



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

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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.

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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