Statement of the U.S. Chamber of Commerce

ON: Surface Transportation Reauthorization: The Importance of a Long Term Reauthorization

TO: U.S. Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety & Security

DATE: May 5, 2015

1615 H Street NW | Washington, DC | 20062

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.

Introduction

Chairman Fischer, Ranking Member Booker and distinguished members of the Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security, thank you very much for the opportunity to discuss the importance of federal investment and leadership in transportation infrastructure. I am Janet Kavinoky, Executive Director of Transportation and Infrastructure at the U.S. Chamber of Commerce (Chamber) and Vice President of the Chamber-led Americans for Transportation Mobility Coalition (ATM), which includes business, labor, highway and public transportation interests. We believe strongly that federal investment in highways, public transportation, and safety for both freight and passengers is necessary to boost economic productivity, create and support jobs, successfully compete in the global economy, and maintain a high quality of life.

The bipartisan highway, transit and safety law, *Moving Ahead for Progress in the 21st Century* (MAP-21), which ended years of short term extensions that created a great deal of uncertainty for businesses and infrastructure owners and operators, is once again about to expire. By May 31, Congress should pass a long-term, fully-funded bill that builds on the reforms contained in MAP-21 and includes the resources needed to maintain, and ideally increase, smart spending on the nation's transportation system. The alternative is to begin the pattern of extensions and revenue patches all over again. That pattern leads to slowed or cancelled lettings, project delays, cost increases, and uncertainty that negatively affect business outlooks.

Transportation infrastructure is one of the top priorities on the Chamber's Jobs, Growth, and Opportunity Agenda. Having a safe, reliable, efficient transportation system is, quite simply, smart business.

Transportation Infrastructure and the National Economy

Infrastructure is not the end result of economic activity; rather it is the framework that makes economic activity possible.[1]

In 2009, the Chamber undertook a study to explore the degree to which transportation system performance—the ability to meet the needs of business—related to the national economy. We created the Transportation Performance Index (TPI) by asking our members to identify what was important and why, translated those into indicators of performance, identified data sources, and combined the data into the TPI, which is statistically representative of the diverse economics, geography, and demographics of the United States.

Here is what we found:

---

[1] Trimbath, Susanne. 2011. "Transportation Infrastructure: Paving the Way," STP Advisory Services, LLC.

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.

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). The TPI econometric analysis provided robust, stable results showing the overall contribution to economic growth from well-performing transportation infrastructure as fundamental to maintaining a strong economy.[2]

The analysis also 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 TPI.

A first rate national transportation system is necessary in order to maintain a first rate economy in the United States. Failure to address transportation problems undermines U.S. economic growth. This is the fundamental reason that the federal government must take a leading role in making sure that transportation policies—and the related programs and spending that implement these policies—contribute to a strong economy, including enabling interstate commerce, facilitating international trade, and propelling the efficient mobility and connectivity of people and products.

Business generally cares about three things when it comes to transportation infrastructure:

- Supply: availability of infrastructure, which is a key consideration for businesses when deciding where to locate their facilities;
- Quality of service: reliability of infrastructure, whether it supports predictable and safe 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.

Finding good data to indicate performance can be difficult.

One of the main challenges in creating an index based on performance was finding data sources that were publicly available, collected consistently across the country, and reflective of more than just a few years. In general, congestion and intermodal connectivity for both people and goods were major concerns of our members, but indicators that look across modes—of particular importance for the reliability and velocity of freight movement—are limited. If the Chamber's experience is any indication,

[2] 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.

maintaining federal research and data collection assistance across all modes of transportation will be critical to the success of performance-based transportation decision-making mandated by MAP-21.

Business Can Tell You a Short-Term Approach is a Bad Idea – Ingredion's Story

Chamber member Ingredion Incorporated is headquartered in Chicago with a global research and development center in Bridgewater, New Jersey. Ingredion products are found in 80 percent of all items on a grocery store shelf either in food, beverage or personal care products, or in the packaging. Ingredion's Vice President of Supply Chain and Customer Experience David Gardener testified to transportation infrastructure challenges and the need for a long-term bill earlier this year.

> Our supply chain is a worldwide network of 35 manufacturing plants and 24 ingredient development centers. In North America we operate 13 manufacturing plants, with seven in the United States. The largest is located in the Chicago area and the others are scattered across the country from California to the Carolinas.
>
> Our primary raw material is corn, which is shipped to our plants from the farm-belt states via rail and truck. Our finished products are distributed to our customers across the country by a network of rail, truck, warehouses, and break stations.
>
> Needless to say, a smooth-functioning surface transportation system is not only essential to Ingredion's business; it impacts our bottom line and the bottom line of our customers. Logistics costs represent a significant portion of our inbound corn costs and delivered finished product costs. In 2014 alone, our transportation costs excluding the cost of fuel increased by 3.6 percent, significantly outpacing inflation.
>
> An outdated transportation system leads to increased freight costs, variability in deliveries, higher inventories, poor customer service, and an overall competitive disadvantage for our and all industries. Here are a few examples to illustrate how a neglected infrastructure impacts us.
>
> Last year, it took longer to transport corn from the farmers and storage elevators to our plants. This resulted in millions of dollars in increased freight costs, higher manufacturing costs due to plant downtime, and curtailed production.
>
> The transportation industry is struggling. In 2014, the average train speed decreased by over five percent and delay time increased by 10 percent. As a result, we had to increase product inventories and address a shortage of

rail cars to transport our products, leaving us to struggle to meet customer demand. As the network moves slower, we are forced to increase our rail fleet and to make suboptimal sourcing decisions.

> Chicago is a primary transportation hub and the location of our largest plant. The increased rail volume through Chicago is causing unprecedented delays. For example, it can take up to three days just to exit the Chicago metropolitan area. Customers that are a mere seven hour drive from our plant can take up to five days to reach by rail. In some cases, we are forced to shift production from our plant in suburban Chicago to a Canadian facility just to avoid the delays around Chicago and satisfy our customers.
>
> Because we cannot consistently rely on rail to deliver products to our customers on time, we, as many others, often must revert to trucks, costing significantly more than rail. However, the trucking industry is also challenged. Available truck capacity compared to truck demand is at an historic imbalance. This has been amplified by tightening regulation on driver hours of service and a deteriorating highway infrastructure.
>
> Our ability to respond to our customer's needs is directly impacted by the availability of trucking capacity. As truck capacity tightens, our on time delivery rate suffers. Ingredion's incidence of late truck deliveries increased by over two-fold in 2014. This not only creates inefficiency in our supply chain, but also our customer's.
>
> However, our story is just a pixel in the bigger picture.
>
> Increased transportation costs are impacting the broader American business community. According to the Council of Supply Chain Management Professionals most recent State of Logistics report, U.S. business logistics costs totaled almost $1.4 trillion in 2013, the equivalent of a little over eight percent of current GDP.
>
> Business leaders recognize these threats to competitiveness and are voicing concern. The Economist Intelligence Unit found that 87 percent of executives said that aging infrastructure had an impact on their operations in recent years, with 10 percent mentioning that it had caused severe problems in their operations that they were continuing to address.[3]

Many steps have been taken by to address the issues raised by Ingredion, but there is obviously more to be done. Congestion, connectivity, and future capacity are important in rural and urban areas, and within and among modes.

[3] Testimony of David Gardner, Vice President of Supply Chain and Customer Experience, Ingredion Incorporated, to the Senate Committee on Environment and Public Works, February 25, 2015.

Freight Stakeholders MAP-21 Reauthorization Principles

Congress needs to act on a long-term bill because of the importance of transportation to the U.S. economy. It is a national priority.

Other nations have ambitious and strategic infrastructure initiatives designed to project economic power, grow their economies and improve the quality of life for their citizens, and support the competitiveness of their businesses. Short-term extensions keep the United States from truly focusing on addressing the ever-increasing demands that are being placed on our infrastructure. And with increases in trade—both export and import volumes—and population the transportation challenges are growing while we in Washington lurch from crisis to crisis.

To create a 21st century infrastructure to support a 21st century economy requires a partnership among all levels of government and the private sector, use of multiple modes of transportation as well as technology, and flexibility for those closest to the problem to tailor solutions to their particular needs.

The Chamber is a member of the Freight Stakeholders Coalition, a longstanding group of the country's largest shippers and public and private transportation providers. We support the principles outlined in the Freight Stakeholders Coalition Surface Transportation Reauthorization Platform and wholeheartedly agree that, "The federal government must lead long-term efforts designed to further America's competitive advantage by advancing projects of regional and national significance that reduce congestion, enhance goods movement, improve the environment and create jobs."[4]

The principles of this group can guide Congress and the Administration in addressing the challenges faced by Ingredion and thousands of businesses across the country.

1. Congress and the Administration, together, must achieve real, long-term, sustainable funding solutions designed to meet our current and future infrastructure needs.

First and foremost, the public sector needs certainty in future federal funding. Short-term approaches to funding infrastructure create uncertainty and discourage states from undertaking multi-year and complex transportation investments such as new bridge replacements, improved highway interchanges, transit upgrades, and additional capacity to relieve congestion that chokes our roads. The private sector also needs certainty; for example, funding certainty enables the public sector to partner effectively with freight railroads and address rail bottlenecks. The CREATE program in Chicago, the Crescent Corridor—a partnership between Norfolk Southern and 13 states, and the Alameda Corridor in California are prime examples of this kind of partnership.

---

[4] https://www.intermodal.org/assets/private/2014freightstakeholderscoalitionplatform.pdf. Accessed May 3, 2015.

2. Provide dedicated funds for freight mobility/goods movement, and
3. Continue and fund the Projects of National and Regional Significance program.

The Chamber's position on funding for freight dates back to SAFETEA-LU reauthorization:

> The Chamber supports creation of a national freight transportation program for identifying and funding federal, state, and metropolitan efforts to ensure adequate capacity, reduce congestion and increase throughput at key highway, rail, waterway and intermodal choke points.
>
> - The program should include a national freight transportation plan built on performance measures and should include a comprehensive survey of key freight corridors and other assets.
> - A national freight transportation plan should incorporate the development of new capacity, access routes to major water ports and airports, access routes to border crossings and international gateways, operational strategies to improve utilization of existing assets, and strategic intermodal investments to expedite freight movement.
> - The plan should guide government project selection and prioritization.
> - The program should not dilute other federal transportation priorities.[5]

4. Promote and expedite the development and delivery of projects and activities that improve and facilitate the efficient movement of goods.

The Hoover Dam was built in five years. The Empire State Building took one year and 45 days. The Pentagon, one of the world's largest office buildings, took less than a year and a half. The New Jersey Turnpike needed only four years from inception to completion. Fast forward to 2015, and the results are much different.

MAP-21 made great strides in improving project delivery for highway and transit projects. However, rail projects did not benefit from those changes. The Chamber urges Congress to pass S. 280, the bipartisan Portman-McCaskill permit streamlining bill, which would help all infrastructure projects move forward in a timely but environmentally responsible manner. Among other things, S.280 would : (1) designate a lead agency that is responsible for managing and coordinating the review process among agencies, and (2) place time limits on decision making and legal challenges for infrastructure projects without changing the substantive requirements that protect the public.

5. Establish a multi-modal freight office within the Office of the Secretary.

---

[5] https://www.uschamber.com/sites/default/files/legacy/lra/docs/safetealureauthorizationpolicystatementboardapproved.pdf. Accessed May 3, 2015.

6. Support multi-state freight corridor planning organizations.
7. Reauthorize/reinstitute programs that have facilitated freight mobility projects.
8. Expand freight planning at the state and local levels.

Planning must address both passenger and freight needs and incorporate the challenges at border crossings, along trade corridors, and across jurisdictions. Goods movement in urban areas, typically the last mile of delivery, is a prime example of where those two customer groups can either conflict or peacefully coexist. One only needs to look at bottlenecks near our major ports to see that planning must consider both the needs of freight and people.

9. Foster operational and environmental efficiencies in goods movement.

On this latter point, there are two specific policy measures that the Chamber encourages the committee to consider during MAP-21 reauthorization. First, the Chamber encourages the Committee to provide permanent relief from the 34-hour restart provision in the Federal Motor Carrier Safety Administration's hours of service regulations for trucking. Second, although the Chamber is typically silent on trucking productivity issues, we do support changes to the law allowing less-than-truckload carriers to increase their productivity without sacrificing safety if allowed to use two 33 foot container configurations instead of the twin-28 foot containers.

The High Cost of Inaction

These principles reflect the need to address major challenges to this country and its competitiveness globally.

Failure to act is—and will continue to be—costly. The American Association of Port Authorities Port Surface Transportation Infrastructure Survey representing the views of nearly all of the top U.S. seaports on the Atlantic, Pacific and Gulf coasts, and along the Great Lakes, was revealing. One-third of respondents said congestion on their port's intermodal connectors over the past 10 years has caused port productivity to decline by 25% or more. And nearly fourth-fifths of AAPA U.S. ports surveyed said they anticipate a minimum $10 million investment being needed in their port's intermodal connectors through 2025, while 30% anticipate at least $100 million will be needed.[6] As Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation, said to the Wall Street Journal, "We can't have U.S. ports acting as a barrier to trade," he says. "We're shooting ourselves in the foot."[7]

[6] "The State of Freight." American Association of Port Authorities. April 21, 2015.

[7] Wall Street Journal. "U.S. Ports See Costly Delays as Cargo Ships, Volumes Grow." April 29, 2015

A recent Wall Street Journal article brought the problem down to the company level.

> Audax transportation hauls goods ranging from car engines for Ford Motor Co. to frozen chicken parts for Perdue Farms. Bottlenecks at the Port of Virginia have reduced the amount of goods its truck drivers can move in a day by 50% in the past year, says Ed O'Callaghan, the firm's president and an agent of trucking company Century Express in Norfolk, Va. To make up for lost revenue, his company has raised prices for customers by about 35%.[8]

And Thomas Riordan, representing the National Association of Manufacturers at a hearing earlier this year emphasized the importance of action on MAP-21 reauthorization from a global competitiveness perspective.

> The manufacturing impacts of the West Coast dispute mounted daily, and the uncertainty over the past several months led to some cancelled orders from overseas customers, increased costs and even lost jobs in some circumstances. Worst of all, this situation tarnished the reputation of the United States as a global supplier.
>
> The West Coast ports situation showed the fragility and complexity of our transportation network and what happens when an export cannot move to a customer or a manufacturing input is not received in time for a production line.[9]

The Issue of Funding

Moving Ahead for Progress in the 21st Century addressed many of the policy concerns that the Chamber had with federal surface transportation programs. Our members asked for transportation policies that cut through red tape at all levels of government so that projects move forward quickly. MAP-21 delivered, and as the law continues to be implemented we are eager to assess the results. Businesses wanted to see federal funds leveraged for locally selected projects that addressed the transportation needs of companies large and small. MAP-21 was an excellent step toward ensuring that the "how to" decisions are made at the state and local levels of government through simplification and reorganization of the federal program structure but maintaining oversight and requiring transparency and accountability through performance measurement. Performance measurement systems should allow us to determine how well state and local decisions are prioritizing and delivering on the national interest.

Unfortunately, MAP-21 left the Big Question unanswered: where will the federal government find the revenue needed to fully pay for a long-term highway and transit bill

---

[8] Ibid.
[9] Testimony of Thomas Riordan, President and CEO, Neenah Foundry, to the Senate Committee on Environment and Public Works, February 25, 2015.

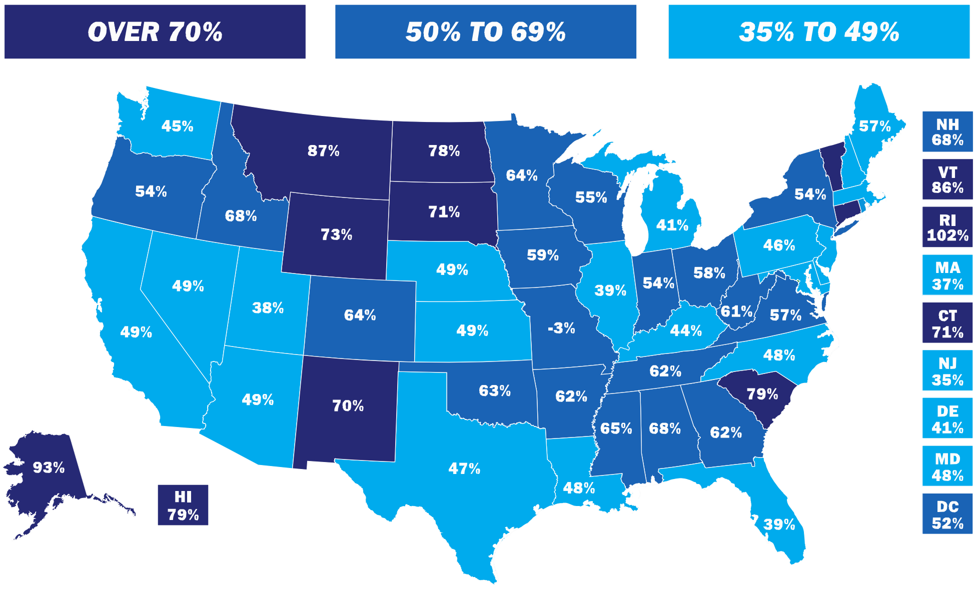
that truly improves the condition and performance of the nation’s transportation system. The Chamber is pleased that Congress has rejected, repeatedly, efforts to make drastic cuts in federal investment on roads and bridges, public transportation, and highway safety.

However, as everyone is painfully aware, the issue of sustainable, growing revenue for the federal Highway Trust Fund (HTF) is central to MAP-21 reauthorization. It has been a topic of nonstop debate, discussion, and hand wringing since MAP-21 passed in 2012.

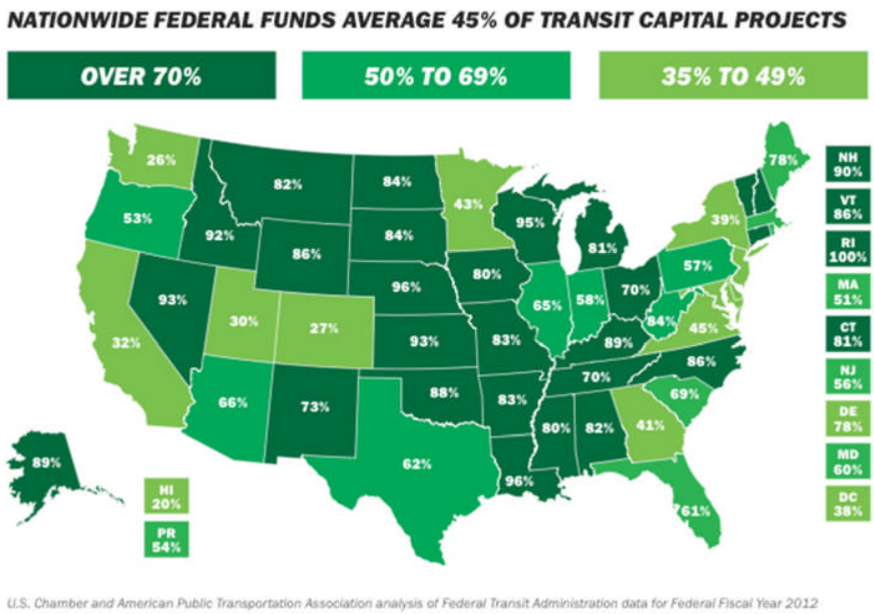
It is time to stop talking and act.

The stakes are high. Approximately half of all capital investment in roads and public transportation across the country comes from the federal government.

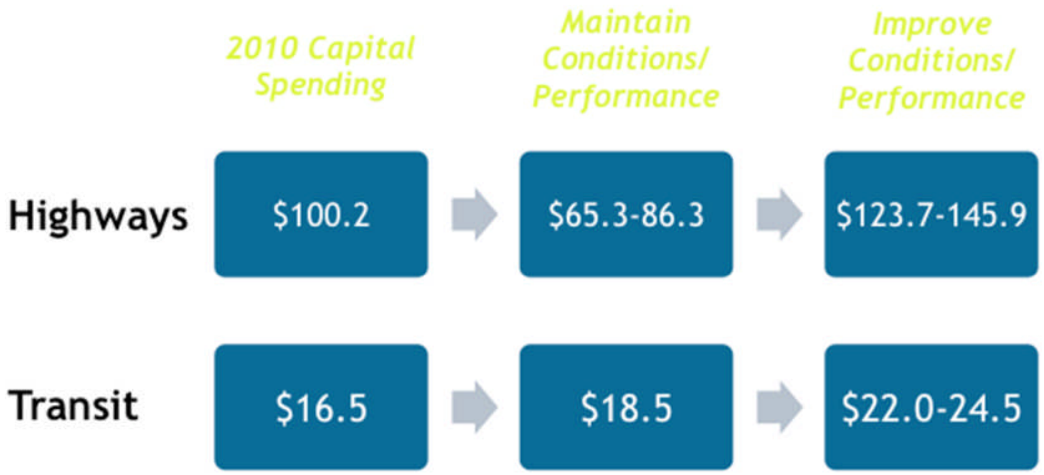
FEDERAL FUNDS, ON AVERAGE, PROVIDE 5 TE DOT CAPITAL OUTLAYS FOR HIGHWAY & BRIDGE P JECTS



ARTBA analysis of FHWA Highway Statistics data, t l t -2011 fr les SF-1 and SF-2



Congress must to identify revenue sources to fill the gaping hole between revenues and current spending levels. Ideally, should seek to fill the growing hole between available resources and needs.



The Chamber evaluates revenue sources along five criteria. A “five-star revenue source” will have a yes answer to each of the following questions:

- **Is the revenue source transportation-related?** In simple terms, because of special federal rules, if revenues are transportation-related, Congress can pass a long-term bill that provides funding certainty. Without transportation-related revenues, annual appropriations could vary dramatically. Uncertainty means transportation projects cost more and have less impact because big, high-impact projects rely on multi-year transportation funding certainty.

- **Are the revenues ongoing, rather than one-time?** One-time money is a Band-Aid, rather than a solution. This is the path Congress has taken to 'solve' the problem since 2009. It involves funneling money from one place to another, and does not address the HTF's structural problems in the long term.
- **Are the revenues sources structured to be sustainable and growing?** We need to not only meet today's demands on our national transportation network, but also the increasing demands we know will be placed upon that network in the coming years.
- **Are the revenue sources—alone or in combination—adequate for full funding or, at a minimum, able to maintain funding levels?** In combination or by themselves we need $91 billion over the next six years just to maintain funding levels. And that won't necessarily deal with the backlog of maintenance and construction needed to improve the condition and performance of transportation systems, anticipate demographic changes, and accommodate and spur economic growth. We should aim for full funding, meaning what's needed to bring our seriously outdated network of highways, bridges and transit systems up to par, and keep it that way, so future generations can rely upon the network.
- **Can the federal government collect the revenues?** There are some options, like sales taxes and value capture, which are viable at a state or local level but that the federal government cannot use. It seems basic, but this knocks out a lot of potential ideas that work well at other levels of government.

It is the Chamber's position that the simplest, most straightforward, elegant 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, receives five stars as a revenue source.

And yes, in the long run, we know that there is a need to look to other revenue sources. 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.

Finally, I should mention that the federal government has many other tools at its disposal to encourage investment in both freight and passenger transportation, including promoting public-private partnerships (P3s). Those mechanisms include using the Transportation Infrastructure Financing and Innovation Act (TIFIA) program, private activity bonds—which need the cap lifted for transportation projects, and technical assistance to project sponsors. The Chamber is a big supporter of P3s. A recent article in

Governing Magazine summarized the benefits, which are not about creating money where there is none but rather in creating significant public value through the "responsible fusion of public-private resources." Projects delivered using P3s have a record of coming in ahead of schedule and under budget. The private sector taking on risk shelters the public sector from losses. New technologies and other innovations are brought to bear. Public-private partnerships are not for every project, but there is a growing track record of success in the United States and we should continue to encourage P3s.

Conclusion

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.

Congress should pass a fully funded, long-term MAP-21 reauthorization bill by May 31, although it is unlikely it will do so. Kicking the can again has costs. Companies cannot plan for hiring or capital expenditures. Land, labor, and capital are more expensive as the time value of money increases project costs. Projects that need multi-year funding commitments are delayed. Opportunities for economic development and economic growth are lost.

Thank you for the opportunity to testify today and the Chamber looks forward to working with you to build on the reform success of MAP-21, stabilize the HTF and find ways to grow investment in highways, transit, and highway safety 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.