



The American Chemistry Council

Statement for the Record

submitted to the

Senate Committee on Commerce, Science & Transportation

“Expanding the Panama Canal: What Does it Mean for American Freight Infrastructure”

April 10, 2013



The American Chemistry Council (ACC) is submitting this statement for the record for the Senate Committee on Commerce, Science and Transportation hearing “Expanding the Panama Canal: What Does it Mean for American Freight Infrastructure” on April 10, 2013.

The ACC represents the world’s leading companies in the business of chemistry, a \$760 billion enterprise and one of America’s most significant manufacturing industries. Our members apply the science of chemistry to make innovative products that make people’s lives better, healthier and safer. Chemical products are in 96% of manufactured goods, and are the building blocks of the modern world. The industry employs 800,000 Americans in skilled, high wage jobs, with average annual salaries over \$83,000, which is 41% higher than the average manufacturing wage. Chemistry is also a highly capital intensive industry, and it finances over \$33 billion in capital investments annually, including structures and equipment, and over \$56 billion in research and development.

The Chemistry Renaissance in the United States

The business of chemistry is set to expand dramatically in the United States with the discovery of vast new supplies of shale gas. America’s chemical companies use ethane, a natural gas liquid derived from shale gas, as a feedstock in numerous applications. Additionally, natural gas is being used to power chemical facilities, and ample supplies are rapidly lowering US production costs. After years of high, volatile natural gas prices, the availability of cheap and abundant shale gas has created a competitive advantage for domestic chemical producers, and will lead to new investment and growth. ACC estimates that more than 400,000 new jobs and \$132 billion in new economic output could be realized with a modest increase in the natural gas supply.



Chemical Products Exports

The business of chemistry accounts for 12% of US exports, \$187 billion annually, and it is *the largest exporting sector in the United States*. Boosting US exports is a top priority for the chemical sector, and ACC has advanced a five-point plan to increase exports based on key policy changes in the areas of trade, energy, regulation, transportation and tax. Sustainable export growth depends on getting key policies and regulations right, and ACC looks forward to providing Congress with the industry's input on this important topic. Please visit <http://www.americanchemistry.com/Policy/Trade/Keys-to-Export-Growth-for-the-Chemical-Sector.pdf> to view the full report.

Improvements to the Panama Canal should be a positive influence on this national effort to enhance our exports. The increased capacity of the Panama Canal will be a positive for the chemical industries' ability to move its products efficiently around the world. Added capacity and larger vessels should help reduce transportation costs for the industry, giving the US a competitive global advantage as a place to manufacture. However, we encourage policymakers to closely monitor US ports as they prepare for the larger vessels and the associated increased flows to ensure that the necessary land-based infrastructure is in place to handle the resulting traffic levels.

Growing Exports by Fixing America's Freight Infrastructure

Chemical manufacturers are one of the nation's largest shippers, moving over 847 million tons of products every year. Rail provides a vital link for U.S. chemical manufacturers to reach the global market and, for many chemicals rail is the only economically viable choice for transportation in both interstate and international commerce. Many ACC members depend on the



nation's railroads to move a wide array of products, including plastics, chlorine, fertilizers, bulk petrochemicals, and industrial chemicals. The chemical industry shipped 186 million tons of products by rail in 2010 with at least 14 million tons of those shipments headed directly to ports and borders for export.

This means that the success of the chemical sector in the United States is inexorably tied to our freight rail infrastructure, as transportation costs have a large influence on America's relative attractiveness as a manufacturing location. In 2012, the chemical industry paid over \$9 billion in rail transportation costs, and has seen rapid increases in rail rates over the last decade. Between 2005 and 2010, there was a 77% increase in premium rail rates despite the concurrent recession, according to a recent study conducted on behalf of ACC. Likewise, 27% of ACC members reported that rail transportation issues have hindered their own domestic investments. The full studies and summaries can be found at <http://www.americanchemistry.com/RailResearch>. ACC strongly encourages legislators to closely examine these trends to ensure that the manufacturing renaissance is not undermined by policies that protect railroads from competing with each other.

The [President's Exports Council](#) stated that "America's transportation infrastructure is also America's export infrastructure" and listed Surface Transportation Board (STB) reform involving rail competition as one of the steps needed to enhance exports. We believe policy reforms at the STB will reduce the need for government regulation of the freight rail industry by strengthening market forces and increasing access to multiple railroads. Despite dramatic changes and consolidation in the rail industry, the STB has not been reauthorized since its inception in 1995. ACC encourages the Commerce Committee to modernize the STB, empowering the agency to allow competition and market forces to flourish in the railroad industry.



We appreciate the opportunity to offer our views on an issue that is critical to the growth of our industry in the United States, and our nation's economy. We hope that we continue to work with you to help build a freight infrastructure that will meet the expanding needs of the country now and well into the future.

