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Travis Hall
Acting Associate Administrator
Office of Policy Analysis and Development
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, DC 20230

> **Re: Request for Comment, "Bolstering Data Center Growth, Resilience, and Security" (RIN 0660–XC062) (89 Fed.Reg. 71890, Sept. 4, 2024)**

Dear Mr. Hall,

The National Association of Wholesaler-Distributors ("NAW") and the National Association of Electrical Distributors ("NAED") respectfully submit these comments in response to the National Telecommunications and Information Administration's Request for Comment with respect to bolstering data center growth, resilience, and security.

About NAW, NAED and the Wholesale Distribution Industry

As the "national voice of wholesale distribution", NAW is an association comprised of employers of all sizes and national, regional, state, and local line-of-trade associations spanning the $8 trillion wholesale distribution industry that employs over 6 million workers in the United States. In total, NAW represents an industry comprised of 19 sectors with 250,000 places of business in all 50 states and the District of Columbia.

NAED is a trade association for the $150+ billion electrical distribution industry which represents more than 400 distributors and manufacturers of electrical products with more than 5,000 locations in all 50 states. Our members are companies of all sizes - from small and mid-sized independents to large regional and national firms.

Wholesale distribution is a business-to-business industry: wholesaler-distributors purchase inventory, generally from manufacturers, and sell it to their customers, generally retailers or professional installers. Wholesaler-distributors buy inventory in large quantities, warehouse it, break it down into the quantities their customers want (called "breaking bulk"), and ship to those customers. Distinct from warehouse logistics companies, which move someone else's

product from seller to buyer, wholesaler-distributors purchase inventory, take title to it, then re-sell it to customers.

Most wholesaler-distributors are small- to mid-sized private companies, and, except for the largest companies, few have recognized name brands like the manufacturers and retailers which are supply chain partners. The role of the wholesale distribution industry in the economy is often underestimated, but the industry contributes approximately one-third of U.S. gross domestic product and is essential to our economic supply chain.

Most electrical wholesalers add value-added services to the products they distribute in order to provide additional value to their customers. Examples include kitting, or repacking diverse materials together to accommodate specific tasks and projects, and on project site material management. These types of services allow skilled trades labor to spend more performing their skilled trade than managing materials.

The Role of the Electrical Distribution Industry in Data Center Growth

The electrical distribution industry continues to see a significant increase in demand for products that support data center proliferation. Industry analysis by Grand View Research[1] indicates that global data center growth at a 15% compound annual growth rate (CAGR) to 2026 which would add approximately 2.6 metric tons of new cumulative copper demand by 2030 due to the electrical infrastructure. This, coupled with increased electrification activities for homes, businesses, and transportation have provided new opportunities and challenges for the industry.

These challenges center mainly around three key areas – permitting, supply chain issues, labor and workforce supply.

<u>Permitting</u>

Permitting is at the heart of many challenges we anticipate, as the current federal, state and local permitting regimes are not adequately designed to respond to rapidly increasing domestic demand of basic commodities and power supply.

Regulatory bottlenecks also impact power supply. A report by Cushman & Wakefield[2] points to the fact that data center developers had faced power delivery delays of up to three years. However, many encounter over five-year timelines in multiple markets because demand is outpacing supply due to the cost and time it takes to build power generation and distribution infrastructure. To expedite this process, developers are forming partnerships with power companies to deliver substations, transmission lines or to source micro-grid power.

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[1] Data Center Market Size, Share & Trends Analysis Report by Component - https://www.grandviewresearch.com/industry-analysis/data-center-market-report

[2] Americas Data Center Update - https://www.cushmanwakefield.com/en/insights/americas-data-center-update

Supply Chain

Strong and resilient supply chains are essential for electrical distributors and partner sectors in the wholesale distribution industry to support data center growth. Electrical distributors currently face and anticipate continued supply chain shortages for switchgear (without which a data center cannot effectively operate) as well as electrical material such as cable, cable tray, and the associated fittings. Similar disruptions have affected other sectors of the wholesale distribution industry upon which the growth of data centers rely. This includes, but is not limited to, building material and construction, hardware, plumbing and heating equipment, and industrial distributors.

To help remedy these issues, NAW and NAED support the *Promoting Resilient Supply Chains Act of 2023 (H.R. 6571/S. 4375).* This legislation, which was passed in an overwhelmingly bipartisan fashion by the House of Representatives in May 2024 would require the Department of Commerce to monitor and respond to disruptions in critical industries and supply chains.

This includes establishing a critical supply chain resiliency program to map, monitor, and model critical supply chains; identify high-priority supply chain gaps and vulnerabilities in critical industries; identify and evaluate the effect of potential supply chain disruptions on U.S. economic security; and collaborate with other governmental bodies and key international partners to identify opportunities to reduce supply chain gaps and vulnerabilities.

If this bill is enacted into law, the agency will also be tasked with designating critical industries, critical supply chains, and critical goods as well as guidelines and best practices to reduce the risk of critical supply chain disruption.

This designation should include the majority of the electrical equipment manufacturers that supply our distribution network and will support data center proliferation. This would follow precedent set by President Obama's Presidential Policy Directive (PPD) 21, replaced by the National Security Memorandum on Critical Infrastructure Security and Resilience in April 2024.

These designations, alongside the increased public-private partnership that these provisions would provide, would allow supply chains that distributors rely on to help data centers grow to become stronger and more resilient.

Labor and Workforce

The demand for highly specialized skills in the electrical equipment manufacturing, supply, and distribution ecosystem is also being felt in the data center industry. Across the board, each subsector is competing for skilled talent, while other tech-related industries, such as electric vehicle manufacturing, are also vying for the same pool of workers. Currently, our industry is working on a collaborative effort to recruit and retain the next generation of workers who may or may not need a traditional four-year college education.

In addition to private sector efforts, electrical distributors are supportive of congressional legislation to expand access to technical, non-traditional, and apprenticeship programs. Solving these labor and workforce challenges is critical in ensuring our industry continues to support the data center growth.

Conclusion

The proliferation of data centers in the United States is playing a crucial role in maintaining and enhancing the nation's global competitiveness. Data centers support the growth of cloud computing, artificial intelligence, and big data analytics—technologies essential for driving productivity, innovation, and operational efficiency across industries. Given the importance of these emerging technologies, the wholesale distribution industry understands our critical role in the growth of data centers.

To ensure the industry can fulfill this duty, policymakers and private sector stakeholders must:
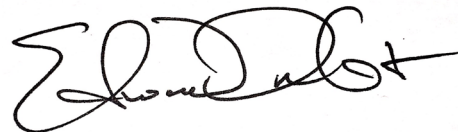
- Address existing permitting challenges by working together at the federal, state and local level to overcome existing regulatory bottlenecks and meet increasing domestic demand
- Improve the strength and resiliency of supply chains by classifying wholesaler-distributors, including electrical distributors, as critical industries and enhancing public-private partnerships
- Recruit and retain the talent necessary to build this infrastructure by working collaboratively to expand access to technical, non-traditional and apprenticeship programs.

If each of these challenges are adequately addressed, we are confident our industry can continue to support efforts to grow data centers and that the United States will continue to dominate in the information age.

Respectfully submitted,

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