"Developing Next Generation Technology for Innovation"

Testimony of

Preston Feight
CEO, PACCAR Inc

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Chair Cantwell, Ranking Member Wicker, and other distinguished members of the Committee, thank you for inviting me to testify today.

PACCAR is the manufacturer of iconic Peterbilt, Kenworth and DAF trucks. Our truck brands represent nearly 30 percent of the Class 8 retail sales market in the U.S. and Canada and around 16 percent of the heavy-duty truck market in Europe. PACCAR was founded in 1905 and is an American-owned manufacturer of heavy-duty trucks.

We are headquartered in Washington State and our great people operate state of the art factories that build Kenworth trucks in Washington State and Ohio; Peterbilt trucks in Texas; and PACCAR engines in Mississippi.

PACCAR also has engineering and innovation centers in Washington State, Texas and California which help to develop our technology leading zero-emissions, autonomous and connected vehicles.

Thank you for your bipartisan work to address the semiconductor supply shortage.

The chip shortage has been limiting the production of commercial trucks for a year now. This has led to a shortage of trucks to move goods throughout the country, disrupted supply chains across numerous industries, raised prices for consumers, and delayed access to critical goods and services for businesses and communities.

Over 70 percent of all the freight tonnage that moves in America is transported on a truck. Over 80 percent of U.S. communities depend exclusively on trucks to deliver food and agricultural products, fuel, medicine, manufacturing inputs, business supplies, and consumer goods from groceries to automobiles.

We all experienced the importance of the trucking industry during the pandemic. And more trucks are needed now to build new housing, highways, bridges, clean energy infrastructure, and communications networks.

America's economy moves on trucks, and truck manufacturers and the suppliers need an adequate, predictable, and affordable supply of semiconductors to build and keep trucks on the road. Instead, we continue to face shortages.

Today, throughout the industry, thousands of unfinished trucks are parked across the country waiting for chip-enabled components, and additional trucks are out of service waiting for repair parts.

This is disturbing considering the entire U.S. Class 8 truck market required an estimated 13 million semiconductors last year, compared to total global semiconductor industry output of over 1 trillion chips. That equates to just 1 out of every 86,000 semiconductors needed to keep America and its supply chains moving.

A year ago, during the pandemic there were legitimate Force Majeure events such as COVID-related plant shutdowns, an ice storm in Texas, and a fire in Japan that led to chip delays.

To help mitigate the issue, truck OEMs have spent a tremendous amount of money on medium- and long-term engineering redesigns to help reduce the impact of chip constraints and have engaged with chip producers to align on best practices.

Still, shortages remain, and truck OEMs have paid premium prices to purchase chips on the broker market when it is not possible to purchase chips directly from industry suppliers and the chip manufacturers. These broker prices are often 20 to 30 times higher than contract costs.

Manufacturers continue to receive a lack of clarity on semiconductor delivery schedules and experience cancellations from our suppliers often with inadequate visibility being provided. These semi-conductors are critical to support the necessary production of trucks, and this creates turmoil for all manufacturers who must manage immediate production changes or plant shutdowns.

Simply put, the fabric of America is adversely impacted when truck factories are forced to shut down or curtail production due to these shortages.

To address the costly impacts on America's trucking industry and broader economy, we suggest that companies requesting CHIPS Act funding be required to meet the needs of American critical businesses, including truck manufacturers, before they are approved to receive U.S. taxpayer dollars.

This could be accomplished using the Essential Critical Infrastructure Workforce Guidance developed by the DHS Cybersecurity and Infrastructure Security Agency (CISA), which was used throughout the pandemic to ensure continued operations of critical national functions.

We are concerned that without up-front conditions on the use of CHIPS Act funding, the ongoing chip supply constraints and allocations could limit trucks from delivering essential goods and services to our communities.

To ensure the accountability of this public funding and provide near-term relief to America's trucking industry and supply chains, we recommend that applicants for CHIPS Act funding be required to submit a plan to the Commerce Department detailing how their existing semiconductor allocation strategy and investment decisions are currently, and will in the future, prioritize the production of semiconductors to support critical infrastructure industries and related jobs in the United States.

Thank you again for the opportunity to share our experience and perspective, and for your efforts to strengthen America's economic competitiveness. I look forward to your questions.

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