



Regional Plan Association

... a research and planning agency supported by voluntary membership to promote the coordinated development of the New York-New Jersey-Connecticut Metropolitan Region.

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FOR IMMEDIATE RELEASE

MAJOR INVESTMENTS--MAYBE \$8.6 BILLION A YEAR--NEEDED TO MAINTAIN NEW YORK URBAN REGION'S INFRASTRUCTURE, REGIONAL PLANNER SAYS

Unless the tri-state New York Urban Region makes major investments to rebuild its deteriorating infrastructure in the coming decade, lagging public services almost certainly will undermine the economy, Dr. John P. Keith, President of Regional Plan Association, said today. Otherwise, he added, the Region can anticipate considerable economic growth in the 1980s--900,000 new jobs and 27 percent growth in output. His address on "Regional Infrastructure Strategy" was delivered before the City Club of New York at a luncheon at the CUNY Graduate Center this afternoon.

Dr. Keith said it was impossible to do more than guess the extent of the necessary repairs without a thorough, on-site assessment of the condition of the Region's infrastructure, but the total could be as high as \$8 or \$9 billion a year for the rest of the decade. He proposed exploring a number of regional financing methods, including a comparable tax levied by all three states in the Region and allocated according to regional priorities to keep the economy running well.

Regional Plan Association has been studying the tri-state Region's economy and recommending economic, social and physical improvements since the 1920s. It is a nonprofit citizens group chaired by William S. Woodside, Chairman of American Can.

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Copy of the speech attached.

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Statement to
The City Club of New York

by

John P. Keith
President, Regional Plan Association

November 5, 1982, 1:00 p.m.
CUNY Graduate Center, New York City

"Regional Infrastructure Strategy"

Infrastructure is the "in thing" these days. There has been all sorts of fuss in the media about the sorry state of the nation's capital structure--its roads, bridges, water and sewer mains, and the like.

The question for today is: what's the situation in the New York Region?

I want to address four particular questions:

1. Can we afford to rebuild our infrastructure?
2. What needs to be done?
3. How do we go about setting priorities among infrastructure proposals?
4. How are we going to pay for it?

1. CAN WE AFFORD TO REBUILD OUR INFRASTRUCTURE?

The answer is, we can't afford not to. The Region's economy depends on our ability to provide businesses with essential services. After two decades of deferring construction and maintenance, our very ability to do that is being threatened. So we find ourselves in a bind: we feel we can't afford large capital investments without a bigger economic base, but we can't support economic growth without large capital investments.

If we DO manage to maintain the necessary infrastructure, though, Regional Plan's research suggests that our prospects for economic growth are excellent.

The Region's economy passed through an enormous structural transformation in the 1970s, characterized by a major shift from manufacturing to white collar and service occupations. This change was sometimes traumatic, but we emerged from it leaner and more competitive--well on our way to a healthy recovery.

Consequently, we can expect about 900,000 new JOBS in the Region in the 1980s, 140,000 of them in the Manhattan CBD--which is nearly 60,000 more than the total job growth expected in New York City, meaning that the other boroughs are likely to suffer job losses.

We can expect the Region's POPULATION--which decreased for the first time ever in the '70s--to bounce back. By 1990, we should have nearly 20 million people, some 800,000 more than in 1980. (Only 60,000 of that increase will be in New York City, however.)

OUTPUT, as measured by Gross Regional Product, should grow 27 percent over the decade, from \$275 to 350 billion in constant 1980 dollars.

The "downer" in this otherwise optimistic projection is a serious "skills mismatch." As the economy pulls in educated, skilled people, it will leave some 500,000 people structurally unemployed because they lack the skills needed in today's economy.

So, in sum: we can expect to do pretty well in the years ahead--that is, unless the nation's economy falters badly or we fail to deal with our two pressing problems: one, the skills gap, and two, our decaying infrastructure. I'll concentrate on the latter in these remarks.

2. WHAT NEEDS TO BE DONE TO IMPROVE OUR INFRASTRUCTURE?

The truth is, we don't know for sure.

We DO know, we need to do a lot. We can tell from the Region's pattern of capital spending in the last 25 years. Since the early '70s, we've spent much less on infrastructure than we used to, and much less than the rest of the country.

In the '60s, for instance, we used to average about \$2 billion a year on sewers, water lines, highways and streets, bridges and tunnels, and public transit. That's in 1972 dollars. 1972 was the year spending on infrastructure peaked--at about \$4 billion, fully 3 percent of all the goods and services produced in the Region that year. That was roughly the same percentage spent by the nation at large.

But since then, the rate of capital investment has plummeted and now stands at barely one percent of our total output. The nation as a whole is spending at twice that rate--about 2 percent of GNP--and IT'S facing an infrastructure crisis.

The depreciation of our capital assets has been proceeding faster than our capital investment. In other words, the Region has actually been disinvesting for the last 10 years.

But that's about all we know. We have very little accurate information about the actual condition of Infrastructure in the Region. Inventories have been conducted for some federally financed facilities, such as bridges in New Jersey and New York, and there have been some improvements in accounting methods to help New York City keep better track of the condition of its capital purchases. But without benefit of on-site inspections, we can only "guesstimate" the amount of investment needed in the 1980s to keep our infrastructure in working order.

One way to guess is by adding up the public works proposals and capital funding requests of the three states in the Region, New York City and the major operating authorities and utilities. If all of those proposals were actually to be built, we would have to spend an average of \$8.6 billion a year (in 1980 dollars) throughout the coming decade. That amounts to about 3 percent of Gross Regional Product--which would not seem so outrageous, considering its importance to the economy, which is a tenth of the nation's--except that it's three times as much as we're spending right now!

However much we end up spending, we do know for certain that we need an accurate inventory of the Region's infrastructure needs. Senator Moynihan has proposed a bill to create a National Commission on Rebuilding America which would spend the next two years conducting an inventory of the condition of the nation's sewers, water lines, bridges, highways and roads and then develop a 10-year national investment plan. But we can't afford to wait for that to happen. The four major governments in this area--the states of New York, New Jersey and Connecticut and the City of New York--should proceed with a regional infrastructure inventory as quickly as possible, assisted by the Port Authority and other instrumentalities.

The job of compiling an on-site inventory of the Region's infrastructure is going to be slow and tedious. As the more serious problems are exposed, we will face difficult decisions as to which needs are most pressing and which proposals are most advantageous to our economy. That brings us to our third question:

3. HOW CAN WE SET PRIORITIES FOR INFRASTRUCTURE INVESTMENTS?

First and most importantly, it must be done from a REGIONAL perspective. The major issues which our infrastructure systems are designed to address--transportation, air quality, water supply, energy requirements, etc.--are regional in scope. Governments at all levels and throughout the tri-state Region will be dealing with the same problems. With public capital resources as scarce as they are today, it is absolutely essential that they be allocated as carefully and productively as possible. This will call for unprecedented cooperation and coordination.

Secondly, we believe very strongly that project proposals should be considered for their overall economic impact, as well as their effectiveness in providing essential services. The right public investment can attract private investments, create jobs--including badly-needed blue collar and unskilled jobs--and help lower the cost of doing business in the Region.

In cooperation with Battelle Labs, Regional Plan has developed a regional Input/Output model which allows us to estimate the overall impact of specific proposals on employment, income and output throughout the Region.

We are currently using that tool in a series of studies aimed at recommending a public investment strategy for the Region.

For example, we will soon be releasing our findings on the Region's solid waste management system and the cost-effectiveness of investing in plants which can process waste to produce energy--so-called co-generation. We based our evaluation of these facilities on a method used by the World Bank to evaluate public infrastructure investments.

At a later stage, we intend to compare the economic benefits of these waste-to-energy proposals with major transportation proposals, such as the MTA's five-year capital plan, and eventually proposals in every area of infrastructure. Our ultimate goal--still several steps away--is to recommend a capital budget for the entire Region.

Of course, ultimately, investments will be judged in terms of whatever traditional values we want to enhance in the Region--full employment, energy savings, urban revitalization, etc.--but now we have a consistent yardstick for comparing very different kinds of capital investments. And we believe that's an important step in the right direction.

And that brings us to the \$64 billion question:

4. HOW CAN WE PAY FOR THE NEEDED INFRASTRUCTURE IMPROVEMENTS?

As I indicated earlier, an annual investment of some 8 or 9 billion dollars in the physical skeleton of our Region--to protect and enhance an economy that will be producing between \$275 and 350 billion a year--does not seem outrageous.

The problem is that we are a regional economy addressing a regional problem, but we do not have any regional body which can levy taxes. As a result, the financial burdens are bound to be distributed unevenly. As you know all too well, some people--particularly those who are located in the old cities and can least afford it--will pay more than their share, while those in some newer locations will end up paying less.

This Region, more than most, has paid for capital investments by charging tolls and other users fees. The Port and Triborough Authorities are successful illustrations of that approach. Undoubtedly, we will have to extend that practise, to see that those who benefit from transportation facilities, for example, pay for them and that the various transportation modes help to support each other.

Beyond that, as venturesome as it sounds, we ought to explore methods of regional finance. Minnesota has established a tax sharing method to equalize development burdens in the Twin Cities metropolitan area and it has worked successfully for more than a decade now. Forty percent of the gain in property valuations since 1971 have been reallocated from a regional pool by formula to make up for the disparities in need and capacity among the communities of that seven-county district. The three states in our Region could levy such a common-based tax dedicated to infrastructure improvements.

There are other possible sources of revenues which could be allocated on a regional basis.

This Region sends \$12 billion a year more to the federal government in taxes than the feds spend in the Region--we might try to get more of that money back or, better still, not send it to Washington for national distribution in the first place.

The Moynihan proposal that I mentioned a few moments ago would fund infrastructure improvements that have interstate impacts.

Governor Kean of New Jersey has proposed an Infrastructure Development Bank which would be funded by a three percent gasoline tax.

There are many possibilities which ought to be considered. Perhaps under the pressure of having to keep this Region and its great central City operating, we will explore some of them. It seems that only in response to dire needs do we face up to such disturbing reassessments of our ways of doing things. Well, insofar as infrastructure is concerned, the dire need is upon us.

And let me remind you that, in the 1920s, both the Port Authority and Regional Plan Association grew out of just such a perceived need to deal in a cooperative fashion with the economy surrounding the Port of New York. The people who made those organizations were pioneers of their time, and their accomplishments have been emulated the world over. If they could do it, why can't we?

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