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April 4, 2007

VIA ELECTRONIC FILING

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: STB Ex Parte No. 671 – Rail Capacity and Infrastructure Requirements

Dear Mr. Williams:

In accordance with the Board's Decision served March 6, 2007, in the above-referenced proceeding, enclosed for filing is Written Testimony on behalf of TOTAL PETROCHEMICALS, USA, INC.

Respectfully submitted,

Michael F. McBride

Michael F. McBride

Attorney for
TOTAL PETROCHEMICALS, USA, INC.

Enclosure

BEFORE THE
SURFACE TRANSPORATION BOARD

EX PARTE NO. 671

SUBMISSION OF WRITTEN TESTIMONY

RICHARD L. CHARTER – SENIOR VICE PRESIDENT

HSSE AND GOVERNMENTAL AFFAIRS

TOTAL PETROCHEMICALS USA, INC.

TOTAL PETROCHEMICALS USA, INC. ("TPI") appreciates the opportunity to submit written testimony to the Surface Transportation Board ("STB") on the issues of rail traffic forecasting and infrastructure requirements.

TPI is headquartered in Houston, Texas and is one of the five largest producers of petrochemicals (polypropylene, polyethylene, styrene, polystyrene), base chemicals and transportation fuels in the United States. TPI has manufacturing facilities in Texas and Louisiana as well as a research and technology facility in La Porte, Texas and a refinery in Port Arthur, Texas. With sales of $9.8 billion in 2006 and over 1,600 employees, TPI has built its petrochemicals business with a strong manufacturing bias, based on world-scale plants and technologically advanced operations. We manufacture petrochemicals for the plastics industry, producing plastic pellets for use in everyday household items like food containers, furniture, carpets, and beverage bottles to name just a few.

Through the years, we have cut every operating dollar possible out of our manufacturing budgets yet our costs to distribute continue to grow at alarming rates year after year. We ship our products primarily by rail, as rail, for the most part, represents the only feasible option available to accommodate the volume of product we ship from our plants to our customers. Until recently, most of our plant locations were served by one origin railroad. In addition, a large percentage of our customers' facilities are also served by only one railroad. We are indeed captive shippers and, as such, have been subjected to excessive rail transportation charges along with poor service. As a consumer, we are continually required to pay more for less service and product value. The railroads' service, their pricing practices, their commercial practices and fuel surcharge programs, have proven that they are an "oligopoly" or at least a series of monopolies. TPI and other shippers need relief.

TPI endorses and supports the written testimony submitted by the American Chemistry Council (ACC). TPI and other ACC member companies depend on the U.S. rail industry for the safe, secure and efficient transportation of approximately 170 million tons of chemical products to customers each year, accounting for more than $5 billion in annual railroad industry revenues.

The U.S. chemical industry employs approximately 900,000 people and accounts for approximately 10% of U.S. exports, thus contributing to the U.S. trade balance and national economy. Railroad reliability and service are critical to our success.

TPI's Rail Experience: Current Service and Capacity Challenges

TPI produces over 4.5 billion pounds of plastics pellets each year, most of which are delivered to our customers via rail transportation. TPI has built some of the world's most competitive manufacturing sites in the Gulf Coast Region of the United States. The success of our plants, however, is dependent on an efficient, cost effective transportation and distribution network. Due to congestion and rail infrastructure limitations, transporting our products via rail all too often involves poor service, unpredictable delivery schedules and costs that continue to rise at an alarming rate.

There is more at stake than the erosion of TPI's global competitive position. The continued widening of the trade deficit relative to chemical industry business is also troubling. More and more of the new and existing railroad infrastructure is being consumed to support imports, and the railroads are allocating increasing percentages of their infrastructure to support intermodal traffic. Meanwhile, U.S. chemical manufacturers are increasingly unable to export due, in part, to gridlock in the existing rail infrastructure. TPI has experienced this difficulty first hand with respect to exports out of the Houston, Texas area. In this area, serious rail congestion has resulted in intermittent rail embargos, which have seriously impacted TPI's ability to move its product to facilities for necessary pre-export packaging. Meanwhile, the railroads appear to be focused upon providing new infrastructure to handle imported products instead of upon improving existing infrastructure to better handle the exports of domestic producers.

Rail Traffic Forecast and the Proposed Investment Tax Credit

Significant increases in rail freight traffic are forecasted over the next 10 to 15 years. U.S. shippers need to be able to plan based on the assumption that the rail system will be stable and reliable enough to meet our future transportation needs. Based on past performance, TPI is justifiably concerned that the railroads may not be able to meet future demand. If railroads are permitted to pursue a strategy of continually loading more costs on captive rail shippers, it is likely that some captive shippers will be forced to shift their manufacturing operations overseas, thus exporting American jobs. Others may be forced to close facilities or forego expansion as a result.

The railroads have suggested that the enactment of an investment tax credit is the answer to current rail service and capacity problems. While some level of investment tax credit for infrastructure may be appropriate, TPI believes that any such credit would need to be part of a comprehensive rail reliability package encompassing accountability and policy reforms to address the needs of domestic producers. It should also recognize that the U.S. petrochemical industry is struggling to compete with foreign manufacturers who enjoy not only labor and feedstock advantages but also the competitive advantage of being able to strategically avoid areas where U.S. railroads enjoy monopolistic pricing practices. Captive domestic shippers do not enjoy this same freedom. Moreover, any such program would need to include a level of regulatory oversight sufficient to ensure that resultant infrastructure improvements are made in the areas where domestic shippers need them most rather than simply in the areas most profitable to the railroads.

TPI firmly believes a balanced commercial relationship between the railroads and their customers, both captive and non-captive, is necessary to provide the secure, effective transportation system the nation will need to remain competitive in the global marketplace and commends the Board for looking into these issues today.

Respectfully submitted,

TOTAL PETROCHEMICALS USA, INC.

By ______________________

Richard L. Charter
Sr. Vice President
HSSE & Governmental Affairs