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US infrastructure decay forecast to cost trillions

Sam Fleming in Washington

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The US's failure to address its infrastructure deficit is set to cost the country trillions of dollars in lost economic output in the coming decades, according to a study published on Tuesday.

The American Society of Civil Engineers, which reports on the shortcomings in the country's roads, bridges, waterways and airports, said that gross domestic product would take a \$4tn hit between 2016 and 2025 because of lost business sales, rising costs and dented incomes if the country continues to underinvest in its infrastructure.

That would mean America having 2.5m fewer jobs in 2025 than otherwise, said the report.

"Deteriorating infrastructure, long known to be a public safety issue, has a cascading impact on our nation's economy, impacting business productivity, gross domestic product, employment, personal income and international competitiveness," warned the ASCE, which has given US infrastructure a D+ grade.

The report comes as the debate over US infrastructure heats up ahead of the November election. Hillary Clinton and Bernie Sanders, the Democratic presidential candidates, and Donald Trump, the presumptive Republican nominee, have all been demanding a boost to infrastructure investment, decrying crumbling roads and bridges and urging measures that would put more people to work.

President Barack Obama has bemoaned leaders' failure during his time in office to capitalise more on low interest rates and an underemployed construction sector, as the administration admonishes Congress for doing little to boost investment.

Last year US public capital investment, which includes infrastructure, was just 3.4 per cent of GDP — or \$611bn, according figures from the president's Council of Economic Advisers, the lowest in more than 60 years. Net of depreciation, its share of GDP was barely above zero, at 0.5 per cent.

The ASCE on Tuesday projected \$3.32tn of infrastructure investment will be needed between 2016 and 2025. There will be a \$1.44tn investment funding gap in that period as things stand, it expects, with the biggest shortfall seen in surface transportation such as roads and municipal transit.

While Congress passed a long-term funding law for roads and other surface transportation last year, the legislation relied on fiscal gimmicks including a raid on the Federal Reserve's capital. The prospects for a further boost to infrastructure spending after the election will depend heavily on the constellation of power in Congress.

Ed Mortimer, executive director for transport and infrastructure at the US Chamber of Commerce, has said he is cautiously optimistic, partly given the political attention the topic is getting. "We are in a presidential environment where I am hearing both candidates that are leading their parties saying this is part of getting our economy moving again," Mr Mortimer said before the ASCE figures came out.

"While there has been some recent legislative success, it unfortunately has not been nearly enough to modernise our ageing infrastructure," said Greg DiLoreto, chair of the ASCE's committee for America's infrastructure.

"The continued under-investment into our transportation, energy, and water systems is hurting families and businesses."

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