



The miracles of science™

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.