Statement of the U.S. Chamber of Commerce

ON: REVIEWING THE RECOMMENDATIONS OF THE NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION

TO: HOUSE TRANSPORTATION AND INFRASTRUCTURE 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 C. Randal Mullett

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On behalf of the U.S. Chamber of Commerce

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Before the House Transportation and Infrastructure Committee

Introduction

Distinguished members of the House Transportation and Infrastructure Committee, thank you very much for the opportunity to testify on behalf of the U.S. Chamber of Commerce on the report of the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC) and the investments required to meet the needs of our nation's transportation system and specifically, highway and public transportation infrastructure.

My name is Randy Mullett. I am the Vice President of Government Relations and Public Affairs of Con-Way Inc., and a member of the Chamber's Transportation, Infrastructure and Logistics Committee. The Chamber is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region. Con-way Inc. is a $4.7 billion freight transportation and logistics services company headquartered in San Mateo, Calif. Named FORTUNE magazine's Most Admired Company in transportation and logistics for 2007, Con-way delivers industry-leading services through its primary operating companies of Con-way Freight, Con-way Truckload, and Menlo Worldwide Logistics.

Last fall, the Chamber testified in front of this committee that the nation has seen 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 NSTPRSC report says, "the time is now."

The Chamber is pleased with the overall analysis of our nation's transportation infrastructure system in the NSTPRSC report. "We wholeheartedly agree 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," said Chamber President and CEO Thomas J. Donohue. In the coming weeks, 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.

Vision

We concur with the NSTPRSC that the 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. And without a vision, the ill-defined programs will continue to be increasingly susceptible to earmarks that do not reflect actual priorities.

The vision of the NSTPRSC, to "create and sustain the preeminent surface transportation system in the world," is as a vision should be motivational and suggests an ideal future. When defining the national interest, the Commission 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 Committee's work.

Need for a Comprehensive Approach

The I-35W bridge collapse last August shone a spotlight on the state of the nation's bridges, which are critical components of the nation's transportation network. For example, South Carolina alone has a $2.9 billion bridge-repair backlog. It is important to recognize that the nation has a much larger infrastructure problem. The poor condition of the nation's infrastructure is not confined to bridges alone. The business community looks holistically at transportation infrastructure.

We need a national plan. 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."

There can be no more delay. This nation cannot treat infrastructure like other problems where you can wait until the very last minute and then write a big check to save the day. Infrastructure projects require foresight and years of careful planning.

We generally concur with the Commission that it is time to "begin anew" and end "TEA-time." We must create a new era in transportation instead of reauthorizing the law in its current form. 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. Much of what the Commission recommended is in line with this approach.

Federal Role

We agree with the need for "federal leadership and federal surface transportation investments…carefully aligned with the 'national interest.'" 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.

Freight and Goods Movement

The Chamber is pleased to see that the NSTPRSC calls for a transportation system that explicitly values freight movements. 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.

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 the American Association of State Highway and Transportation Officials (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.

In Memphis, TN, at a hearing of the NSTPRSC, on November 15, 2006, 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."

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

We also agree with the Commission that *metropolitan mobility, congestion relief,* and *small city and rural connectivity* 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.

Speeding Project Delivery

The Chamber commends the NSTPRSC for its strong statements on the need to speed project delivery. It is appalling that major highway projects take approximately 13 years to advance from project initiation to completion.

Decades ago we built the best infrastructure system the world has ever known and then proceeded to take it for granted. 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. We concur with the Commission that it is possible—and indeed essential—to speed project delivery while adequately addressing environmental and community impacts. This must be a top priority in the next authorization.

Funding and Financing

There is no question that as a nation, we are going to have to find and invest more public dollars in our infrastructure. We agree with the remarks by Subcommittee on Highways and Transit Chairman Peter DeFazio (D-OR-04) at this Committee's previous hearing on NSTPRSC. "...The current lack of investment in our nation's infrastructure [that] has brought us to where we are today – a crossroads. We are seeing dramatically increased congestion. We are seeing bridges collapse. We are not even maintaining the investments made by the Eisenhower generation in the Nation's interstate system. We are losing ground."

The Chamber is confident in the case for increasing the systemic funding available for capital investment in infrastructure. In 2005, 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. Simple inflation has eroded the purchasing power of federal user fees, 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.

As a nation, we must face this fundamental fact—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. 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, but *all* the options must be on the table.

Yes, 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.

In addition, at the federal level there are user fees on truck sales and heavy vehicle use that fund roads. Public transportation is funded on a pay-as-you-go basis with a combination of user fees and general funds. At the state and local levels, a myriad of funding sources are used, and sometimes those revenue streams are leveraged through financing structures that include both public and private debt, and equity investment. The National Cooperative Highway Research Program's (NCHRP) report *Future Financing Options to Meet Highway and Transit Needs* effectively summarizes revenue sources used across the country and is a good resource for this Committee. We also believe that the forthcoming findings of the National Transportation Infrastructure Financing Commission will also add information to the discussion of revenue sources and collection options for the federal government.

It is clear that chronic underinvestment is a major contributing factor to the problems across all modes of transportation. However, the Chamber also encourages Congress to examine ways to spend infrastructure dollars more wisely. 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. That 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, 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

The Highway Trust Fund shortfall is expected in fiscal year 2009. 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.

Last week 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, as a result, we have strongly encouraged 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 cutting obligation limitation for the Federal-aid Highway Program.

Conclusion

Last fall when the Chamber presented testimony to the full Transportation and Infrastructure Committee, it pledged to engage the business community through the Let's Rebuild America campaign and committed to continuing the partnership among business, labor and the transportation industry you know as the Americans for Transportation Mobility Coalition.

The Chamber has followed through on that pledge, by waging battle in the media to make infrastructure a core national economic priority; launching 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; identifying regulations that get in the way of private investment; and speaking out on the need for increased public investment.

This year, the schedule is ambitious. In March, the Americans for Transportation Mobility Coalition and the Chamber will release 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. Also beginning in March, the Chamber will conduct a series of transportation and trade events around the nation. In June two public funding conferences for local and state chambers to educate them on the needs and solutions will be held. 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.

In addition, we will be fighting for full funding of SAFETEA-LU in the appropriations process, and laying the groundwork for the new authorization.

With the release of the Commission's report, 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.

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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