

Butch Brown (Prepared remarks)

- **Transconomy**

“The Transconomy”--That is the term for one of my initiatives as this year’s president of AASHTO.

It is an idea that you will have no trouble understanding. A thriving economy needs good transportation. Surprisingly, a lot of people don’t seem to understand this. One of the things I want to do in my year at the top of AASHTO is to get more people both within and outside the transportation community to understand why transportation and economic competitiveness are intertwined in the “transconomy.”

You can get different opinions about the size of the transportation sector in the economy, but the fact is, No transportation, No economy.

Historically there has been a strong direct connection between transportation and the growth of the nation’s economy. Ports connected the new continent to the old. Canals and rivers opened access to inland resources. The railroads connected the coasts and created network that supported the industrialization of the nation. The interstate highway system created chains of supply and distribution that led to a geographic restructuring of the economy and contributed to the economic expansion and widening affluence of the middle of the last century.

Many seem to think that the nation is now built for all time and that we will continue and prosper without maintaining and improving our transportation system. They are wrong.

Those of us in the transportation business have contributed to this problem. We have become so professional that transportation has become an arcane subject important only for those who in the transportation industry. It is, of course, important for every person and every product that moves. And it is important for our continued economic well-being

We should breath new life into an old-fashioned term—interstate commerce—and be prepared to convince others that it is the foundation of the national purpose and federal government responsibility for transportation investment.

Repeat after me:

Transconomy—No Transportation No Economy

- **Recovery and Renewal**

We don't have to look far for a demonstration of the Transconomy proposition. The message is clear from the stimulus spending

AASHTO has published a one-year report on state transportation successes under ARRA, "Projects and Paychecks." The report documents that, so far, through the investments made possible ARRA, principally highway and

transit, states have created or saved 280,000 direct, on-project jobs. That means that – as of December, 2009 – transportation, which received 6% of total ARRA resources, was able to create at least 14% of the two million direct jobs saved or created to date. This transportation investment has been able to achieve two types of economic benefits:

- first, direct and immediate benefits to people through the jobs created through investments in transportation infrastructure; and
- Second, longer-lasting benefits to the broader economy through the improvements in transportation system performance which resulted from the specific infrastructure investments made. We describe ARRA transportation investments as "The gift that keeps on giving."

One year after enactment of the economic recovery act, through infrastructure investments states and local governments have created or saved 280,000 direct, on-project jobs. Total employment related to the 12,000 projects underway has reached 890,000. The projects that states, cities and counties were able to build will have long-lasting benefits in thousands of communities: So far it has meant repair or replacement of 1,125 bridges, improvement, resurfacing of 21,400 miles of pavement, and the purchase of 7,450 buses

In addition to the highway and transit projects, states also made investments directly benefitting rail and maritime transportation and many of the highway projects provide significant benefits to freight movement.

And in addition to the initial \$36 billion made available for highways and transit, the stimulus program has included the TIGER grants (Transportation Investment Generating Economic Recovery).

This competitive grant program provided substantial funding for major freight projects, including:

- The National Gateway Freight Rail Corridor, \$98 m.
- CREATE Program Projects, \$100 million
- Crescent Corridor Intermodal Freight Rail Project, \$105 m
- The Otay Mesa Port of Entry, \$20 m.
- Port of Gulfport Rail Improvements, \$20 m.
- Alameda Corridor East: Colton Crossing, \$34 m.
- Maine Ports Revitalization, \$14 m.
- The Southwestern Regional Intermodal Freight Transportation Hub, \$6 m.

As a package these projects look like the beginnings of a long-term program for investment in the nation's freight transportation infrastructure. In general, however, when it comes to transportation investment we are limping into an uncertain future.

- **Long Term Investment**

The recent good news is that the Congress has now provided the funding needed to maintain current levels of surface transportation spending through the end of this calendar year. What then, we don't know.

The Highway Trust Fund faced insolvency in 2008, 2009 and 2010. Funding shortfalls were alleviated through fund transfers from the General Treasury. Meanwhile, States face the most difficult financial situation in 50 years, and this year 25 states have indicated that they will be forced to reduce spending on transportation. The \$48 billion provided through the Economic Recovery Act helped maintain national investment during 2009 and 2010 and the 2010 Jobs Bill do the same for the remainder of the year.

But this is no way to run a national capital investment program, lurching from crisis to crisis.

If we are to have a national transportation system, it is imperative that the Federal government play a strong role. Every commission known to man has arrived at basically the same conclusion.

The National Surface Transportation Policy and Revenue Study Commission It found that the U.S. needs to be investing \$225 billion annually in highways, transit and rail over the next twenty years but is investing at only 40% of that amount. In 2009, AASHTO published its Bottom Line Report which determined that to improve the highway system the U.S. needs to invest \$166 billion per year compared to the \$80 billion we are currently investing. The latest Conditions and Performance Report for Highways and Transit published by U.S. DOT in January, 2010, based on 2008 data, made the following determinations: to improve the system highway investment needs to increase to \$174.6 billion annually; to improve the transit system \$21.1 billion needs to be invested annually.

While it is helpful for these reports to document what is needed, it is not realistic that Congress will find it possible to increase federal investment to the levels needed all at once. We believe the \$500 billion surface transportation bill backed by Chairman James Oberstar in the House has established a reasonable target for this six-year authorization period that Congress should seek to fund.

- **Freight Transportation Policy**

AASHTO's Board of Directors has adopted an ambitious set of recommendations for the next transportation authorization. Included is a total of \$60 billion for freight transportation investment over the next 6 years. But spending without direction, focus, or accountability won't get the job done.

The starting point is to work with the ports and the rest of the freight community to better define the **National Freight Transportation System**—all modes-- in order to establish a framework for freight policy, planning, operations, and investment.

Freight moves globally, nationally, multi-state, regionally, and locally without respect to governmental boundaries, but our transportation programs are organized within those boundaries. We are proposing federal support for **Freight Corridor Organizations** encourage coordinated multistate, multimodal corridor planning and investment.

Certain corridors collect and carry volumes of freight that make them especially critical to competitiveness and national prosperity. AASHTO proposes the creation of a **National Freight Corridors Investment Fund** totaling \$42 billion over six years (from new sources of revenue) for freight related projects on these corridors.

A freight program that addresses only the biggest projects in the country is not truly “national.” Freight moves on and off the national corridors and we must invest in the elements of the system that bring the benefits of the system to all parts of the country. To that end AASHTO proposes the establishment of a **State Freight Transportation Program** \$18 billion over six years funded within the Highway Trust Fund.

We have looked at a number of possibilities, for new sources of revenue for the \$42 billion National Freight Corridors Investment Fund, including a share of the customs revenues, tax credit bonds, and a tax on the value of freight moved.

We have worked closely with the AAPA and other organizations representing freight carriers and shippers on these and other financing alternatives. It is encouraging that there is widespread agreement on the need for new revenues, and on the legitimacy of drawing them from the freight industry directly, and indirectly. But we aren't there yet.

Getting there we will require a consensus that has not been reached in the past on the importance of freight transportation and the need to undertake concerted action. The Freight Stakeholders Coalition—composed of the

major national associations of freight carriers and shippers—have come to agreement on a platform similar to AASHTO's. AAPA has been a leader in that effort. One important element of that platform is the need to establish or within the Office of the Secretary of Transportation a Multimodal Freight Transportation Office to provide a high level

- **Conclusion**

I will conclude where I started.

The foundation for our joint efforts to generate greater investment in transportation should be the recognition that we cannot separate economic prosperity from transportation. Near term and long-term we should focus on the Transconomy and if we can get others to understand and commit to this proposition we will succeed.

I am happy to respond to your questions, and to hear from you on your perspectives on the importance of transportation to our nation's economic growth.