Statement of the U.S. Chamber of Commerce

ON:	**CONDITION OF OUR NATION'S INFRASTRUCTURE AND PROPOSALS FOR NEEDED IMPROVEMENTS**
TO:	**SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE**
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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 more than three million businesses and organizations of every size, sector, and region.

More than 96% of the Chamber's members are small businesses with 100 or fewer employees; 70% have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business—manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. The Chamber believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 96 American Chambers of Commerce abroad, an increasing number of members are engaged 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 national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Testimony of Janet F. Kavinoky

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On behalf of the U.S. Chamber of Commerce

March 11, 2008

Before the Senate Banking, Housing and Urban Affairs Committee

Introduction

Mr. Chairman, distinguished members of the Senate Banking, Housing and Urban Affairs Committee, thank you very much for the opportunity to testify on behalf of the U.S. Chamber of Commerce regarding the condition of our nation's infrastructure and proposals for needed improvements.

My name is Janet Kavinoky. I am the Director of Transportation Infrastructure and the Executive Director of the Americans for Transportation Mobility Coalition at the Chamber. The Chamber is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region.

There is abundant evidence that America's infrastructure is not only showing its age, but also showing that it lacks capacity to handle the volume of people and goods moving today. From exploding steam pipes under New York streets, to record level flight delays in the skies across the country, it is evident that now is the time to move on a robust, thoughtful, and comprehensive plan to build, maintain, and fund a world-class 21st century infrastructure. As the recently-issued report of the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC) says, "the time is now." We cannot treat infrastructure like other problems or programs where you can wait until the very last minute and then write a big check. Infrastructure projects require foresight and years of careful planning.

My remarks today will focus on the needs of the nation's transportation system. In particular, the Chamber believes that continued underinvestment and business-as-usual transportation policies and programs will have a detrimental impact on the ability of the United States to compete in the world economy and on the everyday lives of Americans. As policy and financing proposals emerge over the next several months, the Chamber will examine the recommendations closely and evaluate whether these changes will enable the U.S. transportation system to adapt and meet the needs of an evolving global economy. Before speaking specifically to transportation needs, let's look for a moment at the conditions of our infrastructure.

Infrastructure Needs

- Road traffic has already shot up 40% between 1990 and 2005 while capacity has increased just 2% and is expected to skyrocket in coming years.
- Our transit systems earned a D+ rating from the American Society of Civil Engineers (ASCE). Transit investment is falling even as transit use increased faster than any other mode of transportation—up 21%—between 1993 and 2002. As the Committee discusses bridge needs, it is important to note that according to the *2006 Conditions and Performance Report* issued by U.S. DOT the percentage of elevated transit structures in adequate or better

condition decreased from 91 percent in 2002 to 84 percent in 2004, and the percentage in substandard or worse condition increased from 9 to 16 percent.

- The antiquated air traffic control system is a contributing factor to a third of all U.S. flights being cancelled or delayed in July this year. U.S. airlines could have one billion customers by 2015 and more passengers mean more planes. The use of smaller regional jets and the growth in business and general aviation are also factors in congestion. The costs of inaction are steep—aviation delays cost $9 billion in 2000 and are on target to hit more than $30 billion by 2015. There is also the cost no one likes to talk about—the potential for significant loss of life in midair or on overcrowded runways.

- Ports are straining under the weight of cargo volumes that are doubling or tripling. By 2020, every major U.S. container port is projected to at least double the volume of cargo it was designed to handle. Select East Coast ports will triple in volume, and some West Coast ports will quadruple.

- Rail infrastructure requires nearly $200 billion over the next 20 years to maintain existing infrastructure and to accommodate freight growth.

- Our inland waterways need serious attention—removing obstructions, widening channels, and replacing locks. The number of dams deemed unsafe by our civil engineers has risen 33% to more than 3,500 since 1998.

- American Association of State Highway and Transportation Officials (AASHTO) has estimated that intercity passenger rail corridors will require $60 billion in capital investment over the next 20 years to maintain existing infrastructure and to expand capacity.

- As our economy becomes increasingly driven by information, fast and reliable telecommunications networks have become indispensible. Everywhere you look, Americans are plugging in to the Internet—over 80 percent of U.S. zip codes were served by four or more broadband service providers by the end of 2006. Likewise, use of wireless communications has exploded from 16 million subscribers at the end of 1993 to 243 million subscribers today.

- Yet, for all of these advances, the United States is still falling behind. Japan offers more affordable broadband service that is eight to 30 times as fast as in the U.S. Some experts believe that if America does not catch up in the broadband race, innovation will shift offshore.
- Our energy needs are going to increase by a third between now and 2030. Yet we haven't built a new refinery in this country since the 1970s. We have locked away many of our domestic energy resources. We allow not-in-my-backyard protests to stand in the way of liquefied natural gas facilities, power plants, pipelines, and other facilities.
- While electricity demand has increased by about 25% since 1990, construction of transmission facilities has decreased about 30%. The nuclear power industry—which could put hundreds of thousands of Americans to work building new plants—has been stymied because of slow permitting and Congress' refusal to open the Yucca Mountain waste facility.
- Our wastewater systems are also in poor condition. According to the Environmental Protection Agency, we could need as much as $390 billion every year over the next 20 years to repair obsolete drinking water and wastewater systems.

So from interstate highways to the Information Superhighway … from airports to water ports to wastewater systems … from rail lines to transmission lines to power plants … our infrastructure is in a state of crisis.

The Role of Transportation in our Economy

Freight and Goods Movement

Manufactured goods and cargo move through the United States on a system primarily consisting of ports, roads, rail, and inland waterways. On a typical day, about 43 million tons of goods valued at $29 billion moved nearly 12 billion ton-miles on the nation's interconnected transportation network. Bridges serve as critical links in the system. The supply chain is viewed from initial point of origin to the final destination with frequent junctures in between. To keep competitive domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory and ensure maximum efficiency of their supply chains. However, as congestion increases throughout the U.S. transportation system, these supply chains and cargo shipments are frequently disrupted and the cost of doing business increases.

The growth in international trade is overwhelming U.S. intermodal freight capacity. Over the next 30 years, domestic freight volume is forecast to double and international freight volume entering U.S. ports may quadruple, according to AASHTO.

According to the Federal Highway Administration's (FHWA) recent report, *An Initial Assessment of Freight Bottlenecks on Highways,* "if the U.S. economy grows at a conservative annual rate of 2.5 to 3% over the next 20 years, domestic freight tonnage will almost double and the volume of freight moving through the largest international gateways may triple or quadruple.… Without new strategies to increase capacity, congestion...may impose an unacceptably high cost on the nation's economy and productivity."

Labor shortages and increased security requirements born from 9/11 are compounding these capacity constraints and increasing congestion at key entry, exit, and throughput points throughout the country.

Doug Duncan, CEO of FedEx Freight and a Chamber member, summed up the freight community's acute interest in infrastructure, "I'm afraid if things don't turn around soon, we'll begin turning the clock back on many of the improvements that these supply chains have made and begin to restrain commerce instead of support commerce."

There is a clear federal role in prioritizing investment in new capacity and operational improvements in global gateways and trade corridors in support of interstate and international commerce. In order to improve the free flow of goods every level of government should work to:

- Improve road connections between ports and intermodal freight facilities and the national highway system;
- Improve connectivity and capacity so that railroads can efficiently and reliably move cargo between ports and inland points;

- Develop a national intermodal transportation network so that cargo can flow at speed among multiple alternative routes;
- Help prioritize infrastructure improvements of long-term network plans and projects of national significance and then reserve funding for such projects; and
- Eliminate bottlenecks on the National Highway System.

If we fail to address these transportation infrastructure challenges, we will lose jobs and industries to other nations. Our global competitors are building and rebuilding while America is standing still. China, India, and the developing world are building at a staggering pace. China spends 9% of its GDP on infrastructure; India, 5% and rising. While they started well behind us, they are catching up fast. The United States has spent less than 2% on average as a percentage of GDP since 1980. We cannot expect to remain competitive with that level of investment.

Passenger Transportation and Personal Mobility

From a passenger transportation perspective, mobility, congestion relief, and connectivity are the key objectives that deserve national focus and resources. Congestion threatens employers and area economic development. Traffic has already shot up 40% between 1990 and 2005 and is expected to skyrocket in coming years while capacity has increased just 2%. The fastest growing segment of our economy is the services industry, for which human capital is essential, but employers in all industries rely on transportation systems to connect them to their workforce and to connect that workforce with suppliers and customers around the country and the world. Rising housing costs continue to push workers out of central areas, increasing commute times and costs.

On average, 30% of workers now leave their home counties to commute to work compared to less than 24% in 1990. Unfortunately, increasing congestion is disrupting these important connections and imposing additional costs on the workforce and employers alike.

State and local chambers of commerce remind us constantly that the citizens in their communities need transportation choices, and those options are a valued aspect of economic development strategies. Public transportation, such as buses, rapid transit, and commuter rail systems, are important solutions to the growing congestion crisis in the United States, but chronic underinvestment is leaving these systems strained under increasing use. From 1995 through 2006, public transportation ridership increased by 30%, a growth rate higher than the 12% increase in U.S. population and higher than the 24% growth in use of the nation's highways over the same period. Although Americans took 10.1 billion trips on local public transportation in 2006, only 54 percent of American households have access to public transportation of any kind as they plan their daily travel according to a 2005 Bureau of the Census survey. These statistics are much worse in rural areas.

If we fail to act, we will pollute our air and destroy the free, mobile way of life we cherish. Thirty-six percent of America's major urban highways are congested. Congestion costs drivers $78 billion a year in wasted time and fuel costs. Americans spend 4.2 billion hours a year stuck in traffic and while their car engines are idling, they are pumping thousands of tons of pollution into the air every day.

Addressing the Needs

Vision, National Plan and Federal Role

This country has a transportation system that is overworked, under-funded, increasingly unsafe, and without a strategic vision. Since the passage of SAFETEA-LU, the transportation community has been calling for a "new vision" for transportation at the federal level. Stakeholders—including the Chamber—asserted that without this vision, federal policies will not be sufficiently focused in order to truly address problems that threaten economic growth and quality of life. Without a vision, a compelling case cannot be made to the public for increased investment. Without a vision, the ill-defined programs will continue to be increasingly susceptible to earmarks that do not reflect actual priorities.

The NSTPRSC proposed a vision to "create and sustain the preeminent surface transportation system in the world." When defining the national interest, the NSTPRSC tells us that facilities need to be maintained, systems are appropriately priced, travel options are plentiful and reliable, freight movement is valued, safety is assured, transportation decisions consider resource impacts and regulatory policy is rational. It would be difficult for anyone to disagree with most elements of this vision of the future. It remains to be seen what specific responsibilities federal, state and local governments, as well as the private sector, will have toward achieving that vision and advancing the national interest, and that is at the crux of this NSTPRSC's work.

However, more than a vision, we need a national plan. We agree with Chairman Dodd that the federal government is not doing enough to address important national and regional transportation issues from a systemic perspective. As Ranking Member John Mica (R-FL-07) aptly articulated in an op-ed in *The Hill* in 2007, "[t]he federal government must take a lead role in developing a national strategic transportation plan for the next 50 years that makes the most efficient use of every transportation mode and incorporates the expertise and resources of both private and public sectors." This country's current approach to delivering transportation infrastructure is not set up for today's robust economy or the economy of the future. The next era in surface transportation requires a multi-modal and intermodal approach that supports competition in the global economy, an aim that emphasizes the need for the federal government to play an important role.

Every level of government must step up to the plate and make commitments to expand capacity through better utilization of existing infrastructure and creation of additional infrastructure. The federal government, however, bears a significant part of the responsibility when ensuring that:

- National needs are met;
- Legacy assets, including the Interstate Highway System, are maintained and improved to guarantee continued nationwide connectivity;
- Utilization of existing networks is maximized, which is, in part, a function of investment in technology; and
- Infrastructure investment is aligned with the needs that arise from the global economy, trade policies, and the flow of interstate commerce.

The federal government must perform a critical role:

- Working through difficult intergovernmental relationships;
- Providing resources for complex, multi-state or multi-jurisdictional projects; and
- Encouraging the public and private sectors to pursue innovations that improve infrastructure performance, financing, or development.

The federal government must also ensure that projects can actually be built in a timely manner. It is appalling that major highway projects take approximately 13 years to advance from project initiation to completion. As a nation, we've allowed governments at all levels to pile on complex and overlapping regulations. No one objects to timely environmental reviews, and we all support strong health and safety protections, but red tape and lawsuits can bring the most common sense improvements to a grinding halt. No matter what funding or financing proposals are adopted, if policies are not oriented to speeding project delivery while adequately addressing environmental and community impacts, the nation will not succeed in meeting its infrastructure needs. This must be a top priority in the next surface transportation authorization and in other legislation related to infrastructure.

Funding and Financing

We have to face this fundamental fact as a nation: we are a growing people and a growing country with aging infrastructure. We have to fix what we have, and then, if we want a new road, a new runway, or a new transit system, we've got to buy it. No one is giving them away for free. There is no question that we are going to have to find and invest more public dollars in our infrastructure. We must have an honest national dialogue on how and where we are going to find the public money to meet critical infrastructure needs. There is no single answer to the question, "how do we pay for it?" That's good, because it means we have options, and *all* the options must be on the table.

Along with other options, we are going to have to consider an increase in the federal fuels user fees. This could take the form of a straightforward increase in a fee that hasn't been raised in 15 years—as long as the proceeds are dedicated to transportation.

This nation can't afford to rule out any funding sources. Across all infrastructure categories, simple inflation has eroded the purchasing power of available revenue sources, and measured up again construction cost inflation, the purchasing power is even less. The cost of materials used to fix pavements has increased 33% in the past three years. Steel, oil, and concrete are all more expensive.

In highways and transit alone, a National Chamber Foundation report titled *Future Highway and Public Transportation Financing Study* concluded as much, and several subsequent studies including U.S. DOT's own *Conditions and Performance Report* quantify the significant gap between needs and available resources. According to the Transportation Research Board's (TRB) National Cooperative Highway Research Program's (NCHRP) study *Future Financing Options to Meet Highway and Transit Needs*, there is an average annual gap of over $50 billion in capital, operations and maintenance funding to maintain the nation's highway and transit systems from 2007 to 2017, and an average annual gap of over $100 billion to "improve" these systems.

National Infrastructure Bank Act of 2007

While the Chamber will continue to fight for adequate systemic federal funding to address our nation's enormous infrastructure needs, it is clear that the financing options available for projects of regional and national significance need to be enhanced. Section 1301 of SAFETEA-LU was the first programmatic effort to address highway and transit projects of national and regional significance. Unfortunately, congressional earmarking of the entire program diluted its impact and distorted its intent. For federal programs to effectively tackle these projects, it is our belief that a process needs to be established outside the earmarking practices that emphasizes major projects with clear national benefits that may be constrained by complex state, local and private institutional and financing challenges.

The Chamber commends Chairman Dodd and Senator Hagel for their commitment to considering financing tools that broaden our views of how the federal government contributes to infrastructure investment. We agree with Senator Hagel that, "we can no longer defer the tough choices necessary to modernize our national infrastructure. This will require a huge financial commitment, and new systems through which we fund infrastructure projects will be imperative."

S. 1926 would address this need by creating the National Infrastructure Bank – an independent entity of the government tasked with evaluating and financing capacity-building infrastructure projects of substantial regional and national significance. Projects of consideration would include, publicly-owned mass transit systems, housing properties, roads, bridges, drinking water systems, and wastewater systems.

By emphasizing infrastructure projects with a potential federal investment of at least $75 million and evaluating projects based on factors such as economic impact, reduction in traffic congestion, and environmental benefits, this bill would do much to ensure projects of national and regional significance are targeted and that planning is as comprehensive as possible.

The nation's infrastructure system is the backbone of the U.S. economy and the needs of this system are staggering. To ensure this system can keep pace with the demands of our economy and way of life, we need to develop comprehensive strategies to ensure our investments are coordinated amongst key stakeholders at the local, state and federal levels and capitalize on the availability of private resources. S. 1926 would make great strides towards meeting those goals.

Policy and Program Reforms Needed

It is clear that chronic underinvestment is a major contributing factor to the problems across all modes of transportation. However, the public must trust and have confidence that transportation programs will deliver real solutions to real problems; otherwise they will not support increased investment.

We must do more to ensure that public dollars are spent wisely, which means ending waste and targeting the highest priority projects. Misuse of funding, a lack of resource prioritization, and poor comprehensive planning must be addressed. It means a sensible mix of projects based on actual needs and not on politics or ideologies—for example, more road construction in some communities, more investment in mass transit in others. It also means ending the practice of diverting money intended for infrastructure to other programs. Politicians should start paying a price when they skim money from dedicated transportation funds to pay for projects of their own choosing. It breaks trust with the taxpayers who expect their user fees to go toward their intended purposes. State governments are particularly guilty of this practice. In Texas, the legislature's budget for the next two fiscal years will divert $1.6 billion in infrastructure funding to other needs— that amount is up 15% from the previous budget cycle and a major step in the wrong direction. Texas is hardly alone among the states.

In addition to increasing revenues, cutting waste and ensuring that infrastructure dollars are spent as promised, we can also use public dollars to leverage the growing interest in public-private partnerships and other innovative financing arrangements.

In short, as Congress prepares for SAFETEA-LU reauthorization and considers other infrastructure proposals, the Chamber will continue to encourage Congress to spend infrastructure dollars more wisely, invest in new technologies, ensure that states do not divert their transportation funding away from its intended use in the name of “flexibility,” increase public funding, encourage public-private partnerships at the state and local levels, and attract more private investment for projects.

Highway Trust Fund Shortfall

It is also critical to mention that the Chamber’s top priority this year is to ensure that the Highway Trust Fund shortfall expected in fiscal year 2009 is addressed. SAFETEA-LU guaranteed at least $223 billion for federal highway program investments through FY2009. This investment level was predicated on a forecast of anticipated revenues collected for the Highway Trust Fund’s Highway Account over the life of SAFETEA-LU.

In February, the Bush Administration forecasted that revenues for the Highway Account will fall short of meeting these commitments by nearly $4 billion during FY2009, the last year of SAFETEA-LU authorizations. As a result of the multi-year outlay pattern of the Highway Trust Fund, the resulting cut in the 2009 Federal-aid Highway Program would be much larger than this shortfall—approximately four times larger.

The nation’s highway system has significant capital, operating, and maintenance needs and state departments of transportation and metropolitan planning organizations have developed long term transportation investment plans based on anticipated SAFETEA-LU guaranteed funding levels. As such a reduction in funds would disrupt projects already underway.

Therefore, we strongly encourage Congress to ensure that Highway Trust Fund revenues are sufficient to support the guaranteed funding levels in SAFETEA-LU. Congress should not ensure the solvency of the Highway Trust Fund by borrowing from the Mass Transit Account or cutting the obligation limitation for the Federal-aid Highway Program. We commend Senate Finance Committee Chairman Baucus for his work on this issue and encourage the entire Senate to consider Highway Trust Fund solvency measures as soon as possible.

The Chamber's Commitment: Let's Rebuild America

If we really want to move this country off the dime and build a modern and safe infrastructure, then the business community must step up to the plate and lead. The Chamber has made a significant commitment of money, people, research, programs, and strong political action around a sustained, long-term campaign to rebuild the economic platform of our nation. We call this our "Let's Rebuild America" initiative.

Those of us who have worked on infrastructure for many years have learned that on this issue public attention spans are short. Government decision making is slow and diffuse. Politicians rarely look beyond the needs of their own states and districts. The news media mostly yawn unless there is a tragedy.

So we are employing every resource at our disposal—our policy expertise, our lobbying clout, our grassroots capabilities, and our communications channels. We are appealing to every

American who is sick of blackouts, tired of congestion, fed up with rising costs, and concerned about their safety.

Since August of 2007, the Chamber has waged battle in the media to make infrastructure a core national economic priority; launched a grassroots campaign to support Chambers and associations across the country in their efforts to educate the public and lawmakers about the critical importance of infrastructure; begun to identify regulations that get in the way of private investment; and spoke out on the need for increased public investment.

This year, the schedule is ambitious. In March, the Chamber is launching a series of transportation and trade events around the nation. In April, the Americans for Transportation Mobility (ATM) coalition and the Chamber are releasing a comprehensive report articulating the transportation challenge as relates to the economy, and we will be pleased to brief Committee members on the findings of that report. During the Chamber's Regional Government Affairs Conferences in June, the ATM coalition will sponsor two sessions that will educate representatives from local and state chambers on the challenges and solutions for surface transportation funding. As presidential candidates continue their campaigns, we will challenge them to take up infrastructure as a central theme. Later this year, the Chamber will highlight the capacity crisis with the RAND Corporation Supply Chain Policy Center, and there is even more in store. The people of our country must know, and be reminded again and again, that we can create good American jobs, clean the air, succeed in a global economy, preserve a good quality of life, and save innocent lives by investing in our infrastructure.

All transportation and infrastructure stakeholders have started coming to the table—public leaders, the private sector, and all modes, all industries, builders, carriers, users, and shippers alike. We are going to put an end to the intramural squabbles that have divided stakeholders—mode versus mode, shipper versus carrier, urban versus rural, and region versus region. We've rolled up our sleeves and started to work. We are going to rally and unite around an urgent and compelling mission—to rebuild America.

Mr. Chairman and members of the Committee, thank you very much for the opportunity to be here today. I'll be happy to answer any questions you may have.

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