Bridging the Gap Together: A New Model to Modernize U.S. Infrastructure

We have an extraordinary opportunity in America—to relieve the pressure being placed on our nation’s roads, water and sewer systems, ports, airports, and energy grid with available private capital. To achieve this, though, we must shift our approach and make smarter, more informed investment decisions. By working together, the public and private sectors can make a transformative impact on our nation’s infrastructure; create millions of jobs; maintain the health, safety, and security of our communities; and put our nation on track for decades of greater prosperity.

The Challenge We Face: Short-Term Focus Fuels Mounting Liabilities

The price tag to adequately prepare America for the future is hefty—likely requiring trillions of dollars to upgrade, modernize, and expand our infrastructure. Long-term needs—operations, maintenance, repair, expansion and modernization—are too often ignored in favor of short-term priorities. To keep our nation competitive and preserve our American quality of life, the public sector cannot continue to cover the cost and absorb the risk of our degrading infrastructure alone.

The Solution is Clear: Long-Term Outlook Compels a New Model, Delivers More Infrastructure

There is another way. The private sector stands ready to partner and assist—bring capital, innovative solutions and valuable expertise, which can reduce future public operations and maintenance liabilities, and lower overall infrastructure costs. Together the public and private sectors can establish a new model for infrastructure investment.

The council’s recommendations aim to increase the flow of private capital into U.S. infrastructure projects by:

- Addressing the pervasive underappreciation of future infrastructure liabilities in America;
- Encouraging partnerships with the private sector to share risks and maximize the value the public receives from infrastructure assets; and
- Ensuring communities across the country have tools to make necessary investments.
Understanding the Barriers

Private investment in infrastructure is happening around the globe. Yet it is rare in the United States due to a number of unique barriers associated with the American market. Three major risks hinder the flow of private capital to U.S. infrastructure:

• **No project pipeline** — few projects have been identified that are both attractive to private investors and tied to a clear public benefit.

• **Political uncertainty** — competing stakeholder interests and lack of political consensus on long-term investments have led to projects getting canceled or significantly delayed.

• **Permitting risk** — complicated regulatory environment including sequential permitting for projects contributes to costly delays, which can exacerbate political uncertainty.

Achieving a New American Model for Investing in Infrastructure

The new model will transform how we invest and how much we invest. Its core principles are:

• Projects proceed only after public benefits have been identified and clearly stated;

• Infrastructure investment decisions incorporate full life-cycle evaluation, beyond upfront costs;

• Project benefits, costs, and risks are completely accounted for and made publicly transparent;

• The risk of not investing is quantified and compared against the costs of action; and

• Public and private sector partners share these risks, costs, and benefits.

Recommendations

To achieve the New American Model for Investing in Infrastructure, the council recommends:

• **Emphasizing Outreach, Engagement, and Education**: Every project should begin with a statement of public value. Stakeholder outreach, engagement, and education throughout project development are central to a project’s success.

• **Establishing Broad Enabling Framework**: Appropriate conditions and transparent expectations must be set for investments to occur; therefore, a viable legal framework needs to be put in place, with supportive policies and expert offices.

• **Inventorying All Public Assets**: Establishing a standardized inventory of the physical and economic condition of all public assets is critical to understanding and meeting infrastructure needs.

• **Exercising the Full Range of Options for Project Delivery and Financing**: Public officials must identify the infrastructure needs they are best positioned to own and operate, which needs could be shared with the private sector, and which needs could be fully transferred.

• **Simplifying Project Development and Permitting**: Simultaneous permitting with clear decision-making authority, coupled with standardized documents and forms, will help to attract private capital to infrastructure projects.

• **Expanding the Range of Revenue Options Available**: Project sponsors must identify revenue to leverage financing. Emerging sources of private funding, such as value capture, naming rights, and crowdfunding, should be embraced.

• **Creating New and Leveraging Existing Financial Tools**: Increasing the variety and strength of financial tools will attract new private capital that has not traditionally been invested in infrastructure.

About The Infrastructure Executive Council

America faces a $1 trillion infrastructure funding crisis. Government alone can’t fully fund all of the roads, bridges, and other critical infrastructure our economy needs — let alone upgrade our airports, shipping hubs, and water facilities to meet the challenges of the coming decades. Private investors, working together with government, will have to step up with additional resources in order to bridge the gap.