TESTIMONY OF DONALD C. FRY
PRESIDENT AND CEO, THE GREATER BALTIMORE COMMITTEE,
TO THE JOINT ECONOMIC COMMITTEE
ON THE NEED TO INVEST IN THE NATION'S INFRASTRUCTURE

October 30, 2008

Mr. Chairman, and Members of the Committee, my name is Donald C. Fry. I am the President and Chief Executive Officer of the Greater Baltimore Committee (GBC). The GBC is the leading business organization serving Baltimore City and Anne Arundel, Baltimore, Carroll, Harford and Howard counties in the State of Maryland, a region with a population of approximately 2.6 million residents. The GBC is a fifty-three year old private sector membership organization with a rich legacy of working in collaboration with government to find solutions to problems that negatively affect our competitiveness and viability as a region. It is an organization that prides itself on advocating for changes in public policies that strengthen the business community while improving the quality of life in the region.

First of all, I want to thank the Joint Committee for the foresight and initiative to pursue an aggressive agenda to achieve economic recovery. By highlighting infrastructure needs, you definitely are keyed in to a vital means of sustained employment and of moving our country forward.

I am pleased to be here today to discuss the need for economic stimulus and how the current economy is affecting business. I plan to discuss specifically the need to invest in infrastructure, particularly transportation infrastructure. While I am prepared to address some projects that would benefit from such a stimulus, it must be noted that as a business advocacy group we are not directly involved in decision making regarding project delivery from the State of Maryland's perspective. We have, been on the forefront, however, with respect to spurring the advocacy of the business community for increased investment in transportation projects and the need for a substantial increase in transportation funding. I am happy to lend my voice to the efforts to move our country forward in meeting its infrastructure and transportation needs.

Our transportation systems are under stress. If infrastructure does not keep pace with growth and changing patterns in population and employment, as well as associated development trends, the consequences will be enormous. Already, we are seeing intolerable congestion, stifling of growth and economic development in cities, towns, and older suburbs, more sprawling development, more demands for public water, sewers, schools, and transportation, detrimental environmental impacts, and an overall degradation of our quality of life.

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Nationally, our transportation infrastructure is deteriorating from insufficient investment. Just last year, the Urban Land Institute and Ernst & Young reported in Infrastructure 2007: A Global Perspective that the emerging crisis in mobility will significantly affect the United State's ability to compete on the international stage. A report by the American Society of Civil Engineers expressed strong concern with not only the condition of our transportation infrastructure but also the electricity power grids, water and wastewater systems. The price tag placed on the needed repairs to our nation's infrastructure was $1.6 trillion. Further, the National Surface Transportation Policy & Revenue Study Commission examined the nation's surface transportation modes and concluded that an annual investment of 3-4 times in excess of the current annual capital investment was needed to sufficiently address the investment gap existing in surface transportation.

The primary cause for our failure to invest in infrastructure is lack of money. I would suggest that another significant factor has been our failure to appropriately recognize infrastructure investment as a public policy priority essential to our economic growth.

In Maryland, the state's 6-year Consolidated Transportation Plan (CTP) includes over 90 transportation projects in the planning cycle. These are projects that have been identified as meritorious by elected officials and transportation officials. None of these projects have a single dollar allocated for future construction. The current cost to construct those projects falls in the range of $40 billion to $60 billion.

Just a few months ago, Maryland deferred $1.1 billion in transportation projects in its current six year CTP, each of which is desperately needed. Maryland's Transportation Secretary cited lagging revenues to the state's Transportation Trust Fund and uncertainty over federal funding as the primary reasons for deferring budgeted spending.

This action directly affects 100 state projects in the state's six year transportation plan. Some of the more pronounced projects affect our transit systems. These result in deferral of funds for light rail and Maryland Commuter Rail, or MARC, maintenance projects, including station rehabilitations and parking improvements. Moreover, just recently, the State has announced further cuts to its transit system, primarily to commuter bus routes, and eliminating several trains from MARC's Penn Line and Brunswick services. Such actions come at a time when the Baltimore area's transit needs were already stressed with increased ridership that grew significantly due to spiking fuel costs.

It should be noted that Maryland, like many states in the country, as well as the federal government, relies heavily on motor vehicle related charges such as gasoline taxes, vehicle registration fees, sales tax on motor vehicles, and similar assessments to fund its Transportation Trust Fund. The sharp increase in the price of oil combined with the downturn in the economy significantly reduced the amount of funds available for transportation projects resulting in the decimation of the state's six year transportation plan. This deferral of transportation projects occurred despite the Maryland General Assembly enacting a series of funding increases in November 2007 that added close to $400 million per year to its Transportation Trust Fund.

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This dynamic highlights the need for Maryland and other states to alter transportation funding formulas to address growing transportation needs without a reliance on motor vehicle related taxes and assessments. To address this challenging issue, the Greater Baltimore Committee has formed a private sector task force to study, evaluate and recommend alternative revenue sources or formulas that are inflation sensitive and are capable of meeting ever expanding transportation needs and demands.

Just yesterday, Maryland's Transportation Secretary John Porcari stated in testimony before the House Transportation and Infrastructure Committee that nearly three dozen projects have been identified with a cost of about $150 million that could be obligated within 120 days should federal funds be made available. Of these three dozen projects, approximately 80 percent are in urban/metropolitan areas with the balance located in the rural areas of the state. The fact remains that as these projects are deferred, the needs continue to grow and the price tag only escalates due to increased deterioration of roadways and inflationary material and construction costs. In order to avoid such circumstances the need is there to act now to effectuate these long sought repairs and construction plans.

On August 1, 2007, our country was shocked at the vivid pictures of a critical bridge failure as the bulk of the I-35 bridge in Minneapolis, Minnesota, collapsed killing seven people and injuring 59. Similarly, the Chesapeake Bay Bridge connecting the eastern and western shores of Maryland, one year later, experienced a deadly crash as a swerving car sent a tractor trailer banging against both sides of the bridge until it punched a ten foot opening in the bridge's concrete railing. Subsequent examination by the State of Maryland's bridge experts revealed a previously undisclosed failure in the bolts that are critical to the structure. There was understandable public concern over each of these sad events. Yet, we inevitably go back into our torpor until the next tragedy. Mr. Chairman, something must be done, and soon, to avert similar catastrophes.

Inasmuch as Baltimore is on the Northeast Corridor which is utilized by both our local commuter service and interstate passenger rail, I would like to emphasize two projects that have been lingering for many years without attention. They are the two tunnels – one northeast of Penn Station, the Union tunnel, and one southwest of Penn Station, the Baltimore & Potomac Tunnel. Both of these structures are well over one hundred years old and are in dire need of rehabilitation, or replacement. Legislation recently passed by Congress and signed into law by the President has authorized over $14 billion in railway improvements across the nation, with $60 million dedicated for attention to the Baltimore tunnel chokepoints. A stimulus package focused on infrastructure investment could very well move this project and other rail programs forward.

One key statistic that has been noted in recent reports suggests that every one billion dollars in federal transportation investment supports approximately 35,000 jobs and $1.3 billion in employment income. An investment in infrastructure would be significant to the construction industry sector as the housing decline and tight credit market has caused many construction workers to join the ranks of the unemployed.

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The Bureau of Labor Statistics estimates a loss of more than 600,000 jobs in the construction industry sector from 2007-2008. The time appears ripe to "jump start" the construction industry. An investment in infrastructure will buttress the construction industry's sagging employment levels while simultaneously investing in our weakening infrastructure.

An infusion of money for needed infrastructure projects can also benefit small businesses and minority and woman owned businesses. Urging, and perhaps establishing incentives for equity relationships between majority and minority and woman-owned businesses, beyond the customary MBE/WBE requirements, can result in the creation of opportunities for minority and woman-owned companies to significantly participate in infrastructure projects thus expanding their capacity to compete for future project awards.

Congressional efforts should be directed toward creating both short term jobs, as well as creating lasting value for our country by investing in infrastructure that can help the nation compete in a global economy, achieve energy independence, and provide capacity for the projected population growth that the United States will experience by 2050 and the threefold increase in GDP that will ensue over the same time period.

As part of any stimulus package, I urge Congress to develop an Infrastructure Investment Plan that would invest in intercity and high-speed rail networks, invest in goods movement and seaports, strengthen the electrical grid and its technology, extend broadband communication to rural areas, repair aging and ailing water and sewer infrastructure systems of our nation's metropolitan areas, and retrofit the nation's existing energy systems so that they are more energy efficient.

If Congress were to enact such a plan it would create new jobs in engineering and construction, would move goods and people more efficiently thereby reducing costs to business, and would provide the necessary infrastructure to move to a renewable energy economy.

I offer these points in the hopes that you and your colleagues can unite to pass legislation that will truly begin to restore the quality of our nation's infrastructure while strengthening our position in this competitive global economy.

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