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Infrastructure: Show me the money - by Barbara Champoux

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Smart development and stable financing are the keys to a successful infrastructure project, but are often missing on such projects. Why are these development and finance elements so much more challenging for infrastructure projects than for comparably large complex private projects?

As described in previous articles in this series, global infrastructure desperately needs repair, renovation, expansion and replacement. So, the world needs infrastructure financing: $3.3 trillion per year, or almost $50 trillion through 2030, to sustain economic growth, according to recent estimates.

Private investors, such as insurers, pension funds, banks and sovereign wealth funds, manage $120 trillion in assets, and they are looking for solid long-term investments. Indeed, significant private-sector capital has been invested in many infrastructure sectors, including energy (regulated utilities, power, midstream oil and gas, renewables), ports, rail, wireless towers, and fiber networks, where they are able to deliver reasonable risk-adjusted returns. Unfortunately, too many U.S. infrastructure projects currently offer unattractive risk-adjusted returns because they are poorly structured, make little financial sense and become stalled in the development process pipeline.

How can a more efficient, predictable and cost effective infrastructure delivery process be facilitated, so more private capital is directed towards developing and renewing the world's infrastructure?

1. Establish a clear point of accountability within the federal government.

There are many overlapping and competing federal agencies, regulations, processes, and roles with oversight
into how projects are approved, managed, and funded – extending schedules, increasing costs, and reducing ROI. Streamlining and improving decision processes to move projects through the pipeline at much greater speed, while ensuring projects are properly reviewed, environmental concerns are mitigated, and progress benchmarks are met, will increase their appeal to investors.

2. Catalyze better performance from the construction industry.

U.S. construction labor productivity is lower today than it was in 1968, while other major industrial sectors have experienced impressive gains. Implementing programs and incentives to systematically unlock productivity-enhancing innovations would enhance meeting budgets and timelines.

3. Focus on outcomes; define performance metrics.

To enable economic growth, greater access to jobs and healthcare, increased interstate commerce, access to broadband, etc., federal government should: Focus to desired outcomes, rather than inputs (e.g., planning, procurement, permitting, etc.); and establish a common set of performance measurements for major infrastructure projects, applied using a central transparent system for reporting and public disclosure. By developing a formula for calculating projects' economic and social impacts, and a system for measuring and reporting performance, the resulting project predictability and clarity should reduce the requisite rate of return to private investors on infrastructure investments, and lowering the cost of capital.

4. Empower and support state and local governments.

Partnering among federal, state and local governments to overcome process challenges, such as cumbersome and inconsistent procurement and permitting processes, and skill gaps in the workforce, and drawing from the private sector, which has made significant advances in areas from procurement efficiency to the application of advanced analytics to evaluate user experiences, should streamline projects and enhance their efficiency.

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