

Statement of
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Committee on Transportation and Infrastructure
United States House of Representatives
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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 CO2 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 mills 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.