TESTIMONY OF THE HONORABLE RAY LAHOOD
COST OF DOING NOTHING – WHY INVESTMENT IN AMERICA'S INFRASTRUCTURE CAN'T WAIT
HOUSE TRANSPORTATION & INFRASTRUCTURE COMMITTEE
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Chairman DeFazio, Ranking Member Graves and members of the Committee, thank you for the opportunity to testify before you on the importance of America's infrastructure and how the lack of investment is impacting the country's economic growth and quality of life.

I appear before you today as a former U.S. Secretary of Transportation, a current Co-Chair of Building America's Future (BAF) and a senior advisor at DLA Piper. BAF is a bipartisan organization co-founded by former Governors Ed Rendell and Arnold Schwarzenegger and former New York Mayor Mike Bloomberg. We represent a diverse coalition of state and local elected officials working to advance smart infrastructure investment to promote economic growth, global competitiveness and better quality of life for all Americans.

We are two decades into the 21st century and America's infrastructure is falling apart and our nation's economic competitiveness is falling behind. Decades of neglect and paltry investment has dropped the economic competitiveness of our transportation infrastructure to number nine in the world. In 2005 we were ranked number one. But the travails of our ailing infrastructure are not a recent development. It has gradually happened over time.

In the 1930's, 4.2 percent of the nation's GDP was spent on infrastructure investment. But by 2016 the number fell to 1.5 percent of GDP. When it comes to investment in transportation infrastructure the picture is even more dismal with the U.S. spending 0.6 percent of GDP - less than nearly all of the G7 nations according to the OECD. Of those nations, Australia has the highest investment rate at 1.4 percent of its GDP. Put another way, the Congressional Budget Office reports that U.S. public spending on infrastructure fell by 8 percent between 2003 and 2017.

We are here today to examine the impact of inaction due to lack of infrastructure investment. The consequences of inaction to Americans' daily lives may be slow to develop but the evidence shows the impacts are as real as they are costly.

Our roads and bridges are struggling to accommodate the growing volume of traffic. The Bureau of Transportation Statistics shows that from 2000 to 2015, road infrastructure increased 5.2 percent while traffic volume increased 14 percent.

Potholes abound on our streets and the cost to drivers is real when tires are blown out or a vehicle is knocked out of alignment. The disrepair of our roads costs the average driver $599 in extra vehicle repairs. But in some areas the costs are even higher with drivers in Jackson, MS paying $944 and drivers in Cleveland paying $887.

Americans are wasting more time and fuel sitting in traffic. Rising from 16 hours in 1982 to 42 hours in 2014 at a cost of $960 per driver. This will only get worse in the coming years as the number of miles driven by cars and trucks will continue to increase.

The U.S. Travel Association reports that within the next five years, Labor Day-like traffic will plague our roadways on a daily basis. A survey conducted by the group showed that 38 percent of travelers would avoid between one and five trips per year if congestion continues to grow at its current pace. If travelers avoided just one auto trip per year, the impact to the U.S. economy would be $23 billion in lost spending that would directly support 208,000 jobs.

Consumers increasingly expect same day deliveries which could become more difficult to achieve with rising traffic volumes. The Federal Highway Administration reports that 947,000 hours of vehicle delay can be attributed to delivery trucks double parked in dense urban areas. Trying to drive in any major city is almost like navigating an obstacle course with delivery trucks and other vehicles double parked on both sides of the street. Our city streets have almost become impassable.

There has been much hype in recent years about driverless cars and how they may eventually replace car ownership for significant portions of the population. Attention is mostly focused on the new opportunities this can bring but this can only be possible if our transportation infrastructure is in a good state of repair. For AVs to be successful, roads must be properly marked and free of potholes. ITS technologies must be deployed so that vehicles can communicate with each other and their surrounding infrastructure. The investment in these key parts of infrastructure are sorely lacking.

Almost 40 percent of our bridges were built over 50 years ago when traffic volumes were less. There over 54,000 structurally deficient bridges in the U.S. and if placed end to end, the length of them would stretch 1,216 miles or nearly the distance between Miami and New York City. While progress has been made in recent years reducing the number of structurally deficient bridges, that gives little comfort if you are one of the 174 million daily trips across one of the these bridges.

It's not just our surface transportation network that is being challenged with lack of investment. It is our ports – both sea and air.

The economy heavily relies upon ports and the network of infrastructure that serves the ports. Every day $6 billion worth of goods and materials move through America's ports and U.S. port activities generate $4.6 trillion in economic activity annually as well as support 23 millions jobs. However, the lack of infrastructure investment in America's ports could result in $4 trillion in potential GDP loss by 2025 and $575 billion in costs to businesses and households by 2025.

With the expansion of the Panama Canal completed in 2016, it is forecasted that post-panamax vessels will comprise 62 percent of total container ship capacity by 2030. Yet only four East

Coast ports are dredged deep enough to accommodate this new reality. While Baltimore is one of those ports, it is struggling with its landside infrastructure and a nearly 125 year old rail tunnel that is not tall enough to allow trains double-stacked with containers to pass through creating a cargo bottleneck and impacting the efficiency of the port.

The Harbor Maintenance Trust Fund's purpose is to support harbor maintenance such as dredging by the Army Corps of Engineers. Since 2003, the HMTF has collected more in revenue that it expends and has accumulated a roughly $9 billion surplus. Despite the need to address the backlog in port dredging projects, Congress has chosen to limit annual appropriations from the HMTF so that the Trust Fund can help to mask the federal deficit. Without adequate investment, the American Association of Port Authorities estimates $14 billion in added costs of traded products due to shallow harbors by 2040. It is time to ensure that the HMTF's revenues are used for their intended purposes.

When it comes to air travel, our skies are approaching gridlock and our World War II-era air traffic control system can't keep pace with the demand. According to the U.S. Travel Association, within the next decade, 25 of the nation's top 30 airports will suffer the same level of congestion as the day before Thanksgiving at least two days each week. Last year, 1.7 billion passengers arrived at or departed from U.S. airports. This number will only grow in the coming years which means that unless it's addressed, the cost of congestion at our airports will rise from $24 billion in 2012 to $63 billion by 2040.

The passenger experience at airports can vary widely as some airports have been able to better modernize their facilities and expand their capacity but others are struggling to keep up. The Airports Council International – North America has estimated that the total capital development needs of U.S. airports are nearly $130 billion through 2023. This is a 28 percent increase over the 2017 estimate and a 70 percent increase in four years. The American Society of Civil Engineers reports that by 2020, unmet airport needs would result in cumulative losses from our economy of $54 billion in export value and $580 billion in overall business sales. With the Passenger Facility Charge having remained capped for nearly 20 years, its purchasing power has decreased by 50 percent. It's time to modernize this important financing tool.

While Washington remains mired in dysfunction, state and local officials have stepped up and made the hard choices by proposing legislation to increase the fuel tax, replacing the gas tax with a sales tax on fuels, or ballot initiatives seeking to raise revenue. Since 2013, 26 states have increased their gas taxes. This has occurred in red, blue and purple states. The electoral impacts of these actions were minimal as a vast majority of them have won their re-election races. According to ARTBA, voters in 12 states re-elected 93 percent of the 530 state lawmakers who supported a gas tax increase between 2015 and 2018 and ran for re-election in 2018.

However, when it comes to the gas tax, it is clear that as a long-term solution, it is not a sustainable source of revenue and other options must be further explored and tested. A number of states - most notably Oregon, California, Colorado and Washington - have moved forward with pilot programs to test the feasibility of replacing the gas tax with a charge based on the mileage. The FAST Act included a $95 million program that has also provided grants to other states examining this concept. If it has not been already, legislation will soon be re-introduced to increase the gas tax and then transition to mileage-based system.

The success rate for ballot initiatives seeking to raise revenue for transportation from 2009 to 2018 is 78 percent. This tracks well with the 79 percent success rate of such initiatives during 2018. A critical reason for the high success rate is that voters were clearly informed about which projects would be built should the ballot initiative be approved.

Addressing our infrastructure challenges can seem daunting. But it is not impossible. It will take all of us working together – Republicans with Democrats, the House with the Senate, and both ends of Pennsylvania Avenue. It will take a commitment of funding from all levels of government and the private sector.

Americans have grown impatient waiting for our nation's policymakers to stop the bickering and address the challenges facing our nation. A majority of voters – 68 percent - say that infrastructure investment was an important factor in deciding who to vote for in the 2018 midterm elections.

According to the American Society of Civil Engineers, the continued failure to act will result in American families losing $3,400 in disposable income each year – or $9 each day – due to our infrastructure inadequacies. Further, the cost to our economy will be the loss of $4 trillion in GDP and 2.5 million jobs in 2025. The cost of inaction is simply unacceptable.

Let's go big and bold. Building America's Future calls on Congress and the Trump Administration to put forth and approve a robust and comprehensive infrastructure package that includes sustainable funding to get America's infrastructure back to that number one ranking. This package should be bipartisan and something that can receive support in the Senate and the White House. A great place to start is to find a sustainable solution for the Highway Trust Fund, Modernize the Passenger Facility Charge and address the limitations on the Harbor Maintenance Trust Fund.

It's time. The future can't wait - it's time to build.

Thank you, Mr. Chairman. I look forward to answering the Committee's questions.