

Testimony

of John Engler, President and CEO

National Association of Manufacturers

before the Committee on Transportation and Infrastructure

United States House of Representatives

Hearing on Investing in Infrastructure: The Road to Recovery

October 29, 2008

**COMMENTS OF THE NATIONAL ASSOCIATION OF MANUFACTURERS
BEFORE THE**

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
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Chairman Oberstar, Ranking Member Mica and members of the Committee on Transportation and Infrastructure, thank you for the opportunity to testify today on behalf of the National Association of Manufacturers (NAM) about infrastructure investment and economic recovery.

The NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Three-quarters of the NAM's membership are small and medium manufacturers. Headquartered in Washington, D.C., the NAM has 10 additional offices across the country. We represent the nearly 14 million men and women who make and invent things in America.

The NAM's mission is to enhance the competitiveness of manufacturers by shaping a legislative and regulatory environment conducive to U.S. economic growth and to increase understanding among policymakers, the media, and the general public about the vital role of manufacturing to America's economic future and living standards. Manufacturers are reliant on our nation's vast interconnected network of roads, railways, airports, inland waterways, and seaports that support and supply every sector of the economy. While many of our members are predominantly reliant on motor carriers to deliver finished products to their customers, manufacturers rely on air freight to deliver time sensitive and high value cargoes, railroads for raw materials as well as finished

products, the inland waterways for efficient and bulk-sized movements and seaports for export to overseas markets. The NAM believes that a renewed federal commitment to our nation's transportation infrastructure will help ensure our nation's manufacturing competitiveness. Transportation infrastructure and its ability to carry the weight of our economy safely, efficiently, and at a competitive cost to shippers and consumers alike, underlies the very core of our economic prosperity.

The manufacturing community welcomes your hearing because we believe increased public investment in our nation's deteriorating infrastructure accomplishes two major objectives. First, it will help prepare the nation for its rebound and second, it will help states and localities make progress on the growing backlog of transportation infrastructure projects that are critical to manufacturers. While infrastructure investment will not calm the financial markets or boost consumer confidence, a targeted approach to infrastructure in the stimulus bill will provide a solid return on investment and provide lasting economic benefits to American business and industry that will create tens of thousands of jobs and support one of the great engines of economic development and growth – transportation. Ivan Seidenberg, the CEO of Verizon recently remarked to the NAM's Board of Directors at our fall meeting that "if there was a lesson in the Wall Street and financial services implosion, it's the importance of allocating capital to those things that really add value, build businesses and create wealth for American workers and investors." From the perspective of the NAM, investing in our transportation infrastructure accomplishes just that and there is no better time than today to initiate a program that promises to maintain and improve our inland waterways, aviation, rail, roads, bridges, and highway infrastructure.

There is no question that tough economic times are ahead not just for the American economy, but also for our competitors and trading partners. International responses to the economic downturn range from Canada's willingness to engage in a transatlantic free trade agreement with its European Union trading partners to China's announcement last week that it would enact a stimulus measure to encourage continuation of exports through tax refunds and ramp up infrastructure spending on roads, airports, nuclear power plants and hydroelectric power stations. This infrastructure investment boost is on top of the current 12% of China's GDP dedicated to infrastructure spending. In Australia, the government passed a broad economic stimulus two weeks ago that fast tracks \$600 million for roads and bridges to help better position the nation for economic recovery and the next resources boom. Here in the United States, dedicating federal resources to our inland waterways, aviation, rail and highway infrastructure will contribute to creating a stable economic climate that is centered on recovery and future growth.

Manufacturers are dependent on our nation's inland waterway system to move coal for power, petroleum for domestic manufacturing and consumer use as well as getting agriculture products to market for export. This cost effective and environmentally beneficial way to move goods will be in jeopardy if we do not adequately maintain and modernize our locks and dams along this often overlooked system. Excessive project delivery delays coupled with inadequate infrastructure investment levels already hamper the efficiency of the inland waterway system. We are behind in funding for major lock and dam modernization projects. Through our industry partners, we have learned that 16 lock and dam projects already approved by Congress could productively and quickly use

\$1 to 1.5 billion to expedite job-creating construction work associated with these projects. As you know, the Inland Waterway Trust Fund does not currently have sufficient resources to support this \$1 to 1.5 billion expenditure level and funding for infrastructure included in a stimulus package could help alleviate this pressure and expedite this important job-creating infrastructure investment.

In addition, there's \$500 million in high priority operation and maintenance work along the inland waterway system and funding this need will begin to address a critical backlog. Also, the American Society of Civil Engineers has identified an overall \$7 billion need for all water resource systems under the jurisdiction of the Army Corps of Engineers. Hundreds of projects that include addressing the maintenance backlog, flood control, hydropower, navigation, water supply, and dredging could be accomplished in a national economic recovery program.

And it's not just our inland waterways that could use an immediate boost. Because adequate and long-term funding for our aviation infrastructure has also been postponed during the 110th Congress for a later date, the NAM believes that it is important to include aviation funding for our airports in the next stimulus. Because air travel is forecasted for growth over the next ten years and it's anticipated that the number of annual passengers will reach the one billion mark by 2015, the current and temporary slowdown in aviation provides the right circumstance to begin building the support network to meet the projected demands expected in just seven to eight years. According to the GAO, aviation system demand will grow from 45,000 flight operations per day to 61,000 flight operations per day by 2016. Airport construction projects that support safety, security and projected capacity needs could also be funded at \$1 billion and create

approximately 35,000 quality jobs that will support this staggering future growth.

While the NAM strongly supports the transition to a satellite-based air traffic control system and all the benefits associated with a Next Generation Air Transportation System, we believe that building the “bricks and mortar” of aviation infrastructure today would help put air traffic modernization on a sustainable path moving forward and support future economic growth associated with the aviation sector. The current cost of relying on the bond markets to provide the short-term and long-term capital is far too high for our nation’s airports and a federal source of additional financing will certainly help keep key infrastructure projects moving.

As we have witnessed, the effects of the current financial crisis are far reaching and have limited borrowing capabilities for both the public and private sectors. States are financially strapped and as a result, roads, highways and bridges are usually some of the first items to be deferred and slated to be accomplished at a later date when revenues return to state coffers. While I am sympathetic to those decisions made by the states, we have reached a breaking point in our nation’s surface transportation infrastructure and we do not have the luxury to defer critical maintenance and capacity enhancing projects. Eighty-percent of our nation’s freight, by value, moves across our nation’s roads, highways, and bridges by truck. The deteriorating condition of our surface transportation infrastructure and the challenges associated with traffic congestion have a negative effect on the manufacturing economy beyond wasted time and fuel. Nearly 20% of our small and medium-sized manufacturers recently reported to us in a survey that they risked losing a customer due to bottlenecks and other traffic delays over the past five years. Further, the federal government is not in a position to tell the states to find the money

because the cost of borrowing and bonding for states and localities is challenging, if not untenable given current market conditions. While we have a major surface transportation reauthorization just around the corner, we cannot and should not wait until September 30, 2009 to provide the states \$18 billion in critical funding for transportation infrastructure projects that are ready to go.

The economy continues to deteriorate and market conditions will not improve overnight. Unfortunately, conditions in the manufacturing sector continue to decline and we believe a further weakening in the coming months is a reality. We are in this situation for some time, so I think the measures that Congress considers in the next stimulus need to address both short-term and long-term challenges. Targeting infrastructure that supports freight movements, which are projected to increase 70% by 2020, would provide critical support to American manufacturing. Federal investment in our highways and roadways do indeed achieve economic benefits to U.S. industry and we believe American manufacturers win when investment in infrastructure increases. A well-known study published in 1994 by two New York University economists concludes that highway investments lowered production and distribution costs in nearly every industry sector. Specifically, the study found that for every dollar invested in the non-local road system, U.S. industries realized production and distribution cost savings averaging 24 cents to the dollar, annually. Without question, transportation helps keep our economy moving and we need every sector of our economy functioning to break out of this economic downturn. Our global competitors – China, India, Japan and the European Union – already heavily invest public and private resources in infrastructure and as China just indicated, its government will allocate even more to infrastructure building in the wake of

this downturn. To help keep American businesses and manufacturers competitive, we must do better than 2.4% of our GDP towards public infrastructure spending.

We know the projections looking ahead and the growing demands that will be placed on our transportation infrastructure are very real. By 2020, one-third of the entire Interstate Highway System will be congested, impairing both the reliability and increasing the cost of goods movement. For members of the NAM, access to a reliable and cost-effective transportation network by land, sea, and air is critical to their businesses and the nation's competitiveness in world markets. We believe the case is strong for the federal government to commit resources to transportation infrastructure projects that are ready to go and will provide meaningful, long-lasting public benefit in any type of economic environment.

Mr. Chairman, thank you for the opportunity to testify today and I will be happy to respond any questions.

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