

Infrastructure we can bank on

By Gregory Baird, consultant for utility financial staff on infrastructure asset management best practices in the US and Canada - 11/17/11 12:29 PM ET

As the president pushes hard for Congressional passage of his proposed \$60 billion infrastructure bank, it's important to ensure that any taxpayer money is invested wisely enough to earn a long-term dividend—rather than end up as a leaky short-term bailout.

The president is likely to earn a great deal of public support as he focuses on the importance of getting Americans back to work. As Obama said in Washington, “Of all the industries hammered by the economic downturn, construction has been hardest hit. It makes absolutely no sense when there's so much work to be done that they're not doing the work.”

But the policy that guides the way in which work is performed also matters a great deal. There's a high price tag for repairing and replacing the infrastructure we rely on every day and we must ensure that any investments use the most efficient, sustainable technologies that will give stakeholders and taxpayers a long-term return on investment.

Of course, every day we see first hand our decaying roads and bridges, but we cannot forget the crumbling pipe infrastructure beneath our feet that carries our precious water resources, which all too frequently go unremembered.

With apologies to a former presidential contender, “that giant flushing sound you hear” is billions of dollars and billions of gallons of water lost in a system crippled with corrosion. Each year, approximately 300,000 water main breaks occur throughout North America – or some 850 every day – mainly as a result of corrosion of inferior and outdated iron pipe technology. Moreover, according to a congressional study, corrosion costs U.S. drinking water and wastewater systems over \$50.7 billion annually, or more than \$1 trillion dollars over the next twenty years.

Those numbers are so mind-bogglingly large that it's worth repeating: Corrosion of outdated, inferior water system infrastructure costs U.S. drinking water and wastewater systems over \$50.7 billion annually, or more than \$1 trillion dollars over the next twenty years.

These high costs are soaking taxpayers. Whether it's footing the bill for repairs or replacements to lines from repeated water main breaks or the millions of gallons of lost water supply that's tacked onto their utility bills.

As a former CFO to Colorado's third largest utility and a California municipal financial officer I've seen local officials across the country opt for a band-aid approach of repairing or replacing our water mains with the same outdated and inferior iron pipes that currently make up most of our underground water systems. These systems do not hold up over time and are a tremendous waste of taxpayer money.

I've also seen local decision makers save taxpayers a flood of money when they choose the right materials. Many forward thinking utilities have been able to save 30 – 70 percent on their capital improvement plans (often representing hundreds of millions of dollars) by choosing durable, non-corrosive and cost effective pipe made from materials like PVC.

So why aren't more local governments and utilities looking at improving our water systems with corrosion-proof technology? Good question. Too often they face barriers to bidding from city and local governments that have outdated, closed procurement practices. This is often due to complacency, politics or simply because "this is how we've always done it."

As local economies spiral out of control, taxpayers need to demand better. There needs to be common sense direction from the top when it comes to investing money into our infrastructure. Open bidding and a thorough review of all infrastructure options result in competition, lower costs and cost-efficient, sustainable infrastructure that will withstand the elements and the test of time.

Until we address these problems and give both taxpayers and investors the best bang for the buck, more of the Treasury's financial resources will be flushed away to corrosion to the tune of \$276 billion per year according to a 2001 report.

So before we start throwing private-public funding at our infrastructure problems via an Infrastructure Bank or some other federal funding vehicle we must get a firm grasp on the crux of our problems and the most cost-effective, sustainable ways to solve them.

Gregory M Baird is a former financial officer and CFO of large cities and utilities and now consults utility financial staff on infrastructure asset management best practices in the US and Canada. His research is published nationally and internationally in water industry publications.