

## Trump's Infra Plan Opens Door For Private Sector But Leaves Some In Doubt

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*The president's framework has proposals to incentivise investment but places a heavy burden on local governments to figure out how that's done.*

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The White House unveiled President Donald Trump's long-awaited infrastructure plan on Monday that calls for \$1.5 trillion of spending but shifts the burden of how much of that is funded to local governments.

The plan, billed as a "framework" for Congress to negotiate around, proposes using \$200 billion in federal money over a decade to entice state and local governments and the private sector to invest in infrastructure. It also calls for speeding up project delivery by reducing the time required to obtain permits to two years at the most.

At the heart of Trump's plan is an initiative to "empower" state and local governments to develop and finance infrastructure improvements in their communities. Half of the proposed federal spending is allotted to an incentives programme that will dole out grants for up to 20 percent of a project's cost. The plan says projects must have sustainable, non-federal revenue streams.

A quarter of the \$200 billion is directed to a rural infrastructure programme that will finance projects in parts of the country that typically don't attract investment. "Transformative" projects such as high-speed rail get \$20 billion, as do existing loan programmes such as TIFIA and private activity bonds. The final \$10 billion is reserved for a "capital financing fund".



### Private-sector friendly?

Along with federal incentives, Trump's plan contains measures that could draw private investment.

One is a proposal to expand a Federal Aviation Administration programme to allow more privately owned or operated airports. There is a call to ease tolling restrictions, which could open the door for privatising roads that currently do not generate revenue. There is also a provision that is light on details but could lead to the sale of federal infrastructure assets.

"The plan is more friendly to private equity investment and public-private partnerships than people had expected," said Martin Klepper, former head of the Transportation Department's Build America Bureau. "There are a number of provisions that will provide some important incentives to encourage local

governments to consider using PPPs.”

However, not everyone believes shifting the burden of how to finance infrastructure to state and local governments is the answer. Joel Moser, chief executive of Aquamarine Investment Partners, said Trump has simply told governors and mayors to “please spend more on infrastructure”.

“That Trump has an infrastructure plan is fake news,” he said.

With a limited track record of success, Moser doesn't think PPPs are ready for “prime time” in the US and that states will have a hard time paying for projects without the politically unpalatable option of raising taxes.

“The necessary way to get big things done, and I think it's going to be this way for years and years to come, is for federal government to write big cheques for big chunks of these projects. And [Trump] just said he's not doing that anymore,” Moser said.

One question Trump's plan left unanswered is how the \$200 billion of federal spending will be funded. After Trump and Republicans in Congress passed a \$1.5 trillion tax reform package in December, and a multi-year budget deal that increases the US deficit by \$1 trillion, some say it's unlikely politicians will approve more spending.

“I fear that we'll let partisanship gum this thing up,” US Representative Josh Gottheimer, a Democrat from New Jersey, said. “If you're going to talk about an area for bipartisan opportunity, this is it.”