



NORTH BAY WATER REUSE PROGRAM

Water Supply Reliability through Regional Reuse

How Do We Fund the Future of Infrastructure?

The following article, written by Steven R. Loranger, the Chairman, President and CEO, of ITT Corporation, investigates the importance of a renewed investment in non-residential infrastructure by government, private business and citizenry—for without it the ability of the U.S. to compete globally may be affected.

I recently wrote about the importance of channeling infrastructure funding and attention toward water and air traffic management systems. As awareness of the need for infrastructure investment broadens, the natural question is “how do we pay for it?” This question of who should foot the bill has been a barrier to progress in the U.S. and other Western nations. I believe the path forward is through partnerships among government, business and consumers, which I addressed at The Milken Institute Global Conference in April.

For years, Western governments have been unable to provide the funds necessary to build and upgrade infrastructure at a sufficient level. During the conference, Martin Koffel, Chairman and CEO, URS Corp, pointed out that over the past decade, China has invested 5 percent of its GDP in non-residential infrastructure, while the U.S. has invested less than 1.5 percent. This deficit may ultimately affect our ability to compete on a global stage.

During the past few years, some governments have begun to recognize the need for a renewed investment in infrastructure. Consider NextGen, the new GPS-based air traffic control system here in the United States. This project is among the most ambitious and important aviation infrastructure investments in U.S. history, as evidenced by the massive investment the FAA is making to fund this wholesale revamping of the U.S. National Airspace System.

But as national debts grow in Western nations, government financing of infrastructure is forecast to become even more challenging. I believe public-private partnerships can play a key role. Here also, we can look to NextGen as an example. The program requires a long-term investment for which the FAA required a great deal of initial capital. To address this challenge, ITT is investing more than \$200 million of its own capital to help make U.S. air traffic management modernization a reality. In exchange for that investment, the FAA has granted ITT the rights to manage the NextGen program’s ADS-B ground infrastructure during the next 10 years.

Consumers must also play a significant role. In regards to water, most Americans do not pay the full cost for their water consumption. In Germany, on the other hand, water tariffs are nearly three times the U.S. average and closer to the true cost-of-service. Until we are willing to broadly raise tariffs, our

**North Bay Water Reuse Authority • c/o Novato Sanitary District • 500 Davidson Street, Novato, CA 94945
707-235-8965 • NBWRA.org**

Las Gallinas Valley Sanitary District • Napa County • Napa Sanitation District • North Marin Water District
Novato Sanitary District • Sonoma County Water Agency • Sonoma Valley County Sanitation District



NORTH BAY WATER REUSE PROGRAM

Water Supply Reliability through Regional Reuse

funding structure will remain unsustainable. This inadequate investment for maintenance and growth is unfortunately not restricted to the U.S., and is a prime contributor to the growing global crisis of water scarcity.

Another issue raised at the conference was the process by which infrastructure projects are prioritized for funding. Failure to measure and demonstrate return on investment is one of the major speed limits in allocating government and private capital toward infrastructure investment. We run our business such that every dollar of investment goes through a rigorous analysis that measures not only empirical returns and cash flows but also social benefits. Proposals for infrastructure projects should be measured by the same yardstick. Determining how to measure both the financial and social rates of return, from providing safe drinking water to having peace of mind when flying, is critical.

While these are challenges, I am optimistic that through strategic partnerships, we can achieve a consensus on how to invest in these vital needs and unlock the right level of funding needed to do so. This approach is critical. We need government and business and citizenry to work together so the critical networks in our skies—and under our feet—will meet the needs of generations to come.

http://www.huffingtonpost.com/steven-r-loranger/how-do-we-fund-the-future_b_619814.html

Published by MR, on November 12th, 2010

**North Bay Water Reuse Authority • c/o Novato Sanitary District • 500 Davidson Street, Novato, CA 94945
707-235-8965 • NBWRA.org**

Las Gallinas Valley Sanitary District • Napa County • Napa Sanitation District • North Marin Water District
Novato Sanitary District • Sonoma County Water Agency • Sonoma Valley County Sanitation District