Joint Economic Committee
Republicans
Representative Kevin Brady
Vice Chairman

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STATEMENT OF VICE CHAIRMAN KEVIN BRADY

Manufacturing in the USA: Paving the Road to Job Creation

Washington, DC – Thank you, Chairman Casey, for convening this important hearing.

A good infrastructure is vitally important to the U.S. economy, providing Americans with millions of miles of roads; hundreds of thousands of bridges; tens of thousands of airports, dams, waterways and transit lines; and hundreds of train stations and ports. Pro-growth policies such as low taxes, balanced regulation and free market innovations drive the need for additional infrastructure in America. As a former local Chamber of Commerce executive, I can attest to the need for infrastructure as a critical precursor to spark economic development and attract businesses in communities large and small across America.

Though America's infrastructure remains among the most advanced in the world, the American Society of Civil Engineers gave our infrastructure a letter grade of "D," highlighting that we have a long way to go until we can meet the current and future infrastructure needs of Americans.

The manufacturing sector is a critical input in infrastructure with the provision of raw materials and industrial equipment, and the manufacturing sector is a beneficiary that relies on the nation's infrastructure to transport goods to compete in the global economy.

In fact, the manufacturing sector has opened up the prospect for major energy infrastructure development. An excellent opportunity for long-term economic growth exists today in the form of the Keystone XL pipeline from Alberta to Texas, which would result in at least 20,000 new jobs affiliated with the pipeline. Long-term investment in infrastructure will help American manufacturing remain internationally competitive.

No one disputes the value of good infrastructure. However, planning and building infrastructure takes years, often decades. Higher infrastructure spending cannot create a significant number of jobs in the near term. As President Obama remarked months ago, "shovel ready was not as shovel-ready as we expected."

According to the Federal Highway Administration, the federal project delivery process can take up to 15 years from planning through construction. Environmental regulations and constraints on federal funding can extend this timeline even farther, resulting in costly delays and routine cost overruns.

The current system of federal infrastructure spending is inefficient. U.S. taxpayers are not getting a good value for their dollars that are currently spending on infrastructure.

Research over the past decade indicates that the growth benefits from federal infrastructure spending have been extremely low. The current system of federal infrastructure spending is broken, and must be fixed to make smart investments in good infrastructure projects.

As an example, the Government Accountability Office reviewed the Department of Transportation's system of 6,000 employees administering over 100 separate surface transportation programs with separate funding streams for highways, transit, rail, and safety functions. The GAO determined this system was extremely fragmented and lacked accountability, impeding effective decision-making and limiting the ability to provide solutions to complex challenges. Analysis by the National Surface Transportation Policy and Revenue Committee found a project that should cost $500 million would actually take 14 years to complete and cost twice as much due to the impact of delays and inflation.

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Examples already abound at the state level of diverted funds, originally allocated to infrastructure, going to other budget items, suspended, or altogether forfeited. All too frequently, infrastructure funding fails to reach high-priority projects, diverted instead to projects with little or no real benefit.

Federal regulations – such as project labor agreements, high-road contracting, 'Buy American' provisions, and the *Davis-Bacon Act* – have unnecessarily increased the cost and lengthened the completion time of infrastructure projects. For example, the *Davis-Bacon Act's* prevailing wage requirements have led contractors to pay an average of 22 percent above market wage rates and have bogged down contractors with extra paperwork.

An Environment Impact Statement alone can take up to 2 years to complete. Major infrastructure projects often require the approval of other federal agencies such as the U.S. Fish and Wildlife Service, the Advisory Council on Historic Preservation, and the U.S. Army Corps of Engineers.

For the good of manufacturing, infrastructure, and American workers, federal regulators must consider how both proposed new rules and the cumulative burdens of existing rules affect the ability of American businesses to create jobs at home by selling in global markets. Federal regulators must also begin to perform retrospective analysis to determine if existing regulations are meeting their goals in cost effective ways.

Congress should make it easier for the private sector to invest in transportation infrastructure, reducing the stress on already cash-strapped federal resources. Major economies worldwide have demonstrated success in partially and fully privatized roads, water and sewage systems, seaports, and airports. America is behind the times when it comes to involving private capital in infrastructure development.

The United State is capable of keeping up with other countries and excelling as a leader in infrastructure development. We can strive to achieve an "A" in infrastructure by addressing the systemic problems with our current means of funding infrastructure in conjunction with reform of burdensome regulations that impede the ability of both public and private provision of infrastructure.

Thank you and I look forward to the witnesses' testimonies.

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