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PERSPECTIVES FROM USERS OF THE NATION'S FREIGHT SYSTEM

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HEARING

BEFORE THE

PANEL ON
21st-CENTURY FREIGHT TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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Committee on Transportation and Infrastructure
U.S. House of Representatives

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Chairman

Washington, DC 20515

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Ranking Member

Christopher P. Bertram, Staff Director

James H. Zoia, Democrat Staff Director

September 27, 2013

SUMMARY OF SUBJECT MATTER

TO:	Members, Panel on 21st Century Freight Transportation
FROM:	Staff, Panel on 21st Century Freight Transportation
RE:	Panel Hearing on "Perspectives from Users of the Nation's Freight System"

PURPOSE

The Panel on 21st Century Freight Transportation will meet on Tuesday, October 1, 2013, at 1:00 p.m., in 2167 Rayburn House Office Building to receive testimony related to the ways in which the agriculture and manufacturing industries rely on the Nation's freight transportation system. At this hearing, the Panel will receive testimony on the specific freight transportation needs of these industries and the impact that the level of performance of the freight system has on the ability of these industries to remain competitive. The Committee will hear from Tom Kadien, Senior Vice President for Consumer Packaging for International Paper; F. Edmond Johnston, III, Sustainability Manager for DuPont; William Roberson, Materials and Logistics Manager for Nucor Steel Berkeley; and Bill J. Reed, Vice President of Public Affairs for Riceland Foods.

BACKGROUND

The United States manufacturing sector employs over 12 million people and contributes almost $2 trillion in goods and services to the Nation's economy annually.[1] The Nation's agriculture industry employs over 16 million people and contributes nearly 750 billion dollars to the Nation's annual gross domestic product. Taken together, the manufacturing and agriculture industries represent almost one-fifth of the annual gross domestic product. Both of these industries rely intrinsically on a highly functioning, efficient, and safe freight transportation network. For manufacturing and agriculture businesses to be successful and remain competitive with international competitors, we must maintain and improve our infrastructure to keep pace with growth in these sectors.

[1] Statistics used in this memorandum are taken from the Bureau of Transportation Statistics, the Federal Highway Administration, the U.S. Department of Agriculture, the U.S. House of Representatives Committee on Transportation and Infrastructure, the U.S. Chamber of Commerce, the National Association of Manufacturers, Building America's Future Education Fund, the American Association of State Highway and Transportation Officials, and the Soy Transportation Coalition.

V

Comparing the costs of transporting soybeans to China from the United States and to China from Brazil illustrates the critical role that the Nation's freight system plays in the global competitiveness of American industry. Currently, it costs $85.19 to transport one metric ton of soybeans from Davenport, Iowa, to Shanghai, China. It costs $141.73 to transport the same amount of soybeans approximately the same distance to Shanghai from North Mato Grosso in Brazil. The United States currently enjoys a competitive advantage because the Nation's freight system is more efficient and cost effective than Brazil's system. However, Brazil is planning to invest $26 billion to modernize its freight facilities. These advances will dramatically decrease the cost of moving Brazilian soybeans to market. Without an efficient, highly functioning freight network, American businesses will be unable to compete in the global marketplace.

Domestic consumption and production, as well as international trade, of agricultural and manufactured products contribute to stretch the Nation's freight system to capacity. A recent study conducted by the United States Chamber of Commerce concluded that the Nation's intermodal freight transportation system is being operated at the limits of maximum capacity. The American Association of State Highway and Transportation Officials went one step further in a recent Bottom Line report, stating that the freight system is entering a capacity crisis. Additionally, the Federal Highway Administration estimates that in the next 30 years, there will be 60 percent more freight that must be moved across the Nation. Unless the Nation's freight transportation system improves, the competitiveness of the United States' manufacturing and agriculture industries will suffer.

How the Manufacturing Industry Relies on the Freight System

The manufacturing industry relies on all modes of transportation in a variety of ways. Manufacturers rely on the freight system to deliver the raw materials and parts necessary to produce goods as well as to deliver the finished goods to market. Manufacturers often have unique freight transportation needs depending on the particularities of the goods being produced. Some manufacturers produce goods that must remain at a specific, constant temperature, some produce goods that are extremely heavy and oversized, some produce goods that are volatile or hazardous in nature, and some produce goods that must be consumed within a limited window of time. The sophistication and efficiency of the Nation's freight system allow for manufacturers to deliver goods in a way that supports the competitiveness of the industry. However, these advantages require continued investment in the Nation's infrastructure.

The United States is currently reaping economic advantages from past investments, but manufacturers are concerned that the Nation's current failure to adequately invest in infrastructure will cede these gains to global competitors. According to a recent study commissioned by the National Association of Manufacturers and Building America's Future, 70 percent of manufacturers believe that American infrastructure is in fair or poor shape and needs improvement. Only one percent of manufacturers believe that the Nation's highways, bridges, and tunnels are improving at a pace to keep up with the needs of business. Furthermore, nearly two-thirds of manufacturers believe that the Nation's infrastructure is not positioned to respond to the competitive demands of a growing economy over the next 10 to 15 years. A Chief Executive Officer of a domestic manufacturing company recently noted, "Nearly all agree that

American infrastructure is not as good as it has been and, perhaps more importantly, not as good as it could be."

How the Agriculture Industry Relies on the Freight System

The Nation's agriculture industry depends on all modes of the freight transportation system to deliver goods and food products to urban centers, export facilities, and other consumer regions, most of which are a significant distance from the area where the food is grown and produced. Farmers require an efficient transportation network to deliver equipment, feed for livestock, seeds, and fertilizer so that they can produce the foodstuffs that will then enter the stream of commerce along the Nation's roads, rail, and waterways. Raw agricultural products must also be transported to processing facilities before being repackaged and shipped to another destination. The agricultural sector is the largest single user of the Nation's freight transportation system, accounting for approximately one-third of all ton-miles.

Aside from the general issues related to a supply and demand market for agricultural commodities, transportation costs are the most significant factor impacting the bottom line for farmers and other participants in the agriculture industry. Due to the time-sensitive nature of the harvest period, farmers rely on a high level of efficiency and capacity in the Nation's freight system so that they can get their goods to market quickly.

WITNESS LIST

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International Paper

F. Edmond Johnston, III
Sustainability Manager
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William Roberson
Materials and Logistics Manager
Nucor Steel Berkeley

Bill J. Reed
Vice President, Public Affairs
Riceland Foods, Inc.

PERSPECTIVES FROM USERS OF THE NATION'S FREIGHT SYSTEM

TUESDAY, OCTOBER 1, 2013

HOUSE OF REPRESENTATIVES,
PANEL ON 21ST-CENTURY FREIGHT TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The panel met, pursuant to call, at 2:02 p.m., in Room 2167, Rayburn House Office Building, Hon. John J. Duncan, Jr. (Chairman of the panel) presiding.

Mr. DUNCAN. We will go ahead and call this meeting to order here. And I apologize for the delay, but as everyone can understand, everybody's schedule has been changed. And on the Republican side, we are having a conference at this time that Mr. Hanna and I have been a part of. But we won't have as many Members, I don't believe, as we usually do at these hearings, but we are certainly honored to have our distinguished panel here. And I want to welcome everyone to this hearing before the Panel on 21st-Century Freight Transportation of the Committee on Transportation and Infrastructure.

This special panel was created at the request of Chairman Shuster and Ranking Member Rahall of the full committee to examine the current state of freight transportation in the United States and how improving freight transportation can strengthen the U.S. economy. As everyone knows, we have a lot of competition from around the world that many years ago we didn't have. And we have always got to be looking at ways to do more and do it better and more efficiently, if we are going to remain globally competitive as all of us want.

The purpose of this panel, of course, is to modernize the freight network and, as I said, make the U.S. more competitive. We have been working hard toward this goal, and we plan to issue our report to the full committee by the end of this month.

The purpose of today's hearing is to hear from those who are actually producing and growing the goods that are shipped on the Nation's freight transportation system. The manufacturing and agriculture industries represent almost one-fifth of the Nation's annual gross domestic product. Both of these industries rely on a highly functioning, efficient, and safe freight transportation network. For manufacturing and agriculture businesses to be successful and remain competitive with international competitors, we must maintain and improve our infrastructure to keep pace with growth in these very important sectors.

I am glad that we have this opportunity to discuss the specific freight transportation needs of these two parts of our economy. We have an excellent panel of witnesses before us today. I am confident that they will be able to help us understand the unique freight transportation challenges facing urban areas and how those issues impact the rest of the Nation. We have Tom Kadien, who is the senior vice president for consumer packaging at International Paper; Eddie Johnston, who is the sustainability manager at DuPont; Rob Roberson, who is materials and logistics manager at Nucor Steel Berkeley; and Bill Reed, vice president of public affairs for Riceland Foods. Four very important companies. I thank the witnesses for being here, and I look forward to your testimony.

I now recognize Ranking Member Nadler for his opening statement.

Mr. NADLER. Thank you, Mr. Chairman. And Mr. Chairman, thank you for scheduling this hearing to hear testimony from major manufacturing and agriculture industries that rely on the Nation's freight transportation system to move their goods to market. Whether transporting steel, rice, chemicals, or paper, each of our witnesses today will testify about the importance of a safe, efficient, and reliable freight transportation network to their business's ability to remain competitive and successful in the global marketplace. We will learn of the logistics analysis that these businesses use to determine which mode of transportation is best for their bottom line and long-term growth.

Our witness testimony on the importance of rail to DuPont's $500 million investment in Charleston, South Carolina, and barge transportation to Riceland Foods at New Madrid, Missouri, on the Mississippi River illustrate the critical role that infrastructure plays in the growth of these businesses. These businesses and the United States more generally continue to reap the benefits of past infrastructure investments. However, these industries recognize that the Nation's current failure to invest adequately in our Nation's infrastructure is ceding our advantage for our global competitors. A recent survey of U.S. manufacturers found that the Nation's infrastructure is not keeping pace.

According to this survey, 70 percent of manufacturers believe that our infrastructure is in fair or poor shape and needs improvement, 65 percent do not believe that our infrastructure's position to respond to the competitive demands of a growing economy over the next 10 to 15 years, and none of the manufacturers surveyed believe that our freight infrastructure is in good shape and needs no improvement. With freight transportation measured by tonnage expected to increase by 88 percent by 2035, it is clear that the crisis facing our freight transportation network will worsen unless we begin to make the necessary investments in our infrastructure to ensure safe, efficient, and reliable transportation and to enable these major industries to continue to compete and grow.

Finally, I hope the irony is not lost on my colleagues that these witnesses are testifying about the importance of the Federal Government in the middle of a Republican Government shutdown. These witnesses discuss the importance of the Army Corps of Engineers and the Service Transportation Board while those agencies are now shutting down because of the Republican leadership's in-

sistence on stopping the Affordable Care Act at the expense of everything else.

This committee has been one of the brightest spots in this Congress, working together in a bipartisan manner again including on this panel. But all of the work of this committee will be for nothing unless these political shenanigans stop and we get back to doing the business of the American people.

I would like to thank the witnesses for coming here today under difficult circumstances. I look forward to your testimony and hope that some day, perhaps hopefully soon, the Government will not just reopen but will return to creating jobs and investing in infrastructure upon which you and we all rely. I thank you and yield back the balance of my time.

Mr. DUNCAN. Thank you very much. I understand Mr. Crawford wants to further introduce one of our witnesses. And, Mr. Crawford, you have the floor.

Mr. CRAWFORD. Thank you, Mr. Chairman. It is my honor to introduce vice president of corporate communications and public affairs of Riceland Foods, Bill Reed. Riceland is probably the most important farmer-owned cooperative in my district, providing marketing services for tens of thousands of farmers in Arkansas and throughout the rice-producing region. Bill has a distinguished career entirely dedicated to American agriculture. He started at Riceland more than 30 years ago, and Riceland's success can be attributed in large part to Bill's leadership. Riceland not only markets agricultural products all over the country, but throughout the entire globe.

It goes without saying that freight transportation is a critical aspect of getting agricultural products to market. And I look forward to Bill sharing his story about the success of Riceland and the need for improvements to freight infrastructure so that American agriculture will continue to lead its competitors in a global economy.

Mr. DUNCAN. Thank you very much.

Mr. Lipinski, you have any statement?

Mr. LIPINSKI. I am looking forward to hearing the testimony of—of all our witnesses today. Again, thank the chairman and ranking member for putting together this—this hearing. It is certainly important to hear from those who are—who are doing the—the shipping, about what needs to be done. We all know it—what it really comes down to in the end is how are we going to pay for this. We know that we certainly need the—the investment.

So if—I know that is not specifically the topic here, but if any of our witnesses want to address that in their opening statements, I would certainly appreciate that because that is what we are all here struggling with. But that is it. Thank you and yield back.

Mr. DUNCAN. Thank you very much. Mr. Hanna.

All right. Ms. Hahn.

Ms. HAHN. Thank you. Thank you, Mr. Chairman. Looking forward to the testimony of our witnesses. Thanks for being here.

You would think with this Government shutdown we might shut down this air conditioning a little bit.

Mr. DUNCAN. Thank you.

Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman. Just glad you are having this hearing and look forward to hearing what everyone has to say. Have questions later.

Mr. DUNCAN. Thank you, Mr. Mullin.

Mr. MULLIN. Thank you. And thank you, panel, for being here. Unfortunately, you are here at a, I would think a pretty historical time. But we do have something important facing us, and that is our infrastructure needs. We all know to keep this country moving forward, of course, it takes Government to put—you know, move forward, but at the same time it is our infrastructure. And I think it is a great opportunity that we have to get true opinions, bipartisan approach that we are going to move the ball forward. I think T&I has shown that they are willing to do that. And Chairman Duncan has done a wonderful job putting this panel together. So, as I would say, let's roll and let's get this thing moving forward.

Mr. DUNCAN. Thank you very much.

Previously, in my opening statement, introduced the very distinguished panel that we have, and so we will start with our first witness, Mr. Tom Kadien of International Paper.

Mr. Kadien.

TESTIMONY OF TOM KADIEN, SENIOR VICE PRESIDENT, CONSUMER PACKAGING, IP ASIA AND IP INDIA, INTERNATIONAL PAPER; F. EDMOND JOHNSTON, III, TRANSPORTATION POLICY LEADER, DUPONT; ROB ROBERSON, MATERIALS AND LOGISTICS MANAGER, NUCOR STEEL BERKELEY—A DIVISION OF NUCOR CORPORATION; AND BILL J. REED, VICE PRESIDENT, PUBLIC AFFAIRS, RICELAND FOODS, INC.

Mr. KADIEN. Thank you, Chairman Duncan and all the other committee members. I am Tom Kadien.

Mr. DUNCAN. Get a little closer to the mic.

Mr. KADIEN. My name is Tom Kadien. I am a 35-year employee of International Paper and a senior vice president. And I am responsible for our consumer packaging businesses here in North America as well as our Asia business, our India business, and our North American transportation organization. IP is the largest paper and packaging company in the world. We have 70,000 employees around the world, and here in the United States, we have 38,000 employees who work at over 300 facilities in 43 States. And many of the members of this committee have district—excuse me, have International Paper facilities in your districts. I know a number of you have visited, and you are all certainly welcome.

IP is a leader in—of major consumer of freight and logistics here in North America. We spend about $2 billion. We are the number one shipper of boxcars on the rail system. We export almost 4 million tons of product outside of North America. Two million tons goes out in containers and over a million goes out breakbulk. So ports are very important to us. And we also ship products over 155 million miles around the North America system by truck. So we are here to ask for your help in addressing the freight transportation needs here in North America. I am going to cover two areas of competitiveness for truck and ports. I am not going to talk about rail, but we—it is very important to us, and I know some of my colleagues on the panel will.

Paper is heavy. Our trucks typically weigh out before we cube out. And with 300,000 trucks going over the road, it does not make a lot of sense to us to ship trucks with 10 feet of empty space when there are safe alternatives to increased truck—truck weight here in the United States. So we are here to—I am here to talk about SETA, the Safe and Efficient Transportation Act, which would allow trucks with a sixth axle and braking system to increase the truck weight up to 97,000 pounds at the option of the States on interstate highways. That would enable us to take about 20 percent of our trucks off of the road as well as make us more competitive.

International Paper, like my colleagues at DuPont, safety is very, very important to us. And the research supports that 97,000-pound trucks equipped with a sixth axle and brake system stop in the same distance as an 80,000-pound truck with five axles. This has been proven over years in the U.K., it has been studied here in the United States. And shippers like IP are willing to pay higher over-the-road fees. Annual permits can go up from $550 per truck per year to $800 per year, per truck. And we would gladly pay that if we could use the full capacity, to safely use the full capacity of the trucks.

I will give an example. For our mill in Valliant, Oklahoma, in Representative Mullin's district, if the Oklahoma DOT opted in, we could reduce our truck trips by over 5,000 trucks a year, reduce vehicle miles by 1.8 million miles, and CO2 emissions by 6.8 million pounds annually.

So we are very much in favor of this. It is not a rail-versus-truck issue. Those are two different fact patterns. Trucks are for, in our case, under 400 miles; rail averages over 800 miles. So we simply want to make trucking more competitive.

I would like to move on to the issue of cargo going out of ports. We ship 70 percent of our exports out of the ports of Charleston and Savannah. And in 2015, the Panama Canal will be reopened and be able to handle wider ships. And both of these harbors have to be dredged to accommodate the draft of the larger ships, they have to pick up an extra 3 to 7 feet. Both are important to us, with over 2 million tons. If we cannot use these harbors, we are going to have to put product on rail and truck and ship further, either to Miami in the south or Norfolk in the north.

And harbor deepening is important to the health of the U.S. economy as well as the movement of goods. And it is important to industry who wants to export out of the United States. So we urge the panel to support the harbor dredging projects at those ports.

And that is it for me, Chairman Duncan.

Mr. DUNCAN. Well, thank you very much. And let me just ask you, I was told that you pronounce your last name Kadien, but sounded like you said Kadien.

Mr. KADIEN. My mother said Kadien, yes.

Mr. DUNCAN. Well, I like to try to get people's names as close as possible. Thank you very much.

Next, we will hear from Mr. Edmond Johnston from DuPont.

Mr. JOHNSTON. Good afternoon, Chairman Duncan and Ranking Member Nadler. My name is Eddie Johnston. I have worked for DuPont for 33 years, the first 8 of which were in the State of Tennessee, where two of my children were born. I am here to testify

today on behalf of DuPont, a leading science company, and as a member of the American Chemistry Council. I appreciate the opportunity to appear before you today.

DuPont has been bringing market-driven science to the global marketplace in the form of innovative products, materials, and services since 1802. The company serves markets as diverse as agriculture, electronics, automotive, aerospace, and defense. DuPont operates more than 70 manufacturing facilities in the United States, and employs thousands of Americans while purchasing $550 million in transportation services each year. The chemical industry employs 800,000 Americans and produces 12 percent of U.S. exports. The chemical industry and its associated suppliers are major users of our Nation's freight system and some of the largest customers for many modes of transportation. The industry ships a wide variety of materials that are used to produce more than 96 percent of all manufactured goods.

I would like to address three critical freight transportation issues. First, funding for infrastructure. Much of our transportation infrastructure is old. If America's manufacturers are to continue to move goods safely and reliably over the country's freight infrastructure, upgrades are sorely needed. I want to thank this committee for the work you did to pass the Water Resources Reform and Development Act. I commend you for addressing a major transportation issue. I appreciate that this is an era of tight budgets with competing priorities. But a robust and reliable transportation infrastructure is the cornerstone to healthy U.S. economy.

Second, hazardous materials transportation. A small yet important share of chemical shipments involves hazardous materials. According to the Association of American Railroads, rail HAZMAT accident rates have declined 91 percent since 1980 and more than 99.99 percent of rail HAZMAT shipments reached their destination safely. However, DuPont and ACC members acknowledge that even one incident is too many. And our industry is committed to continuous improvement.

Working with our transportation partners, DuPont and ACC member companies have invested billions of dollars to improve safety, and we will continue to do so in the future. ACC and its member companies also have worked hard to establish a strong partnership with the emergency response community.

The Federal Government continues to play an important role through the Hazardous Materials Transportation Act. This legislation has been extremely effective in establishing uniform national rules. Reauthorization of the Act will ensure that important progress continues. Third, rail policy reform. Congress last undertook comprehensive rail legislation 33 years ago with the Staggers Act. In 1980, America's railroads were struggling to maintain a viable business, and the Staggers Act has been effective in helping the industry not only survive but thrive. In fact, the policy embodied in the Act has been so successful that the question in 2013 is not whether America will have a viable transportation system, but whether that system will threaten the competitiveness of the railroad's customers and become an inhibitor of economic growth.

An unintended consequence of the Staggers Act has been virtual elimination of rail-to-rail competition. Chemical producers report

that 73 percent of their facilities with inbound and 65 percent with outbound transportation are captive shippers, meaning they are only served by one railroad. Our industry is not asking for more regulation of the rail industry, but for more robust competition in the rail industry so that American farmers and manufacturers are more competitive on the world stage. It is time to re-examine decades old policy to meet the needs of the 21st century.

In conclusion, I respectfully request that the panel consider the following recommendations: First, Congress should support improvement of our Nation's transportation infrastructure. Second, Congress should reauthorize the Hazardous Materials Transportation Act. And, third, Congress should reform Federal rail policy to promote greater access to rail competition and improve the efficiency and effectiveness of the surface transportation board. Thank you again for the opportunity to speak today.

Mr. DUNCAN. Thank you very much.

Next we have Mr. William Roberson from Nucor Steel. Mr. Roberson.

Mr. ROBERSON. Chairman Duncan and Ranking Member Nadler, thank you for the opportunity to testify before you today. I am William Roberson, materials and logistics manager for Nucor Steel Berkeley, a division of Nucor Corporation. Nucor Corporation is the Nation's largest steel manufacturer and recycler, operating 23 scrap-based steel mills. Nucor has the capacity to produce more than 27 million tons of steel annually. Last year, our company recycled more than 19 million tons of scrap steel. Nucor also has several wholly owned subsidiaries, including Harris Steel, the David J. Joseph Company, and Skyline Steel. Together we are a company of over 22,000 teammates, primarily in the U.S. and Canada.

The freight transportation system is vitally important to Nucor's success. We rely on water, rail, and truck transportation to move millions of tons of scrap steel and other raw materials to our steel mills and finished products to market. For this reason, disruptions in the freight transportation system can have significant negative economic impacts on our business. Waterways play a particularly important role for a number of our Nucor divisions. We have several steel mills located on rivers, and some of these mills bring in more than 90 percent of their raw materials by river. Nucor scraps steel business, the David J. Joseph Company, transports approximately 3,500 barges per year of scrap steel. When assessing our waterways system, we believe that more frequent maintenance dredging is needed to maintain adequate drafts. Unfortunately, inadequate drafts levels are becoming an all too common occurrence. For every 1 inch decrease in draft, you lose 17 tons of cargo on a barge. This forces companies like ours to use more costly alternatives.

Barges are a safe, efficient, environmentally friendly, and cost-effective way to move goods. Each barge moves 15 to 1700 tons of cargo compared to 80 to 100 tons on railcars or 20 to 22 tons on trucks. Considering the importance of our waterways system, we are encouraged to see both Houses in Congress advance the Water Resources Development Act. Nucor supports this legislation, particularly dedicating more revenue in the Harbor Maintenance Trust

Fund for the purpose of maintaining our Federal navigation channels.

We hope that Congress will also strengthen revenues for the Inland Waterways Trust Fund to make necessary investments in this critical component of our U.S. supply chain by advancing the industry-supported user fee increase. Like our waterways, our roads and bridges are in serious need of investment. The Interstate Highway System, built after World War II, is aging, and we need a new, long-term commitment to invest in our roads and bridges. The gas tax is not providing adequate revenue to further this goal. We need to look for new alternatives, including more public-private partnerships. Also enacting legislation giving States the option to increase the weight of six-axle trucks operating on select Federal interstates would allow more cargo to be moved safely and efficiently over our Nation's railways.

With regard to our Nation's rail system, the biggest challenge that we face is that we are served by a single major railroad. Several Nucor facilities are captive shippers in that they pay a premium to move their products because of the lack of rail competition. In recent years, the rail industry has seen significant private investment. However, these investments are often passed on to the rail industry's customer base, resulting in higher premiums and costs for our captive shippers who are still without the ability to choose which rail carrier we use.

We cannot pass these increased costs on to our customers. We have to absorb them because we compete in a steel market that is being flooded with illegally subsidized foreign products that are often already sold below cost. While it is true that we have the ability to use less costly modes of transportation, it is not always feasible logistically.

Given these circumstances, we support action to address the need for more rail competition for rail service in many parts of the country. The creation of this special panel acknowledges that our freight infrastructure works collectively as one system. We cannot look at each in isolation. Businesses across the country rely on all modes of transportation working together to get products to market.

Keeping American businesses globally competitive requires investment in the entire system. Businesses succeed when there is certainty. We can create certainty by providing the proper funding for maintenance and much-needed upgrades. We must also streamline the permitting system so projects do not drag on for years in endless reviews. For example, we support legislation that would exempt routine highway safety and transportation upgrades that already exist within the current right-of-ways from costly Federal permitting requirements. As the National Association of Manufacturers recently noted, manufacturing produces 12 percent of America's GDP, but the U.S. is only investing about 1.7 percent of our GDP back in infrastructure. Many of the countries we compete against are investing between 5 to 10 percent of GDP in their infrastructure. In short, others are modernizing while we are struggling to maintain a failing system that is decades old. However, with the proper investment and governance, we can give American

businesses the tools they need to remain globally competitive. Thank you.

Mr. DUNCAN. Thank you very much, Mr. Roberson.

Next we have Mr. Bill Reed of Riceland Foods.

Mr. REED. Thank you, Mr. Chairman and members of the panel. I appreciate the opportunity to offer our perspective on the freight transportation system. I am Bill Reed, vice president of public affairs at Riceland Foods, a cooperative of family farmers headquartered at Stuttgart, Arkansas.

U.S. rice is produced in three primary areas: California; the Texas and Louisiana Gulf Coast; and the Midsouth, which includes parts of Arkansas, Missouri, Mississippi, and Louisiana.

[Slide 1 follows:]

U.S. Rice Producing Areas

1

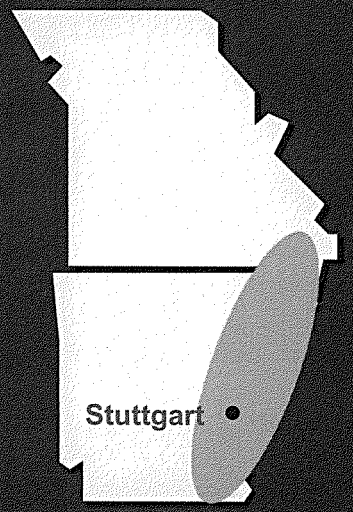
And, we do have 600 to 800 acres of rice in west Tennessee, Mr. Chairman.

[Slide 2 follows:]

2

Mid-South Rice Production

- Half of U.S. rice
- 1.5 million acres
- 10.8 billion pounds
- Half exported to 75 foreign destinations
- Riceland accounts for half the crop for its co-op farmer-members



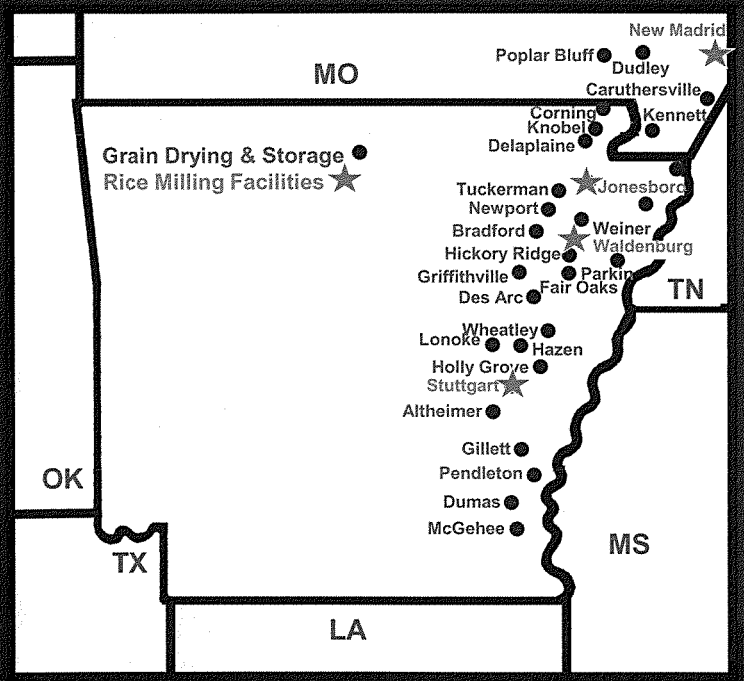
Half of the Nation's rice crop is produced in the Midsouth, where farmers plant about 1½ million acres each year.

After struggling to find a viable market, a group of farmers met in Stuttgart in 1921 to form a co-op to market their rice. Riceland farmer-members today number about 6,000 and account for about half of the rice produced in the Midsouth.

[Slide 3 follows:]

Riceland Foods Facilities

3



Each fall, Riceland members harvest their crops and deliver them to local grain elevators, where the crops are dried and stored until transported to processing facilities for milling and packaging. Storage facilities are scattered throughout the region, as are our processing facilities, which are indicated by the red stars on the map. Riceland is the largest rice miller and marketer. The co-op also markets soybeans, corn, and winter wheat that our farmers produce. Each year we handle 100 to 125 million bushels of grain.

Our rice products are sold across the country in retail and club stores and to food service establishments and food companies. Riceland is a direct exporter, selling rice to 50 foreign destinations. In our last fiscal year, we moved more than 9 billion pounds of products, commodities, and supplies. We did this with nearly 140,000 truck and intermodal shipments, 6,300 rail shipments, more than 1,000 export containers, and more than 200 river barge loads.

With the Nation's focus on a fresh, safe, and abundant food supply, we must have a reliable and efficient transportation system. I know members of the committee and this panel are well aware of the challenges of maintaining our Nation's highway system. So are Arkansans. In 2011, Arkansas voters supported a $575 million bond program for interstate improvements. And in 2012, they approved a half cent sales tax to fund $1.8 billion in additional highway improvements.

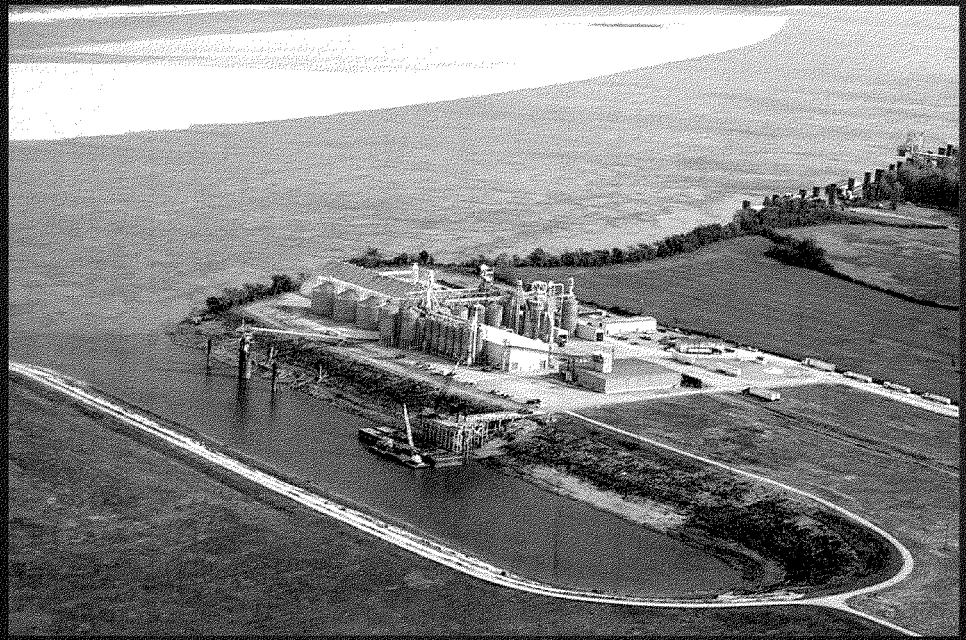
Of course, these efforts aren't enough. It was reported in September that 156 bridges in Arkansas had been found structurally deficient. Many are in east Arkansas where our Riceland farmers grow food.

Railroads focus on long hauls now, and they are certainly important to us. We ship railcar loads of rice all over the country and unit trains of wheat to Mexico. River transportation is critical to our export business.

[Slide 4 follows:]

Riceland Foods New Madrid, MO, rice mill

4



Our New Madrid, Missouri, facility, on a good day, can receive rice from our farmers, mill the rice, and convey it directly to a barge for shipping down the Mississippi River.

In 2011, however, flood waters on the Mississippi made it impossible to load barges.

[Slide 5 follows:]

New Madrid, MO, 2011 floodwaters

In fact, water was within a foot of entering the processing facility. In 2012, and again this year, it is a whole different story.

[Slide 6 follows:]

6

New Madrid, MO, September, 2013

With silt naturally flowing into the harbor and displacing water, we can load less rice into each barge. The harbor now looks more like a mud puddle than a harbor.

The New Madrid harbor is not scheduled to be dredged this year. We expect low water levels in the harbor next summer to eliminate practically all of the economic benefit of using the facility for bulk barge shipments. We export from that facility to the Caribbean and will be under pressure from suppliers of rice out of Asia to fill those orders.

I have one more example. As corn harvest was underway in early August last year, we had thirty 18-wheelers carrying corn scheduled to unload directly into barges at the Port of Yellow Bend, Arkansas. Then we learned that silt had filled the harbor, making it unusable. The dredge was heading from upriver at Rosedale, Mississippi, down to Lake Providence, Louisiana, without stopping at Yellow Bend, Arkansas.

Building temporary corn storage and forfeiting sales contracts would have cost our Riceland farmers at least $1 million. As many as 200 farm families would have been impacted, 15 port employees would have lost their jobs, and the port would lose $500,000 in revenue.

Thanks to Congressman Rick Crawford and Senators John Boozman and Mark Pryor of Arkansas, the Army Corps of Engineers redirected the dredge to Yellow Bend. In just a few days, the harbor was open and those corn barges were filled.

I share these examples to illustrate the importance of keeping all segments of our transportation system, highway, railroads, and rivers operating in efficient and effective manner. The U.S. transportation system is critical to U.S. competitive advantage in moving agricultural and food products across the country and around the world. It benefits every American. And I appreciate the panel's focus on this important issue.

Mr. DUNCAN. Well, thank you.

I want to thank all of the panel for a very helpful and informative testimony. And let me say, I mentioned earlier that we are in sort of an unusual situation here. It is a very busy day for everyone. And so I am amazed that—and very pleased that 9 of the 11 members of this panel are here at this point. And I know several probably have to leave shortly. The first one that has told me that he needs to leave is Mr. Mullin. By he wants to ask a question before he goes, so I will go to Mr. Mullin. I yield to Mr. Mullin at this time.

Mr. MULLIN. Thank you, Chairman. And I will try not to take up my whole 5 minutes so I can be respectful to everyone else's time.

What I want to focus on is the truck weights. Tom, you and I have had an opportunity to visit a little bit about this. And this is something that is pretty close to my heart, considering I got a CDL in my back pocket. I was driving just not too long ago—I mean, when I say not too long ago, in the last few weeks—had to go through the whole poke and prod, get my medical card. That is an embarrassing situation. But I had to go through that process because its required. And now we are talking about something else. And increasing truck weights.

And obviously the more trucks we can take off the road, honestly, the safer it is. But how are we going to be able to go past one concern from FMCSA and move forward on the truck capacity weights? We have talked about direct routes, we have talked about the placement of where the sixth axle should be. And, Tom, I would like to get kind of your perspective of where we are going with this and then also understand that I truly believe that this is a State's issue, not a Federal issue, this is a State's issue. I don't think we need the Federal Government stepping in any farther than what they already have over States rights. So, Tom, I am going to throw that question out to you then we will have a conversation, hopefully.

Mr. KADIEN. Sure. Thank you. I couldn't agree more that it is a State's issue. And that is what we are advocating and what SETA's all about is to give States the choice to opt in. And they can opt in on some or all or none of the interstate highways in their State. So the idea is that they will pick the roads that make the most sense, that would make the best utilization of the heavyweight trucks and be the safest for that State. You know, the law is written so that it doesn't dictate whether the axle goes on the front or the back. To me, that is where the State DOTs have to weigh in on what they want to do in their particular locale.

Mr. MULLIN. Which this is something that I have interjected in before, is that right now the discussion is putting it on the trailer if we were to increase the weights. As a driver, I can tell you the first place typically you lose brakes is on the trailer. So if we are talking about safety here, we would—and my opinion, Chairman, we would be—need to be talking about moving that underneath the rig itself. Not to mention we had the capacity there to build a—raise that axle when we are not needing it, when we are able to bring it off the ground. But when we are really talking about stopping, I would say—I don't know the statistics, but I am just going to go by my own self, 90 percent of the time if I were to lose brakes it would be on the trailer.

Mr. KADIEN. And I—I don't have my license. I am not going to take issue with anything you said. I will say on the statistics, the State of Maine has done a pilot and the statistics say that there are fewer fatalities since they have gone to a sixth axle allowing up to 97,000 pounds. The U.K. has got this. This is not a new issue. We have 15 States that allow heavyweight trucks on 5-axle configurations right now. And this gives the States the right to configure those trucks, to configure which roads are on or not allowed to do this in their Interstate Highway System. In the U.K., over a 5-year period, fatalities were down 35 percent.

So I think I should let the engineers decide where the load—based on where the load is in the truck, where the axle belongs. But it has been proven to be a safe way to make trucking more efficient.

Mr. MULLIN. Right. And just to clarify, with me wanting to see the States have an opinion on this, once again I am going to refer back to the fact that I drove these trucks and I have hit the exits that I shouldn't have hit. And if we do this as a Federal—we let the Federal Government come in, and let's say they do raise them. And you are driving down the interstate and you hit an exit by

mistake. I mean, all of us have taken wrong turns. I know most of us guys, we wouldn't admit to it, but truth is it is true. But you hit the exit and all of a sudden you find yourself on a county road. It is not easy to turn these things around. And the States know their systems better than the Federal Government does.

I understand what the opposition is about this too. But the fact is that if we are really going to listen to what FMCSA says, and they are fine the word of "safety," then the best way to do that is to look at the truck weights, understand that that actually works, work with intermodal system, work with the rail, work with the ports, and find out what is the best option. If one of those options—Tom, and you and talked about—was having a direct route, like they to in Louisiana. Where it is a designated route if we want to take product from point A to point B.

So, Chairman, I appreciate the opportunity that you have given me. And thank you for jumping over to me because I know I am the bottom of the barrel here.

Mr. DUNCAN. Thank you very much.

Mr. Nadler.

Mr. NADLER. Thank you, Mr. Chairman.

Mr. Roberson, in your testimony, you specifically support a user fee increase for the Inland Waterways Trust Fund to make the necessary investments in this critical component of our U.S. supply chain. You are a shipper advocating for an increase in fees that you will have to pay. Could you explain why it is important to your business for the Inland Waterways Trust Fund to have more revenue, why you are willing to pay a larger fee?

Mr. ROBERSON. Yes, sir, Mr. Nadler. We just feel that at Nucor, the return on that additional cost far outweighs whatever liabilities will be associated.

Mr. NADLER. I can't hear you. Is what?

Mr. ROBERSON. I apologize. Can you hear me now? Yes, sir.

We at Nucor are willing to support the increase, even if it means an increase in our costs because of the return is reasonable and provides value to our company.

Mr. NADLER. OK. Thank you.

Mr. Kadien, in your testimony, you advocate for dramatic increase in truck weights to 97,000 pounds. Now, we know that interstate bridges cannot withstand the stress that 97,000 pounds will cause, even with the addition of a sixth axle. These trucks will accelerate the depreciation of and further worsen the condition of our Nation's bridges. Your testimony mentions a mill in Valliant, Oklahoma. I would like to recall comments made at a field hearing in 2011 by Oklahoma DOT Secretary Ridley and former Oklahoma Secretary McCaleb. They each made the point that we must proceed with caution in higher truck weights because the potential damage to bridges. To quote Secretary McCaleb, "No matter how many axles you put under that essential point, loading will increase the stress repetition and the rate of stress repetition and will reduce the life of the bridge. I am an advocate of heavier loads," he said, "but you have to design for those heavier loads. You can't just superimpose those heavier loads on a system that wasn't designed for them."

According to the Federal Highway Administration, Oklahoma has 5,382 bridges that are structurally deficient.

Do you dispute the fact that heavier trucks will cause accelerated damage to bridges?

Mr. KADIEN. Absolutely don't dispute that. And that is why this is really a States rights issue. It is for the States to decide which roads and which bridges will handle the 97,000 pounds.

Mr. NADLER. So you agree that it will—it will increase the stress to bridges, and that you think it is a State's issue?

Mr. KADIEN. I think the bridges have to be designed for the 97,000-pound weights.

Mr. NADLER. But the existing bridges haven't been designed. So you only allow this on new bridges?

Mr. KADIEN. Not in all cases. In the cases you have identified, that is probably the case. But, you know, in the State of Maine, they found no evidence of bridge fatigue or steel fatigue due to the heavier weight trucks. That is why I think it depends, really is a States rights issue.

Mr. NADLER. Do you believe—let me just comment. I find it very difficult to accept that any of these questions are primarily States issues, given the fact the Federal Government spent—paid 90 percent of the cost of the construction of the interstates and pays a very large proportion of the ongoing maintenance costs of the interstate. So I think it is certainly a Federal as well as a State's issue.

Now, do you believe the citizens of Oklahoma and elsewhere across the country are willing to accept the risk that heavier trucks pose to these already troubled bridges, most of which in the country were not designed for 97,000 pounds?

Mr. KADIEN. I don't believe any State should accept higher risk associated with the 97,000—97,000-pound limit, no. If there is a risk, we shouldn't be doing that.

Mr. NADLER. So you think that the 97,000-pound truck should only be allowed on bridges specifically designed for 97,000-pound trucks?

Mr. KADIEN. Yes.

Mr. NADLER. OK. What percentage of the bridges in the United States were specifically designed for 97,000-pound trucks?

Mr. KADIEN. I don't know the answer to that question.

Mr. NADLER. It is rather small, I would assume.

Mr. KADIEN. Thank you. Fifteen States allow the heavyweight trucks right now.

Mr. NADLER. But the fact that a State follows a foolish policy doesn't mean that we should. Because I asked what percentage of the bridges were specifically designed for 97,000 pounds.

Now, in the—the truck safety study in Vermont, the pilot study shows that applying Vermont truck weight added to the national average cost, it was determined that a fully loaded 80,000-pound, five-axle combination truck incurs 21.5 cents of pavement cost per mile on the interstate system and 32.9 cents per mile on other highways. A typical 99,000—this is 99, not 97, but I don't know that there is much difference—a typical 99,000-pound, six-axle pilot vehicle requires pavement expenditures of 34½ cents per mile of travel on the interstate system compared to 21½ cents for 80,000 pounds, and about 53.6 cents per mile of travel on noninterstate

roads. In other words, this is about 63 percent more per vehicle mile and 32 percent more per ton-mile than a fully loaded five-axle vehicle.

Do you think that we should up the—the 97,000-pound truck should pay a 34½ cents—I am sorry—a 63-percent more tax than an 80,000-pound vehicle? And if not, why not?

Mr. KADIEN. Mr. Nadler, I am not familiar with the study. But, no, I don't think so.

Mr. NADLER. Well, if you are not familiar—why—assuming the study is correct, assuming that the cost imposed on the roads is 63—just is 63 percent more than—than an 80,000-pound vehicle, then why shouldn't they pay a 63-percent higher tax, if that is—if the underlying fact were to be correct?

Mr. KADIEN. I understand your point. But I don't believe that—I don't understand the basic premise of why it would be so much more expensive if the weight is more evenly distributed on the 97,000-pound truck.

Mr. NADLER. The study in Vermont, which you say you are unfamiliar with, which I assume you are unfamiliar with, says it is. Let's assume for the sake of argument that the study is correct—let's assume it is not correct. My question is—let's assume it is only 50 percent or 40 percent. Should a 97,000-pound truck that imposes a heavier burden on—a heavier cost burden on maintaining that highway pay a proportionate extra tax, whatever that proportion might be? And if not, why not?

Mr. KADIEN. I think you have to balance the proportional increase you are speaking of with making the truck uncompetitive versus the 80,000-pound truck.

Mr. NADLER. Well, if it is uncompetitive, that would argue that you shouldn't allow it.

Mr. KADIEN. That is correct.

Mr. NADLER. OK. So maybe we shouldn't allow it. But my question is, if we do allow it, why shouldn't it pay its fair share? If it imposes an extra cent higher cost on the highway maintenance than the 80,000-pound truck, why shouldn't it pay an X-percent higher tax so it is paying its own way in that—to the same extent as the existing trucks?

Mr. KADIEN. I think paying its fair share makes sense.

Mr. NADLER. Yes. But would that be a fair share?

Mr. KADIEN. Well, depends on the statistics, I guess.

Mr. NADLER. Again, whatever the statistic is, if we do the study and find the statistic is 20 percent or 40 percent or 60 percent, that would be fair, then, to impose an extra tax of 20 percent or 40 percent or 60 percent if those are the facts?

Mr. KADIEN. If those are the facts and you propose that kind of proportional increase, I suspect the math will say that you will never have a 97,000-pound truck on the road and you will have 20 percent more trucks on the road than you do if you allowed it.

Mr. NADLER. Well, that may be. And maybe that the market is telling us something in that in that case.

I thank you. I yield back.

Mr. DUNCAN. Thank you very much.

Mr. Crawford.

Mr. CRAWFORD. Thank you, Mr. Chairman. I appreciate that. I would just again like to thank the panelists for being here. I know you came here on your own dime, on your own time, and I appreciate that.

Mr. Reed, I would direct my first question to you. You mentioned in your testimony we—and I remember we had some serious trouble securing the dredging for Yellow Bend, Yellow Bend Port, and I am glad we were able to resolve that situation. But there was a supplemental disaster funding from the 2000 flood where that came from. Can you comment on, speak to the level of uncertainty that—that exists over annual dredging of our ports and how that impacts Riceland farmers?

Mr. REED. Yes, Mr. Crawford. I would say that it is critically important to be able to rely on the ports. And, I go back to the New Madrid, Missouri, example. We know that we will not be able to load barges; certainly not full. We don't know how much we will be able to load in them this coming year, but we know it is certainly going to be complicating our export operations. So we will be making arrangements to try to shift production to other facilities in order to accommodate that situation in the harbor.

Mr. CRAWFORD. Transportation costs are obviously one of most significant factors that impact a farmer's bottom line. And I know that other countries are making significant investment in infrastructure. Have you noticed, are we losing our edge globally with respect to our freight system here in the United States, and are the international competitors closing the gap?

Mr. REED. Well, that is certainly a fear of U.S. agriculture. We are seeing, as you know, rice from Asia moving into this hemisphere, into Central America, the Caribbean, even into the United States. And that is a concern because of their lower cost of production. We are also watching South America. If those fellows had the opportunity to have the type of delivery system that we have in the U.S., American agriculture would be in trouble. As you know, the production in Brazil is just amazing. But where we have the advantage is in our transportation system. But we are going to have to continually improve it and, hopefully, enhance it in order to stay competitive and keep our farmers in business.

Mr. CRAWFORD. Thank you, sir.

I am going to direct this question to Mr. Roberson. In your testimony, you made the point that many of the Nucor facilities only have access to a single major railroad and that results in higher costs. Is there currently an effective remedy at the Surface Transportation Board for bringing those rates down to a more affordable level?

Mr. ROBERSON. Mr. Crawford, not currently. Think there is a redress that needs to occur based on the current criteria used to make rate cases. So if we could relook at that, I would think that we would be better.

Mr. CRAWFORD. What would you suggest or how might the STB be strengthened to help address that issue?

Mr. ROBERSON. Again, just relooking at the criteria associated with rate cases and reciprocal switching and access to multiple railroads.

Mr. CRAWFORD. Thank you. I don't have any further questions. Again, I just want to extend my appreciation to each of you in recognizing you contributing your time to help us make the case for improving, enhancing, and investing in our freight transportation infrastructure. I appreciate each of you being here. Thank you.

Mr. DUNCAN. Thank you very much.

Mr. Crawford. Ms. Brown.

Ms. BROWN. Thank you, Mr. Chairman.

Mr. Kadien, I have a question as far as States rights is concerned. I am a bit confused. What do you mean by States rights when the Federal Government pays 90 percent of the bridge—building the bridge and the maintenance and the State put up 10 percent. And in 2012, 6,749 bridges rated as structurally deficiency?

Mr. KADIEN. What I mean by States rights is to allow the State to decide based on the traffic and the industry in that State, and the studies of their own departments of transportation is to choose which State highways that they would allow the 97,000-pound, six-axle truck to travel on.

Ms. BROWN. So you don't think the Federal Government should play a part in deciding?

Mr. KADIEN. No, I think—I think H.R. 612 is a Federal decision to allow the States that flexibility. I am not saying it is one versus the other. But I think the States are in the best decision, or in the best position to decide which roads and bridges should or should not be part of the program.

Ms. BROWN. Do you think they should make that decision without the input of the Federal Government? The Federal Highway Administration?

Mr. KADIEN. No, I don't.

Ms. BROWN. So it should be a joint decision?

Mr. KADIEN. Yes. I would agree with that.

Ms. BROWN. You mentioned something about, I guess, trucks in Europe. And in many of the places that I have gone to Europe where trucks is concerned, they make them piggyback, they put them on trains and take them different places.

Mr. KADIEN. Yes, ma'am. I was referring to a 5-year study in the U.K. that allowed six-axle, 97,000-pound trucks and saw 35-percent reduction in fatalities. I wasn't referring to piggyback or other truck configurations that exist elsewhere in Europe.

Ms. BROWN. I see. I have other questions for other members on the committee.

Mr. Johnston, you mentioned that DuPont made a $500 million investment in the Cooper River facility, and their freight travel has doubled. Why did you all decide to Cooper River facility?

Mr. JOHNSTON. Congresswoman Brown, our investment at Cooper River is a significant investment here in the U.S.——

Ms. BROWN. Thank you.

Mr. JOHNSTON [continuing]. That has created jobs for American workers and provides materials that are important to the defense industry and to police and other folks who we rely on for our safety and security every day. This was the best place to make that investment is the short answer to your question.

Ms. BROWN. Was it the logistical location? I mean, that is great. I mean, we——

Mr. JOHNSTON. Logistics did not drive the decision.

Ms. BROWN. It was just the best place to make the investment, the workforce and other factors?

Mr. JOHNSTON. That is correct.

Ms. BROWN. Thank you.

Mr. Roberson, you mentioned that because of the lack of competition, shippers pay a higher premium. And that you thought how those boards should be set up to resolve the issues. Can you expand on that a little bit?

Mr. ROBERSON. I am sorry. I couldn't hear the last part of your question.

Ms. BROWN. As far as coming up with solutions to solve the competition question, the shippers are sometimes captive, you know, it is only one line and they don't have a choice.

Mr. ROBERSON. Thank you, ma'am. As my colleagues on the panel mentioned, having access to multiple major railroads provides the competition. There is always an alternative for us to ship other modes, but there is not an alternative to ship the railroad A versus railroad B, and that is what we are advocating.

Ms. BROWN. Thank you. As we meet today, one of my bridges has been taken out because of a ship that hit it. So the question about bridges is a major question: How are we going to maintain them? How are we going to keep them safe? And how are we going to fund the infrastructure? Do you all have any ideas as to how we can fund the infrastructure as far as those kinds of investments? And, of course, those are the kinds of investments that would actually put American people to work.

Just briefly. How do you recommend funding the bridges that are structurally damaged?

Mr. KADIEN. I will take a crack at that. There is a fair amount of money that is collected for the gas tax that goes into the Highway Trust Fund. And not all of those funds are actually used on infrastructure. That would be an opportunity.

Mr. JOHNSTON. Congresswoman, I don't have a specific recommendation on this. I understand the dilemma here. DuPont and the chemical industry would be happy to work with this committee in thinking through ideas that—that might promote the exact thing that you are talking about.

Ms. BROWN. Thank you.

Mr. ROBERSON. Congresswoman, we would echo those comments. We would be glad to work with this committee on solving that issue, but we don't have the answer today. I think that is why we are here and having this good discussion.

Ms. BROWN. We don't have it either.

Yes, sir. Mr. Reed.

Mr. REED. Yes, Congresswoman. You raised an interesting point. The rehabilitation of those bridges would be part of the highway system funding. But I would have to work on that some to come up with a better answer for you.

[The information follows:]

> Most projects are funded by a combination of Federal funds (80 percent) and State funds (20 percent). Under MAP–21, our Arkansas Highway and Transportation Department doesn't have more money to spend on projects, including bridges, but the State has more flexibility in using Federal funds.

Ms. BROWN. Thank you. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you, Ms. Brown.

Mr. Hanna.

Mr. HANNA. Thank you, Mr. Duncan.

I would suggest that the problem of paying for it belongs to this committee and this Congress. Since 1993, we haven't raised the gas tax, haven't raised the diesel tax. We have had lots of opportunities to do that.

I would also like to thank everyone here because to the person you have all indicated that you are willing to pay more for what you get. And I would also like to point out that lighter truck weights create more repetition of travel, not less.

So that the small points of how much or what percentage or how all of that works out, all of that adds to the greater good of the entire economy. All of us depend on trucks. And it shouldn't necessarily fall on the individual trucker to pay the full freight of the use of the highway. I mean, it trickles through the entire economy and we all benefit.

I wanted to speak to you, Mr. Kadien. You indicated that this wasn't a rail-versus-truck issue. And, you know, I think in many ways it is. And I don't mean it in a pejorative way, necessarily. It is more about the simple nature of competition. A railroad would allege that if you were to pay the full cost of what it costs to build, buy, and maintain roads that your cost per gallon would be substantially more. I have heard upwards of a dollar.

Is that right, Mr. Nadler?

Mr. NADLER. Right.

Mr. HANNA. He is my facts guy over here.

So that someplace we realize that it is probably entirely impractical. We also know that, everyone here has indicated that monopolies, or oligopolies, if you will, are part of what railroads have going for them, just the nature of the business. Everybody says you would like to fix that. Maybe someone here could tell me what that would look like and how much that adds to your cost. Because clearly, if someone has the ability to cost push and they don't stop and you just keep paying the bill, there is no end. So if you would like to talk to anyone about that, I would be interested to hear.

Mr. KADIEN. Well, for International Paper up to about 40 percent of our locations in the U.S. are, quote, "captive" to one Class I railroad. And we have very good relationships with all of the Class I's, and I think for the most part we would say we are fairly treated. On the other hand, we do see more, I will say, more frequent and higher increases on the 40 percent where we are captive.

Mr. HANNA. So the higher weight limit would necessarily give you a little bit of an opportunity, roughly 20 percent lower average cost to help you offset that, if you will, advantage.

Mr. KADIEN. Our fact pattern would be different than that. We are not trying to get our rail shipments to compete with our truck shipments. We just want competitive rail increases where we have captive carriers. Our truck shipments are 400 miles or less. Our rail is 800 or more. Our trucks usually have to be there next day or second day. It is really two entirely different customer destinations that we are shipping to, and we don't often mix or compete rail versus truck.

Mr. HANNA. Sure. And I live in a State, New York, where they don't have the sixth axle, but we do have the higher weight without that. So in my State's case, to add that axle would actually make our roads safer, not less safe. And by your own study, and I have read the studies, there is every indication to believe that it is a marginal thing, add the weight and add the axle.

And I think it is proper to assume that States have the ability—they all have engineers and DOTs—to decide what roads, what routes, and what is safe and what is not and where to invest money to fix those bridges appropriately that will allow for whatever they decide. I know that is what they do in New York.

So I am not sure it is really a States rights issue in your case. Isn't it just a matter of allowing them to decide?

Mr. KADIEN. Yes, I would agree with that 100 percent.

Mr. HANNA. Mr. Reed?

Mr. KADIEN. But I do think, if I could add, I do think, you know, a benefit maybe to the cost issue that was brought up earlier, I think the reduction in accidents, truck traffic and the improvement in safety is worth something in this argument as well.

Mr. HANNA. So to Mr. Nadler's point, and I respect all of his opinions, I enjoy listening to him, tell you the truth, that reducing trips, reducing repetitiveness over bridges, lowering the average cost per trip because of the additional percentage of weight benefits more than just the trucker. It has to ultimately make the product you sell marginally less expensive and make you more competitive, to repeat the obvious.

Mr. KADIEN. Yes, I would agree with that.

Mr. HANNA. Thank you. My time is expired.

Mr. DUNCAN. Thank you very much.

Mr. Webster.

Mr. WEBSTER. Thank you, Mr. Chairman. I have enjoyed the questions and responses here. I appreciate you doing this.

I had a similar question. Maybe I will ask it of Mr. Johnston, I think your point three was the fact that there were certain areas where there was a monopoly of sorts, and you gave a large number of your shipments, I don't recall what they were, inbound and outbound, but it just seemed like the percentage was pretty high.

Is there a specific recommendation where we would start? I wouldn't want to steal somebody else's infrastructure, if you put two different types of freight trains on the same route. Somebody owns those and somebody would not. But is there a specific recommendation you have in that area?

Mr. JOHNSTON. Thank you for the question, Congressman. As you may know, the Surface Transportation Board has held hearings off and on over the last 2 years, or thereabouts, to consider ways to increase competition in the rail industry. A variety of pro-

posals have been presented to the Board by industry. At present, the Board is still taking those matters under consideration.

But I would highlight just a few things, and then I will come to one specific. In 1980, when the Staggers Act was passed, there were 26 Class I railroads in the United States. Today there are seven, and four of those carry 90 percent of the traffic in the United States. Two of those are dominant east of the Mississippi River and two of them west of the Mississippi. And so those are the dimensions of the issue here.

Furthermore, the premise under which the Surface Transportation Board acts, even today, is the same premise that was actually true in 1980 but is no longer true in 2013. And that is that the railroads stand on the brink of bankruptcy. They simply don't any longer. They are healthy. They are making money. And, frankly, we want them to be that way. I don't want there to be any misunderstanding about that. We need them to be healthy and profitable.

One of the impediments that the Surface Transportation Board is simply that because of the fact that there are only three Commissioners, they can't confer with one another and discuss matters that are before them for consideration. A simple solution to that might be to increase the number of Commissioners at the Surface Transportation Board. That might be one specific idea that I would leave with you today.

There are a number of other proposals that DuPont and the American Chemistry Council have that, I won't take time now, but we would be delighted to sit with you and your staff, other members of this panel, or members of the full committee and review those specific policy recommendations with you.

Thank you.

Mr. WEBSTER. OK. Well, I would love to get some pre-information if you have. It if you can get it to me, that would be awesome.

Mr. JOHNSTON. Yes, we will.

Mr. WEBSTER. Thank you. I yield back.

Mr. DUNCAN. All right, thank you very much.

Mr. Kadien, MAP–21 included very significant environmental streamlining provisions, shortening the project delivery times for highway and transit projects, and Mr. Roberson mentioned approvals for projects within the established or existing right of ways. Do you believe that similar provisions should be codified for all other modes of transportation as well?

Mr. KADIEN. I am sorry, I am not familiar with MAP–21.

Mr. DUNCAN. Well, what we are talking about, you don't have to be familiar with MAP–21, what I am asking, has your company seen delays because of environmental rules and regulations and red tape, and would it make any difference to your company if we could speed up some of these approval projects?

Mr. KADIEN. Thank you for the explanation. Absolutely, and yes. Permitting is, you know, the schedule on a return on any investment severely impacts, schedule delays severely impact the returns, and we see long scheduling delays, getting approvals on construction, engineering, building projects here in North America, and that would be very helpful if we could expedite those.

Mr. DUNCAN. Are you familiar with any particular examples of that, of projects that have been delayed or taken longer. Or you said in North America——

Mr. KADIEN. I meant the United States of America, primarily.

Mr. DUNCAN. Can you do things faster in some of these other countries?

Mr. KADIEN. Yes. In some of these countries you can. That doesn't mean they are better and there aren't other issues there as well. Environmental permits for a new pulp and paper facility in North America is a multiyear process. I am familiar with investments that were not made in this country because of the environmental process, and it often lacks clarity, it is often combative, and it is often just easier to go ahead and produce the project in another country.

All that said, I think we also have the best set of environmental regulations from around the world that I am familiar with. So I think we end up at a right place in terms of, you know, the laws that we pass. But just as an example, we just went through MACT, which took several years to get to a conclusion and, you know, I think it probably took us 4 years, and if we could have done that a lot quicker we would have been able to get the environmental benefit and plan our capital spending a whole lot better and more efficiently.

Mr. DUNCAN. Thanks very much.

Mr. Johnston, you talked about the competition within the railroad industry or the lack of competition, but it seems to me it is something that is easy to say, but difficult to achieve because you also testified you don't want to increase the regulations on the railroad industry. So do you have any ideas or suggestions about how we go about that since these companies, you know, take care of their own tracks and it is difficult, if not almost impossible, to lay new tracks in some places? So what do you have to say about all that? How do we go about achieving what you want to achieve, more competition within the railroad industry?

Mr. JOHNSTON. Thank you, Mr. Chairman. It is not an easy problem and we don't want people building new railroads necessarily. That is expense that is not going to be beneficial. So that is not the solution, as you clearly know and point out there.

However, giving railroads who don't have immediate access to one of my plants, for example, but might be only a short distance away and allowing them to use a portion of another railroadsystem, or interchanging traffic at the closest point available from one railroad to another are some simple sort of ideas that would create additional competition if you look at the full route that the traffic carries on the railroads.

Mr. DUNCAN. You mentioned the four Class I railroads that carry 90 percent of the rail traffic in this country, but there are a much larger number of short line railroads. Are you able to make much use of the short line railroads?

Mr. JOHNSTON. Short line railroads do serve some of our facilities. They are generally hooked into a single Class I railroad, as I am sure you are aware.

Mr. DUNCAN. Yes, sir.

Mr. JOHNSTON. And so that really doesn't solve the problem. It is simply another railroad that we are dealing with on the front end of the transaction.

Mr. DUNCAN. All right.

Mr. Roberson, you mentioned that Nucor uses several different modes of transportation. I think just about all of you on the panel have said that. In which ways do you think current transportation funding can be better used, or what area of transportation do you feel is the most neglected or the most underfunded at this time? Where does Nucor have its biggest problems?

Mr. ROBERSON. Well, I think it is a, Mr. Chairman, I think it is a very comprehensive issue. It is all modes. If you look at our inbound supply chain, clearly that is heavily leveraged on the waterways for a lot of our mills. However, if you were to flip that over to our outbound shipments, those go about 60 percent rail, 40 percent truck for many of our facilities. So it is really all modes. It is not one particular one that would make a big difference.

Mr. DUNCAN. Mr. Reed, what do you say about that? You know, the government, both at the Federal and State levels, really first got into transportation primarily to help farmers to get their products to market. Where do you see the biggest chokepoints or the biggest impediments to freight transportation?

Mr. REED. Well, Mr. Chairman, you are absolutely right, and much of the transportation system was built to move products to market. In fact, our facilities were located on rail lines, and at one time the crops were actually railed to processing facilities from the grain storage facilities out in the countryside. None of that is done today because of the emphasis on the long hauls.

As far as our largest concern, we have learned to cope with trucking grain from the farm to our facilities. Our farmers are responsible for doing that. It is fast, and that is important for them during harvest when they are facing weather issues. We move products in all forms.

But I would say our biggest concern is those harbor situations where we just cannot load barges to move rice into the export market. That is done by barge down the Mississippi River to New Orleans and then put on the large oceangoing freighters, but we have got to get the product out of the port. In the case of our New Madrid facility, which is the only processing facility we have on a river, we have no storage for a processed product. So it is one of those situations where you got to keep it flowing, and so that becomes a key bottleneck for us if we can't move the product out.

Mr. DUNCAN. All right. Well, thank you very much.

Just out of curiosity, you know, I meet with people all the time from every business, every industry. I met, I guess last week or a couple of weeks ago, with some car dealers from Tennessee, and they said that while they are doing good business right now, it all seems to be pent-up demand, that people are driving cars now 100,000, 200,000 miles, not trading as often, and that they went for several years during the downturn without trading in a car. In other words, they are saying they don't think the economy is as strong as current sales might indicate.

And I read all these business publications and, you know, you can find some articles saying that things are going pretty good. You

can find many that say they are not going pretty good. Our unemployment is too high. Our underemployment is much, much higher.

Mr. Kadien, what about International Paper? How are you doing? What do you see in the near term for your company and the overall economy?

Mr. KADIEN. You know, we are in several lines of businesses that are pretty good barometers of economic activity. We are the largest producer of corrugated packaging that moves goods, consumables, durables around the country, and typically runs about half of the GDP rate of the country. And right now we would say that the economic activity is pretty underwhelming, that, you know, we are looking at 0.5 to 1 percent kind of growth rates across the industry, and that is really not reaching our potential. I have got a consumer packaging business, you know, food processors are seeing, you know, flat to no growth in their business. We are a big supplier to restaurants. They are seeing slow traffic compared to prior years.

So it is, I would say, it feels like we are moving sideways right now instead of gaining any momentum.

Mr. DUNCAN. Mr. Johnston.

Mr. JOHNSTON. Yes. DuPont also is in a wide variety of businesses. Our agriculture-related businesses are very strong today, both here in the United States and around the world. I would say many of our chemical businesses are seeing slow but steady growth here in the United States, but we are not seeing those same trends in other parts of the world, particularly in Europe and in Asia where their economies are simply in the doldrums and have not shown signs of recovery yet.

Mr. DUNCAN. Mr. Reed, how much of Riceland's, how much of your rice goes to other countries? How much is export?

Mr. REED. Mr. Chairman, we export about a fourth to a third of our rice production every year at Riceland. For the U.S. industry as a whole, about half of the crop is exported each year to about 75 countries. Rice is a staple for at least half of the world's population. They eat it every day if they have it. We have all seen the numbers of population growth. By 2050 we may expect about 9 billion people, which are a lot of mouths to feed, and rice does that very efficiently.

So we have seen a period of several years here of good prices for agricultural commodities really across the board. We certainly hope that continues. But there is always competition from other countries. Asia, for instance, had been deficit of rice. Now, many of the Asian countries are exporting rice. In fact, when I started with the co-op we were the number one exporter, we as in the U.S. were the number one exporter of rice. Today that spot would be filled by India, and followed by Vietnam and Thailand and other southeast Asian countries which have picked that up.

Many of those are moving rice around the world at heavily subsidized prices, which makes it very difficult to compete. And, again, our transportation infrastructure is one thing that keeps us in the hunt for some of that business, especially the higher valued business.

Mr. DUNCAN. I have gone way over my time and I apologize. You probably didn't notice, but I said in my opening statement that we are facing competition that we never had before because for many,

many years so many other countries were following Socialist and Communist governments and were very weak economically. And now in many countries around the world, even some former Communist countries, they are allowing almost more free enterprise than we are in this country.

Mr. Nadler, any other questions?

Mr. NADLER. No, I have no other questions.

Mr. DUNCAN. Any other questions?

All right. Well, thank you very much. You have been very helpful. If you think of anything, we are looking for specifics to go in this report. We don't have much time left in the time limit that was imposed, the special rule that we are operating under, so if you have some specific suggestion that you think might be helpful to us, then get in touch with us here in the next week or two.

[The information follows:]

INTERNATIONAL PAPER

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October 16, 2013

Chairman John Duncan and Ranking Member Jerrold Nadler
Panel on 21st Century Freight Transportation
House of Representatives Transportation and Infrastructure Committee
2165 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Duncan and Ranking Member Nadler:

Thank you again for providing International Paper Company (IP) the opportunity to present testimony to the Transportation and Infrastructure Committee's Panel on 21st Century Freight Transportation. At the end of the hearing on October 1, the Chairman invited witnesses to get back to the panel with any further specific suggestions. We do have some clarifying, specific suggestions and clarifying additional information.

As outlined in IP's prepared testimony, we (IP) support the Safe and Efficient Transportation Act (SETA), H.R. 612. That bill would allow, but not require, a state to permit a vehicle with a Gross Vehicle Weight (GVW) of up to 97,000 pounds, if equipped with six axles and meeting certain axle weight limits, to operate on the Interstate System in the state. In discussing this issue at the hearing, a question arose regarding the roles of state and federal officials in determining whether a given route on the Interstate System, including bridges on the system, could be utilized by a vehicle of up to 97,000 pounds that met SETA conditions. I briefly noted that there was a form of "joint" authority.

To be more specific, the joint authority that I was referring to is the approach taken under SETA. The Federal limits under 23 USC 127 would continue except as amended by H.R. 612. H.R. 612 would provide a state additional flexibility to allow heavier vehicles that have six axles and meet specified axle weight limits to operate on Interstate Highways (including bridges) within the state. If a state chooses to increase its GVW for the Interstate System within the narrow parameters provided by SETA, USDOT may overrule the state decision. Specifically, section 2 of SETA allows USDOT to terminate the operation of vehicles under SETA on a specific Interstate route segment (including a bridge) upon finding that such operation poses an unreasonable safety risk based on an engineering analysis or analysis of safety or other applicable data. As such, there is both a state and federal role.

I would also like to emphasize that there is plenty of evidence that many bridges on the Interstate System can safely handle trucks weighing above 80,000 GVW. First, of course, the Federal law already allows higher weights with respect to carriage of certain indivisible loads. The Federal law also includes grandfather and other exceptions for many states including New York, which issues tens of thousands of divisible load permits for single-trailer trucks weighing up to 117,000 pounds for operation on Interstate and non-Interstate highways throughout the state, and for double-trailer trucks on the Thruway at even heavier weights.

Vermont was discussed at the hearing and the report that assessed the 2010 Vermont pilot program for higher weight limits on the Interstate System in Vermont noted "negligible impact on Interstate bridges in Vermont" (page 5) and that the change considered by the pilot program "would have a negligible impact to the Vermont Interstate bridges" (page 38). It was also noted that "Pilot trucks would not cause measurable damage to bridge structures and that Vermont's Interstate bridges are capable of supporting the heavier pilot trucks" (page 44). There are similar findings from elsewhere, including Maine and Minnesota.

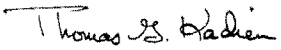
As to pavement, the hearing also included a discussion of pavement damage to Vermont highways from heavier trucks operating under the Federal pilot program allowing Vermont weights higher than generally allowed under 23 USC 127. The study in Vermont noted that the higher "axle" weights increased estimated pavement damage (pages 4 and 44). Under the Vermont pilot that was studied, Vermont weight laws still applied on the Interstate during the pilot program. This included higher per axle weights than set forth in 23 USC 127 or SETA. Under SETA, because of the important addition of the sixth axle, a 97,000 pound GVW vehicle can operate within current Federal axle weight limits. Also, unlike SETA, and as noted at the hearing, the Vermont pilot permitted GVW up to 99,000 pounds. These are important factual differences.

More generally, a study of the literature under National Cooperative Highway Research Program (NCHRP) auspices concluded that "truck weight limits that allow higher GVWs distributed over more axles (e.g., 6 instead of 5 axles) do not necessarily lead to higher pavement costs and can even produce cost savings." Carson, Directory of Significant Truck Size and Weight Research, NCHRP 20-07 Task 303, October 2011 at page 8. For example, a 2009 study commissioned by the Wisconsin Department of Transportation found that authorizing the use of six-axle, 98,000 pound tractor-semitrailers on the state's Interstate System would produce $10.19 million in annual pavement maintenance savings and more than $150 million in overall annual benefits to Wisconsin.

In conclusion, SETA addresses the nation's need for the safe and efficient transportation of goods on Interstate highways. It is self-funding and allows the states to opt in, or not, on all or parts of their Interstate system. It can reduce the number of trucks on the road and save lives, and should receive serious consideration from the Panel.

Thank you again for the opportunity to testify and for the Panel's consideration.

Sincerely,



Thomas G. Kadien
Senior Vice President

Thank you very much. That will conclude this hearing.
[Whereupon, at 3:25 p.m., the panel was adjourned.]

Statement of
Tom Kadien, Senior Vice President
Consumer Packaging, IP Asia and IP India
International Paper Company
Before the Panel on 21st Century Freight Transportation
Committee on Transportation and Infrastructure
United States House of Representatives
October 1, 2013

Chairman Duncan, Ranking Member Nadler, and Members of the Panel:

Good afternoon. I am Tom Kadien and I am the Senior Vice President for International Paper's Consumer Packaging, IP Asia and IP India businesses and I am based in Memphis, Tenn. Thank you for the invitation to speak with you today about how International Paper moves our products around the U.S. and to customers around the globe. It's an important opportunity to share how we believe Congress can play a role in making the movement of U.S. freight more efficient. And we need that efficiency to help preserve and grow the economy in this country.

International Paper is a global leader in packaging and paper with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Our businesses include industrial and consumer packaging and uncoated papers, complemented by xpedx, the company's North American distribution company. The company's net sales for 2012 were $28 billion. We are headquartered in Memphis, Tenn., and employ approximately 70,000 people around the globe. This includes 38,000 employees in the U.S. at more than 300 facilities across 43 states.

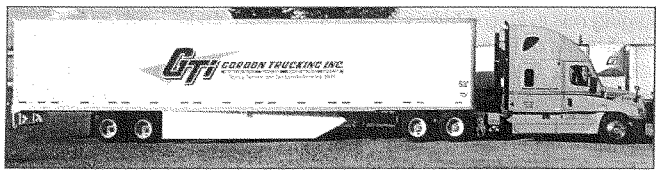
Before I begin, I would like to add that we are pleased to have a presence in the congressional districts of six members of this panel. International Paper operates a containerboard packaging mill in Rep. Mullin's district in Valliant, Okla., and we have container plants in the districts of Reps. Hahn, Webster, Lipinski, and Hanna. International Paper also has a xpedx distribution facility in Chairman Duncan's district in Knoxville, Tenn. Several of you have been to International Paper's facilities and, given that we have a presence in so many states, we invite each of you to visit our plants to see first-hand how we manufacture and move our products to customers.

International Paper is one of the nation's major leaders in freight movement, spending approximately $2 billion annually on logistics. When it comes to meeting our customers' needs and to finding efficiencies in our supply chain to be competitive in a global economy, International Paper knows that there are ways to make U.S. freight transportation more efficient without any adverse impact on safety. The safety of our employees is our top priority and moving products from our facilities to our customers is no different. This panel has the important role of putting those ideas on paper and making recommendations to the House Transportation & Infrastructure Committee.

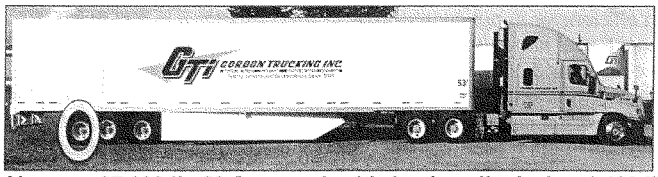
Today I will speak about two efficiency and competitiveness issues: the need for Congress to act on the Safe and Efficient Transportation Act, to make 53-foot trucks more efficient and productive, and to also support the needs of our nation's ports to be globally competitive.

I want to be clear that although I will not touch on rail issues today, International Paper is also a significant user of rail and moving our products by rail remains a critical part of our supply chain. International Paper is the rail industry's largest U.S. box car customer, shipping more than 140,000 carloads by rail in 2012. We are also the third largest waterborne exporter of containers from U.S. ports by volume. In 2012, International Paper shipped more than 2 million tons in containers equating to 160,000 TEU's – the standard maritime industry measurement for containers – as well as over 1 million tons of breakbulk cargo from U.S. ports. Trucking is also critical for International Paper. We sent products from our U.S. facilities to customers over more than 155,000,000 miles by truck in 2012.

While we are a significant player in all of these transportation modes, International Paper has identified an opportunity to increase trucking efficiency by 20% for 300,000 of our trucks trips each year while still maintaining safety standards. International Paper strongly supports the Safe and Efficient Transportation Act (SETA), HR 612, by Reps. Mike Michaud (D-ME) and Reid Ribble (R-WI), which allows each state to permit six-axle trucks loaded to weights of up to 97,000 pounds to operate on the state's Interstate Highway system. SETA doesn't mandate the use of these trucks. It merely gives each state the option to allow them on some or all of their Interstate highways, which, in turn, enables increased productivity in a safe and environmentally responsible way. The results of SETA would be good for the American economy and our global competitiveness. It will allow a vast number of manufacturers that must ship heavier products to make a portion of their truck shipments more efficient.



Above: 80,000 lb. 53-foot truck with 5 axles, displacing 4,444 lbs. per tire.



Above: a 97,000 lb. 53-foot truck with 6 axles, displacing 4,409 lbs. per tire.
Source: Coalition for Transportation Productivity

Paper is heavy. For International Paper, allowing trucks to carry the increased weight of 97,000 lbs. with the sixth axle would give us the opportunity to be more efficient because we could fully load our trucks, which currently weigh out before cubing out at the 80,000 lb 5-axle weight limit. These trucks currently have 8 to 10 feet of empty space in the trailer when leaving our mills and therefore we require extra trucks to carry our products. With implementation of SETA in a particular state, IP would need four trucks instead of five to carry the same amount of product.

Let me give an example for International Paper's Valliant, Okla. Mill, in Rep. Mullin's district. If Oklahoma DOT decided to opt-in to SETA, the Valliant mill could reduce their truck trips by 5,398 trucks (20%) annually simply by fully loading its trucks. This equates to a reduction in vehicle miles traveled by 1,851,514 miles and a reduction of C02 emissions by 6,800,000 lbs. annually.

Let me be clear. International Paper is not advocating for SETA with any plans to shift our rail freight shipments to truck. Selecting the best mode to carry our products involves a supply chain analysis which focuses on timelines, price and distance to the customer. Our average rail shipment from our mills is over 800 miles, while our average truck shipment from the mills is approximately 400 miles. We plan to continue using rail at our current level and, again, let me reiterate that we are the rail road industry's largest box car customer. We simply want to make the trucking component of our supply chain more efficient. This is one tool to help us compete in world markets and help grow the U.S. economy.

Getting back to our Valliant mill example: Although our Valliant Mill could reduce its truck shipments by more than 5,300 annually with the implementation of SETA, we would still need the same amount of rail cars to service the mill—which is more than 15,700 rail cars annually. In fact, rail carries double the tonnage from International Paper's Valliant mill than trucks, and rail is an important supply chain partner at that mill.

Importantly, we are willing to pay more to carry the heavier weight. Under SETA, a truck operating on the Interstate with the heavier weight pursuant to SETA will also pay a higher annual heavy vehicle user fee -- $800 compared to the current $550 fee. That fee will go into the Highway Trust Fund.

Safety remains a top priority. At 60 mph, an 80,000 lb. 5-axle truck can stop within one foot of a 97,000 lb. 6-axle truck.

Truck Weight (lbs.)	Stopping Distance from 60 mph (in feet)	
	5-axle	6-axle
80,000	240	191
90,000	271	220
97,000	295	241

Source: Paul Johnson, Independent Consultant, Former Senior Director Of Engineering, Meritor WABCO

Allowing more productive truck weights and adding an axle is not a new concept. At least 15 U.S. states already allow trucks weighing up to or beyond 97,000 pounds to travel on Interstate highways under certain conditions, with some of those weights allowed on five-axle trucks. Allowing heavier loads to move on safer and more appropriate six-axle trucks will give states the ability to optimize road networks, while allowing trucks to incorporate safer Interstate highways into their routes. Six-axle trucks with weights equal to or more than those allowed by SETA are in wide use by our global competitors in Canada, Europe, Asia and Australia. Heavier trucks are supported by a wide body of research from state, federal, international and academic institutions.

As you know, the U.S. Department of Transportation (DOT) is in the midst of an 18-month Truck Size & Weight Study. We are confident that the team at DOT is developing a balanced report and will come to the conclusion that the 97,000 lb. 6-axle SETA proposal will support other previous positive safety research on this topic. This configuration has been well studied and documented over time and has demonstrated safety benefits in the states and countries where it is already in operation. Safety is in our company's DNA and we proudly support SETA here today.

For all these reasons we ask this panel to include SETA in your recommendations to the full committee. We also encourage member support for the ongoing U.S. DOT Truck Size & Weight Study and ask that it be completed without delay. We believe that, when the time comes to pass the next highway and surface transportation authorization bill, the record will continue to be clear that SETA should be included. The time to act on sensible and safe truck weight reform is now.

When it comes to exporting our products made proudly in the U.S., International Paper exported 23 percent of what we manufactured in the U.S. in 2012 to customers around the globe. While the majority of our exports are primarily containerboard that provide our global customers with boxes for their products, our pulp exports are also expanding to meet growing global demand for diapers and other related products.

It is essential to International Paper's logistics operations that our nation's ports and infrastructure are highly efficient and prepared to handle the larger vessels coming

through the Panama Canal when the expansion is complete in 2015. We urge this panel to support harbor dredging projects at U.S. ports to improve their competitiveness and keep American exports viable in relation to their global competition.

For example, International Paper ships 70 percent of our exports out of the Ports of Charleston, South Carolina and Savannah, Georgia. Both ports are working tirelessly to move forward on projects that will increase their harbor depths to handle the larger vessels, which will ensure their global competitiveness and improve the flow of American goods to global customers. If the Ports of Charleston and Savannah cannot handle the larger ships in 2015, International Paper we will be forced to redirect our exports to other U.S. ports that can accommodate the larger ships, or sharply reduce our exports. That would be counterproductive to current national efforts to grow U.S. exports and wreak havoc on our company's business plans and logistical operations. If we are forced to identify new ports because Charleston or Savannah cannot receive the larger ships, International Paper would potentially have to export this tonnage out of Norfolk, Virginia or Miami, Florida. You can appreciate the additional miles that our products would have to travel by truck and rail to get to those ports. Every extra mile raises our costs, which hurts our global competitiveness, and adds to the strain on our nation's infrastructure. It is more cost effective and efficient to export from the ports that are close to our mils in the Southeast.

Implementation of both of these port projects is important not just for International Paper, but also critical for the health of the U.S. economy and the nation's movement of goods. We understand that the total economic impact of Georgia's deepwater ports is $67 billion, plus $4.5 billion in federal taxes. According to a South Carolina State Ports Authority Economic Impact Study report, the Port of Charleston facilitates over $44.8 billion in total economic output, annually, of which $11.8 billion is paid in wages to 260,800 employees in South Carolina.

I urge the Freight Movement Panel to support the funding of these types of critical harbor deepening projects so that they can be turned into realities. It was helpful to have Vice President Joe Biden visit the Ports of Savannah and Charleston in September to underscore the Administration's commitment to these specific projects. International Paper also supports the committee's recently-passed Water Resources & Reform Development Act's provisions supporting the Savannah Harbor Expansion Project (HR 3080, Section 401, Final Feasibility Studies) and the Harbor Maintenance Trust Fund provisions to ensure that the Fund's current revenues are directed toward their intended purposes. We believe that harbor deepening is a critical investment in the nation's ports and will benefit all Americans by expediting the movement of goods across the country. The completion of the Panama Canal's expansion in 2015 is coming quickly and America's ability to compete is at stake.

Thank you again for inviting me to participate in today's panel. I look forward to answering any questions.

Statement of

F. Edmond Johnston, III
Transportation Policy Leader
DuPont

Before the

United States House of Representatives
Committee on Transportation and Infrastructure

"Panel on 21st Century Freight Transportation"

October 1, 2013

Good afternoon Chairman Duncan and Ranking Member Nadler. My name is Eddie Johnston. I have worked for DuPont for 33 years, the first eight in the Chairman's home state of Tennessee, where two of my children were born. I am pleased to testify on behalf of DuPont, a leading science company, and as a member of the American Chemistry Council, a trade association representing America's leading chemical companies. As transportation policy leader for DuPont, I work with other stakeholders to analyze and develop policy recommendations to improve the safety, reliability and cost-effectiveness of freight transportation. I serve on ACC's Executive Rail Group. I appreciate the opportunity to appear before you today.

As I will detail in my testimony, the chemical industry is a major user of our Nation's freight system and is one of the largest customers for many modes of transportation including rail, truck and barge transport. The industry ships a wide range of materials from plastic pellets to commodity chemicals that are used to produce more than 96% of all manufactured goods. I would like to thank this committee for recognizing the industry as an important transportation stakeholder.

There are three issues that are critical to the economic health and safety of our industry:

- Infrastructure Funding
- Reauthorization of the Hazardous Materials Transportation Act
- Rail Policy Reform

Meeting the Needs of the Nation

DuPont is a science company working to find solutions to some of the world's biggest challenges, making lives better, safer, and healthier for people everywhere. We have been bringing market driven science and engineering to the global marketplace in the form of innovative products, materials, and services since 1802. The company serves markets as diverse as agriculture, electronics, automotive, aerospace and defense. For example, in agriculture, DuPont Pioneer is a leading developer of advanced plant genetics providing high quality seeds to farmers around the world. Currently, DuPont is building a commercial next generation cellulosic ethanol facility in Iowa that will produce 30 million gallons per year. This facility and others like it are creating rural jobs, additional income for farmers, and improving national security through homegrown energy development.

While we are a global company, we operate more than 70 manufacturing facilities in the United States and employ tens of thousands of Americans, while purchasing approximately $550 million in transportation services each year. Chemistry is one of the many sciences that we utilize. As a company devoted to safety we are proud to have recently won a safe shipper award from one of our major rail carriers.

More broadly, ACC represents the nation's leading companies in the business of chemistry, a $770 billion industry and one of America's most significant manufacturing industries. It is one of the largest exporting sectors in the United States, accounting for 12 percent of U.S. exports. Chemistry companies are also among the largest investors in research and development and employ nearly 800,000 Americans paying average annual salaries of $84,700.

Similar to our transportation partners, the chemical industry invests heavily in capital improvement and expansion. In 2012, the chemical industry spent over $38 billion of private capital on investments in structures and equipment, and we expect that number to continue to grow in the coming years, especially if we can put the right policies in place that will nurture growth in U.S. manufacturing.

While it's clear that DuPont and all of ACC's members make an important contribution to the economy, we also serve an important role for other producers and in virtually every aspect of the daily lives of most Americans.

The Nation depends on the chemical industry every day for the building blocks that are necessary for safe drinking water, life-saving medications and medical devices, and a safe and plentiful food supply.

To meet this constant demand, the business of chemistry shipped about 847 million tons of chemical products in 2012 by a variety of modes. And, freight rail is an important part of that equation for the industry. Chemical producers are the second largest customer of the nation's freight rail system and rely on railroads to deliver chemicals efficiently and safely to where they are needed – from water treatment plants to farms and factories.

Infrastructure Funding

American families enjoy the necessities and luxuries of life only to the extent that goods move safely and reliably over the Nation's transportation infrastructure. Much of our transportation infrastructure is old and requires attention. Highways, bridges, ports, locks and dams are in need of repair, improvement or replacement. This includes dredging to maintain the use of ports and navigable waterways to keep these vital routes open for business.

For example, the Mississippi River is a critical national transportation artery, on which hundreds of millions of tons of essential commodities are shipped, such as corn, wheat, oilseeds, coal, petroleum and chemicals. The historic low-water levels of the Mississippi River last year jeopardized the shipment of these essential goods threatening to disrupt manufacturing industries and power generation and put thousands of jobs at risk. This potential crisis demonstrated the important role of the U.S. Army Corps of Engineers in keeping goods flowing through our waterways.

We want to thank Chairman Shuster, the Ranking Member, Mr. Rahall and all the members of this committee and their staff for addressing key transportation issues

including the recent passage of the Water Resources Reform and Development Act (WRRDA). This legislation is critical to the competitiveness of manufacturers throughout the U.S. and will ensure continued investment in our 12,000 miles of inland and coastal waterways. This is a step in the right direction and we urge the Committee to consider similar initiatives to benefit other modes of freight transportation. We appreciate that we operate in an era of tight budgets with competing priorities but believe that a robust and reliable transportation infrastructure is the cornerstone to a healthy and competitive U.S. economy.

Hazmat Transportation

A small but important segment of chemical shipments involve hazardous materials. The Department of Transportation recently recognized the irreplaceable nature of these shipments stating that these materials "are essential to the economy and national health, [and] rail movement of these materials is extremely safe."

DuPont and ACC member companies are committed to pursuing safety enhancements for every aspect of the transportation process through the industry's Responsible Care® initiative. Responsible Care is the chemical industry's world-class environmental, health, safety and security performance initiative. Working with our transportation partners, we have invested billions of dollars in training, technology, and tank car safety, and we will continue to do so in the future.

ACC and its member companies also have worked hard to establish a strong and successful partnership with the emergency response community. For example, ACC members, together with the railroads and other stakeholders, developed TRANSCAER®, a voluntary national training effort that helps communities prepare for and respond to possible hazardous material transportation incidents.

Emergency responders also have access to a wide variety of experts through ACC's CHEMTREC® (Chemical Transportation Emergency Center) service. When an incident does take place, responders can contact CHEMTREC's state-of-the-art, 24/7 emergency center to determine the best way to handle a wide range of chemicals and other hazardous materials.

Beyond industry efforts, we understand that the Federal Government has and must continue to play a central role when it comes to ensuring the safe transportation of hazardous materials.

With the Hazardous Materials Transportation Act (HMTA), Congress wisely established a comprehensive national regulatory system for essential hazardous materials transportation which is administered by the Department of Transportation. The goal of this system is not to prevent the movement of chemicals and other hazardous materials but to ensure these essential products are delivered safely, securely and reliably.

HMTA has worked well in making the transportation of chemicals and other hazardous materials throughout the country safe for the public, workers and emergency responders. I would like to thank the Committee for recognizing the success of HMTA and reauthorizing the program in MAP-21 last year. With its renewal just around the corner, I would like to ask for your continued support of this important program.

The U.S. needs a safe and reliable system of hazardous material transportation governed by uniform national rules. That is the system we have today. The challenge going forward, for both the private and public sectors, is to ensure all stakeholders work together to pursue initiatives with the greatest potential for ensuring this system continuously improves. We must be sure to take a comprehensive approach for enhancing safety that starts with accident prevention and extends to accident mitigation and response.

Rail Policy Reform

Today we are experiencing a renaissance in American manufacturing that is bringing investment and jobs back to our country. In 2011, DuPont made a $500 million investment in our Cooper River facility in Charleston, SC. The Cooper River site produces Kevlar© fiber which is used to manufacture body armor for the military as well as for law enforcement. As part of that expansion, our rail traffic has more than doubled.

In addition, the development of shale gas is supplying abundant supplies of natural gas and liquid hydrocarbons used to make chemicals and plastics, changing the attractiveness of chemical manufacturing in this country. The chemical industry has already announced 127 projects that will invest $85 billion and add 318,000 American jobs by 2025. A cost effective rail transportation system that enables American manufacturers to compete in a global marketplace is essential to realizing the full potential of this opportunity to once again grow our Nation's manufacturing capability.

Since the last major railroad reform legislation passed by Congress, the Staggers Rail Act of 1980, a series of mergers reduced the number of Class I railroads from 26 to just seven by 2001. With drastically reduced competition, railroad rates have jumped 76 percent over the last decade—nearly three times the rate of inflation. In 2012, the chemical industry paid over $9 billion in rail transportation costs and has seen rapid increases in rail rates. Between 2005 and 2010, the premium paid by chemical and plastics shippers for high rail rates increased by 77 percent despite the concurrent recession, according to a recent study conducted on behalf of ACC. This premium was calculated by examining rail rates that exceed 180 percent of the railroad's variable cost, an important threshold allowing potential rate challenges before the Surface Transportation Board (STB).

A recent survey has shown that rail issues factor heavily into domestic investment decisions and have already had an impact on moving forward with investments. In fact, more than a quarter of ACC members report that rail transportation issues have hindered their own domestic investments.

When the Staggers Act was passed and the STB was first created, policymakers were looking to address whether a viable rail system could survive. There is no doubt that question has been addressed. The full health of the railroads has been restored and the vibrancy of the rail network has never been better.

However, despite dramatic changes and consolidation in the rail industry, the STB has not been reauthorized since its inception in 1995 and it has maintained policies that restrict rail-to-rail competition. It is time to re-examine decades old policy with the needs of the 21st Century in view. Policymakers are now faced with a new question – will current freight rail trends be able to foster growth and allow domestic producers to compete in a global marketplace?

ACC and its members believe this question can be resolved through sound and balanced reforms to modernize STB policies that will encourage competition and free market principles. Such reforms should be designed to make STB processes more efficient and effective for resolving rate disputes between shippers and railroads, and should not "reregulate" the industry. To the contrary, the reforms DuPont and ACC support would result in reduced need for regulatory oversight of the industry by allowing the market to work.

More importantly, Congress and the STB should look for ways to promote competition in the freight rail industry. We believe that greater competition between railroads would help ensure that commodities, including chemical products, can be shipped efficiently to both domestic and international markets. We further believe that market-based competition can lead to greater innovation and improvements in rail service, as it does throughout other sectors of the U.S. economy.

We believe these reforms will help fulfill the original mission of the Staggers Act: to ensure an economically strong rail industry, to promote economic growth and investment in the United States, and to reduce the need for government regulation.

Forging a Partnership

Because the safety of all modes of transportation is an imperative, DuPont along with other ACC member companies look forward to continuing to work with this Panel as it makes recommendations for policies that will enhance the Nation's freight infrastructure. In particular, as one of the largest customers of freight rail service, we want to work in a constructive manner to update federal regulatory policies that will allow greater access to competitive rail service. By working together we can promote safe and sustainable domestic growth for our industry well into the 21st century.

In this regard, we respectfully request that the Panel consider the following recommendations:

- Congress should adequately fund maintenance and improvement of all modes that make up our Nation's transportation infrastructure;
- Congress should reauthorize the Hazardous Materials Transportation Act to sustain the safe and reliable transportation of materials essential to our economy; and
- Congress should reform Federal rail policy to promote greater access to rail competition and improve the efficiency and effectiveness of the Surface Transportation Board.

I thank the panel again for this opportunity to testify and look forward to answering any questions you may have.

House Transportation & Infrastructure Committee
Panel on 21st Century Freight Transportation
Testimony of Rob Roberson
Nucor Corporation
Oct. 1, 2013

Chairman Duncan and Ranking Member Nadler, thank you for the opportunity to testify before you today. I am Rob Roberson, Materials and Logistics Manager for Nucor Steel Berkeley – a division of Nucor Corporation.

Nucor Corporation is the nation's largest steel manufacturer and recycler, operating 23 scrap-based steel mills. Nucor has the capacity to produce more than 27 million tons of steel annually. Last year, the company recycled more than 19 million tons of scrap steel. Nucor also has several wholly-owned subsidiaries including Harris Steel, The David J. Joseph Company, and Skyline Steel. Together, we are a company of over 22,000 teammates, primarily in the U.S. and Canada.

The freight transportation system is vitally important to Nucor's success. We rely on water, rail, and truck transportation to move millions of tons of scrap steel and other raw materials to our steel mills and finished products to market. For this reason, disruptions in the freight transportation system can have significant negative economic impacts on our business.

Waterways play a particularly important role for a number of Nucor Divisions. We have several steel mills located on rivers and some of these mills bring in more than 90

percent of their raw materials by river. Nucor's scrap steel business – The David J. Joseph Company – transports approximately 3,500 scrap barges per year.

When assessing our waterways system, we believe that more frequent maintenance dredging is needed to maintain adequate drafts. Unfortunately, inadequate draft levels are becoming an all too common occurrence. For every one inch decrease in draft, you lose 17 tons of cargo on a barge. This forces companies like ours to use more costly alternatives.

Barges are a safe, efficient, environmentally friendly and cost-effective way to move goods. Each barge moves 1500 to 1700 net tons of cargo, compared to 80 to 100 tons for railcars and 20 to 22 tons for trucks.

Considering the importance of our waterways system, we are encouraged to see both houses in Congress advancing the Water Resources Development Act. Nucor supports this legislation, particularly dedicating more revenue in the Harbor Maintenance Trust Fund for the purpose of maintaining our federal navigation channels. We hope that Congress will also strengthen revenues for the Inland Waterways Trust Fund to make necessary investments in this critical component of our U.S. supply chain by advancing the industry-supported user fee increase.

Like our waterways, our roads and bridges are in serious need of investments. The interstate highway system built after World War II is aging and we need a new, long-

term commitment to invest in our roads and bridges. The gas tax is not providing adequate revenue to further this goal. We need to look for new alternatives, including more public-private partnerships. Also, enacting legislation giving states the option to increase the weight of six-axle trucks operating on select federal interstates, would allow more cargo to be moved safely and efficiently over our nation's roadways.

With regard to our nation's rail system, the biggest challenge that we face is that we are served by a single major railroad. Several Nucor facilities are "captive" shippers in that they pay a premium to move their products because of the lack of rail competition. In recent years, the rail industry has seen significant private investment. However, these investments are often passed onto the rail industry's customer base, resulting in higher premiums and costs for captive shippers who are still without the ability to choose which rail carrier they use. We cannot pass these increased costs onto our customers. We have to absorb them because we compete in a steel market that is being flooded with illegally subsidized foreign products that are often already sold below cost. While it is true that we have the ability to use less costly modes of transportation, it is not always feasible logistically. Given these circumstances, we support action to address the need for more competition for rail service in many parts of the country.

The creation of this special panel acknowledges that our freight infrastructure works collectively as one system. We cannot look at each in isolation. Businesses across the country rely on all modes of transportation operating together to get products to market.

Keeping American businesses globally competitive requires investment in this entire system.

Businesses succeed when there is certainty. We can create certainty by providing the proper funding for maintenance and much needed upgrades. We must also streamline the permitting system so projects do not drag on for years in endless reviews. For example, we support legislation that would exempt routine highway safety and transportation upgrades that already exist within the current right-of-ways from costly federal permitting requirements.

As the National Association of Manufacturers recently noted, manufacturing produces 12 percent of America's GDP, but the U.S. is only investing about 1.7% of our GDP in infrastructure. Many of the countries we compete against are investing between 5 to 10 percent of GDP in their infrastructure. In short, others are modernizing while we struggle to maintain a failing system that is decades old. However, with the proper investment and governance, we can give American businesses the tools they need to remain globally competitive.

Thank you.

Statement Before
Panel on 21st Century Freight Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives
By
Bill J. Reed
Vice President, Public Affairs
Riceland Foods, Inc.
October 1, 2013

Thank you, Mr. Chairman. I am Bill Reed, vice president for public affairs of Riceland Foods, a cooperative of family farmers, headquartered in Stuttgart, Arkansas.

I appreciate this opportunity to appear before this Panel on 21st Century Freight Transportation to offer some of our perspectives related to our nation's freight transportation system.

To put my remarks into context, U.S. rice is produced in three primary areas—California, the Texas-Louisiana Gulf Coast and the Mid-South which includes Eastern Arkansas, the Missouri Boot Heel, Northeast Louisiana and Northwest Mississippi.

About half of the nation's rice crop is produced in the Mid-South. On average, Mid-South farmers plant about 1.5 million acres to rice each year and produce around 240 million bushels, or 10.8 billion pounds, of rough rice with the hull intact.

Rice farming came to the region in the early 1900s. After struggling to find a viable market for their crop, a group of farmers met in Stuttgart, Arkansas, in 1921. They decided to form a cooperative to market the rice they produced. Today, Riceland farmer-members number about 6,000 and account for about half of the rice produced in the Mid-South.

Each fall, Riceland members harvest their crops and deliver them to local grain elevators. There the crops are dried and stored until transported to processing facilities.

Riceland is the largest miller and marketer of rice. Our farmers also produce soybeans, and many grow corn and winter wheat which are marketed by the cooperative. In total, we market annually 100 to 125 million bushels of grain.

Our rice products are sold across the country in retail, foodservice, and club stores. Rice ingredient products are marketed to many of the nation's blue-chip food companies.

Exports are an important part of the total business. We normally export a quarter to a third of our total rice marketings to some 50 foreign destinations.

As a direct exporter of rice, we sell to buyers in importing countries. Our staff is well schooled in the details of everyday management of logistics. They have to be to move our products from the Mid-South to customers in the Caribbean, Central America, Europe, the Middle East and Africa.

Besides our rice business, we crush soybeans grown by our farmer-members to produce high protein soybean meal for the region's poultry and aquaculture industries. We refine crude vegetable oils to produce a line of frying and cooking oils for foodservice and ingredient customers.

Soybeans in excess of our crush capacity generally are sold down the Mississippi River and into export markets. We do not process wheat or corn, but sell them to feed mills or to the export market.

Transportation is a key part of what we do every day as we move to market the products and grains our farmers produce. In our most recent fiscal year, completed July 31, our transportation team accounted for moving more than nine billion pounds of products, supplies and commodities. That does not include transportation of the seed, fertilizer, equipment and other inputs required for our farmers to grow their crops.

The largest share of our freight is transported on highways. Last year we accounted for nearly 140,000 truck and intermodal shipments in the domestic market for which we pay the freight or handle the logistics.

We counted 6,300 rail shipments; well over a thousand export containers and break bulk loads; and more than 200 river barge loads of products.

With the nation's focus on a fresh, safe food supply and just-in-time manufacturing and shipping, it is imperative that products move within a narrow time frame. To accomplish this economically requires a reliable and efficient transportation system.

I know members of the Committee and this panel are aware of the challenge of maintaining our highway system. When the Interstate system was planned and constructed, no one imagined it would carry the volume of traffic handled today. Maintaining our highways is a never-ending job.

A couple of weeks ago, Arkansas Highway Director Scott Bennett met with members of the Highways and Transit Subcommittee to discuss the state's initiatives to improve our Interstates and state highways.

In 2011, Arkansas voters renewed a $575 million bond program for Interstate improvements. Then in 2012, voters approved a temporary half-cent sales tax to fund a $1.8 billion bond issue to improve state highways over 10 years. Our citizens supported these initiatives because we know we must have highways to keep our economy going.

Of course, these programs are not enough. The day before Director Bennett met with Subcommittee members, it was reported that 156 bridges in Arkansas were found structurally deficient and in need of rehabilitation or replacement. Many of those bridges are in rural areas of East Arkansas where Riceland farmers grow food. As a state and nation, we must find a way to maintain and expand our highway system.

At one time, much of the grain from our country elevators was transported by rail car to processing facilities. In fact, the grain elevators were built in the 1940s and 1950s along rail lines for that purpose.

Today, the railroads focus on long hauls. They do a good job for us as we ship railcar loads of rice products to markets all across the country. We also use unit trains to efficiently ship grain to Mexico.

River transportation is critical to our export business. Our New Madrid, Missouri, rice mill is a shipper's dream. It is located on a rail line, it is one mile from Interstate 55 between Memphis and St. Louis, and it is in the New Madrid Port on the Mississippi River. We can mill rice and convey it directly to a barge to move down the River.

In 2011, however, floodwaters on the Mississippi made it impossible to load barges. In fact, water was within a foot of the entire facility.

In 2012 and again this year, it's a different story. Silt naturally flows into the harbor and displaces water. As the water level falls, we can load less rice in a barge. The port looks more like a mud puddle now. Due to a shortage of funds, the New Madrid harbor is not scheduled to be dredged this year.

Instead of having to deal with the problem for a couple of months during this current low water period, our manager expects to struggle with it all next summer with potentially four to six more feet of silt in the harbor. Given this scenario, there would be only five feet of water in the harbor at current river levels which will remove practically all of the economic benefits of using the facility for bulk barge shipments.

I have one more example of the importance of the river transportation system.

As corn harvest began in early August last year, we had planned to truck corn produced in the Southeast corner of Arkansas to the Port of Yellow Bend on the Mississippi River.

Thirty, 18-wheelers carrying the corn were scheduled to unload at the Port with the grain going directly into barges. Then we learned that silt had filled the harbor and the dredge was heading from up river at Rosedale, Mississippi, to Lake Providence, Louisiana, without stopping at Yellow Bend, Arkansas.

We calculated that the expense of building temporary storage for the corn and forfeiting sales contracts would cost Riceland farmers at least $1 million. As many as 200 farm families would be negatively impacted and the public port of Yellow Bend would lose the jobs of 15 employees and approximately $500,000 in revenue.

Thanks to the good work of Congressman Rick Crawford and Senators John Boozman and David Pryor, the Army Corps of Engineers redirected the dredge to Yellow Bend. In just a few days, the harbor was opened, and corn barges were being filled.

I present these examples, Mr. Chairman, to illustrate the importance of keeping all segments of our transportation system—highways, railroads and rivers—operating in an efficient and effective manner. The U.S. transportation system is critical to the competitive advantage we have in moving agricultural and food products across the country and around the world.

We must continue to invest in the transportation infrastructure, not just because of the impact it has on rice farmers in the Mid-South, but for the economic impact it makes on the entire country.

I thank the panel for your work on this important issue.

Office of the President
Edward R. Hamberger
President and Chief Executive Officer

October 16, 2013

The Honorable Jimmy Duncan
Chairman
Panel on 21st Century Freight Transportation
Committee on Transportation and Infrastructure
2167 Rayburn House Office Building
House of Representatives
Washington, DC 20515

Dear Chairman Duncan:

On behalf of the freight rail members of the Association of American Railroads (AAR), I am writing to request the inclusion of these written comments in the record of the October 1, 2013 hearing of the Panel on 21st Century Freight Transportation entitled, *"Perspectives from Users of the Nation's Freight System."*

Critical Importance of a World Class Freight Transportation System

The background memo prepared by Committee staff stated that the U.S. economy "rel[ies] intrinsically on a highly functioning, efficient, and safe freight transportation network. For manufacturing and agriculture businesses to be successful and remain competitive with international competitors, we must maintain and improve our infrastructure to keep pace with growth in these sectors."

AAR wholeheartedly agrees. In addition, we would note that all four witnesses who testified at the hearing emphasized the vital importance of a safe and efficient freight transportation system to their businesses.

Tom Kadien of International Paper said, "[M]oving our products by rail remains a critical part of our supply chain. International Paper is the rail industry's largest U.S. box car customer, shipping more than 140,000 carloads by rail in 2012."

F. Edmond Johnston, III of DuPont stated, "Chemical producers are the second largest customer of the nation's freight rail system and rely on railroads to deliver chemicals

efficiently and safely to where they are needed...American families enjoy the necessities and luxuries of life only to the extent that goods move safely and reliably over the nation's transportation infrastructure."

William Roberson of Nucor Steel said, "The freight transportation system is vitally important to Nucor's success. We rely on water, rail, and truck transportation to move millions of tons of scrap steel and other raw materials to our steel mills and finished products to market....[D]isruptions in the freight transportation system can have significant negative economic impacts on our business."

Bill J. Reed of Riceland Foods stated, "[I]t is imperative that [our] products move within a narrow time frame. To accomplish this economically requires a reliable and efficient transportation system."

These four witnesses are hardly alone. Another pertinent example is found in a recent study entitled *"Agriculture and Railroads: Maintaining a Track Record of Success."* The study, which was commissioned by the Soy Transportation Coalition, stated:

> U.S. freight railroads are essential to the viability and profitability of the U.S. soybean industry. Most of the leading soybean producing states – even those with river access – significantly depend on the rail industry to satisfy customer demands. As more soybean production occurs in western states and as export terminals at Pacific Northwest ports increasingly position themselves to address growing demand from Asia, the dependence on rail will likely become more pronounced.

Overview

Our nation's freight railroads do a remarkable job in meeting the needs of an extremely diverse set of shippers. On any given day, hundreds of thousands of rail cars are moving to and from thousands of origins and destinations. The vast majority of these shipments arrive on time, in good condition, with reasonable levels of service, and at rates which shippers elsewhere in the world envy. Today, America has the safest, most efficient and cost-effective freight railroad industry in the world.

Toward this end, policymakers should retain the existing balanced regulatory structure at the Surface Transportation Board (STB) that protects rail shippers against anticompetitive railroad conduct and unreasonable railroad pricing while allowing railroads to determine the most efficient routes to use and what services to offer, and to set prices that reflect the marketplace.

Of related importance in maintaining a world class freight rail system, AAR believes that policymakers should fully consider the impacts and costs of operating heavier trucks on the nation's highways and bridges before considering any changes to those limits. Premature congressional support for trucks weighing as much as 97,000 pounds holds the potential to exacerbate damage to our roads and bridges, while diverting freight cargo away from railroads and adding to highway congestion and pollution. Most

importantly, increasing truck weights without a commensurate increase in highway user fees would place railroads, which are investing record levels of private capital into their networks, at a competitive disadvantage.

AAR Perspective on the Need for Balanced Regulation

Today's balanced regulations work extremely well — for railroads, their customers, and the country at large. After decades of decline, attributable in large measure to over-regulation for much of the 20th century, enactment of the Staggers Rail Act of 1980 ushered in a new era. By passing Staggers, Congress recognized that America's freight railroads — the vast majority of which are private companies that operate on infrastructure that they own, build, maintain, and pay for themselves — face intense competition for most of their traffic, but excessive regulation had prevented them from competing effectively. To survive, railroads needed a common-sense regulatory system that would allow them to act like most other businesses in terms of managing their assets and pricing their services.

The Staggers Rail Act has been a tremendous success. Since it passed into law, average rail rates have fallen 42 percent, railroads are far safer than ever before, rail traffic volume has nearly doubled, and railroads have reinvested $525 billion — in private funds, not government money — growing and modernizing this country's rail network. That's more than 40 cents out of every rail revenue dollar.

Indeed, railroads have heeded President Obama's call for U.S. companies to "get off the sidelines and invest." In 2012 alone, the Class I railroads invested a record $25.5 billion back into a world class rail network that keeps our economy moving. Railroads are projecting similar investment levels in 2013.

As America's economy grows, the need to move more people and goods will grow too. Recent forecasts reported by the Federal Highway Administration found that total U.S. freight shipments will rise from an estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040 — a 62 percent increase. Railroads are getting ready today to meet this challenge. They will continue to reinvest huge amounts back into their systems, but if the United States is to have the optimal amount of rail capacity for the nation's economy, keeping reasonable regulations must be part of the mix.

At a time when the pressure to reduce government spending on just about everything — including transportation infrastructure — is enormous, it would make no sense to enact public policies that discourage private investment in rail infrastructure that boost our economy and enhance our competitiveness. Punitive regulatory changes at the STB would have the effect of reducing railroad earnings and cutting return on investment, leading to disinvestment in the railroads' networks, reduced capacity and less reliable service. In the end, these changes would cause the rail sector to either shrink or to seek government subsidies.

The huge public benefits associated with moving more freight by rail are clear. Because railroads, on average, are four times more fuel efficient than trucks, less fuel is

consumed. Reduced fuel consumption means less pollution. And because a single train can carry the freight of several hundred trucks, carrying freight by rail means less congestion on the nation's highways and fewer public dollars needed to build and maintain those highways.

Preemptive Attack on Study of Impacts and Costs of Heavier Trucks

Notwithstanding the critical importance of a world class freight rail system to its business, one witness at the hearing testified in favor of preempting a congressionally required study of the impacts and costs of operating heavier trucks on the nation's highways and bridges.

In particular, Mr. Kadien called upon the Panel to include a recommendation raising truck weights to 97,000 pounds in its upcoming report to the full House Committee on Transportation and Infrastructure.

AAR Perspective on Truck Weight Issues

The International Paper proposal would increase maximum truck weights by more than 20 percent. Doing so would likely cause far more damage to our nation's already over-burdened roads and bridges.

As it is, the fuel and other taxes and fees devoted to highway construction and maintenance that heavy trucks pay fail to cover the costs of the highway damage caused by trucks. Previous studies have found that trucks only pay for about 80 percent of the damage they cause to our highways. The shortfall — estimated at $2 billion or more per year — has to be covered by other taxpayers. Allowing heavier trucks on our highways would make this disparity even more egregious and force taxpayers to reach even deeper into their pockets.

The massive economic toll of heavier trucks would likely extend to communities and commerce as well. Roads and bridges are built to sustain existing vehicle weights, and many are crumbling — even under current circumstances. One in every four U.S. bridges is already structurally deficient or functionally obsolete, according to the Federal Highway Administration. Repairing these structures would cost nearly $200 billion, without accounting for the added extensive damage brought on by even heavier trucks. The additional cost of repairing bridge damage caused by raising truck weights to 97,000 pounds could be as much as $65 billion, according to the Department of Transportation.

Raising truck weights to 97,000 pounds could also result in eight million additional truckloads on U.S. highways, academic studies show. Our roads — key arteries of our national infrastructure — cannot weather this sort of damage.

Another aspect that should not be overlooked is the potential for increased truck weight limits to financially cripple many of the over 500 short line freight railroads across our country. These smaller, Class III freight carriers provide a critical "first – mile, last –

mile" connectivity between many rural (and often agriculturally focused) areas of our country and the national rail freight network. It has been well demonstrated, both in actual practice in states that have increased truck weight limits on local highways and in rigorous modal diversion studies, that heavier trucks do indeed divert shipments off of short line railroads and onto our highway network. Loss of shipments and revenues to these smaller rail operators could financially cripple them, and lead to a loss of rail services to areas dependent upon these lines.

For these reasons, we believe that at this time neither the Panel on 21st Century Freight Transportation nor individual Members of Congress should endorse longer or heavier trucks. The U.S. Department of Transportation is presently conducting a comprehensive truck size and weight study mandated by MAP-21, and now is not the time to act on raising maximum truck weights.

Finally, I request that my previous testimony before this Panel dated June 26, 2013 at a hearing entitled *"How Logistics Facilitate an Efficient Freight Transportation System"* be appended by reference to this statement and also included as part of the record. That statement addresses a number of other issues, including the importance of good intermodal connections to the success of freight rail's role in the supply chain.

Thank you for considering the views of the Association of American Railroads.

Sincerely,

Edward R. Hamberger
President & CEO

cc: Members of the Panel on 21st Century Freight Transportation

TESTIMONY OF

EDWARD R. HAMBERGER

PRESIDENT & CHIEF EXECUTIVE OFFICER

ASSOCIATION OF AMERICAN RAILROADS

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
PANEL ON 21ST CENTURY FREIGHT TRANSPORTATION

HEARING ON HOW LOGISTICS FACILITATE
AN EFFICIENT FREIGHT TRANSPORTATION SYSTEM

JUNE 26, 2013

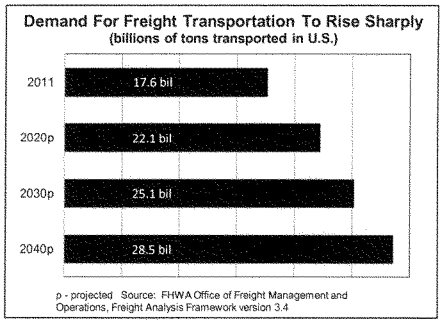
Association of American Railroads
425 Third Street, S.W.
Washington, DC 20024
202-639-2100

Introduction

On behalf of the members of the Association of American Railroads, thank you for the opportunity to discuss logistics, multi-modalism, and freight transportation. AAR freight railroad members, which include the seven large U.S. Class I railroads as well as approximately 170 U.S. short line and regional railroads, account for the vast majority of freight railroad mileage, employees, and traffic in Canada, Mexico, and the United States. Amtrak and several commuter railroads are also members of the AAR.

No country can be a first-rate economic power without having first-rate logistics and freight transportation capabilities. I commend this panel for recognizing this point and for your efforts to find ways to ensure that we have world-best logistical capabilities.

To be sure, there is a tremendous amount of strength and flexibility in our nation's freight transportation systems — more so than in any other country in the world. It's also clear, however, that our nation faces significant challenges in maintaining the freight-moving capability we have today and continuing to improve it to meet the even greater needs of tomorrow. Recent forecasts reported by the Federal Highway Administration have found that, thanks to population growth and economic growth, total U.S. freight shipments will rise from an estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040 — a 62 percent increase.

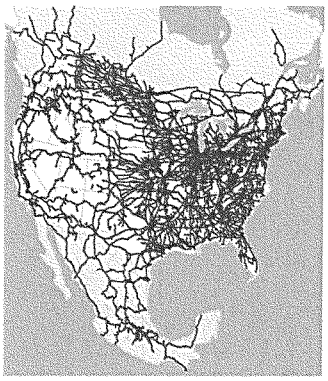


America's freight railroads are doing their part now — through record private investments in infrastructure and equipment, the development and implementation of innovative technologies, and operational enhancements — to ensure that they have adequate railroad

capacity tomorrow to meet their customers' needs. Looking ahead, railroads must be able to both maintain their extensive existing infrastructure and equipment and build the substantial new capacity that will be required to transport the significant additional traffic our economy will generate. That's why legislative or regulatory actions that restrict the rail industry's ability to invest would have negative capacity, efficiency, safety, and service reliability consequences.

The Transportation Backbone of America

North America's Rail Network



America's freight railroads and their 140,000-mile network serve nearly every industrial, wholesale, retail, and resource-based sector of our economy. In fact, our railroads carry just about everything.

Railroads carry more coal than any other single commodity. Historically, coal has generated much more electricity than any other fuel source, and most coal is delivered to power plants by rail. But railroads also carry enormous amounts of corn, wheat, and soybeans; fertilizers, plastic resins, and a vast array of other chemicals; cement, sand, and crushed stone to build our highways; lumber and drywall to build our homes; animal feed, canned goods, corn syrup, frozen chickens, beer, and countless other food products; steel and other metal products; crude oil, liquefied gases, and many other petroleum products; newsprint, recycled paper and other paper products; autos and auto parts; iron ore for steelmaking; wind turbines, airplane fuselages, machinery and other industrial equipment; and much more.

Rail intermodal — the transport of shipping containers and truck trailers on railroad flatcars — has grown tremendously over the past 25 years. Today, just about everything you find on a retailer's shelves may have traveled on an intermodal train. Increasing amounts of industrial goods are transported by intermodal trains as well.

Given the volume of rail freight (close to two billion tons and 30 million carloads in a typical year) and the long distances that freight moves by rail (nearly 1,000 miles, on average), it's hard to overstate freight railroads' role in our economy. The rail share of freight ton-miles is about 40 percent, more than any other transportation mode. But freight rail's contribution to our nation extends far beyond that:

- Thanks to competitive rail rates — 44 percent lower, on average, in 2012 than in 1980[1] and the lowest among major industrialized countries — freight railroads save consumers billions of dollars every year, making U.S. goods more competitive here and abroad and improving our standard of living.
- Railroads are, on average, four times more fuel efficient than trucks. That means that moving freight by rail helps our environment by reducing energy consumption, pollution, and greenhouse gases.
- Because a single train can carry the freight of several hundred trucks — enough to replace a 12-mile long convoy of trucks on the highways — railroads cut highway gridlock and reduce the high costs of highway construction and maintenance.
- America's freight railroads are privately owned and operate almost exclusively on infrastructure that they own, build, maintain, and pay for themselves. When railroads reinvest in their networks — which they've been doing in record amounts in recent years — it means taxpayers don't have to.
- Railroads are safe and getting safer: 2012 was the safest year in history for railroads, breaking the record set in 2011, which in turn broke the record set in 2010.
- America's freight railroads sustain 1.2 million jobs, including 180,000 high-paying jobs in the freight rail industry itself. Millions of other Americans work in industries that are more competitive in the global economy thanks to the affordability and productivity of America's freight railroads.[2]

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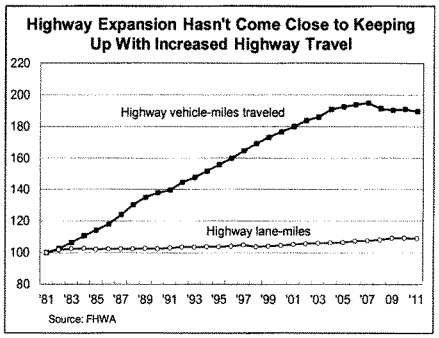
[1] As measured by inflation-adjusted revenue per ton-mile.

[2] For much more background on the U.S. freight rail industry, see my March 5, 2013 testimony to the Subcommittee on Railroads, Pipelines, and Hazardous Materials of the Committee on Transportation and Infrastructure.

For all these reasons, I respectfully suggest that it is in the public interest to enact policies that result in more freight moving by rail.

Freight Rail as a Complement to Trucks

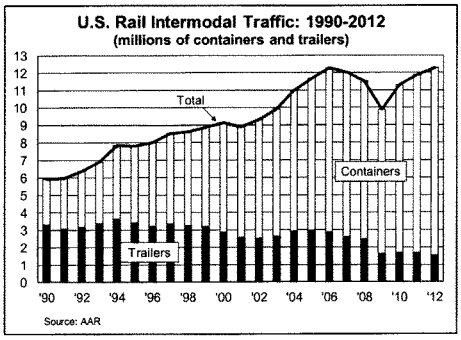
No one, and certainly not railroads, disputes that motor carriers are absolutely indispensable to our economy and quality of life, and will remain so long into the future. That said, because of the enormous cost involved in building new highways, as well as environmental and land use concerns, it is highly unlikely that sufficient highway capacity can be built to handle expected future growth in freight transportation demand. As it is, over the past 30 years, highway traffic volume growth has far eclipsed growth in highway lane-miles (see nearby chart), and there is little reason to think that will change in the years ahead.



The United States has the world's most highly developed highway network, built and maintained at enormous public cost over the years. According to data from the FHWA, in 2011 alone, states disbursed $94 billion just on capital outlays and maintenance for highways.[3] Adding in other expenses such as administration and planning, law enforcement, interest, and grants to local governments brings total disbursements for highways to $150 billion in 2011. Even this huge level of spending, however, is widely considered inadequate to meet present-day, much less future, needs.

[3] Federal Highway Administration, Highway Statistics 2011, Table SF-2.

Fortunately, freight rail in general, and intermodal rail specifically, represents a viable and socially beneficial complement to highway freight movement. Today, rail intermodal takes millions of trucks off our highways each year, and its potential to play a much larger role in the future is enormous, both in traditional transcontinental markets and in short- and middle-distance lanes. In the context of ports, railroads offer tremendous potential in safely and efficiently moving freight to and from port facilities, thereby greatly enhancing overall transportation productivity. In addition, a significant portion of the merchandise that railroads transport in their carload business (in addition to intermodal containers or trailers) is directly truck competitive.



Shippers choose to move this freight on railroads because they find that the value railroads offer, in terms of cost and service, is superior. Railroads recognize that they will have to continue to work hard to earn this business, which is why they are constantly searching for ways to further improve productivity, reduce costs for their customers, and enhance their service offerings.

This does not mean that we should stop building highways or that we should no longer recognize the importance of trucks and highways in meeting our nation's transportation needs, but it does mean that policymakers should be doubly aware of the role railroads play, and can play, in our nation's logistical network.

First-Mile and Last-Mile Connections

One of the main reasons why the United States has the world's most efficient total freight transportation system is the willingness and ability of firms associated with various modes to work together in ways that benefit their customers and the economy. Policymakers can help this process by implementing programs that improve "first mile" and "last mile" connections where freight is handed off from one mode to another — for example, at ports from ships to railroads or from ships to trucks, or from railroads to trucks at intermodal terminals. These connections are highly vulnerable to disruptions, and improving them would lead to especially large increases in efficiency and fluidity and forge a stronger, more effective total transportation package.

Railroads are gratified that the current administration and legislators in both parties and in both houses of Congress have shown a strong commitment to multi-modalism. That's evidenced, for example, in the evaluation and selection process for TIGER grants. To date, several dozen projects that have received TIGER grant funding have been associated in one way or another with freight railroads, and many of those projects are aimed at improving transportation performance by more effectively integrating different transportation modes.

Some intermodal connection infrastructure projects that are of national and regional significance in terms of freight movement could be too costly for a local government or state to fund. Consequently, federal funding awarded through a competitive discretionary grant process, like the TIGER program, has been an appropriate approach for these needs.

Attention to first- and last-mile connections is a critical element of both local and state freight planning and policy as well. At the local level, for example, land use planning has been largely inadequate in appropriately accommodating the needs of freight. Freight movement — whether in rail yards, intermodal facilities, ports, or regional distribution — must be sufficiently taken into account when planning land uses such as residential developments, schools, and recreational areas.

Logistics and Globalization

One of the distinguishing characteristics of our economy in recent years is sharply increasing globalization. In 2000, for example, the value of U.S. exports of goods (as opposed to services) was $843 billion. In 2012, it was $1.3 trillion, a 54 percent increase. In 2000, the value of U.S. imports of goods was $1.4 trillion. In 2012, it was $1.9 trillion, a 36 percent increase. Products and commodities across the industrial landscape have been part of this increased globalization. The table at right shows just a few examples of growth in U.S. exports in recent years.

	U.S. Exports		
	2000	2012	% chng
Chemicals ($ bil)	$77.6	$188.3	142%
Automotive veh. & parts ($ bil)	$80.4	$146.3	82%
Consumer goods excl. autos ($ bil)	$89.4	$181.4	103%
Civilian aircraft & parts ($ bil)	$48.1	$94.0	95%
Soybeans (mil bushels)*	973	1,362	40%

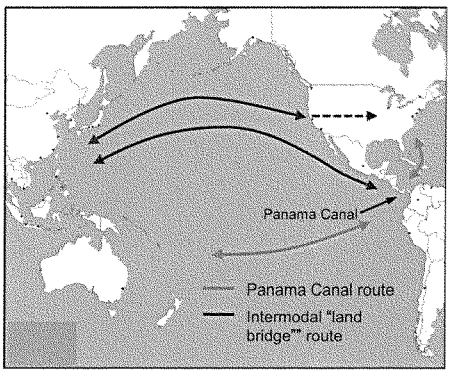
*Production year Source: USDA, BEA, ACC

Railroads have played a key role in this globalization. We estimate, for example, that railroads account for approximately one-third of U.S. exports, and that approximately half of U.S. rail intermodal traffic consists of exports or imports.

There's no doubt that globalization will continue, and railroads are working hard to ensure that they can continue to play a crucial role. The expansion of the Panama Canal is a case in point. As you probably know, the Panama Canal currently has two lock chambers, the

dimensions of which limit the size of container ships that can traverse the canal. So-called "Panamax" ships, the largest ships that can currently use the canal, can carry a maximum of around 4,500 containers. However, a larger third lock chamber is under construction — with completion likely in 2015 — that will allow much larger ships to pass through. These larger "post-Panamax" ships will be able to carry up to approximately 12,500 containers, or nearly three times the maximum number carried by existing ships that use the canal.

The big unknown is where ships carrying cargo that are bound for, or coming from, the eastern part of the United States will go. Today, a significant portion of the cargo from Asia destined for the eastern part of the United States is offloaded at West Coast ports (such as Los Angeles, Long Beach, Seattle, Tacoma, Vancouver, or Prince Rupert in British Columbia), and then transported inland on trucks, railroads, or, in some cases, rivers. Going the other way, cargo headed to Asia from the eastern part of the United States often travels via rail or truck to West Coast ports, where it is loaded onto ships heading west.



It is not uncommon for existing Panamax (or smaller) ships coming from Asia with cargo bound for the eastern United States, as well as ships with cargo from the eastern United States heading to Asia, to go through the Panama Canal on an "all-water" route, rather than use the land bridge (via truck or rail) across the country described in the previous paragraph. Some observers believe that the huge capital costs of the newer vessels and other factors will cause these ships to remain primarily on routes to the West Coast. Many

others, though, think that a post-Panamax ship is just as likely to find it cost effective to use the "all-water" route to or from the eastern United States. Of course, if an all-water route is to be used, the eastern ports must be able to handle the post-Panamax vessels, which is the rationale for the efforts by a number of ports on the East Coast, the Southeast, and the Gulf of Mexico to dredge deeper channels, install new cranes, and/or build new dock capacity to accommodate post-Panamax ships. Meanwhile, ports on the West Coast are pursuing many of these same kinds of improvements to better position themselves as the preferred destination for ocean carriers even after the canal expansion is complete.

Frankly, I don't know which ports will be the "winners" and which will be the "losers" of this competitive battle. I do know, though, that from the point of view of our nation's rail industry as a whole, it doesn't really matter. The fact is, whether the freight is coming into or leaving from Long Beach or Savannah or Miami or Houston or Seattle or Norfolk or any other major port, our nation's freight railroads are in a good position now, and are working diligently to be in an even better position in the future, to offer the safe, efficient, cost-effective service that their customers at ports and elsewhere want and need.

In a June 4, 2012 interview, in response to a question about the Panama Canal expansion, the CEO of Norfolk Southern said, "We are preparing and planning so that if the traffic comes in from the East and needs to move inland, we'll be there to handle it. If the traffic comes in from the West and comes to a western gateway with one of the western carriers, we'll be ready to handle it."[4] He was speaking on behalf of his railroad, but his statement applies equally well to the rail industry as a whole. I'm confident that railroads will be "ready to handle it."

[4] "Q&A with Wick Moorman, CEO of Norfolk Southern," The Virginian-Pilot, June 4, 2012.

Sound Public Policy is Needed

As noted earlier, as America's economy and population grow, the need to move more people and goods will grow too. Railroads are getting ready today to meet this challenge.

In recent years, railroads have been reinvesting more private capital than ever before in their infrastructure and equipment, including a record $25.5 billion in 2012. From 2008 to 2012, Class I railroads purchased 2,669 new state-of-the-art locomotives and rebuilt another 845 locomotives to improve their capabilities. Over the same time period, railroads installed nearly 77 million new crossties, installed 2.9 million tons of new rail, and placed nearly 61 million cubic yards of ballast. Railroads in recent years have also devoted substantial resources to developing and implementing innovative new technologies. These investments have made railroads much safer and much more efficient and productive. The entire logistics chain benefits.

In the years ahead, railroads will continue to reinvest huge amounts back into their systems to help ensure that they can continue to help their customers grow, but if the United States is to have the socially optimal amount of rail capacity, sound public policy is needed.

First, policymakers should keep the current system of balanced rail regulation in place. The global superiority of U.S. freight railroads is a direct result of a regulatory system, embodied in the Staggers Rail Act of 1980, that relies on market-based competition to establish most rail rate and service standards. The Staggers Act did not eliminate government oversight. Government regulators today still can take action, including setting maximum-allowable rail

rates. However, Staggers allowed railroads to act more like other businesses in terms of deciding for themselves how to utilize their assets and price their services.

This balanced regulation has allowed railroads to improve their financial performance from anemic levels prior to Staggers to higher levels today, which in turn has allowed them to plow back hundreds of billions of dollars into improving the performance of their infrastructure and equipment — to the immense benefit of their customers and our nation at large.

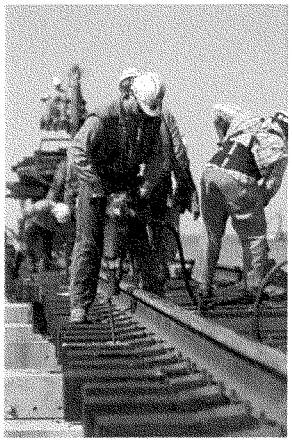
Unfortunately, some special interests are calling for a return to the days of unbalanced and unreasonable regulation that would force railroads to artificially cut their rates to below-market levels to certain favored shippers. A few shippers might benefit, but at the expense of all other shippers, rail employees, and the public at large.

Trucks, airlines, and barges operate over highways, airways, and waterways that the government largely pays for. By contrast, America's freight railroads pay nearly all of the costs of their tracks, bridges, and tunnels themselves. To keep their networks in top condition and to build the new capacity that America will need in the years ahead, railroads must be able to earn enough to pay for it. Artificially cutting rail earnings would severely harm railroads' ability to do this. It would mean less new rail capacity and less reliable rail service, negatively affecting the entire U.S. logistics chain. At a time when the pressure to reduce government spending on just about everything — including transportation infrastructure — is enormous, it makes no sense to enact public policies that would discourage private investments in rail infrastructure that would boost our economy and enhance our competitiveness.

Second, where there is voluntary agreement between public and private sector stakeholders, policymakers should encourage and facilitate public-private partnerships for freight

railroad infrastructure improvement projects where the fundamental purpose of the project is to provide public benefits or meet public needs.

Public-private partnerships — arrangements under which private freight railroads and government entities both contribute resources to a project — offer a mutually beneficial way to solve critical transportation problems. When more people and freight move by rail, the public benefits tremendously through lower shipping costs, reduced highway gridlock, enhanced mobility, lower fuel consumption, lower greenhouse gas emissions, and improved safety. Such voluntary partnerships allow governments to expand the use of rail, paying only for the public benefits of a project. Meanwhile, host freight railroads pay for the benefits they receive. It's a win-win for all involved.



Many members of this panel recently saw firsthand one of the nation's pre-eminent railroad public-private partnerships: the Alameda Corridor. That project combined public and private financing and ultimately facilitated enormous port growth and efficient rail operations while reducing the effects of freight movments on local communities and delivering significant environmental benefits.

Without a partnership, many projects that promise substantial public benefits (such as reduced highway congestion by taking trucks off highways, or increased rail capacity for use by passenger trains) in addition to private benefits (such as enabling faster freight trains) are likely to be delayed or never started at all because neither side

can justify the full investment needed to complete them. The benefits from these projects therefore remain essentially trapped until cooperation makes them feasible.

With public-private partnerships, the public entity devotes public dollars to a project equivalent to the public benefits that will accrue. Private railroads contribute resources commensurate with the private gains expected to accrue. As a result, the universe of projects that can be undertaken to the benefit of all parties is significantly expanded.

Third, we urge policymakers to make environmental and other reviews more efficient. Under existing law, state and local regulations (other than local health and safety regulations) that unreasonably interfere with rail operations are preempted by federal regulations. These federal regulations protect the public interest while recognizing that railroads form an integrated, national network that requires a uniform basic set of rules to operate effectively.

Nevertheless, rail expansion projects often face vocal opposition from members of affected local communities or even larger, more sophisticated special interest groups from around the country. In many cases, railroads face a classic "not-in-my-backyard" problem, even for projects for which the benefits to a locality or region far outweigh the drawbacks. In the face of local opposition, railroads try to work with the local community to find a mutually satisfactory arrangement, and these efforts are usually successful. When agreement is not reached, however, projects can face lawsuits, seemingly interminable delays and sharply higher costs. A number of major rail intermodal terminal projects that yield tremendous gains for the overall logistical system, for example, have been and continue to be unduly delayed. Just one of the many examples involves an intermodal terminal BNSF Railway has been trying to build for years near the ports of Long Beach and Los Angeles. This facility would eliminate millions of truck miles annually from local freeways in Southern California, while utilizing state-of-the-art

environmentally friendly technology such as all-electric cranes, ultra-low emissions switching locomotives, and low-emission yard equipment. It would be one of the "greenest" such facilities in the world, but the project continues to face court actions and other protests.

Policymakers can help improve the movement of freight by taking steps to shorten the time it takes for reviews of rail expansion projects in ways that do not adversely affect the quality of those reviews.

Fourth, truck size and weight limits on federal highways were frozen by Congress in 1991, largely because of concerns about the safety of longer and heavier trucks and the uncompensated highway and bridge damage they cause. Legislation has been proposed many times since 1991 that would increase allowable truck sizes and weights on federal highways. To date, these attempts have failed because the concerns that led to the federal limits in the first place are still valid. Most recently, the 112th Congress rejected proposals to increase maximum-allowable truck weights to 97,000 pounds. Instead, MAP-21 directed the U.S. Department of Transportation to conduct a comprehensive two-year study to examine the impacts of trucks exceeding current federal size and weight limits. We urge policymakers to defer consideration of any truck size and weight legislation until the congressionally mandated study is completed.

Freight Transportation Modes Should Pay Their Own Way

The truck size and weight issue is related to a broader point: as a general rule, the various freight transportation modes should pay their own way. The traditional connection in which users of freight infrastructure pay for that infrastructure should not be broken.

As noted above, America's freight railroads pay virtually all of the costs of their tracks, bridges, and tunnels themselves. Trucks, airlines, and barges, however, operate over highways, airways, and waterways that the government largely pays for. Today, for example, 80,000-

pound trucks pay only about 80 percent of the cost of the damage they cause to taxpayer-funded roads and bridges, while trucks weighing 80,000 to 100,000 pounds pay for only around half of the damage they cause. This huge underpayment, which totals several billion dollars per year, means that repairing much of the highway and bridge damage caused by heavy trucks is paid for by the general public, not by the trucking companies themselves. As the Government Accountability Office (GAO) has pointed out, the existence of underpayments "distorts the competitive environment by making it appear that heavier trucks are a less expensive shipping method than they actually are and puts other modes, such as rail and maritime, at a disadvantage."[5]

Moreover, under current projections, revenues to the Highway Trust Fund (HTF) will continue to decline relative to projected needs. Funding shortfalls in the HTF in recent years have caused the federal government to transfer some $55 billion in general fund revenues to meet contract obligations and authorized funding levels. Absent the addition of new revenue streams, general fund transfers are expected to be required in the future as well — perhaps as high as $15 billion annually.[6] These transfers directly benefit the railroad industry's major competitor, which is trucking. Combined with the existing huge truck underpayments noted earlier, these transfers are an enormous competitive hurdle that railroads must overcome and they artificially distort the freight transportation marketplace.

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[5] U.S. Government Accountability Office, "Freight Transportation: National Policy and Strategies Can Help Improve Freight Mobility," GAO-08-287, January 2008, p. 16. Proponents of lifting the existing freeze on truck sizes and weights sometimes claim that they support higher taxes to pay for the additional damage heavier trucks would cause. However, the additional taxes these proponents are willing to pay are vastly lower than what is needed to make up for the huge underpayments.

[6] According to a December 2012 report from the Congressional Research Service, general fund contributions include $8 billion in FY 2008, $7 billion in FY 2009, and another $14.7 billion (plus an additional $4.8 billion to the transit account) via legislation passed in 2010. MAP-21 calls for general fund transfers of $6.2 billion and $12.6 billion for FY 2013 and FY 2014, respectively. Congressional Research Service, "Funding and Financing Highways and Public Transportation," December 26, 2012. Report R42877.

Positive Train Control

The term "positive train control" (PTC) describes technologies designed to automatically stop or slow a train before certain accidents caused by human error occur. The Rail Safety Improvement Act of 2008 (RSIA) requires passenger railroads and U.S. Class I freight railroads to install PTC by the end of 2015 on main lines used to transport passengers or toxic inhalation materials (TIH). Specifically, PTC as mandated by Congress must be designed to prevent train-to-train collisions; derailments caused by excessive speed; unauthorized incursions by trains onto sections of track where maintenance activities are taking place; and the movement of a train through a track switch left in the wrong position.

Positive train control is an unprecedented technological challenge. A properly functioning, fully interoperable PTC system must be able to determine the precise location, direction, and speed of trains; warn train operators of potential problems; and take immediate action if the operator does not respond to the warning provided by the PTC system. For example, if a train operator fails to begin stopping a train before a stop signal or slowing down for a speed-restricted area, the PTC system would apply the brakes automatically before the train passed the stop signal or entered the speed-restricted area.

Such a system requires highly complex technologies able to analyze and incorporate the huge number of variables that affect train operations. A simple example: the length of time it takes to stop a train depends on train speed, terrain, the weight and length of the train, the number and distribution of locomotives and loaded and empty freight cars on the train, and other

factors. A PTC system must be able to take all of these factors into account automatically, reliably, and accurately to safely stop the train.

Freight railroads have enlisted massive resources to meet the PTC mandate. They've retained more than 2,200 additional signal system personnel to implement PTC, and to date have collectively spent approximately $3 billion of their own funds on PTC development and deployment. Class I freight railroads expect to spend an additional $5 billion before development and installation is complete. Currently, the estimated total cost to freight railroads for PTC development and deployment is around $8 billion, with hundreds of millions of additional dollars needed each year after that to maintain the system.

Despite railroads' best efforts, due to PTC's complexity and the enormity of the implementation task — and the fact that much of the technology PTC requires simply did not exist when the PTC mandate was passed and has been required to be developed from scratch — much technological work remains to be done.

Railroads also face non-technological barriers to timely PTC implementation. For example, railroads are involved in discussions with the Federal Communications Commission regarding ways to streamline the currently unworkable process by which thousands of PTC antenna structures must obtain regulatory approval prior to installation. Unless that process changes, the timeline for ultimate deployment of PTC will be delayed significantly. Moreover, current FRA regulations pertaining to PTC implementation impose operational restrictions so severe that the fluidity of the rail network would be drastically impaired. It is important to resolve these issues, and the AAR appreciates that the FRA is considering them in a current rulemaking proceeding.

In addition to the challenges presented by both the FCC and FRA issues, the key unresolved question is, does the system work. Railroads need adequate time to ensure that this is the case. In that regard, the current PTC implementation deadline mandated by the RSIA should be extended by at least three years from December 31, 2015, to December 31, 2018. Given the unprecedented nature of PTC and the uncertainties — both known and unknown — flexibility beyond December of 2018 should also be addressed, with the authority for that flexibility residing with the Secretary of the Department of Transportation. Additionally, we believe that, in order to ensure that railroads can operate safely and efficiently with the PTC system, the imposition of PTC-related operational requirements and associated penalties should be deferred until all PTC systems are fully integrated and testing has been completed.

Conclusion

America today is connected by the most efficient, affordable, and environmentally-responsible freight rail system in the world. Whenever Americans grow something, eat something, export something, import something, make something, turn on a light, or get dressed, it's likely that freight railroads were involved somewhere along the line. Looking ahead, America cannot prosper in an increasingly competitive global marketplace, and freight logistics will suffer accordingly, if we do not maintain our best-in-the-world freight rail system.

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