CATCHING UP

GREATER FOCUS NEEDED TO ACHIEVE A MORE COMPETITIVE INFRASTRUCTURE

EXECUTIVE OVERVIEW / INFORUM REPORT / SEPTEMBER 2014
The dynamic U.S. economy is constrained by outdated, inefficient infrastructure. Highway congestion delays waste 1.9 billion gallons of gasoline each year. That much waste is not only foolish, it’s simply unsustainable. Federal officials must come together to plan, fund and implement a 21st-century transportation system that creates jobs and growth and ensures the United States remains the economic envy of the world. A similar vision motivated the White House and Congress to find a solution in the 20th century, and it should be enough to motivate them again now.

DOUG OBERHELMAN
CHAIRMAN AND CEO
CATERPILLAR INC.
Overview

Current levels of infrastructure funding are undoubtedly critical to support ongoing investments. Maintaining the status quo, however, will not be enough to turn around the nation’s failing grade on infrastructure and move the U.S. economy toward a more competitive future. The report offers a historical accounting of investment in a broad range of infrastructure that includes highways, transit, freight rail, aviation, inland waterways and ports, power generation, energy pipelines and information and telecommunications networks as well as drinking water and wastewater facilities. The report also analyzes the enhanced economic benefits of a 15-year sustained focus that boosts investment levels from all public and private sources to support funding for public infrastructure.

While competitor nations continue to invest in infrastructure, the United States is stuck in a decade-long period of decline in overall infrastructure capital spending that will eventually harm job creation, future productivity and global competitiveness. A sustained and focused effort will help reverse a troubling decline and create opportunities to fully address persistent backlogs and aging infrastructure.

The economic analysis reveals that a targeted and long-term increase in public infrastructure investments from all public and private sources over the next 15 years will:

- Increase jobs by almost 1.3 million at the onset of an initial boost;
- Grow real GDP 1.3 percent by 2020 and 2.9 percent by 2030;
- Create a progressively more productive economy, which, due to cumulative effects through time, will benefit from a $3 return on investment for every $1 invested in infrastructure by 2030; and
- Provide Americans an increase in take-home pay after taxes—a $1,300 net gain per household by 2020 and $4,400 per household by 2030 (measured in 2009 dollars).

As the report shows, current approaches to infrastructure are not enough to grow our economy at home and go head-to-head with our competitors abroad. Strong support exists within the business and manufacturing communities for building a more competitive, nationwide infrastructure network. The report reinforces the value of such action.

Real Infrastructure Investment as Percentage of Real Potential GDP

![Graph showing real infrastructure investment as a percentage of real potential GDP over time.](chart.png)
Troubling Patterns Emerging

Aging infrastructure, increased backlogs of deferred projects and declining local, state and federal resources dedicated to infrastructure all play a role in the erosion of the nation’s infrastructure base. Investment levels in highways, roads and bridges are particularly vulnerable to inflation and the increasing cost of construction materials; prices rose almost 10 percent per year from 2003 to 2008.

A snapshot of real capital spending reveals:

- Investment in highways, roads and bridges fell 3.5 percent each year from 2003 to 2012;
- Investment in mass transit, aviation and water transportation infrastructure fell sharply from 2003 to 2008; and
- Capital spending for water supply and wastewater expenditures fell nearly 2 percent per year from 2009 to 2012.

Of note, the report further quantifies observations from a 2013 survey commissioned by the Building America’s Future Educational Fund and the National Association of Manufacturers (NAM). The manufacturers surveyed overwhelmingly viewed America’s infrastructure as old, inefficient and badly in need of modernization.

Key findings include:

- 70 percent believe U.S. infrastructure is in fair or poor shape and needs a great deal or quite a bit of improvement;
- 70 percent believe that roads are getting worse; and
- 65 percent do not believe that infrastructure, especially in their region, is positioned to respond to the competitive demands of a growing economy over the next 10–15 years.

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1 Hart Research Associates/McLaughlin & Associates online survey of 401 NAM members from May 29 to June 28, 2013.
As a trucking company, the highways are our assembly line. Improving this critical infrastructure supports future productivity and global competitiveness of every manufacturer in America. The need is urgent.

DOUG STOTLAR
PRESIDENT AND CEO
CON-WAY INC.

As manufacturers, our ability to move parts from suppliers to our factory—and finished goods from our factory to our customers—relies on the highways, railways, aviation and seaports of America. If we cannot move goods quickly and consistently, we cannot provide the advantage of efficiency to our customers, and we cannot be competitive. We must remember that it is this infrastructure that allows our American manufacturing operations to remain competitive in the global economy.

SUSAN ALT
SENIOR VICE PRESIDENT, PUBLIC AFFAIRS
VOLVO GROUP NORTH AMERICA

Like all manufacturers, we can’t serve our customers without reliable infrastructure. To be competitive, we must ensure that our aging support structure keeps pace with those of emerging global competitors.

NICHOLAS T. PINCHUK
CHAIRMAN AND CEO
SNAP-ON INCORPORATED
Conclusion

Infrastructure is a key priority for the NAM and its members. There are opportunities ahead to improve our infrastructure, and manufacturers believe it is time to move above and beyond current approaches to achieve better results. Passing a well-funded, multiyear surface transportation authorization and ensuring the long-term solvency of the Highway Trust Fund will be one important step. Addressing the challenges of air traffic modernization and accommodating future growth in the aviation sector are also on the horizon. In addition, building on the successes of the Water Resources Reform and Development Act must continue. The rise of the information and technology sector and North American energy independence will also present new opportunities to strengthen and modernize our nation’s infrastructure.

The potential to increase productivity, grow the economy and increase jobs offers important incentives to address the nation’s well-documented infrastructure challenges. Although infrastructure facilitates economic activities across various industries, manufacturers would greatly benefit from a more focused effort designed to deliver a modern 21st-century network.

A status quo trajectory in infrastructure investment across all categories from all sources will not be sufficient to reverse the 10-year backlog of essential infrastructure projects. As the report shows, current approaches are neither providing the tools or opportunity to fully address persistent backlogs and aging infrastructure, nor yielding the desired economic returns that can and should be achieved if current trends continue.

The opportunity to substantially increase jobs, productivity and U.S. competitiveness should be a catalyst for policymakers and the private sector to undertake a new long-term approach to investment in public infrastructure. New ideas can and should accompany any such effort to ensure critical reforms, new efficiencies and proven financing techniques that will help produce maximum returns for the broader economy. Everyone has a role to play in catching up.

Changes to Infrastructure Investment, Real GDP and Real Disposable Income, Magnitude and Effects of Higher Investment Spending, 2014–2030

A reliable, safe and efficient transportation network is essential for both businesses and families in this country. Delayed or cancelled transportation projects continue to impact both our business and the industries we serve. The added logistics costs due to lost productivity, additional fuel costs and delayed delivery are absolutely a drag on our customers’ performance. As a global company, we can see the competitive edge the United States has had in the past due to a strong road infrastructure, and I am truly concerned that our economic engine will be at risk if we do not recommit to that infrastructure.”

VIK BANSAL
PRESIDENT AND COO
VALMONT INDUSTRIES, INC.