



U.S. CHAMBER OF COMMERCE

Statement of the U.S. Chamber of Commerce

ON: The Federal Role in America's Infrastructure

TO: U.S. House of Representatives Committee on Transportation and Infrastructure

DATE: February 13, 2013

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

**Testimony of Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce**

**U.S. House of Representatives
Committee on Transportation and Infrastructure**

**Hearing on:
“The Federal Role in America’s Infrastructure”**

February 13, 2013

Introduction

Chairman Shuster, Ranking Member Rahall, and distinguished members of the House Transportation and Infrastructure Committee, thank you very much for the opportunity to discuss the value of a strong federal role in transportation infrastructure to support economic productivity, international competitiveness, and quality of life.

I want to start by saying “thank you” to everyone who worked hard to pass the bipartisan transportation bills for surface transportation and aviation last year. Both the *FAA Modernization and Reform Act of 2012* and *Moving Ahead for Progress in the 21st Century* (MAP-21) made smart reforms to speed up much-needed improvements to our roads and bridges, public transportation systems, and the aviation network; rejected calls for significant cuts to federal investment; and ended years of short term extensions that created a great deal of uncertainty for businesses and infrastructure owners and operators.

But there is no rest for the weary. This committee has a big agenda when it comes to oversight and implementation of current law, and authorizations of new measures. We look forward to working with you to improve the nation’s transportation networks, and on safety, oversight and efficiency efforts that affect transportation carriers.

Today, I want to focus on why it is so important that you are undertaking this agenda, and offer a few initial thoughts on how working with the private sector can help deliver the kind of transportation network this country needs.

The measures this committee will consider will affect whether we can go to work, vacation, school, the doctor’s office, and the grocery store safely, reliably, efficiently and cost-effectively. But transportation is much bigger than our personal experiences. Almost everything we can use somehow requires the transportation system at some point during the supply chain—the inner workings of producing and delivering goods and services.

The United States’ global competitiveness depends on ensuring that we have a 21st century infrastructure to support a 21st century economy. The responsibility is shared by all levels of government and the private sector. The federal government must take a leading role in making

sure that transportation policies, programs and investments contribute to a strong economy—including interstate commerce and international trade—rather than inhibiting economic growth.

Without a first rate transportation system, we cannot maintain a first rate economy in the United States.

The Economic Growth Imperative

The U.S. economy is simply not growing quickly enough today to create jobs, lift incomes, expand opportunities, or contribute significantly to government revenues in order to reduce trillion dollar deficits.

Economic growth should not be an afterthought. It should be job one. Economic growth must be front and center here in Washington—just as it is in many state capitals across the nation, led by innovative governors from both parties.

The bottom line is that the U.S. cannot miss any opportunities to ignite economic growth, improve our global competitiveness, and create jobs. Without more robust economic growth, the U.S. will not create the 20 million jobs needed in the next decade to replace those lost during the recession and to keep up with a growing workforce; will not have the revenue to get the deficit under control; will not have the ability to keep pace with global competitors; and will not be able to provide our children and grandchildren with a better future. As we emerge from the deepest and most painful recession since the Great Depression—and as our recovery limps along—it is necessary to tap into every available source of economic growth available.

And this committee can do something about jumpstarting economic growth.

"Infrastructure is not the end result of economic activity; rather it is the framework that makes economic activity possible."¹ "Over two years, one dollar spent on infrastructure construction produces roughly double (\$1.92) the initial spending in direct and indirect economic output. The long-term impact is also significant, with a dollar in aggregate public infrastructure spending generating \$3.21 in economic output (GDP) over a 20-year period."²

In other words, transportation infrastructure serves a long-term economic purpose: making it possible for us to live our lives and grow our economy.

The U.S. Chamber Transportation Performance Index

The Chamber's *Transportation Performance Index* (TPI), first released in 2010, demonstrates that enhancing the performance of transportation infrastructure is a vital part of creating sustainable, long-term growth...growth our nation desperately needs.

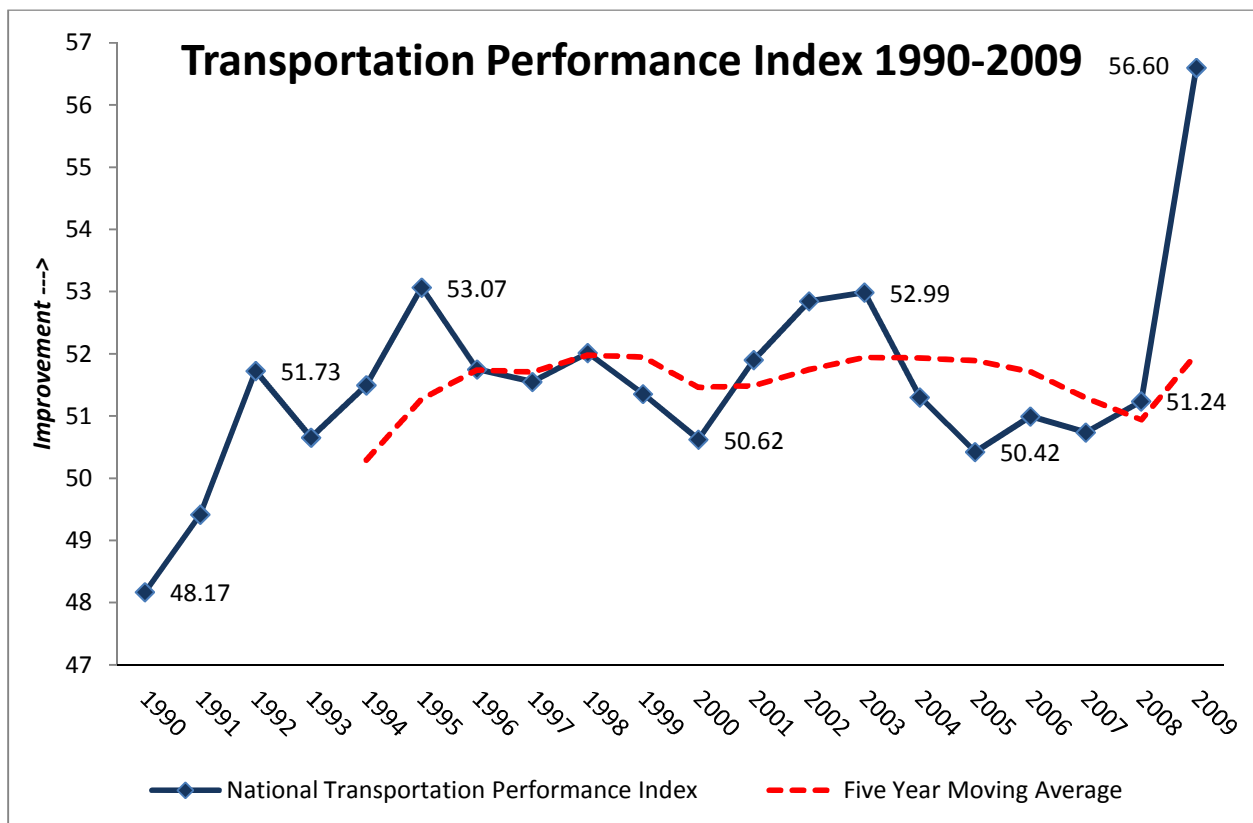
¹https://www.uschamber.com/sites/default/files/issues/infrastructure/files/LRA_Index_Economic_Analysis_2011_10_17.pdf

² http://www.aednet.org/government/pdf-2012/infrastructure_report.pdf

The TPI comprises roughly 20 weighted indicators in each mode of transportation falling into three categories:

- Supply, described as the availability of infrastructure, which is a key consideration for businesses when deciding where to locate their facilities;
- Quality of service, the reliability of infrastructure, whether it supports predictable and transportation services and travel; and,
- Utilization, whether current infrastructure can sustain future growth. Utilization is a key consideration for companies that look years into the future to inform the decisions and capital investments they make today.

Together, the indicators provide a snapshot of transportation system performance. Much like the Dow Jones Industrial Index indicates financial market performance, the TPI is an aggregate measure that is a useful snapshot of the transportation system as a whole at a point in time, but by watching it over time, trends and fundamental system health are slowly revealed.



The inaugural TPI, calculated for 1990-2008, reflected a six percent increase in performance over that period. In contrast, the U.S. population grew 22 percent, passenger travel grew 39 percent, and freight traffic grew 27 percent. Given these facts, it is a testament to business ingenuity that the TPI was not worse. Businesses work around transportation challenges by scheduling deliveries in off-peak hours, implementing flexible employee work policies, and substituting information technology for transportation services. There are also countless stories

of transportation infrastructure owners using the engineering equivalent of duct tape to hold infrastructure together and crafting creative operational strategies to enhance throughput.

In the 2011 update, the data reflected a distinct uptick in the TPI. According to Dr. Susanne Trimboth,

“Much of the improvement in the TPI may be attributed, in the final analysis, to the decline in economic activity in 2009. But that begs a question: If we can improve the performance of transportation infrastructure by stopping economic growth, is that progress? Of course, the answer is "no". Stopping economic growth is not progress; it is not a solution to the problem of poor performing transportation infrastructure in America. Likewise, although raising gasoline prices to \$11 per gallon might solve the funding issue (Appleby 2009) it would have other consequences for economic activity.... The point is that a one or two year improvement in performance won't last without sustained effort. We will need to get out of our own way if we don't want this to fall back again when the economy rebounds in 2012.”³

From the TPI, the Chamber concluded that the following general policy and investment priorities, applied across all modes, could boost performance and therefore economic growth:

1. Get transportation infrastructure to a state of good repair.
2. Focus on reducing congestion and unlocking bottlenecks.
3. Connect the modes: target last mile infrastructure and intermodal connections, getting out of modal silos and thinking big picture about the system as a whole.
4. Create capacity for the future as cost-effectively as possible and build physical capacity.

There is a clear federal role in ensuring that these priorities are advanced: jobs and a growing economy depend on it.

Economic Importance of Transportation Performance

Econometric analysis using the TPI demonstrates that failure to address the transportation problems in this country undermines economic growth. There is a strong correlation between performance (“the degree to which the transportation system serves U.S. economic and multi-level business community objectives”) and economic growth as measured by both Gross Domestic Product (GDP) and foreign direct investment.

Every one point decline or increase in the TPI correlated to a corresponding decrease or increase of 0.3 percent of GDP. A status quo scenario—largely unchanged priorities, policies, regulations and investment levels—translated to \$336 billion decline in GDP by 2015. But there is good news: by following the lead of the states with top transportation infrastructure performance, the

³http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf

country as a whole could add nearly \$1 trillion annually to GDP by investing in transportation systems that meet and anticipate the needs of business.⁴

This analysis is unique because it examines the overall contribution to economic growth from well performing transportation infrastructure. It goes beyond merely charting the effects of spending and job creation during construction. Instead, the analysis provides robust, stable results showing that transportation performance is fundamental to maintaining a strong economy.⁵ The findings of the TPI economic analysis are “different from studies on how infrastructure spending creates jobs in the construction industry or any of a multitude of cost/benefit studies in use today. By controlling for the primary factors known to impact economic development, we are able to segregate a change in the economy that is most likely attributable to the performance of transportation infrastructure.”⁶

The TPI econometric analysis also exposed a strong correlation between transportation infrastructure performance and foreign direct investment (FDI) in the United States. There is a positive relationship between foreign direct investment (FDI) that opens new establishments in the United States—creating new jobs—and the performance of transportation infrastructure as measured by the index.

According to the Organization for International Investment (OFII), companies based abroad investing in the United States and creating jobs for Americans provide 4.7% of private sector employment. That includes approximately two million manufacturing jobs, accounting for over 17% of the manufacturing workforce. Quality transportation infrastructure unleashes competitive advantage by leading to lower production costs making U.S. businesses more efficient, making the United States a desirable location for new and existing businesses, and also making U.S.-produced goods and service more competitive in the global economy.⁷

New enterprises established by FDI may be more dependent on transportation infrastructure than other types of infrastructure because of the need to move goods and people between the foreign country and the United States. According to studies done by the Bureau of Economic Analysis, most of what these firms import and about half of what they export is shipped from and to the parent company in the foreign country, making transportation infrastructure an important element of their location decision. The results indicate that a commitment to raising the performance of transportation infrastructure provides positive long-term value for the U.S. economy.

OFII’s report, “Building Competitiveness: American Jobs, American Infrastructure, American Global Competitiveness” concluded that,

“America’s infrastructure crisis is threatening America’s global competitiveness because it is eroding the country’s ability to attract and retain dynamic global

⁴ <http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2011%20Update.pdf>

⁵ http://www.uschamber.com/sites/default/files/lra/files/LRA_Transp_Index_Key_Findings.pdf

⁶ http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf

⁷ <http://www.ofii.org/resources/insourcing-facts.html>

companies that create high-productivity, high-wage jobs. America's ability to meet the infrastructure needs of dynamic global companies increasingly lags the ability of many other countries—in contrast to much of 20th century, when America's infrastructure was a strong pull attracting these companies. In the United States, global companies have long been among America's most innovative. The U.S. subsidiaries of global companies, in particular, have long created and sustained high-paying American jobs based on substantial investments in ideas, capital, and exporting—much of which is based on lessons learned around the world.”⁸

This year, the Chamber will update the TPI and econometric analysis, and also calculate indices for each state. We look forward to providing the committee with the results in the fall.

Transportation and the Chamber's American Jobs & Growth Agenda

The U.S. Chamber works every day to build bridges to promising markets abroad, to tear down the barriers that shut U.S. exports out of foreign markets, and to secure a brighter future where international commerce generates economic growth and job creation at home.

The Chamber's 2013 American Jobs and Growth Agenda⁹, includes priorities that are highly dependent on efficient, reliable and secure infrastructure: trade, investment and tourism; and expanding domestic energy production.

Transportation & Trade, Investment and Tourism

Markets outside of our borders represent 80% of the world's purchasing power¹⁰, 92% of its economic growth¹¹, and 95% of its consumers. They are accessed through transportation networks. More than 38 million American jobs¹² depend on trade. One in three manufacturing jobs¹³ depends on exports, and one in three acres¹⁴ on American farms is planted for hungry consumers overseas. Exports alone supported approximately 9.7 million U.S. jobs in 2011, as every billion dollars of exports supported 5,080 jobs in the United States.¹⁵

The Chamber promotes expanding American trade, two-way investment, and tourism through an ambitious agenda to open international markets and reduce commercial barriers at home and abroad. Our country should make a major effort to attract more global investors; high-performing transportation networks draw foreign direct investment, because infrastructure supports predictable logistics, which are important to efficient trade.

⁸ http://www.ofii.org/docs/OFFI_Infrastructure_Paper.pdf

⁹ <http://www.uschamber.com/issues>

¹⁰ [http://en.wikipedia.org/wiki/List_of_countries_by_GDP_\(PPP\)](http://en.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP))

¹¹ <http://data.worldbank.org/indicator>

¹² http://www.tradepartnership.com/pdf_files/Trade_and_American_Jobs7.2010.pdf

¹³ http://www.whitehouse.gov/sites/default/files/exports_progress_report.pdf

¹⁴ <http://www.fb.org/index.php?fuseaction=newsroom.fastfacts>

¹⁵ ASCE, citing the U.S. Department of Commerce from March 12, 2012

“Globally, logistics costs have fallen from about 20 percent of GDP in the early 1980s to less than 10 percent. However, delays and unpredictability greatly outweigh direct transportation costs (Arvis, 2010). Delays are mostly related to the performance of road, rail and port – not border crossings, the price of fuel, service pricing, etc. The lack of intermodal-connectivity and variable transit times does more than cause delays and raise costs. They also hamper the ability of firms to compete. Longer delays in transit mean having to hold higher inventories (e.g., to avoid shortages of inputs) – bearing the higher risk associated with warehousing and tying up capital for longer periods of time.”¹⁶

Unfortunately, much of the United States’ transportation infrastructure—especially that which supports interstate commerce and international trade—is becoming less competitive with the rest of the world, and our closest competitors.

“An examination of the data for the US and our nearest competitor, Canada, emphasizes the inefficiencies in our land transportation. A Canadian exporter typically moves their goods for export 766 kilometers, versus a substantially shorter distance for US exporters of only 484 kilometers. The difference in total cost is about 10 percent (\$1,249 per container in the US versus \$1,123 in Canada). The big difference is that US producers need more than 2 extra days to cover nearly half the distance. When exporting through ports and airports, US producers are able to cover 50 percent more distance in about the same amount of time as Canadian firms, but at a cost that is almost 60 percent higher (even with similar security measures in place). These inefficiencies put a burden on US companies that their global competitors do not face.”¹⁷

There are several examples of ways in which transportation infrastructure and related regulations or policies are undermining trade, investment and tourism.

Waterways are critical to keeping our domestic supply chain competitive. There is a \$14-per-ton cost savings for shipping on the inland waterways; this translates to farmer, shipper, and consumer cost savings, and reduced congestion on the roads and rails.¹⁸ However, while the private sector constantly updates its operations, our 21st century economy relies on a 1930s technology for locks and dams. Fifty-seven percent of the 238 locks on the inland waterways system are over 50 years of age, well beyond their design life, with 34 locks older than 80 years.¹⁹ In 2007, the U.S. Army Corps of Engineers reported that locks were unavailable for 157,000 hours due to either scheduled or unscheduled maintenance or mechanical breakdown. This translated to 6,500 days of downtime for the system.²⁰ As the ASCE report "Failure to Act: The Economic Impact of Current Investment Trends in Airports, Inland Waterways, and Marine

¹⁶http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf

¹⁷http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf

¹⁸ http://www.waterwaysusers.us/IMTS_Final_Report_13_April_2010_Rev_1.pdf

¹⁹ <http://www.nationalwaterwaysfoundation.org/study/BeneficiariesofNavigableWaterways14Jan11Ver.pdf>

²⁰ http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=ba5e92e1-6596-4506-b41b-7b037b406647

Ports" clearly identifies, costs attributable to delays on the inland system were \$33 billion in 2010 and will increase to \$49 billion by 2020. America becomes less competitive in the global marketplace with these consequential delays.²¹

We know what one of the main problems in the United States is traffic congestion. Congestion is at an all-time high and will only get worse, according to the Texas Transportation Institute's 2012 Urban Mobility Report.²² The study revealed that Americans spent 5.5 billion additional hours sitting in traffic in 2011. Three hundred twenty-eight (328) corridors, while accounting for only six percent of the nation's total freeway lane-miles and 10 percent of the traffic, account for 36 percent of the country's urban freeway congestion. In 2010, congestion (based on wasted time and fuel) cost about \$115 billion in the 439 urban areas, compared to \$113 billion (in constant dollars) in 2006. Most drivers "allow a little extra time" when driving during rush hour, especially for important trips like getting to the airport or picking up kids after school, but the message of the Texas Transportation Institute's congestion report released last week was clear: give yourself more time to get places. For the first time, the TTI study calculated just how much "extra time" you might need to build in to your plans. In Washington, DC, a 20 minute trip takes almost two hours in heavy traffic. That is a huge difference when trying to make a flight or being on time to pick up the kids at school. Translate concept from your personal life to businesses that use the transportation system every day and then start doing the math: UPS carries six percent of US GDP within its system every day. If each UPS delivery driver is delayed 5 minutes per day, it costs UPS \$105 million a year. What if each UPS delivery driver is delayed two hours on a 20 minute trip just once a year?

Aviation is the only mode of transportation that can both quickly and efficiently move people and goods around the United States and the world. A strong federal role is essential for safety, oversight and air traffic efficiency. However, the United States risks falling behind Asia, the Middle-East, and Europe as being the global aviation leader, a role we have held since the Wright Brothers' first flight. Necessary maintenance and modernization investments must be made to renew and upgrade aging aviation infrastructure and to put in place a state-of-the-art air traffic control system, known as NextGen. The U.S. aviation industry is the physical internet, connecting small communities, people and commerce to the global economy. In 2011, record-high U.S. air-travel exports (\$36.7B) drove largest air-travel trade surplus (\$5.6B) since 1992. Aviation is also important to the freight supply chain. Dayton International Airport in Dayton, Ohio, is playing a key role in economic development. Dayton International Airport is strategically located less than one mile from a CSX freight rail line and the intersection of I-70 and I-75. With rail freight, air freight and truck freight convening at single geographic location, the Dayton area has a unique multi-modal logistics asset. Through continued partnership with the FAA, the Dayton Airport and the economic development community can strategically attract businesses to this area related to interstate commerce and international trade.

The Energy Economy and Transportation

Developing more American energy, which can help address the nation's fiscal problems and also create millions of jobs while making the country more secure.

²¹ <http://www.asce.org/Infrastructure/Failure-to-Act/Airports,-Inland-Waterways,-and-Marine-Ports/>

²² <https://tti.tamu.edu/>, and <http://s3.documentcloud.org/documents/566377/2012-urban-mobility-report.pdf>

The United States has more oil, gas, and coal than any other country and is now the largest single natural gas producer in the world. We are now in a position to export liquefied natural gas and coal, and thus reducing our trade deficit and bringing billions of dollars into the United States. The abundance of affordable natural gas is attracting good manufacturing jobs back to America, particularly in the chemical and steel industries.

All of this adds up to a lot of jobs, growth, improved national security, and more revenues for government.

According to the American Petroleum Institute, oil and gas companies already account for 9.2 million American jobs and pump more than \$500 billion into our economy.²³ Over the next 20 years, energy can create millions of additional jobs, spread all across this country. In the last few years, shale activity alone has created 1.75 million jobs. Between now and 2035, we can double shale's economic impact, double the number of jobs, and generate a cumulative \$2.5 trillion in government revenues.²⁴ We should continue with the next generation of nuclear power plants. And we should waste no time in pursuing research to develop alternative energy sources, such as wind, solar, and geothermal.

To achieve these great benefits, the United States needs to safely open up new land to exploration. We have foolishly locked away too much of our resources on land and off our coasts.

By fully embracing America's energy opportunity, we can accelerate growth, create millions of new jobs, free ourselves from some less-than-stable global suppliers, and create huge new revenues for government—which will help reduce budget deficits.

Growth through energy production requires an efficient transportation system to move product. However, the regulatory environment has the potential to stop or substantially slow infrastructure improvements and expansion. Although the 112th Congress took bold steps in MAP-21 to speed up project delivery, there is more to be done. Opponents of energy production and expanded trade are trying to block transportation infrastructure advancements that are needed to promote trade and economic growth.

The Chamber has spent the past three years studying the paralyzing effect that excessive environmental reviews have had on major infrastructure and energy projects, including port dredging, road building, and construction of power plants. Thousands of projects are delayed or killed outright each year because of endless environmental reviews and the legal challenges that accompany them. The Chamber's 2010 study *Project No Project* demonstrates that for energy projects alone, some 351 projects were stopped or significantly delayed by these reviews, at a cost of 1.9 million jobs each year that otherwise could have been made available to people who desperately needed them.²⁵

²³ http://www.api.org/policy-and-issues/policy-items/american-energy/~media/Files/Policy/American-Energy/American-Made-Energy_HiRes.ashx

²⁴ <http://www.ihs.com/info/ecc/a/americas-new-energy-future.aspx>

²⁵ <http://www.projectnoproject.com/>

In the case of energy, approximately 56% of all crude petroleum, 15% of all coal, and 24% of other fuel oils are transported over the nation's inland waterways. In 2010, more than 76% of America's international exports reach global markets through marine ports. Effectively, all of America's exports in commodities such as coal, fuel oils, gasoline, and crude petroleum are shipped by water. Including these fuels, plus agriculture, basic chemicals and nonmetallic minerals, maritime is the primary mode of export for 25 of America's export commodities.²⁶

And yet, last year the Environmental Protection Agency (EPA) asked the U.S. Army Corps of Engineers (Army Corps) to evaluate impacts outside of the United States for the energy exports that will go through the Gateway Pacific Terminal Project²⁷ in Washington state at marine terminal as part of the environmental impact statement (EIS). The Gateway Pacific Terminal Project is a proposed deepwater marine port terminal connected to BNSF Railway's northern rail corridor that would give resource producers across the upper Midwest a new, more efficient and cost-effective way to get their goods to Asian markets. This was on the heels of the EPA request to the Army Corps to prepare a cumulative impacts analysis of all coal export terminals at the Port of Morrow²⁸ in Oregon earlier in 2012.

A programmatic EIS of the kind requested would include a far-reaching analysis of coal exports from the Pacific Northwest to other parts of the world, and the attendant impacts on the United States of generating electricity abroad with that coal. There is no precedent for conducting a programmatic EIS with such a vast scope, and there is certainly no compelling reason to set such a precedent. A programmatic EIS is unnecessary because the major elements of the project are already operating and have previously been scrutinized (mining operations and rail transport to Washington). Courts have already determined that evaluating the foreign use of products sold by the United States to other countries a programmatic EIS is also inconsistent with the requirements of NEPA.

The Gateway Pacific Terminal and the Port of Morrow projects are multi-modal and intermodal. It is important that the freight railroads, which are privately owned and operated—not government entities—have regulatory and operating environments that will allow them to continue investing in their own infrastructure and intermodal connections and operating their systems efficiently. As you consider rail safety and passenger rail legislation this Congress, I urge you to keep in mind that the decisions you make can either help support expanding our economy, or can impede that expansion.

Recommendations

To address some of the issues raised in this testimony, the Chamber respectfully urges the Committee to consider the following recommendations as it undertakes its oversight, reform and investment agenda.

²⁶http://www.asce.org/uploadedFiles/Infrastructure/Failure_to_Act/ASCE%20Failure%20to%20Act%20Ports%20Report%20FINAL.pdf

²⁷ <http://gatewaypacificterminal.com/>

²⁸ <http://www.coaltrainfacts.org/epa-letter-to-the-us-corps-port-of-morrow>

MAP-21 Freight Planning

Canada took bold steps to create a seamless, trade-related transportation system that serves global supply chains and position Canada it as the trade superhighway into and out of North America with Transport Canada's Gateways and Corridors programs.²⁹ Yet the United States lacks a national freight strategic plan.

This committee must press states and the U.S. Department of Transportation (USDOT) to fully embrace the reforms included in MAP-21, including the freight planning provisions. The Chamber is ready and willing to work with USDOT and the states to make freight planning successful. The freight plans must be multi-modal, reflect an understanding of business and economic trends, anticipate needs, and contain strategies that are informed by the businesses that and use transportation systems every day. Freight planning cannot be theoretical or idealistic; it must grounded in facts and reality. There are thousands of chambers of commerce and individual businesses around this country that are willing to inform freight plans and the resulting policies, programs and investments that support economic growth. To its credit, USDOT reached out to freight stakeholders at the beginning of this process; we look forward to continued engagement with the agency.

Reform & Investment: Water Resources

This committee must pass a WRDA bill with strong reforms that protects America's competitive advantage in marine navigation. George Washington, returning in the fall of 1783 from a tour of the Mohawk Valley, wrote to a friend concerning the Nation's natural waterways: "Prompted by these actual observations, I could not help taking a more extensive view of the vast inland navigation of these United States and importance of it, and with the goodness of that Providence, which has dealt is favors to us with so profuse a hand. Would to God we had the wisdom enough to improve them."

We should heed the words of that founding father and address the several navigation challenges: maintaining and repairing existing structures, dredging to needed depths such as those required to accommodate ships coming through the Panama Canal as soon as 2014, and constructing new, modern, expanded lock chambers to accommodate a 21st century transportation fleet. This is absolutely essential given the importance of exports to U.S. jobs and economic growth.

The next WRDA bill must reform the Olmstead project and improve Army Corps project management and oversight. The greatest threats to the performance of the nation's inland waterway system are delays caused by insufficient operation and maintenance of the facilities. By 2020, traffic on inland waterways is expected to increase by 51 million tons of freight from 2012, an overall 11% increase. If investment needs for the nation's seaports and waterways are met over the next seven years, it will protect 738,000 jobs in 2020, and \$697 billion in GDP.³⁰

²⁹ <http://www.tc.gc.ca/eng/innovation-gateways-and-corridors.htm>

³⁰ http://www.asce.org/uploadedFiles/Infrastructure/Failure_to_Act/ASCE%20Failure%20to%20Act%20Ports%20Report%20FINAL.pdf

Barge operators currently pay 50% of the cost of all capital projects and would agree to pay more than the current 20 cents per gallon user fee if they could be assured that dollars would not be wasted on massive cost overruns such as are being experienced at the Olmsted project. Construction of the dam at Olmsted has been ongoing since 2004. The Olmsted lock and dam project was first authorized in 1988 in the amount of \$775 million: the Administration requested Congress increase the authorized cost to nearly \$3 billion for FY2013, which Congress rejected.³¹ Olmsted is monopolizing funding from the Inland Waterways Trust Fund, delaying work on other important projects that serve the energy, mining, agriculture, and chemical industries.

Project management is major issue, but it is compounded by the way Congress dribs and drabs out money. A General Accountability Office (GAO) report noted that, “Congress directs funds for many individual projects in increments over the course of several years. For example, a construction project to reduce flood damage in the Greenbrier River Basin of West Virginia has an estimated total cost of \$158 million. The conference reports directed \$1.5 million to this project in fiscal year 2009 and \$1.4 million in fiscal year 2010.”³² This approach does not use taxpayer dollars efficiently: it seems obvious that there must be changes in how this process works. Otherwise, project timelines will be drug out for years, increasing costs and delaying benefits, and when used on the navigation system, makes that low-cost mode of transportation unreliable giving our competitors in these low margin products a real edge.

FAA NextGen Policies and Procedures & Industry Regulations

The Chamber was pleased with the 2012 FAA reauthorization law’s attention to expediting the transition to NextGen to add air traffic management system capacity. We applauded provisions allowing public-private partnerships to accelerate the equipage of aircraft for NextGen, which will create up to 32,000 jobs and \$23.5 billion in economic growth over its five-year ramp-up period.³³

However, NextGen also requires updating FAA policies and procedures that enable the aviation industry to benefit from investments already made. Such policies and procedures will enable the system to move air traffic more efficiently, improve on-time performance, reduce delays and improve the aviation sector’s environmental footprint. Because the United States does not have a modernized air traffic control management system, delays cost customers, airlines and the economy \$31 billion annually.³⁴ Only inclusive of policies and procedures to accompany investment can NextGen support demand in business, passenger, and cargo traffic, and a globally competitive U.S. aviation industry.

While there is a need for a strong federal role in modernizing aviation infrastructure, the government must ensure it is not hindering growth through unnecessary regulation and policies that thwart operational freedom across the aviation industry. A prime example concerns

³¹ http://thomas.loc.gov/cgi-bin/cpquery/?&sid=cp112w7Wus&r_n=hr462.112&dbname=cp112&&sel=TOC_51268&

³² <http://www.gao.gov/products/GAO-10-819>

³³ <http://www.freeenterprise.com/infrastructure/future-flightchanges-and-challenges-21st-century-us-aviation>

³⁴ <http://www.airlines.org/Pages/Annual-U.S.-Impact-of-Flight-Delays.aspx>

thousands of small to medium sized businesses that service the aviation industry: the failure by the Transportation Security Administration (TSA) to issue security rules for repair stations (i.e., companies licensed/certificated by the FAA to work on air carrier aircraft) and the resulting prohibition on FAA issuing new foreign repair station certificates. The ban hurts U.S. industry because U.S.-based aerospace companies are prevented from tapping into rapidly expanding overseas markets, stifling job creation and growth for an industry that contributes \$39 billion per year of total U.S. economic impact and employs 274,634 U.S. workers.³⁵ Put simply, the ban is hindering the competitiveness of the U.S. aerospace industry. TSA either needs to get the rules out (so the ban expires) or Congress needs to affirmatively lift the ban so that the industry is no longer punished for bureaucratic inaction.

The Fiscal House: The Federal Budget + Transportation Funding & Financing

Tax and entitlement reform is an essential item on the Chamber's American Jobs and Growth Agenda, because if we fail to address the threat of our exploding national debt driven by runaway deficit spending, changing demographics, and unsustainable entitlements, mandatory spending will soon consume every dollar the federal government collects, leaving nothing for education, national defense, or other essential programs—including infrastructure.

As the Congress and the Obama Administration tackle getting America's fiscal house in order, there will be present opportunities to address revenue sources for transportation, particular ensuring that the need for drastic cuts or additional general fund bailouts for the Highway Trust Fund at the expiration of MAP-21 can be avoided, and that the current sources of user-based revenues for the Highway Trust Fund produce sustainable, predictable and growing cash flows until a new revenue structure can be identified and implemented.

We all know two years from now it will be déjà vu all over again—a Highway Trust Fund on the verge of bankruptcy, even better gas mileage further driving down receipts, a very tough budget environment, and lingering perceptions that transportation funding is pork barrel spending.

Instead of experiencing Groundhog Day again in two years, why not seize the initiative now to set a new path ... a path that will ensure adequate funding for years to come and that money is spent wisely and on projects of the greatest national benefit? The federal government should not pass the buck to states and locals, nor should wait for money to grow on trees, or wish and hope that things will get better. There is no path to a 21st century infrastructure for a 21st century economy without increasing both public and private investment in transportation infrastructure.

The federal government does and should share responsibility for investments in the nation's highways and public transportation systems, inland waterways, air traffic control, and ports. We are not talking about stimulus...we are talking about maintaining the billions of dollars in investments made over generations and making strategic, prioritized choices to grow the economy in a fundamental, ongoing way.

The federal government needs to provide stable, certain funding over a multi-year period. That is hard to do, especially for the investments that are supported by general funds—air traffic

³⁵ <http://arsa.org/news-media/economic-data/>

control, water resources, and a portion of surface transportation, when the country's fiscal house is not in order.

For example, aviation requires a robust general fund contribution, which supports the nation's air traffic control system. This committee has a long history of championing this investment, and the Chamber appreciates its support. The entire aviation industry agrees on this issue. Investing in aviation, through the general fund, contributes direct return in the form of jobs and economic growth. It enables the United States to be globally competitive, allowing products, services and people to travel internationally. It is a national network that serves not only commercial, business and general aviation, but also many other national interests.

This is not to say that responsibility for investing in infrastructure falls solely on the federal government—or any government—or that there are not effective ways to leverage limited federal resources.

There should be strong incentives for investment of private sector resources and leveraging of public dollars to the greatest extent possible. Barriers to private investment including regulations and administrative processes that make project delivery take far too long should be removed or reformed. Every state should have laws that not only allow, but welcome, private investment.

The TIFIA (Transportation Infrastructure Finance and Innovation Act) program needs to scale up to make faster decisions in order to provide resources to any creditworthy project. It is one of the best deals around: each dollar of federal funds can support up to \$10 in TIFIA credit assistance and leverage \$30 in transportation infrastructure investment.

Now, all of that said...public-private partnerships and lower-cost federal credit programs are not substitutes for direct federal investment: they are financing and project delivery tools. Although there are many potential tools to provide financing assistance, these tools require cash flows. P3s are not substitutes for fixing the revenue problem facing the Highway Trust Fund, restoring faith in the Harbor Maintenance Trust Fund by using the dollars in the HMTF for their intended purposes, or providing robust general fund contributions to aviation, water resources, or public transportation. They do not provide easy answers to tough issues.

But how much is needed?

The needs have been studied to death and quantified by many organizations including the U.S. Chamber, and the short answer is, "a lot more than is being invested at all levels of government or by the private sector."

Much of America's transportation infrastructure—roads and rails, airports and seaports, inland waterways and airways—the proud legacy of generations past, needs repair, replacement, expansion and modernization. To head off this future and have a transportation system that supports a 21st century economy, the United States needs a high level of investment targeted at improving performance across all modes and across the country: we cannot just fix a few bottlenecks or address the problems in one city or state.

Closing the gap between needs and resources is going to require leadership and political courage.

And when you think, “we can’t afford to do this,” recall:

- The economic costs of congestion on the ground, in the air, and at our ports.
- The number of lives needlessly lost to poor roadway conditions.
- The negative impact an aging transportation infrastructure system has on our ability to compete globally.
- The lost opportunity to employ hundreds of thousands of people in construction and related industries by modernizing our highways, transit systems, airports, seaports, waterways, and rails.
- The increased costs and decreased efficiency for American businesses.
- The hundreds of billions of dollars annually in wasted fuel, lost productivity, avoidable public health costs, and delayed shipments of manufacturing inputs, consumer goods and other items critical to the underlying growth of our businesses.

These things might not “score” at CBO or OMB, but the costs are real.

Without smart investment the U.S. infrastructure American businesses will to lose ground to major international competitors. Recognizing the benefits of well-developed infrastructure, both less-developed and emerging market competitor countries are preparing their transportation systems to move away from producing low-wage goods to producing the types of products that require the specialization of labor that transportation infrastructure makes possible.³⁶

While the United States has maintained its position at the top of the overall World Competitiveness Yearbook rankings³⁷, the U.S. sub-ranking for Basic Infrastructure has degraded since 2005. The World Economic Forum also performs an annual infrastructure ranking in the Global Competitiveness Report.³⁸ The result is similar: U.S. transportation infrastructure is falling behind.

This nation is faced with difficult fiscal circumstances. However, without proper investment and attention to our infrastructure, the United States’ economic stability, potential for job growth, global competitiveness and quality of life are all at risk. Delaying investment will not make transportation problems go away. Instead, conditions and performance will get worse. Materials, labor, and land will get more expensive and our businesses will be less competitive. Opportunities to save lives will be missed. Americans are already paying dearly for inferior transportation, through lost productivity, wasted fuel, and tragically, more crashes.

But, it bears repeating, “How much?” isn’t the only—or even most—important question, although it is a vexing issue and necessary problem to solve. We must do a better job planning and prioritizing. We must do a better job delivering projects faster. We must do a better job taking every opportunity to tap every possible source of capital so projects that simply cannot be

³⁶ http://forum.uschamber.com/sites/default/files/2010_Enterprising-States.pdf

³⁷ <http://www.imd.org/research/publications/wcy/index.cfm>

³⁸ <http://www.weforum.org/issues/global-competitiveness>

financed can be funded using the limited pay-as-you-go dollars available (*e.g.* resources not requiring repayment such as formula apportionments or grants).

What the Chamber is Willing to Do

The private sector can help in four significant ways.

First, we're willing to pay to support public infrastructure. This includes paying more in user fees to shore up the Highway Trust Fund and ensure adequate investment. This is not a new position. The Chamber has been saying this to Congress every chance we can for years. We all know the dire condition of our highway and transit systems. It's going to make money to fix it – it's that plain and simple. The money is running out, so we need to phase in a moderate increase in the gas tax over a number of years and index it to inflation. Shippers and truckers are all on board to pay a little more as long as the money goes to where it's needed.

Second, we're prepared to invest private capital. When it comes to private investment in public infrastructure, we are prepared to pump as much as \$250 billion in private capital into public-private partnerships. More states must allow, by law, public-private partnerships. Governors and legislatures need to reduce the political and financial risk of private participation in these projects so investors know projects will be approved in a timely manner and will have a good possibility of a decent return.

But remember that not all transportation infrastructure is “public.” America's freight railroads operate almost exclusively over infrastructure that they build and maintain with their own private funds. And they are investing in their infrastructure. From 1980 to today freight railroads invested \$500 billion—more than 40 cents out of every rail revenue dollar—in corridors, rail terminals, intermodal facilities, to maintain and improve their rail network infrastructure and equipment and anticipate economic growth.³⁹ The freight railroad industry requires a balanced, common-sense regulatory system so it will continue making record investments using private capital.

Third, we can provide our expertise and innovations to make infrastructure work better for travelers, businesses, shippers and carriers. It's not all about the money. We must make the transportation infrastructure that exists today work most efficiently, in the most cost-effective way.

For example, according to Jim Bak, a spokesman for Inrix, who partnered on the Texas Transportation Institute congestion study: “There technology and the tools are there” to fix traffic congestion.⁴⁰ Options include GPS systems that provide real-time traffic information and electronic tolling lanes such as the I-495 HOT Lanes project.

And fourth, we're putting in the sweat equity to build the case for a world-class infrastructure system that will put Americans back to work, spur our economy, enhance our global competitiveness, reduce congestion and improve mobility and safety, and prove that American

³⁹ <http://freightrailworks.org/>

⁴⁰ <http://money.cnn.com/2013/02/05/news/economy/traffic-jams/>

can still get big things done. We're lobbying, we're educating, and we're building support. We're launching a new project, the *Prospectus for Investing in America's Infrastructure*, to engage the larger business community in the effort to articulate what the future of infrastructure needs to look like so that we can expand coalition of supporters and build the political will to reform, reinvent and reinvest in infrastructure.

Conclusion

When it comes to transportation, the federal government must take a leading role in ensuring the transportation system contributes to a strong economy rather than inhibiting economic growth. Our national transportation system is critical for long-term economic prosperity, supports Americans' high standards of living that have driven economic expansion, and is the backbone of our business supply chain. Lasting jobs grow where infrastructure works.

The management and planning of the nation's transportation system is decentralized, and often localized, and is both public and private. The federal role is to make sure that this system functions well as a whole to support growth, competitiveness and a high quality of life. The federal role is also to look ahead and prepare for the future: the Chamber's business members large and small engage in long-term planning that relies on assumptions about the physical platform of our economy.

America needs big solutions so it's time to put the smallness of politics aside. The Chamber calls upon all of America's leaders in and out of government to put country first. Transportation is a great opportunity to prove that Democrats and Republicans can work together, that states and the federal government can each play an appropriate role, that business is stepping up to help meet a major national challenge, and that all parties can come together to actually get something done for the good of the nation. We're ready to do it!