NATIONAL ASSOCIATION OF Manufacturers

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Testimony

of Thomas J. Riordan
President and CEO
Neenah Enterprises, Inc.
On behalf of the National Association of Manufacturers

Before the U.S. Senate Committee on Environment and Public Works
114th Congress

In support of the need to reauthorize
the Moving Ahead Progress for the 21st Century Act

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COMMENTS OF THOMAS J. RIORDAN, PRESIDENT AND CEO, NEENAH ENTERPRISES
ON BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS
BEFORE THE U.S. SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Hearing to Discuss MAP-21, the Moving Ahead Progress for the 21st Century Act

FEBRUARY 25, 2015

Chairman Inhofe, Ranking Member Boxer and members of the Senate Committee on Environment and Public Works, on behalf of my company Neenah Enterprises and the National Association of Manufacturers (NAM), the nation's largest manufacturing trade association and the voice for more than 13 million men and women who make things in America, thank you for the opportunity to testify about the importance of federal investments in our transportation infrastructure.

With its headquarters and largest foundry in Neenah, Wisconsin, Neenah Enterprises consists of two business operating entities. Our best known business is Neenah Foundry, which is one of the top suppliers of municipal castings including manhole frames, lids and grates, trench castings and decorative tree grates. Since 1872, Neenah Foundry has been a consistent leader in producing durable castings that are used in every state across our country, and we proudly make all of our products here in the U.S. Our other business, Neenah's industrial division, represents about 70 percent of our revenue and is a key component provider for many of the world's leading manufacturing companies, designing and building cast iron and forged parts for the heavy truck, agriculture, construction, HVAC, energy and other industries. We are one of the largest independent manufacturers of castings in the U.S.

As Chair of the NAM's Small and Medium Manufacturers Group, I often hear about the business challenges that my peers face—from escalating costs of healthcare to the increasing burdens of regulation. The health and condition of our nation's transportation network is also of concern to manufacturers. Our transportation infrastructure underpins the movement of goods within our economy—it is vital for day-to-day business and our long-term economic prosperity. Yet there is wide consensus that the United States' infrastructure is grossly underfunded. We can and should do better than allowing our infrastructure to crumble around us.

Infrastructure is an area where all levels of government and the private sector should be working in tandem to ensure our infrastructure needs are being met. However, we are facing a situation where the needs are significant. Our infrastructure network is deteriorating instead of modernizing and improving to meet the needs of our 21st century economy.

Last year, the NAM commissioned an in-depth review of the nation's infrastructure to help illustrate the challenges we are facing as a nation. We all see decaying systems as we drive. Manufacturers experience a poorly performing transportation network all too frequently, and most of us have become too accepting of the notion that D+ infrastructure is okay. The NAM's study reveals that the nation's infrastructure base has been eroding over the past decade, and the numbers reveal troubling trends.

According to the NAM's "Catching Up" study released last September, real capital spending on highways, roads and bridges fell 3.5 percent each year from 2003 to 2012. Investment in mass transit, aviation and water navigation infrastructure fell sharply from 2003 to 2008, and capital spending for drinking water and wastewater expenditures

fell nearly 2 percent each year from 2009 to 2012. In real terms, these numbers built from data available from the Congressional Budget Office (CBO), show that 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 more sustained and focused effort is needed to help reverse this troubling decline in public capital investment and to create opportunities that fully address persistent backlogs and aging infrastructure.

The NAM urges lawmakers to address these challenges, but we are concerned that calls for increased investments are met with skepticism and a reluctance to do what is necessary to boost urgently needed investments in our infrastructure. As a result, we have been falling behind. Overall spending on public infrastructure dropped 10.5 percent between 2003 and 2012 and status quo approaches will not help us make the progress our growing economy requires.

Manufacturers are counting on Congress to fulfill its well-established responsibility to facilitate commerce in the United States. Investment and improvements to our nation's transportation infrastructure are critical to manufacturers' ability to compete and create jobs. Moreover, as a nation we will miss out on critical opportunities by not investing more resources in infrastructure.

With the understanding that there are always tradeoffs and limitations when it comes to moving a major authorization like the surface transportation bill, I do want to encourage the Committee to think big and even beyond the next five or six years. As a nation, we cannot afford to skip opportunities that increase jobs, improve productivity and increase our GDP.

The previous transportation authorization, Moving Ahead for Progress in the 21st Century (MAP-21), represented an important step that met a short-term objective and began the effort to implement key surface transportation policy reforms. However, as the next surface transportation authorization is developed, manufacturers will encourage Congress to focus on infrastructure investment as a long-term strategic objective that seeks to address the persistent challenges that are already well-documented and recognized by the public as problems facing our transportation system.

The deteriorating condition of our surface transportation infrastructure and the $121 billion cost associated with traffic congestion are not problems the federal government can avoid or leave to the states to resolve on their own. For a company like mine, transportation network congestion impacts the bottom line and we are very dependent on our ports, railroads and highways. Our largest facility has over 15,000 truck visits each year. The logistics planning is very significant and delays based on traffic congestion drives significant expense overruns every day and raises costs by approximately 1 percent annually, which takes away from our profitability. These excess costs are diverted away from other business activities such as product development, new capital projects and investments in our workforce. Congestion is really a hidden tax and an increasing drag on American competitiveness.

In fact, the congestion and labor uncertainty at the West Coast ports over the past few months presented multiple challenges in nearly every sector of the industrial economy. We appreciate the intervention of Secretary of Labor Tom Perez and Secretary Penny Pritzker to help the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) reach an agreement last Friday. We especially want to thank Senator Boxer for her leadership on this issue.

The manufacturing impacts of the West Coast dispute mounted daily, and the uncertainty over the past several months led to some cancelled orders from overseas customers, increased costs and even lost jobs in some circumstances. Worst of all, this situation tarnished the reputation of the United States as a global supplier. Manufacturers count on the transportation system here in the United States to help reach the 95 percent of consumers who live outside our borders. Now that a new labor agreement has been reached, we hope this Committee's leadership will help the two parties work together in a positive and productive way to ensure that global commerce is not further interrupted and that the West Coast has the infrastructure it needs to keep the American economy moving. The consequences and costs are too significant to ignore.

The West Coast ports situation showed the fragility and complexity of our transportation network and what happens when an export cannot move to a customer or a manufacturing input is not received in time for a production line. Manufacturers appreciate the bipartisan approach of this Committee when it comes to infrastructure. Congress must take the next steps and return to a fully funded, multiyear surface transportation authorization that supports infrastructure projects that improve safety, facilitate trade and create jobs.

Equally important, Congress must bring the federal Highway Trust Fund to an improved condition of solvency and long-term sustainability. Securing the financial health of this main funding mechanism for the nation's highway and transit systems must be a priority. The need to keep the Highway Trust Fund solvent extends far beyond state departments of transportation and road builders. Funding for roads, bridges and transit systems provides great value and represents an investment in our economy and global competitiveness. Modern, world-class roads are needed to support our ports, freight rail

and aviation—these modes of transportation are all inextricably linked, and manufacturers appreciate the competitive advantages of a safe and efficient transportation network.

The administration has put forward an enhanced version of the Grow America Act and Secretary Foxx is working hard to keep infrastructure issues at the top of the agenda. While MAP-21 developed important reforms to expedite highway and transit project reviews, the next authorization must continue to build upon the success of MAP-21's environmental streamlining provisions and make improvements where efficiencies have not materialized.

Private investment is not as patient or abundant as funding from the public sector. As we seek to encourage additional transportation investments from both public and private sources, efficient federal reviews are critical to ensure funding does not evaporate. Manufacturers commend Senators Portman (R-OH) and McCaskill (D-MO) for introducing S. 280, the Federal Permitting Improvement Act. There is bipartisan recognition that the current system of approving and prioritizing projects is a product of unintentional design with myriad overlapping and duplicative processes that lead to extensive delays and higher costs for both privately-funded and government-funded projects. Time is money, and as we seek to grow our nation's infrastructure base, manufacturers support ways to save time and money without compromising the environment.

Additional investments in transportation infrastructure would not only alleviate the burdens of congestion, aging infrastructure and other delays. Jobs are an additional benefit of these investments. Manufacturers are vital suppliers to the transit and road-building industry, providing rolling stock, engines, concrete, machinery, aggregates,

barriers, signs, safety equipment and other materials. Every dollar spent in construction generates 39.5 cents in manufacturing. When a transportation project can't get off the ground because of a lack of funding or bureaucratic delays, opportunities and jobs are lost.

Without question, transportation helps keep our economy moving, and we need every sector of our economy functioning to maintain growth. Our global competitors in Asia and the European Union already heavily invest public and private resources in infrastructure. To help keep American businesses and manufacturers competitive, we must do better than dangerous bridges and decaying roads; we must allocate more resources toward infrastructure spending.

While Congress must thoroughly discuss and evaluate new models, strategies and financing options, manufacturers believe the Highway Trust Fund continues to provide a reliable source of funding to states for roads, bridges and transit systems. In addition, the federal role is critical for preventing further erosion of our nation's infrastructure base. These transportation investments directly benefit all Americans and move in tandem with goals of economic growth and increased competitiveness.

For NAM members, access to a reliable and cost-effective transportation network by land, sea and air is critical to reaching customers here and abroad. Manufacturers are counting on Congress to put our transportation system on more solid and robust footing. Thank you for the opportunity to testify.

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