

[HOME](#)[ABOUT](#)[EVENTS](#)[PRESS ROOM](#)[CONTACT](#)[LOGIN →](#)BRINGING YOU THE
POWER OF PERSPECTIVE

PERSPECTIVES

The following article is a sample of our Perspectives – analytical insights on economic data releases, trends in the global economy, and industry developments from our Global Insight economic forecast services.

How to Fund the Repair of U.S. Highways and Infrastructure

24 Oct 08

In spite of the influx of an additional \$8 billion into the U.S. Highway Trust Fund, there still is an infrastructure funding gap in the United States. Privatization is one possible answer for closing this gap.

The U.S. Highway Trust Fund is a key source of infrastructure spending in the United States. It was on a spiraling path to bankruptcy in September when Congress finally approved an \$8 billion influx. Although this was technically a repayment of a 1998 loan from the trust fund to the general fund, it was still much-needed relief.

The trust fund receives its replenishment from fuel taxes on gasoline and diesel fuel. This past year, as gasoline and diesel prices soared and the economy slowed, fewer tax dollars were collected for the fund. Couple that with the simple fact that earmarks (specific favored projects of congressional, state, and local legislators) have taken much of the funding, it becomes apparent U.S. legislators must change their ways or we must seek additional funding sources.

Surprisingly, many of the truckers favor taxes over tolls. They optimistically see a fix in the irresponsible spending that has contributed mightily to the trust fund's current condition. Truckers also rail against Public Private Partnerships, seeing these as "sales of existing roads to the private sector for mostly foreign investors to profit on our use." This feeling is deep-seated despite the fact that if we travel to London, Toronto, or Sydney, we will likely find ourselves traveling on roads or rail service to airports owned by private sector investors and operators.

The United States has a long history of private sector involvement in areas like rail freight service, as well as electricity generation, transmission, and distribution. We see very little in areas like highways, airports, and toll roads. There are reasons for this. In the United States, government has always "built and maintained the roads." The trust fund has always been a ready source, and municipal bond markets have been affordable in the past. But as the Congressional adage goes: "one man's 'pork' is another's compelling local issue." Politicians simply thrive on delivering projects to their hometowns and states.

U.S. transportation stakeholders have become interested in Private Public Partnerships (PPP) to at least add another possible infrastructure funding alternative. But we agree, there are daunting obstacles:

1.—there is a plethora of authorities who must sign-off on the privatization of existing assets. These can include the city, port, or airport authority, state legislature, state senate, the governor, state, and federal DOTs and departments of labor. If the buyer happens to be foreign, the list expands even further!

2.—there is the possible loss of jobs as the private sector takes over

Chicago's mayor solved this when the Chicago Skyway was privatized by guaranteeing jobs elsewhere in the city.

3.—pride of ownership has always loomed large in American's minds. The U.S. public likes to own their roads and bridges!

But the city or state always has the power to impose controls and can have regulations that can strongly govern how the privatized assets must be operated.

RELATED CONTENT

[Trade & Transportation Analysis, Forecasts, Data.](#)

STAY INFORMED

Subscribe to *Perspectives*, our weekly newsletter.

[E-mail a Colleague](#)

4.—Americans also tend to worry that we cannot control non-American-owned infrastructure assets. They feel less comfortable with "foreigners" controlling their roads and ports and bridges.

The asset's ownership can be retained in the structure of the PPP and if the performance of the operator becomes a problem, covenants can be built-in that have the asset revert to its original ownership structure.

5.—there is a worry that a private investor cannot manage his debt payments.

The asset remains. If the private party defaults, the city or state simply gets the original payment they received at closing and gets the asset back as well

There are currently about 20+ PPP projects in various stages of development. The Indiana Toll Road put \$3.8 billion in cash into funds for other transportation improvement projects in the state of Indiana. Governor Mitch Daniels is using the dollars as intended.

Legislation just was approved privatizing the Midway Airport in Chicago. If the judicious use of the funds from the Skyway deal is an indication, Chicago will make good use of the funds from this latest privatization.

Lots of money in the United States is tied-up in steel and concrete that can be turned into funds to repair the never-ending potholes and infrastructure repair necessary to keep this country's commerce running smoothly. It behooves U.S. policy makers to at least proceed with exploration of this funding methodology.

By Charles W. Clowdis Jr.