



Statement of the U.S. Chamber of Commerce

Current Transportation Infrastructure Conditions: Challenges and Opportunities for Funding and Financing

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Transportation, Housing, and Urban Development, and
Related Agencies Subcommittee
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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 the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

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.

Introduction

Good morning Chairman Collins, Ranking Member Reed, and members of the Subcommittee. My name is Ed Mortimer and I serve as the Executive Director for Transportation Infrastructure at the United States Chamber of Commerce. I also serve as the Executive Director of the Chamber-led Americans for Transportation Mobility Coalition (ATM), which includes business, labor and transportation stakeholders advocating for improved and increased federal investment in the nation's aging and overburdened transportation system.

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

Condition of the Nation's Transportation Infrastructure

America's transportation network is a vast system that connects people and places, moves goods and boosts our economy, and ensures our quality of life and safety. The country's transportation system is comprised of roads, bridges, public transit, airports, ports, and interchanges affecting thousands of communities, multiple industries and job sectors. It has served as the backbone of the nation's economy.

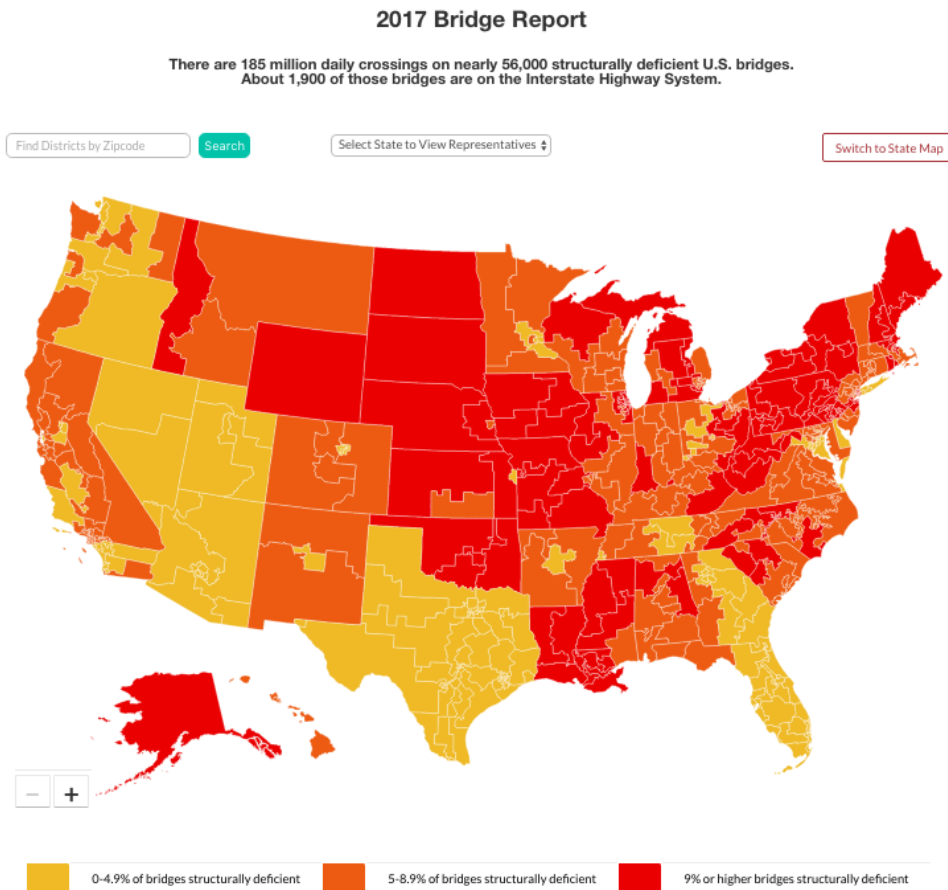
For almost one hundred years, America's infrastructure has been the envy of the world. From the transcontinental railroads to electric streetcars, and from subways to the interstate highway system, our nation's history of providing state-of-the art infrastructure is impressive.

"Today, there are more than 4 million miles of road, 600,000 bridges, and 3,000 transit providers in the U.S. And yet, over the past 20 years, total federal, state, and local investment in transportation has fallen as a share of Gross Domestic Product – while population, congestion, and maintenance backlogs have increased," according to 2014 White House document entitled: "An Economic Analysis of Transportation Infrastructure Investment,

But like those of us who own a home know, failure to maintain an asset allows minor problems to turn into major reconstruction. In the infrastructure market, the latest American Society of Civil Engineers Infrastructure Report Card, which will be revised tomorrow, tells this sad story, ranking the nation's infrastructure a D+. Shockingly, this is an improvement from a grade of D in the previous report. Grades that should give this subcommittee pause include: Bridges (C+); Aviation (D); Roads (D) and Transit (D).

Study after study has shown that investing in transportation infrastructure leads to better safety, faster economic growth and higher quality of life. Not maintaining the infrastructure will have the reverse effect; the recent challenges of the Washington Metropolitan Area Transit Authority are just the most recent example.

Another recent report analyzing the U.S. Department of Transportation's (U.S. DOT) recently-released 2016 National Bridge Inventory data finds cars, trucks and school buses cross the nation's 55,710 structurally compromised bridges 185 million times daily. About 1,900 are on the Interstate Highway System. State transportation departments have identified 13,000 Interstate bridges that need replacement, widening or major reconstruction.



Source: American Road and Transportation Builders Association, 2017 Bridge Report

The data in the report shows 28 percent of the nation's bridges (173,919) are over 50 years old and have never had any major reconstruction work in that time.

The most recent U.S. DOT conditions and performance report highlighted the current state of good repairs needed for highways and bridges at an estimated \$830 billion. Of the total backlog, \$394.9 billion (18.8 percent) is required for the Interstate System; \$394.9 billion (47.2 percent) is for the National Highway System, and \$644.8 billion (77.1 percent) is for Federal-aid highways.

This U.S. DOT report also stated the current state of good repair needs for public transit at \$89.8 billion. (2015 Status of the Nation's Highways, Bridges, and Transit, U.S.

Department of Transportation) Some of the impacts of future transit capital investment scenarios are listed below.

2012–2032 Future Transit Capital Investment Scenarios



*Billions of 2012 Dollars

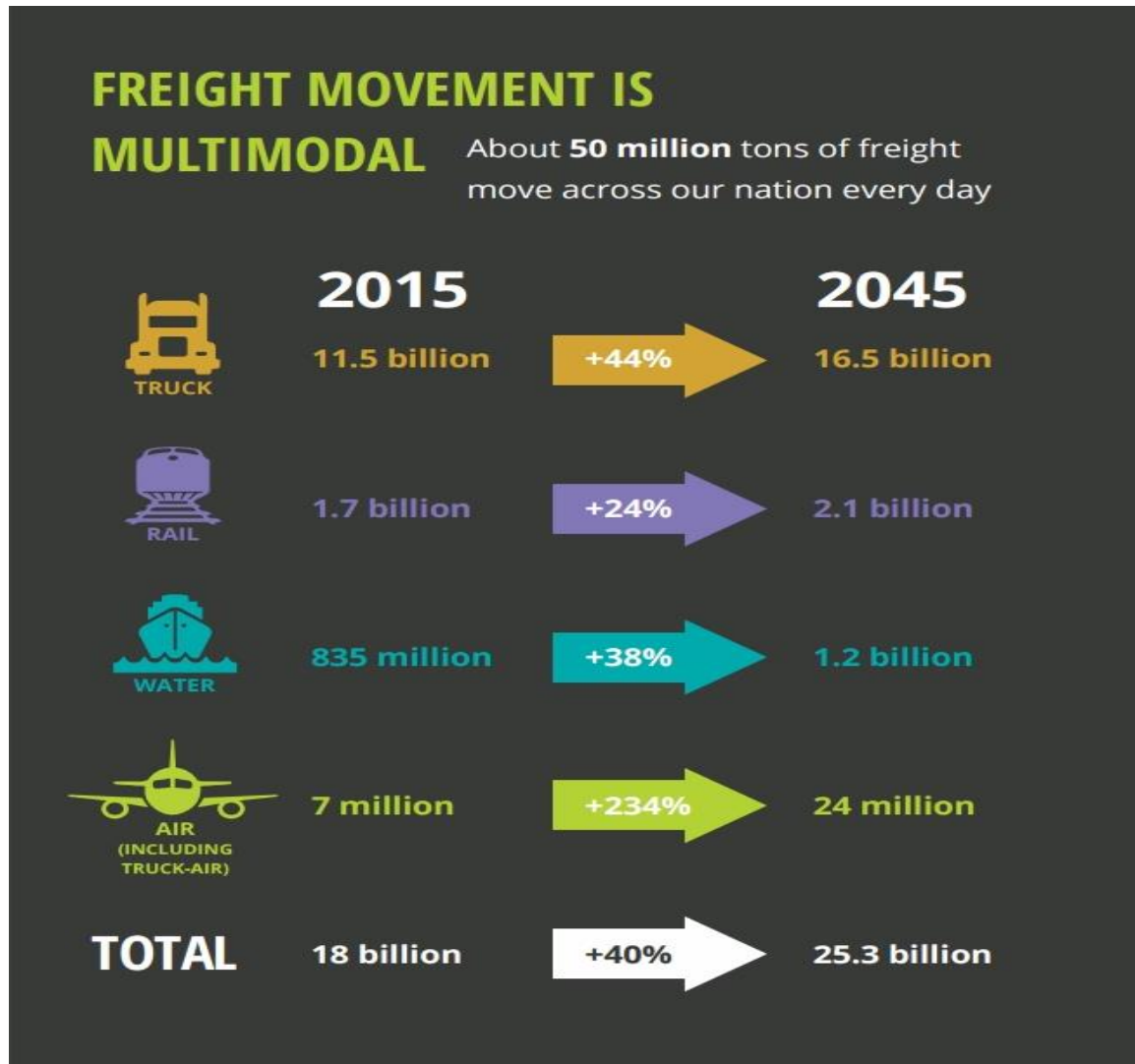
Source: U.S. Department of Transportation *Status of the Nation's Highways, Bridges, and Transit*

In the airport sector, a recent survey by the Airports Council International-North America (ACI-NA) showed U.S. airports have an estimated \$75.7 billion in infrastructure investment needs through 2019 to accommodate growth in passenger and cargo activity, rehabilitate existing facilities, and support aircraft innovation. (Airport Capital Development Needs: 2015-2019).

Importance to System Conditions To Freight Movement

The nation's freight network continues to experience strain. In 2015, our nation's transportation system moved 18.1 billion tons of goods, worth \$19.2 trillion, according to a Bureau of Transportation Statistics document entitled "DOT Released 30-year Freight projection" (March 2016). A recent U.S. DOT report, *Beyond Traffic*, projects that the

amount of freight traveling on our nation’s transportation network will grow 40 percent over the next 40 years. The chart below shows the breakdown of those estimates by transportation mode:



Source: *Beyond Traffic*, U.S. Department of Transportation

The nation’s supply chain is also adapting to American consumers expecting quicker delivery of product. Supply-chain programs are moving from an inventory based “manufacture-to-supply” model to a “manufacture-to-order” model. Emerging technologies such as vehicle-to-vehicle and vehicle-to-infrastructure communications and autonomous vehicles need to have a transportation infrastructure able to allow these innovations to achieve the desired effort of maximizing the efficiency of the transportation network.

The Challenge Ahead

The *Beyond Traffic* report described in detail what the future may hold for our changing population. The report finds that the U.S. population is expected to grow by 70 million people in the next 30 years. By 2045, the nation's economy is forecasted to grow by 115 percent and the transportation sector will represent \$1.6 trillion of gross domestic product.

The same report shows investment in surface transportation is not meeting demand. For example, improving the condition and performance of highways and bridges over the next five years is estimated to cost \$120 billion annually from all levels of government. Yet, we currently are investing only \$83.1 billion. For public transportation, current investment is \$17.1 billion annually, a far cry from the necessary \$43 billion.

What Should Be Included in An Infrastructure Package

President Donald Trump has announced his desire to enact an infrastructure investment package, and many in Congress, including leadership, have expressed a willingness to advance such legislation. The Chamber and the ATM Coalition believe this is a once in a generation opportunity to modernize America's infrastructure, and that this effort is critical to future economic success. As this process moves forward, the Chamber believes any package should include the following principles:

Legislation should focus on actual infrastructure projects whose completion can create greater potential for long-term economic growth.

- Infrastructure includes transportation (roads, bridges, transit systems, aviation, rail, ports and waterways), energy infrastructure, water and wastewater infrastructure, and broadband. Initiatives outside of these core areas should not be included in the package.
- The package should not be a "stimulus" bill. Projects should be selected and funded based on the potential to support long-term economic growth, not the speed at which they can be completed.

Legislation should employ a variety of funding mechanisms tailored to the various infrastructure project lines and, where possible, utilize existing federal programs.

- Funding should come in the form of direct federal funding, revolving loan programs, direct federal loan programs, tax-preferred financing, and public-private partnerships.
- Any legislation must ensure the long-term solvency of the Highway Trust Fund (HTF).

- While new federal programs may be necessary to reflect the breadth of infrastructure projects envisioned, where possible existing programs should be utilized and reformed as necessary.
- A discretionary grant program should be created to fund mega-projects, fund projects without existing federal funding source, stimulate competition, and maximize leveraging state, local, and private-sector funds.

Additional financing and funding should be accompanied by reforms that increase accountability, maximize and expedite the use of scarce federal resources, and accommodate future needs.

- Accountability, best practices, and performance requirements are needed to ensure projects are selected to maximize economic competitiveness and that our national transportation system remains cohesive and efficient.
- By expediting permitting, modernizing procurement practices, promoting innovation, and committing to project analysis that focuses on long-term risk management, the federal government can extract greater value out of limited funds and support the delivery of higher quality, longer lasting infrastructure.
- Rebuilding the nation’s transportation infrastructure should include embedding new technologies that can leverage the impact of advances such as autonomous vehicles.

Need To Utilize Various Financing and Funding Options To Increase Transportation Infrastructure Investment

Reauthorization, 6-year Highway Trust Fund Fix

The federal Highway Trust Fund (HTF) will run out of money after the Fixing America’s Surface Transportation Act (FAST Act) expires in 2020. It will require an investment of approximately \$150 billion over current revenue projections just to maintain funding at FAST Act levels over the following 6-year period. This shortfall will likely result in significant uncertainty with states possibly delaying major transportation projects. The size of the shortfall also will likely mean that Congress will be unable to complete a well-funded authorization bill in a timely manner and might force undesirable policy outcomes that run counter to the best interests of the nation.

Funding Highway Trust Fund

We believe that business, labor, public transit advocates and other key stakeholders must partner with the Congress to find a long-term, sustainable funding source for the Highway Trust Fund. Currently stuck at 18.4 cents per gallon, the federal gasoline tax has not increased since 1993. Since then, the user fee has lost more than 35 percent of its

purchasing power. Even with the passage of the FAST Act, our nation's current level of investment in surface transportation is less than half of what is needed.

It is the Chamber's position that the simplest, most straight forward solution to the immediate problem we face is to increase user fees—gasoline and diesel taxes—going into the HTF. Adding a penny, a month for a year and indexing the total user fee to inflation could support current services funding levels for the foreseeable future. The collection system itself is highly efficient: the owner of the fuel at the time it breaks bulk from the terminal rack pays the excise tax to the Internal Revenue Service. According to the American Petroleum Institute, there are about 1300 terminals in the country, translating to a low number of payers and low cost of administration. The gas tax, if adjusted in amount and indexed, is ideal and most transparent as a revenue source.

And yes, in the long run, we know that there is a need to look to other methods to pay for surface transportation investment. The vehicle fleet is becoming more fuel-efficient. Driving patterns are changing. Construction costs typically grow faster than the Consumer Price Index. And multi-modal transportation investment calls for more diversified sources of revenue. We have been closely following pilot programs looking at transitioning to vehicles miles traveled such as Oregon and others. While progress is being made, we believe that national implementation of such a funding mechanism is at least ten years away.

Financing Tools

Federal Loan Programs – Direct federal loans are a critical tool to bringing private capital to the infrastructure market. The most successful loan program is known as Transportation Infrastructure Finance and Innovation Act (TIFIA), which makes loans to highway and transit projects. The federal cost of loan programs (known as subsidy cost) is determined based on the expected value of a potential default of each project, which has historically been 8 percent. Each dollar provided in subsidy cost historically leverages \$30 in total project funding. The FAST Act lowered subsidy cost funding from \$1 billion to \$350 million because there was not enough demand for the higher level of loans. We believe that with increased resources in U.S. DOT's Build America Bureau, more project sponsors will find it easier to utilize TIFIA.

We also would like to see expanded use of a financing tool for rail projects, known as the Railroad Rehabilitation & Improvement Financing (RIFF). The program, authorized in 1998, has experienced limited use due to the private sector being required to pay the government the subsidy cost when the loan closes, along with its restrictive loan terms.

Private Activity Bonds – Private Activity Bonds (PABs) allow private-sector project sponsors to issue tax-exempt bonds when financing public-benefit infrastructure projects. Currently there is a \$15 billion cap on such issuances. We believe that raising or eliminating this cap would provide a further incentive to increase private sector investment in surface transportation projects. We propose increasing the cap by \$10

billion. The average P3 project is funded 25% with PABs, so we assume an additional \$10 billion cap could leverage \$40 billion in projects.

Tax-Credit Bonds – There are several competing proposals to leverage private-sector investment by creating a new category of bonds, including Build America Bonds (BABs) and Transportation and Regional Infrastructure Project Bonds (TRIP Bonds). Many of the proposals would provide a tax credit in lieu of paying the bondholder interest. We believe they can be utilized as an additional tool to supplement other financing/funding sources.

These valuable federal credit tools, along with other sources of debt and equity, are not free. When a project sponsor determines to utilize private financing, revenues are required to repay lenders and investors. Although using P3's and other private financing instruments can free up pay-as-you go funding sources for projects that are not amenable to private investment, they are no replacement for fixing the revenue problem facing the HTF.

The Chamber has joined with the Bipartisan Policy Center and several other industry stakeholders, including the National Governors Association, the Business Roundtable, North America's Building Trades Unions, the National Association of Manufacturers and the Securities Industry and Financial Markets Association to promote robust, reliable federal funding as well as unleashing the power of the private sector to address these infrastructure needs.

Regulatory Relief

The FAST Act and MAP-21 have made great strides in improving project delivery for highway and transit projects, but many of the provisions have yet to be fully implemented. Also, not all infrastructure projects benefited from those changes. The Chamber urges Congress to pass permit streamlining legislation, which would help all infrastructure projects move forward in a timely but environmentally responsible manner.

It is difficult to estimate the amount of direct saving regulatory relief could bring to infrastructure projects. Generally speaking, streamlining the permitting process accelerates spending rather than leveraging additional funds. However, this acceleration of project completion saves money. Additionally, the added certainty of a more reasonable timeline for approval of federal permits would likely attract additional private capital to the U.S. infrastructure market.

Conclusion

The bottom line is that the time to make important infrastructure investments is NOW. Delaying action only makes the decisions more difficult and projects costlier. From the business community's perspective, the question is not if we need to make these decisions, but when.

The Chamber strongly supports federal investment in transportation. We need a smooth flowing, efficient national transportation network that will support the transportation needs of businesses from origin to destination across the globe, and from the factory to the corporate headquarters to main street retailers to medical centers.

From all levels of government, there is no single funding solution that will solve all of our infrastructure problems. The Chamber believes communities should have a large toolkit of funding and financing options available that can be utilized to provide the infrastructure needed, not just to succeed, but to lead the world in providing economic and social mobility. Improving our current infrastructure will be a key component in modernizing many parts of the country. The Chamber and the ATM Coalition are committed to working with elected officials to ensure our nation provides an infrastructure that keeps up with the changing times.

Thank you for the opportunity to testify today. The Chamber as well as the ATM Coalition look forward to working with this subcommittee to provide the tools necessary to modernize America's transportation network, stabilize the HTF, and grow investment in this nation's transportation infrastructure so each state and region can get out of the system what they need to be successful – whether that is moving freight or their employees.