

**Prepared Statement of Steve Demetriou**  
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**“The Economic Benefits of Highway Infrastructure Investment and Accelerated Project Delivery”**  
**Before the U.S. Senate Committee on Environment and Public Works**  
**Wednesday, March 6, 2019**

Good morning, Chairman Barrasso, Ranking Member Carper and Members of the Senate Committee on Environment and Public Works. I am Steve Demetriou, Chair and Chief Executive Officer of Jacobs. Thank you for inviting me to testify on behalf of Business Roundtable regarding the economic benefits of infrastructure investment.

Jacobs is a public company headquartered in Dallas, Texas. Our more than 80,000 employees work throughout the United States and around the world to solve complex engineering and infrastructure challenges, with a focus on transforming government and business operations and communities to make them more connected, accessible and sustainable.

I am also a member of the Infrastructure Committee at Business Roundtable, an association of Chief Executive Officers (CEOs) of America’s leading companies working to promote a thriving U.S. economy and expanded opportunity for all Americans through sound public policy. These CEO members lead companies that employ more than 15 million people, generate more than \$7 trillion in annual revenues and invest nearly \$147 billion annually in research and development. Business Roundtable CEOs represent major employers in every state and are responsible for creating quality jobs with good wages across the country.

As a group, we believe that infrastructure is a critical component of a modern, competitive economy. The member companies of Business Roundtable rely on safe, reliable, efficient and world-class infrastructure for our continued success. To that end, Business Roundtable supports infrastructure policies that are economically sound, oriented toward the long-term and designed to deliver maximum benefit to stakeholders.

My testimony outlines the case for a strong reinvestment in infrastructure. I am particularly excited to share the results of a new economic study from Business Roundtable, *“Delivering for America: The macroeconomic impacts of reinvesting in America’s infrastructure systems,”* which quantifies the benefits of taking action on infrastructure for American families, workers and businesses.

**Why infrastructure is important to the economy**

Modern transportation infrastructure – through the safe, reliable, efficient movement of people and goods by road, rail, air and water – drives regional and worldwide commerce. Appropriate investment in infrastructure, creates near-term and long-lasting employment opportunities, increases efficiency for our company’s employees and customers, improves accessibility to goods and services and opens up people’s ability to access education, employment and other services.

At Jacobs, we've seen what kind of impact a modern transportation infrastructure can have on a community through our work on complex infrastructure projects around the world.

An example of this impact took place not far from this hearing room, the \$390 million 11th Street Bridges over the Anacostia River, were by far, the District Department of Transportation's largest construction project of its kind – and one that illustrates the profound impact that transformative infrastructure has on the lives of Americans. Jacobs led the environmental and preliminary design work for the pair of one-way bridges crossing the Anacostia Freeway (I-295 and DC-295) and the Southeast/Southwest Freeway (I-695).

This critical project replaced aging infrastructure, eliminated spillover freeway traffic into already distressed neighborhoods, connected communities and provided a foundation for billions of dollars of private investment that resulted in new jobs and enhanced social and economic growth on a local and regional level.

### **Action on Infrastructure is Long Overdue**

Taking a step back for a moment, let us consider the foundational role that infrastructure plays in the American economy. Thousands of roads and bridges, airports, water systems, dams and levees, ports and urban transit systems form the infrastructure that sustains and unites America from coast to coast, connecting us to opportunities that drive a modern, competitive and dynamic economy. Infrastructure is also a critical catalyst for American innovation that powers our social and economic progress. For American households, high-quality, highly functioning infrastructure enables cleaner, safer, more reliable transportation, while reducing prices for everyday goods and improving quality of life. Streamlined commutes help employees and students get to work and school on time, and more importantly, get them home faster to be with their families.

For many decades, America set the global standard when it came to transformative infrastructure projects. However, over time, our national commitment to investing in infrastructure diminished, and the condition of many of our infrastructure systems eroded. From 2003 to 2017, public spending on infrastructure in the U.S. fell by a staggering eight percent.<sup>i</sup> As a business leader whose largest number of employees live and work in the U.S., it concerns me that our public investment lags behind our global competitors. The U.S. spends a smaller share of GDP on infrastructure than all but two G7 countries, Italy and Germany.<sup>ii</sup> Simply put: our country's investment in public infrastructure has failed to keep pace with the innovation and growth taking place around the world.

There is a widening gap between our growing infrastructure-related needs and our level of investment. This gap threatens the quality, reliability and safety of our national infrastructure. I would like to share some facts for this committee to consider:

- 44 percent of America's major roads are in poor or mediocre condition;<sup>iii</sup>
- 23 percent of bridges in the national highway system are either structurally deficient or functionally obsolete;<sup>iv</sup> and

- In 2016, there were 144,000 hours of lock shutdowns along U.S. waterways because of maintenance and unexpected delays.<sup>v</sup>

From congested roads to crumbling bridges, America's outdated infrastructure systems slow daily commutes, hamper the flow of goods and services and increase costs for businesses and households, for example:

- Congestion on major urban roadways costs the average American commuter \$960 every year;<sup>vi</sup> and
- American businesses nationwide incur nearly \$27 billion in additional transportation costs annually because of inadequate infrastructure.<sup>vii</sup>

Action is long overdue. A problem of this scale and urgency requires bold leadership in Congress, to focus significant and sustained investment on restoring America's standard of infrastructure excellence.

America needs secure, reliable funding and financing models to move projects forward. At Jacobs, we can tell you from experience that the projects that are fully funded are the ones that tend to get completed ahead of schedule.

### **Shifting the Conversation from the Costs of Inaction to the Benefits of Action**

While the costs of inaction have been well-documented, with many reports demonstrating the urgent need for investment, few have articulated and quantified the potential benefits of right-sizing U.S. investment in infrastructure. To lead the way toward a modern, dynamic and prosperous U.S. economy, we need a full understanding of the problems we must solve and what we stand to gain by doing so.

For instance, shoring up the Highway Trust Fund is a critical area of focus. A recent Eno Center for Transportation study notes that additional revenue would be needed just to keep the fund solvent for the next decade at current baseline spending levels—not addressing future needs.

In partnership with the Interindustry Forecasting Project at the University of Maryland, Business Roundtable recently completed a macroeconomic modeling study that quantifies the long-term economic benefits of right-sizing infrastructure investment. This report answers a critical question: *What are the economic dividends associated with not only returning our infrastructure to a "State of Good Repair", but also improving and expanding it to meet the demands of a growing economy?*

The study estimates the economic impacts of increased investment in surface transportation, aviation, water and wastewater, water resources and water transportation. Increased investment in these areas would return America's infrastructure to a state of good repair, expand capacity to meet future demand and fund innovative solutions to future infrastructure challenges. The investment would come from a mix of federal, state, local, and private sources.

Due both to the government's unique role in surface transportation funding and the significant need, surface transportation is the largest component of this investment package, comprising more than 60 percent of the total value dedicated to our nation's highways, roads and bridges.

Here are five key findings from the study:

### **1. Every \$1 Invested in Infrastructure Returns \$3.70 to the U.S. Economy**

The study demonstrates that investing in infrastructure would pay for itself several times over. Every additional \$1 invested in infrastructure delivers roughly \$3.70 in additional economic growth over 20 years. Think about that for a moment; nearly a 4-to-1 ratio, representing an extraordinary return on investment, especially when considering that the benefits would continue to compound far beyond a two-decade time horizon.

### **2. An Investment in Infrastructure is an Investment in More Jobs and Higher Incomes for American Workers**

The study highlights that investing in infrastructure would not only create *more* jobs, but *better* jobs for American workers. Specifically, it would create 1.1 million additional new jobs over the next decade, with increasing wages over the long term. In fact, the average American household would gain an additional \$1,400 in disposable income every year for 20 years. These benefits are tangible, meaningful and long-term.

### **3. An Investment in Infrastructure Would Spur Economic Growth and Private Investment**

Investing in infrastructure would also amplify growth in the overall economy. Such an investment would boost real gross domestic product (GDP) by \$5.9 trillion over 20 years. Importantly, extra infrastructure spending would also catalyze additional private investment. Building modernized and expanded infrastructure systems would jumpstart U.S. business productivity, spurring \$1.9 trillion in additional investment by private businesses over 20 years derived from fewer delays, lower unnecessary costs and improved efficiency.

### **4. An Investment in Infrastructure Would Benefit All 50 States and All Corners of the Economy**

Based on our analysis, investing in infrastructure would deliver benefits for all 50 states, from Wyoming to Delaware, by boosting productivity in every corner of the country. Every single state would experience positive impacts on employment, household incomes, and economic growth.

This investment would also boost productivity and create broad-based benefits across virtually every sector of the economy, from farming and mining to manufacturing and insurance. Intuitively, significant benefits would occur in sectors directly associated with our nation's highways and surface transportation systems, but the gains in productivity would also translate into broad-based growth for American businesses.

## **5. An Investment in Infrastructure is an Investment in the Future**

The key benefit of infrastructure investment is the improved productivity that comes from better roads, deeper ports, increasingly efficient air travel and other structural enhancements. Compounded over time, these benefits would drive meaningful and sustained economic growth. In effect, improved infrastructure tightens the gears of the U.S. economy.

More than anything, an investment in infrastructure is an investment in the future of the U.S. While there are many ways to create jobs and stimulate the economy in the short run, the benefits typically fade over time. The enduring benefit of infrastructure investment is not only that it provides clear and tangible returns in community development, but that it also sets off a ripple effect attracting additional, local investments in commercial, residential and educational hubs connected by multimodal transportation networks. This isn't just about delivering benefits in the short term. This is about reinvesting in the foundation of our economy to be more competitive for the foreseeable future.

Let's take another example from my own company's experience, Jacobs was part of a team that delivered two new bridges over the Ohio River in Louisville in a very short period of time. The East End Crossing closed a gap on the 265/841 beltway and the Downtown Crossing doubled the capacity of the existing bridges, while relieving traffic in downtown Louisville. The net effect of the \$1.5 billion project on both Jeffersonville Indiana and Louisville Kentucky in terms of economic impact has been significant, proven by the expansion of the Port of Indiana and by the increased distribution speed for UPS from its Louisville base. Additional long-term economic growth will continue in both Indiana and Kentucky as a result of the now free-flowing North/South connections for decades to come.

### **Streamlining Permitting is One Key to Success**

By setting a high priority on the nation's transportation, water, and energy infrastructure needs and revising existing policy to better and more quickly enable project implementation, available funds can be leveraged to accelerate infrastructure development and, as a result, economic growth. Although the Business Roundtable study focused on the benefits of investment and did not examine the effects of regulatory reform, the CEOs of Business Roundtable know from first-hand experience that regulatory barriers can increase project costs and delay project delivery, ultimately holding back the economic benefits from investment. While regulatory reform holds promise for streamlining delivery, best practices such as disciplined project management, integrated delivery, proactive communications between stakeholders, leveraging new tools and technology, and developing creative funding packages are all necessary to fully realize and complement the benefits of streamlined regulatory policies and procedures.

One example of better, faster results stemming from a streamlined process is the Elgin-O'Hare West Bypass project in Illinois. This \$3 billion project near Chicago O'Hare International Airport involves construction of more efficiently aligned highway segments that will accommodate transit as well as bike and pedestrian facilities while maintaining compatibility with the O'Hare Modernization Program. Jacobs delivered environmental studies and permits for the Illinois DOT and the Illinois Tollway following an innovative and integrated transportation, environmental, and financial planning process tailored to clearly define the project and position it for implementation.

A key to success and acceleration of the environmental and permitting process was early, ongoing coordination with regulatory agencies – and the commitment of those agencies to stay involved throughout the process. Continuous and collaborative agency involvement ensured a clear understanding of the environmental issues by all parties, facilitated timely development of appropriate solutions, shortened interim review times, and ultimately resulted in a Record of Decision months ahead of schedule – all while maintaining the integrity and rigor of the environmental process. The ultimate benefit is increased productivity through a more efficient local transportation system.

One more example I would like to highlight is the Colorado Department of Transportation’s I-25 Gap project to expand an 18-mile, rural section of I-25 to connect Colorado’s two largest cities and employment centers – Denver and Colorado Springs – and improve travel time reliability, driver safety, and incident management through one of Colorado’s most important highway stretches.

The \$350 million project deployed innovations to accelerate delivery by using many Federal Highway Administration initiatives from permitting reforms included in the FAST Act, and recent implementation of these reforms and other programs by the previous and current administrations. The result was an unprecedented delivery schedule: completing the long-range planning process through NEPA to the start of construction in less than 2 years – and realizing the resulting safety and economic benefit of improved connectivity between Colorado’s business centers sooner.

Based on the benefits of these examples and many more, Business Roundtable supports policies that further streamline the review and permitting process for projects to keep development costs down and accelerate project delivery while maintaining environmental stewardship. We support the Administration’s One Federal Decision policy and encourage you to codify the two-year deadline for the federal government to reach a decision on a given proposed infrastructure project.

### **Charting a Path Forward**

The CEO members of Business Roundtable can attest to the urgency and necessity of robust infrastructure investment, as well as the importance of a bold plan that reimagines and rebuilds America’s infrastructure for the 21<sup>st</sup> century.

At Jacobs, we are proving the value of smart technologies, digital intelligence and data analytics to conceive and deliver more scalable, efficient infrastructure systems across different modes of transportation, including connected vehicle systems, and solutions that draw from various data platforms—from highway and transit systems to cell phones—to mobilize transport for people and goods within and between cities.

In fact, Jacobs is working with the Los Angeles County Metropolitan Transportation Authority to pilot connected vehicle technologies that would reduce traffic and air congestion along an 18-mile stretch of the I-710 South Corridor which is crucial to international trade. Jacobs is also partnering with Florida’s Turnpike Enterprise and Florida Polytechnic University to create an approximately \$160 million test facility for driverless vehicles on a 475-acre site where we can simulate conditions like rain, fog and smoke.

In conclusion, the need for action on our nation's infrastructure is clear, and the potential benefits are profound and long-lasting. Business Roundtable is committed to seizing this window of opportunity to unlock the long-term benefits of infrastructure. We stand ready to work with the members of this committee to advance policies that will modernize U.S. infrastructure to support economic growth and expand opportunities for all Americans.

Thank you, Mr. Chairman and Members of the Committee for the opportunity to testify. I look forward to your questions.

### **Appendix: About the “Delivering for America” infrastructure modeling study**

The full report, including assumptions, detailed national and state-level results, and the detailed policy scenario can be viewed online at: [brt.org/delivering-for-america](http://brt.org/delivering-for-america).

Business Roundtable partnered with the University of Maryland Inforum modeling group to conduct a macroeconomic modeling study of the impact of increasing infrastructure investment on the U.S. economy. The model is a fully dynamic, general-equilibrium model of the U.S. economy that captures the impacts and feedback loops of increased infrastructure investment across all sectors of the economy. The policy scenario, which specifies spending amounts by infrastructure system and funding source, sector-specific productivity estimates associated with improved infrastructure served as the core inputs to the model.

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<sup>i</sup> Congressional Budget Office, “Public Spending on Transportation and Water Infrastructure, 1956-2017”, October 2018, p. 3.

<sup>ii</sup> Congressional Research Service, "Economic Impact of Infrastructure Investment," January 2018, p. 8.

<sup>iii</sup> TRIP, "Key Facts about America's Surface Transportation System and Federal Funding," May 2017, p. 2.

<sup>iv</sup> U.S. Department of Transportation, Bureau of Transportation Statistics, "Transportation Statistics Annual Report 2017," 2017, p. 1-6.

<sup>v</sup> U.S. Department of Transportation, Bureau of Transportation Statistics, "Transportation Statistics Annual Report 2017," 2017, p. 4-1.

<sup>vi</sup> Texas A&M Transportation Institute, INRIX, "2015 Urban Mobility Scorecard," August 2015, p. 5.

<sup>vii</sup> The White House, "An Economic Analysis of Transportation Infrastructure Investment," July 2014, p. 2.