

Before the
SUBCOMMITTEE ON TRANSPORTATION, HOUSING
AND URBAN DEVELOPMENT AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

STATEMENT OF MR. WAYNE JOHNSON

on behalf of

THE NATIONAL INDUSTRIAL TRANSPORTATION LEAGUE

March 16, 2010

Mr. Chairman and Members of the Subcommittee, my name is Wayne Johnson. I am the Director of Logistics for American Gypsum in Dallas, Texas. Thank you for the opportunity to testify today on the issue of freight mobility in the United States. I am also representing the members of The National Industrial Transportation League (NITL or the League) where I serve as the Chair of our Highway Transportation Committee. The NITL is an association of companies that conduct industrial and/or commercial shipping throughout the United States and internationally. Founded in 1907, the organization is one of the oldest and largest associations in the country representing some 600 member companies involved with the transport of all kinds of freight in domestic and international commerce including ocean carriage.

American Gypsum manufactures, sells and distributes gypsum wallboard, or “drywall”. We have been in business for over 40 years, and we are the fifth largest producer of gypsum wallboard in North America.

As Director of Logistics for American Gypsum, it is my job to make sure our production materials are on hand, on time, and that our finished product is moved to our customers on time every time. Ours is a very cost sensitive industry, so continuous vigilance on holding down transportation costs is extremely important to me. I have spent the majority of my professional career in the freight transportation and logistics arena.

Mr. Chairman, your hearing today is focused on a vital matter for my company, for the American economy and for the nation. In our free enterprise system, we are challenged daily by the risks and competitive pressures of the marketplace. Those challenges make us better, more efficient and more productive. But at the same time, by ignoring the imperatives of improving our national freight transportation system we are imposing additional cost burdens on American industry and the American economy. These are costs which we cannot recoup by working harder or smarter. These uncompensated costs are the result of increased congestion on our highways, in our rail yards, at intermodal connections and our ports. Transportation system congestion leads to inefficiency, longer transit times, missed schedules, production interruptions, and so on. All of these negative factors add cost to manufacturing and distribution processes, and these are costs that are exceptionally difficult to control or reduce. They make my job challenging to say the least.

Simply put, we need to get moving on fixing this problem, and we welcome your hearing as an opportunity to voice both our concerns and our ideas for designing solutions to the problem. I am well aware that the focus of Washington and the American public has been diverted to recovering from this deep recession. We need to do that, and as a representative of a major supplier of essential products for the new home and commercial building construction sector, that recovery is essential to our business. However, I and others fear that this temporary setback in our aggregate economy may have led to yet another unfortunate result that will continue to haunt us when we achieve that full recovery. In the freight transportation community there is a fear that we have taken our eye off the ball. The slack in the

economy has temporarily pulled a curtain over the problems of congestion and delay that had been making headlines daily when the economy was booming.

The truth is that the problems did not go away. The chokepoints, the backups, the delays, and other indicators of a deteriorating freight transportation system that were the daily talking points of supply chain and logistics professionals around the country did abate during the recession. But as we pick up steam and resume normal and growing production and consumption cycles, the underlying causes of those ills will be revealed again.

America is under investing in our freight transportation system. We are not paying sufficient attention to the real transportation infrastructure needs and requirements of the American economy. While it is not the subject of your hearing today, I am tempted to suggest that the same is true across the spectrum of infrastructure needs of the nation. The renewal and growth of our power distribution, broadband, water and sewer, and transportation assets have not kept pace with the growth of our population and the demands being placed on those systems.

In testifying today I did not come armed with studies and data. I am certain that our colleagues at the U.S. Department of Transportation will provide the Subcommittee with plenty of both. Rather, I want to leave behind a strong and clear message that the clock is ticking on American economic competitiveness. If we don't keep up we will fall further behind the competition, a competition that is global and relentless. The consequences are obvious.

Mr. Chairman, in your invitation to testify you indicated an interest in so-called "just-in-time" delivery processes in American industry. Just-in-time is indeed now a fundamental, core element of industrial management. Indeed, it has been adapted and adopted across a broad swath of economic activity from manufacturing to grocery stores and retail distribution of every conceivable product in daily use.

Just-in-time has its roots in postwar Japan, and their auto industry is normally credited for developing this highly refined and precise production and inventory management system. With its well understood flow processes and homogeneous product, the auto plant was an excellent laboratory. Like other manufacturers, the Japanese auto plants had relied on large stockpiles of parts and sub-assemblies inventoried on site. Those large inventories were expensive, wasteful and not terribly efficient. It was difficult to determine what needed to be ordered and when, and there was a significant amount of capital tied up in those piles of parts waiting to be used.

What just-in-time became was a revolution in our thinking about manufacturing, production and distribution. We moved from merely observing inventory in a static way, to a process of actively managing the flow of materials—supply chain management. Implementing just-in-time successfully in any company rests heavily on accurate, efficient and timely signaling. A message needs to be sent that tells another party to send a bolt, a shirt, a laptop, etc., to the next link in the chain. In postwar Japan this was known as “kanban”, and it relied on cards and markers. Today we have those tools and so much more with widespread use of barcodes and radar frequency identification (RFID) tags. When the cashier rings up your purchase of that new flat screen TV, a signal is sent through that retailer’s supply chain that it is now time to move another one to the store floor. Another signal moves up the chain to produce another TV, and parallel signals move out to bring in the parts needed to build that next TV. And that is where we encounter the transportation element in all of this.

Unless the freight transportation system works as well as the manufacturing process on the plant floor, or the restocking process in the electronics store, we are not going to be able to flow the right part or product at the right time and at the right price. “Almost-in-time” is not the same as “just-in-time”, and in fact it is an unacceptable standard. Closer to home, if we do not have our raw materials on site when we need them, then American Gypsum cannot make the required quantities of wallboard. Ours is a relatively simple process, but we are nonetheless just as reliant on the freight transportation market.

Likewise, if we don't deliver our finished product to wholesalers and end-users on time, then we have only passed the problem down the chain.

In the modern context of freight transportation it is no longer appropriate to think in terms of single modes of transportation. I am the Director of Logistics, not the company's truck person. To be sure we have people who specialize in rail, trucking, barging and so on. But I am charged with bringing all aspects of freight transportation together for the company in the most efficient and cost effective manner. American freight distribution, whether it is for manufacturing or end product consumption, is intermodal.

For example, fully assembled furniture moves from South Asia by ship to a U.S. port, and then is transferred to a train or truck (or in most cases, both) to get it to the point of sale. That process is repeated endlessly for every conceivable consumer product, from clothing to food products to consumer electronics. And the process works in both directions for both imports and American exports. It is a highly complex and choreographed "ballet" that works well when the handoffs are clean and fast, and adds spiraling costs when confronted with missteps in the form of choking congestion, bottlenecks, long lines, delays, and so on. I have the tools I need to map my product movements over the best routes by the right mode, to serve our production facilities on the one hand, and our consumers on the other. That is my job. What I cannot control, however, is the queue at the highway interchange or the choking traffic that we see every day in urban America. We are not exporters—drywall is generally too heavy and low value, characteristics that tend to force local production and consumption. We likewise obtain our raw materials domestically. But imagine the problems for U.S. retailers trying to get that Asian made furniture to the showroom floor in time for the promotion being advertized in the local newspaper. If the special sale is this Saturday and Sunday, it doesn't do much good if the truck pulls into their loading dock next Tuesday.

Of course that is just one simplistic illustration. The scope and dimension of the intermodal transportation challenge is shaped by literally tens of thousands of examples that span the American economic panorama, and millions of pickup/transfer/delivery transactions.

I do not speak for all of American industry. But among the broadly diverse membership of the NITL, there is a shared deep concern that we are adrift. We are grateful that after a few awkward patches, we now have in sight a surface transportation authorization—and the needed funding—to carry us through the rest of this year. Respectfully, I am urging this Congress and this Administration to move with dispatch on the hard work that lies ahead to craft the next long term surface transportation bill, and in so doing use this opportunity to examine both the present and future needs of our freight transportation system in its totality. Our transportation infrastructure requirements for a competitive future cannot be measured by the needs of each mode alone. We need to assess the needs of the freight transportation system.

I do not want to leave any impression that I do not understand the problems you and your colleagues face in dealing with this issue and so many others, Mr. Chairman. I can well imagine that no elected official is eager to vote to raise taxes or user fees to build roads, increase throughput in our ports or add runway capacity. I understand these are complex matters not easily resolved in our system of government. However, I do ask that we now make productive use of the “breather” we have with this extension of the surface transportation authorization for the balance of 2010. I would hope we could use this time to lay out the dimension of the challenge ahead of us and rationally discuss the means to pay for the investments we have been delaying but now must undertake.

For the record, League members have said repeatedly that we are willing to pay our fair share of that cost. We are both users and beneficiaries of our freight transportation system. We are only too aware of the enormous cost of adding capacity, maintaining what we have and squeezing more out of

what we have. Our single proviso is that whatever additional revenues—from taxes, user fees, or other sources-- we are asked to pay be used for the intended purpose and not diverted to other pressing needs.

I know that other committees in the Congress have primary jurisdiction to write the authorizing legislation for our transportation programs. But it is the province of the whole Congress to make the decisions. Your hearing today is helpful in that regard. New programs will likely be designed. New funding mechanisms are an imperative. But as we move forward in that process, I would ask that you help change the way we think about freight transportation in the United States.

To begin, I and countless others in American industry and commerce believe that efficient, low cost freight transportation really matters to this country. I have heard that old saying that “freight doesn’t vote—people vote” too many times. Candidly, that is far too simplistic. When delay, congestion and high cost in freight transportation begin to squeeze out American products in the marketplace, and when those factors raise prices on our store shelves, the American public—the voters—will react. At the margin, we will lose competitiveness, lose jobs, and lose economic vitality. Those are not acceptable outcomes to sustain a growing population and a growing economy. Those are outcomes more akin to stagnation. The fact that you are having this hearing suggests to me that you have embraced that precept, that freight does in fact matter. Let’s put it at the top of our national transportation agenda.

As I said at the outset, I am also here on behalf of the large membership of the NITL. The League has joined with an array of shipper and carrier interests to form a “Freight Stakeholders Coalition” for the purpose of drawing attention to the needs of our freight transportation system, today and in the future. The Coalition represents users and providers of freight transportation by water, truck, and rail, and is broadly representative of the diversity of American economic interests. Collectively we are concerned that the importance of freight mobility has not been adequately recognized or prioritized. Members of the Coalition remain committed to working together to raise the visibility of the improvements needed in our transportation system, and craft appropriate solutions.

The Freight Stakeholders Coalition has enunciated a ten point platform of principles which captures ambitious but achievable goals focused squarely on improving freight mobility on our highway system.

Those ten principles are:

- 1. Mandate the development of a National Multimodal Freight Strategic Plan.** The next surface transportation authorization should mandate the development of a National Multimodal Freight Strategic Plan. The development of this plan should be led by the U.S. Department of Transportation, in partnership with state DOTs, cities, counties, MPOS and regional planning organizations, ports, freight shippers, freight carriers, and other stakeholders.
- 2. Provide dedicated funds for freight mobility/goods movement.** The legislation should provide dedicated funds for freight mobility/goods movement. Dedicated funds should be provided to support capital investment in critical freight transportation infrastructure to produce major public benefits including higher productivity, enhanced global competitiveness and a higher standard of living for our nation. High priority should be given to investment in efficient goods movement on the most significant freight corridors, including investment in intermodal connectors into freight terminals and projects that support national and regional connectivity.
- 3. Authorize a state-administered freight transportation program.** Congress should authorize a state-administered freight transportation program as a new core element of the federal highway program apportioned to states.
- 4. If a new freight trust fund is created, it should be firewalled, with the funds fully spent on projects that facilitate freight transportation and not used for any other purpose.** Priority should be given to nationally and regionally significant infrastructure, with funds distributed through a competitive grant process using objective, merit-based criteria. Appropriate projects that are freight-related should still be eligible to compete for other federal funding sources.

5. Establish a multi-modal freight office within the Office of the Secretary. Freight mobility should be a key priority within USDOT. The Secretary's office should have staff with freight expertise who can focus on nationally and regionally significant infrastructure.

6. Form a national freight industry advisory group pursuant to the Federal Advisory Committee Act to provide industry input to USDOT, working in conjunction with the new multi-modal freight office. The advisory group should be funded and staffed, and it should consist of freight transportation providers from all modes as well as shippers and state and local planning organizations. Despite the best efforts of the agency to function as "One DOT," there is still not enough of a focused voice for freight. An Advisory Group would meet the need for regular and professional interaction between USDOT and the diverse freight industry, and could help identify critical freight chokepoints in the national freight transportation system.

7. Fund multi-state freight corridor planning organizations. Given that goods often move across state lines and involve multiple modes of transportation, Congress should fund multi-state, multi-modal planning organizations that will make it possible to plan and invest in projects where costs are concentrated in a single state but benefits are distributed among multiple states.

8. Build on the success of existing freight programs. There are numerous existing transportation programs that facilitate freight mobility and are demonstrably valuable. A new national freight policy should continue and strengthen these core programs or build on their principles and successes to guide freight program development if DOT is restructured and/or program areas are consolidated.

Examples of these successful core freight programs are the Projects of Regional and National Significance, National Corridor Infrastructure Improvement Program; Freight Planning Capacity Building Program; Transportation Infrastructure Finance and Innovation Act, National Cooperative Freight Transportation Research Program; Coordinated Border Infrastructure Program; Private Activity Bonds for Intermodal Facilities; Capital Grants for Rail Line Relocation Projects; Rail

Rehabilitation and Improvement Financing (RRIF); Congestion Mitigation and Air Quality Program, Truck Parking Pilot Program, and Rail-Highway Crossings. Funding for discretionary programs should be awarded through a competitive grant process.

9. Expand freight planning expertise at the state and local levels. Given the importance of freight mobility to the national economy, States and MPOs should be provided additional funds for expert staff positions dedicated to freight issues (commensurate to the volumes of freight moving in and through their areas). All states should have a freight plan as a tool for planning investments and for linking to the national freight system.

10. Foster operational and environmental efficiencies in goods movement. As in other aspects of transportation, improvements designed to achieve long term sustainability in goods movement are desirable to meet both commercial objectives—economy and efficiency—and public objectives—energy security and reduced environmental impact. Federal policy should employ positive approaches to enhance freight system efficiency and throughput with the goal of reducing energy consumption and green house gas emissions.

As you would conclude from my testimony, I and my colleagues would urge you to help reshape our transportation programs in a way that is supportive of connectivity and intermodal efficiency. We are ready, willing and able to work with you. Thank you for having this hearing, Mr. Chairman, and thank you for inviting me to participate.