

**Hearing to Reauthorize the
Moving Ahead for Progress in the 21st Century Act
Senate Committee on Environment & Public Works**

Oral Testimony

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On behalf of the U.S. Chamber of Commerce

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Chairman Inhofe, Ranking Member Boxer, and distinguished members of the committee, thank you for the opportunity to testify.

My name is Dave Gardner and I am Vice President of Supply Chain and Customer Experience at Ingredion Incorporated. In my role I am responsible for operations including raw material sourcing, logistics, and customer service. I am testifying today on behalf of the U.S. Chamber of Commerce.

First, let me first tell you a little about Ingredion. We produce hundreds of value-added ingredients from plant sources, including corn, tapioca and rice. We manufacture products for the food, beverage, pharmaceutical, corrugating, paper, and animal feed industries.

Our ingredients add crunch to crackers and fiber to cereal bars. They can make a soft drink sweet with calories or sugar free, plastics biodegradable, body lotions silkier, and tissues stronger and softer. In fact, our products can be found in 80 percent of all the items on a grocery store shelf, either in the food, beverage or personal care products, or in the packaging.

We are a multinational, FORTUNE 500 company headquartered in the Chicago suburb of Westchester, Illinois. Our global R&D center is in Bridgewater, New Jersey. We employ over 11,000 people globally and close to 2,000 in the United States.

Our supply chain is a worldwide network of 35 manufacturing plants and 24 ingredient development centers. In North America we operate 13 manufacturing plants, with seven in the United States. The largest is located in the Chicago area and the others are scattered across the country from California to the Carolinas.

Our primary raw material is corn, which is shipped to our plants from the farm-belt states via rail and truck. Our finished products are distributed to our customers across the country by a network of rail, truck, warehouses, and break stations.

Needless to say, a smooth-functioning surface transportation system is not only essential to Ingredion's business; it impacts our bottom line and the bottom line of our customers. Logistics costs represent a significant portion of our inbound corn costs and delivered finished product costs. In 2014 alone, our transportation costs excluding the cost of fuel increased by 3.6 percent, significantly outpacing inflation.

An outdated transportation system leads to increased freight costs, variability in deliveries, higher inventories, poor customer service, and an overall competitive disadvantage for our and all industries. Here are a few examples to illustrate how a neglected infrastructure impacts us.

Last year, it took longer to transport corn from the farmers and storage elevators to our plants. This resulted in millions of dollars in increased freight costs, higher manufacturing costs due to plant downtime, and curtailed production.

The transportation industry is struggling. In 2014, the average train speed decreased by over five percent and delay time increased by 10 percent. As a result, we had to increase product inventories and address a shortage of rail cars to transport our products, leaving us to struggle to meet customer demand. As the network moves slower, we are forced to increase our rail fleet and to make suboptimal sourcing decisions.

Chicago is a primary transportation hub and the location of our largest plant. The increased rail volume through Chicago is causing unprecedented delays. For example, it can take up to three days just to exit the Chicago metropolitan area. Customers that are a mere seven hour drive from our plant can take up to five days to reach by rail. In some cases, we are forced to shift production from our plant in suburban Chicago to a Canadian facility just to avoid the delays around Chicago and satisfy our customers.

Because we cannot consistently rely on rail to deliver products to our customers on time, we, as many others, often must revert to trucks, costing significantly more than rail. However, the trucking industry is also challenged. Available truck capacity compared to truck demand is at an historic imbalance. This has been amplified by tightening regulation on driver hours of service and a deteriorating highway infrastructure.

Our ability to respond to our customer's needs is directly impacted by the availability of trucking capacity. As truck capacity tightens, our on time delivery rate suffers. Ingredion's incidence of late truck deliveries increased by over two-fold in 2014. This not only creates inefficiency in our supply chain, but also our customer's.

However, our story is just a pixel in the bigger picture.

Increased transportation costs are impacting the broader American business community. According to the Council of Supply Chain Management Professionals most recent *State of Logistics* report, U.S. business logistics costs totaled almost \$1.4 trillion in 2013, the equivalent of a little over eight percent of current GDP.

Business leaders recognize these threats to competitiveness and are voicing concern. The Economist Intelligence Unit found that 87 percent of executives said that aging infrastructure had an impact on their operations in recent years, with 10 percent mentioning that it had caused severe problems in their operations that they were continuing to address.

Today marks the first time that Ingredion has testified before members of Congress, but we can no longer afford to remain silent. We came here today to add our voice to the growing chorus of businesses calling for improvements to the nation's infrastructure systems.

I would like to thank the committee for their continued work and attention on the reauthorization of our surface transportation programs. MAP-21 ended years of short-term extensions that created a great deal of uncertainty for businesses such as ours. We are eager to see a long-term solution come out of Congress this year and we know that you agree.

Thank you very much for the opportunity to be here today, and I look forward to answering your questions.