

STATE OPEN COMPETITION LAWS HAVE POTENTIAL TO FREE UP BILLIONS FOR INFRASTRUCTURE NEEDS

In addition to repealing and replacing Obamacare, along with once-in-a-generation federal tax reform, rebuilding and expanding America's infrastructure is another big ticket item on the Trump administration's to-do list.

While aging roads and bridges get more attention from lawmakers and the media, the need to replace and overhaul America's aging water and wastewater infrastructure is just as pressing as the nation's transportation needs.

The first step for any infrastructure proposal is to repeal existing laws and regulations that artificially inflate the cost of taxpayer-funded construction projects and reduce the amount of resources available for infrastructure improvement and expansion. As was previously called for in this space, President Trump and congressional Republicans should repeal Davis-Bacon prevailing wage requirements that inflate labor costs for federally-backed road projects by an average of more than 20%, just as governors and state legislators have been eliminating state prevailing wage laws that similarly drive up the cost of state and local transportation projects.

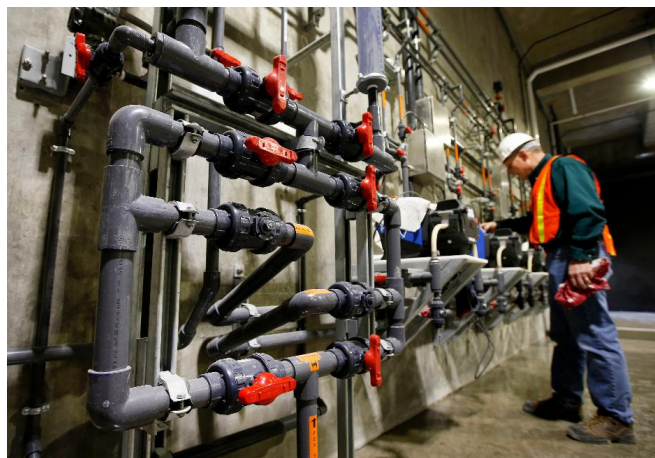
As with transportation infrastructure, there are laws on the books whose repeal will reduce the cost of water infrastructure projects. Currently, many localities across the country impose rules restricting what piping materials can be used for water and wastewater infrastructure. For example, 40% of the nation's water utilities prohibit the use of polymer-based pipes. These restrictions significantly drive up costs for taxpayers.

America's aging water infrastructure loses approximately 17% of available potable water due to leakage and there are an estimated 240,000 water main breaks every year. The American Water Works Association estimates that it will take \$1 trillion over the next 25 years to replace America's aging water systems. The significant cost to taxpayers, however, can be reduced by lifting existing restrictions on piping materials.

Arcane closed competition pipe procurement rules in many localities across the country represent classic protectionism. They are another example of the government setting policy that picks industry winners and losers. In this case, the big losers from local closed competition statutes and codes for water infrastructure are taxpayers, who are forced to pay for the heightened costs of lower-performing piping materials. There are plenty of examples from across the country of how moving from a closed to an open competition process drives down taxpayers costs.

Take Hot Springs, Arkansas, a town with a closed competition policy for water infrastructure, compared to Fayetteville, Arkansas. Fayetteville, unlike Hot Springs, allows for open competition. As a result, the average per mile cost of water infrastructure piping in open competition Fayetteville is \$278,625 less on average than closed competition Hot Springs.

Charlotte, the largest city in North Carolina, has an open competition process for water infrastructure projects. Meanwhile in Raleigh, the state's second largest city, there is a closed competition system. Not surprisingly, per mile pipe costs are \$155,902 more expensive in closed competition Raleigh than in open competition Charlotte.



In Michigan, Port Huron & Grand Rapids have closed competition systems, whereas Monroe & Livonia have open competition systems. As a result, per mile pipe costs are \$114,154 higher on average in closed competition Port Huron & Grand Rapids, compared to open competition Livonia & Monroe. To Michigan's south, Ohio's Franklin County has a closed competition system, while Delaware County has an open competition system. Per mile pipe costs are \$97,680 higher on average in closed competition Franklin County, compared to open competition Delaware County.

The good news is state lawmakers are starting to address this issue. Arkansas Senate President Jim Hendren has introduced pro-taxpayer legislation in his state, Senate Bill 332, that would open competition for water infrastructure projects by permitting the use of all piping materials that meet performance specifications. Other states - such as South Carolina, Ohio, and Michigan - have also introduced open competition legislation to preempt protectionist local restrictions on piping materials. These are smart, free market reforms that will improve the quality of new water and wastewater infrastructure projects, while reducing taxpayer costs.

Local governments can save more than 25% on pipe costs by permitting open competition, according to a study by BBC Research. That study also found the per mile replacement cost of drinking water pipes to be 26% less in open competition systems, compared to their closed competition counterparts. Savings average 39% per mile for storm water piping.

A total replacement of U.S. water infrastructure would cost \$1.32 trillion, according to the National Taxpayers Union. It is estimated that transitioning to an open competition process for all projects would reduce that \$1.32 trillion price tag by \$371 billion, a 28% cost reduction.

Enactment of the aforementioned open competition legislation pending in Ohio, Michigan, Arkansas, and South Carolina will go a long way toward helping the nation address its significant water infrastructure needs while mitigating taxpayer costs. Other states would do well to follow their lead. Likewise, Congress can prevent federal taxpayer dollars from being wasted by passing legislation allowing all materials that meet performance specifications to compete for water infrastructure projects backed by federal dollars.