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QPIBs Provide a Level Playing Field for Public-Private Partnerships.

The proposed creation of the innovative new municipal bond (MUB) (TFI), or QPIBs (Qualified Public Infrastructure Bonds), has another purpose. The bonds would help provide a level playing field for public-private partnerships, or P3s.

Currently, P3 arrangements combine complete public ownership with private sector management and operations expertise. This arrangement doesn't allow P3s to take advantage of the municipal bonds' benefits. The QPIBs will extend municipal bonds' benefits to P3s. Since these partnerships would involve long-term leasing and management contracts, the QPIBs would help lower the cost of borrowing while attracting new capital.

PABs versus QBIPs

Similar bonds from the past

A similar program, known as private activity bonds, or PABs, has already been used to support infrastructure financing of over $10 billion in the US. However, PABs differ from the proposed QPIBs in certain aspects. The differences are listed in the above chart.

In the US (SPY) (IVV) (DIA), the Obama administration will make more details available on the QPIBs in the upcoming budget proposal. The proposal will be released on February 2, 2015.

Market response

The QPIBs were primarily seen as a welcome move. However, the proposed bonds still require legislative approval from Congress. As a result, certain entities question whether the QPIBs will become a reality.

Market Realist

By Stephanie Johnson • Jan 21, 2015 2:05 pm EST

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