The Dow Chemical Company

October 2, 2015

THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

RE: POSITIVE TRAIN CONTROL IMPLEMENTATION DEADLINE

Dear Chairman Shuster,

As you know, Positive Train Control (PTC) is a very complex system designed to prevent train-to-train collisions and over-speed derailments. In 2008 the Rail Safety Improvement Act of 2008 established December 31, 2015 as the deadline for all Class I railways to implement PTC on any of their tracks over which Toxic Inhalation Hazard (TIH) Materials or where regularly scheduled passenger services operate. The Association of American Railroads has confirmed the railroad industry will not meet PTC deadline, and has maintained that position for a number of years.

With this deadline now looming, three of the four Class I railroads have recently stated that they will cease carrying TIH products past the end of 2015. In addition, one Class I railroad plans to close 50% of their track miles to *all* freight. We anticipate that the railroads will insist that TIH railcars be removed from the rails starting *late November* in order to avoid stranded rail cars on the tracks after the December 31 deadline.

U.S. manufacturers that depend on the railroads to move coal, agriculture products, automobiles, building materials and other important products directly employ 600,000 Americans and produce $345 billion in goods per year. According to newly-released economic data, a disruption in rail service lasting *one month* will cause a 2.6% hit to U.S. real GDP growth and could move the U.S. economy from a position of moderate growth into a period of contraction. A prolonged disruption could put nearly 700,000 jobs at risk and could result in the first regulation-induced recession in American history.

The Dow Chemical Company relies on rail transportation to ship materials to customers, and several of our most strategic U.S. assets receive these materials by rail to use as raw materials in our production of a vast number of important products. Should freight rail come to a stand-still late this year, Dow's plants, particularly those in the Gulf Coast, will be starved of raw materials and will be forced to shut down. Shutting down these assets is estimated to cost Dow hundreds of millions of dollars per month. Embargoes on the rail shipments of these materials will cause significant disruption for customers of the chemical industry who rely on us. For example:

- Nearly 98% of public drinking water systems use some form of chlorine-based disinfectant to produce safe potable water. These disinfectants prevent cholera and other waterborne diseases, and often cannot be stored in any significant volume at municipal water treatment facilities. They rely on steady and predictable shipments of chlorine by rail to operate. Without freight rail service to deliver chlorine, safe drinking water supplies for nearly all Americans will be compromised.

- The agricultural sector also relies heavily on freight rail. From ammonia-based fertilizers to the transport of crop products for human and animal consumption, this important piece of the U.S. economy is extremely sensitive to supply chain disruptions. A disruption of freight services for ammonia, a TIH material, will jeopardize fertilizer production over the winter months and could result in a shortage during spring planting. Fertilizer use is credited with boosting crop yields by as much as 50%; a shortage of fertilizers will likely reduce crop yield, and contribute to substantial price increases across the U.S. food supply.

In addition to severe impacts to the U.S. economy freight rail service disruptions will cause, there will be widespread passenger rail outages in America's largest urban centers. Passenger rail ridership is at an all-time high, and has grown more than 55% in the last 15 years. With nearly 31 million riders on Amtrak per year, a service outage on the 70% of the passenger rail system that has not implemented PTC will push millions of riders onto the already-crowded surface transportation system. This not only will create delays in the daily lives of Americans, but creates further chaos in the supply chain used by the manufacturing sector.

Congress must act. Manufacturers who rely upon the nation's rail infrastructure to receive raw materials and ship products need the certainty of a PTC implementation deadline extension before our operations are disrupted in November. **Waiting until November or later to resolve this matter will have already resulted in severe economic damage to individual companies and to the U.S. economy as a whole.**

Dow appreciates your understanding of the issue, and strongly supports your efforts to lead Congress in the passage of an extension to the implementation deadline for PTC technology before manufacturing, the engine of U.S. economic prosperity, is stalled. Please do not hesitate to contact me or Jim Fitterling, Dow's Vice Chairman of Business Operations (JRFitterling@dow.com), should you require further information.

Thank you for your leadership on this critical issue.

Sincerely,

Andrew N. Liveris
Chairman and Chief Executive Officer

Jim Fitterling
Vice Chairman, Business Operations