

# *Why Don't We Do It Here?*

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*Is the grass really greener  
.....or do we just have rose-colored  
glasses on?*

- **Project delivery versus project cost**
- **Differential levels of control**
- **Legal, political and organizational restrictions**
- **Capital markets and sources of project funds**



## *Delivery vs. cost: The big question*

- **US transport agencies are typically well-staffed with experienced project delivery teams**
- **PPI/PFI perceived as taking work away**
- **Culture of using consultants as staff extensions, not as equals**
- **Project managers have little experience in managing contracts rather than works**
- **Long-term planning and programming of funds a public sector function**



## *Who makes the rules?*

- **Very strong culture of control in US agencies at all levels**
- **Can be adverse to private sector methods, priorities**
- **Transport projects tend to be politically driven**
- **Intergovernmental issues**



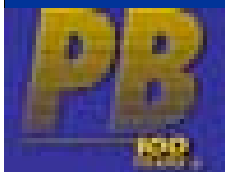
## *The rules make change difficult*

- Entire federal planning process makes introduction of privately developed projects difficult
- “Unsolicited” projects often the ones best suited to private development
- Pairing public and private investment thwarted by tax law, procurement rules, liability concerns
- Transparency and disclosure requirements may scare off financial investors



## *US capital markets already a major source of infrastructure financing*

- **US municipal bond market second largest securities market in the world**
- **PFI developed in countries that did not have a muni market**
- **Low rates, long tenor mean cheap money for publicly owned projects**
- **Limited availability for non-public projects (private activity bonds)**
- **Existing investors very comfortable with the market**



## *Equity is more expensive than debt*

- **Private means equity...usually 20 to 30 percent of total cost**
- **Minimum equity returns double or triple debt rates**
- **Equity is not long term...need exit strategy**
- **In UK, a secondary market exists**
- **“Portfolio” players can securitize multiple assets**
- **US markets have not accepted those structures**
- **So, equity comes from contractors and is trapped...so it is priced high**



## *Is “private” really better?*

- **Project economics will always rule**
- **If revenues cannot cover debt and equity, then government contribution still needed**
- **Analyze the intent: to build more, faster, better, or cheaper?**
- **Increasing private participation will require cultural as well as legal and tax changes**

