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Frank Sims was elected corporate vice president of Transportation & Supply Chain Solutions in January 2001.

Sims joined Cargill in July 1972 and has held a variety of trading and management positions within the North America Grain Trading Unit, including president of that business unit.

Sims is a member of the Commodity Risk and Corporate Affairs Committees at Cargill and also serves as a director on the Board of the Cargill Foundation.

Sims serves as a director on the Boards of Tennant Company and Piper Jaffray and is chairman of the Board of the Federal Reserve Bank of Minneapolis.

Sims received a bachelor's degree in business administration from Paul Quinn College.



Cargill, Incorporated

Statement before the National Surface Transportation Policy and Revenue Commission

April 18, 2007 - Minneapolis, MN

Thank you for the opportunity to testify before you today. My name is Frank Sims, and I am a Corporate Vice President for Transportation and Supply Chain at Cargill. Cargill relies on railroad and water transportation for the majority of its domestic shipping needs, and relies on truck transportation for receiving much of its inbound commodities. Because the other witnesses today also are heavy truck users, I shall focus my testimony on our rail and water infrastructure.

Cargill makes over 300,000 rail shipments annually to or from over 240 facilities nationwide, of which over 150 have access to only a single railroad. In addition, Cargill manages a rail fleet of almost 20,000 cars including tank cars, hoppers and box cars. Cargill also ships over 12 million tons annually via barge on the nation's inland waterway system. Our shipments range from bulk grains and oilseeds, identity preserved commodities, food grade oils, frozen beef and pork products, and containerized shipments of cotton. In order to remain competitive in the global marketplace, Cargill relies upon a sound infrastructure with sufficient capacity to function efficiently.

Our nation's rail and water infrastructures are under unprecedented strain. Our inland waterway system is struggling under the weight of aging locks and growing demand. Our railroads are experiencing capacity constraints for the first time in modern memory.

Enormous spending is required to maintain and grow this infrastructure to meet even the most conservative projections of freight demand. One study by AASHTO states that railroads

are spending \$2 billion annually in new capital investments.¹ But that study also estimates that anywhere from \$2.6 to \$4 billion annually is needed to meet projected demand.²

It is essential that we expand our nation's infrastructure ahead of projected demand growth, rather than merely react to such growth after it develops. The addition of transportation infrastructure requires substantial time. Therefore, if we don't anticipate our needs now, we will always be trying to catch up to that demand. This will impose significant costs in the form of lost economic growth and reduced competitiveness of American business in global markets.

All aspects of our transportation infrastructure are inter-related. Although trucks handle 78% of the nation's freight tons, those tons are mostly non-bulk tons and short-haul bulk tons. Railroads in fact dominate the transportation of bulk commodities with a 70% share. They also handle a sizeable 40% share of all intercity ton-miles. Due to the interdependent nature of transportation, and the fact that certain segments dominate the long haul and short haul routes, Cargill encourages policymakers to recognize these market dynamics as they consider national transportation policies for all modes.

The United States is at a critical juncture that will determine whether it will reach its future infrastructure goals. Historically, a mix of public and private funding has led the investment to meet our infrastructure needs. There is no doubt that these two sources will continue in the future. However, the balance between public and private funding, and the overall levels of investment will guide our success in planning for and developing a competitive transportation infrastructure.

¹ Freight—Rail Bottom Line Report, American Association of State Highway and Transportation Officials, p. 61.

² *Id.*, pp. 4, 61, 80.

Rail Transportation

Recently proposed federal legislation would authorize investment tax credits as a means to promote additional private investment, especially related to rail transportation. We would encourage policymakers to ensure that these credits truly add new capacity and are open to all investors in transportation capacity-building projects.

The current environment also calls into question the existing regulatory structure. In a report issued last October, the GAO recommended that the Surface Transportation Board study the state of competition in rail markets. Cargill supports that recommendation as a first step towards evaluating the effectiveness of our rail regulatory policies in attracting new investment.

Inland Waterways

Inland waterways also provide a critical link in this nation's transportation supply chain. Waterborne commerce has historically played a critical transportation role when serving export markets and, more recently, in receiving products bound for interior U.S. destinations.

As we look to maintain and improve the waterway system, we have strong concerns with the imposition of any new user fees. While it may be appropriate for some level of fee or tax collection, the current fuel tax has served us well in generating income from those who use the inland waterway system for transportation needs. Since the inception of the fuel tax over 20 years ago, users of the system have generated over \$1.6 billion for the Inland Waterways Trust Fund.

The inland waterway system provides a competitive advantage for America and conveys widespread benefits. Any changes in fee collections should reinforce the successful role played by the US river system, and the breadth of benefits it conveys across many segments of the US economy. In considering new user fees, we would encourage policymakers to address the serious questions about the consequences for up-river and down-river movements, and concerns

about the efficiencies of contracting and spending the existing resources that should be thoroughly studied and transparently answered.

The challenge for this commission is great. The US transportation system is enormous, complex, and critical to the success for the overall economy. If fees and taxes are set too high on a relative basis by mode, they will cause market distortions as some segments are placed at a competitive disadvantage against other modes or regions. Conversely, inadequate revenue can starve critical infrastructure investments and will leave us poorly positioned for future growth. In addition, there is an enormous responsibility to ensure that the public dollars collected from taxpayers are efficiently spent on the infrastructure investments for which they were intended.

We have voiced our support for some new policies, and our concern for other initiatives. Today's hearing underlies another reality that is sorely needed: improved communication among all participants in the transportation supply chain. Directionally, we have seen the first steps of improved communication in our industry, such as the "First-Mile, Last-Mile" project, which is a cooperative effort by carriers and their customers to identify the major bottlenecks and service issues at origins and destinations and to devise solutions to streamline the flow of traffic. Similar projects among carriers, both within and between modes, has the potential to improve routing, interchanges and bottlenecks.

Our ability to compete in the global market and keep our economy growing will be influenced by the decisions and actions that we make concerning our transportation infrastructure. Cargill stands ready to work with the carriers and our government to help find long-term solutions that will benefit us all.

Cargill appreciates the opportunity to express its views before the commission this afternoon, and I look forward to answering any questions that you may have.