

**Eugene Gilligan**

## Senate looks at P3s as possible funding tool

Witnesses testified at a 6 May Senate hearing that P3s can be part of the solution for funding transportation needs in the US.

The Senate Finance Committee conducted the hearing. While the Senate Environment and Public Works Committee will introduce a new transportation bill that will replace MAP-21 legislation that will expire this fall, the Senate Finance Committee must find a way to pay for the provisions contained in the bill.

Jayan Dhru, senior managing director of Standard & Poors, noted that government spending on infrastructure has fallen to a 20-year low of 1.7 percent of GDP. While governments are under pressure to reign in their spending, Dhru said S&P believes that insurance companies, pension funds and other non-bank lenders could help fill the funding gap. S&P estimates that institutional investors would like to target about 4 percent of their investment portfolios to infrastructure, higher than the current levels of 2%. If that increase happened, that would mean an additional USD 200bn could be invested in infrastructure every year, Dhru said. Increasing the transparency of P3s, while minimizing political and regulatory risk, could increase the flow of investment dollars to infrastructure, Dhru said.

### **Expanding PABs**

Samara Barend, senior vice president at AECOM Capital, told the committee that P3s can help solve the US' transportation funding dilemma.

"PPPs have played a crucial role in accelerating projects by eliminating the need for full, upfront public funding, leveraging future revenue streams, and eliminating multiple procurements and mobilizations," Barend testified.

Barend said that the USD 15bn allocated to the Private Activity Bond program will soon be used up, meaning that the estimated USD 30bn pipeline of transportation P3 projects may be jeopardized, or may move forward through a "traditional, less cost effective approach." She urged that the program be expanded, in addition to creating a new category of bonds that could spur P3s on public buildings.

Senate Finance Committee chairman Ron Wyden (D-OR), (pictured) in his opening statement, said he was in favor of "getting private capital off of the sidelines." He said proposals such as "using new tolls on existing roads, or charging motorists on the number of miles they drive," will be examined thoroughly.