

# **Bond Case Briefs**

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## **What's Holding P3s Back?**

*Chris Hamel, managing director head of municipal finance at RBC Capital Markets, hosted the webinar: Why Haven't Public-Private Partnerships Caught on for Infrastructure Financing in the U.S.? In it Hamel addressed what he said was the core infrastructure needs for the U.S.: more funding.*

### **Public-Private Partnerships**

Hamel said he believes that through an increased use of public-private partnerships (P3) the U.S. would be able to breakdown greater funding barriers. He says that P3s often mean something different to everyone — comparing the process to six blind men all describing an elephant.

“The municipal government can finance infrastructure cheaper than the private sector because of the roll of provision tax exemption on their debt. While this may not be the only factor that affects the analysis of the union execution vs. P3, it is an important one that frankly often prevails,” said Hamel.

Hamel feels there are three suggested elements for the U.S. to develop its own unique approach to P3s:

- Design-Build: an example is the New York Tappan Zee Bridge, which saved around \$1.1 billion over the original estimated cost of \$5 billion
- Design-Build-Finance: often used by universities to build housing, combines lower construction costs with the lower financing that comes with tax exempt debt
- Design-Build-Finance-Operate-Maintain: relates to the monetization of non-core assets, the government can evaluate what it has, to convert non-revenue generating assets into sources of revenue

### **Policy Questions and Problems that Arise**

“It comes down to what are we all comfortable with in public and private funding? With the events surrounding the water in Flint, Michigan, would it have done better being handled in the private sector?”

Hamel relates the Internet to a private sector that, in a sense, most are comfortable with. A different example, which may draw different opinions is the public sector gaining revenue through tolls, while in the private sector the naming rights to a bridge (or other structure) are sold to gain revenue.

Another problem Hamel sees is that private sector innovation can have unintended consequences for the state and local government. In the example of the Phoenix airport, Sky Harbor, a great deal of revenue is generated by the airports transportation — but with new transportation apps gaining popularity, Sky Harbor loses that revenue.

“How will the airport re-seize the revenue taken by Uber and Lyft?”

Hamel believes that the key to making P3s and solving the U.S.'s infrastructure challenge is gained through collaboration.

BY MAILE BUCHER ON FEB 18, 2016

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