Statement of the U.S. Chamber of Commerce

ON: State of the Highway Trust Fund: Long Term Solutions for Solvency

TO: House Committee on the Budget

BY: Janet Kavinoky, Executive Director, Transportation and Infrastructure, U.S. Chamber of Commerce
Vice President, Americans for Transportation Mobility Coalition

DATE: April 24, 2013

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

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

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

Testimony of Janet F. Kavinoky
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Vice President, Americans for Transportation Mobility Coalition
U.S. Chamber of Commerce

House Committee on the Budget

Hearing titled:
"State of the Highway Trust Fund: Long-Term Solutions for Solvency"

April 24, 2013

Introduction

Chairman Ryan, Ranking Member Van Hollen and distinguished members of the House Budget Committee, thank you very much for the opportunity to discuss the State of the Highway Trust Fund: Long Term Solutions for Solvency. I am here today representing the U.S. Chamber of Commerce and the Chamber-led Americans for Transportation Mobility Coalition—a nationwide coalition of business, labor, highway and transit interests—because we believe strongly that federal investment in highways, public transportation and safety is a necessary ingredient in the recipe for boosting economic productivity, successful competitiveness in the global economy, and maintaining a quality of life.

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

The members of this committee have a clear picture of the projected state of the Highway Trust Fund, based on the FY 2014 budget passed by the House of Representatives. Over the next 17 months, Congress must lay a course for the future of federal investment in highways and public transportation. This is an urgent matter, given the Congressional Budget Office estimates show that the highway account and transit account of the Highway Trust Fund will have insufficient revenues to meet all obligations in Fiscal Year 2015. CBO's projections show a $7 billion shortfall in 2015 that, if spending levels are not dropped significantly, would grow to $62 billion five years later.[1] The Chamber and the ATM Coalition appreciate the committee's attention to the issue in this hearing.

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[1] "Projections of Highway Trust Fund Accounts Under CBO's February 2013 Baseline," Congressional Budget Office (*http://www.cbo.gov/sites/default/files/cbofiles/attachments/43884_HighwayTrustFundAccounts_0.pdf*), 2013.

Today, I will articulate the case for federal leadership and investment in highways, public transportation and safety; present three paths to Highway Trust Fund solvency; and outline a way forward that will support the United States' global competitiveness, which depends on ensuring that we have a 21st century infrastructure to support a 21st century economy.

The Case for Federal Leadership and Investment

Without a first rate transportation system, we cannot maintain a first rate economy in the United States. The federal government must take a leading role in making sure that transportation policies, programs and investments contribute to a strong economy—including interstate commerce and international trade—rather than inhibiting economic growth.

Quantifying Economic Benefit: the U.S. Chamber Transportation Performance Index

"Infrastructure is not the end result of economic activity; rather it is the framework that makes economic activity possible."[2]

A transportation system that works for businesses can propel economic growth and, conversely, one that falls short of performing as it needs to will drag down the economy. This is the key finding of the Chamber's Transportation Performance Index (TPI). First released in 2010, the TPI demonstrates that enhancing the performance of transportation infrastructure is a vital part of creating sustainable, long-term growth—growth our nation desperately needs.

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

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

Together, the indicators provide a snapshot of transportation system performance across U.S. geography, economic sectors and demographics.

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

[2] Trimbath, Susanne, "Transportation Infrastructure: paving the way," STP Advisory Services, LLC, (*https://www.uschamber.com/sites/default/files/issues/infrastructure/files/LRA_Index_Economic_Analysis_2011_10_17.pdf*), 2011.

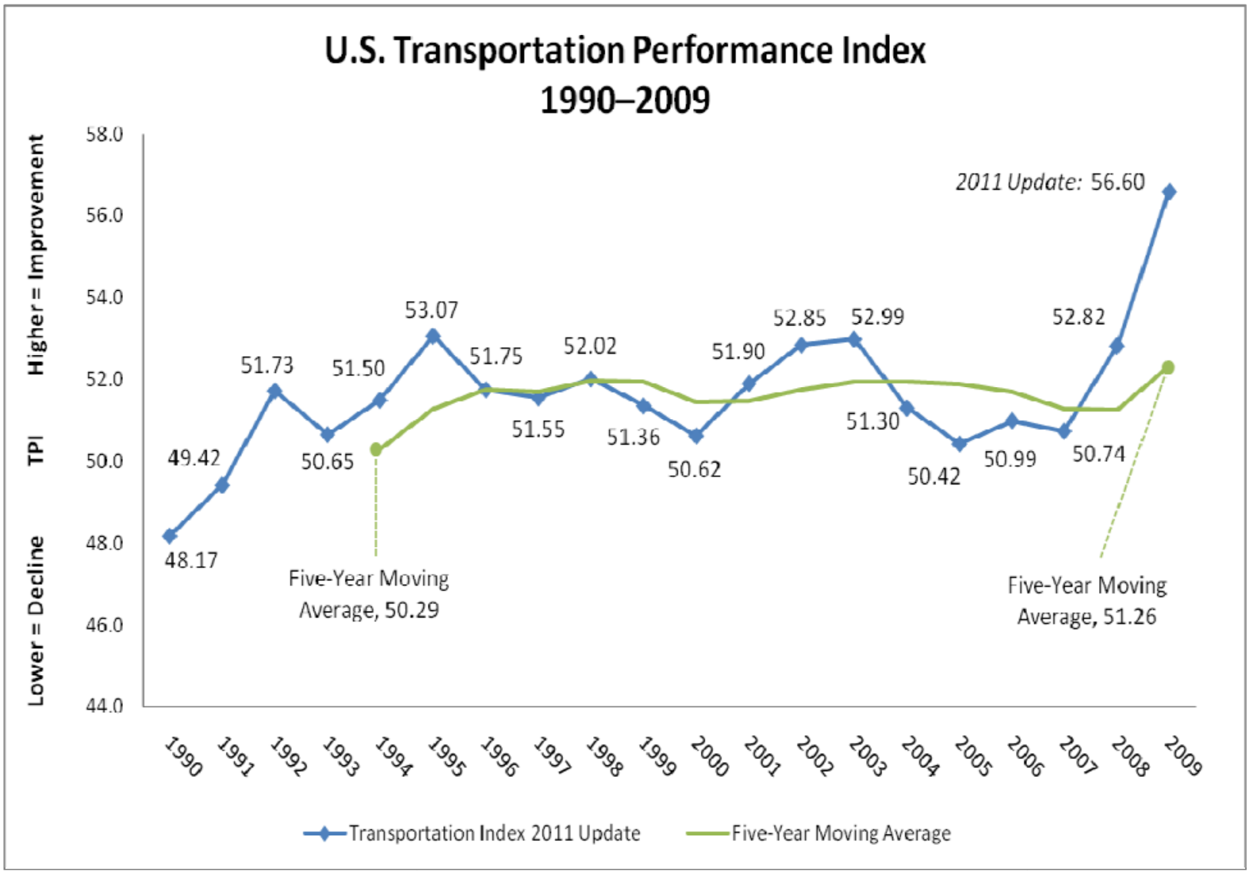

Figure 1: U.S. *Transportation Performance Index*: 1990-2009

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

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

> Much of the improvement in the TPI may be attributed, in the final analysis, to the decline in economic activity in 2009. But that begs a question: If we can improve the performance of transportation infrastructure by stopping economic growth, is that progress? Of course, the answer is 'no'. Stopping economic growth is not progress; it is not a solution to the problem of poor performing transportation infrastructure in America. Likewise, although raising gasoline prices to $11 per gallon might solve the funding issue (Appleby 2009) it would have other consequences for economic activity….The point is that a one or two year improvement in performance won't last without sustained effort. We will

> need to get out of our own way if we don't want this to fall back again when the economy rebounds in 2012.[3]

The TPI and Gross Domestic Product

Failure to address the transportation problems in this country undermines economic growth, according to the econometric analysis of the TPI. There is a strong correlation between performance, which the TPI defines as the degree to which the transportation system serves U.S. economic and multi-level business community objectives, and economic growth as measured by Gross Domestic Product (GDP).

This analysis is unique because it goes beyond merely charting the effects of spending and job creation during construction. The findings of the TPI economic analysis are "different from studies on how infrastructure spending creates jobs in the construction industry or any of a multitude of cost/benefit studies in use today. By controlling for the primary factors known to impact economic development, we are able to segregate a change in the economy that is most likely attributable to the performance of transportation infrastructure."[4]

Instead, the analysis provides robust, stable results showing the overall contribution to economic growth from well-performing transportation infrastructure is fundamental to maintaining a strong economy.[5] Specifically,

> Every one point decline or increase in the TPI correlated to a corresponding decrease or increase of 0.3 percent of GDP. A status quo scenario—largely unchanged priorities, policies, regulations and investment levels—translated to $336 billion decline in GDP by 2015. But there is good news: by following the lead of the states with top transportation infrastructure performance, the country as a whole could add nearly $1 trillion annually to GDP by investing in transportation systems that meet and anticipate the needs of business.[6]

Transportation Performance, Foreign Direct Investment and Competitiveness

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

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[3] Trimbath, Ph.D, Susanne, "Transportation Infrastructure: paving the way," STP Advisory Services, LLC, (*http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf*), 2011.
[4] Trimbath, Ph.D, Susanne, "Transportation Infrastructure: paving the way," STP Advisory Services, LLC, (*http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf*), 2011.
[5] Transportation Performance Index – Key Findings, U.S. Chamber of Commerce, (*http://www.uschamber.com/sites/default/files/lra/files/LRA_Transp_Index_Key_Findings.pdf*), 2011.
[6] Transportation Performance Index – 2011 Update, U.S. Chamber of Commerce, (*http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2011%20Update.pdf*), 2011.

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

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

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

OFII's report, "Building Competitiveness: American Jobs, American Infrastructure, American Global Competitiveness" clearly indicates that a commitment to increasing the efficiency and performance of U.S. transportation infrastructure provides long-term, positive value for the U.S. economy. According to the report:

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

While the United States has maintained its position at the top of the overall World Competitiveness Yearbook rankings, the U.S. sub-ranking for Basic Infrastructure has degraded since 2005. The World Economic Forum also performs an annual infrastructure ranking in the

[7] Insourcing Facts, Organization for International Investment (*http://www.ofii.org/resources/insourcing-facts.html*), 2013.
[8] Slaughter Matthew, "Building Competitiveness: American Jobs, American Infrastructure, American Global Competitiveness, Dartmouth College (*http://www.ofii.org/docs/OFII_Infrastructure_Paper.pdf*), 2011.

Global Competitiveness Report. The result is similar: U.S. transportation infrastructure is falling behind.

Transportation, Logistics and Export Competitiveness

Without smart investment in U.S. infrastructure, American businesses will lose ground to major international competitors. Less-developed and emerging market competitor countries recognize the benefits of well-developed infrastructure and are preparing their transportation systems to move away from producing low-wage goods to producing the types of products that require the specialization of labor that transportation infrastructure makes possible.[9]

Markets outside of our national borders represent more than 80 percent of the world's purchasing power, 92 percent of its economic growth, and 95 percent of its consumers. They are accessed through transportation networks. More than 38 million American jobs[10] depend on trade. One in three manufacturing jobs[11] depends on exports, and one in three acres[12] on American farms is planted for hungry consumers overseas. Exports alone supported approximately 9.7 million U.S. jobs in 2011, as every billion dollars of exports supported 5,080 jobs in the United States.[13]

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

> Globally, logistics costs have fallen from about 20 percent of GDP in the early 1980s to less than 10 percent. However, delays and unpredictability greatly outweigh direct transportation costs (Arvis, 2010). Delays are mostly related to the performance of road, rail and port—not border crossings, the price of fuel, service pricing, etc. The lack of intermodal-connectivity and variable transit times does more than cause delays and raise costs. They also hamper the ability of firms to compete. Longer delays in transit mean having to hold higher inventories (e.g., to avoid shortages of inputs)—bearing the higher risk associated with warehousing and tying up capital for longer periods of time.[14]

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[9] "Enterprising States: Creating Jobs, Economic Development, and Prosperity in Challenging Times," U.S Chamber of Commerce (*http://forum.uschamber.com/sites/default/files/2010_Enterprising-States.pdf*), 2010.

[10] "Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment: An Update," Trade Partnership Worldwide, LLC, (*http://www.tradepartnership.com/pdf_files/Trade_and_American_Jobs7.2010.pdf*), 2010

[11] Progress Report on the National Export Initiative, The White House, (*http://www.whitehouse.gov/sites/default/files/exports_progress_report.pdf*), 2010.

[12] Fast Facts About Agriculture, American Farm Bureau Federation, (*http://www.fb.org/index.php?fuseaction=newsroom.fastfacts*), 2012.

[13] John, Martin and Chris Rasmussen, "Jobs Supported by Exports: An Update," International Trade Administration, U.S. Department of Commerce, (*http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003639.pdf*), 2012.

[14] Trimbath, Susanne, "Transportation Infrastructure: paving the way," STP Advisory Services, LLC, (*http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf*), 2011.

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

> An examination of the data for the US and our nearest competitor, Canada, emphasizes the inefficiencies in [US] land transportation. A Canadian exporter typically moves their goods for export 766 kilometers, versus a substantially shorter distance for US exporters of only 484 kilometers. The difference in total cost is about 10 percent ($1,249 per container in the US versus $1,123 in Canada). The big difference is that US producers need more than 2 extra days to cover nearly half the distance. When exporting through ports and airports, US producers are able to cover 50 percent more distance in about the same amount of time as Canadian firms, but at a cost that is almost 60 percent higher (even with similar security measures in place). These inefficiencies put a burden on US companies that their global competitors do not face.[15]

Why the extra time to cover half the distance? A pervasive problem in the United States is traffic congestion, which is at an all-time high and will only get worse, according to the Texas Transportation Institute's 2012 Urban Mobility Report.[16] The study revealed that Americans spent 5.5 billion additional hours sitting in traffic in 2011. While accounting for only six percent of the nation's total freeway lane-miles and 10 percent of the traffic, 328 corridors account for 36 percent of the country's urban freeway congestion. In 2010, congestion (based on wasted time and fuel) cost about $115 billion in the 439 urban areas, compared to $113 billion (in constant dollars) in 2006.[17]

Most drivers "allow a little extra time" when driving during rush hour, especially for important trips like getting to the airport or picking up kids after school, but the message of the Texas Transportation Institute's congestion report released earlier this year was clear: give yourself more time to get places. For the first time, the TTI study calculated just how much "extra time" you might need to build in to your plans. In Washington, DC, a 20 minute trip takes almost two hours in heavy traffic.[18] That is a huge difference trying to make a flight or being late to pick up your kids. Compare this to businesses that use the transportation system every day and then start doing the math: UPS carries six percent of U.S. GDP within its system every day. If every UPS vehicle suffers a 5 minute congestion delay every day of the year, the annual operating cost to UPS increases by $105 million. Imagine if every UPS vehicle suffers congestion delays of up to two hours each day!

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[15] Trimbath, Susanne, "Transportation Infrastructure: paving the way," STP Advisory Services, LLC, (*http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf*), 2011.

[16] Schrank, David, Bill Eisele, and Tim Lomax, "TTI's 2012 Urban Mobility Report," Texas Transportation Institute (*http://s3.documentcloud.org/documents/566377/2012-urban-mobility-report.pdf*), 2012.

[17] [17] Schrank, David, Bill Eisele, and Tim Lomax, "2011 Congested Corridors Report," Texas Transportation Institute, (*http://mobility.tamu.edu/corridors/report/2011*). 2011.

[18] Schrank, David, Bill Eisele, and Tim Lomax, "TTI's 2012 Urban Mobility Report," Texas Transportation Institute (*http://s3.documentcloud.org/documents/566377/2012-urban-mobility-report.pdf*), 2012.

The services sector also suffers when congestion and lack of connectivity create inefficiency and, in some cases, deterrence for travel at all. The travel and tourism industry represents another clear example of an industry with job and growth opportunities that is heavily reliant on transportation. Jonathan Tisch, Chairman of Loews Hotels & Resorts, recently highlighted the connection between infrastructure and growth in the travel and tourism sector.

> In my business, the travel industry, we see tremendous opportunities for growth in a sector that already generates $1.9 trillion in annual economic output, supplies $124 billion in tax revenue, and employs 7.5 million Americans. Over the next decade, worldwide travel from rapidly developing countries like China, Brazil and India is projected to grow by more than 100 percent—additional visitors who could generate billions to spur economic growth, job creation, and small business expansion. Yet America's infrastructure system cannot handle the travelers we already have, much less millions of new ones.[19]

Businesses place a high value on mobility—of their employees, customers and supply chains—and are solution oriented. Chamber members have grown frustrated with the repetitive debates over whether one mode is more important than another, or if one jurisdiction is receiving its "fair share." Businesses want to know if the transportation system as a whole will support reliable and predictable, cost-effective, and safe transportation of goods and people from their origin to their destination both today and into the future. They do not want to negotiate among 50 different states and myriad communities—there federal role in ensuring the national interest is realized in an interconnected, seamless, and efficient transportation system.

Three Paths to Highway Trust Fund Solvency

The Chamber and the ATM Coalition believe, and the evidence supports, that federal investment in transportation is vital for economic growth, competitiveness and jobs. Evidence is also abundant that the United States is in a period of chronic underinvestment in all modes of transportation. In order to secure our economic and demographic future, we must increase infrastructure investment levels by all levels of government, including the federal government and the private sector to address deteriorating infrastructure, inefficient systems, and inadequate capacity.

The three alternative paths in front of Congress and the Administration today are identical to those that the Chamber and the ATM Coalition have presented to elected and appointed officials, and the American public, for the past several years. Each has a trade off:

> *Option 1: Cut transportation programs commensurate with available funding levels by narrowing the scope of federal transportation programs or by reducing the federal matching share for projects.*

[19] Tisch, Jonathan, "Meeting the Infrastructure Challenge Requires Innovative Solutions," Huffington Post (*http://www.huffingtonpost.com/jonathan-tisch/us-infrastructure-_b_1939932.html*), Oct. 4, 2012.

Trade-off: Approaches of this type simply shift responsibility to states and local communities, which will be forced to find other revenue sources to address transportation needs.

In the last several years, Congress repeatedly rejected dramatic cuts to highway and transit programs. In 2005, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) established annual authorized funding levels for the highway and transit programs based on an estimate of the amount of annual revenue that would accrue to the Highway Trust Fund. SAFETEA-LU did not adjust user fees for inflation, meaning purchasing power continued to decline. Nor did it adjust for needs, meaning that backlogs continued to grow. When actual revenues did not meet projections, Congress reinforced its commitment to the authorized investments and reimbursed the Highway Trust Fund for monies that had been taken out in earlier years for other purposes. In passing MAP-21 last year, Congress rejected changes to user fees to bring them in line with spending, but also rejected dramatic cuts in highway and transit programs, instead choosing to use general fund offsets to maintain federal funding levels for highways and public transportation.

We strongly urge Congress to continue to reject cuts to federal program levels that would, in turn, pass the buck to states, localities and the private sector. These cuts are not acceptable to the Chamber. This option is tantamount to abdicating responsibility for interstate commerce, and ignoring the importance of connectivity and the value of a national system.

Option 2: Pay for additional transportation spending with non transportation-related tax increases or deficit spending.

Trade-off: This approach discontinues the "user pays" basis of federal transportation policy. Instead, surface transportation programs would be paid for by increasing general taxes or by borrowing from future generations. Most important, this option eliminates the certainty of a multiyear transportation program and forces transportation investment to compete with other domestic discretionary programs as part of annual budget and appropriations processes.

Although the Chamber appreciates the willingness of Congress to shore up the Highway Trust Fund through general fund transfers, this option is unlikely to provide sustainable, predictable and growing resources for the Highway Trust Fund.

Option 3: Increase user fees and identify new revenue sources to address well-documented needs for today and tomorrow.

Trade-off: The simplest, most straight-forward, and effective way to generate enough revenue for federal transportation programs is through increasing federal gasoline and diesel taxes—and the one that is most often dismissed because the challenge is one of political will. This debate—particularly the revenue considerations it entails—will never be convenient. But matters of convenience are not what Americans ask of their leaders in Washington.

Tax reform, deficit reduction and debt measures present an opportunity to address revenue sources for transportation, in particular by ensuring that the need for drastic cuts or additional general fund transfers for the Highway Trust Fund at the expiration of MAP-21 is avoided, and that the current sources of user-based revenues for the Highway Trust Fund produce sustainable, predictable and growing cash flows until a new revenue structure can be identified and implemented.

A Way Forward

In discussing highway, transit and safety legislation over the years, the Chamber has been clear, consistent, and repetitive on three key points:

Reform: Getting the Most Bang for the Buck out of Federal Investments
Discussions on transportation often revolve around the question of "how much?" which is not the only important question—or even the most important (although it is a vexing, and necessary issue). During SAFETEA-LU reauthorization, the Chamber pressed Congress to adopt a focused federal transportation policy framework and program structure to guide surface transportation investment and to ensure that revenues derived from transportation infrastructure or transportation activities should be dedicated to transportation investment.

Congress took steps to ensure that money invested in transportation is spent wisely. MAP-21 reforms focused on ending waste and targeting funding for the highest priority projects. The changes to programs should enable states and Metropolitan Planning Organizations to focus on a sensible mix of projects based on actual need and not on politics or ideology—more road construction in some areas, more investment in public transportation in others. MAP-21 specifically stopped diverting money intended for transportation to non-transportation projects. With these reforms, dedicated transportation funds should not be used to pay for other, unrelated projects, restoring trust and confidence with taxpayers, who expect their money to go toward the intended purposes**.**

As a nation, we must continue pressing decision-makers to do a better job planning and prioritizing. We must do a better job delivering projects faster. We must do a better job taking every opportunity to tap every possible source of capital so that projects that simply cannot be financed can use the limited pay-as-you-go dollars out there. Responsibility does not fall solely on the federal government—or any government—and there are effective ways to leverage limited federal resources.

Private Participation: Promote Private Investment and Public-Private Partnerships
Public dollars should be leveraged by tapping the growing interest in public-private partnerships (P3s) and other innovative financing arrangements. The private sector can bring innovative problem solving and up-front capital to bear on the nation's most complex, large transportation challenges. P3s have the potential to drive urgent and complex projects forward in order to

delivering benefits sooner than under pay-as-you-go models. Significant value can also be derived from private sector innovation and creativity in problem solving, performance measures built into contracts, and establishing long-term collaborative opportunities incorporating operations and maintenance into an arrangement rather than taking the short-term view of design and construction. The topic of P3s is worthy of its own series of hearings, and all levels of government should be pursuing them at every opportunity.

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

Federal credit programs such as the Transportation Infrastructure Finance And Innovation Act (TIFIA) can bring down the overall cost of capital for projects thereby freeing up cash flows to draw in private investors. It is one of the best deals around: each dollar of federal funds can support up to $10 in TIFIA credit assistance and leverage $30 in transportation infrastructure investment.

However, public-private partnerships and federal credit programs are not a substitute for systemic user-fee based funding and are not revenue sources in and of themselves. Rather they are contractual arrangements for financing, project delivery, operations and maintenance. Although using alternative procurement approaches like a P3 can free up pay-as-you-go funding sources for projects that do not fit into the P3 model, P3s are not substitutes for fixing the revenue problem facing the Highway Trust Fund. They do not provide easy answers to tough issues.

Federal Revenues for Systemic Investment

Even with significant reform and additional private dollars, existing resources cannot keep the Highway Trust Fund solvent or support maintaining and, ideally increasing, federal investment, to address maintenance backlogs and expanding capital and operational needs. There is no free lunch, no "creative option" that will fill the gaping hole that has emerged at the federal level.

As the Chamber testified to the House Committee on Transportation and Infrastructure, on February 13, 2008:

> The Chamber is confident in the case for increasing the systemic funding available for capital investment in infrastructure. 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....When it comes to funding and financing, every option must be considered to address the enormous problems of the aging transportation infrastructure.

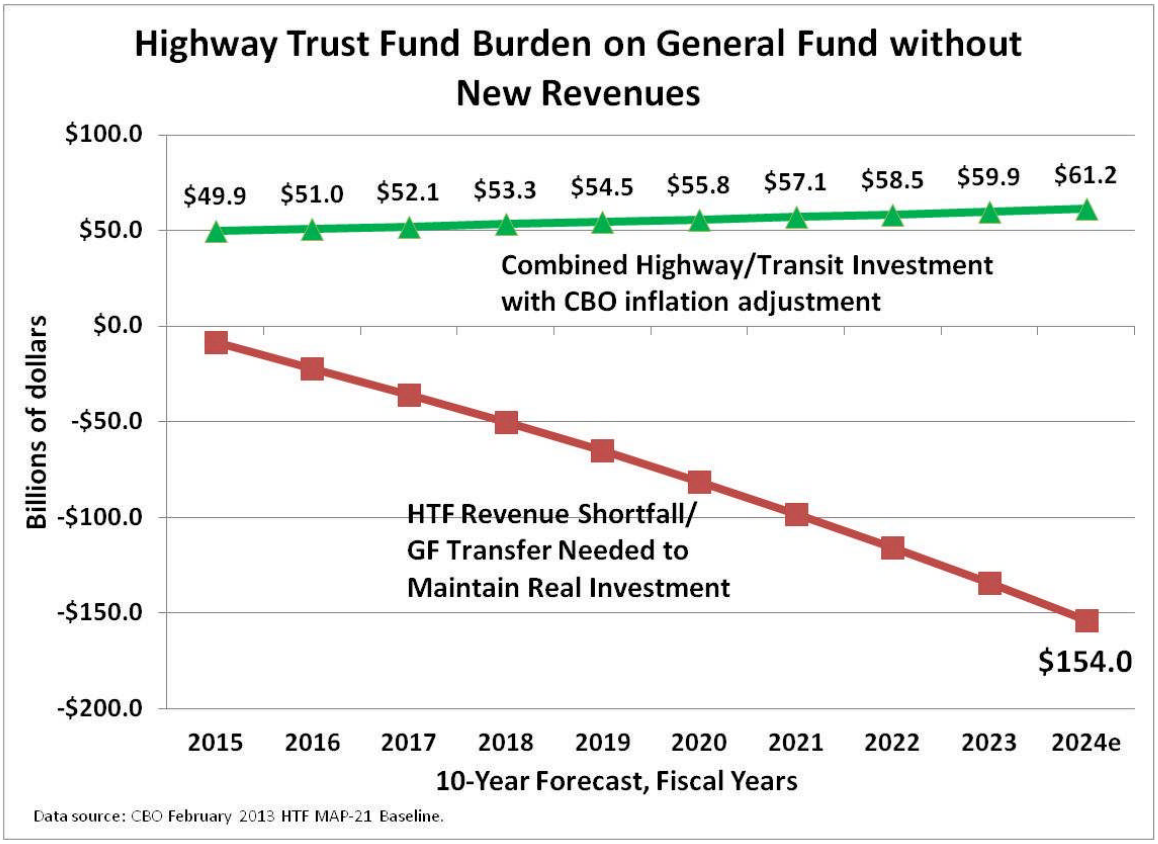
The Highway Trust Fund is the main source of federal funding for federal highway and transit programs. The Highway Trust Fund is composed of the Highway Account, which supports highway and intermodal programs, and the Mass Transit Account, which funds public transportation. The Highway Trust Fund is funded by a federal gasoline tax of 18.4 cents per gallon and a federal diesel tax of 24.4 cents per gallon, as well as other fees. These user fees that paid for much of the nation's postwar Interstate system and enabled multi-modal and intermodal development have not been raised since 1993 and have failed to keep pace with inflation and the soaring costs of construction and materials.

Historically, user fees deposited into the Highway Trust Fund have been the simplest, most transparent and effective way of providing systemic revenue for federal highway and public transportation programs. The Chamber and the ATM Coalition believe that Congress should maintain a user-fee based Highway Trust Fund to support a strong federal role and enable multi-year funding commitments by the federal government to states and metropolitan planning organizations.

The trust fund construct is valuable, especially in absence of capital budgeting, because properly funded, it supports multi-year highway, transit and safety legislation that make use of those resources in different ways—whether leveraged through TIFIA, distributed through competitive grant programs, or allocated by formula. The Chamber and ATM want the revenues in the Highway Trust Fund used as efficiently as possible, by organizations that are focused on getting the best possible results for the investments, and with no waste, fraud or abuse.

How much is needed? The needs have been studied at length and quantified by many organizations including the U.S. Chamber, and the short answer is: a lot more than is currently being invested at all levels of government or by the private sector.

What we do know is the supportable levels of highway and transit funding with current revenue sources at their current levels, and the cost to the general fund in order to avoid those cuts.



That leaves the question of how to find the money.

There is no shortage of research that looks at the questions of "who pays, for what, how much, and by what mechanism?" The Chamber recommends to this Committee the findings of the two commissions created in SAFETEA-LU as a starting point:

> The National Surface Transportation Policy and Revenue Study Commission
> *http://www.transportationfortomorrow.com*
>
> The National Surface Transportation Infrastructure Financing Commission
> *http://financecommission.dot.gov*

These commissions looked at the full array of reports and research on the topic of federal revenues for surface transportation. The Finance Commission, in particular, took an analytical, highly structured approach to assessing revenue options. Notably, both commissions rejected the notion that the federal government should get out of the business of investing in highways and public transportation.

The Chamber and its members are discussing revenue options for three time periods:

- 2015: The impending crisis requiring draconian cuts in order to maintain solvency.
- 2015-2024: During this period, the existing user fees could be modified to be sustainable, predictable, and in pace with inflation. This is also a critical period for

conducting an aggressive research and development agenda for a long-term revenue source.

- 2025 and beyond: It is at this point, when CAFE standards increase significantly, that the revenues from gasoline taxes are likely to require substantial replacement as the primary source of funding from drivers.

We are absolutely committed to working with Congress and the Administration in a concerted effort to find a sustainable, predictable, growing source of revenue; exploring collection mechanisms that are not administratively burdensome or costly; while continuing to look for ways to address the inefficiency and problems in federal transportation policy and programs so that every dollar that does come from the federal government gets the most bang for the buck.

What the Chamber is Willing to Do

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

The private sector can help in four significant ways.

First, we are willing to pay to support public infrastructure.
We must find revenues for the Highway Trust Fund to ensure that the federal government remains an important partner to states, locals and the private sector, to support international and interstate commerce, economic growth and demographic change.

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

Second, we are prepared to invest private capital.
When it comes to private investment in public infrastructure, we are prepared to pump as much as $250 billion in private capital into P3s. In order to do that, more states must allow, by law, P3s. Governors and legislatures need to reduce the political and financial risk of private participation in these projects so investors know projects will be approved in a timely manner and will have a good possibility of a decent return.

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

For example, according to Jim Bak, a spokesman for Inrix, who partnered on the Texas Transportation Institute congestion study: "There technology and the tools are there" to fix traffic congestion. Options include GPS systems that provide real-time traffic information and electronic tolling lanes such as the I-495 HOT Lanes project.[20]

And fourth, we are putting in the sweat equity.
We believe in building the case for a world-class infrastructure system that will put Americans back to work, spur our economy, enhance our global competitiveness, reduce congestion and improve mobility and safety, and prove that American can still get big things done. We are lobbying, we are educating, and we are building support. We are launching a new project, the *Prospectus for Investing in America's Infrastructure*, to engage the larger business community in the effort to articulate what the future of infrastructure needs to look like so that we can expand coalition of supporters and build the political will to reform, reinvent and reinvest in infrastructure.

It is Time for Washington to Lead

Federal infrastructure investment is about maintaining the billions of dollars in investments made over generations and making strategic, prioritized choices to grow the economy in a fundamental, ongoing way.

We cannot keep kicking the can down the road, or passing the buck to future generations, or waiting to see if the private sector or other levels to government will pick up the ball if the federal government drops it. Much of America's transportation infrastructure—roads and rails, airports and seaports, inland waterways and airways—the proud legacy of generations past, needs repair, replacement, expansion and modernization.

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

To head off this future and have a transportation system that supports a 21st century economy, the United States needs a high level of investment targeted at improving performance across all

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[20] Hargreaves, Steve, "You're getting stuck in traffic less," CNNMoney, (*http://money.cnn.com/2013/02/05/news/economy/traffic-jams/index.html*), Feb, 5, 2013.

modes and across the country. We cannot just fix a few bottlenecks or address the problems in one city or state.

Closing the gap between needs and resources is going to require leadership and political courage. When you think, "we cannot afford to do this," recall:

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

These things might not "score" for the Congressional Budget Office or the Office of Management and Budget, but the costs are real.

And so are the benefits. Our national transportation system is critical for ensuring long-term economic prosperity, and supporting Americans' high standards of living, which have driven economic expansion, and is the backbone of our business supply chain. Lasting jobs grow where infrastructure works.

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

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