Changing the Conversation: Advancing a National Infrastructure Improvement Agenda

Keynote Remarks by Former Senator Slade Gorton

Co-chair, National Transportation Policy Project, Bipartisan Policy Center

April 28, 2011

The fundamental challenge facing this group for the next twenty-four hours is not to reach consensus on the need to preserve our deteriorating national public infrastructure or the necessity to improve and enhance it in order to meet the needs of the growing population in an ever more complex society. None of you would be here if you were not already convinced of those two facts.

Nor, I submit, is your primary goal to determine how to persuade the American public of that need. While the public may not view the challenge with the same degree of urgency that motivates all of us here this evening, Americans are increasingly restless with the congestion they meet on our streets and highways and are outraged by power blackouts and Katrina spawned levee failures. They want something done to remedy those situations, as long as the needs and outcomes are well understood and justify the costs.

Aye, there's the rub. How do we pay for what we need? And, equally important, how do we assure that what we pay for is worth what we pay for it? Those are questions difficult to answer, but answer them we must if we are to attain our goals. Our task here is to come up with answers to these difficult but vital questions.

The American people remember the bridge to nowhere - infrastructure as it was - and they are convinced that the stimulus didn't fulfill its lofty promises and so they have a low degree of confidence in the government's ability to set priorities and to carry out its promises.

It is worth pointing out that that most public infrastructure: roads, bridges, water and sewage facilities, power producing dams and transmission lines, have traditionally been financed by user fees or more precisely, by bonds secured by user fees. Increasingly, however, those user fees – most notably in the transportation sector – have been supplemented by general fund contributions, federal or local, culminating in the large federal general fund transfers to the Highway Trust Fund during the last few years.

Private sector infrastructure development, on the other hand, which is not facing a crisis remotely comparable to that which faces us in the public sector, is by definition entirely financed by user fees. If a developer overestimates the potential income from an office building, it goes bankrupt. That is rarely the fate of public entities, but it does, in my view, provide some guidance toward the direction we should chart for the public sector.

Today, however, and likely for the next decade at least, we must squarely face the proposition that significant federal general fund contributions to traditional infrastructure programs are likely to total somewhere between slim and none, no matter how eloquent our advocacy. A Congress and president who have just gone through a bloodbath over saving less than $40 billion against an annual deficit of $1.5 trillion and who face an imminent contest the stakes of which cause that $40 billion to fade into insignificance is simply not going to begin to pay for the massive program of infrastructure maintenance and development that all of us feel is imperative for the health of our economy.

During the course of the present contest, Republicans will adamantly and almost unanimously oppose any increase in general purpose taxes. Democrats in Congress and the president want those taxes increased substantially, but primarily for Medicare, Medicaid, and other social programs, not for infrastructure. Even if a grand compromise along the lines of Simpson-Bowles or the Bipartisan Policy Center's Domenici-Rivlin is reached, it will not balance the budget for a decade and is unlikely to open the gates for major infrastructure investments. Personally, I believe that such an all-encompassing, bipartisan compromise to be our only sure road out of our present mess, but I believe it unlikely in the immediate future and believe that it will not involve general fund infrastructure investments in any event.

So what do we do? That question, I submit, is why we are here, and that question is why the good sponsors of this summit deserve so much credit for its timeliness.

With respect to those many infrastructure programs that have been largely financed by user fees in the past, there has been a consistent drift away from that principle; in others, most notably the Highway Trust Fund, the revenue source has become less and less a fair measure of the value of the use of that infrastructure by the many elements of the user community.

It is time to get back to basics, it seems to me, and to devise systems pursuant to which the beneficiaries of our various infrastructures share their costs in a fair and balanced fashion. That may be relatively easy, say, with electric power transmission, and quite difficult with respect, say, to flood control, but we won't find adequate funds unless we move decisively in that direction.

As a co-chairman of the Bipartisan Policy Center's National Transportation Policy Project, I am most familiar with surface transportation policy development. There, NTPP has concluded, together with almost every other group that has studied the problem, that over the course of the last few decades the Motor Vehicle Fuel Tax has become less and less adequate to finance the system and less and less accurate as a measure of the use of the system. Both NTPP and the National Surface Transportation Financing Commission have concluded that a gradual shift to a sophisticated Vehicle Miles Traveled system considering not only miles traveled but also vehicle weight, time of day and other cost and congestion factors should be our future goal. How to design such a system and how to transition to it is a process peculiarly susceptible to the expertise of the people in this room this evening.

But even a more robust and fairer system of financing will not meet with public approval unless the public can be convinced that spending priorities are objectively determined and unless the public is convinced that it is getting its money's worth from public infrastructure investments, That is the principal goal of the NTPP's work: that federal transportation policy be more performance driven, more directly linked to a set of clearly articulated goals, and more accountable for results. We at NTPP set out five goals, economic growth, national connectivity, metropolitan accessibility, energy security and environmental protection, and safety. We then suggest certain metrics, or performance measures, by which progress towards these goals can be measured That is an extremely difficult task, but it is as important as it is difficult and, I believe, central to our persuading Congress and the American people to support an infrastructure program of the scope we deem necessary.

Two examples of both

- The first is the abrupt fate of the president's high speed rail proposal. $50 billion for a down payment on a dozen or more projects ultimately to bring high speed rail to within 25 miles of 80% of the American people, with no accompanying prescription for the source of the $50 billion, much less the ultimate cost of the entire system Every bit as important as the missing financing mechanism was the lack of any comparative analysis of the respective value of a similar investment in preserving and enhancing our existing transportation facilities. Both cost and comparative value are keys to future success,

- The second is illustrated by the Equity Bonus Program. That program is designed to guarantee that each state receives as much for the Trust Fund as it pays in, a guarantee only made possible by large infusions of general funds. With some possible justification in times of generous funding sources, in constrained financial times it is the polar opposite of a system based on clearly articulated national goals and the objective measurement of results. The better we define and defend transportation programs on these bases, the more likely we are to find the resources we need to carry them out. A conservative Republican party, adamantly opposed to new general taxes, is likely to find a true user system that produces tangible and useful physical infrastructure far more to its liking; a liberal Democratic party will find it far easier to support the kind of job producing programs that it already finds congenial if it can point to long range resulting domestic employment from wise investments.

The road ahead is not easy – or even obvious. Tough choices are required. Notably:

- **How do we make fundamental policy choices based on data and evidence rather than on ideology or geography?** The Congressional Budget Office referenced the fundamental issues Congress must face as it focuses on enhancing the quality of the nation's infrastructure—including "determining **what kinds** of projects the nation requires; how those projects should be **funded and by whom**; and how to provide an environment **that fosters private development**, where appropriate."

- **How do we transform our current unwillingness or inability to measure effectiveness of what we're doing into an evidentiary – and tangible return-focused investment strategy?** With so many conflicting demands; data on measuring and understanding performance is essential for determining highest priorities and assuring the best returns on the investment of scarce dollars.

- **How do we move from the growing ambiguity of federal, state and private roles to a new federalism and appropriate reliance on market forces** in preserving and upgrading our nation's critical infrastructure**?**

- **How we can move from so many reports focusing on aggregate trillion dollar investment "needs" or "gaps"** to an investment strategy that will assure the best value and return from all public "investments" in our nation's infrastructure.

These are the tough questions. This is our task. Come up with ways to make it happen.