



FRANK M. RAPOPORT

Frank M. Rapoport Featured in Corporate Livewire's Infrastructure 2014 Virtual Roundtable as a Leading Expert

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Mr. Rapoport provided the following insight to key industry questions.

[Have there been any recent regulatory changes or interesting developments?](#)

In September 2014 the U.S. Treasury Department hosted an infrastructure investment summit to discuss opportunities for private investment in public infrastructure. This Summit was part of the "Build America Investment Initiative" announced by President Obama in July. The federal government-wide initiative aims to increase infrastructure investment through engagement with state and local governments and private sector investors to expand the market for public-private partnerships and put federal credit programs to greater use.

The Obama Administration and other stakeholders announced a series of investments and commitments as a result of the Summit, including a \$950 million loan for the Orlando, Florida, I-4 Ultimate highway project given by the U.S. Department of Transportation. This represents the largest loan ever completed for a P3 from the Transportation Infrastructure Finance and Innovation Act program. In addition, the U.S. Department of Agriculture committed \$518 million in loans for electricity infrastructure. Global

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investment and advisory firms, dedicated infrastructure investors, international asset managers, utilities and construction companies, and pension funds collectively committed to deploying more than \$50 billion for projected private capital investment in the U.S. infrastructure market over the next five years.

The main themes surrounding the Summit included:

- State and regional P3 “Centers of Excellence” to assist U.S. P3s by applying best practices and increasing efficiencies.
- A properly structured P3 is not simply about risk transfer from the public to private sectors, but rather the allocation of risk to the party best suited to manage and mitigate.
- The public sponsor’s selection of qualified and experienced financial and legal advisors can be a key factor in the success or failure of a project.
- The private infrastructure investment sector is global in nature. The U.S. is competing with Canada, Latin America, Europe, Asia and Australia for such investments.
- The U.S. P3 sector would benefit from increased standardization and common guidelines.
- A long term solution to financing the Highway Trust Fund would bring stability to the transportation sector, encouraging private sector investment.

The Build America Transportation Investment Center is providing a range of educational and technical assistance resources to support project sponsors who are considering PPPs and other forms of innovative finance. The Department of Treasury is releasing the first in a series of new model contract provisions to serve as a guide for highway toll concession PPP contract agreements. A subsequent guide in this series will address availability payment concession PPP contract agreements. The Department is also publishing a series of new “Project Highlights” that provide a plain-language account of how project sponsors assembled the funding and financing necessary to complete public-private partnerships.

What markets are currently providing the best opportunities?

P3 Water/Wastewater.

The Water Resources Development Act of 2014 will begin to address the financing needs for upgrades to drinking water systems, dams, ports and other water infrastructure. P3s leverage the best practices and unique strengths of both government and private enterprise to meet the growing demands of citizens everywhere and deliver efficient results. As communities across the country grapple with the

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complexities of providing water and wastewater service, they are increasingly turning to private water companies as a trusted partner to build, maintain and operate these critical services.

More than 2,000 facilities from New York to California are operated in public-private partnership contract arrangements, allowing municipalities to maintain a critical role in the water services process while taking advantage of the extensive benefits that come with a private operator. Year over year, these contracts are renewed at an impressive rate—more than 93 percent—because of the superior service customers receive from these unique partnerships.

What are the main attractions and challenges in your jurisdiction?

U.S. local, state and federal governments should be supporting private participation to develop and deliver much needed public infrastructure. The private sector partner is committed to long-term success, from design inception through the construction, operations and maintenance phases ensuring that they take into account and plan for lifecycle cost and risk, thereby delivering high quality infrastructure to meet public demand.

Oftentimes, due to private sector participation, projects can be implemented sooner, or as Congressman Sean Patrick Maloney (D, NY) noted at a recent hearing on P3 before the House Committee on Transportation & Infrastructure, the choice is more often a P3 project or NO project at all.

What incentives are being implemented to help tackle the massive infrastructure deficit in developing economies and emerging markets?

Establish the Global Infrastructure Facility (The World Bank).

According to The World Bank, recent data shows that private infrastructure investment in emerging markets and developing economies dropped from US\$186 billion in 2012 to \$150 billion last year. In October 2014, The World Bank announced its new Global Infrastructure Facility (GIF) to develop a host of new worldwide P3 deals. The world's largest asset management and private equity firms, pension and insurance funds, and commercial banks are joining forces with multilateral development institutions and donor nations to work as partners to potentially unlock billions of dollars for infrastructure in the developing world.

World Bank Group President Jim Yong Kim recently stated:

"We have several trillions of dollars in assets represented today looking for long-term, sustainable and stable investments... In leveraging those resources, our partnership offers great promise for tackling the massive

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infrastructure deficit in developing economies and emerging markets, which is one of the fundamental bottlenecks to reducing poverty and boosting shared prosperity... The real challenge is not a matter of money but a lack of bankable projects – a sufficient supply of commercially viable and sustainable infrastructure investments.”

Which projects, already built or in the pipeline, constitute the best examples of completed or pending infrastructure?

Within the last decade, public-private partnerships (P3s) have played an increasingly crucial role in the construction and renovation of transportation and utility infrastructure. Today, politicians from both sides of the aisle are utilizing infrastructure as platforms to showcase their support for economic revitalization; frequently speaking about newly constructed infrastructure projects, the number of jobs created and the stimulus to the economy generated by new and improved roads, bridges and tunnels. Rebuilding America’s infrastructure creates jobs.

One notable example of the benefits of P3s is the partnership between the State of Connecticut, the Service Employee’s International Union, the Carlyle Group, and several other local Connecticut businesses that was formed to redevelop, operate, and maintain the state’s 23 highway service areas.

Successful P3 projects that are gaining attention around the country include the upgrade of I-595 in South Florida, the expansion of the Port of Miami Tunnel, the modernization of the Port of Baltimore, the new Capital Beltway HOT Lanes in Virginia, the construction of the new courthouse in Long Beach, California, and the newest P3 transit project – the Eagle regional transportation project in Denver, Colorado.

In an ideal world what would you like to see implemented or changed?

Diminish P3 opposition due to fear.

While there has been a fair amount of opposition to P3 procurement, much of this resistance is due to a misunderstanding of what a P3 represents. Union member fear was tied to the misconception that private companies would own these public facilities. As an example, many public labor unions had vocally opposed P3s due to their initial fear that jobs would disappear but many of the jobs remain unionized after the P3 is completed, typically governed by collective bargaining terms. Additionally, private concessions frequently create jobs through capital programs that had been sidelined by broke city governments.

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The advantages of using P3s to deliver transportation and social infrastructure projects include the following:

- Reduced government spending by optimizing capital funding plans;
- Innovative private sector design and project management by ensuring funding throughout the course of the project;
- Operational efficiency and management of facilities for aging buildings that require significant maintenance;
- Technological expertise from the private sector, which can lead to quality improvements and accelerated delivery of the project; and
- Reduced risk as result of working with a private partner that manages cost and schedule overruns.

Through P3 procurement, many of our country's much needed public utilities— such as courthouses, bridges, train stations, and highways— can be made available for public use sooner, at a reduced life-cycle cost, and in much better condition. These benefits last for the lifetime of these public assets. They are owned by the same government agency that is still accountable for its operation and maintenance, and are provided through a willing and highly capable partner. P3s represent opportunities to restore and rebuild America's infrastructure, presenting ready opportunities for economic development and sustainable, long-term job growth.

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