



Statement of

**Derek Leathers
President & Chief Executive Officer
Werner Enterprises, Inc.**

Before the

**Committee on Finance
United States Senate**

Hearing on

The United States-Mexico-Canada Agreement

July 30, 2019

INTRODUCTION:

Chairman Grassley, Ranking Member Wyden, and members of the distinguished Committee, thank you for the opportunity to testify today on behalf of the American Trucking Associations (ATA),¹ and discuss the importance of the United States-Mexico-Canada Agreement (USMCA). My name is Derek Leathers, and I am the President and Chief Executive Officer of Werner Enterprises, a premier transportation and logistics company headquartered in Omaha, Nebraska.²

Werner is an active member of ATA, which is an 86-year-old federation and the largest national trade organization representing the trucking industry, with affiliates in all 50 states. ATA's membership encompasses over 34,000 motor carriers and suppliers both directly and through affiliated organizations. ATA represents every sector of the industry, from truckload to less-than-truckload, agriculture and livestock to auto haulers, and from the large motor carriers to the owner-operator and mom-and-pop one truck operations. Our federation has members in every Congressional district.

Throughout my tenure at Werner, I have served in many different capacities, including the direct creation of Werner's Mexico cross-border operations and the launch of Werner Global Logistics. Today, Werner Global specializes in transportation management and freight movement within intermodal, ocean, air, and brokerage. Prior to joining Werner in 1999, I spent over five years in Mexico as the top executive of a U.S.-owned Mexican trucking company. I also served as one of the first foreign members of Mexico's trucking association, CANACAR. All told, I personally have more than 25 years of international transportation experience. During my time living and working in Mexico City, I saw first-hand how the North American Free Trade Agreement (NAFTA) directly benefited the trucking industry and the economies of all three countries. NAFTA resulted in the development of highly integrated and valuable supply chains spanning the United States, Canada, and Mexico. These integrated supply chains are what drive Werner's cross-border operations.

Werner has grown from a one-truck operation to a global logistics company employing approximately 13,000 combined associates and professional drivers worldwide. In the United States, Werner operates in all 48 contiguous states with 8,000 trucks on the road driving approximately 3.3 million miles each business day. Year after year, Werner continues to grow our business at home and internationally. As one of the top five U.S.-based motor carriers for shipments to and from Canada, Werner Canada had 8,600 cross-border movements in 2018 while providing transportation solutions throughout the 10 Canadian provinces with an office in Milton, Canada. On average about 325 to 350 of our U.S.-owned tractors go into Canada each month delivering and/or picking up cross-border loads.

¹ ATA is a united federation of motor carriers, state trucking associations, and national trucking conferences created to promote and protect the interests of the trucking industry. ATA, and its affiliated organizations, encompass over 34,000 motor carriers and suppliers of every type and class of operation.

² Werner Enterprises, Inc. was founded in 1956 and is among the five largest truckload carriers in the United States, with coverage throughout North America, Asia, Europe, South America, Africa, and Australia. Werner maintains its global headquarters in Omaha, Nebraska and offices in the United States, Canada, Mexico, and China.

This year, Werner is celebrating the 20-year anniversary of its Mexico-based operations. Throughout the last 20 years, Werner Mexico has continually expanded its dry van, temperature-controlled, intermodal, brokerage, and international transportation services and is the only U.S. carrier with a refrigerated cross-dock facility in Laredo, Texas. Several of our customers use our services to haul protein such as beef, pork, and poultry from several points in Iowa to Mexico on our temperature-controlled, or reefer, trailers. Werner Mexico encompasses four offices in Mexico City, Querétaro, Monterrey, and Guadalajara; multiple border terminals and logistics centers; and a combined network of over 6,000 trucks operating in Mexico with approximately 70 partner carriers. Today, Werner is the largest U.S. truckload carrier providing ground transportation services to and from Mexico, with over 154,000 cross-border movements in 2018.

Werner's operations in Mexico, Canada, and other foreign countries are subject to the risks of doing business internationally, including fluctuations in foreign currencies; difficulties in enforcing contractual obligations and intellectual property rights; burdens of complying with a wide variety of international export and import laws; and social, political, and economic instability. Additional risks associated with foreign operations, including restrictive trade policies and the imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA for operations in Mexico and Canada.

NAFTA AND THE TRUCKING INDUSTRY:

NAFTA has been a tremendous benefit to the trucking industry. When NAFTA was drafted over twenty-five years ago, the goal was to expand trade between the United States, Canada, and Mexico. NAFTA effectively removed trade barriers, increased business investment in the region, and helped North America become more competitive in the global marketplace.

The U.S. trucking industry has been, and will continue to be, the backbone of the North American trade economy. Trucking is the largest mode of NAFTA surface trade; nearly 76% of all cross-border freight tonnage is transported by truck, and even when trucks are not the primary mode of transportation, other modes often depend on trucks on the front end for pickup or on the backend for final delivery.³ Every single day, there are 33,000 total truck entries along our northern and southern borders hauling more than \$2 billion of goods.⁴ To put this in perspective, 12.2 million truck crossings moved approximately \$772 billion of goods across our Canadian and Mexican borders in 2018.⁵ Nearly everything we buy—from food to clothing to commodities, as well as domestically produced goods and imports—has been hauled by truck at least once before ultimately landing in the hands of the consumer. Ultimately, when the trucking industry is efficiently and effectively moving cross-border freight, our nation's suppliers, shippers, retailers, and consumers reap the benefits, and the wheels of a robust economy keep moving.

³ *Trade Moves North America Forward (2019)*; American Trucking Associations.

https://www.trucking.org/ATA%20Docs/News%20and%20Information/Reports%20Trends%20and%20Statistics/ATA_NorthAmericanTrade2018.pdf

⁴ Ibid.

⁵ Ibid.

USMCA IS A TIMELY AND NECESSARY UPDATE:

NAFTA has been enormously beneficial to the trucking industry as truck entries from Canada and Mexico have increased 40% since 1996, leading to millions of additional loads for U.S.-based carriers.⁶ The USMCA is a timely and necessary update to the incumbent agreement. When NAFTA took effect on January 1, 1994, its terms were sufficient to govern a twentieth-century trade environment. However, NAFTA was not drafted with the foresight to anticipate the monumental impact of technology on the modern trade environment. In 1994, the Internet was in its infancy and trade primarily occurred through the exchange of tangible goods and services or through direct investment. Similarly, twenty-five years ago, trade did not accommodate same-day shipping or two-day delivery that is often expected today. Traffic volumes at ports of entry have changed dramatically since NAFTA took effect, as cross-border trade via truck has increased by 191% since 1995.⁷ It would defy logic to continue operating under the status quo. As technology becomes even more integrated into the supply chain, it is imperative that our North American trade framework follows suit. Simply put, a twenty-first century trade environment necessitates a twenty-first century trade agreement, and the USMCA is the best vehicle to modernize North American trade.

The USMCA is a comprehensive, state-of-the-art trade agreement that preserves and builds upon the current trilateral framework. The USMCA modernizes the rules for trade in North America with cutting-edge provisions on digital trade, agriculture, state-owned enterprises, labor, and the environment, among many others. Moreover, the intellectual property provisions in the USMCA are the most comprehensive of any multilateral United States trade agreement, and are vastly superior to those included in NAFTA. The merits of the USMCA are self-evident—it makes targeted improvements to NAFTA and is, undeniably, an improvement over the incumbent agreement. The U.S. International Trade Commission (USITC) concluded as much in its Congressionally mandated report, “United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and Specific Industry Sectors.”⁸ As required by the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, the USITC assessed the likely impact of the agreement on the U.S. economy as a whole, on specific industry sectors, and on the interests of U.S. consumers. The report concluded that, if fully implemented and enforced, the USMCA would have a positive impact on all broad industry sectors within the U.S. economy, raise U.S. real gross domestic product by \$68.2 billion, and increase U.S. employment by 176,000 jobs.⁹ When compared to NAFTA, it is clear that the USMCA is a significant and definitive step forward.

Trade with our northern and southern neighbors has created tens-of-thousands of jobs in the United States with motor carriers, and supports many thousands more with our suppliers and shippers, underscoring the benefits of free trade. The USMCA is not only a trade agreement—it is the foundation of our economic and broader relationship with our strongest allies that supports the livelihoods of the 90,000 people employed in the U.S. trucking industry, including nearly 60,000

⁶ Bureau of Transportation Statistics. U.S. Department of Transportation. <https://www.bts.gov/content/border-crossingentry-data>

⁷ Ibid.

⁸ *U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors (2019)*; United States International Trade Commission. <https://www.usitc.gov/publications/332/pub4889.pdf>

⁹ Ibid.

U.S. truck drivers (full-time equivalent), from truck transported trade.¹⁰ To move freight to and from our northern and southern borders, U.S. trucking companies paid U.S.-based drivers more than \$3.25 billion in wages alone, not including benefits last year.¹¹ The average truck driver hauling freight makes \$55,000 per year, plus benefits like health insurance, a retirement plan (e.g., 401(k)), and paid time off.¹² A North America without a better trade agreement could have an adverse effect on the trucking industry, as trucks haul 84% of all surface trade with Mexico and 67% of all surface trade with Canada.¹³ Simply put—trade is crucial for the tens-of-thousands of blue-collar workers in the trucking industry, and ratification of the USMCA will provide occupational certainty to the dedicated men and women who drive the economy forward.

The United States, Mexico, and Canada have been transformed by tariff-free trade, generating highly integrated and valuable supply chains that support shared competitiveness in a global marketplace. Such integration has elevated the prominence of trucking, as the vitality of the U.S. economy depends on a dynamic trucking industry to deliver goods throughout the continental supply chain. Interconnected supply chains spanning all three countries means that goods are hauled across our borders multiple times during the manufacturing process, amplifying the importance of tariff-free trade with our closest neighbors and top two export partners. In 2017, Bloomberg traced the path of a single capacitor, a small component that stores electrical energy, to illustrate how “U.S. manufacturers rely on numerous border crossings and thousands of miles of travel to produce goods at the low cost and high quality that customers demand.”¹⁴

First, a supplier in Colorado imports the capacitor components from multiple producers in Asia. Then, the Colorado supplier ships the capacitor to a company in Michigan. From there, the product is transported to Ciudad Juárez, Mexico, where it is inserted into a circuit board. After, the circuit board is shipped back to the United States to a warehouse in El Paso, Texas. The product is hauled across the border again to a factory in Matamoros, Mexico, where it is assembled into a seat actuator, a mechanical device that folds seats. Next, the seat actuator is shipped to, among other destinations, a seat-manufacturing plant in Arlington, Texas and a plant in Mississauga, Ontario. Finally, the capacitor, which is embedded in the seat actuator, is transported to an auto assembly plant where it ultimately becomes a part of a motor vehicle.¹⁵ From the beginning to the end of the supply chain, the capacitor crossed the U.S. border five times before it became a finalized product.

Trade involves a complex web of border crossings that are often invisible to consumers and benefit the U.S. motor carriers and their drivers. It is important to emphasize the critical role of the U.S. trucking industry, which operates diligently and proudly behind the scenes to transport goods throughout the supply chain and ultimately into the hands of the consumer. Again, the U.S.

¹⁰ *Trade Moves North America Forward* (2019); American Trucking Associations.

¹¹ *Ibid.*

¹² *ATA Driver Compensation Study* (2017); American Trucking Associations.

<https://www.atabusinesssolutions.com/ATA-Store/ProductDetails/productid/3852684>

¹³ *Ibid.*

¹⁴ *One Tiny Widget's Dizzying Journey Through the U.S., Mexico and Canada* (2017); Bloomberg.

<https://www.bloomberg.com/graphics/2017-trump-protectionism-alters-supply-chain/>

¹⁵ *Ibid.*

trucking industry has been, and will continue to be, the backbone of the North American trade economy—benefiting the tens-of-thousands of blue-collar workers in the industry.

If the United States neglects to modernize the current NAFTA framework, it could lead to more production overseas and irreparably decrease freight movement across North America. The USMCA’s improved framework ensures that North America will remain the most competitive trading bloc in the world, and the region where companies from across the globe choose to invest and grow their businesses.

CUSTOMS ADMINISTRATION AND TRADE FACILITATION:

Beyond the underlying economics, Chapter 7 of the USMCA greatly benefits the trucking industry. Chapter 7, titled “Customs Administration and Trade Facilitation,” parallels the “Customs Procedures” chapter of NAFTA with several new provisions and modifications. The proliferation of technology in the trade environment has introduced numerous opportunities for businesses to increase competitiveness and streamline efficiencies, and Chapter 7 addresses how these advances can also apply to customs administration and trade facilitation.

Trucks engaged in cross-border freight transport regularly interface with three customs authorities: U.S. Customs and Border Protection, the Canada Border Services Agency, and the Aduana de Mexico. Chapter 7 provides a framework for all three agencies to modernize customs procedures to facilitate better coordination. Particularly important to the trucking industry is the provision mandating the establishment of a single window system that enables electronic submissions of documentation required for importation. Chapter 7 also improves customs procedures related to advanced rulings, simplified entry, risk management, e-signatures, and self-certification of origin. Furthermore, the USMCA requires customs authorities to make available by electronic means all forms and documents required for importation and exportation; permit the electronic submission of customs declarations; allow the electronic payment of duties, taxes, and fees; and promote the use of electronic systems to facilitate communication with the trade community. The integration of technology across all trade processes will help to minimize costs, foster greater efficiency, and expedite border crossings upon arrival. This is critical for the trucking industry because delays at ports of entry can jeopardize the timely delivery of goods, which can have significant downstream effects on the rest of the supply chain.

Moreover, the efficiencies and cost-savings generated by the integration of technology into customs administration is great for small businesses. Larger companies like Werner certainly appreciate the benefits of modernized customs processes, and smaller trucking companies are also acutely aware of how trade inefficiencies can cost both time and resources. Twentieth-century trade processes are, effectively, barriers to entry for smaller companies whose leaner profit margins cannot accommodate the extra costs. The terms of the USMCA will help to break down those trade barriers and pave the way for more small business involvement in North American trade.

CONCLUSION:

When NAFTA took effect on January 1, 1994, it was an unprecedented and historic moment for the United States, Canada, and Mexico. NAFTA fundamentally reshaped North American

economic relations, driving integration between all three countries' economies and promoting the development of continental supply chains. Over two decades later, NAFTA is a relic of the past. Technological advances have redefined the trade environment to such a degree that NAFTA is no longer sufficient to govern modern trade practices. At this juncture, Congress has a unique opportunity to elevate our North American trade policies into the present and usher in a new era characterized by increased innovation, more jobs in U.S. communities, and overall prosperity.

Thank you for the opportunity to testify today. The American Trucking Associations, Werner, and the broader trucking industry strongly urge your support for swift ratification of the USMCA and stand ready to assist the Committee to make this goal a reality.



Chris Spear
President & Chief Executive Officer

July 17, 2019

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

Dear Speaker Pelosi, Majority Leader McConnell, and Minority Leaders McCarthy and Schumer:

The American Trucking Associations (ATA), the largest national trade association representing the interests of the trucking industry,¹ urges your support for the swift ratification of the U.S.-Mexico-Canada Agreement (USMCA). Nearly 25 years after the implementation of the North American Free Trade Agreement (NAFTA), it is time to modernize and update our trade policies with two of our most important allies and trading partners: Canada and Mexico. The USMCA is a comprehensive, twenty-first century trade agreement that preserves and builds upon the current trilateral framework to solidify North America's role as the most competitive and successful trading bloc in the world. Ratification of the USMCA will provide occupational certainty to the nearly 90,000 Americans, including approximately 60,000 truck drivers, whose livelihoods depend on continuous cross-border freight movements between the U.S., Canada, and Mexico.

U.S. trade with Canada and Mexico has surged since the enactment of NAFTA.² Every day, there are 33,000 truck entries along our northern and southern borders hauling more than \$2 billion of goods. To put this in perspective, in 2018, 12.2 million truck crossings moved approximately \$772 billion of goods across our Canadian and Mexican borders.³ Given that Canada and Mexico are our number one and two export markets, respectively,⁴ the trucking industry supports ratification of the USMCA to both maintain

¹ ATA is a united federation of motor carriers, state trucking associations, and national trucking conferences created to promote and protect the interests of the trucking industry. ATA, and its affiliated organizations, encompass over 34,000 motor carriers and suppliers of every type and class of operation.

² *Freight Facts and Figures* (2018); Bureau of Transportation Statistics, U.S. Department of Transportation.

³ *Trade Moves North America Forward* (2019); American Trucking Associations.

https://www.trucking.org/ATA%20Docs/News%20and%20Information/Reports%20Trends%20and%20Statistics/ATA_NorthAmericanTrade2018.pdf

⁴ *Top Trading Partners – March 2019: Year-to-Date Exports* (2019); United States Census Bureau.

<https://www.census.gov/foreign-trade/statistics/highlights/toppartners.html#exports>

market access and ensure the continuity of cross-border trucking operations. Ultimately, when the trucking industry is efficiently and effectively moving cross-border freight, our nation's suppliers, shippers, retailers, and consumers reap the benefits, and the wheels of a robust economy keep moving.

The USMCA is also a timely, welcome, and necessary update to the incumbent agreement. NAFTA entered into force on January 1, 1994—long before the advent of e-commerce and digital trade. As technology inevitably becomes more integrated into the global supply chain, it is imperative that our North American trade framework follows suit. Simply, a twenty-first century trade environment necessitates a twenty-first century trade agreement, and the USMCA is the best vehicle to propel the U.S. trade economy into modernity.

Trade and trucking are interdependent, and the vitality of the U.S. economy depends on a dynamic trucking industry to deliver goods throughout the supply chain. If the United States neglects to modernize the current NAFTA framework, it could lead to more production overseas and irreparably reduce freight movement across the continent. Ratifying the USMCA will ensure that the U.S., Canada, and Mexico continue to benefit from an alliance that has promoted economic growth and innovation, and we look forward to working with Congress to make this a reality.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Spear". The signature is fluid and cursive, with the first name "Chris" being more prominent than the last name "Spear".

Chris Spear
President & CEO
American Trucking Associations

cc: Members of the House Ways & Means
and Senate Finance Committees

The Trucking Industry Urges Congress to Ratify the USMCA

While the North American Free Trade Agreement (NAFTA) has been great for the U.S. trucking industry, the United States-Mexico-Canada Agreement (USMCA) is a timely and necessary update to the now-antiquated 1994 trade agreement.

Since 1995, the value of goods traveling via truck across both the northern and southern borders jumped 191% and totaled over \$772 billion in 2018. This increase in trade has created or supported tens of thousands of trucking jobs in the United States.

The USMCA will help the trucking industry maintain market access and continuity of cross-border operations. Not only is it good for the industry, it's good for the economy.

Reasons Why the Trucking Industry Supports the United States-Mexico-Canada Agreement:



1) The 21st century trade environment warrants a 21st century trade agreement

- **Modernizes** customs procedures with regard to advanced rulings, simplified entry, risk management, single window, e-signatures, and self-certification of origin.
- **Promotes** more North American trade, including more U.S. exports, which will benefit U.S. motor carriers.
- **Fosters** more cooperation with Canada and Mexico regarding transportation, customs, and cross-border operations.
- **Creates** a better, more competitive North American economy.



2) The continued success of the trucking industry depends on critical partnerships with our Mexican and Canadian neighbors

- The U.S. trucking industry generated **\$12.62 billion in revenue** from truck transported trade with Canada and Mexico in 2018.
- The new agreement will **expand trade and stimulate industry employment** to support that trade. In 2018, U.S. motor carriers employed nearly 90,000 full-time equivalent workers to haul goods across our borders, including 59,600 U.S. truck drivers.
- **Canada and Mexico purchase more U.S.-made goods than our next 10 trading partners combined.** We need open access to reach foreign customers in our two largest export markets — Canada and Mexico.



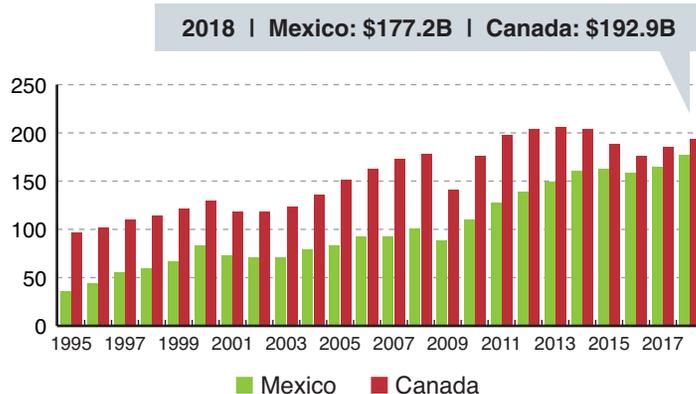
DATA SHOWS THE U.S. TRUCKING INDUSTRY IS A LARGE BENEFICIARY OF NORTH AMERICAN TRADE

U.S. trade with Canada and Mexico has surged since the enactment of the North American Free Trade Agreement, according to data from the Bureau of Transportation Statistics.

Since 1995, the value of goods traveling via truck across both the northern and southern borders jumped 191% and totaled over \$772 billion in 2018. This increase in trade has created or supported tens of thousands of jobs in the United States, with motor carriers, suppliers and shippers, underscoring the benefits of free trade.

Value of U.S. Exports Transported by Truck

Billions of U.S. Dollars



BY THE NUMBERS:

- Total trade via truck has increased by **191%** since 1995, while U.S. exports grew **178%**.
- Last year, truck exports to Canada, as measured by the value of the goods, accounted for **55%** of total truck transported trade with the country.
- Since 1995, U.S. exports to Mexico via truck have grown an impressive **393%**.
- Last year, truck exports to Mexico, as measured by the value of the goods, accounted for **42%** of total truck transported trade across the southern border.
- The two largest commodities were electrical machinery and computer-related machinery, which combined to make up **44.2%** of trade going into Mexico via trucks.

U.S. TRADE WITH MEXICO

84%

Percentage of goods moved by trucks across the border by surface trade

\$424.0 billion
Value of merchandise moved by trucks in 2018

▲ 437% increase over 1995

6.3 million
Number of truck entries across border to haul those goods in 2018

U.S. TRADE WITH CANADA

67%

Percentage of goods moved by trucks across the border by surface trade

\$348.3 billion
Value of merchandise moved by trucks in 2018

▲ 87% increase over 1995

5.8 million
Number of truck entries across border to haul those goods in 2018

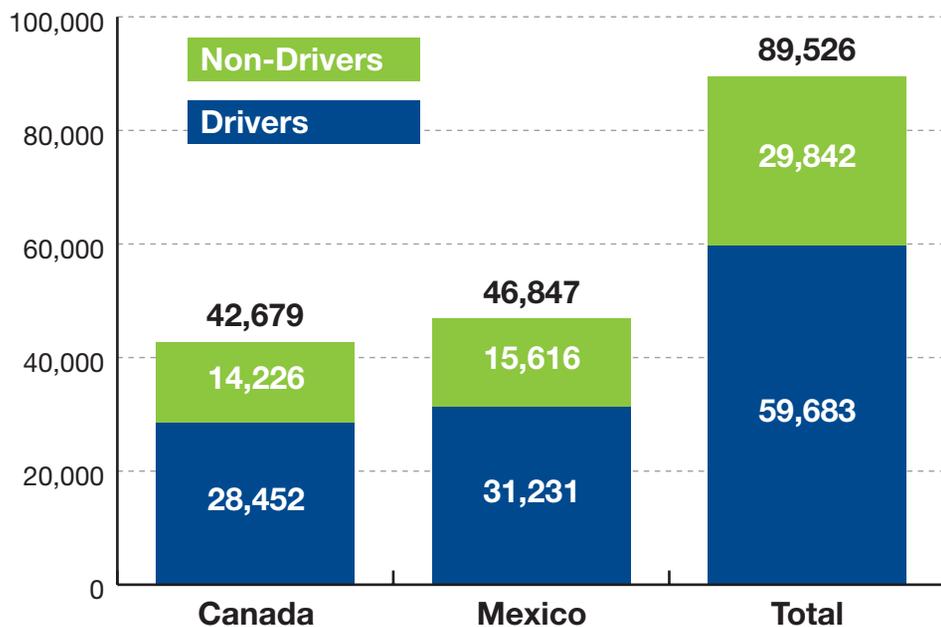
U.S. trade with Canada and Mexico is larger than the economy of Pennsylvania. To move all of that freight, in 2018 there were nearly 12.2 million truck entries combined on the Canadian and Mexican borders.



TRUCKING
Moves America Forward

TRADE Moves North America Forward

2018 U.S. TRUCKING EMPLOYMENT FROM TRUCK TRANSPORTED TRADE



- **89,526** employed in US Trucking industry from truck transported trade
- **46,847** of which from trade with Mexico
- **42,679** of which from trade with Canada
- U.S. trucking companies paid **\$3.28 billion** in wages, not including benefits, to U.S. drivers to haul freight to and from Canada and Mexico

2018 U.S. TRUCKING REVENUE FROM TRUCK TRANSPORTED TRADE (BILLIONS)



- **\$12.62 billion** in US Trucking revenue generated from truck transported trade with Canada and Mexico in 2018.
- **\$6.63 billion** in US Trucking revenue generated from trade with Mexico
- **\$5.99 billion** in US Trucking revenue generated from trade with Canada



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MEXICO U.S. Trade by Truck



393%

Growth in U.S. exports by truck to Mexico since 1995



Truck exports' share of total truck-transported trade with Mexico

\$424.0

(Billion) Value of goods transported in 2018

representing

437%

Growth in value of goods transported since 1995



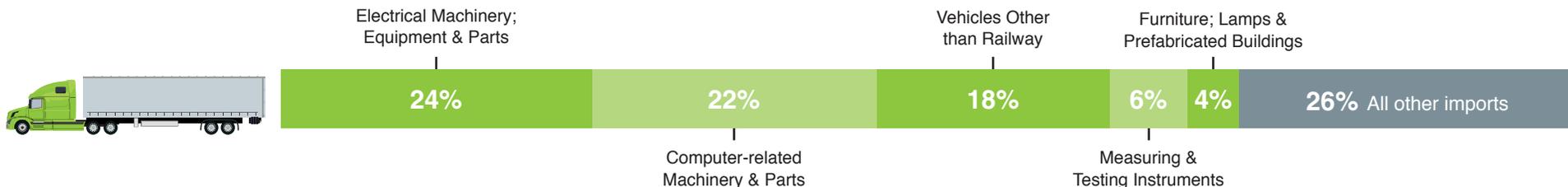
Percent of goods hauled by trucks across the Mexican border by surface trade

6.3 million

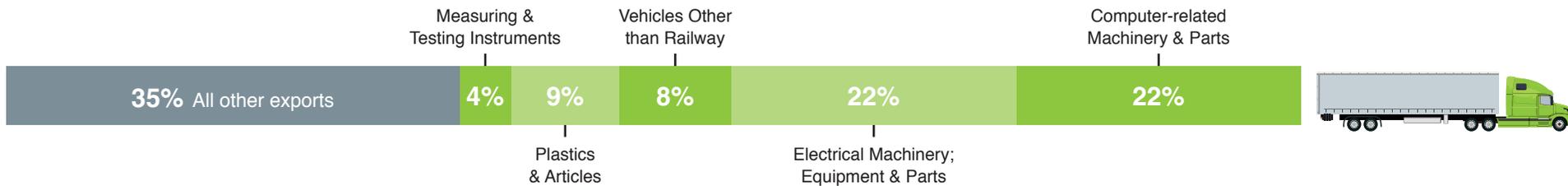
Truck entries across the U.S.–Mexican border



IMPORTS • Top 5 from Mexico



EXPORTS • Top 5 to Mexico





TRUCKING
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CANADA U.S. Trade by Truck



98%

Growth in U.S. exports by truck to Canada since 1995



Truck exports' share of total truck-transported trade with Canada

\$348.3

(Billion) Value of goods transported in 2018

— representing —

87%

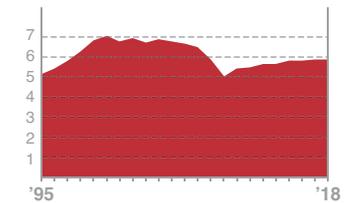
Growth in value of goods transported since 1995



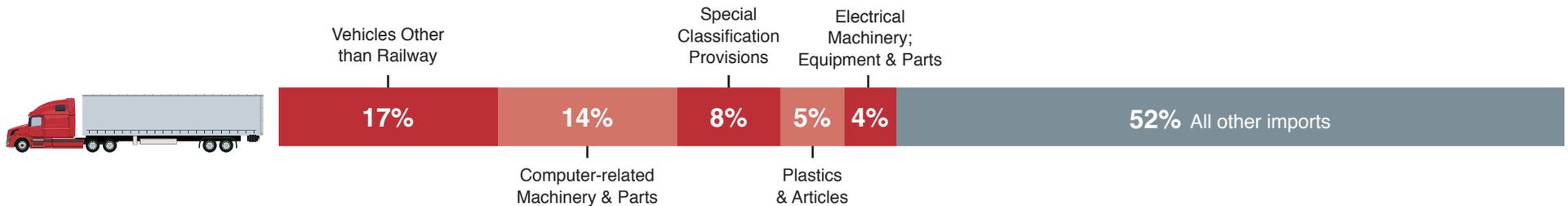
Percent of goods hauled by trucks across the Canadian border by surface trade

5.8 million

Truck entries across the U.S.–Canadian border



IMPORTS • Top 5 from Canada



EXPORTS • Top 5 to Canada

