lines of California and then off-loading the freight from the new trucks to the old trucks and is driving the old trucks through the United States.

I would ask the witnesses and anybody can jump in, Mr. O'Brien, Mr. Fowke, anybody, does this make sense in terms of how you would maintain the logistics of a supply chain as sensitive and as robust as ours in the United States?

Mr. FOWKE. Congressman Donalds, thank you. And thank you for acknowledging our long-time friendship. I think anything that any legislation that disrupts the opportunity to transport materials right now is bad legislation.

If they can divert those tankers over to Florida, maybe we can help them there unload their cargo and move it, but anything that disrupts the flow in the transportation materials right now is very disrupted to this issue.

And the home building industry, we have had our eye on supply chain issues for almost over a year now, just remind you of that.

Mr. DONALDS. Mr. O'Brien, if you are still with us, I mean, if you care to comment, I would like to hear your opinion because you actually bring a lot of valued points to this discussion. I would really be interested in your opinion.

Mr. O'BRIEN. Thank you, Representative Donalds. I would just say that outside the current congestion really goes beyond any port or any State. It is systemwide. It involves many different chokepoints, not just from the ports, but from the supply of real estate that is available to transload from rail yards to trucking.

On the issue of AB5, we talked to our carriers. They are concerned about it. We don't have—it is not a particular issue for us. It doesn't apply to our model as a value-added intermediary. But overall, I would just encourage the Committee to think about the supply chain as systematic and that it goes all the way from the domestic links to the international links and from port all the way to delivery.

And there is a lot of different modes versus any one port or State that we need to work on.

Mr. DONALDS. All right. I am over time. Thank you so much, gentlemen.

I yield back.

Chairman PHILLIPS. The gentleman yields back.

And now I recognize the Chairwoman of the Subcommittee on Economic Growth, Tax and Capital Access, the gentlelady from Kansas, Ms. Davids, for 5 minutes.

Ms. DAVIDS. Thank you, Chairman. Well, first of all, I am glad that we are holding this hearing today on such a critical issue that is definitely impacting small businesses and their customers in real-time.

Supply chain delays and shortages have been a concern since the beginning of the COVID-19 pandemic when our stockpile of critically needed medical supplies and PPE was depleted and demand was growing to protect frontline healthcare workers.

Amid those early shortages, I heard from businesses in Kansas about the impacts of the supply chain breakdown on various industries. Their concerns led me to introduce the SUPPLIES Act in April of last year to support small manufacturers that really stepped up to produce some of those desperately needed medical supplies and equipment.

And today, our small businesses are still faced with these extremely high shipping costs and delays that are setting them back. And, frankly, this—we heard this earlier too. This has been an issue since even before the pandemic and it demonstrates that we have been dependent on a pretty precarious supply chain for far too long.

And in today's hearing, I do want to focus on the challenges that shipping and freight industries are facing right now. You know, the Kansas Third is an extremely busy intermodal shipping hub. Our small businesses and the small businesses across the country rely on the Kansas City Metro area to facilitate the transportation of so many different products to their destinations.

And as the Vice Chair of the Transportation and Infrastructure Committee, I have been working to alleviate congestion at ports of trade and the issue of shipping container shortages, and I am glad that we have freight expert here to help us understand the impact on small businesses and how we can support them through these shipping challenges, especially after they have suffered such devastating impacts during the pandemic.

So Mr. O'Brien, I am really glad that you are able to join us today and as a freight company that really focuses on small business services, can you kind of speak to the unique challenges that small businesses are facing with the current state of shipping?

Mr. O'BRIEN. Yes. Thank you, Representative Davids. So we work with companies of all sizes and consistent with my testimony, I would say that companies of all sizes are struggling. It is especially challenging for small businesses, but we are getting calls every day from potentially the largest companies in the world that are struggling and sometimes they are thousands of containers behind.

So, like I said, it is not one port, it is not one State, or one point of origin; it is just this very unique and unprecedented in my 30-year career crunch from a supply chain standpoint, from a demand and supply inversion. So we are in the foot steps of the small shippers, sometimes quite literally on site.

We represent them. We represent them with the steam ships. We do everything that we can. As you know in Kansas City, we have our freight quote by Robinson team they and they build online tools that were built with and for small shippers to give them access to LTL pricing at the rates and size and scale of a larger shipper.

So we focus on anything that we can do and right now within this period, our people are working harder than ever on behalf of customers of all sizes. We are on their footsteps as one of the largest purchasers of transportation services around the world.

So it certainly has been extremely challenging, but we are doing everything that we can for companies of all sizes today.

Ms. DAVIDS. Yeah. And so, you know, mentioning the working with LTL and I think of us being able to move quickly and be able to pivot, be able to really be agile, and I think we need good infrastructure to be able to do that. As we work on this bipartisan infrastructure package, I am curious if you can, you know, from your perspective, what investments can we be making in infrastructure that are going to result in that timely and efficient and effective moving of all of those goods?

Mr. O'BRIEN. I think anything that helps move the flow of goods. So expediting at our ports. The American Transportation Research Institute is a good place to start. They published a list of the largest supply chain chokepoints, and those are highways, not ports. Those are most of our major Metro areas. We have a challenge with available drivers and congestion is not helping them at all. It is making the job more challenging. It is delaying revenue for them.

So I would want the focus to be broad across the supply chain because the challenge really is broad. Across every mode, there are chokepoints today.

Ms. DAVIDS. Yeah. Well, thank you for that and thank you, again, for everybody participating today.

And I yield back.

Chairman PHILLIPS. The gentlelady yields back.

And now I recognize the gentleman from Wisconsin, Mr. Fitzgerald, for 5 minutes.

Mr. FITZGERALD. Thank you, Mr. Chairman. I just wanted to take it a little bit different direction than just on the supply side. Met with a number of developers and this is in southeastern Wisconsin about a month ago and there seemed to be a level of frustration, and I know this is regional, but developers right now and the relationships that they are trying to build with municipalities to further, for the most part, subdivisions and the creation of subdivisions, there seems to be another issue and that is kind of everything that needs to happen to support that subdivision, whether it is the underground or later on kind of revisiting that site and making sure that it is up to snuff and up to code.

Mr. Fowke, maybe you can comment on this. I mean, you know, it is hard to get a municipality to make this type of upfront investment not knowing necessarily if they are going to be able to recoup this at a later date. And certainly I think what we are seeing is not only the disruptions, but also just the labor issue and being able to have enough carpenters or masons on the job site. I mean, this is becoming far more complicated than it has ever been before and I was wondering if you could comment on that upfront investment that municipalities have to make?

Mr. FOWKE. Well, unfortunately, a lot of municipalities today are against growth and the challenges with these areas being against growth, it puts stress on the old housing stock for people to have a place to live. The other thing is the regulations that are heaped on our industry continue to increase. Right now the effect of regulations on the construction of a home today add 30 percent to the cost of the home. This is before the house ever starts. This is average number throughout the country.

So unneeded regulations, delays in approvals, and then just certain areas that are against growth and they have moratoriums on growth. And we need to do a better job of planning for water and sewer and the infrastructure that we need to provide housing for people because, again, you know, our supply of new houses, healthy supply of new houses typically is about 6 months. We have about a 2 month or less supply now. Own housing stocks is the same way.

We resell houses. Typically, a 6-month inventory is a healthy inventory. We are below 2 months now for that. So all this does is increases the price and just prohibits the opportunity for people to enjoy the American dream.

Mr. FITZGERALD. Yeah. Mr. Robinson, can you comment on kind of this dance that goes on between municipalities and developers and often times what results in zero new development?

Mr. Robinson, could you comment on that?

Oh, Mr. O'Brien, I am sorry.

Mr. O'Brien.

Mr. O'BRIEN. Sorry. I wasn't clear on the question. Could you repeat that?

Mr. FITZGERALD. Yeah. I was talking about when development is happening and municipalities are making the upfront investment and the underground and everything related to that project, often times what they recoup on the back end is difficult for them at this point. So they are leery or they are unwilling to make that investment.

Mr. O'BRIEN. Yeah. That is not an area that our business is very close to. I would say one trend from municipality standpoint that we need to be careful on is the trend towards banning urban parking. So I have mentioned the need for more truck drivers. The long-term trend is, you know, more urban residence.

That is one thing that impedes and it is not talked about that much, but a lot of cities are removing urban trucking parking spots and that makes it more difficult to attract drivers that would have to drive a longer distance to be able to get to their truck and does not help the already existing capacity crunch.

Mr. FITZGERALD. Yeah. Thank you. I mean, my comment would be in the developers in southeastern Wisconsin, I know it is regional, but a lot of the issues, I think, have resulted in zero growth in some of my counties. Literally, municipalities that have not had one new home built over the last 3 years and I think it is becoming not only alarming, but is a very complex issue.

So with that, I would yield back.

Thank you, Mr. Chair.

Chairman PHILLIPS. The gentleman yields back.

And now I recognize the gentlelady from Georgia, Ms. Bourdeaux, for 5 minutes.

Ms. BOURDEAUX. Thank you so much, Chairman Phillips, and Ranking Member Van Duyne for holding today's hearing and for allowing me to waive on to discuss this critical issue. Supply chain issues have become increasingly apparent since the on set of the COVID-19 pandemic, particularly in recent months as our economy continues to recover and demand surges.

In my district, Metcam Metal Fabricators had to temporarily shut down production of certain items due to a shortage of titanium dioxide, a component almost exclusively available from China. This disruption then led Carrier to having to restrict its manufacturing processes in its southeastern United States facility and this shows how these shocks and disruptions in one portion of the supply chain can trickle down and affect many, many other components. These issues are not new, however.

In recent years as our economy has depended on just-in-time delivery models and increasingly global supply chains, we really haven't matched that change with sufficient government review and support for supply chains of critical goods and services. This effort requires a whole-of-government approach, one that really emphasizes collaboration between the government and the private sector to achieve our shared goal of resilient economy that can avoid and withstand disruptions and shocks to the supply chain.

Of course, this is not just an economic issue; it is also a national security issue and is about our national health as we saw during the pandemic when we were very dependent on global supply chains that were badly disrupted. This is why I introduced the Supply Chain Health and Integrity For the Nation Act, the Supply Chain Act with Representatives Kinzinger and Kelly 2 weeks ago.

The Supply Chain Act would create an office of supply chain resiliency and crisis response at the Department of Commerce which would be responsible for coordinating this approach and collaborating with the private sector and labor organizations. This office would also be responsible for producing a quadrennial national strategic plan for manufacturing and industrial innovation, which will guide our nation's efforts to secure critical supply chains.

This question is for Mr. O'Brien. And really ties back to that idea of this just-in-time production strategies. We saw those really developed over the past couple decades. They have helped keep inventories and costs low for businesses and customers, but clearly these economic and business strategies are also really vulnerable to disruptions.

Can you talk a little about why this business model was adopted and if you think this model is going to change after the disruptions around COVID? What are going to be some of the changes you are seeing out there or are we just trying to get back to business as usual?

Mr. O'BRIEN. Thank you, Representative Bourdeaux. I would like to start by addressing your comments about the public-private cooperation and I think that is going to be key to a solution.

I was a part of the Minnesota business partnership that worked with the State and city and the major employers in Minnesota at the initial outbreak of COVID and we volunteered our time, as well as many corporate leaders to facilitate the flow of PPE into the State of Minnesota and then we passed on what we learned to other States.

So I think that is the way forward. In terms of investment in the flow of goods, I would say, as you look about that whole supply chain, keep in mind the customs process as that is completely in government control. Anything we can do to modernize U.S. Customs processing and automate it which has been the direction that we have had some success is great.

Lastly, on your question of just-in-time inventory, just-in-time inventory has been a long-term trend which is to reduce costs and keep safety stocks as low as possible in order to pass on those savings to consumers. So it has been a good trend. It is obviously in an unprecedented time like this shown the weakness side of it in ways that we haven't noticed in the past and are probably unlikely to in the future.

Obviously, companies right now are rethinking that strategy. I don't think right now there is enough available supply transportation or goods to create anything like a bullwhip effect through this, but I do talk to several companies that are thinking about reevaluating, but I don't think it is, you know—I don't think we are going to go back to a period of trying to build up safety stocks at the level that would be necessary to prevent the challenges with something to this scale, but I would see some adjustments.

But overall there is an expense to carrying costs to businesses and ultimately to the consumer.

Ms. BOURDEAUX. Thank you. I think this is going to be an ongoing challenge of how we both support those supply chains. We want to make sure we are efficient, working in a very efficient way, but also how are we going to deal with disruptions.

And I don't know that it is just going to be—things are going to be able to go back entirely to normal. I think there will be other unforeseen things on the horizon and we need to be agile and able to really figure out how we adapt quickly to that.

This next question is for—oops. I think I am out of time. So I will hold my next question and thank you so much for letting me weigh in here.

And I yield back.

Chairman PHILLIPS. The gentlelady yields back.

And now I recognize my colleague from Minnesota, Mr. Stauber, for 5 minutes.

Mr. STAUBER. Well, thank you, Mr. Chair, Ranking Member Van Duyne for holding this very—very important that we look at this issue and find ways to, you know, secure our supply chains.

And I first want to say that, you know, at the start of COVID, there was—the nation wasn't sure what was going to happen, but I have to say the trucking industry and those related helped carry the goods to the American people. Goods that we needed and obviously right now with some of the policies coming out of this administration, bear shelves, energy policies causing us all to pay more for not only gasoline and other fuels, but even groceries.

I want to thank the witnesses, in particular, from C.H. Robinson, Mr. O'Brien, and I know they are not only a national, but really a world leader and to have an expert such as Mr. O'Brien here, I want to thank my colleague from Minnesota for bringing this expertise to this Committee. It is really important. And I am going to get right to the point. We know that we have—we are paying more, you know.

Mr. O'Brien, you mentioned that small businesses are going to be hurt more just in fuel costs alone, can you tell us the devastation it is going to cause small businesses if they have to pay additional moneys to find different ways or pay more to bring that commodity to their small business?

Can you tell me what you have heard, how devastating it will be to small businesses that don't have the capital to pay those high prices right now.

Mr. O'BRIEN. Thank you, Representative. I would add that fuel is one of the things that goes into any shipper's budget of any size. Fuel obviously being very high certainly does not help. It is one of the input costs. Transportation rates, both domestically, we have talked about transportation rates globally being up, you know, enormously.

Transportation rates are up domestically as well. In the spot market, we have seen rates 40 to 50 percent increases over last year. Contractual rates are up.

Mr. STAUBER. Mr. O'Brien, rather, what would be the input rate right now for cost of fuel?

Mr. O'BRIEN. I am sorry. Could you clarify the question?

Mr. STAUBER. What is the input rate today for the cost of fuel?

Mr. O'BRIEN. Do you mean as a percentage of transportation?

Mr. STAUBER. Yes, percentage.

Mr. O'BRIEN. Roughly 40 percent.

Mr. STAUBER. Okay. With the increase of fuel prices, would it be more than 40 with the fuel going up? Would that input increase?

Mr. O'BRIEN. I am sorry. Could you clarify the question? It really depends on the length of haul of the goods. So——

Mr. STAUBER. If it is a 500-mile haul, for example, is the cost—the input cost for fuel going to be more?

Mr. O'BRIEN. I don't know exactly what the break point is, but if you think about it being 40 percent, you could just do the math from there. I would say there is some break point, but it is—it is pretty—it is pretty parallel to the cost of line haul. The longer you go, the more you are paying for fuel. So I would use 40 percent as the right metric and then just multiply by the increasing rates of fuel.

The system and the transportation has a pretty good way of dealing with fuel. It is a surge charge tied to an average diesel price. So the processing is there and the industry for years has dealt with it going up and down, but today it is an added expense in an already constrained industry.

Mr. STAUBER. What I am hearing from the small businesses in Minnesota's eighth district, northeastern Minnesota, they can't get their supplies, they can't get what the consumer needs, and in light of the PPP that was extended to them, many of them are on the verge of not making it because they can't—they can't get the products to market.

And I think that one of the things that we must look at and we must understand is that, as the experts in the transportation industry, we are looking for you for answers and help as we go forward. And I think that what you have given out today in your testimony is extremely helpful. So we could make good decisions to help with this crisis.

And it is not going to happen overnight, but we have to have good legislation that will move forward and allow us to get back to where we were to get the goods to the consumers, including the small businessmen and women across this nation.

I see I am over time, Mr. Chair. Thank you very much.

Chairman PHILLIPS. And with that, we are going to move to a second round of questioning, anybody wants to participate in another round. I ask you to join me.

With that, I will start with myself for 5 minutes. Mr. Loe, I remember years ago using the STEP program for our business to help with trade shows and market our brands overseas. We talked about how we need to be a country that fills more of these empty containers and sends them overseas, and I really want to salute you and your enterprise for being amongst that 1 percent of small businesses in the U.S. that actually export their products internationally.

Would love for you to share with this body how the STEP program has helped you and the elements that we should continue to invest in and support and your overview of how we can be more effective?

Mr. LOE. Thank you, Mr. Phillips, for the question. Really appreciate that. Yeah. The STEP program has just been enormous for us in being able to use the services. We use services in our marketing strategy to access new customers. That is one of the biggest things that this program has allowed us to do is to do trade shows, be able to use trade offices located across the world.

U.S. Embassies that we use as well too to hold meetings and really locate with market research from the different universities that we have been teamed up with and partnered with, as well as using their offices for boots on the ground type of approach to be able to look for new customers of ours.

When we find new customers of ours, that is when we send large containers overseas and we continually build that relationship with those customers to then send more containers of equipment to them to service, you know, their local market with our product. That is done through different programs in the STEP program that includes, you know, different trade shows.

We are able to use their—again, their trade offices to understand who their end customer is. So not only the potential manufacturers that we use, but also the end customers that would then use our product that these trade offices help to build that business. It is a great partnership that we are able to do with those manufacturers to provide those services.

We don't understand sometimes all the different, you know, factors involved with it and that is where the MEDC comes in to play to help us with those trade offices to understand what we need to do to go into market and to be very, very successful with that market.

We use educational in training with the STEP program as well too. I wish I knew everything when it came to international trade. I don't and I rely on them to provide that training for us to make that happen. The effectiveness of this program is really big for small business like ourselves.

We appreciate all those services that they provide to us because it helps us grow our business and in doing so helps them out as well too.

The effectiveness I would say to continue with the STEP program, to continue with the government services like Michigan Economic Development Committee that continually helps us and figures out different ways. We have used internship programs with them. We have used lots of different services that they continually offer us to make our success in international vital to our business.

Chairman PHILLIPS. Love it. Hope you keep filling more containers.

Mr. LOE. We will. We will.

Chairman PHILLIPS. With that, Ms. Lantinen, like to return to you for a moment. You referenced job training incentives as two potential solutions to rectify your 100 employee deficiency at the moment. I hope you might speak about other potential solutions.

Is immigration reform perhaps one? Is childcare provision, especially in Minnesota where we are the third highest cost State in the country? Are those areas in which we should spend some time and look at improving policy?

Ms. LANTINEN. Thank you, Congressman Phillips. You know, of that 100 million people that are not in the workforce, 10 percent is an estimate for illegal immigrants. And we have turned away many people with fake IDs to the point that our HR team has said, if we accepted fake IDs, we would had the 100 people that you need, Christine.

So I do think we need to look at that and look at people that have been in our country and that have been contributing to our society as another potential work pool to pull from that is out there and wants to work.

As far as childcare goes, we are actually looking at putting a childcare facility on site at our factory to help working moms and to help with the cost of childcare and the quality of childcare. So those are important things definitely.

Chairman PHILLIPS. Thank you very much. My time is expired. Do any of my colleagues—Ms. Van Duyne? Anybody?

Mr. HAGEDORN. Chairman?

Chairman PHILLIPS. I recognize Mr. Hagedorn, my colleague from Minnesota, for 5 minutes.

Mr. HAGEDORN. Thank you for doing this. I want to clean up a few things. Talk about the trucking shortage and truckers. A lot of the problems in the trucking industry are bad government policies or government policies that were well-intended on safety and other issues, environment, that have led to big problems in the industry.

The hours of service over the years has limited truck drivers, created a lot of inefficiencies driven up the cost of transportation. The Tier 4 environmental standards that are imposed upon big trucks are driving up the costs of those big trucks $20,000 or more.

If somebody is trying to get in the industry, want to be an independent truck driver, that means they got to spend another $20,000 to go buy a truck. That is an impediment. That is not a good thing. The environmental standards are also ripe for failure on these trucks.

These sensors go off and at any time right now in our country the trucking industry people in Minnesota tell me there are between a thousand and 10,000 trucks on the side of the road who are waiting for sensors to be fixed because these things when they go wrong, the trucks have to stop. It is $1,000 tow. That is also not very good for the truck driver or the industry.

And before you know it, they can't get the parts and they are waiting for technicians. So we have a lot of trucks that are just out of service all the time. Again, well-intentioned, but did we go too far with Tier 4 requirements that make you go from here to here, but it is way more expensive. It is something to look at, but that is government. That is bad government in many instances.

Look at the supply chain issues. Nobody today has really mentioned China. Let's bring our jobs back from China. We should be doing what we can to have less manufacturing in China and more manufacturing in the United States or countries that are neutral actors with us that we can rely upon more freely. One of the things that bothers me about the Democrats' big reconciliation bill, massive transfer of dependency to China.

Just look at energy. They have something in there called the Clean Electricity Plan. It is a remake of Obama's Clean Power Plan. You are going to decommission natural gas and coal-fired power plants in the United States and try to supplement that with intermittent energy in wind and solar. It is not feasible for one. It is going to drive up cost and it is going to make it less reliable.

If you like what is going on in Germany and California where they have rolling brownouts where the wind and solar weren't cutting it and so they are begging for natural gas power and they are spending 50 percent more in California, other places. This is what the Democrats want to do to you all across the country.

I think it is a bad idea, but even worse, when you rely on wind and solar and electric vehicles, you are dependent upon China because they have all the rare Earth materials and minerals needed to produce the lithium, the cobalt, all those things that go into that.

I don't know a patriotic American that thinks it is a good idea for the United States to depend upon our electricity and our vehicles to Communist China. I can't figure that one out, but it is something that people have to start wrapping their hands around.

Lastly, Mr. Mfume and others talked about work for welfare. Well, you kind of skewed that. When we talk about work for welfare or technical trading requirements for people that collect welfare in this country, we are talking about able-bodied people without dependents. We are not talking about people taking care of families, we are not talking about people that can't go to work.

And I will just say it for the record, again. I worked on this issue back in the 1980s with Congressman Stangler from Minnesota. We carried the bill that was a precursor to what Gingrich and Clinton and everybody did. It works every time. It is fair to the taxpayers.

It is the right and compassionate thing to do for people who are out of work and to try to encourage them to get private sector work.

Helping people become self-sufficient and less dependent on government is absolutely should be our goal. And, you know, when the folks on the other side say, oh, you are going to take them away from their families. That is not what we are talking about. We are talking about able-bodied folks who don't have any dependents and 71 percent of them have no income, according to the latest statistics.

So they are certainly capable of getting out there, particularly when we have 11 million jobs available and everybody in southern Minnesota and across this country every business is begging for work.

With that, I will yield back.

Chairman PHILLIPS. The gentleman yields back.

And now I recognize the gentleman from Florida, Mr. Donalds, for 5 minutes.

Mr. DONALDS. Thank you, Mr. Chairman. I associate myself with the comments of my colleague from the great state of Minnesota.

Mr. Loe, I want to come to you. You said in your opening statement that you are supportive of the bipartisan infrastructure plan. Is that correct?

Mr. LOE. That is correct, Mr. Congressman.

Mr. DONALDS. Mr. Loe, do you know what percentage of that actual bill actually goes towards infrastructure? Roads, bridges, construction, construction materials, do you know what percentage of that bill actually goes towards it?

Mr. LOE. In regards to the 3.5 trillion or the 1 trillion?

Mr. DONALDS. I am just dealing with the 1.2 trillion. That other thing isn't even infrastructure I don't care what they say. With respect to the $1.2 trillion bill, you know what percentage actually goes towards construction, actual construction costs?

Mr. LOE. I do not.

Mr. DONALDS. All right. So that is about anywhere between depending on what you want to put into the bucket, anywhere between 130 billion to $200 billion of the 1.2 trillion. Still support it?

Next question—don't answer that one.

My next question is, with respect to your business and shipping costs—this is really supply chain that we are talking about—in that bill there is without a doubt, there are going to be tax increases on energy production in the United States. That is the life blood of every business. Your colleagues that are on this witness panel today to keep the lights on in this place all across the country. There are going to be tax increases on energy production.

Since we already know because it was said by Mr. O'Brien that 40 percent of the inputs into shipping is energy costs and that bill is going to increase energy costs in the United States into a framework that is already strained by extended costs in the shipping area, is it something, in your opinion, that small business owners should be supporting, which are tax increases into the energy framework of our economy that will also increase the costs on freight and shipping, which are already heightened in the United States?

Is that something, in your opinion, small business owners would support?

Mr. LOE. Thank you for your question, Mr. Donalds. That is a great question and I would be happy to get back to you on the implications of that. As related to infrastructure with our business and our product itself, we build retaining walls and in the infrastructure bill, we are looking at building roads, building bridges, and retaining walls are huge part of that as infrastructure. That is where the support comes from from any infrastructure support from our business——

Mr. DONALDS. Mr. Loe, I got a follow-up question for you because I only got 2 minutes and 25 seconds.

Mr. LOE. Sure.

Mr. DONALDS. Here is my follow-up question to that. I totally understand you as a business owner wanting to make sure you have all the necessary revenue and jobs lined up for the continuation of your business model, the continuation for your employees, the continuation for your owners, shareholders, however, your company is formed.

Is it appropriate—I am going to use this phrase, is it fair and is it equitable for your enterprise to be able to get additional revenue into your business associated with this bill, meanwhile other businesses in our country who would never get a construction or infrastructure contract, the costs on them associated with freight will precipitously increase because the bill you support will increase energy costs in the United States which will also increase freight and delivery costs in the United States?

Do you believe it is fair and equitable for all small business owners to basically be hamstrung by the bipartisan infrastructure bill, even though, in your specific enterprise you might seek to benefit from the infrastructure bill? Is it fair and equitable?

Mr. LOE. Thank you for your question and I am not qualified to answer that question.

Mr. DONALDS. Mr. Loe, hold on a second because I have missed an introduction page over here. Stay with me, Mr. Loe.

Mr. Loe, for the record, because I don't have the sheet in front of me, what is your title with your company? What is your position?

Mr. LOE. Director of the customer engagement team.

Mr. DONALDS. So you are director of customer engagement?

Mr. LOE. That is correct.

Mr. DONALDS. So you have not had any conversations with the owners of your company?

Mr. LOE. I have had lots of conversations with the owner of my company, yeah.

Mr. DONALDS. They support the infrastructure bill?

Mr. LOE. We support infrastructure bill to go after roads and bridges construction to continually gain the revenue need for our 120 independently owned and operated businesses so that they can continue to provide great retaining walls for bridges, for roads, for municipalities, and for government DOTs——

Mr. DONALDS. Mr. Loe, I have a question for you—my final question for you.

Mr. LOE. Yes, sir.

Mr. DONALDS. Do you want to see your electricity prices increase for you, not your company, just for you, you and your home?

Mr. LOE. I do not want to see my prices increase.

Mr. DONALDS. Mr. Loe, why would you support a bill that is going to increase the cost of electricity just for your home?

Don't answer that question, Mr. Loe. Here is what I will leave the American people with, Mr. Chairman. Americans like the word "infrastructure." I completely understand why, but that bill is far more than infrastructure. It will unilaterally remake our energy matrix; it will increase the cost on all Americans whether you get a government contract or not.

Chairman PHILLIPS. The gentleman's time has expired.

Mr. DONALDS. Thank you, Mr. Chairman.

Chairman PHILLIPS. Not seeing any other interests in questioning, I will make a closing statement.

My colleague from Florida asked about the infrastructure bill. Let me just read the components of it since the question was asked. $110 billion for roads and bridges, $55 billion for water infrastructure, $66 billion for railroads, $65 billion for broadband, $17 billion for ports, $17 billion for ports. Our ports in the United States of America are significantly underfunded and pale in comparison to ports around the world, $25 billion for airports, $65 billion for the electric grid, including another $50 billion to make it more resilient. It is a bill that generated 19 Republican senators support including the Minority Leader Mr. McConnell. I leave the data and the facts as they are.

I want to thank all our witnesses for being with us today. This is tough stuff. We are here to support small businesses. Condemnation doesn't go too far, conversation does, and I want to thank my colleagues on both sides of the aisle who share my interest in identifying the problems, but, most importantly, finding solutions. The pandemic has up ended a lot in our lives. It has exposed weaknesses, including for small businesses, including particularly our supply chain. It is a complex system our supply chain. There is no magic solution. I was hoping we might come here today and find that magic wand that we could just solve this problem.

The truth is I didn't hear one actionable solution that we could implement today to solve the problem. We have to make investments. Long-term, strategic, thoughtful, and intentional by both Democrats and Republicans. That is the spirit of this Committee. That is what I hope we do. It is going to take strong leadership.

We can do a few things. The Biden administration, of course, this week announced that they would extend operating hours for our major ports to 24 hours, something that competitors around the world at their ports are already doing. Those are small steps that we can take. I salute the administration for doing so.

With that, we will close this meeting and I would ask for unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee, we are now adjourned.

Thank you, everybody.

[Whereupon, at 11:56 a.m., the Subcommittee was adjourned.]

APPENDIX

Testimony of Kevin Loe
Director of Customer Engagement for Redi-Rock

House Small Business Subcommittee on Oversight, Investigations, and Regulations

"Global Supply Chains and Small Business Trade Challenges"

October 20, 2021

10:00 a.m. EST

Chairman Phillips, Ranking Member Van Duyne, and Members of the Subcommittee, thank you for the opportunity to testify before you today.

My name is Kevin Loe; I am the Director of Customer Engagement at Redi-Rock International. At Redi-Rock, we believe in changing the world in concrete ways by unleashing the possibility of people, products, and technology to create large block retaining wall solutions you can trust for a lifetime.

Today we are working with 120 independently-owned-and-operated manufacturers in 22 different countries that license Redi-Rock precast modular blocks. We provide one integrated system of wall solutions that create engineered solutions behind the wall and natural stone appearance on the face of the wall. Since launching in 2000, Redi-Rock's proven technology has expanded for more structurally sound solutions with faster installation.

Currently, Redi-Rock employees 55 hardworking team members with positions in welding/production, marketing, engineering, finance, and sales. We manufacturer our products in Charlevoix, Michigan, and export containers to different countries around six continents of the world. Our Headquarters is located in Petoskey, Michigan.

I want to start by saying that it was because of the State Trade Expansion Program (or STEP) at the U.S. Small Business Administration and the Michigan Economic Development Corporation that Redi-Rock went from zero export sales to a global market leader.

STEP was the catalyst for us to invest our time and resources in international trade. As a result, Redi-Rock has grown export revenue to more than $3.5 million in exports to Austria, France, Italy, Belgium, United Kingdom, Ireland, Germany, Russia, Portugal, New Zealand, Australia, Trinidad & Tobago, Spain, Norway, Italy, Dominican Republic, Algeria, South Korea, Switzerland and Estonia.

Those exports have allowed us to create new, good-paying jobs, diversify our sales, keep manufacturing in Michigan, and work through the global pandemic without eliminating any positions. We could not have achieved this success without the support of the STEP grant program and MEDC.

Through Redi-Rock's expansion internationally, we've been able to add jobs here in Northern Michigan. Our very first employee, Larry Pop, has been with the company since we started in 2000. As part of our international growth initiatives, Larry's son Owen joined the company in 2020 to help in our manufacturing facility - becoming our very first second-generation employee.

We're seeing similar generational impacts internationally as well. In France, our customer Lachaux Beton had a gravel business that struggled through the recession of 2008 and the years following. When the next generation took over the family business in 2013, they were hungry to innovate and took on Redi-Rock. As a result, this small family business has seen year over year growth and was invited to the French palace to receive an award for innovation in 2020. Redi-Rock has allowed this small family business to thrive into the next generation, and the STEP funding has been pivotal in helping us empower small business growth here and abroad.

Small businesses like us do not have the resources to navigate the global market and export process. That's where our partners at MEDC and the federal trade agencies are vital. They help us identify foreign buyers, understand foreign regulations, market our products, train our staff, and help secure the export sale.

During the pandemic, we quickly shifted our operations strategy to continue to grow our exports. Through the STEP program and MEDC, we participated in several virtual trade events with potential buyers in Australia and Peru. We were able to utilize Zoom to build our relationships, and in the end secured a six-figure order with an Australian company. We are still working on securing exports to Peru.

Typically, these sales would have required extensive travel to those countries and could take between six and 12 months to finalize. With the help of STEP, the MEDC and technology, we were able to secure the export success within months and with less expense.

As a result of their innovation and success, Redi-Rock was recently named 2020 Michigan Exporter of the Year by the U.S. Small Business Association and received the President's "E" Award for Exporting.

I want to conclude by expressing my strong support for the STEP program. It's been vital for our ability to grow as a small business. We strongly support the reauthorization of the program and continued funding of the STEP program. We would also advocate to increase the funding to $50 million per year.

In addition, we strongly support the bipartisan infrastructure bill and investing in our aging infrastructure in the U.S. This will help ensure we can remain competitive in the global markets, while also creating and supporting jobs here in Michigan.

Thank you and the Committee for the opportunity to appear before you today, and I look forward to your questions.

TESTIMONY OF CHRIS O'BRIEN
CHIEF COMMERCIAL OFFICER
C. H. ROBINSON

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS

SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND REGULATIONS

OCT 20, 2021

GLOBAL SUPPLY CHAINS AND SMALL BUSINESS TRADE CHALLENGES

C.H. ROBINSON

14701 CHARLSON ROAD

EDEN PRAIRIE, MN 55347

Chairman Phillips, Ranking Member Van Duyne, and members of the Small Business Committee, thank you for the invitation and the opportunity to testify at today's hearing. As one of the nation's largest third-party logistics providers, C. H. Robinson has a unique view of how goods and commerce flow from manufacturer to consumer. I will provide you an overview of our role in the marketplace, the current state of the freight markets, and our insights into the root causes of the current global supply chain congestion.

Introduction of Chris O'Brien

My name is Chris O'Brien and I am the Chief Commercial Officer for C. H. Robinson. I joined C.H. Robinson 29 years ago and have been the CCO since 2015. I am responsible for overseeing our customer strategy, and I lead our marketing and external communications functions which include our popular Market Insights and Trade and Tariff updates.

Introduction of C.H. Robinson

C.H. Robinson was founded in 1905 and has grown to over 15,000 employees globally. We are Minnesota's 8th largest publicly held company and are headquartered in Eden Prairie, Minnesota. While we provide freight services to many Fortune 500 and other large customers, small business services are a core focus of ours as well. We provide critical freight transportation services to over 60,000 small businesses and assign their freight to a network of carriers that includes over 50,000 active small business trucking companies. In total, we manage nearly $850 million worth of small business freight spend, including nearly 200,000 truck load shipments and over 600,000 LTL shipments annually. We provide a full array of small business services through our Freight Quote by C.H. Robinson team, headquartered in Kansas City. This includes a digital self-service tool that was built by listening to the challenges of small businesses. Together we created a technology service that makes it quicker, easier and more cost effective for infrequent shippers to book shipments and secure market competitive rates just like larger shippers.

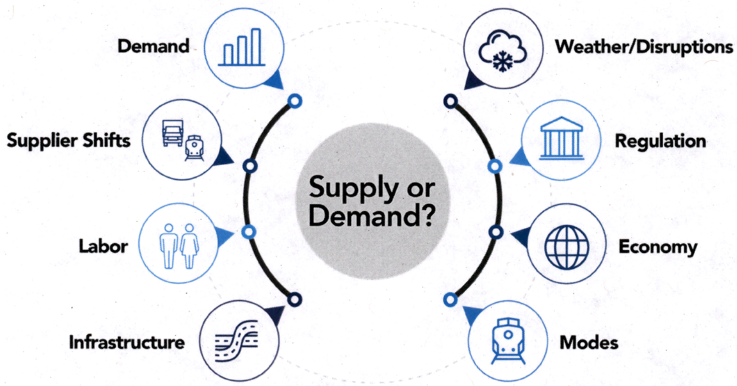
We do not own any commercial trucks or container ships ourselves, but rather build technology platforms and logistics services that allow us to streamline complex transportation management on behalf of our customers.

In the global trade area we operate similarly. We help simplify a complex international trade landscape for our customers by connecting them to the world's ocean and air freight capacity. We are also trusted advisors to small businesses for their customs and global trade regulation and compliance needs. We provide our customers a global network of experts and technology, facilitated by our multi-modal Navisphere IT platform. Our small business customers find this especially beneficial since for many of them, it is impractical or overly expensive to invest in their own global trade experts and technology.

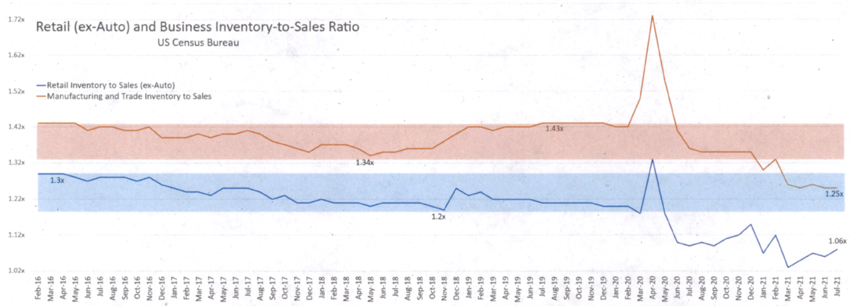
Current State of Freight Markets

The struggles and congestion in the supply chain have been well documented by pictures of ships at anchor off the coast of California and by consumers own experience with out-of-stock items at stores and online.

I want to describe the factors that influence these outcomes. Over the course of my 29 year career in freight transportation the fundamentals have not changed. Supply of capacity and demand for goods ebb and flow to create conditions either favorable to the flow of goods and lower freight costs or conditions that challenge the flow of goods and increase freight costs. Economic growth, weather, labor availability, regulation, infrastructure and other factors push and pull on the demands of our available capacity. Capacity in the form of trucks, drivers, ships, and ports adjust over time to these market signals. For example, in the current environment we are seeing a surge in the formation of new small trucking companies, as market rates in trucking are favorable and drivers leave other fields or start their own trucking companies instead of driving for larger truckers.



What makes 2021 unique are the orders of magnitude and speed with which the system has gone from one extreme to another. Many parts of the supply chain were literally shutdown (some still are) and not producing any freight. The world's supply chains and transportation structure has never seen, and wasn't built to handle the near shut down of the early months of covid, followed by the very rapid restart as many industries came back online. The U.S. just recorded the second largest month on record for imports by value in July. Robust consumer demand persists today and we are seeing record volumes of freight in the system overall. There is some resiliency in global supply chains, but this was a very unnatural series of events that the industry simply has not caught up from. The below chart shows the swift changes in inventory to sales ratios over the last few years.



<u>Impact of current market on small business</u>

The current supply chain congestion is creating challenges for our large customers, but the impacts cause magnified personal stress for small business owners. For example, what used to take 21-22 days from a Chinese port to a warehouse in Los Angeles now routinely takes 33-35 days   Many of our small business customers have experienced:

- Significant and rapid freight cost increases across all modes of transit
- Shipment delays resulting in increased wait times for raw materials and missed deliveries to their customers
- Port detention charges
- Difficulty accessing available capacity

- Tariff increases due to expiring Section 301 exclusions

- Increasing administrative complexity in the customs clearance process

Supply chain challenges have forced all business to make painful choices regarding passing on increased costs to their customers. In addition, many small businesses are trying to decide when the right time will be to explore new sourcing relationships in other countries, including outside China. This process can be very costly because identifying and working with new suppliers in countries they may not have done business in previously is costly and complex.

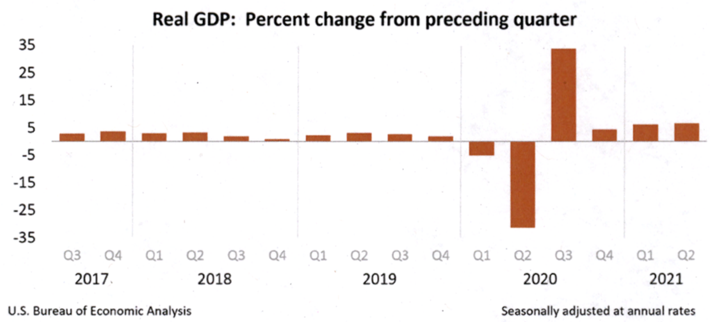
Root Causes

As many have said, the current supply chain challenges are complex with few easy fixes. We would encourage the committee to focus on four primary areas we feel are at the root of the current situation:

Stimulative Economic Policy and Covid Reopening Driven Demand

Stimulative economic policy and covid reopening has driven surging demand across the economy. U.S. GDP growth has exceeded 6% for two quarters in a row. Freight congestion and cost increases have naturally followed. U.S. trucking capacity and ocean container ships have been trying to meet the demands of current high growth. We feel that if economic growth continues at higher than historic levels, trucking, ocean, air, warehousing and port capacity will be challenged to keep up.

C.H. Robinson will always be in favor of a strong, robust economy anchored by a healthy manufacturing base, but policymakers should understand that higher than historic economic growth for long periods of time may stress supply chains by nature.



Truck Driver Shortage

We are seeing labor shortages across the transportation landscape including warehouses, crossdocks, rail ramps, ports and air port cargo facilities. Policymakers can help the truck driver shortage by focusing on driver quality of life investments like truck parking and driver recruitment and training support. Many new truck drivers and warehouse workers are recent immigrants and there are opportunities to increase participation within that workforce. Even if truck manufacturers can meet the physical demand for trucks, seating them is an increasingly difficult task. This shortage is not new and has stressed our economy in many periods of high demand.

Two provisions in the Senate infrastructure bill that will help long term driver recruitment are the DRIVE SAFE Act to create apprenticeship programs for younger drivers and the Promoting Women in Trucking Workforce Act which would establish a committee to promote more women in trucking. We are supportive of both these bipartisan efforts.

Recent trends toward truck parking bans in cities also have a negative impact on driver recruitment. By banning truck parking, cities are unknowingly creating challenges for urban residents to become truck drivers if they have to travel long distances to get to their truck and begin their workday.

This committee should also consider ways to support driver training, including tuition assistance and truck driver specific education grants as well as targeted small business loan support for those wanting to start new trucking companies.

In our view, we need an "all of the above" approach to help get new drivers into the industry and keep existing drivers supported and on the road. Of the many choke points at today's ports, the shortage of truck drivers may be the biggest impact that would extend current congestion.

China Trade Policy Uncertainty

The China trade war has increased costs in the form of tariffs and higher priced inputs for many small businesses. Uncertainty in trade policy is creating difficult sourcing decisions for small businesses. Small businesses are asking themselves tough questions. Are tariffs likely to continue or expire? Will administrative requirements like the forced labor documentation from Western China increase or change? Will the customs process continue to be more difficult for infrequent and first-time importers when compared to large and frequent importers?

Congress and the administration could provide more concrete signals to small businesses regarding the direction of the trade war so they can make long term decisions.

Our small business exporters also need help establishing and growing foreign markets. The more success our exporters have, the more balanced our ocean freight volumes will be. We would certainly support increased export trade assistance for small business exporters. During Covid, it has been especially hard to form new trading relationships overseas.

Another area of immediate trade relief for small businesses was included in the bipartisan Senate passed US Innovation and Competition Act (USICA). The re-instatement of expired Section 301 exclusions (commonly referred to as the Crapo-Wyden amendment or the Trade Act of 2021), would also be retroactive to December 2020 and could mean refunds of tens of thousands of dollars in duties for some small businesses. This may be the most immediate supply chain relief this committee could provide small businesses in our opinion.

Foreign factory and freight shutdowns

Covid related shutdowns at facilities here, and especially abroad, continue to adversely impact supply chains. We need to keep employees healthy and consistently in the workforce. Domestically, manufacturing and freight transportation workers were classified as essential and prioritized for vaccine access. However, foreign workers in the same category who supply US markets have not been classified similarly and have lagged in access to vaccines and in many cases PPE. Many of our small business customers have experienced lengthy supplier shutdowns from covid related lockdowns or quarantines. Recently this has affected Vietnam and Malaysia, for example.

Truck parts sourced from overseas have also seen shortages from foreign factory shutdowns. As a result, we are increasingly hearing from small business truckers that vehicle maintenance is taking much longer than it previously did. This increased downtime essentially reduces the available fleet to move freight overall.

Motor Carrier Selection Standard (HR 3042)

Finally, many small businesses who hire motor carriers are unaware of the risks they take when selecting motor carriers. Increasingly, when trucking accidents occur, shipper's decisions in selecting the motor carrier are challenged, even if that motor carrier has been fully authorized by the Federal Motor Carrier Safety Administration. One result of this trend has been for some shippers to exclude small trucking companies from business opportunities. We would encourage members of this committee to support HR 3042 to establish a motor carrier selection standard to increase safety and protect small business shippers and small business truckers.

Conclusion

The whole team here at C.H. Robinson is working hard to support our small and medium customers in what has been one of the most challenging supply chain environments any of us have seen.

Thank you for the opportunity to share our views on the roots of the current supply chain challenges. We look forward to the discussion and questions.

Ms. Christine Lantinen
President/Owner – Maud Borup Inc.
Testimony for House Small Business Subcommittee on Oversight, Investigations, and Regulations
Hearing on "Global Supply Chains and Small Business Trade Challenges"
October 20, 2021

Chairman Phillips, Ranking Member Van Duyne, Members of the Subcommittee: Thank you for the honor and privilege of testifying today. Before I discuss my business's supply chain challenges, I'd like to give you a bit of background about myself and my company.

My name is Christine Lantinen and I'm the President and Owner of Maud Borup, Inc., a candy manufacturing, and food gift company. We are a privately held Minnesota-based business employing around 200 team members. The company's growth has been strong and steady since I took ownership of the business in 2005, and this year we are on track to grow sales by 75%.

Maud Borup is over 100 years old. And like me, it has deep ties to Minnesota. I grew up a farmer's daughter in Le Center, working as a server at the American Legion as early as the age of 13. I joined the Army and attending basic training at the age of 17 and went on to serve almost 10 years as a field medic. I graduated from Minnesota State University-Mankato. After working my way up the corporate ladder, I found myself in a position to acquire and lead Maud Borup, taking in into the next century of candy making. Today as a certified woman- and veteran-owned business, we are deeply committed to our community; with our corporate office located in Plymouth and our factory in Le Center.

I was asked to join today's hearing to share my perspective and experience navigating supply chain challenges. I'd begin by placing a spotlight on our workforce. My business faces a dire shortage of workers. As stated, we currently manage about 200 employees, down roughly 100 from our optimal number of staff. Since December 2020, we have instituted a 36% hourly salary increase and we still have trouble recruiting workers. Some factors driving this situation are economic; our general community maintains a low unemployment rate, almost a full percentage point below the state average of around 4%. Other factors are geographic; we are located in proximity to peer businesses competing in the same worker pool.

Perhaps most relevant to this committee is the factor of worker development. Trade programs producing certified truck drivers, welders and other specialists are simply not producing workers fast enough for businesses like mine to hire them. I urge this committee to take a hard look at policy solutions to accelerate the pipeline of trade certification and education programs. To put it directly, the biggest and most immediate challenge to my business's supply chain is a lack of workers. The situation is so severe that despite a purchase of six acres of land adjacent to our lot, our business has put expansion plans on hold. Our desire is to continue operating in our corner of Minnesota, but our current workforce shortages are simply unsustainable.

Another supply chain challenge currently impacting our business is the cost of transportation for goods and supplies. In August 2020, the cost to ship a standard 40-foot shipping container was approximately $4300. By August 2021, that figure had exploded to nearly $30,000. Like our shortage of workers, this situation is also unsustainable from a business management standpoint. We need to see action to alleviate the bottlenecks, mostly caused by labor shortages.

According to the US Bureau of Labor Statistics September 2021 report, there are 100 million Americans not in the US labor force. 42% (42 million) of that number are retirees. The Fed classifies the "US labor force" as every US citizen 16 or over who is not incarcerated, in the US military, or in nursing or residential care home. Retirees are still considered part of the labor force. How can we incentivize retirees and others currently not working, but able to work, to enter the workforce to help fill the 10.4 million job openings America currently has? Bolstering participation is critical for US competitiveness and economic strength. We must advocate for policies to ensure that Americans are able to more fully develop and profit by their talents, and in turn the US will benefit from the full diversity of our available talent.

Lastly, I'd be remiss if I didn't mention a longstanding challenge to businesses like mine, not just in the chocolate and confectionery industry, but the broader food and beverage manufacturing sector as well. I'm referring to the U.S. Sugar Program, which consists of a combination of domestic marketing allotments, tariff rate quotas, guaranteed price support loans and the Feedstock Flexibility Program. The labyrinth of policy is so convoluted I do not have the time nor the expertise to walk you through it all. The practical result is that the federal government severely restricts the supply of sugar to artificially inflate prices. American businesses that rely on a steady supply of sugar are thus often forced to pay twice what our global competitors pay on the global market.

The Sugar Program inflicts further pain by intentionally prohibiting domestic sugar producers and processors from expanding output in response to supply shortages. Imports cannot fix the situation either because of restrictive federal import quotas. Let me put this simply: the U.S. Sugar Program, a collection of policies written and implemented by Congress, creates supply chain shortages for businesses that need sugar to make their products. If we want to address global supply chains and small business trade challenges, this is a good place to start.

Thank you again for the opportunity to testify before you today. I am grateful for the Subcommittee's interest in my business's perspective on the troubling set of urgent supply chain challenges we're facing. I'd be happy to answer any questions you may have.

Testimony of Chuck Fowke
Founder and President, Homes by John C. Fowke Inc.
On Behalf of the
National Association of Home Builders

House Small Business Committee Subcommittee on Oversight, Investigations, and Regulations

Global Supply Chains and Small Business Trade Challenges

Wednesday, October 20, 2021

Introduction

On behalf of the more than 140,000 members of the National Association of Home Builders (NAHB), I appreciate the opportunity to testify today. My name is Chuck Fowke, and I am Founder and President of Homes by John C. Fowke Inc. located in Valrico, Florida.

Building a high-quality American home relies on goods and materials produced both here in the United States and across the globe. Coordinating the timely delivery of reasonably priced materials and products to the build site is challenging under the best of circumstances. The COVID-19 pandemic has roiled global supply chains making this once challenging endeavor nearly impossible.

Supply chain disruptions have affected (and continue to affect) the home building industry profoundly. From record high lumber prices to severe shortages of myriad building materials, the result has been lengthy construction delays or postponed projects and dramatic price increases. This is further harming housing affordability at a time when we already face an ongoing housing affordability crisis. Until we address all of the underlying causes of the crisis, millions of households are denied the American dream of homeownership, and millions more are rent burdened.

While all businesses have without question been affected by the COVID-19 pandemic and related supply chain disruptions, smaller firms in our industry have experienced these trying times differently. Many smaller volume home builders have faced unique challenges relative to their larger competition as both compete for the same, diminished pool of increasingly expensive inputs.

Unfortunately, the systemic weaknesses that led to today's supply chain challenges have existed for some time, particularly where lumber is concerned. The COVID-19 pandemic merely exposed those structural weaknesses in our building materials supply chain. If Congress is serious about addressing the growing housing affordability crisis, part of the solution must be addressing the many and varied challenges currently plaguing our building materials supply chain.

Building Materials Prices Continue to Climb Impacting Housing Affordability

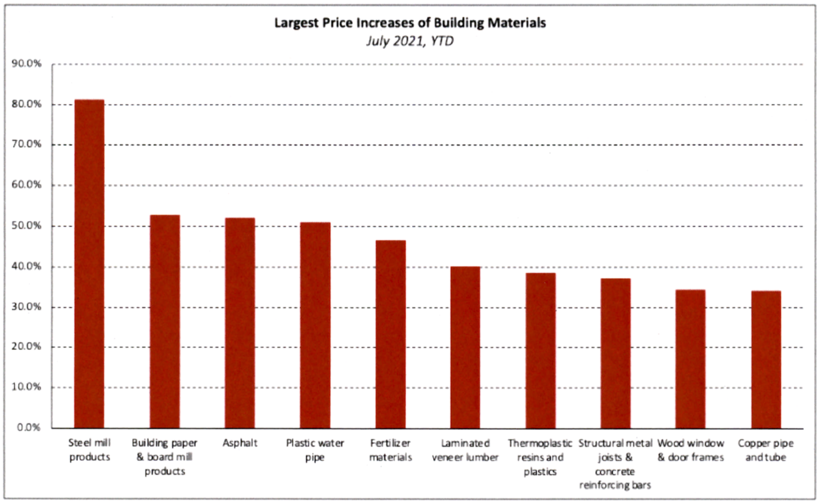
Historically high lumber and building materials prices continue to serve as headwinds for the U.S. housing sector. Housing has been a bright spot for the U.S. economy as the nation continues to recover from the COVID-19 pandemic. However, there is mounting evidence that this success is at risk as builders have seen a dramatic increase in the cost of materials.

Although combined housing starts for single-family and multifamily for the last six months have averaged a seasonally adjusted annual rate of 1.6 million—a level not seen since 2006—delays and deferments have become disturbingly commonplace due to longer order lead times and high prices and price volatility. As a concerning sign that the market may be slowing down, the number of housing units authorized but not started has risen 40% over the past year, setting records both as a share of starts as well as in nominal terms. Any slow-down in housing production would be troublesome as we remain well off the mark of making up the shortages from underbuilding over the course of the past decade. Just within the single-family market, NAHB projects that 1.1 million single-family homes will be built in 2021 and again in 2022. This is a significant increase over past years, but still short of the 1.2 million homes we need to construct annually to keep up with population growth and replace aging housing stock.

The unprecedented price increases are also worsening the ongoing housing affordability crisis. In May of this year, a widely regarded framing lumber index hit a previously unthinkable all-time record high of over $1,500 per thousand board feet. NAHB estimated at the time the dramatic rise in lumber prices was adding nearly $36,000 to the price of the average new single-family home, and nearly $13,000 to the price of each new multifamily home since the previous Spring. This is particularly concerning for new and first-generation homebuyers, as NAHB research shows that more than 150,000 households are priced out of the market for every $1,000 increase in the price of a new home.

And while lumber prices began a sharp decline in May, it took months for a meaningful portion of those decreases to reach home builders and their customers. Unfortunately, prices began rising again in September and have increased more than 40% over the past six weeks. Furthermore, the futures market suggests prices will climb another 50% by 2022.

Lumber pricing and availability is just one of the many problems we face with the supply chain. Supply chain challenges are driving scarcity and elevated prices on almost every good or material that goes into constructing an American home. According to the Bureau of Labor Statistics Producer Price Index (PPI), the average price of goods used as inputs to residential construction has risen year-to-date (YTD) 13.2%, more than triple the rate of core inflation over the same period. From steel mill products and plastic piping to copper pipe and wood windows and doors, prices are up dramatically year-to-date and are driving growing concerns of a coming slowdown in housing.



Unique Challenges for Small Firms

While historically high prices and supply shortages remain a challenge for all home building firms, they pose unique challenges for smaller firms trying to operate in these trying times. This is of particular concern for an industry dominated by small businesses as half of all partnerships are real-estate partnerships. The typical NAHB builder member builds a median of five houses per year and employs a median of 5 employees. Among the unique challenges small firms face in these times are volatility and uncertainty as well as the ability, or more often the inability, to pass along these ever-increasing prices.

Uncertainty hurts the bottom line of any business but, as very small businesses, the majority of home builders do not have the means to hedge against rising prices. Lacking in buyer power, most residential construction businesses are price-takers—a position made even more precarious due to the contracted nature of the industry. Without large economies of scale, small businesses generally cannot negotiate bulk discounts. To the contrary, builders have often been forced to commit to purchasing materials such as lumber without knowing exactly what the cost will be when delivered. The effects of this uncertainty trickle all the way to the buyer, many of whom have balked at projects at the last minute due to unexpected price increases. Meeting customer expectations and maintaining one's good reputation is critical to the survival of all home builders—and all small businesses—but has become exceedingly difficult in the current state of logistics.

Conclusion

Building materials supply chain challenges exposed and exacerbated by the COVID-19 pandemic are driving an unsustainable increase in the cost to construct a new home. This is affecting the entire housing market and is accelerating the growing housing affordability crisis. Small home building firms are particularly threatened by the current situation.

At the core of today's building materials supply chain issues are two fundamental problems – barriers to trade and challenges associated with moving goods to their final destination. Congress and the administration need to consider steps to reduce or remove barriers to trade. This includes at least temporarily suspending duties (until a longer-term solution can be reached) on a wide array of imported building materials and goods, from Canadian softwood lumber to steel and aluminum. In addition, Congress and the administration must continue to aggressively explore solutions to port congestion and the persistent delays in truck and rail transportation. While the administration's move to extend and amend its trucking hours of service waiver to include building materials was a helpful step in the right direction, more can and must be done.

As the U.S. housing market continues to grow to meet our nation's housing demand and make up for a decade of underbuilding, demand for lumber and other building materials will only increase. I commend Chairman Phillips and Ranking Member Van Duyne for holding this important hearing today. It is important for Congress to take a deep look at these issues and determine what actions can be taken to address our nation's troubled building materials supply chain.

Associated Builders and Contractors

October 10, 2021

The Honorable Dean Phillips
Chairman
U.S. House Committee on Small Business
Subcommittee on Oversight, Investigations and Regulations
Washington, DC 20515

The Honorable Beth Van Duyne
Ranking Member
U.S. House Committee on Small Business
Subcommittee on Oversight, Investigations and Regulations
Washington, DC 20515

Dear Chairman Phillips and Ranking Member Van Duyne:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 69 chapters representing more than 21,000 members, I write to comment on today's U.S. House Committee on Small Business Subcommittee on Oversight, Investigations and Regulations hearing, "Global Supply Chains and Small Business Trade Challenges." We appreciate the opportunity to provide insight on this important issue, as small businesses in the construction industry continue to face significant supply chain disruptions, volatile input costs and worker shortages.

The construction industry is fueled by small businesses. The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. This is consistent with the SBA's findings that the construction industry has one of the highest concentrations of small business participation. Many of ABC's large member companies not only contract directly with the federal government to successfully build large-scale projects that are subject to federal acquisition regulations but also subcontract work to qualified small businesses and meet federal agency small business goals.

Construction Economic Indicators Down Due to Supply Chain Disruptions:

The construction industry continues to feel the strain of ongoing supply chain disruptions, which have resulted in the persistent volatility of input prices, diminished contractor confidence and backlog challenges for small businesses.

In September 2021, construction input prices declined 0.5%, according to ABC's analysis of U.S. Bureau of Labor Statistics' Producer Price Index data. Despite the modest decline, construction input prices remain 18.9% higher than in September 2020.

Driving these increases are steel mill products, which have experienced the largest year-over-year increase, rising 134.2%, along with iron and steel prices that nearly doubled, rising 96.3%. Additionally, natural gas prices are up 120.9% compared to last year, while crude petroleum and unprocessed energy materials prices increased 89.1% and 84.8%, respectively.

Producer Price Index, September 2021

	1-Month % Change	12-Month % Change
Inputs to Construction	-0.5%	18.9%
Inputs to Nonresidential Construction	-0.4%	20.2%
Plumbing Fixtures and Fittings	-0.5%	3.1%
Fabricated Structural Metal Products	3.1%	36.1%
Iron and Steel	3.0%	96.3%
Steel Mill Products	5.0%	134.2%
Nonferrous Wire and Cable	1.6%	30.7%
Softwood Lumber	-4.3%	-31.4%
Concrete Products	0.0%	5.5%
Prepared Asphalt, Tar Roofing & Siding Products	0.1%	13.1%
Crude Petroleum	4.8%	89.1%
Natural Gas	14.4%	120.9%
Unprocessed Energy Materials	8.5%	84.8%

Source: U.S. Bureau of Labor Statistics

The fluctuation in construction input prices caused by supply chain disruptions has made it very difficult for businesses in the industry to predict budgets and bid work. As a result, many contractors, including small businesses, face additional cuts on profit margins. According to ABC's Construction Confidence Index,[1] contractors' profit margin expectations have worsened in recent months. Readings for sales, profit margins and staffing levels each declined in September, but remain above the threshold of 50, indicating expectations of growth over the next six months. Additionally, contractor confidence still remains well below the October 2019 reading.

Working in conjunction with persistent worker shortages, these factors are resulting in in work delays and backlog challenges for businesses in the construction industry. Of particular relevance to this committee, according to ABC's Construction Backlog Indicator, a forward-looking, national economic indicator that reflects the amount of work already under contract but not yet performed by commercial, industrial and heavy highway/infrastructure contractors, ABC found that recent declines in backlog have been registered among smaller construction firms.

As the backlog indicator fell to 7.6 months in September across all contractors surveyed, for smaller construction businesses— those with annual income less than $30 million—backlog fell from 7.4 months to 6.8 months. With an already smaller backlog among all company sizes measured, smaller construction businesses saw a 0.6 month decline over the past month, the sharpest decline. This data indicates that small construction businesses need additional help to grapple with the ongoing challenges facing them.

Unfortunately, the recent surge in construction input prices strongly suggests that contractors, consumers and other economic actors will be wrestling with inflationary pressures for much of 2022, and many contractors will finish 2021 and with relative tepidation.

[1] CCI readings above 50 indicate an expectation of generally improving conditions in the U.S. nonresidential construction industry, while readings below 50 indicate expectations of deteriorating conditions.

Action for Congress and the Biden Administration:

In March, ABC joined a coalition of construction, housing and real estate organizations in a letter to the commerce secretary to address the price increases of lumber in the United States during the past year. Additionally, ABC has continuously advocated for the removal of unnecessary and costly steel and aluminum tariffs to help address the historic shortages of readily available and globally-priced steel and aluminum products for the construction industry. ABC looks forward to continuing to work with Congress to develop solutions to these significant price increases to protect construction jobs and support critical projects.

ABC urges Congress to pursue bipartisan investments in America's infrastructure and ensure that small construction businesses are not excluded from the competitive bidding process for federal infrastructure projects. Most small businesses in the construction industry are not signatory to a construction union. When governments mandate project labor agreements on a federal or federally assisted taxpayer-funded project, small businesses are disproportionately harmed, as they drive up the cost of construction projects by 12% to 20% and discriminate against the 87.3% of U.S. construction workers who choose not to join a union.

Further, ABC has apprehensions about the regulatory agenda of the Biden administration. As the construction industry awaits the findings of the White House Task Force on Worker Organizing and Empowerment, ABC continues to advocate against actions that would make it more difficult for small businesses that are struggling to maintain operations during the pandemic. While we must support thoughtful and necessary regulations, Congress and the Biden administration must ensure they do not place an undue burden on these businesses, but instead allow them to continue to grow and provide jobs to hardworking Americans.

Congress should steer away from policies such as the Protecting the Right to Organize Act, which would limit opportunities for small businesses to compete and recover from the pandemic. Although the PRO Act has passed in the House of Representatives, it has yet to become law. The bill would enact harmful policy changes that would eliminate right-to-work protections in 27 states, violate employees' privacy and upend the business community. ABC members urge Congress to reject this bill and its devastating policies.

ABC also urges Congress to not pursue damaging tax policy changes to pay for the budget reconciliation package. ABC is adamantly opposed to the proposed change of creating a new top combined rate on pass-through income of 46.4% through the bill's cap on the Section 199A deduction for pass-through businesses, limiting the maximum allowable deduction for individuals to $400,000 and joint filers to $500,000, enforcement of a 3.8% tax on active business income, a3% surtax on top earners and an increase in the top marginal rate for taxpayers. These provisions, as well as the many other changes to tax policy currently being discussed by Democrats in Congress and the White House such as elimination of stepped-up basis, would devastate small businesses struggling to recover from the COVID-19 pandemic and the economy as a whole.

We thank you for your leadership and look forward to working with you to address the critical needs of our nation during this difficult time.

Sincerely,

Kristen Swearingen
Vice President, Legislative & Political Affairs

CC:

The Honorable Nydia M. Velázquez
Chairwoman
U.S. House Committee on Small Business
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
U.S. House Committee on Small Business
Washington, DC 20515

NLBMDA
NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION

Comments of the National Lumber and Building Material Dealers Association

to the

House Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations

October 20, 2021

Subcommittee Hearing: "Global Supply Chains and Small Business Trade Challenges"

NLBMDA Comments
"Global Supply Chains and Small Business Trade Challenges"
October 20, 2021

The National Lumber and Building Material Dealers Association (NLBMDA) would like to thank the House Committee on Small Business' Subcommittee on Oversight, Investigations, and Regulations for the opportunity to provide written comments regarding the hearing titled, "Global Supply Chains and Small Business Trade Challenges."

NLBMDA with its state and regional association partners represent over 6,000 building material retail locations nationwide who operate single and multiple lumber yards and component plants serving homebuilders, subcontractors, general contractors, and consumers in the new construction, repair and remodeling of residential and light commercial structures. The majority of NLBMDA members are small, family-owned lumber and building material (LBM) operations, in many instances providing lumber products and building material in the same communities for generations.

Like many small businesses, lumber and building material dealers have been deeply impacted by the economic downturn caused by the COVID-19 pandemic and subsequent supply chain disruptions and labor shortages that are still affecting our industry today. We write today to highlight policy proposals for Congress to consider as they examine solutions to supply chain disruptions and trade challenges. NLBMDA believes these solutions will strengthen the building material supply chain moving forward and provide critical relief to businesses in the LBM industry as they continue to recover from the COVID-19 pandemic.

Trade

Softwood Lumber Tariffs: NLBMDA calls on Congress to urge the Biden administration to reverse its preliminary determination from earlier this year to increase countervailing and antidumping duties on Canadian softwood lumber imports from 9% to 18%. NLBMDA believes these tariffs are a tax on American consumers and will further aggravate the affordable housing crisis afflicting communities across the country.

In the long-term, NLBMDA supports the renewal of a Softwood Lumber Agreement (SLA) with Canada and believes a resolution to the softwood lumber dispute will contribute much needed certainty in the lumber market moving forward. The most recent SLA expired on October 12, 2015 and has not been renewed. Under the previous agreement, Canadian softwood lumber shipped to the United States was subject to export charges and quota limitations when the price of U.S. softwood products fell below a certain level. From 2006-2015, this agreement helped foster a period of stability in the U.S. lumber market and strengthened our relationship with a critical North American trade partner.

Since the agreement's expiration in 2015, the U.S. and Canada have been involved in a contentious trade dispute that has resulted in the U.S. placing both countervailing duties and antidumping duties on Canadian softwood lumber imports. These duties, while not the sole cause, have contributed to price volatility for U.S. small businesses and consumers that rely on a supplemental steady supply of softwood lumber from Canada when domestic production cannot meet demand. The impact of these duties is particularly urgent as our economy experiences lumber price volatility and supply shortages which threaten the availability of affordable housing for millions of Americans.

While the SLA is not the ultimate solution to price volatility and supply chain disruptions, reenactment of the agreement with beneficial terms for both domestic producers and consumers down the supply chain will contribute to needed stability in the marketplace. Due to these pressing concerns, NLBMDA believes that members of the House Committee on Small Business should press the Biden administration to re-enter SLA negotiations with Canada.

Section 232 Tariffs: Section 232 of the Trade Expansion Act of 1962 provides the President with the authority to impose restrictions on certain steel and aluminum imports based on trade discrepancies that could threaten national security. In 2018, the previous administration used Section 232 authority to apply new tariffs to steel and aluminum products from America's trade partners. NLBMDA opposes tariffs on steel imports as it increases construction costs, decreases housing affordability, and can cause an unnecessary trade war that harms consumers.

Section 301 Tariffs: In 2017, the U.S. Trade Representative (USTR) initiated an investigation, under Section 301 of the Trade Act of 1974, into potential unreasonable or discriminatory trade practices carried out by China. The previous administration eventually used Section 301 authority to impose additional tariffs on a variety of imported goods from China, including certain building materials.

NLBMDA supports the U.S. suspending further tariff actions on Chinese imports and engaging the foreign government on making meaningful, sustainable, and significant changes to trade policies that disadvantage U.S. economic interests.

Labor Shortages and Workforce Development

Labor shortages continue to pose a very real risk to the long-term health of the lumber and building material dealer industry and its supply chain. The impacts of this shortage are affecting stakeholders ranging from small, family-owned businesses to large corporations. The lack of labor throughout the industry could have dire implications for the entire supply chain and have a negative impact on meeting the nation's demand for building material products.

NLBMDA urges Congress to prioritize legislation that expands vocational training and support proposals to help alleviate the labor shortage in the building material supply chain and construction industry. Congress should also avoid passing any legislation that will deter workers from entering the workforce.

Congress should also look at expanding educational programs, such as Pell Grants and the Carl D. Perkins Career and Technical Education program, to boost and encourage apprenticeships and work-based learning.

Regulatory Relief

NLBMDA urges Congress to work with the Biden administration to examine any existing laws and regulations which are hindering the building material supply chain and labor market. NLBMDA supports free-market solutions that will provide regulatory relief to small businesses in the supply chain.

Taxes

NLBMDA believes any changes to our tax code should sustain the competitiveness of America's small businesses and ensure they can remain viable in the long-term. Enacting tax policy that incentivizes job creation is particularly crucial as the U.S. economy continues to recover from the COVID-19 pandemic. To this end, NLBMDA is strongly concerned about recent proposals in Congress that would increase taxes through the budget reconciliation process. NLBMDA remains opposed to any tax increases on America's LBM dealers.

Emergency Temporary Standard on COVID-19 Vaccinations and Testing

NLBMDA has concerns regarding the Biden administration's proposed Emergency Temporary Standard (ETS) on mandatory vaccination and testing requirements for private employers and its potential economic impact on labor shortages and the supply chain. Based on feedback from lumber dealers across the U.S., the upcoming ETS could have severely negative effects on our members. In particular, our industry is concerned about this mandate further exacerbating labor availability issues, along with concerns regarding costs on employers and availability of COVID-19 testing.

NLBMDA calls on Congress to work with the Biden administration to ensure any Emergency Temporary Standard is feasible for small businesses and does not negatively disrupt the day-to-day operations of LBM dealers and others in the building material supply chain.

Conclusion

Thank you for the opportunity to submit comments on these critical issues impacting the lumber and building material dealer industry and global supply chain. As the national voice of lumber and building material dealers across the U.S., NLBMDA looks forward to working with your committee to address these challenges in a manner that strengthens the LBM industry and U.S. economy in the future.

For any questions, please contact NLBMDA's Director of Government Affairs Kevin McKenney at kevin@dealer.org or 202-367-2480.