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**Testimony of The Honorable Edward G. Rendell
America's Crumbling Infrastructure and How to Fix It"
Joint Economic Committee of the United States Congress
July 24, 2013**

Vice Chair Klobuchar and Members of the Committee, thank you for the opportunity to testify before you on the urgent need for federal infrastructure investment. This hearing could not be more important as I believe this issue is one of the most urgent facing our country.

I am here today as a co-chair of Building America's Future, an organization that I co-founded with Mayor Michael Bloomberg and former Governor Arnold Schwarzenegger. Together, we represent a diverse and bipartisan coalition of state and local officials working to advance infrastructure investment to promote economic growth, global competitiveness and better quality of life for all Americans.

80 years ago Congress passed and President Franklin Roosevelt signed the National Industrial Recovery Act that was responsible for creating the Public Works Administration (PWA). Between 1933 and 1939 the PWA funded and administered the construction of 34,508 large-scale construction projects such as roads, dams, sewage treatment plants, ports, airports, schools, hospitals and even major warships for the Navy. Americans still rely on many of these projects to this very day including the Triborough Bridge, the Lincoln Tunnel, the Grand Coulee

Dam and the Overseas Highway connecting Key West to the Florida mainland. With an investment of \$6 billion, the PWA funded needed projects and employed thousands of skilled workers.

This era epitomized the American can-do spirit of building big things. We need to recapture that spirit because if we don't, we will continue to fall behind our economic competitors.

Late last year Building America's Future released *Falling Apart and Falling Behind* – a comparative analysis of the transportation infrastructure investments being made by the U.S. and our global economic competitors. As the title suggests, other countries are racing ahead of us by making smart, long-term investments in modern transportation networks such as rail, ports and electric grids to meet the demands of the 21st century global economy.

The fact that the World Economic Forum had ranked the competitiveness of U.S. infrastructure number one in 2005 and number fourteen in 2012 illustrates the challenges before us.

Take a look at some of the port investments being made by our global competitors in anticipation of post-Panamax vessels becoming the norm once the newly widened Panama Canal is completed. Since 2000, China has invested over \$3.5 trillion in its ports. Brazil has invested over \$250 billion since 2008. And as a result China is now home to six of the world's ten busiest container ports while the U.S. has none in the top ten. Shanghai's port now moves more container traffic in a year than the top eight U.S. ports combined. Brazil's investment has gone into its Acu Superport, larger than the island of Manhattan, with state-of-the-art

highway, pipeline and conveyor-belt capacity to ease the transfer of raw materials onto ships heading to China.

Here at home, and despite a large surplus in the Harbor Maintenance Trust Fund, the busiest U.S. harbors are under-maintained. The U.S. Army Corps of Engineers estimates that full channel dimensions at the nation's busiest 59 ports are available less than 35 percent of the time. Only two of our ports on the East Coast are deep enough to accommodate the post-Panamax ships.

The situation on our roads is not much better. The Texas Transportation Institute's 2012 Urban Mobility Report stated that traffic congestion had Americans wasting time and 2.9 billion gallons of fuel at a cost of \$121 billion – that equates to \$818 per commuter. And no wonder when one learns that the number of vehicles traveling on American highways has increased by 37 percent from 1990 to 2010 yet the miles of new highway lanes have grown by only four percent. This comes at a time when the nation's population has increased by 25 percent.

The growing congestion on our railway system plagues the nation's freight corridors, choking economic growth and development throughout every region of the country. In Chicago alone, the nation's largest rail center, congestion is so bad that it takes a freight train longer to get through the city limits than it does to reach Los Angeles. The cost to mine metallurgical coal in North America is the same as it is in Australia, but the cost to ship it to the coasts so that it may be exported to Asia is up to four times greater due to transportation and logistical costs.

Earlier this year the American Society of Civil Engineers (ASCE) released its 2013 Report Card for America's Infrastructure and awarded America's infrastructure a

grade of D+. In order to bring the nation's infrastructure up to a state of good repair, the ASCE estimates that it will take \$3.6 *trillion* between now and 2020. \$3.6 trillion - that is a very big number. But for America to remain competitive we must have a first class infrastructure. And that means all levels of government and the private sector must make strategic investments in infrastructure.

Many at the state and local levels are weary of waiting for Washington to act and have begun to take matters into their own hands. This year alone, four governors have signed legislation to increase revenue for transportation and several others had proposed similar measures. And the success rate for local ballot initiatives remains high. In 2012, the success rate of such initiatives was 79 percent.

The West Coast in particular has been a hotbed of innovation and activity. Earlier this month, the Oregon legislature approved a bill to allow drivers to pay a fee for each mile they drive instead of paying the state gasoline tax. The current state gas tax is 30 cents per gallon and would be replaced by a fee of 1.5 cents for every mile driven. The program is limited to 5,000 volunteer drivers who will have several options to report their mileage such as smartphone tracking, reading mileage from their car's odometer, and even paying a flat fee to address privacy concerns.

Late last year the states of Oregon, California, and Washington joined with British Columbia to form the West Coast Infrastructure Exchange. The intent of the Exchange is to combine expertise and resources to build projects critical to the region's economic growth and competitiveness. By combining several smaller projects that on their own may not attract private sector investment, the Exchange seeks to maximize investments of public and private sector dollars.

With regard to leveraging public investments with private dollars, more states have approved legislation granting them authority to pursue partnerships with the private sector. Currently 36 states and Puerto Rico have such authority.

In Chicago, Mayor Rahm Emanuel fought for and got approval to create the Chicago Infrastructure Exchange to leverage private capital with public funds to fix rundown schools and upgrade water systems.

But we still need leadership in Washington to help prioritize and fund large-scale projects of regional and national significance that are too large for any one state or community to handle. Without an overriding national vision and interconnected network, America's transportation infrastructure would resemble a patchwork of disconnected roads and rails; our aviation system would be untenable; and goods movement would be greatly hindered.

The impending expiration of MAP-21 in September of next year gives Congress an opportunity to continue to reform the nation's transportation policy and to get creative in raising the revenue necessary to keep America moving.

There is no way around it - more revenue is needed to keep the Highway Trust Fund solvent. The Congressional Budget Office has reported that "the current trajectory of the Highway Trust Fund is unsustainable." By 2015, the Highway Trust Fund will not have sufficient revenues to meet its obligations in both the highway and transit accounts. Without an increase in revenues or a reduction in expenditures or further transfers from the general fund, the cumulative shortfalls in

the Highway Trust Fund will total \$92 billion for the highway account and \$43 billion for the transit account by the end of 2023.

To regain our economic status as a world leader and to ensure the quality of life that Americans have come to expect, Building America's Future recommends:

- Immediately creating a commission charged with producing a ten-year critical infrastructure plan – covering transportation, water, energy and broadband - that makes significant new investments. The Congressional Budget Office has concluded that an annual additional investment of \$185 billion would be economically justified and the American Society of Civil Engineers recommends an investment of \$200 billion over the next eight years to rebuild the American infrastructure;
- Passing a long-term transportation bill;
- Establishing a National Infrastructure Bank to, among other things, target federal dollars to economically strategic freight gateways and corridors and invest more strategically in projects of national or regional significance that will deliver real economic returns;
- Further increasing the authorization level of TIFIA;
- Making the TIGER program permanent;
- Raising or lifting the cap on Private Activity Bonds;
- Developing other ways to pay for building and maintaining our roads such as:
 - Incorporating congestion pricing and truck tolling arrangements to more adequately cover the costs imposed by highway use;
 - Lifting the federal ban on tolling interstates;

- Reinstating Build America Bonds;
- Fees based on miles traveled;
- Reserves built into capital budgets;
- Once the economy recovers, consider raising the federal gas tax and indexing it to inflation

The other option is to let the status quo prevail. We can continue to underinvest in our critical infrastructure. We can continue to sit on the sidelines and watch countries like Germany, Brazil and Canada make the investments in 21st century transportation networks and infrastructure. We can continue to ‘fall apart and fall behind.’

Let me be clear. There is a cost associated with doing nothing. The American Society of Civil Engineers has recently issued a series of ‘Failure to Act’ reports that compared current and projected needs for infrastructure investment against the current funding trends in surface transportation; water and wastewater; electricity; and airports, inland waterways and seaports. The final report, released this January, documents that the total cumulative gap between projected needs and likely investment in these important sectors will be \$1.1 trillion by 2020. It further documents that aging and unreliable infrastructure will increase the costs to businesses by \$1.2 trillion and to households by \$611 billion by 2020.

Infrastructure is an economic driver and has the added benefit of creating long-term quality jobs. It improves the quality of our lives and it enhances our economic competitiveness. There is no better time to invest in America’s future. We have seen interest rates at record lows thereby making it more attractive to

build. But as the economy continues to recover, those rates will begin to rise and so will the costs to build and repair our nation's infrastructure. We must act now.

Thank you, Vice Chair Klobuchar for the opportunity to testify on this very important issue. I look forward to answering the committee's questions.