Statement for the Record by U.S. Senator Chuck Hagel

Condition of our Nation's Infrastructure and Proposals for Needed Improvements

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U.S. Senate Committee on Banking, Housing, and Urban Affairs

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WASHINGTON, D.C. – "Chairman Dodd, thank you for holding this hearing. In 1955, President Dwight Eisenhower said: 'the uniting forces of our communication and transportation systems are dynamic elements of the very name we bear – United States. Without them, we would be a mere alliance of many separate parts.'

We will hear from our witnesses today about the state of our nation's infrastructure: including highways, ports, bridges, wastewater and drinking water. Maintaining and upgrading our infrastructure to a 21st Century standard is a national project that our political system needs to embrace for the competitiveness, safety, and unity of the nation. S.1926, the Dodd-Hagel National Infrastructure Bank legislation is not the entire solution, but it can be part of the solution. We are in need of new and creative solutions, and that's what I hope this morning's hearing can explore.

The federal government does not and will not have the resources to appropriate the required funding necessary to meet our future national infrastructure needs.

New York City's fiscal crisis of the 1970s provides a good model for a public-private solution, using private investment to help fund public infrastructure needs. In 1975, New York City was in fiscal meltdown. A combination of declining tax revenues, expanding outlays, and an economic downturn had undercut the City's fiscal base. The City was unable to pay its bills, a default on outstanding debt was likely, and the specter of bankruptcy was very real. In that year, the Municipal Assistance Corporation of New York was set up to provide fiscal stability for a city in crisis. This public corporation had a Board of Directors consisting of nine private citizens and was endowed with the authority to borrow billions backed by State revenue. The Board of Directors – led from 1975 to 1993 by one of our witnesses today, Felix Rohatyn – acted as the "fiscal conscience" of New York.

The New York structure and effort was extraordinarily successful. Under Ambassador Rohatyn it often was able to achieve significant returns on investment, which were reinvested in the city. As we all know, the city emerged from its fiscal crisis, and weathered an even worse crisis in 2001, in no small part because of the fiscal

balance, flexibility, stability, and private investment provided by the leadership of the Municipal Assistance Corporation.

Today, America's failing infrastructure needs similar new thinking. The Dodd-Hagel legislation could provide the foundation for a 21st Century framework to capitalize our national infrastructure. The Infrastructure Bank – a public entity similar in nature to the Municipal Assistance Corporation – would have the ability to leverage private capital to supplement the current levels of public spending. A public entity that can focus private sector investment onto public infrastructure could help provide the necessary investment for 21st Century infrastructure in America.

Our global competitors are investing astounding amounts of capital into their infrastructure projects. As a share of GDP, China spends almost four times what we do on infrastructure; India spends three times as much as we do. And it is not just developing countries that are making these investments: Spain, Germany, Japan, France, and the United Kingdom are all making significant investments to maintain and replace fifty-year-old roads, sewer systems and other infrastructure projects. These countries have all recognized the need for private investment to supplement public financing for their infrastructure projects. For example, in 2005, public-private partnerships in the United Kingdom totaled $55 billion – 16% of total infrastructure spending.

As Eisenhower did when he authorized the building of the Interstate Highway system, the United States must recognize that the building and maintenance of our infrastructure is a critically important national priority. The Dodd-Hagel legislation will help our country make the needed new, long-term investments in infrastructure.

Thank you. ”