



Securing U.S. Supply Chains

Building Healthy Communities by Securing Supply Chains

In every city and town across our nation, American families face rising housing costs. The main driver of these increases is simple: each year, not enough housing is being constructed to meet demand. Since the Great Recession, we have built hundreds of thousands fewer homes than are needed annually. This has resulted in an estimated shortage of between 4-8 million single-family homes and apartments. The secondary effects of underbuilding are similarly dire, creating an estimated \$4.4 trillion in lost economic activity since 2001. This limits new household and family formation, particularly for millennials, and reduces the mobility of low- and middle-income workers to relocate to regions with higher economic opportunity.

The supply chain crisis has further exacerbated this housing shortage. According to a recent study, 90 percent of homebuilders said that they were experiencing supply chain disruptions, which impedes construction and increases costs for consumers. From 2020 to 2021, lumber prices increased by 275 percent.¹ Since the onset of the pandemic in March 2020, the price of lumber has jumped 95 percent while metal products increased 53 percent. Home builders report that there has been a 36 percent increase in overall material costs since the start of the pandemic.² These price spikes and construction delays have further inflated the average cost of a newly built home by 29 percent since the pandemic began.

To accelerate housing construction, Congress should pass legislation that creates resilient domestic supply chains and eliminates delays for raw materials. Republicans have put forward ideas like H.R. 7437, the *No Timber From Tyrants Act*, which would bring lumber production back to our shores, prohibiting lumber imports from Russia and Belarus, while boosting domestic timber harvests. This complements other forestry related legislation like H.R. 4614, the *Resilient Federal Forests Act*, and H.R. 2936, the *Trillion Trees Act*, which promotes healthy and resilient forests by encouraging proactive management to prevent wildfires, insects, and disease.

Republicans also support policies that remove artificial barriers to building. President Trump's White House Council on Eliminating Regulatory Barriers to Affordable Housing identified numerous policies and laid out a framework for breaking down the barriers at all levels of government that inhibit construction. Republican policies addressing both the hard and soft cost drivers that are increasingly making housing less affordable for American families will promote U.S. growth and economic security for decades to come.

Reining In Activist Regulators

The U.S. capital markets are the crown jewels of the global financial system because they are considered the most transparent, safe, and liquid in the world. The Securities and Exchange Commission (SEC) has an 80-year regulatory history of implementing a disclosure-based regime that facilitates – not participates or dictates outcomes – the investment decision-making process. Democrat regulators are now threatening to upend that balance. They are reimagining the definition of materiality, a cornerstone of investor protections, and pursuing a partisan agenda that includes naming and shaming companies that do not comply with their directives.

For example, the proposed climate rules issued by the SEC in March exceed the regulator's statutory authority and misappropriate their rulemaking authority. Congress did not establish the SEC, nor any other regulator, to set climate policy nor to be the final arbiter of businesses' strategies to combat climate change. The long-standing principles-based disclosure regime enables companies to choose how best to comply and thrive under those polices. Under that framework investors decide whether they want to back those strategies. The proposed climate rules shift the SEC's rulemaking authority, taking a novel, activist approach to climate policy. This far exceeds the SEC's authority, jurisdiction, and expertise. As a result, it will deservedly draw legal challenges. It also puts our time-tested approach to capital allocation, as well as the agency's independence

1 <https://www.fs.usda.gov/features/how-pandemic-drove-cost-wood-products>.

2 <https://www.nahb.org/blog/2022/05/building-materials-up-more-than-19-percent-year-over-year>.



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and credibility, at risk.

Republicans have and will continue to push back against the SEC's overreach in several different ways. In February 2022, Financial Services Committee Ranking Member McHenry alerted appropriators that no funding should be provided to the SEC to pursue its one-size-fits-all mandatory ESG, political spending, and climate disclosures for public companies. In addition, Committee Republicans have called on the SEC to extend its comment period to allow a greater number of perspectives from the public to be included in the SEC's analysis. Finally, Republicans support several legislative solutions to limit the SEC's authority including H.R. 7151, the *Ensuring Sound Guidance Act*, introduced by Rep. Barr. H.R. 7151 amends the Investment Advisers Act and ERISA to specify that only pecuniary factors are to be considered in determining the best interest of the customer or plan participant. Republicans will continue to push legislation that reiterates the materiality standard is one in which companies determine what is material to investors--not the federal government.

Prioritizing Domestic Energy and Critical Mineral Development

The United States has a concerning dependence on foreign nations for conventional energy resources and critical minerals. These energy resources and critical minerals are necessary for deploying renewable energy technologies like wind and solar power. This dependency was further highlighted by the Biden Administration's Executive Order on America's supply chains issued in February of 2021.

With respect to critical minerals in particular, the People's Republic of China (PRC) is estimated to control 55 percent of global rare earths mining capacity in 2020 and 85 percent of rare earths refining. It has also drastically increased its control over the critical mineral supply chain since 1990 by controlling private Chinese companies that buy ownership stakes in foreign mineral deposits or mining and mineral processing operations. For example, Chinese firms have purchased equity stake in lithium deposits and operations in Australia and Chile, niobium operations in Brazil, a rare earth deposit in Greenland, and cobalt operations in the D.R. Congo, Papua New Guinea, and Zambia. Finally, the PRC created the world's largest rare-earth companies, China Rare Earth Group, to reduce competition and undercut efforts by the United States and the West to protect the critical mineral supply chain from being completely controlled by the CCP.

Notwithstanding our dependence, demand for critical minerals is predicted to grow exponentially. This demand is driven in part by a strong national and global push to increase renewable energy deployment. President Biden has made commitments to reach net-zero emissions by 2050. Reaching a net-zero emissions by 2050 would necessitate a massive scale-up of renewable energy in the next few decades.

Given the amount of minerals needed to build these technologies, a substantial increase in domestic mineral production and refining capacity is required to achieve this scale-up. Unlike resources such as coal, which are in large "seams," hardrock minerals are sparsely scattered across a large area. It takes hundreds of millions of dollars in upfront capital costs to explore these areas prior to production. Moreover, before production can even begin in the United States, exploration follows almost a decade of permitting due to environmental review requirements under the National Environmental Policy Act (NEPA; 42 U.S.C 4321 et seq.) and other laws.

Republican legislation, like H.R. 2515, the *BUILDER Act*, would modernize the outdated NEPA regulations to make project reviews more efficient, reduce project costs, spur economic recovery, and help rebuild America. H.R. 2688 would allow a tax deduction for the mining, reclaiming, or recycling of critical minerals and metals from the United States. This can lower the cost of mining in the U.S. by allowing the expensing of property connected to mining and establishing new tax deductions for purchasing or acquiring critical minerals in the U.S that essential sectors must have access to lead the world.



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We must also address our ability to refine and process these critical minerals so they can be used in advanced manufacturing. Currently, even when minerals could be mined domestically, the United States still lacks the capacity to refine and process them and must rely on foreign countries to make them useable for manufacturing. We must modernize the Environmental Protection Agency (EPA) and NEPA regulations specifically that make it hard, if not impossible, to stand up a domestic refining and processing industry. In particular, we should update the requirements under the Clean Air Act, Clean Water Act, Toxic Substances Control Act (TSCA), Resource Conservation and Recovery Act (RCRA), and Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) to make it more attractive to refine and process in the United States.

Separately, investment in domestic critical mineral research and technology innovation is also essential to reducing our reliance on foreign sources. Republican legislation like, H.R. 2637, the *American Critical Mineral Independence Act of 2021* can leverage the U.S. research enterprise, including expertise from agencies like the National Science Foundation and the Department of Energy, to strengthen U.S. critical mineral production and supply chains for the next generation.

China is unquestionably the biggest player in the global minerals market, controlling much of the global extraction and refinement capacity for most commodities. It is ironic one of the Biden Administration's priorities under the infrastructure law is the expansion of electric vehicles (EVs) and EV infrastructure – technology that relies heavily on the critical minerals that largely are come from China and other countries. If raw materials are not being mined in China, then they are being produced in Chinese-owned mines in Africa, South America, or other continents. The dominance of one country in this sector is not only of immense economic concern, but also an issue of national security. As demonstrated, critical minerals play a central role in everything from laptops to medical equipment to advanced military gear and to rely on one nation for the sustenance of those products has clear defense implications. U.S. environmental and labor standards for mining are much stronger than those of China and other countries that utilize child and slave labor to dominate this space.

To counter these issues, the United States must prioritize mineral development and processing to limit our dependence on Chinese mineral sources. This is especially important as the Administration pushes Americans to electric vehicles with batteries dependent on these inputs. Legislation like H.R. 2637, the *American Critical Mineral Independence Act of 2021*, and H.R. 2604, the *Accessing America's Critical Minerals Act of 2021*, and H.R. 1599, the *Securing America's Critical Mineral Supply Act* will provide support for a domestic supply of critical minerals and establish deadlines to complete environmental reviews of critical mineral projects on federal land.

We see the cumulative impact of these policies on our economy. Amid rising energy prices and record inflation, our economy is becoming increasingly vulnerable to the actions of our adversaries and Americans are suffering the consequences. The U.S. is fortunate to have an abundance of domestic oil and gas resources. Moreover, American energy production is among the safest, cleanest, and most efficient in the world. Yet, the Biden administration's anti-energy policies are constraining supply, driving prices up for consumers and increasing global reliance on countries with lower environmental standards, including China and Russia.

Recent reports of the Biden administration looking to Venezuela and Iran to meet America's energy needs are unacceptable. To secure our domestic energy supply chain and meet the needs of our allies, we must fully unlock America's domestic oil and gas production, permit pipelines, and increase exports of liquified natural gas (LNG). Legislation such as H.R. 6858, the *American Energy Independence from Russia Act*, would allow the U.S. to counter adversaries, including China and Russia, by unleashing American energy.



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Decreasing Red Tape to Get Goods Moving

The supply chain crisis is pummeling American families and worsening record-high inflation created by the Biden Administration’s reckless spending and woke agenda. As a result, Americans are experiencing supply shortages, delays for essential everyday products, and skyrocketing prices across nearly every sector of the economy. This will continue to cause economic growth to stagnate, as confirmed by a December 1, 2021 report from the Federal Reserve Board, stating “despite strong demand, growth was constrained by supply chain disruptions and labor shortages.”

Supply chain disruptions are particularly acute at the nation’s ports, with the backlog of vessels anchored outside of the ports of Los Angeles and Long Beach reaching a record-breaking 106 ships in January of this year.¹ Over 100 ships were anchored waiting to unload cargo at the ports on December 21st, mere days before the Christmas holiday.² Prior to the pandemic, the highest recorded number of ships waiting to dock at these two Southern California ports, which receive 40 percent of the nation’s imported goods, was 17 vessels. In November 2021, ships were “waiting an average of more than 18 days” before entering a port.

The bottlenecks have led to increased shipping prices. In the days leading up to the 2021 Christmas holiday, the cost of shipping freight containers from Asia to the U.S. was 276 percent higher than it was the previous year. Similarly, the cost to ship freight containers from Europe to the U.S. was 296 percent more expensive than the previous year. In fact, the cost of ocean freight is so expensive and delayed that many companies have started shipping goods by air, traditionally a far more expensive shipping option.

Shipping delays are being exacerbated by more expensive and delayed domestic shipping as well as persistent labor shortages. Once products make it off a ship, more issues are present on the nation’s highways. More than 72 percent of all the freight tonnage that moves in the United States is transported by truck. Over 80 percent of American communities depend exclusively on trucks to deliver food, water, fuel, life-saving vaccines and medicine, household goods, manufacturing inputs, and business supplies. However, the American Trucking Associations estimated a shortage of 80,000 truck drivers. This number is expected to double by 2030. National standards for vehicles and equipment that operate autonomously would help ease the labor shortage impact.

To address supply chain transportation and logistical issues, Republicans will promote smarter commerce, remove regulatory barriers, and direct federal infrastructure investments toward projects that prioritize the efficient movement of goods. Moreover, Republicans are developing proposals to bring supply chain stakeholders to the table with federal agencies, such as the Department of Transportation, to identify critical supply chain projects, foster more holistic planning for infrastructure improvements, and improve the sharing of data. Making more robust and standardized supply chain data available will help to expedite the movement of goods and prevent stranded ships and other delays along the supply chain.

Addressing workforce issues like truck parking and streamlining the process for bringing on new drivers to join the industry will be an important step in strengthening the supply chain. In 2021, Representative Bost introduced H.R. 2187, the *Truck Parking Safety Improvement Act*, which will ensure the Department of Transportation is providing competitive grants to state, and local governments for projects that provide parking for commercial motor vehicles. Rep. Brian Mast’s H.R. 5846, the *SANTA 18 Act*, will remove the barrier that prevents 18-year-old truck drivers, who are legally allowed to move goods intra-state, from making deliveries from a port to a final destination within that state. Representative Darrin LaHood’s H.R. 6567, the *LICENSE Act*, will streamline Federal Motor Carrier Safety Administration licensing regulations, making permanent certain waivers that were put in place during the pandemic.

1 <https://www.wsj.com/articles/southern-california-ports-struggle-to-trim-cargo-backlog-as-omicron-surges-11641938505>.

2 <https://splash247.com/101-ships-spread-across-1000-miles-waiting-for-berth-space-at-la-and-long-beach/>



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Separately, House Republicans have also developed commonsense proposals to reduce supply chain delays in rail transportation and to modernize port operations. Currently, there are delays caused when freight transportation by rail is required to give track preference to Amtrak. There are also restrictions on port development grants that prevent investments in automation or other projects to improve port efficiency with federal dollars. Republicans are working to streamline rail operations as well as eliminate bureaucratic restrictions that hinder efficient and effective port operations.

The United States must prepare for a workforce that addresses both current and future supply chain challenges. With investments in advanced manufacturing and emerging technologies being made by both the public and private sector, it is vital there are workers skilled and ready to fill these jobs. Republican legislation like H.R. 210, the *Rural STEM Education Research Act*, would invest in STEM talent across the country to make sure we are meeting future workforce demand to address supply chain issues.

Republicans will also cut red tape delays for infrastructure projects. The recent infrastructure law included important permitting reforms for highway projects: reforms that will streamline the permitting process by setting clear deadlines, reducing overall paperwork, and reducing overlap and delays with multi-agency reviews. Republicans will expand these reforms to additional infrastructure projects and limit the Biden administration's prioritization of woke policies that keep states from building new roads and bridges, and other supply chain improvement projects.

While the Biden Administration continues to make the supply chain crisis worse, including through trillions of dollars in reckless spending that has created record high inflation and through a more burdensome regulatory regime, House Republicans will work to restore the economic prosperity and strength that Americans experienced just a few short years ago. Fixing the supply chain, targeting investment toward real infrastructure needs, and cutting through the red tape will help get us there.

Ensuring the Availability of Critical Products

In the 118th Congress, Republicans should extend the generalized system of preferences, which expired at the end of 2020. This extension will provide preferential access for developing countries to the U.S. market if they comply with strict eligibility criteria, including rule of law and non-discrimination against U.S. exports. This key program strengthens our economic relationships with developing countries and diversifies our supply chains away from unreliable actors like China. Additionally, extending the miscellaneous tariff bill that expired at the end of 2020, will lower costs for American manufacturers by providing duty relief on input materials not made in the United States. This key program strengthens American manufacturing and allows our companies to better compete on the global stage.

Food Shortages:

The U.S. is facing yet another record-breaking drought year in the West. Farmers and ranchers in these areas receive little to no water from federal water projects, which is particularly important as the dry summer months approach. Electric utilities that normally receive hydropower from these water projects also face increased energy costs due to the need to replace reduced hydroelectric capacity with more expensive power from other sources. With water costing thousands per acre foot, small farmers will be put out of business further impacting food prices and the food crisis. Downstream local jobs and economic opportunities indirectly impacted by the water shortages are also disappearing. The abundant production of agricultural products should be prioritized to secure our nation's food supply as well as support the needs of other countries.

At the same time, Putin's unhinged rampage in Ukraine has decreased and destabilized worldwide agricultural commodity production and availability. Rising input costs, combined with the ongoing Biden energy and supply chain crises, continue to impact food supply and demand. All these factors have combined to cause significant inflation. Food prices alone have increased 9 percent this year.



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Republicans have offered numerous solutions to address these systemic issues, such as H.R. 737, the *RE-NEW WIIN Act*, introduced by Rep. Valadao and H.R. 1563, a bill to extend the authorities under the Water Infrastructure Improvements for the Nation Act of 2016 to provide operational flexibility, drought relief, and other benefits to the State of California, introduced by Rep. Garcia. Active forest and rangeland management is another way to provide more water, given the direct relationship between land management and watershed health, water quantity and quality.

Baby Formula:

Multiple reasons have been cited as causes for the infant formula shortage, including the COVID-19 pandemic, which has led to supply-chain issues, and disruptions in labor, transportation, and raw materials. The shortage was further strained by consumers stockpiling during COVID-19 lockdowns. Furthermore, in February, the shortage was further exacerbated after Abbott voluntarily recalled some of its products and closed a plant in Sturgis, Michigan.

Infant formula manufacturers are working to address the shortage by increasing the production of its products. For example, Abbott is working to increase Similac production at other FDA-registered facilities and is shipping formula from its facility in Ireland by air. Reckitt Benckiser, which makes formula brand Enfamil, has said it is running its factories seven days a week.

Stores are also limiting how much formula can be bought per purchase. Walgreens and CVS, for example, are limiting shoppers to three infant formula products per purchase. Kroger is restricting customers to four infant formula products per customer. And Target has set limits on its website, but not in stores.

Republicans understand the urgent need for parents and babies to get more baby formula on the shelves. To that end, Republicans believe that passage of the Babies Need Formula Now Act is needed. This bill will among other things: (1) ensure FDA is using every flexibility to import safe baby formula from abroad; (2) ensure the FDA is doing its job and acting quickly to maintain a healthy and safe supply of formula; (3) reduce barriers for new types and brands of formula to come to the market; and (4) provide deadlines on FDA to respond to manufacturers trying to bring new formulas to market, with an expedited timeline for new manufacturers or new ingredients to encourage innovation.

Medical Supplies, Personal Protective Equipment, and Pharmaceuticals:

The COVID-19 pandemic exposed how fragile our pharmaceutical and medical supply chains are. We are dangerously dependent on China and other foreign countries for the Active Pharmaceutical Ingredients (API) necessary to manufacture lifesaving drugs and medications. We need to onshore and/or near-shore critical pharmaceutical and medical supply manufacturing to the greatest extent possible and build more resiliency and redundancy into our medical product supply chains. Passing H.R. 3927, the *MADE in America Act*, is a good start.

Central to accomplishing success in creating more secure supply chains is a pro-growth, pro-worker tax code that encourages investment, job creation, and new opportunity for every American. House Republicans developed such a plan that builds on the overwhelming success of the Tax Cuts and Jobs Act (TCJA) that we outline in a separate section of this report. In addition to making elements of TCJA permanent, our plan helps secure supply chains by encouraging more domestic investment through making current law bonus depreciation permanent (H.R. 2558, the *Accelerate Long-term Investment Growth Now Act*, introduced by Rep. Arrington) and encouraging lower taxes for IP repatriated into the US (H.R. 2031, a bill to amend the IRC to encourage the transfer of intangible property from controlled foreign corporations to U.S. shareholders, introduced by Rep. LaHood).

Relatedly, since the enactment of the Tax Cuts and Jobs Act, U.S. manufacturing has seen a resurgence after years of decline. Now is the time to continue that growth and lead next-generation advanced



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manufacturing. Republicans have put forward innovative solutions to help the United States regain its status as a global leader in medical manufacturing. Congressman Brad Wenstrup introduced H.R. 7410, the *American Made Medicine Act*, which would create a 30 percent tax credit for new investments in advanced manufacturing equipment or machinery used in the U.S. to manufacture drugs, medical devices, or biological products. Additionally, the legislation lowers the tax rate on the income from the domestic manufacturing and sales of active pharmaceutical ingredients (API) and medical countermeasures.

Moreover, multinational firms, including pharmaceutical companies, move manufacturing to where costs, including tax rates, are low. Consumers enjoy lower costs, but at the expense of fewer drugs—and their components—being manufactured in the United States. The global pandemic has shined a light on the U.S.'s dependency on foreign medical drug and countermeasures manufacturing. We need greater manufacturing capacity in the United States.