



Statement of the U.S. Chamber of Commerce

ON: THE IMPORTANCE OF TRANSPORTATION
INFRASTRUCTURE TO THE AMERICAN BUSINESS
COMMUNITY

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

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U.S. CHAMBER OF COMMERCE

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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 percent of the Chamber's members are small businesses with 100 or fewer employees; 70 percent 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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Director of Transportation Infrastructure, U.S. Chamber of Commerce**

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Before the U.S. House of Representatives Committee on Transportation and Infrastructure

Introduction

Mr. Chairman, Mr. Ranking Member and distinguished members of the House Committee on Transportation and Infrastructure, thank you very much for the opportunity to testify on the importance of transportation infrastructure, and specifically bridges, to the American business community.

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

Today, your committee meets at a time when—at long last—the nation's attention is focused squarely on infrastructure, but under the worst possible circumstances. The tragic deaths of those swept away in the Minneapolis bridge collapse are a potent reminder of something we know all too well: America's infrastructure is showing its age.

Our hearts go out to those who lost loved ones. Hopefully, something positive can emerge from this tragedy—a new national resolve with committed citizens and accountable leaders working together to ensure a disaster like this is never repeated.

Now is the time to move on a robust, thoughtful, and comprehensive plan to build, maintain, and fund a world-class 21st century infrastructure. There can be no more delay.

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.

Today we have been asked to provide the “user’s perspective” and will emphasize just how critical America’s transportation infrastructure, including bridges, is to the businesses that rely on fast, cost effective and reliable transportation of goods and people.

This testimony covers three topics:

1. The role of transportation in our economy.
2. What is at stake from the business community’s perspective.
3. What can be done in the short term and our recommendations for addressing long term issues.

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. 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 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. In 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 percent 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 National Surface Transportation Policy and Revenue Study Commission, 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.”

Passenger Transportation and Personal Mobility

Employers 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. Unfortunately, increasing congestion is disrupting these important connections and imposing additional costs on the workforce and employers alike.

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. Americans took 10.1 billion trips on local public transportation in 2006. From 1995 through 2006, public transportation ridership increased by 30 percent, a growth rate higher than the 12 percent increase in US population and higher than the 24 percent growth in use of the nation's highways over the same period. The Federal Transit Administration (FTA) estimates \$14.8 billion is needed annually to maintain current conditions, while \$20.6 billion is needed to improve to “good” conditions.

What is at Stake

What’s at stake is simple and stark:

As President of Caterpillar USA, and former Chamber Chairman, Gerry Shaheen, stated at the New York field hearing of the National Surface Transportation Policy and Revenue Study Commission on November 15, 2006: “transportation in this country is breaking down.”

If we fail to address our 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.

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 \$63 billion a year in wasted time and fuel costs. Americans spend 3.7 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.

If we fail to increase investment, we will see more senseless deaths on our bridges and roads, not to mention on our rails and waterways. Americans need to know that 33% of our major roads are in poor or mediocre condition. Shoddy road conditions result in \$67 billion in extra vehicle repairs and operating costs per year. More important, poorly maintained roads contribute to a third of all highway fatalities. That’s more than 14,000 deaths every year—a national scandal of shocking proportions.

It is all likely to get much worse. We have a system that is overworked, under-funded, increasingly unsafe, and without a strategic vision.

According to the 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.

The cost of materials used to fix pavements has increased 33% in the past three years. Steel, oil, and concrete are all more expensive.

Yet despite these growing needs and costs, the Highway Trust Fund will be \$4 billion in the hole in just two years, and the user fees on fuels that are the primary source of resources at the Federal level have not been increased since 1993.

These figures do not even address other critical elements of our transportation infrastructure: freight and passenger rail, inland waterways, ports and other maritime needs, and, of course, aviation. The American Society of Civil Engineers says that our civil infrastructure needs add up to some \$1.6 trillion over the next five years including transportation systems, clean water and wastewater facilities, schools and recreational facilities.

How did we arrive at the situation we face today?

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. It takes years, even decades, to bring projects on line. Red tape and lawsuits can bring the most commonsense improvements to a grinding halt.

Decision-makers have refused to make tough choices or set common sense priorities. We have failed to plan, failed to innovate, and failed to invest. We’ve allowed money to be wasted and have permitted federal and state lawmakers to divert infrastructure dollars to other purposes. We’ve seen construction and land costs go up while letting revenue sources stagnate and decline.

Where We Go From Here

It is time to address these issues and create a new era in transportation.

The Next Era in Transportation

This country’s current approach to delivering transportation infrastructure is not set up for today’s robust economy or the economy of the future.

In spite of the multi-modal and intermodal needs of transportation system users, the planning, construction, and financing of infrastructure has been separated by public and private entities and has focused on individual locations and modal stovepipes.

The Chamber believes that this next era in surface transportation requires a multi-modal and intermodal vision that supports competition in the global economy and emphasizes the important role of the federal government.

We need a national plan. As Ranking Republican Member John Mica aptly articulated in an Op-Ed in The Hill earlier this year, "[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." We thank the Ranking Member for his continued vision and leadership on this issue.

Every level of government must step up to the plate and make commitments to expand capacity either through better utilization of existing infrastructure or 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; and,
- Infrastructure investment is aligned with the needs that arise from the global economy, trade policies, and the flow of interstate commerce. There is a federal role in prioritizing investment in new capacity and operational improvements in global gateways and trade corridors.

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.

Need for a Comprehensive Approach

While the events of August have shone a spotlight on the state of the nation's bridges, it is important to recognize that the I-35 W collapse is symptomatic of a much larger infrastructure problem. The poor condition of the nation's infrastructure is not confined to bridges alone. As I outlined earlier, the business community looks holistically at transportation infrastructure. So, in addition to bridges we must address:

- Road traffic, which 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. 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 USDOT 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 that 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 1 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 that 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.
- 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.

What can the federal government do specifically with regard to a freight transportation system?

- 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; and,
- Help prioritize infrastructure improvements of long-term network plans and projects of national significance and then reserve funding for such projects.

National Highway System Bridge Reconstruction Initiative Proposal

What about bridges, which are the main topic of today's hearing?

We applaud Chairman Oberstar for his leadership in proposing a National Highway System Bridge Reconstruction Initiative to address the nation's deficient bridges. The evidence of need is compelling: since 1966, 1,500 bridges have actually collapsed. Today, one quarter of our nation's bridges are structurally deficient or functionally obsolete, which threatens our economy. Consider a June 2004 study by the Oregon Department of Transportation that reported the potential economic impact of structurally deficient bridges in that state of \$123 billion over the next 25 years. The same study points out that two Interstate highways in Oregon, I-5 and I-84, are critical links in the North American trade network and need unrestricted access by trucks, which still carry the overwhelming percentage of freight in this country by weight.

In particular, we are pleased that the Chairman intends to ensure that a bridge program emphasizes addressing the needs of the system and improving oversight. We agree that it is critical to address the backlog of bridge maintenance by investing based on public safety and need. The Chairman's intent to distribute funding via a formula and to prohibit congressional and administration earmarking is on target. In addition, we support updating national bridge inspection standards and requiring state governments to immediately inspect structurally deficient bridges.

Before considering a new source of funds for bridges, however, we encourage Congress to hold states accountable for the expenditure of existing resources. We are concerned about the creation of a separate program without addressing the shortcomings of the existing bridge program in SAFETEA-LU. Although there is a clear shortage of funds to address the widespread deficiencies in bridges, the Chamber would first like Congress to ensure that existing dollars apportioned to states through the bridge program are used on priority bridges. We question why states are diverting bridge dollars to other SAFETEA-LU funding categories and returning bridge contract authority to the Federal government when Congress rescinds that authority in appropriations bills.

If these practices are allowed to continue, the result of a new bridge program may not be additional funding to address public safety and bridge needs. Rather, states may be encouraged to divert even more of their existing bridge program dollars to non-bridge projects – essentially creating a substitution effect.

It is clear that chronic underinvestment is a major contributing factor to the problems across all modes of transportation; however, misuse of funding, a lack of resource prioritization, and poor comprehensive planning must also be addressed. Every option must be on the table to address the enormous problems of the aging transportation infrastructure including spending infrastructure dollars more wisely, ensuring that states do not divert their transportation funding away from its intended use in the name of "flexibility," attracting more private investment, encouraging public-private partnerships, investing in new technologies, and, yes, raising user fees.

The Chamber's Commitment: Let's Rebuild America

Permit me to address briefly what the nation must do to meet the enormous and urgent challenge that I have just outlined and tell you what the U.S. Chamber intends to do.

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.

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 of Commerce of the United States will organize, fund, and lead this critical effort. We are launching a major, multimillion dollar initiative called Let's Rebuild America.

We will put money, people, research, programs, and strong political action around a sustained, long-term campaign to rebuild the economic platform of our nation. We will employ every resource at our disposal—our policy expertise, our lobbying clout, our grassroots capabilities, and our communications channels. We will appeal to every American who is sick of pollution, tired of congestion, fed up with rising costs, and concerned about their safety.

To succeed, we need all transportation and infrastructure stakeholders at the table—all modes, all industries, builders, carriers, users, and shippers alike. It is time for us all to roll up our sleeves and go to work. The business community will lead this effort—but to do so all of the infrastructure providers, passenger and freight carriers, and the traveling public and shippers must be united. We must 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 will all lose unless we rally and unite around an urgent and compelling mission—to rebuild America.

Four key goals will define the mission and underpin the work of our Let's Rebuild America initiative.

Documenting the Problem with Solid, Indisputable Research

First, we will document in a factual and comprehensive way the totality of America's infrastructure needs—not just what is required to patch things up, but what we must do to move our country and economy forward in a competitive world.

Our experience tells us that putting a credible body of facts on the table and gaining widespread agreement on those facts are critical first steps to forging consensus and forcing action.

We have joined with others in asking the Rand Corporation to prepare a definitive report that documents the current state of our infrastructure and outlines the future needs of a \$13

trillion economy that will grow to \$20 trillion by 2020, given a 3% growth rate. Researchers will also break out their findings state-by-state so that we can put an infrastructure report card in front of every governor and state legislature in the country. Perhaps, then, they will see the light—and feel the heat!

Educating Americans about the Benefits of Infrastructure and the Cost of Failure

Our second goal is to educate the public, the business community, policymakers, and government at all levels about the benefits of investing in infrastructure and the cost of failure.

Using the Rand study and other research— and backed by an aggressive communications program—we will widely disseminate a series of compelling messages to build grassroots support for infrastructure.

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.

Spurring Private Investment in Infrastructure

Our third goal is to unleash and unlock the potentially hundreds of billions of dollars in private investment just waiting to be spent on critically needed power plants, pipelines, refineries, transmission lines, broadband lines, port facilities, railroads, airports, and privately constructed roadways.

The money is there—ready, willing, and able—if government and regulators would just get out of the way.

No one objects to timely environmental reviews, and we all support strong health and safety protections. But the red tape, lawsuits, and mind-numbing regulations we have imposed on our infrastructure systems and transportation modes defy common sense.

The Chamber's Let's Rebuild America initiative will identify and seek to reform those rules and policies that threaten the efficiency of our logistics system and obstruct positive investments in our nation's future.

Fostering an Honest Dialogue on Public Financing

Yet even with these approaches, there is no question that as a nation, we are going to have to find and invest more public dollars in our infrastructure.

Our fourth goal is to foster 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 that question—and that's good! It means we have options, but all the options must be on the table.

First, we must do more to ensure that public dollars are spent wisely. That means ending waste and targeting the highest priority projects. 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.

Both the federal and state governments are guilty of this practice. U.S. Secretary of Transportation Mary Peters says that only 60% of federal highway funds actually are spent on “core” needs—highways and bridges. 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. And Texas is hardly alone among the states.

The Federal Aviation Administration is even poaching its capital budget to pay for operations. That’s shortsighted, dangerous, and wrong.

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

Then, we are going to have to 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.

Therefore, along with other options, we are going to have to consider an increase in the federal gasoline user fee. This could take the form of a straightforward increase in a fee that hasn’t been raised in 14 years—as long as the proceeds are dedicated to transportation.

Conclusion

Mr. Chairman, Mr. Ranking Member, and members of the Committee, I hope each of you will closely follow the announcements we will make in the coming weeks as we roll out our Let’s Rebuild America initiative. We welcome your ideas, your expertise, and your criticisms. We will do the critical research, build an irrefutable case, and educate and mobilize the American people. We will tell a compelling story so that policy makers spur private investment by removing regulatory roadblocks, embracing innovation and technology, and supporting increases of public investment in infrastructure along with measures to ensure that the money is spent wisely and efficiently.

The question facing America is this: Are we still a nation of builders? Are we still a can-do society? Are we still the kind of people who can rally to a great cause with a shared sense of mission and national purpose?

It's worth recalling that after the great wars of the last century, the challenge facing America was to rebuild other countries, countries that were in ruins—even our former enemies. And we did it. Our challenge today is to rebuild our own country—a country that is hardly in ruins but which has serious unmet needs.

Surely we ought to be able to create the vision, forge the consensus, secure the resources, and find the political courage to make this happen.

I believe that we can, and I believe that we will. And business must lead the way.

It shouldn't take a disaster like the bridge collapse to focus the nation's attention on our vast infrastructure challenges. But now that we have that focus, we must not lose it.

Thank you very much for the opportunity to be here today.

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