RYAN A. BIZZARRO, CHAIRMAN
414 MAIN CAPITOL BUILDING
P.O. BOX 202003
HARRISBURG, PENNSYLVANIA 17120-2003
(717) 772-2297
FAX: (717) 780-4767

HOUSE DEMOCRATIC POLICY COMMITTEE
WEBSITE: WWW.PAHOUSE.COM/POLICYCOMMITTEE
EMAIL: POLICY@PAHOUSE.NET
@PADEMPOLICY

HOUSE OF REPRESENTATIVES
COMMONWEALTH *of* PENNSYLVANIA

House Democratic Policy Committee Hearing

Supply Chain Disruption

Monday, November 29, 2021 | 1:00p.m. – 3:00p.m.

Representative Mary Isaacson

1:00 p.m.	Dennis Hower, President *Teamsters Local 773 Allentown*
	Q & A with Legislators
1:30 p.m.	Dominic O'Brien, Senior Marketing Manager *Port of Philadelphia*
	Q & A with Legislators
2:00 p.m.	William Reed, Owner *Standard Tap, Johnny Brenda's, & International Bar*
	Q & A with Legislators

November 29, 2021

Dennis Hower
President
Teamsters Local 773

Testimony on Supply Chain Disruption before the

PA House Democratic Policy Committee

Good afternoon Chairman Bizzarro, and members of the House Democratic Policy Committee. My name is Dennis Hower, and I am President and Principal Officer of Teamsters Local 773 in Allentown, Pennsylvania. I appreciate this committee allowing me to speak on behalf of my members about how supply chain disruptions and Covid-19 are affecting their work and their ability to deliver goods throughout the Greater Lehigh Valley and the Commonwealth of Pennsylvania.

The Teamsters Union has a 100-plus year history of representing workers. Our Union has historically represented members in the transportation and logistics field, although we represent workers in many diverse occupations today. We consider ourselves an A to Z Union, meaning we represent workers from airline pilots to zookeepers. We are proud that Teamster truck drivers and warehouse workers have industry-leading wages, benefits, and working conditions spelled out in a negotiated contract. Most of our members are "essential" workers and worked long hours during this pandemic, ensuring our communities were safe.

We are experiencing supply chain issues now as a result of decades of deregulation, misclassification, and exploitation of drivers in the trucking industry and warehouse workers in the logistics industry. The Covid-19 pandemic exacerbated these systemic issues. Governments' and corporations' response to the pandemic and their efforts to mitigate the spread of Covid-19 created a backlog of goods at our nation's ports. Factory closures, labor issues, equipment shortages, and Americans' changing spending habits created this crisis.

There are miles-long backups at the ports of L.A. and Long Beach, where about 40 percent of all goods come into the United States. Drivers wait in long lines to receive their loads. They are paid by the load, not by the hour, and if they leave the line to go to the bathroom or get food, they will need to go to the end of the line and start the waiting process over again. Being a port driver has been compared to indentured servitude. There is no shortage of truck drivers. There is a shortage of good-paying, family-sustaining jobs.

There are four times as many licensed truck drivers in California than available trucking jobs. The disconnect from reality is that we have witnessed the impact that forty years of deregulation has had on the workforce and economy today. Yet, we still blame the very workers who are just trying to make a living during these challenging times. The bottom line is there are too many truck drivers whose employers illegally misclassify them as “independent contractors.”

While these companies make big profits, their misclassified drivers are not eligible for state minimum wage, health insurance, Social Security, workers’ compensation if they are injured on the job, or the ability to join a union.

Companies that operate outside the law by misclassifying their employees undercut law-abiding companies that pay taxes and follow labor laws. This degrades working conditions and creates unfair competition.

A 2019 Bureau of Labor Statistics report examining the industry’s claim of a driver shortage found an over 94 percent turnover rate in large truckload carriers and nearly 80 percent in smaller truckload carriers. An employee-based model would ensure better working conditions and less turnover.

Today, we see employers increasing wages and benefits to entice workers to leave their current employer. In the Allentown area, we see employers offering signing bonuses of $15,000 to attract workers. While workers finally seeing bumps in their base pay is a step in the right direction, it has taken years of stagnant wages and a global pandemic to make employers start to value their workers.

But more work needs to be done as workers realize their worth. At a recent hearing held by the House Transportation and Infrastructure Committee, lobbyists for the major trucking firms in the United States encouraged the passage of laws that would allow teenagers to drive tractor-trailers on our nation's highways. Imagine, instead of seeing the real problems caused by deregulation and misclassification of workers for the past four decades, these corporations seek to add more problems by allowing 18 year-olds to drive 80,000-pound trucks on our roads. At a time when corporate profits are at all-time highs, we must seek to compensate these essential workers and treat them with dignity and respect on the job.

The nation and the Commonwealth of Pennsylvania are now paying attention to the supply chain issues and the importance of workers in the supply chain. The demand for jobs with low pay and poor working conditions is ending. The shortage of good trucking jobs does not need to continue. If we want essential workers, and they are clearly essential, to move essential goods throughout our country and our Commonwealth, we need to compensate workers fairly.

The supply chain will be stressed even further during “peak”, the period between Thanksgiving and the end of the year. This is a time when injuries are up at large nonunion employers like Amazon. Just like our problems in trucking jobs, warehousing has the same issues with worker retention. During a pandemic, there are workers who want these jobs, just not workers willing to work under exploitative conditions for low wages and expensive or nonexistent health care.

This shortage is largely to workers who have been deemed “essential” during the pandemic but were not treated by their employers as essential – this includes grocery store workers, nurses and other health care workers, sanitation workers, and more. These workers are fed up with mistreatment and poor working conditions.

In workplaces without proper COVID-19 protocols, it's no surprise that outbreaks occurred. When workers don't have paid leave and are pressured to come to work, illnesses can spread. It's time we start rewarding these workers with real wages, better benefits, and better working conditions. Warehouse workers need better safety protections on the job and paid time off so they can enjoy the fruits of their labor.

Today, workers are advocating for themselves. We are seeing significant strikes across the country, with October being referred to as "Striketober." We are seeing workers strike at Nabisco, Mercy Hospital, Kellogg's, John Deere, McDonald's, and higher education. On Black Friday, Amazon workers walked off the job in 20 countries worldwide in protest over low pay and poor working conditions. These workplace actions will continue until corporations start to value workers and the communities in which they operate.

Our members have been loyal to their employers by showing up and doing their jobs as essential workers from the start of this pandemic. Our members at UPS and DHL will work 12 to 14 hour days from the middle of November through the middle of January. All they are asking is to be treated with dignity and respect on the job.

Workers today demand a living wage, paid time off to care for themselves and their families, affordable healthcare, and secure retirements. This global pandemic and the supply chain crisis have put a spotlight on these workers' issues.

PhilaPort

THE PORT OF PHILADELPHIA

Prepared for:

Pennsylvania House of Representatives Democratic Policy Committee

Presented November 29, 2021

2020 · Fastest Growing Container Port in U.S.

Cargo Statistics | PhilaPort

Containers

7% TEUs

2019	2020
598,278	**640,799**

January - December 2020 U.S. Container Growth (YTD)

US Trade	-1%	↓
US East Coast	-2%	↓
Baltimore	-2%	↓
Boston	-11%	↓
Charleston	-4%	↓
Jacksonville	1%	↑
Norfolk	-4%	↓
NY/NJ	2%	↑
Philadelphia	**7%**	↑
Savannah	2%	↑

PhilaPort's Marine Cargo
Economic Impact Summary

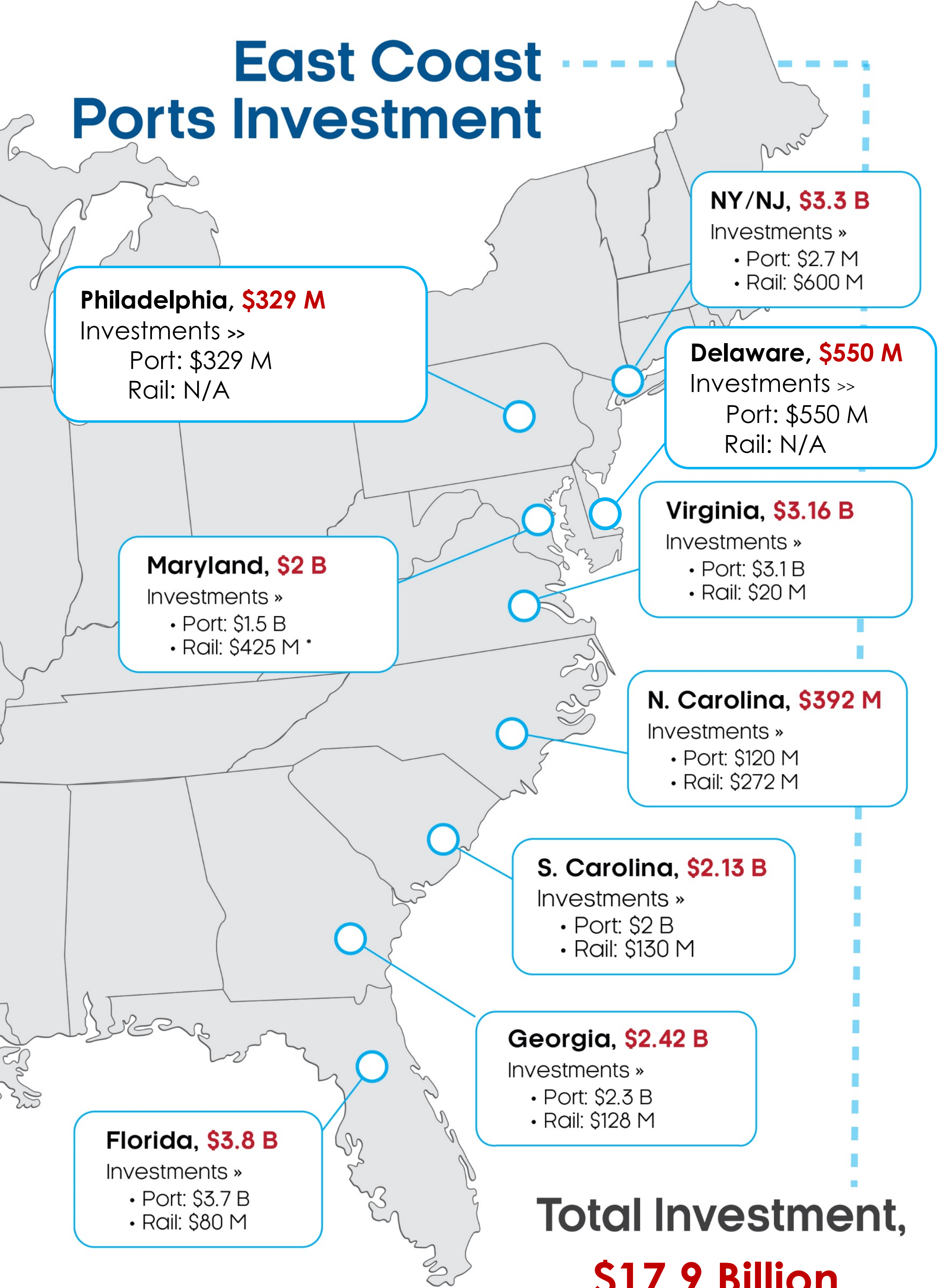
- ✓ **$15 billion** - Total impact of marine cargo activity that the port has generated for Pennsylvania in YR19
- ✓ More than **6.4 million** in cargo tonnage per year
- ✓ **$864.9 million** - Total wages, salaries and local consumption expenditures are created in the local and regional economy by port activity
- ✓ **10,341 jobs** generated by marine cargo activity
- ✓ Local business received **$456.8 million** of revenue
- ✓ State & local receive **$93.5 million/year** in PhilaPort generated taxes

Did you know?

#14
Top U.S. Import Port in the Country

#1
Fastest Growing Port in the U.S.

#1
In Refrigerated Cargo in the Country



Total Investment,
$17.9 Billion

Competitive Need | Investment

- East Coast ports are investing billions of dollars in new marine terminal and rail facilities-Philadelphia is not keeping pace
- No Norfolk Southern (NS) intermodal service and limited CSX service
- $550 M in private investment planned for Port of Wilmington, DE-Market threat to container cargos, especially perishables
- Additional near dock support warehousing needed to counter reefer market competition from Southeast Ports
- Leverage existing investment in Channel Deepening and Port Development Program
- Projected growth will exacerbate traffic congestion and affect major competitive advantage of velocity

**Source: Primary Research of other Port's Capital Plans; General Timeframe of 2016-2026*

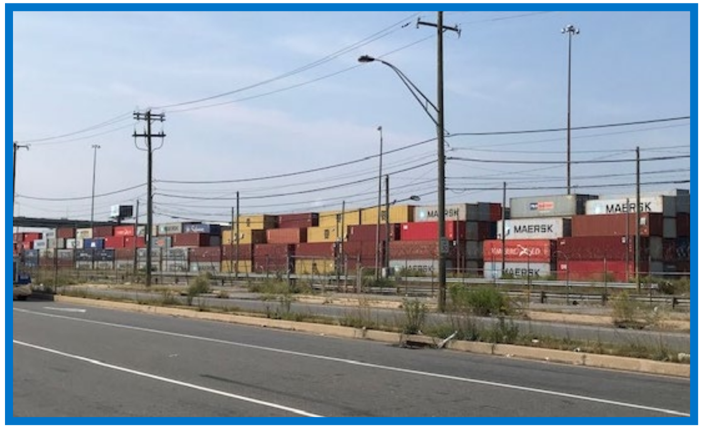
PhilaPort's Response to Global Supply Chain Crisis

Packer Avenue Marine Terminal – Operator, Greenwich Terminals LLC (Holt)

- Terminal operations new extended gate hours
  - Monday through Friday, 7:30AM-11:30PM & Saturday 7:00AM-4:00PM
- Create (2) satellite container yards at
  - 98 Annex: 20 acres – *PhilaPort initiated sub-lease for use*
  - Pier 82: 13 acres
- CSX Intermodal Initiative
  - Holt provided (2) top picks
  - Additionally, Holt provided labor
- Purchase additional chassis
- Paused all vessel operation for three days; Sept. 8th-10th
  - Delayed (4) vessel arrivals

Current Status of PAMT

- Truck que times much improved as outcome of reset
- CSX Enhanced operations to commence by end of October



Thank You!

PhilaPort
THE PORT OF PHILADELPHIA

✔ Velocity ✔ Proximity ✔ Flexibility

www.philaport.com

Remarks Submitted by PhilaPort

for the

Pennsylvania House of Representatives Democratic Policy Committee

A Public Hearing to Discuss

Supply Chain Disruption

Documents Submitted November 29, 2021

Dear Chairperson Bizzarro and Vice Chairperson Isaacson,

Thank you for this opportunity to submit The Port of Philadelphia's views regarding supply chain issues facing Pennsylvania and the United States more broadly.

You and the members of the Democratic Policy Committee have read about the supply chain disasters affecting us; many of you have suffered from these problems in one way or another. From our perspective, here are a few of the major causes:

- Lack of labor
- Warehouses are full
- Lack of rail capacity
- Equipment shortages brought about by COVID and disruptions overseas
- "Bunching" of container ships brought about by problems at other ports or the problems outlined above.

More importantly in the long term, Philadelphia is one of the only major ports that is not dual rail served for containers. Norfolk Southern has chosen not to open-up their intermodal yard in South Philadelphia, and CSX has reduced services to Philadelphia – this despite the fact that we were the fastest growing port in the USA last year.* There are great opportunities for the railroads to cooperate with us to grow Pennsylvania's transportation resources and our economy. We will discuss below how we have helped rail operations during this crisis; they, in turn, will need to provide more services to The Port of Philadelphia. The railroads can significantly help the immediate supply chain crisis and be a partner for the Port's long-term growth.

Additionally, the streets in South Philadelphia near the Port are not good; they are too narrow and are not laid out properly based on our current volumes, much less compared to our growth rates. We will, at a minimum, need faster connections from our marine terminals to I-95 and I-76 to better serve Pennsylvania businesses.

The list of difficulties is long, but let’s be thankful for a few things:

In 2016, the Commonwealth invested $300 million in our Port. Since then, PhilaPort has grown our container volumes by 60%. This year, we are on track to hit another record volume of 740,000 containers, which will be a 15% increase over 2020.

Imagine if we did not have our improved infrastructure in place! It would have been a disaster. The new infrastructure included five “Super post-Panamax” container cranes; knocking down old on-dock warehouses; construction of new warehouses and a vehicle processing center; and fixing our pilings and bulkheads to handle heavier loads and bigger ships. All of this has allowed us to serve the Commonwealth and the nation during these difficult times by handling record cargo volumes, including large quantities of medicines, medical devices, fresh fruit and vegetables, and forest products used for personal hygiene products.

We should also be thankful for our port labor and terminal operating companies. According to a recent study by The World Bank Group and IHS Markit, PhilaPort has the best productivity of any port in the USA. Unlike many larger ports, we don’t have ships waiting outside our harbor.

Finally, we should be thankful for the cooperation among the Philadelphia regional logistics community. To a greater extent than exists in other ports, our logistics service providers, labor, and transportation associations know each other and trust each other. Their effective communication and working relationships, built up over generations in some cases, allowed us to handle supply chain congestion and disruptions more effectively than was the case in other ports.

PhilaPort supports over 10,000 direct and indirect jobs, and we are growing that number to 17,000. The Delaware River port complex as a whole supports over 30,000 jobs. The majority of these jobs are good paying jobs with benefits. PhilaPort terminals support everything from tugboat crews to chandlering staff; from ship agents to warehouse workers; from cargo inspectors to boilermakers.

Although we have invested wisely, our competitors have spent more. As mentioned, the Commonwealth has invested $300 *million* in our Port since 2016.

However, since 2016:

- the Port of New York and New Jersey has spent $3.3 **billion** on infrastructure.
- Maryland has spent $2 **billion** on their port.
- Virginia’s port spending comes to $3.16 **billion**.
- In total, US East Coast ports have invested $17.9 **billion**.

Ours is a capital-intensive industry; if we are to compete, we will need to spend more. A lot more. If ports don't grow and improve, they die.

That's why we were so appreciative of the Commonwealth's previous investments in PhilaPort – those resources gave us the facilities and equipment we needed to come through the current global supply chain crisis and to create great jobs for Pennsylvanians. But we will need additional state – and Federal – capital dollars to build the infrastructure of tomorrow.

Supply chain professionals have readjusted, reengineered and, although they are facing great difficulties, they are getting the job done. We at PhilaPort have learned and reacted as well.

The Packer Avenue Marine Terminal is our largest and busiest facility. Holt, the private operator of this terminal, has taken the following action to address congestion and supply chain delays:

- Extended their truck gate schedule, adding evening and weekend hours.
- Leased two satellite container yards, totaling over 33 acres.
- Partnered with CSX Intermodal to improve operations at the CSX Greenwich Intermodal Yard: Holt provided two large pieces of container moving equipment and the labor to operate them.
- Purchased additional chassis (the wheeled beds, or trucks, used to move containers).
- Finally, they paused all vessel operation for three days, from Sept. 8th-10th This delayed the arrival of four vessels. Holt did this in order to, "clear the deck," that is, work on terminal back-ups with all their labor and focus. The ocean carriers were not happy about this, but Holt felt it was necessary to deal with the flood of cargo and the lack of equipment.

Port congestion is the most prominent, visible end of the supply chain disruptions you see on the news. The truth is, every node in these complex systems has struggled: lack of workers at factories in China, closing of ports in China due to COVID, the Suez Canal blockage by the M/S Ever Given, lack of truckers and other logistics workers here in the US, and retirement of key personnel are just some of the problems.

For example, one PA-based warehouse that handles household electronics had over 100 loaded containers sitting on chasses that they couldn't unload because they didn't have the labor. Because we couldn't get those containers and those chasses back to the Port, they couldn't meet the ships, and so equipment flows – and thus supply chains – were adversely affected.

During COVID, ports and supply chains, along with everyone else, have struggled. News organizations have significantly increased their coverage of the logistics industry, and hopefully this will continue beyond the current crisis. Regular attention is long overdue given the importance of supply chains to the economy.

The whole world has learned from the COVID pandemic and related consumer spending and e-retailing that traditional international supply chains were fatally flawed. They lacked robust back-up features. They relied too extensively on one or two ports, or a small number of trucking companies or warehouse providers. Shippers need to utilize secondary suppliers on a regular basis to keep those networks active and effective.

Megaports have not been able to handle the flood of cargo. Why should one or two municipalities bear the brunt of all the containers with the attendant congestion? Here on the East Coast, there is a container port roughly every 150 miles, and shippers are beginning to realize they will need to utilize more alternatives going forward. Warehouse operations – proprietary and third party – need to extend their hours. Truckers will need greater flexibility in their operations. Class 1 rail carriers need to provide more frequent service to additional nodes in their networks. Other US ports have also instituted extra gate hours, established satellite container yards, purchased additional equipment, and cooperated more closely with stakeholders. But alternatives are the key.

Every complex system needs redundancy. “Just in Time” is dead; “Just in Case” is alive and well and doing over-time on our laptops and mobile devices. Don’t put all your eggs in one basket. This is an obvious lesson, but COVID really drove it home. Other factors contributed to the crisis, but lack of alternatives has been a major part of our current difficulties. PhilaPort wants to be the primary choice of shippers – or, if necessary, the secondary choice to the megaports.

We should emphasize the benefits that PhilaPort provides to the *entire* Commonwealth. The Port of Philadelphia is a major state asset that is currently under-utilized by our in-state manufactures. We can be a bigger advantage to the *whole* Commonwealth in both the current economic recovery and the future as Pennsylvania competes in global markets.

In the past, our marine terminals have handled exports of rail locomotives from Erie, zinc bars from Pittsburgh, styrene reactors from York, gas processing equipment from Allentown, and other products from across the Commonwealth. We are an excellent gateway for PA farm exports and for our manufacturers to receive the parts and raw materials they need from around the world.

Let’s end on a positive note: thanks to the Commonwealth and the US Army Corps of Engineers, the ½ billion-dollar Delaware River Main Channel Deepening Project is nearly complete. We can now handle the same sized vessel that the ports of New York / New Jersey and Baltimore receive.

If the Commonwealth continues to entrust us with capital dollars to grow and improve our Port, we will do more than our share to both solve supply chain issues and grow more jobs and economic opportunities for Pennsylvanians.

Chairperson Bizzarro and Vice Chairperson Isaacson, thank you for letting us participate in this hearing. We look forward to working with you and the Democratic Policy Committee to improve Pennsylvania’s transportation system. We would welcome the opportunity to host the Committee sometime soon to see the Port and learn first-hand the realities at one of Pennsylvania’s most important transportation centers.

Sincerely,

Jeff Theobald
Executive Director and CEO

---

* source: American Association of Port Authorities