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Fitch: More US Infrastructure Failures Likely as Asset Ages Rise.

Fitch Ratings-New York-10 November 2016: The frequency and severity of incidents like the recent water main break in Philadelphia will increase in coming years absent renewed attention and ongoing investment, Fitch Ratings says. Businesses were flooded, shoppers had to be rescued and cars were submerged when the Nov. 4 water main rupture – the third such incident in as many years at this location – released approximately six million gallons of water.

The cost of the damage will likely be significant, although no estimates have yet been reported. The main break is similar to other notable infrastructure failures in recent years in other older, urban cities like Los Angeles, Washington, D.C. and Boston.

The escalating age of the nation's infrastructure and continued underinvestment in underground assets supports Fitch's view that infrastructure failures will continue to occur. The American Society of Civil Engineer's reports 240,000 water main breaks occur annually in the US, while the American Water Works association believes required costs to restore existing water systems reaching the end of their useful lives, and to keep pace with population growth, could be upwards of $1 trillion nationwide.

Moreover, a recent survey compiled by the Environmental Protection Agency showed nearly $385 million is needed to improve and replace the nation's drinking water infrastructure through 2030 to continue providing safe drinking water.

In our 2016 Water and Sewer Medians report, capital spending dropped to the lowest level Fitch has observed since publishing its annual medians (just 113% of annual depreciation). The lack of spending contributed to an inability to improve the median age of facilities, which, at 14 years, is the same as the 2015 median and ties the oldest of any median result.

Moderate increases in planned capital spending are expected for the 2017 medians and beyond, but Fitch expects planned outlays will remain below historical spending levels exhibited during and immediately before the recession, heightening concern regarding the ongoing age of utility infrastructure over the coming years.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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