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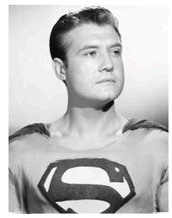

There is a right and a wrong in the universe, and that distinction is not hard to make.
Superman

Private Capital Can Save America’s Crumbling Roads and Bridges

Digging deeper deficit holes to fix infrastructure can't fix the problem. Here's why it's time for private capital for infrastructure.

SOURCE: Getty Images

By Bob Hellman
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Even with the landmark $1.3 trillion 2021 infrastructure bill under its belt, the **Biden Administration** returned to Congress this summer to ask for more money to repair Maryland's critically damaged **Francis Scott Key Bridge**. The lack of available federal funds underlines how empty governmental coffers are and how much more is needed for infrastructure repair.

The backlog of crumbling bridges in the United States is immense, the shortfall of funding to replace them is severe, and the federal government is in no position to fill the breach. It's finally time for governors and mayors to seriously consider private capital funding as a solution for their dire infrastructure needs.

It's a whispered truth of American life: our roads and bridges are crumbling after decades of massive use but financial neglect. Our interstate highway system—once the envy of the world—has been graded a C by the American Society of Civil Engineers. We've got similar problems with our schools and public buildings, the need to upgrade our electric grid, the physical infrastructure of our aging postal system, and much more.

In the United States, when an elected leader suggests bringing in private funding for public projects, they're shouted down.

The scale of the problem is simply too big for the government to handle on its own. Luckily, the rise of institutional private infrastructure funds over the past 40 years has created an industry with more than **$4.5 trillion** under management. Private infrastructure—in which private investors fund the infrastructure needs of public communities and earn returns from user and lease fees—is a proven and obvious solution if our elected officials are courageous enough to explore it.

Private infrastructure funding turns the entire cost and risk of select public capital projects over to private investors, bringing the private sector's cutting-edge knowledge, experience, and project management skills to bear on the construction of the asset itself. This approach eliminates the financial burden on taxpayers while avoiding asking local governments to manage a project about which they often have little knowledge or experience.

These funds — whose investors include pension funds, university endowments, private companies, and individuals — fund and manage the cost of building or repairing bridges, schools, and other public infrastructure elements and collect returns via tolls, lease agreements, and cost efficiencies.

Private infrastructure is unencumbered by many of the structures governments have put on themselves.

In the United States, when an elected leader suggests bringing in private funding for public projects, they're shouted down. Yet traditional tax-funded infrastructure repair and creation have proven simply insufficient. Tax revenues fail to meet communities' infrastructure needs, and estimates have put the cost of bringing our infrastructure up to modern standards at multiple trillions of dollars—an amount that dwarfs our often-criticized defense budget and, yes, even our latest infrastructure bill.

Private infrastructure brings together deep-pocketed investors and those with the know-how to build projects on time and on budget. By comparison, what's the last major public infrastructure project you know of that was created without significant delays and astonishing cost overruns?

Boston's Big Dig was almost 600% over budget. California's **High-Speed Rail** is expected to be at least 300% over budget, but it's so early in the project that the overrun will almost certainly grow. Even the more modest **Gordie Howe Bridge** between the United States and Canada is now expected to come in at 127% over budget.

Private infrastructure, meanwhile, is unencumbered by many of the structures governments have put on themselves. Instead of needing several departments' approvals, private infrastructure can act with the same alacrity and speed as a private business. It uses the same steel suppliers and union laborers the government would use but without the time delays and cost escalation that multiple levels of overhead and political maneuvering that regularly plague government-led infrastructure projects.

Governmental leaders must tell citizens the truth: the money doesn't exist for these repairs, and time is running out to get them done.

Moreover, passing the cost and the risk entirely over to private infrastructure groups means that these groups are incentivized to get the project up and running faster. Every day that a highway remains under construction, or a power plant is not completed is one more day that their investors aren't making a return.

Experience is an often-overlooked element of managing a major capital project, but it's an absolutely essential one. Some needed projects are very complex and should be tackled by well-trained experts. There is a world of difference between filling a pothole — something public works departments have experience doing and city councils and departments of transportation have experience overseeing — and building or repairing a major transportation route.

Our present infrastructure isn't going to hold up to the demands of modern society without taking dramatic action. We need governmental leaders – at every level – who are willing to tell citizens the truth: the money doesn't exist for these repairs, and time is running out to get them done. Waiting for the next bridge collapse to respond is not a sign of good government decision-making or leadership.

Citizens should have the ability to hear about these hard truths and make informed decisions about the future of their infrastructure — whether they opt to use private infrastructure funds or not.

About the Author

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