TTD

A bold voice for transportation workers

# A TRANSPORTATION INFRASTRUCTURE AGENDA THAT EXPANDS THE ECONOMY AND CREATES JOBS

During a time of historic partisanship, many issues divide the nation and our Congress. Infrastructure should not be one of those issues. From the last presidential campaign to the present day, it is clear that both the American people and many of our elected leaders understand the need to solve a generation of self-inflicted transportation infrastructure failures. For transportation labor, we have long-called for a massive infrastructure program to rebuild our nation and put workers back on the job. But how an infrastructure bill is put together – from funding to core labor protections – matters. As the White House and Congress begin piecing together an infrastructure bill, it is critically important that any program supports workers through strong labor standards, boosts domestic industries, secures low-cost capital, and serves the public interest.

Estimates place our transportation infrastructure funding needs at over $2.5 trillion. As many of our assets reach the end of their useful life and the U.S. population and its needs grow and diversify, this funding crisis will only increase. Simultaneously, while our economy has recovered from a deep recession, GDP is below target, labor force participation is down, and economic gains have not returned to working Americans. These persistent problems, however, provide the country a unique opportunity. Historically low borrowing costs provide an opening to make necessary and lasting improvements in our transportation network while simultaneously improving economic growth, creating good-paying jobs, and ensuring greater opportunity for more Americans.

The most pressing challenge for enacting a large-scale infrastructure program is how to fund it. Right now, states and municipalities are investing less in capital projects as slow revenue growth and budgets recover from the financial crisis. Federal capital and loan programs, which traditionally play an important role in helping to facilitate project development, are providing less support and are increasingly inconsistent, especially with a structurally insolvent Highway Trust Fund (HTF) set to run out of funding by 2020. State and local governments need a more consistent and robust federal partner to both create the certainty to spur their investments and to provide direct fiscal support to augment austere budgets. While the $305 billion FAST Act provided a good, bipartisan start, it did not include both the amount and certainty of funding that is necessary for an expansive infrastructure plan.

We believe that meeting this funding challenge can be accomplished in a variety of ways, including user fees, a gas tax, bonds, debt, and other appropriate means. Unfortunately, for nearly 25 years, both parties have refused to find a solution, allowing the gas tax to erode in value for more than two decades while allowing other user fees – including the harbor maintenance tax – to be misallocated. This collective decision to remain passive in the face of a transportation crisis has left our system in total disrepair. The hard decisions on funding can no longer wait, and our elected leaders need to respond with thoughtful, bold and appropriate solutions.

President Trump has framed the magnitude of the debate by proposing a large-scale, $1 trillion infrastructure program that will rebuild the nation and potentially benefit working families. The exact details of the plan – other than, in the President's own words, through both "public and private" funding – are far from clear, and certainly will be informed by Congress' input. However, some early reports suggest an infrastructure program that relies heavily on tax credits for private investors to finance projects through public-private partnerships, or P3s. This method for infrastructure procurement raises some questions that merit reexamination.

A P3 model that is financed through private equity – basically, a set of private investors that get a taxpayer subsidized ownership stake in the private infrastructure project's profits – raises a number of concerns for meeting our infrastructure needs. For starters, equity capital is more expensive than traditional public funding because private partners can demand a financial return for their investment far above what traditional public financing currently requires. Second, to meet their financial return, P3s require a stable stream of revenue, collected through either tolls or fixed payments by the government. For most of our infrastructure needs – including infrastructure replacement, maintenance and public transportation – generating revenue for tolls and profit is just not feasible and will leave too many projects and communities behind.

From a jobs perspective, this is particularly important. In contrast to a system focused on private returns, direct federal expenditures have a larger job impact. When state and local governments are given a consistent stream of federal money, they can engage in the long-range planning necessary to undertake infrastructure projects. This, in turn, signals to private employers that they should engage in direct hiring in construction, manufacturing and related services. Federal expenditures also create indirect employment when those workers spend their earnings in local communities. This is why infrastructure spending is considered a job generator. Senator Chuck Schumer has released a blueprint plan that supports the direct federal expenditure of $1 trillion for infrastructure. This approach is an appropriate response to the inherent limitations of an investment package that relies mostly on P3s.

This is not to say that the private sector has no role in the delivery of transportation projects. In fact, quite the contrary. The private sector has, and always will, play an important role. When P3s and other innovative financing tools – including an infrastructure bank – are used, they must be properly designed to be transparent, protect workers and the public interest. Among other requirements, P3s and other innovative financing instruments must include Section 13(c) transit protection, Davis-Bacon, Buy America rules, and other protections for rail and public sector employees. And for any P3 that includes the operations and maintenance functions of a project, it should adhere to local area labor standards, as Congress determined for transit P3 projects in the FAST Act. Only a limited number of projects are suitable for P3s but when they are used we will insist that these basic protections and standards, that apply to direct federal funding, are followed to create the good jobs that our country needs.

For massive infrastructure investments to truly play a transformative role in improving transportation mobility, increasing cargo efficiency, and growing the economy, it must be comprehensive enough to meet the massive needs facing all modes. In addition to increasing investments in the traditional transit, highway and bridge programs, there will need to be accelerated investment in other modes, including rail, aviation and marine infrastructure. For our passenger rail systems, including Amtrak and California High-Speed Rail, we will need massive investments in equipment and infrastructure to truly create an effective rail network offering the "fast trains" for which the President has called.

Major capital expenses must also be allocated for rail modernization and expansion projects, including for the Gateway Program and congestion mitigation efforts in Chicago. To modernize aviation, the FAA's Facilities and Equipment and Operations accounts will need substantial increases to support both the modernization and continued operations of our air traffic control system while more resources must be dedicated to the Airport Improvement Program (AIP) for airport upgrades. We will also need to ensure our ports are fully dredged to accommodate neo-Panamax ships and that new investment are made for shore-side and intermodal infrastructure to increase port efficiency and maintain the nation's strategic advantage in international commerce.

Finally, the most effective way to ensure the work created by an infrastructure bill are family-sustaining jobs is to adhere to a high-road labor model defined by strong labor protections and robust Buy America requirements. Strong labor standards, including 13(c), Davis-Bacon, public employee non-displacement, and railroad worker protections, ensure that a project benefits communities by creating and sustaining middle-class jobs; promotes workplace productivity by reducing employee turnover and ensuring reliable performance by well-trained workers; and creates strong local labor markets through a well-compensated workforce that can spend money back into the local economy. Similarly, increasing the domestic content level of transportation equipment by using U.S. steel, raw materials, and other manufactured goods in infrastructure projects ensures that U.S. taxpayer investments promote domestic employment opportunities and prevents the leakage of jobs overseas. Notably, any effort to undermine Buy America, including through reclassifying foreign made steel slab as American made, must be rejected.

The only way to fix our transportation infrastructure system and create good jobs is for our political leaders to put aside partisan differences, work together, and make important, but difficult decisions. Advancing an infrastructure program that is funded properly and built to maximize job potential would have massive benefits for our economy, our international competitiveness, our workforce, and our daily lives. It will also signal to the American people that the politicians we send to Washington are capable of delivering on their promise to push policies that boost the economy and put millions to work.

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