



TESTIMONY OF

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AND

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TRANSPORTATION OFFICIALS**

ON BEHALF OF

**THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION
OFFICIALS**

REGARDING

**Transportation's Role in Supporting Our Economy and
Creating Jobs**

BEFORE THE

**COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE**

JANUARY 26, 2011

Chairman Boxer and Members of the Committee, thank you for the opportunity to testify on transportation's role in supporting our economy and creating jobs. My name is Susan Martinovich. I am Director of the Nevada Department of Transportation and President of the American Association of Highway and Transportation Officials (AASHTO). Today I am testifying on behalf of AASHTO which represents the state departments of transportation (DOTs) of all 50 states, Washington, D.C. and Puerto Rico.

Today I will focus my testimony on four main points:

- 1. Construction Jobs.** As demonstrated by the economic recovery act, investments in our nation's transportation systems create good paying construction jobs *and* leave behind infrastructure improvements that bring long-lasting benefits to the economy. ARRA projects are repaving 35,000 miles of highways, repairing 1,300 bridges, relieving congestion, removing freight bottlenecks and enhancing rural access. Approximately \$24 billion -- or half of the \$48 billion in economic recovery act funds allocated to transportation -- were spent on highways, rail, transit, and airports in 2010. This is just one-tenth of the approximately \$240 billion spent that year by all levels of government to build and maintain transportation infrastructure. That investment helped create thousands of jobs and reduce the unemployment rate in the construction industry from 27% in January, 2010 to 18% by November.¹The Federal Highway Administration estimates that 30,000 direct and indirect jobs are created for every \$1 billion invested in highway construction.
- 2. Transportation is vital to the U.S. economy.** A \$1.2 trillion industry, transportation accounts for nine percent of the U.S. Gross Domestic Product. More importantly, it provides the infrastructure, equipment and services that support all other industries, especially manufacturing, retail, services, agriculture, and natural resources, which together account for 84 percent of the U.S. economy. The overall benefits of transportation investments to the broader economy are estimated to be five times the \$240 billion spent by governments each year on highway, transit and other transportation infrastructure.
- 3. Sustaining an Export-led Recovery.** For the past year U.S. exports have been expanding at double digit rates. Sustaining an "export-led" economic recovery strategy will require a national freight transportation system that is efficient and reliable. The challenge we face is that the current capacity of our nation's roads, rails and seaports is not keeping pace with demand. To do so, governments, at all levels, will need to ramp up essential investment.
- 4. Infrastructure Investment Deficit.** As a nation we face not only a fiscal deficit but a transportation infrastructure deficit which must be addressed if we are to ensure a prosperous and economically competitive future. Two Congressionally appointed commissions determined that the U.S. is currently investing at 40% of the level needed.

¹ U.S. Bureau of Transportation Statistics, *National Transportation Statistics, 2010*.

Key statistics that illustrate the importance of transportation to the economy:

Economic Recovery Act 2010 Transportation infrastructure investment (\$48 billion in ARRA funds were authorized for highways, transit, airports and High Speed Rail. Spending in 2010 came to approximately \$24 billion.)	\$24 billion
Transportation infrastructure spending 2007 (In 2007 investment by all levels of government came to \$240 billion in highways, transit, rail, airports, seaports)	\$240 billion
Trucking industry annual earnings The trucking industry employs more than 3 million drivers, with an additional 5.6 million people employed in trucking related jobs.	\$620 billion
Spending on travel, tourism and recreation This industry is the number one employer in three states, and ranks among the top 10 industries in all but two states. In 2009, 200 million people visited National Parks and 176 million visited U.S. Forests. \$93 billion was generated by international visitors.	\$700 billion
Output of Agriculture Sector Agriculture is the largest user of freight transportation, claiming 31% of all ton-miles transported in the United States. During the past five years, half of U.S. wheat was exported, 36 percent of soybeans, and 19 percent of corn.	\$365 billion
NAFTA trade NAFTA trade with Canada and Mexico which peaked at \$830 billion in 2008, and bounced back to approximately \$760 billion in 2010. 71% of NAFTA trade by value is moved by truck.	\$760 billion
Services The services industry is the largest U.S. economic sector. It includes financial services, information technology, health, education, professional and business services. Most of the 37 million new jobs expected to be created in the next 15 years will be in services. The services industry needs efficient transportation access to large markets and big pools of skilled workers to keep costs down. Metropolitan congestion, however, makes it difficult for service industry workers to get to work and for service industry customers to get to offices, medical facilities, schools and other service centers.	

Economic Recovery and Job Creation

Forty-eight billion dollars of American Recovery and Reinvestment Act (ARRA) resources was set aside for transportation. This investment has provided a “lifeline” for construction industry workers and businesses. By 2009 when the legislation was enacted, housing and commercial construction had virtually collapsed. By January of 2010, unemployment in the construction industry hit 27%. Recovery Act investment in highways, transit, airports and rail created thousands of jobs and helped reduce that sector’s unemployment rate to approximately 18% by November, 2010.

As of November 30, 2010, state departments of transportation have completed more than 10,770 projects valued at \$9.9 billion and have under contract almost 18,000 additional projects worth another \$30.5 billion.

According to a January, 2011 report prepared by the minority staff of U.S. House of Representatives Transportation and Infrastructure Committee --

“During November 2010, the Recovery Act created or sustained 56,000 direct, on-project jobs. Total employment in November, which includes direct, indirect, and induced jobs, reached 167,000 jobs...The Committee calculates that \$811 million in unemployment checks have been avoided as a result of this direct job creation. Furthermore, these direct jobs have caused nearly \$977 million to be paid in Federal taxes.”²

In my home state of Nevada the economic recovery program funded much needed highway and transit projects in all of the state’s 17 counties, and resulted in 2,000 direct project jobs that otherwise would not have existed.

The stimulus provided Oklahoma with “an 80 percent increase in annual federal funding – almost two years worth of funding in one year,” according to Oklahoma Transportation Secretary Gary Ridley. And as of last August, 2010, almost 2.5 million direct labor hours had been worked on projects across the state.

As a result of just one -- but the largest -- economic recovery project in Tennessee, located in Sevier County along Highway 66, the project’s highway contractor was able to keep 89 of his workers on the job, along with 152 workers from subcontractors and 53 employees with vendors involved in the project.

In short, at a time when state departments of transportation were forced to cut budgets and private sector companies to cancel projects, the economic recovery act provided a lifeline for construction workers and businesses, creating new jobs and allowing many companies to retain workers.

² The American Recovery and Reinvestment Act of 2009: Transportation and Infrastructure Provisions Implementation Status as of December 10, 2010, prepared for the Honorable James L. Oberstar, January 3, 2011.

Long Lasting Results of Transportation Investments

The federal economic stimulus program has helped to create and sustain good paying jobs, but it also left behind improvements in transportation assets that bring long-lasting benefits to the economy.

For example, in Nevada, many local agencies and Nevada DOT were able to reduce their backlog of pavement preservation needs. ARRA allowed potholed pavements to be repaved in metropolitan areas such as Stewart Avenue in front of the City Hall in Las Vegas. Nevada DOT was able to repave a critical segment of Interstate 15 between Las Vegas and the California state line as well as major portions of Interstate 80 in northern Nevada. Other examples of what ARRA funds made possible in Nevada include:

- The enhancement of tourism in our state with the construction of a new welcome center on US 95 near the California border;
- The beautification of several miles of US 95 in Las Vegas with a recently completed \$4 million landscape and aesthetics project, which received high praise in the local newspaper.
- The installation ADA ramps and reconstruction of bus stops in Las Vegas, which improved access to transit for the disabled.
- A \$3 million wildlife crossing in Elko County on US 93 improved public safety. Motion activated cameras confirmed the effectiveness of these crossings in protecting motorists from herds of deer crossing over the highway.
- The new Meadowood interchange project, now underway in Reno, promises additional access for residents and retail shoppers to a major commercial center, which will further enhance the local economy.

In Tennessee, the economic recovery act provided \$32 million for an interchange modification on Interstate 40 in Nashville. The interchange provides direct access to several distribution hubs for major companies, including Fed Ex and UPS. The first phase of the project was completed in 2005, but due to a lack of available funding, the second phase was delayed until Recovery Act funds were made available.

Last summer, the New Mexico Department of Transportation completed the Interstate 40/Paseo del Volcan Interchange in Albuquerque's growing westside. The project, which took four years and cost \$60 million, improved the state's busiest east/west commercial freight corridor. The final segment of the project was paid for with \$15 million in Recovery Act funds. The project is reducing congestion in an area where population is expected to double in the next 15 years, saving time and money for commuters and businesses.

Last September, Caltrans broke ground on a \$140.2 million project on Interstate 5, which will ease traffic congestion and improve air quality. This San Fernando section of Interstate 5 is one of busiest in the Los Angeles region with an average daily traffic volume that can exceed 300,000. The project was financed in part with \$31.2 million from the economic recovery act. According to Caltrans, "The improvements we're undertaking now will benefit residents,

commuters, commercial vehicles and California as a whole by improving mobility in this important corridor."

Transportation is a Vital Sector of the Economy

Over the last fifty years, our population, our landscape, our economy and our transportation system has changed dramatically. In 1960, our population was 180 million; we had 87 million drivers and 74 million cars creating 600 billion annual vehicle miles of travel (VMT). Today, we have 308 million people, 208 million drivers and 250 million vehicles, and VMT has increased to almost 3 trillion.

According to federal statistics, transportation is a \$1.2 trillion business that accounts for nine percent of the Gross Domestic Product, and 9.7% of the nation's labor force. More importantly, it provides the infrastructure, equipment and services that support other industries, especially manufacturing, retail, services, agriculture, and natural resources, which together account for 84 percent of the U.S. economy.

Public and private capital investment in transportation infrastructure and equipment is being made at \$365 billion per year. Over \$890 billion a year is spent on motor vehicles and parts, gas and oil, and transportation services. In 2008 U.S. international trade, which is directly dependent on transportation, came to over \$600 billion - exports at \$257 billion and imports at \$347 billion.

Transportation and U.S. Gross Domestic Product 2008 (\$ Billions)³

U.S GDP	\$13.312 Trillion	% of GDT
Total Transportation	\$1.167 Trillion	8.77%
Personal Consumption of Transportation <ul style="list-style-type: none"> • Motor Vehicles and Parts • Gasoline and Oil • Transportation Services 	\$893 Billion	6.7%
Gross Private Domestic Investment <ul style="list-style-type: none"> • Transportation Structures • Transportation Equipment 	\$138 Billion	1.04%

³ U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Account Tables*, and U.S. Bureau of Transportation Statistics *National Transportation Statistics* and *2010 Pocket Guide to Transportation*

Exports	\$ 257 Billion	1.93%
Imports	\$347 Billion	2.61%
Government Transportation Related Purchases • Federal Purchases • State and Local Purchases • Defense-Related Purchases	\$227 Billion	1.71%

Total transportation spending by all levels of government – federal, state and local-- for all modes totaled more than \$240 billion in 2007. More than \$135 billion was spent to build and maintain highways; almost \$49 billion was spent on transit.⁴

How to Sustain an Export-led Recovery?

For an “export-led” economic recovery strategy to succeed will require a national freight transportation system that is efficient and reliable. The good news today is that for the last year U.S. exports have been expanding at double digit rates. The challenge we face in keeping pace with that growth is that the nation’s highways, railroads, ports, waterways, and airports all require investment well beyond current levels to maintain, much less improve their performance. The global economy is pressuring countries to upgrade infrastructure in order to remain competitive, gain advantage, or keep from falling behind. The good news is that compared with its competitors, the United States still has the most fully developed, efficient, and productive transportation system. It is losing ground, however, due to age and capacity constraints, and needs to be improved.

So how is it that U.S. exports have been able to expand? The itinerary of President Obama’s week-long tour of Asia’s emerging economies in late 2010 illustrated the markets we are trying to reach. He visited India, Indonesia, Korea, and China. In those and other developing economies 70 million new consumers are entering the middle class each year. They aspire to the same lifestyles enjoyed by middle-class families in the developed world in terms of cars, homes, food, and travel. General Motors sold more cars in China in 2009 than it did in the United States. Caterpillar is shipping heavy equipment from its plants in Peoria, Illinois to countries like China, India, and Korea which have undertaken massive road building projects. Boeing is filling orders for jet airplanes to carry Asian business and leisure travelers all over the world. And U.S. farmers are shipping increasing quantities of American beef, chicken, wheat and corn to consumers in developing economies.

⁴ U.S. Bureau of Transportation Statistics *National Transportation Statistics, 2010*

Three years ago, economic analysts forecast that over the next twenty years U.S. exports would grow at a rate of 5.8 percent annually, outpacing imports which were expected to increase annually by 4.2 percent. Current experience would suggest that their forecast may have been too conservative.

Ten years from now, the U.S. trucking industry will move three billion more tons of freight than is hauled today. To meet this demand, the industry will put another 1.8 million trucks on the road. In 20 years, for every two trucks now on the road, there will be an additional one right behind it, carrying the expected growth in food deliveries, goods and manufacturing equipment. The problem is that trucks already face bottlenecks, congestion and delays in metropolitan markets all over the U.S. Something will need to be done to expand system capacity.

The long-term forecast for freight demand, including both domestic and international volumes, is that it will increase from 15 billion tons today to 30 billion tons by 2050. Freight carried by trucks is expected to increase 41 percent, and freight carried by rail by 38 percent.

The current capacity of our nation's roads, rails, and seaports is not keeping pace with demand. To sustain the export-led economic recovery envisioned, governments, at all levels, will need to ramp up essential investment. To document the types of investment needed, AASHTO, published three reports in 2010: *Unlocking Gridlock*, *Unlocking Freight*, and *Connecting Rural and Urban America*. These can be found at <http://expandingcapacity.transportation.org/>.

Meeting the transportation needs of the Service Industry

The services industry is the largest and fastest-growing economic sector in the U.S., now accounting for one-half of U.S. GDP and one-half of all jobs. This includes financial services, information technology, health, education, professional and business services such as law and accounting, and the leisure and hospitality industries. Most of the 37 million new jobs expected to be created in the next 15 years will be in services. The services industry needs efficient transportation access to large markets and big pools of skilled workers to keep costs down. Metropolitan congestion, however, makes it difficult for service industry workers to get to work and for service industry customers to get to offices, medical facilities, schools and other service centers.

Health care is a large and growing industry within the service sector that could not function without an efficient transportation system. A hospital cannot serve the public if patients and staff cannot access it conveniently, but it also cannot function effectively without reliable transport of everything from cleaning supplies, to sophisticated equipment and human organs which come from the local area or from points around the country and the globe.

As the economy grows, there is no question that the capacity of highways and rail systems will need to be expanded to handle freight which is expected to double. However, if half of the U.S. economy and one-half of all jobs are tied to the service sector, it won't suffice for transportation plans to focus exclusively on moving freight. Equal emphasis needs to be placed on passenger transportation improvements, in all modes, that support a rapidly growing service economy.

Travel and Tourism

Travel and tourism is a significant component of the large and growing services sector. Nationally, in 2009, a down year for travel and tourism, employment generated by the industry totaled nearly 7.5 million, with a payroll of \$186.3 billion. Travel expenditures of over \$700 billion generated tax revenue of \$113 billion and the U.S., as a result of international visitors, ran a travel trade surplus of \$22 billion.

There is a tendency to think of the travel and tourism industry as a collection of mom-and-pop enterprises providing low-paying seasonal employment.

In Nevada, of course, we know this to not be true. Travel and tourism is Nevada's largest single industry -- spending is approximately \$35 billion, generating tax receipts of over \$4 billion, employment for nearly 500,000 people and a payroll of \$12 billion. In all states travel and tourism is among the top ten employers and, in most, in the top three. By its very nature, travel and tourism is dependent on transportation, but the size and economic importance of this industry is not widely recognized.

In the aggregate this is an important sector of the economy and a sector that is dependent on transportation not only for travelers, but also for goods, services, and workers.

The motor coach tour industry, for example, is a relatively small piece of the entire industry by comparison with the airlines and hotels, but is responsible for over a million jobs (direct, supplier and induced), with a payroll of over \$40 billion and a total impact exceeding \$112 billion.

If the manufacturing associated with travel and tourism, such as outdoor recreation equipment and recreational vehicles, is added to the service side of the industry, then clearly travel and tourism is a major economic engine in the U.S. the health of which requires an effectively functioning transportation system.

Agriculture and Rural Economies

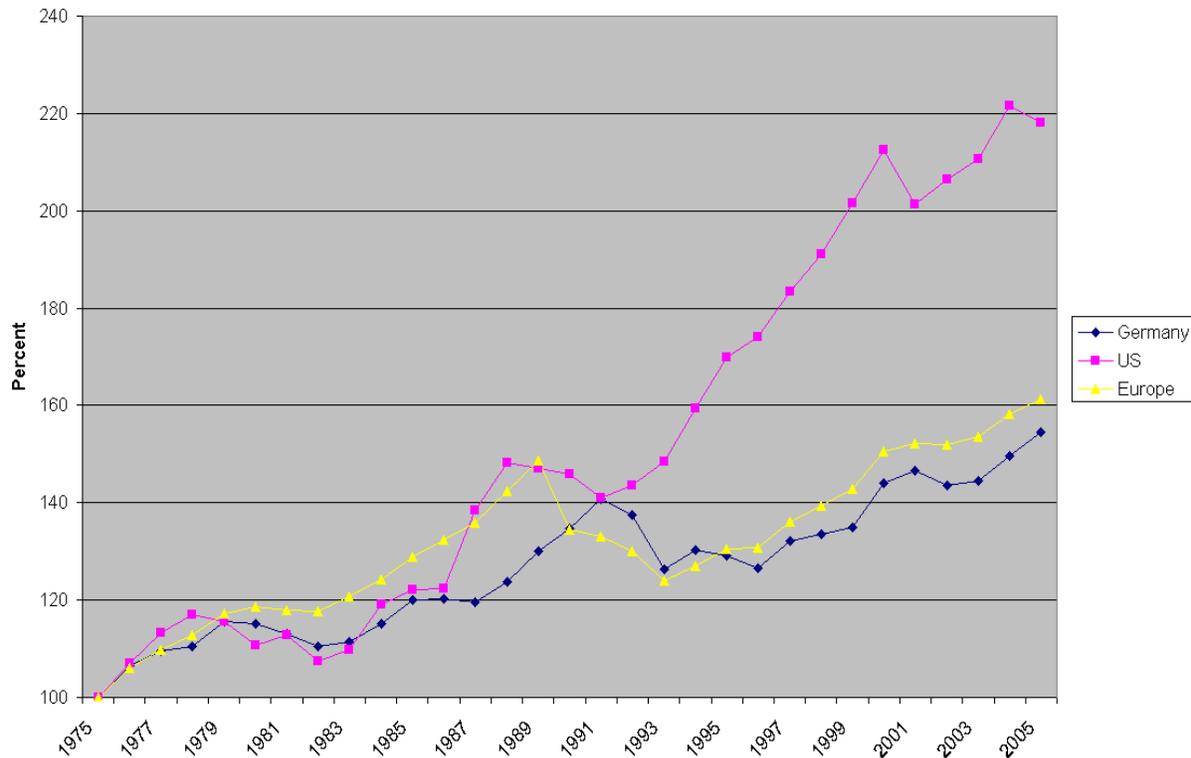
The agriculture sector is the single largest transportation user, using more than 30% of all ton miles transported in the United States—and more if the full supply chain from inputs production and the trips to the American table or the foreign destination are taken into account. The United States is competitive in global markets in large part because of the efficiency and economy of domestic transportation. As the U.S. Department of Agriculture recently reported:

“Trucking is critical for American agriculture. The industry carries 70 percent of the tonnage of agricultural, food, forest products, alcohols, and fertilizers. It links farmers, ranchers, manufacturers, and service industries to grain elevators, ethanol plants, processors, feedlots, markets and ports. More than 80 percent of cities and communities are served exclusively by trucks. The first and last movements in the supply chain from farm to grocery store are by truck.”

Manufacturing

The United States still has the world's largest manufacturing economy, producing 21 percent of global manufactured products. U.S. manufacturing produces \$1.6 trillion of value each year, or 11 percent of U.S. GDP. While the proportion of manufacturing is down, the U.S. has seen significant manufacturing production growth. While other sectors have expanded, basic manufacturing could continue to have a significant and even resurgent place in our economy, but not if the transport costs associated with production and distribution continue to rise.

Growth of Manufacturing (VA at constant prices)



United Nations, *Manufacturing Statistics: Current Trends and Challenges, 2009*

In this 24-7, just-in-time economic environment, manufacturers must build complex global supply chains to ensure competitive sourcing of materials, parts, and labor. Congestion, deteriorating travel-time reliability, and escalating costs are draining away the benefits of global supply chains and “just in time” manufacturing, increasing costs for consumers and leaving supply chains less resilient when disrupted.

Logistics

Today, most businesses are moving toward “on-demand” supply chains, replenishing whatever the customer consumes as soon as it is sold. Businesses track customer purchases as they occur, reducing and centralizing inventory at fewer locations. Industries that once held large inventories of products and could tolerate delays in shipment now demand greater reliability 24-7. As a

consequence, the performance of the infrastructure which undergirds supply chains becomes more critical; shortfalls in efficiency and reliability, become more costly.

Pat Quinn, the CEO of USXpress, a major trucking company, and past president of the American Trucking Associations, has put it this way:

“The American economic system has become highly dependent upon the timely flow of a supply chain that can keep pace with the public’s demand for goods and services. The construction of new highways and improvements to infrastructure could create thousands of jobs and serve as an economic stimulus for the entire country.”

Two giants of the era of modern logistics are FedEx and UPS. Both have made it clear that sophisticated logistics, in fact, has increased the dependence of the economy on old-fashioned transportation infrastructure.

“Shippers and consumers alike are increasingly enjoying significant benefits from efficiencies gained in supply chain management and our strong competitive position in the global marketplace. In order for these advantages to continue, we strongly advocate appropriate reinvestment in the infrastructure necessary for the efficient movement of goods.” Bill Logue, *President and CEO, FedEx Freight Corp.*

“UPS knows firsthand that the U.S. economy depends on the time-definite movement of freight. An overstressed infrastructure slows delivery times, creates unpredictability in supply chains and ultimately makes U.S. businesses less competitive and consumer goods more expensive.”
Burt Wallace, Senior Vice President, UPS

Nevada

For decades the Reno-Sparks area has been a major location of warehousing and distribution for the Western States. The Center for Logistics Management at the University of Nevada Reno—one of the first such centers in the United States—was established to support this industry.

For many years, I-80 and I-15 have carried heavy traffic East-West to and from the ports of Oakland and Los Angeles/Long Beach to, from, and across Nevada. More recently Nevada has seen heavier north-south truck movements on U.S. Highways 93 and 95, which run through sparsely populated territory and have become routes for trucks that do not want to move North-South in California.

Two major Nevada Projects demonstrate the economic benefits of transportation infrastructure investment -- not just for Nevada – but for the larger Western region and U.S. First, the Reno Transportation Rail Access Corridor (RETRAC) has facilitated the movement of freight by rail to and from the Port of Oakland from across the U.S. It depressed 2.25 miles of freight rail track through downtown Reno, resulting in faster, safer, more efficient freight movement as well as substantial community benefits.

The recently completed Hoover Dam Bridge -- officially the Mike O'Callaghan-Pat Tillman Memorial Bridge -- which is a design and construction marvel is a major improvement for cross-country freight movements. The new bridge cuts 75 miles off the route that a high volume of trucks had been forced to use as bypass route when Hoover Dam was closed to through traffic after September 11, 2001.

Conclusion

Madame Chair and Committee Members, simply put, transportation investment creates and sustains good paying direct construction jobs and leaves behind long lasting transportation assets; it boosts the competitiveness of all economic sectors -- for example, manufacturing, travel and tourism and services, and agriculture; and it represents almost 9 percent of our GDP. While the nation has a severe fiscal deficit, we also have an infrastructure deficit that should not be exacerbated with further disinvestment in our nation's transportation infrastructure. Thank you and I look forward to answering any questions you may have.