

InfrastructureUSA

Guest on THE INFRA BLOG

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We Want it All, But We Don't Want to Pay

I think that even though there have been incidents of major crisis, things like bridges falling down, the American people are a lot like a frog in a pot on the stove. They're getting more and more used to the heat and more comfortable with the challenges that infrastructure faces. In addition, businesses become very adept in working around infrastructure instead of working with it. We've seen the growth of an entire supply-chain industry where infrastructure is really only a very small part. They're looking at optimizing their systems, but not necessarily looking at the foundation underneath some of those systems, the infrastructure. Even though there are those of us who are deep in this area, see this every day and our worlds revolve around it, I think there is still a challenge to get beyond the choir. I think the second part is that fundamentally dealing with our infrastructure problems involves finding money, and it's not just in infrastructure that people want everything but don't want to pay for it. We're hearing it in healthcare; we're hearing it in education. We want the best education for our kids possible, but we don't want to pay any more. I was speaking with a pollster last week who said, "I was out talking to people about the Affordable Care Act, and they want to make sure everybody's got health insurance, and they want to make sure pre-existing conditions are covered, but they don't want to pay for it." So we've got to come face to face with what exactly are the problems we're trying to solve, and then realize we're going to have to put out some cash for that.

Fixing Infra: Where Do We Start?

I think the challenge, when it comes to something like traffic congestion, is similar to when someone hears a statement like the American Society of Civil Engineers says: "We need more than 3 trillion dollars a year for infrastructure." The challenge seems so large that it's a question of where to start. I also think there's an issue of public trust and confidence in the institutions who are trying to solve these problems and their ability to actually fix them. And that's why we need to look at infrastructure going forward, in the same way, I think, that an entrepreneur does when they're pitching a business plan to an investor. An entrepreneur helps the investor visualize what's going to happen, lays out a strategy, and inspires confidence to execute on that strategy. As a country we have seen, at the state and local level, where there have been successful efforts to address infrastructure it's because, often, the public and private sectors have come together and they've said "here's a vision for a community, or a region or a state. Here's the strategy to get there," sometimes involving specific projects. And we're going to be transparent about how the money's going to be spent and accountable for how it's going

to be spent. When those things happen, you see over 70% of ballot initiatives, statewide votes, local votes, successful in that area. So the question is what can we do nationally to inspire confidence in our investors? I think we're headed into a phase where first people are going to demand transparency, accountability, financial standards. They're going to want to know there's a return on investment, so it's a little bit more due diligence. They want to see that there's real multi-modal planning, that we're solving problems like congestion, we're not just building a road. That involves giving people transportation choices; it involves more use of technology. That's something, as we get more high-tech and are holding our lives in the palm of our hands, we want that to work with the infrastructure that we have. Once we lay out that business plan for people, or as we lay out a business plan for Americans, I think it's easier for them to say, "OK, I see. It's not just a problem, but we understand there might be a solution."

Passenger Rail is Starving in the U.S.

I think that one of the reasons we have not seen high-speed rail in this country is that to do a real program of high-speed rail it's going to take a significant and long-term commitment by both the public and the private partners in that event. And there's been much discussion about how if we do more passenger rail, high-speed passenger rail, higher-speed passenger rail, in this country, then we have to have the public sector side committed so that we have the private capital that will come in as well. We have done nothing really in passenger rail but fits and starts over years, and even Amtrak has been on—I'm trying to come up with the equivalent of somebody's diet for this. I'm not even sure it's the Paleo diet. It's been on more of a starvation diet over time. So it's pretty hard to say we're going to see a real impact, we're going to make a real mark in high or higher-speed passenger rail in the United States when there's nobody making that long-term commitment to it.

Is There an Alternative to the Gas Tax?

The gas tax isn't the basis of national policy; the gas tax is the source of funding for federal highway and transit programs. And if it had been adjusted to keep pace with inflation in 1993 when it was last raised, it would still be a very viable source of revenue, a basic source of revenue for states and for locals for their highway and portions of transit funding. That said, we recognize by 2025, the new cars that are coming out on the market are going to have fuel economy around 50 miles a gallon, and so at one point we're going to have to transition to another, more sustainable source of revenue. But, for the foreseeable future, the Chamber still believes that the gas tax is still the simplest, most straightforward way to provide federal resources to states for highways and a portion of surface transportation. There's another question, which is "what about the rest of transportation?" If we're going to make national transportation policy, is the gas tax the way to do this? And the answer is no. If you're going to fund transportation on user fees, that means that all the users have to pay. On the waterways side and the ports side, the users are paying. Just in particular, in terms of harbor maintenance, those users aren't getting their money used. On the aviation side the users are also paying in a variety of forms. We've got a fragmented way of doing transportation

because when you have a user-pays model it kind of gives rise to that fragmented way of doing transportation. I think some states are giving a different look to this, and I can't really comment to what we ought to be doing at the federal level, but certainly I just watched Aubrey Layne, who is the Secretary of Transportation for the State of Virginia, testify at the Senate Finance Committee and say "Look, we know we have to invest in our ports and our waterways, passenger rail, intermodal connections, highways and transit, so not only are we still taxing fuel but we're using a portion of the state's sales tax because all of that economic activity in the state is in some way or another using the transportation system. That's how Europe funds their transportation. It's a general-funded sort of operation, because there's a connection to the economy. Now that all sounds well and good here, but at the federal level the problem is if we go to a general-funded approach, we lose the ability to have multi-year transportation bills. And those get into the details of Washington, but suffice to say it's not ever as simple as it seems.

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