

News Release

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Mind the gap: US infrastructure problems edge towards crisis proportions, according to Ernst & Young and Urban Land Institute

NEW YORK, 29 APRIL 2008 – The United States' infrastructure problems could reach crisis proportions in the next 10 years if steps are not taken to attract more private capital to the sector or overhaul the nation's antiquated regional infrastructure planning process. This is one of the key findings in *Infrastructure 2008: A Global Perspective*, a report published jointly today by Ernst & Young LLP and the Urban Land Institute (ULI).

The report estimates that the US currently has a US\$170 billion annual funding gap for infrastructure projects. However, the gap is widening every year and there are fears that the gap could balloon over the next few years as local and state governments experience "revenue shrink", particularly from lower property tax collections.

"Frankly, the US has been coasting when it comes to infrastructure spending, especially when compared to growing economies such as China which spends about nine percent of GDP on vital infrastructure," said Dale Anne Reiss, global leader of real estate, Ernst & Young, LLP.

"The economic uncertainty facing us means that public infrastructure is in even greater jeopardy," said Ms. Reiss.

"It is clear from the experience of other countries that public private partnerships (PPPs) are an essential tool in planning, building and maintaining vital infrastructure," said Mike Lucki, head of Ernst & Young's global infrastructure services group. "Failure to fully embrace this model in the US could lead to our economy falling behind more of our global competitors," Mr. Lucki added.

The report concludes that infrastructure funds -- private vehicles set up to invest in infrastructure assets -- currently hold an estimated US\$400 billion in capital for investment. This, combined with broader adoption of the PPP model, could alleviate much of the current strain on public coffers caused by the need for radical improvement in local, state and regional infrastructure, says the report. However, the report also questions whether the US has the political will and determination to take a long term approach to the infrastructure issue.

"Unfortunately, the infrastructure debate in this country only moves forward when catastrophic examples occur of the state of our bridges, roads, airports and water systems," said Mr. Lucki. "If we are going to address this issue and be in a position to challenge rampant economies such as China over the next few decades, we have to take a much more considered and holistic approach and not wait for another structure to collapse. We need to create a mindset to have the will to build," he added.

The EY/ULI report provides a snapshot of current and planned infrastructure investment in a variety of categories across the globe, with an in-depth look at the United States, China, Japan, India and Europe.

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