Testimony as Submitted

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Mr. Richey: Thank you, Chairman Boxer, Ranking Member Inhofe, Subcommittee Chairman Cardin and Subcommittee Ranking Member Sessions for the opportunity to testify here today. I am Van Richey, President & CEO of American Cast Iron Pipe Company. American is a leading domestic manufacturer of water works products, with manufacturing plants in Alabama, Oklahoma, Texas, Minnesota and South Carolina. Our 2,600 employees proudly make the iron and steel pipe, valves, hydrants, fittings and gaskets that are vital to our nation's water distribution and waste water collection systems.

American has been in continuous operation since 1905, and in 1922 the Company's founder John J. Eagan left all of the stock in the Company in a trust for the benefit of the employees of American. Today the employees are still the beneficial owners of the Company, and our Company's governing rule continues to be the Golden Rule -- "Do unto others as you would have them do unto you." Our ownership structure and management philosophy led *Fortune* Magazine to include American as one of the "100 Best Companies To Work For" in the United States for 8 straight years.

Today I have the privilege of speaking on behalf of not only our Company's employees and their families, but also the other domestic manufacturers of ductile iron pipe, fittings, valves and fire hydrants. They are Griffin Pipe Products, McWane, Inc. and Mueller Water Products/U.S. Pipe and Foundry Company. Altogether our industry operates foundries and manufacturing plants located in 19 different states. Iron pipe has been the backbone of our country's water systems since the 1800's and is still the most prevalent and preferred water pipe material used for drinking water systems in the United States. Ductile iron pipe is recognized as an especially long-lasting and cost-effective solution for providing clean, safe drinking water. It is almost completely manufactured from recycled ferrous scrap materials. As a result, each year ductile iron pipe companies take tens of thousands of old cars from our nation's highways and junkyards for use in the manufacture of our products.

Before I go further I want to thank the members of this Committee for all of the support you have shown in maintaining and improving our nation's water infrastructure. I know that you are keenly aware of the crisis that we face. It is a crisis which affects every major constituency in the water works sector - taxpayers/consumers, owners, operators, engineers, installers, distributors and manufacturers.

First and foremost, the crisis is one of need for a safe, efficient, reliable water system. Past generations had the wisdom to invest in providing clean, safe drinking water and collecting and treating wastewater. It is a system that has worked so well that most citizens take it for granted. But today that system is breaking down. The "out of sight, out of mind" nature of water infrastructure has resulted in communities across the nation facing major challenges over the next 20 years in replacing their aging water and wastewater infrastructure, much of which was constructed 100 to 150 years ago. Studies estimate that as much as 20-25% of the treated water that goes into the distribution system is lost through leakage, wasting not only one of our most precious resources, but also all of the energy and expense associated with treating and pumping it. In addition, leaking sewage poses serious threats to public health and the environment.

Recent studies by the EPA and the GAO predict an investment-funding gap of more than $500 billion for needed upgrades and repairs to public water and wastewater systems, but capital investment for such projects will be difficult as many states and local governments face mounting budget deficits, constraining debt, and revenue shortfalls. Already state and local governments are delaying or shelving much needed water projects due to falling sales tax revenues and the decline of property values.

Not only are state and local governments facing a crisis, so is the domestic water infrastructure industry. The recession has hit the waterworks foundry industry hard. Almost fifty percent of our business has evaporated with the crash in the real estate markets and the lack of new housing starts. Similarly, despite the pressing need for waterworks infrastructure repairs, our remaining business with water utilities has also suffered because of their difficulty in raising capital for such projects. As a result, our industry's nationwide employment is down by 29% as a result of the economic downturn, and could decline further. This represents a loss of approximately 4,700 high-paying manufacturing jobs, along with tens of thousands of construction-related jobs associated with the installation and repair of water systems. It is important to note that these job losses cannot be easily reversed -- an iron foundry cannot be turned on and off like a light switch. Because of the technical and regulatory requirements related to the operation of these complex operations, once a foundry closes, it is usually gone forever, as are the jobs that it provides.

Beyond the need to provide safe, clean water, to preserve a vital resource and to protect existing jobs and operations, however, investment in water infrastructure is a proven method of creating new jobs and boosting our economy. According to the Associated General Contractors and the

National Conference of Mayors respectively, each billion dollars of investment in infrastructure creates or supports 28,500 jobs, and every dollar invested in water and wastewater infrastructure adds $8.97 to our nation's gross domestic product. That's a significant return on investment by any measure.

Although we all realize that funds are scarce in these difficult times, there are two proven policies under consideration by Congress – the reauthorization of the State Revolving Funds (SRF) and lifting the state volume caps on private activity bonds (PABs) for water infrastructure projects -- that will enhance our ability to improve our clean water and wastewater systems, foster economic growth in the U.S. manufacturing sector, preserve and create jobs quickly, and thus make a significant difference in the health and welfare of this country, the future of the waterworks foundry industry and the livelihoods of our communities and employees.

First, let me once again thank the members of the Committee for their support of the primary federal-aid programs for our nation's drinking water and wastewater infrastructure, the Drinking Water State Revolving Funds and Clean Water State Revolving Funds. The SRF programs have been crucial to help ensure the quality of America's drinking water and wastewater facilities. However, in recent years funding for the SRF programs have been significantly reduced, and there is a pressing need to reauthorize the programs. We agree with the need to reduce the federal deficit and that no program is immune to reductions in federal spending. But we ask that the Committee continue to recognize the effectiveness of the SRF programs and the vital importance they have to fund water infrastructure projects.

Given the fiscal challenges and mounting debt faced by all levels of government, we should look to a proven tool for numerous other types of projects by forming partnerships with private enterprise to secure additional sources of funding for water infrastructure projects. Lifting the state volume caps on private activity bond financing for water infrastructure projects would inject billions of dollars of low cost, private capital into infrastructure repairs, while shifting the economic risk away from cash-strapped municipalities and toward the private sector. Private activity bonds are a form of tax-exempt financing that encourages state and municipal governments to collaborate with sources of private capital to meet a public need without increasing the debt of local governments – the debt is borne by the private sector. Currently, the tax code caps the volume of most types of federal tax-exempt bonds that may be issued in a given year, and allocates them state-by-state based upon population. Historically, most of the tax-exempt bonds have been issued to politically attractive, short-term projects such as housing and education loans. This tendency has limited the amount of such bonds that can be utilized for long-term water infrastructure projects; in fact in 2007 only 1.3% of all exempt facility bonds were issued to water and wastewater projects.

Local governments commonly use PABs for a variety of public purposes: public housing; school loans; airports; recreation and cultural facilities; solid waste facilities; port facilities; airport terminals; and, certain industrial pollution prevention projects. In the past, PABs have been used to solve critical infrastructure problems including the solid waste disposal crisis in the 1980's, where the private sector invested over $20 billion in new waste-to-energy facilities to avoid massive groundwater pollution and reduce the growing number of hazardous waste sites.

Lifting the cap for water projects would generate additional, more affordable capital for infrastructure repair and construction for municipalities, thereby ultimately benefitting users and customers. Moreover, these are projects that private investors are willing to invest in and bear the risk. The revenue impact would be nominal relative to the significant benefits: each year a mere $35.4 million in lost tax revenue (according to 2010 scoring from the Joint Committee on Taxation) would leverage as much as $5 billion annually in private capital, creating more than 135,000 jobs and adding almost $45 billion to our nation's GDP. This is a good investment under any circumstance and the perfect example of a public-private partnership.

Reps. Bill Pascrell (D-NJ), Geoff Davis (R-KY) and Senators Robert Menendez (D-NJ) and Mike Crapo (R-ID) have introduced H.R. 1802/S. 939, the Sustainable Water Infrastructure Investment Act that would lift the cap on private activity bonds for water infrastructure. Both bills have bipartisan cosponsors -- 54 in the House and 7 in the Senate -- creating an opportunity for Congress to demonstrate its ability to tackle a pressing public problem on a cooperative, bipartisan and cost-effective basis.

In summary, today we are facing a crisis of loss in the waterworks sector of our economy. It's a crisis of lost water, lost jobs, and the lost opportunity to address our country's needs. Changing how we view the crisis and how we fund the vital repairs in an age of budget constraints is our challenge. Using a mix of traditional funding and innovative ways to partner government efforts with private capital is our opportunity. I believe that the reauthorization of the SRF programs is important for Congress to address as soon as possible to help provide the core federal funding for state and local water infrastructure. In addition, lifting the volume cap on private activity bonds for water infrastructure is a fiscally responsible complement to existing federal investments in water infrastructure that would generate billions in annual investment at a minimal cost. By meeting the public need for additional water infrastructure through these two measures, Congress could also help protect hundreds of thousands of domestic jobs at a time when they are desperately needed. On behalf of our industry's 16,000 employees, we respectfully ask Congress to enact both of these measures without delay.

Thank you all for your service and this opportunity.