

Before the

**Subcommittee on Surface Transportation and
Merchant marine Infrastructure, safety and Security**

**Committee on Commerce, Science, and
Transportation**

United States Senate

Prepared Statement of

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INTRODUCTION

Chairman Fischer, Ranking Member and members of the Subcommittee, thank you for inviting Cabela's to testify before you today. Thank you for giving us this opportunity to provide a retailer's perspective on improving the performance of our nation's transportation network. My name is Douglas Means, and I am responsible for overseeing Cabela's global supply chain. My testimony will specifically address some of the challenges Cabela's experiences in today's supply chain and our suggested solutions to ensure that our nation's transportation system remains reliable and efficient for the movement of our goods.

BACKGROUND

For background, Cabela's is a leading specialty retailer and the world's largest direct marketer of hunting, fishing, camping, and related outdoor merchandise. Since our founding in 1961, Cabela's® has grown to become one of the most well-known outdoor recreation brands in the world and has long been recognized as the World's Foremost Outfitter®. Through our established direct business and our growing number of destination retail stores, we offer a wide and distinctive selection of high-quality outdoor products at competitive prices, while providing superior customer service. We also issue the Cabela's CLUB Visa credit card, which serves as our primary customer loyalty reward program.

We are headquartered in Nebraska with 64 stores, 5 customer contact centers, 4 Distribution centers, and 1 Returns Center in 33 states and Canada. Our supply chain relies on a well-connected and fluid transportation network. As a retailer, we are a customer of the entire system with more than 6,500 vendors in the US. This is not limited to the US infrastructure. To support our private labels, we import goods directly from 20 countries to be distributed to either stores or direct to customers, supporting our E-Commerce and Catalog channels. We utilize U.S. ports, and the surface transportation corridors, both truck and rail. My supply chain team works hard deliver goods to our customers efficiently, so that we can guarantee the lowest possible cost while also ensuring the best service to meet our customer expectations. Congestion or lack of capacity at any point in the supply chain greatly increases the risk of disappointing our customers

by either not providing the merchandise our customers expect or not meeting our customer delivery expectations.

CURRENT ENVIRONMENT

Shippers are facing a unique set of challenges in today's climate. Managing inventory and operating a just in time network is essential to the health of any retailer and requires a predictable and efficient transportation network. When an efficient system fails to exist, then significant costs are added to the supply chain. For example, take into consideration the congestion and substantial slowdown issues that are currently taking place at the ports, driver shortages that are leading to trucking capacity issue, and the congestion complications at various intermodal yards; significant costs are being added to the supply chain. Besides the obvious higher transportation costs from these developing circumstances, delivery lead times are also being increased, adding to the costs of managing inventory. Actual results also impact the selection of gateways to the US and decisions on the locations of domestic distribution center locations. As we make significant long term investments in our own facilities, there must be an assumption that the transportation infrastructure will support those decisions far in to the future. Presently, Cabela's and many of our suppliers are experiencing a number of inefficiencies as a result of infrastructure not keeping pace with demand.

We are all aware that the current congestion at the West Coast Ports is causing significant negative impacts to our supply chain. Besides the increased costs being incurred, we have added anywhere from 5-15 days of lead time to the supply chain. An important factor to remember is that these additional days of lead time are unplanned time, which in today's just in time environment will likely result in lost sales, increased costs, and poor customer service.

Compounding the port issues are capacity issues for over the road drivers; capacity which is needed to make up time. Bottlenecks and delays at the intermodal rail yards also forces this volume onto trucks that should have moved on the intermodal rail network.

THE IMPORTANCE OF A NATIONAL FREIGHT POLICY

Retailers use all modes of transportation to deliver our products from factory to store including planes, trains, ships, and trucks. A cohesive national freight policy that concentrates on improving all services in a cooperative manner must be part of the next transportation authorization bill. Retailers have maximized the efficiency of moving goods through the supply chain in part by ensuring our transportation decisions reflect the multitude of services that exist. The efficiency of our supply chain is compromised if any of those services are interrupted or become unpredictable. A strong and integrated transportation system is vital to our industry. We support surface transportation reauthorization legislation that focuses on improving the fluidity and flexibility of our nation's transportation system.

For the future of our economy and to maintain our global competitiveness, it is critical that a national freight policy be developed. As freight volumes increase, so will the strain on the transportation network. Congestion leads to increased travel times, which increase costs and negates the efficiencies developed in retailer's supply chains, including sustainability initiatives.

Along with volume, customer expectations of shorter delivery times, improved visibility to product, and more reliable service requires the transportation infrastructure to support these needs. Without a high level of confidence in the reliability of the network, we lose our ability to satisfy our customers.

As a comprehensive transportation policy is developed, safety must be a primary consideration throughout the entire system. A national policy that enables the free flow of commerce is essential. Investments in vital infrastructure are necessary to remain competitive in a global economy.

KEY INITIATIVES

A NATIONAL INTERMODAL STRUCTURE

As the driver shortage issue continues to impact capacity, alternatives must continue to be assessed. First and foremost, a national intermodal structure is needed. While making decisions, the flow of freight across all modes needs to be taken into account. We must have a national system that places a priority on connectivity and accountability if we are to confront our transportation needs and wants, while keeping in mind that our choices affect our nation's economic growth.

SUPPORT FOR LAST MILE CONNECTORS

It is a vital necessity that Congress take into consideration the impact that last mile connectors have on the viability of the supply chain. It is critical to have a smooth transition between the highway system, freight facilities, and our distribution centers. Any weak link in the supply chain negatively impacts the entire supply chain, raising costs and lowering productivity.

REDUCE REGULATORY BURDENS ON TRANSPORTATION

Truck size and weight regulations should be reconsidered by Congress. Increasing these standards would enable fleets to be more efficient, moving more product with fewer trucks. This would also improve sustainability, using less fuel, thus reducing greenhouse gas emissions. Changes to current standards would allow us to deliver the same amount of goods by making fewer trips either between distribution centers or from distribution centers to the stores.

The impact of the Hours of Service rules that were suspended in September for one year should be reviewed with results from more detailed studies. It is critical to give carriers the ability to craft specific solutions to support the business needs in a more efficient manner. Any regulations should be developed with an eye towards practical solutions to specific problems.

INNOVATIVE BROAD BASED FUNDING

Cabela's is well aware that the improvement of our transportation system is costly and that integrating key policy decisions into the next surface transportation legislation requires additional revenue. Our transportation system is vital to our economy and must be protected by adequate federal funding.

Innovative funding methods must be considered where there are dedicated funding sources for transportation needs. Revenue sources should be fairly assessed against all users and should not single out a small portion of users of the system. We believe everyone benefits from an efficient transportation network.

CONCLUSION

A multimodal, efficient, predictable, and fluid transportation network is essential to the success of retailers. The long term health of the entire network is critical to protecting our investments and to being competitive. With this kind of network in place, we can utilize all of its assets to support the specific needs of our company and our customers.

Senators, thank you again for the opportunity to address the topic of a need for a comprehensive national transportation policy, and I would be pleased to respond to any additional questions you may have.