



International Transport Forum

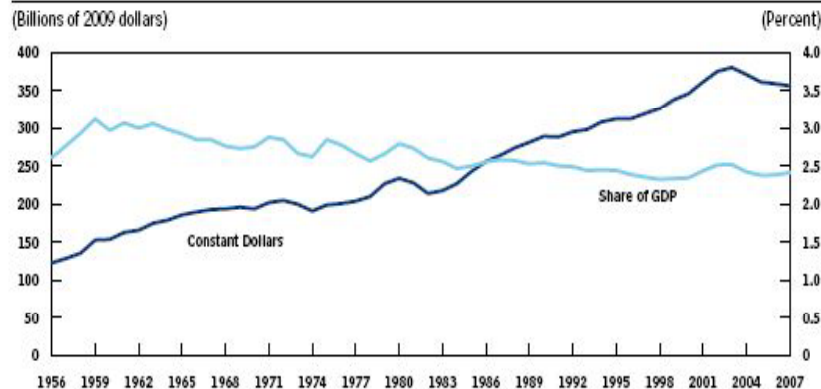
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Worldwide trends in Infrastructure Investment – The US experience Highlighted

- Government spending on infrastructure has fallen as a share of GDP
- Over the past 30 years, there has been a twofold increase in demand (vehicles-miles travelled)

Total Public Spending for Transportation and Water Infrastructure in Constant Dollars and as a Share of GDP, 1956 to 2007



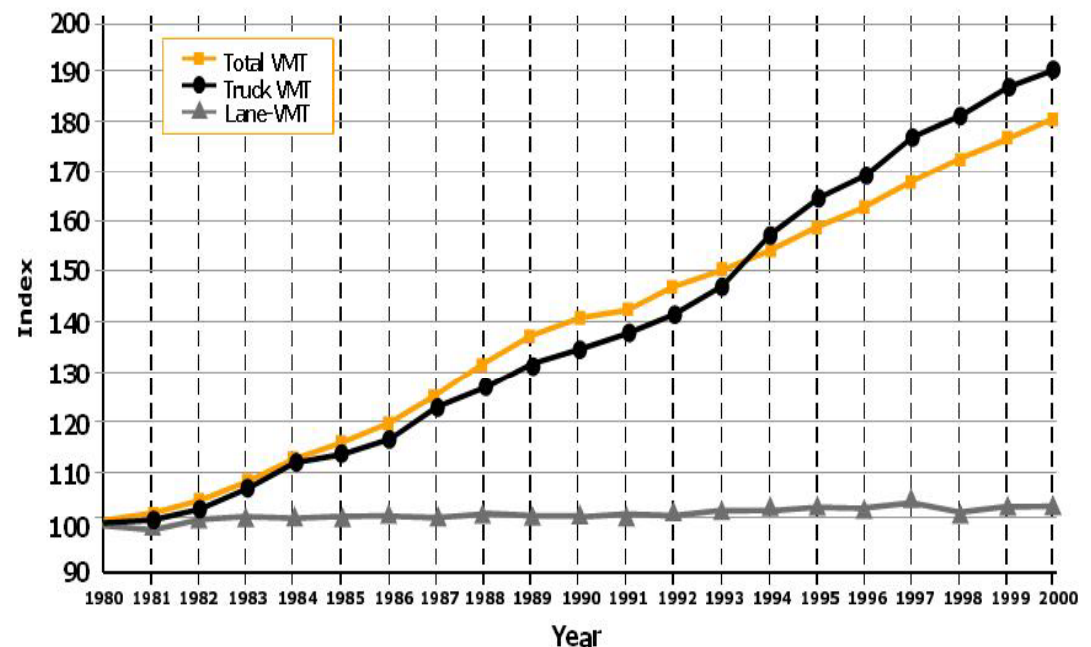
Source: Congressional Budget Office.

Notes: Total public spending is the sum of expenditures by the federal government and by state and local governments.

For the purposes of this analysis, the phrase "transportation and water infrastructure" encompasses the facilities and systems that support transportation, provide water resources, supply drinking water, and treat wastewater.

Spending expressed in constant dollars has been adjusted to reflect the effects of inflation between the year the spending occurred and a base year, which in this study is 2009.

GDP = gross domestic product.



Poor maintenance of existing facilities

■ Past:

- In 1956, Eisenhower promoted an investment plan to build more than 74.807 kilometers of highways which transformed the economy



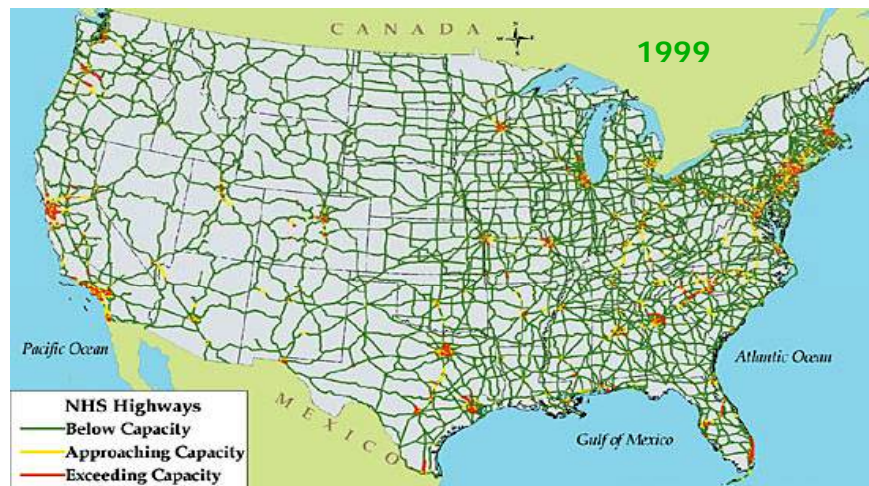
■ Present:

- More than 70,000 bridges (27%) in United States are categorized as “structurally deficient”
- To repair all of them will cost more than 188 billion dollars



Increasing congestion problems

- Governments across the country are having a difficult time keeping up with the demand for transportation investment
- Lack of investment together with increase in demand will result in increased congestion, safety issues and air pollution, all of which will hinder mobility as well as current and future economic opportunities



The consequences

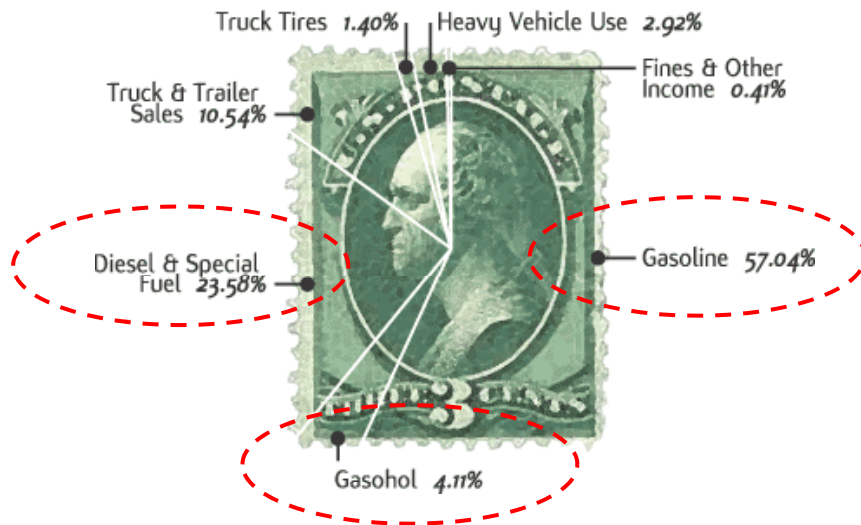
- Lack of new infrastructure investment has increased congestion in big cities and metropolitan areas
- Congestion has a cost:
 - Not just in time....
 - ... but also in fuel consumption (money)
- Estimated cost of congestion is 63.1 billion dollars annually in the 85 main metropolitan areas of the United States



Which are the alternatives?

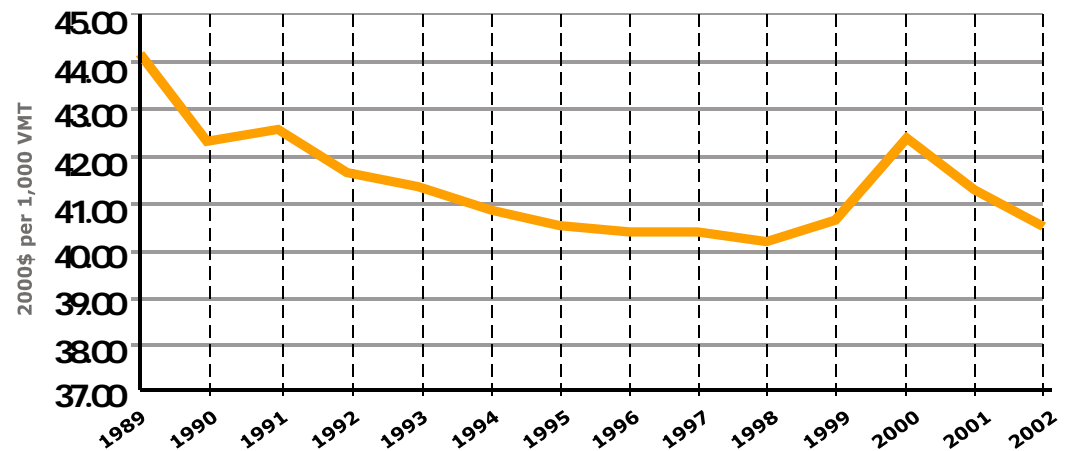
- To increase direct or indirect taxes is not a viable option in the current economic environment

Where the money for new investments come from



Fuente: FY 2000 Highway Account Revenues

Revenues for every 1,000 miles travelled (USD, 2000)



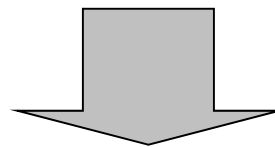
- The solution: Pay as you go

- Alleviate Federal and State burden through private sector involvement
- Empower local and regional authorities to solve transportation problems

Public or Private?

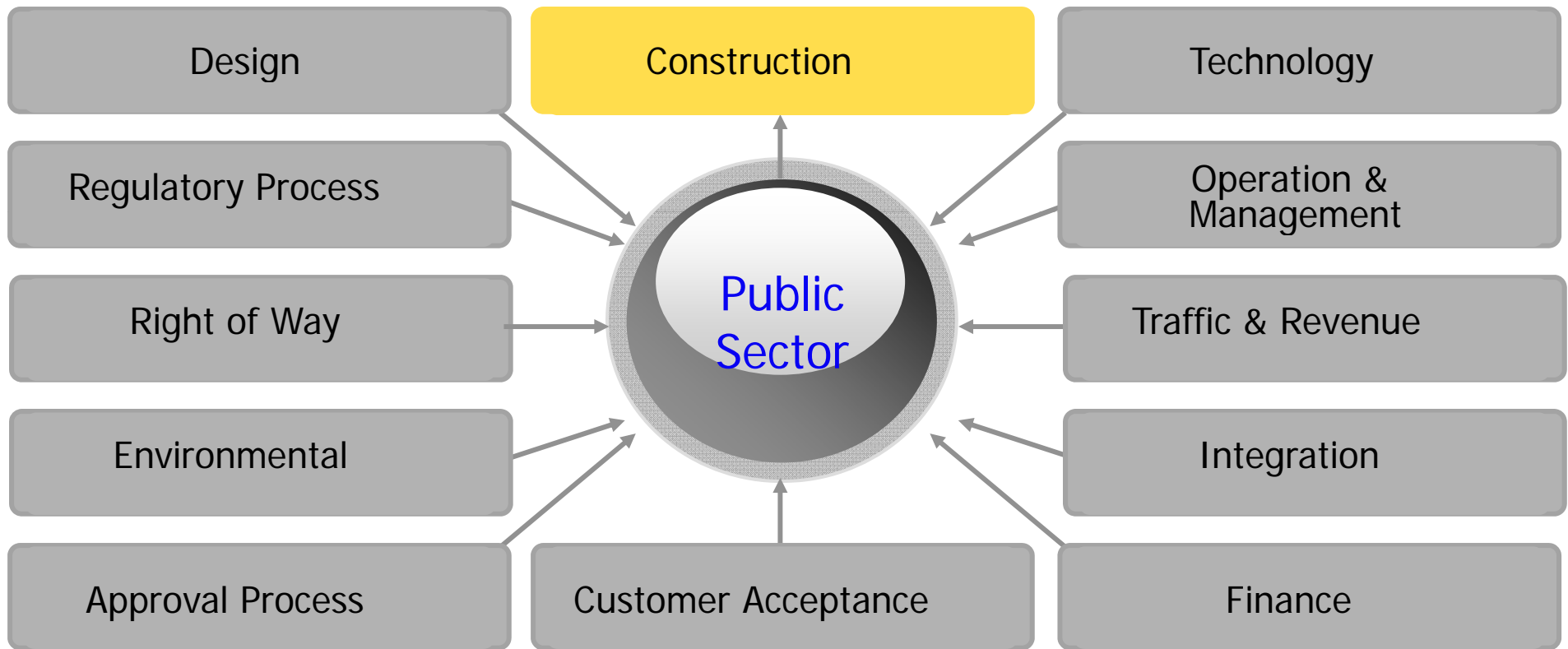
■ Private sector:

- Puts skin in the game
- Greater accountability – avoidance of interplay between economic and political logics
- Implementation of global best management practices, experience and innovation in design, finance, construction, operation and maintenance
- Cost control: commercial discipline and benchmark around spending and development
- Shifts key risks from the public to the private partners



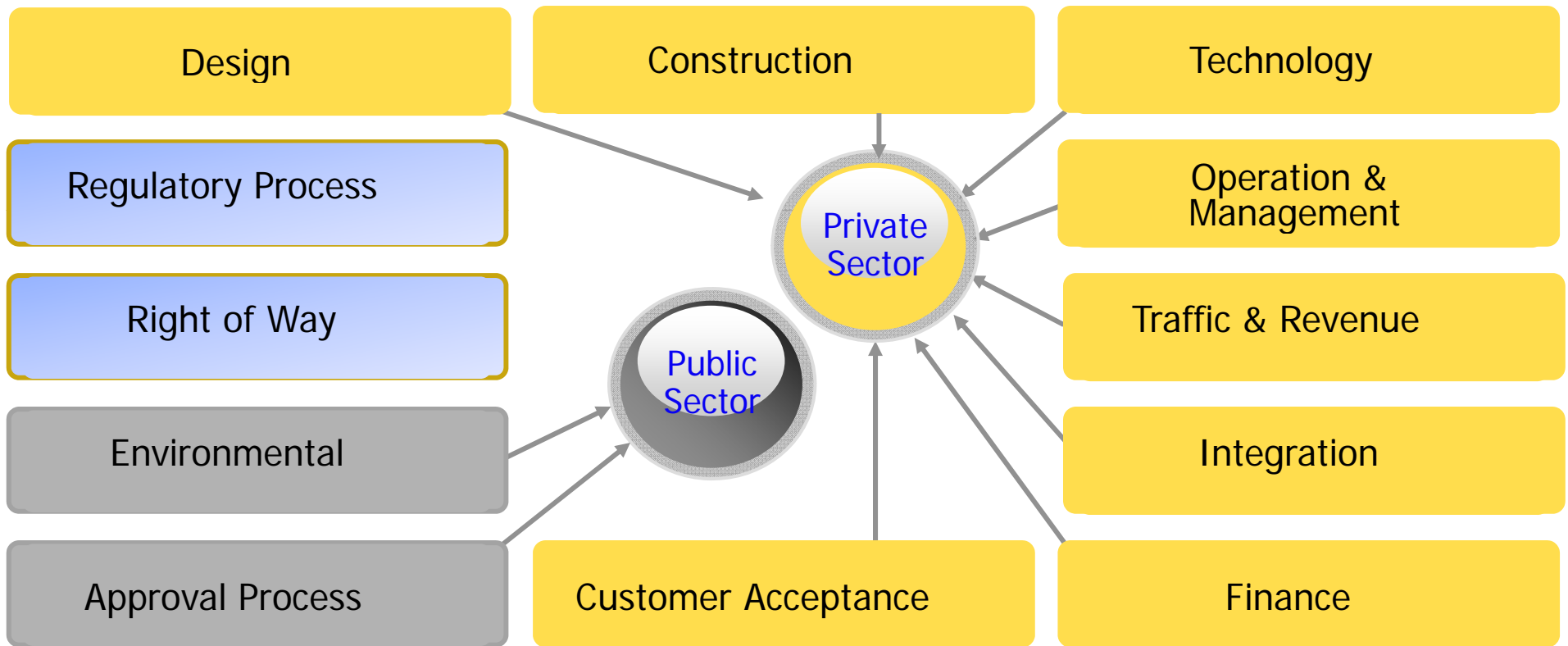
PRIVATE SECTOR INVOLVEMENT COMPLEMENTS PUBLIC INTEREST

Traditional allocation of risks–Bid/Build




















Misaligned interests between contractor and Public Sector


Efficient Risk Allocation



Public Sector Benefits

Brownfield projects	PPP	Traditional
Fast easy and transparent process (< 8 months from RFP to closing)		
Maximum asset value for the Grantor (leverage, ratings, etc)		
Liquidity available for other investment priorities		
Reduced highway maintenance expenses		
Reduction in CAPEX budget for major expansion needs		
Greenfield projects		
Fast development time (earmarking) = savings in cost escalation.		
Streamlined construction process (turnkey contracts, fixed prices)		
New assets generate public sector revenue with no gov't investment or future obligations		
Customer-orientation, ownership mentality: maintenance, quality, technologies		

 Available Feature

 Not available

 Partially available

What is needed by the private sector?

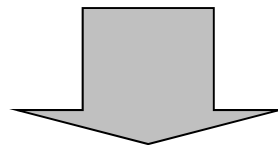
The private sector puts its money at risk and needs

■ In developed countries:

- Clear and well defined rules
- Economic stability
- Well developed financial market. Financing in local currency.
- Independent, effective legal system

■ In developing economies:

- The aforementioned plus political stability
- Returns commensurate to the risks assumed



THE PRIVATE SECTOR NEEDS A CONDUCIVE LEGAL, REGULATORY AND POLICY FRAMEWORK

- There is a global infrastructure deficit, due to the lack of investment over the past decades and increase demand.
- Public Sector in most countries are heavily indebted by which the “user pays” model is the most viable alternative.
- Private management allows to provide a better service at lower cost
- The private sector needs to have a conducive legal, regulatory and policy framework
- North America continues to be the fastest growing market, both in number and the value of the projects, although there are some constraints
- In Europe, major projects are expected mainly as availability schemes, although there are some projects identified as real toll.
- There are numerous opportunities in new markets (India, Brazil or Mexico), although it is still early to know whether the returns are commensurate to the risks