



# News Release

**For Immediate Release**

**March 1, 2017**

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## **NEW REPORT: FIXING TRANSPORTATION INFRASTRUCTURE ESSENTIAL TO U.S. MANUFACTURING GROWTH**

WASHINGTON (Mar. 1, 2017) – A renaissance in American chemical manufacturing has the potential to create tens of thousands of jobs and billions in investments, but the nation’s transportation network needs an overhaul in order to fulfill that promise according to a new report released today. The report, conducted by PricewaterhouseCoopers (PwC) on behalf of the American Chemistry Council (ACC), found that addressing ongoing challenges across the nation’s transportation infrastructure is critical to fully capitalizing on the economic benefits of growing chemical and plastics production in the U.S.

“The U.S. business of chemistry is growing like never before, but limitations across all modes of transportation are getting in the way of fully realizing this American manufacturing success story,” said ACC President and CEO Cal Dooley. “With our industry already committed to investing billions of dollars and creating new jobs in the U.S., we must work together to improve our nation’s transportation and infrastructure system in order to help usher in a new era of American manufacturing.”

### **Key Findings of the Report**

Announced new U.S. chemical and plastics projects are expected to increase production by 53 million metric tons of new chemical output per year, requiring an additional 1.8 million shipments per year by 2020. Given the current challenges already present in the transportation network, chemical manufacturers will likely face additional transportation-related costs that threaten to throttle future growth.

“In our recent report, we surveyed 68 leading chemical companies and captured their views on transportation and logistics challenges faced by the industry,” said Mark Lustig, a principal at PwC. “Many of the issues they raised are systemic, and will require careful planning and partnerships across both the chemical and transportation sectors in order to successfully manage this new volume.”

Specifically, the report found that the truck driver shortage is likely to become more acute and longer lead times are likely to cause additional problems over the next 10 years. As the Gulf ports become more attractive for exports, the maritime infrastructure around these ports may not be ready to support added volume, leading manufacturers to pursue suboptimal shipping routes. PwC also expects rail service delays to double by 2025 should conditions not improve, leading to a greater demand for more rail cars to hold in-transit products.



Unless these logistics shortcomings are resolved, PwC estimates chemical manufacturers will likely face billions of dollars in increased costs over the next decade, including:

- **Excess Inventories:** Additional inventory held due to transportation delays will likely translate to a cost of **\$22 billion** in working capital.
- **Capital Expenditures (CAPEX):** Expenditures are expected to increase by **\$23 billion** for equipment and infrastructure required to handle increased congestion and delays.
- **Operating Costs:** Costs will likely increase by an additional **\$29 billion** over a ten-year period due to logistical inefficiencies.

### **Negative Impact on Economic Growth and Jobs**

ACC estimates that the announced investment of more than \$160 billion<sup>1</sup> over the next decade will help create 426,000 direct and supply chain jobs in the U.S. economy. This positive manufacturing renaissance story is at risk, however, due to inadequate transportation infrastructure. Based on an ACC analysis of the PwC report's findings, the chemical industry will likely incur an additional \$7 billion in transportation costs annually related to congestion and delays by 2025. ACC estimates this will put nearly 17,000 jobs at potential risk if the transportation network is not upgraded and expanded to meet the volumes expected over the next decade.

### **New Approach Needed**

As more and more chemical production comes online and as the demand for chemical products increases, the report from PwC helps make it clear that the nation's transportation and infrastructure system should be modernized to ensure the U.S. keeps its competitive advantage over other countries.

“Public policies must keep pace with the rapid growth in the business of chemistry,” said Dooley. “We need lawmakers in Washington to adopt federal policies that will improve the efficiency of the freight rail network through market based solutions and enhance the capacity of our ports and highways, while ensuring the many products and innovations of chemistry have a central role in bringing national infrastructure projects to fruition.”

“PwC's study quantifies what major employers and working men and women in South Louisiana and across the country have been saying for years: the poor condition of America's transportation systems threatens our nation's economic productivity, job growth and competitiveness,” said Congressman Garret Graves (R-La.). “We have to acknowledge and address the severity of this crisis if the United States wants to continue leading the chemical manufacturing renaissance or keep pace with the global marketplace at all. Reports like this provide the information needed to move transportation investments in a data-driven direction, removing political influences and allowing for infrastructure dollars to be spent on true priority projects. In addition to maintaining our focus on right-sizing infrastructure investment, we're working with the Administration and in

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<sup>1</sup> Total announced investment has risen to \$170 billion since the PwC report was assembled



the Congress to untangle the layers of bureaucracy that prevent projects from being built faster – you can't do infrastructure without first fixing the regulatory environment.”

The full report can found [here](#).

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*The American Chemistry Council (ACC) represents the leading companies engaged in the business of chemistry. ACC members apply the science of chemistry to make innovative products and services that make people's lives better, healthier and safer. ACC is committed to improved environmental, health and safety performance through Responsible Care®, common sense advocacy designed to address major public policy issues, and health and environmental research and product testing. The business of chemistry is a \$797 billion enterprise and a key element of the nation's economy. It is the nation's largest exporter, accounting for fourteen percent of all U.S. exports. Chemistry companies are among the largest investors in research and development. Safety and security have always been primary concerns of ACC members, and they have intensified their efforts, working closely with government agencies to improve security and to defend against any threat to the nation's critical infrastructure.*

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