



Statement of the U.S. Chamber of Commerce

“The Impact of Inaction on an Infrastructure Modernization Plan”

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United States House of Representatives**

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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.

Introduction

Chairman DeFazio, Ranking Member Graves, and members of the Committee - thank you for the opportunity to provide testimony before the House Transportation and Infrastructure Committee on a policy issue of the utmost importance to our nation. My name is Rich McArdle, and I currently serve as the President of UPS Freight. I submit these written comments, and appear personally before the Committee, representing the United States Chamber of Commerce.

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

The Importance of America's Transportation Infrastructure

America's transportation network is a vast and complex system that connects people and places, moves goods, boosts our economy, enhances safety, and improves our daily quality of life. The country's transportation system is comprised of roads, bridges, public transit, airports, railroads, seaports, and interchanges affecting thousands of communities, multiple industries, and virtually all job sectors. Without question, this system serves as the backbone of the nation's economy.

The current assets that make up our nation's transportation network include:

- 4.1 million miles of public highways
- 600,000 bridges
- 11,300 miles of public transit
- 25,000 miles of navigable waterways
- 114,600 miles of rail
- 250 water ports
- 19,500 airports

Source: 2019 Bureau of Transportation Statistics Pocket Guide

For almost one hundred years, America's infrastructure has been the envy of the world. From the transcontinental railroad to electric streetcars, from subways to the interstate highway system, freight rail connections to the world's most advanced aviation system, our nation's history of providing state-of-the art transportation infrastructure is impressive, and continues to evolve.

As this Committee knows, most of this system was built 60-150 years ago. The Chamber, and UPS, believe the time has come to enact a federal infrastructure modernization plan to provide every American a 21st Century system.

The Importance of Networks to Freight Movement

The nation's goods movement and freight networks continue to experience significant strain. In 2016, our nation's transportation system moved 17.6 billion tons of goods, worth \$18.1 trillion, according to the U.S. Department of Transportation. *Source: 2019 Bureau of Transportation Statistics Pocket Guide*

The nation's supply chain is also adapting to the rapidly advancing e-commerce environment. Supply-chain fulfillment operations, including thousands that we interact with at UPS, have transitioned from an inventory based "manufacture-to-supply" model to a "manufacture-to-order" model. In fact, many of these orders are shipped directly to the end consumer. Emerging technologies such as vehicle-to-vehicle and vehicle-to-infrastructure communications and autonomous vehicles require modern infrastructure to allow these innovations to achieve the desired effects of maximizing the efficiency of the transportation network, while increasing safety for transportation workers.

The Current Impact of Congestion

According to the American Transportation Research Institute, congestion on the Interstate Highway System alone costs the trucking industry nearly \$74.5 billion in 2016 and wasted more than 1.2 billion hours. This number, from three years ago, equates to 425,000 drivers sitting idle for a full working year. Today, the situation has deteriorated even further. *Source: ATRI Cost of Congestion to the Trucking Industry 2018 Update*

For UPS, this impact is real – if every UPS vehicle is delayed due to congestion 5 minutes a day, every day, it costs our enterprise \$114 million annually.

For a company like UPS, this scenario has a legitimate, dramatic and daily impact, as we operate approximately 120,000 commercial vehicles and travel 2.9 billion miles in the United States each year. Ultimately, congestion requires UPS to build in operational redundancies to meet service commitments to our customers. Practically speaking, this means that every day we have to dispatch more tractor-trailers and delivery vehicles than necessary to complete our work under optimum conditions - therefore, and ironically, adding to congestion.

A snapshot of UPS operations in the New York City metropolitan area may provide some insight into today's challenges. On average, UPS delivery drivers in New York City and northern New Jersey are delayed 16 minutes per day due to traffic congestion. Since 2011, UPS has had to dispatch an additional 62 delivery drivers, every day, to meet customer service obligations in this geographic area due to gridlock. In addition, in the same New York-New Jersey area, congestion has forced UPS to dispatch an additional 21 tractor-trailer combinations (to handle the same amount of package volume moving between UPS facilities).

Put simply - these additional vehicles only make a bad situation worse, let alone further negatively impacting the local communities in which we provide service. The average commuting time in the United States, at forty-eight minutes per day, is well above that of its peers due to congestion and inadequate public transit; it is thirty-eight minutes in the United Kingdom and thirty-one minutes in Italy. *Source: Council on Foreign Relations 2018 State of U.S. Infrastructure Report*

In addition, inadequate infrastructure also leads to vehicle damage. According to The Road Information Program, the average American experiences on average \$599 of damage to their vehicle each year due to inadequate road conditions.

Furthermore, congestion costs the average American an additional \$960 annually meaning that the cost to the average commuter of doing nothing is over \$1,500.

Source: Texas A&M Transportation Institute (TTI) 2015 Urban Mobility Scorecard

Investment Not Meeting Infrastructure Needs

Both the American Society of Civil Engineers (ASCE) 2017 Infrastructure Report Card and the latest Department of Transportation Conditions and Performance (C&P) Report show current investment levels are not even maintaining the current infrastructure network, much less making improvements.

The 2015 U.S. DOT C&P report highlighted the current state of good repair needed for highways and bridges at an estimated \$830 billion. Of the total backlog, \$156.8 billion is required for the Interstate System; \$394.9 billion for the National Highway System, and \$644.8 billion for Federal-aid highways. The U.S. DOT C&P report also stated the current state of good repair needs for public transit at \$89.8 billion.

The ASCE Report chart below shows the estimated investment gaps for several types of infrastructure over the next ten and twenty year periods:

TABLE 2★ Estimated Changes in U.S. Infrastructure Sector Investment Gaps and Aggregate Investment Gap

	CUMULATIVE GAP ESTIMATE IN 2016 <i>FAILURE TO ACT</i> ANALYSIS (Billions 2015\$)		CUMULATIVE GAP ESTIMATE CALCULATED FOR 2011-12 <i>FAILURE TO ACT</i> ANALYSIS (Adjusted from Billions 2010\$ to Billions 2015\$)	
	2016-2025	2016-2040	2016-2025	2016-2040
Surface Transportation	\$1,101	\$4,334	\$908	\$3,931
Water & Wastewater	\$105	\$152	\$113	\$163
Electricity	\$177	\$565	\$212	\$743
Aviation	\$42	\$88	\$46	\$82
Ports & Inland Waterways	\$15	\$43	\$18	\$42
Total	\$1,440	\$5,182	\$1,297	\$4,961

NOTE Numbers may not add due to rounding.

Source: *Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future*, American Society of Civil Engineers

Efforts Laying the Groundwork for Broader Infrastructure Modernization Debate

The Trump administration has been vocal about the need to rebuild and vastly improve our infrastructure, and Congress, on a bipartisan basis, has also indicated its willingness to work on solutions. This Committee is taking a leadership role on this issue and should be commended. This written, we should not confuse activity with accomplishment on this vital policy initiative. The time is now for elected officials in Washington to take charge and tackle the problem with both adequate funding and a long-term plan.

For years, the U.S. Chamber of Commerce has supported meaningful action to reinforce our once-unequaled infrastructure, and we've continued to offer a slate of potential solutions to prove it.

Last year, the Chamber laid out four pillars that the Administration and Congress should consider including in the infrastructure modernization debate:

- Increasing the federal fuel user fee by 5 cents a year for the next 5 years for surface transportation projects.

- Implementing a multi-faceted approach for leveraging more public and private resources.
- Streamlining the permitting process at the federal, state, and local level.
- Expanding the American workforce through work-based learning and immigration reform.

The Chamber is urging Congress to utilize all user fee revenue in the Airport and Airway, Inland Waterway, and Harbor Maintenance Trust Funds to invest in much needed airport and water infrastructure projects.

The Chamber is also open to other ideas to provide a long-term vision for transportation infrastructure and address the funding needs. At present, the Chamber is holding a competition offering cash prizes for ideas other than an increase in the fuel tax for surface transportation from everyone – students, academics, business leaders, the builders of the system, and the users of the system – to submit the best, most viable ideas for a long-term sustainable funding source. The Chamber will consolidate and publish all of the good ideas they receive, and has recently started publicly discussing these matters as on Tuesday of this week we hosted a signature thought leadership summit event: “America’s Infrastructure: Time to Invest.”

Highway Trust Fund Issues

As has been discussed before the Committee in the past, the federal Highway Trust Fund (HTF) will run out of money shortly after the Fixing America’s Surface Transportation Act (FAST Act) expires in 2020. The primary reason we are underfunding our highways and transit systems is that the HTF is experiencing an annual deficit of \$11.8 billion in 2018 – spending \$55.2 billion while only taking in \$43.4 billion – which, according to the Congressional Budget Office, will increase to \$25 billion in 2029. *Source: Congressional Budget Office The Budget and Economic Outlook: 2019 to 2029*

Congress has made up for this funding shortfall in two ways. First, it has transferred \$144 billion into the trust fund since 2008 to prevent insolvency. Second, it has delayed and underfunded the maintenance of the country’s roads, bridges and mass transit systems.

The Congressional Budget Office further estimates the trust fund will need up to \$150 billion infusion to enact a 6-year reauthorization that merely maintains spending levels.

With a growing federal deficit, the ability for Congress to continue to inject General Fund revenue into the HTF is limited. This is one major reason the Chamber supports the budget-neutral mechanism of adjusting the federal fuel user fee to address this issue and provide long-term stability for our highway and transit programs .

How To Increase Investment In Surface Transportation

To rebuild and expand our roads, bridges, and transit systems, the Chamber believes it is time for a modest increase in the federal motor vehicle fuel user fee. The user fee was last raised in 1993. Since then, inflation has eroded over 40 percent of the value of the fee. In addition, vehicles are significantly more fuel-efficient than they were 25 years ago. As a result, motorists use less fuel to drive the same number of miles, and there is significantly less revenue to maintain the roads upon which they drive.

The Chamber is calling for increasing the gas and diesel taxes by 5 cents a year in each of the next 5 years for a total of 25 cents. The proposal would include indexing the tax for inflation and for future increases in fuel economy, so there would be no need to revisit this issue in the future.

The proposal would raise \$394 billion over the next 10 years, which would be invested in our highways, bridges, and transit systems in a fiscally responsible fashion. When combined with state, local, and private sector funds, this would go a long way towards modernizing the nation's once-great interstate system.

In addition to my responsibilities at UPS Freight, I also have the pleasure of serving as a co-chair of the American Trucking Associations (ATA) Infrastructure Task Force, which has explored various ways to pay for increased highway investment. Like the Chamber, ATA believes that an adjustment in the federal fuel tax is the most efficient, equitable, and logical manner to increase transportation infrastructure investment in a budget-neutral fashion.

The ATA proposal, the Build America Fund plan, calls for a federal fuel usage fee built into the price of wholesale transportation fuels collected at the terminal rack,

phased in at a nickel per year over four years. The fee would be indexed to both inflation and improvements in fuel efficiency, with a five percent annual cap.

Conclusion

The bottom line is that the time to make important infrastructure investments is NOW. Delaying action only makes the decisions more difficult and projects costlier. From the business community's perspective, the question is not *if* we need to make these decisions, but *when*.

The Chamber strongly supports modernizing the nation's infrastructure. We need a fluid, efficient multimodal 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, to everywhere in between.

There is no single funding solution that will solve all of our surface transportation infrastructure problems. The Chamber believes communities should have a large toolkit of funding and financing options available that can be utilized to provide the infrastructure needed, not just to succeed, but to lead the world in providing economic and social mobility. Improving our current infrastructure is a necessary component of economic development for our country.

Here's the bottom line: A robust, long-term federal infrastructure modernization program, combined with greater investment by state, local and private stakeholders, can engender the partnership necessary to ensure our nation has a 21st century infrastructure network. But without a serious commitment from federal lawmakers, our nation will not make the kind of progress demanded by the challenges we're facing.

Enacting an infrastructure modernization plan this year would directly add demand and employment, as some fourteen million workers, or 11 percent of the total U.S. labor force, are currently employed in infrastructure-related sectors, according to the Brookings Institution's *"Beyond Shovel-Ready Report."*

Thank you for the opportunity to testify today regarding this timely and important issue. The Chamber and all UPSers look forward to working with this Committee, the Administration, and Congress to support this critical effort to provide the tools necessary to modernize America's highway and public transportation network, stabilize the Highway Trust Fund, and grow investment in the nation's transportation infrastructure so each state and region can get out of the system what they need to be successful – whether that is moving goods or individuals.