

How to fix US infra

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As President Donald Trump prepares for his first state of the union address this evening, there are various rumours circulating about how infrastructure may be prioritised in his to-do list for the year ahead.

The nation eagerly anticipates more details on Trump's infrastructure plan, for which funding ambitions have risen in today's headlines from \$1 trillion to \$1.5 trillion.

Any unveiled initiatives are unlikely to come as a surprise, as [a leaked document](#) supposedly outlining the administration's infra plans came to light last week. Those in the industry who are close to government suggest the document bears a striking resemblance to draft plans they have seen.

However, many infrastructure professionals will hope there is flesh to add to the bare bones of the leaked initiatives. It is fair to say its reception has not been wholly positive.

Missed opportunities

What was included has underwhelmed, and there are some clear measures, within the gift of Federal government, that have been overlooked.

The aspect to have caught the imagination of headline writers was a big chunk of planned funding for projects in rural areas. It escaped no one's attention that this commitment would play well to President's Trump supporter base.

Coupled with a promised allocation of significant additional federal grants for qualifying projects throughout the country, the document amounted to little more than a bombardment of cash being fired off in various directions.

Except these are not funding commitments. The President does not have the power to commit funds to his plans, as only Congress can sign off on spending. So at present these allocations remain policy goals.

And the \$1-1.5 trillion figure is highly misleading. It accounts for not just federal funds (which represent a small portion of the total), but state and local funding, as well as private sector investment. In fact, the document talks of new grants for covering no more than 20% of total project costs, when previously some projects have seen grants cover up to 50%.

Besides, throwing money at crumbling US infrastructure is not alone going to solve fundamental problems. There is already a wall of cash out there in the private sector. The problem is a lack of projects to invest in.

For any infrastructure initiative to be effective, it needs to significantly reduce red tape and bring more assets to market.

Among the more promising initiatives briefly mentioned in the document were new executive powers to privatise federal assets, and a lifting of restrictions to P3 procurement for transport infrastructure.

But there was no detail on how these goals would be achieved, and these nuggets of good ideas were buried deep in a

pretty brief document, under a pile of suggested government giveaways.

While extensions to the use of Private Activity Bonds and TIFIA loans will not be entirely unwelcome, they will not act as a catalyst to an explosion of new development.

So what should be done?

Most disappointingly, if you ask bankers, lawyers and developers in the US what Trump should do, they can reel off any number of initiatives that this administration has completely overlooked.

The most obvious omission was any kind of detailed plan on how the administration can promote the use of P3. President Trump has previously hinted that they will play a crucial part in his infrastructure plan, and yet they were hardly mentioned in the draft document and there was scant detail on how their use can be expanded.

Further, the focus on supporting rural projects seems to side-line P3, as the model is most profitably used for urban area projects where toll revenues are more reliable and concession payments easier to justify.

Admittedly, the real procurers of P3 are states and local governments, and the federal government is restricted in what it can do to boost the model's use. But the consensus seems to be that it could and should be doing more.

In no particular order, here is a shopping list of initiatives mentioned to *IJGlobal* by market participants since the infra document leaked:

- a model for attracting more corporates to invest in infrastructure. Extending tax credits is not enough
- get rid of scoring for Federal projects. This is something the executive controls and removing it would have an outsized impact on the pipeline
- sell Washington International Airport. This is a prize asset which the government does not need to own
- open up VA hospital projects to P3
- federal funding for the Gateway Tunnel across the Hudson (which the Trump administration cut in December)
- extra funding for rail corridors
- expansion of the federal-aid highway programme to include toll roads

All or none of these may make it into President Trump's speech tonight, but either way it means little. At present we are only talking about draft plans and are a long way away from a bill passing through Congress. But it seems clear that whatever ends up in the Trump infra plan, there is a lot more work to be done.

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