Private Dollars

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The water industry pulled through another year of mixed economic signals, deep federal budget cuts and continued pressure from tightening regulatory requirements.

Meanwhile, the American Society of Civil Engineers released its 2013 Report Card for America's Infrastructure, and the results were less than encouraging. The water and wastewater sectors showed minimal infrastructure improvement, inching along to a "D" from a "D-" grade four years ago, reaffirming the huge discrepancy between infrastructure improvement needs and funding.

As the gap continues to grow, so does the number of reports outlining the need for funding: $300-plus billion is needed to address the nation's sewage collection and treatment infrastructure needs, and $384 billion in improvements is needed for drinking water infrastructure in the next 20 years, according to U.S. Environmental Protection Agency surveys.

The 2013 *Water & Wastes Digest* State of the Industry Report echoes these industry challenges and trends. The survey was conducted online by ABR Research Inc., which polled a random sample of 13,855 subscribers. A total of 327 surveys were completed and covered different market dynamics, including professional and business demographics; budget and purchasing involvement and expenditures; and importance of industry issues.

The survey indicates that over the next 24 months, the largest percentage of respondents' budgets will be invested in pipe and distribution, sewer and collection, and monitoring systems, jointly accounting for 31% of their budgets. It is likely that this will remain an ongoing trend as more utilities identify water loss prevention as an opportunity to reduce operating costs and increase revenue.

Despite aging systems and funding uncertainty, optimism seems to be trickling in for 2014. More than three-quarters (76%) of respondents expect a good, very good or excellent business year in 2014, in comparison with 22% who predict that 2014 will be mediocre and 2% that it will be poor.

Although budgets jumped significantly from 2012 to 2013—from $2.5 to $2.8 million—more than half (51%) of respondents said that their total municipal operating costs have gone up by 10% on average. As the nation's water infrastructure continues to surpass its expected lifespan and municipalities struggle to further stretch bare-bones budgets, managing capital and operating costs efficiently will take center stage.

Meanwhile, traditional approaches to funding, such as obtaining bond market capital or relying on state revolving funds, will become less and less adequate. This does not mean that water and wastewater infrastructure projects will be neglected—water will continue to pour from the tap and toilets will continue to flush. It may, however, push municipalities to pursue alternative financing options, including turning to the private sector for help. Although negative perception of water system privatization remains strong, it will not be a question of "if" but "when" and "how" private dollars come to the rescue.

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Water & Wastes Digest is published exclusively for the 80,000+ decision makers in the municipal and industrial water, wastewater and water pollution industries. These individuals actively design, specify, buy, operate and maintain the equipment, chemicals and services used for water treatment. Editorial content in this audited publication highlights new products and technologies concerning the supply, collection, treatment and distribution of drinking water; the collection, treatment and disposal of wastewater; and hazardous waste pollution control. A product directory is included in the annual June Buyer's Guide.

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