

### **III Infrastructure**

So much of what we depend on for mobility of both goods and people, and hence our quality of life, requires good infrastructure.

Historically each generation has added somewhat to the nation's infrastructure, from early wagon roads and canal boats to Interstate Highways and modern freight railroads. So we have something of an ethical mandate to look after the infrastructure we've been provided, and even to improve and grow it.

Most infrastructure represents heavy capital investments in the nation's future. It's there for decades, even centuries, to come. Building good infrastructure provides jobs and economic growth. Using good infrastructure provides efficiency and economic competitiveness. So benefits are widely perceived.

Where we usually have problems is how to fund infrastructure programs. At RAIL Solution we have devoted a lot of attention to this because our Steel Interstate concept is a capital-intensive infrastructure initiative.

From time to time we work with an independent consulting engineer in New Orleans named Alan Drake, who shares our Steel Interstate vision. He came up with a neat idea that we liked then and continue to espouse. He proposed a unique plan to devote to this task some of the trillions of dollars in profits of U.S. multinational companies escrowed overseas. Typically as long as these profits are not brought into the U.S., they remain sheltered from U.S. taxation.

We were very surprised when President Obama's budget called for \$478 billion in spending on infrastructure and one source of proposed funding mentioned was a new tax on these overseas profits of U.S. companies.

The goal to take advantage of these orphaned foreign profits is a good one. But there will be certain resistance to this, if the idea is presented as a new tax

Here's how to preserve a great concept but avoid the contentious issue of a new tax. Craft legislation that permits U.S. multinationals to repatriate their escrowed foreign profits tax-free as long as they are spent on an approved list of major infrastructure projects in the United States. Call this the private sector solution.

Here are some advantages of this approach. 1. No new tax, and in the current Congress, that's important. 2. All the costs of the government as middleman are eliminated. No tax collection bureaucracy, no political wrangling over what to fund, no administrative overhead and inertia, no pork barrel earmarks. 3. The multinationals repatriating the funds would scour the country looking for the most promising new infrastructure investments, redeploying these funds far more speedily and efficiently than any political process ever could.

Of course the enabling legislation would have to specify infrastructure projects with a public purpose and benefit, not simply allow the companies to invest in their own new plant and equipment. Perhaps an 80/20 rule could apply, whereby the company repatriating the funds could spend 20% on its own capital needs if 80% were first deployed on national infrastructure projects. I'm sure other creative tweaks that could be devised to make the process work even better.

The public would benefit from sustainable new investments in infrastructure, workers would benefit from job growth, the economy would enjoy an immediate stimulus, and government tax revenues would ultimately rise commensurate with economic growth.

Over the years we have read, and written, a number of proposed ideas for funding the Steel Interstate, but this is one we feel has genuine potential to provide the public/private funding, corridor by corridor, to build much-needed new railroad capacity in the U.S. So it has been exciting to see this recent discussion at high levels regarding such use of foreign profits.

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