
Investment Impact of $1 Trillion Infrastructure Measure Seen as Mixed.

The new law is likely to encourage telecommunications and broadband investment while leaving roads and bridges to governments

The recently enacted $1 trillion infrastructure measure is likely to create more investment opportunities for private-equity firms in areas they already favor, such as telecommunications, while doing little to expand their presence in the government-dominated transportation sector, industry lawyers and consultants said.

"I think on the margins the law is going to help private investors in sectors they were already interested in and it's probably going to hurt them a little bit in sectors they weren't that interested in to begin with," said Brent Burnett, co-head of real assets investments at Hamilton Lane Inc., a private-markets investment-management and advisory firm.

The Infrastructure Investment and Jobs Act, which President Biden signed in November, designates $550 billion for such things as roads and bridges, the power grid and broadband internet systems. The funding can enhance the attractiveness of investment opportunities that previously appeared uneconomical, said Mike Parker, Americas infrastructure leader at consulting firm Ernst & Young.

He cited as an example the expansion of broadband internet in low-income and rural areas.

"The bill is providing funding that allows for the last mile for certain households that would not otherwise be able to afford the service," Mr. Parker said. "This is going to create the opportunity both for private capital to serve them as customers and for broader investments in fiber and data centers."

Searchlight Capital Partners, which last year hired former Federal Communications Commission Chairman Ajit Pai as a partner, is one private-equity shop that is increasing its broadband bets. The New York-based firm last year backed internet services provider Virginia Everywhere LLC, which does business as All Points Broadband, citing plans to partner with governments at all levels to build out services.

"Telecom infrastructure has been a large and growing target for private infrastructure investors. They started to build platforms within rural broadband even ahead of this bill," Mr. Burnett said. "That's one area that I think you could see private infrastructure investors playing in at scale."

But the new law is less likely to create many more opportunities for private-equity firms in projects, such as building roads and bridges, that traditionally have been financed with public capital, said Kent Rowey, a partner at law firm Allen & Overy LLP who works in its global projects, energy, natural resources and infrastructure practice.

The absence of a model common to the U.S. telecommunications, power and energy sectors, where governments act more as regulators than financiers and operators, helps deter private-sector investment in things like highways and bridges, Mr. Rowey said. Government funding and the municipal bond market finance most of the country's transportation infrastructure.

That the new infrastructure law did little to encourage more private investment in government-heavy infrastructure sectors was one of its big disappointments, he said. Setting up an infrastructure bank in the mold of the Export-Import Bank of the U.S., as well as a mechanism to enable private operators to exit long-term leases of state infrastructure, were some of the things the bill "could have been more ambitious about," he said.

"Nothing transformational was done," Mr. Rowey said of the final version of the infrastructure measure.

"A lot of money was authorized and that will improve the country's infrastructure, create jobs and drive growth in the economy—all very good things—but the law didn't provide the opportunity for direct private investment in infrastructure assets that we in the industry had hoped for," he said.

Mr. Rowey added, however, that the measure will likely give a boost to private equity-backed providers of services to the infrastructure sector, as they could benefit from some of the added spending. He cited architectural and engineering firms, water-service companies and operators of port terminals as examples of businesses that stand to gain from a construction boom that the new law may foster.

"A lot of private-equity [portfolio] companies own container terminals, and there's a lot of money set aside in the bill for modernizing container terminals," Mr. Rowey said. One such company, Ports America Inc., recently changed hands as the Canada Pension Plan Investment Board bought the Jersey City, N.J.-based business from Oaktree Capital Management LP last year.

"I think there will be more opportunities for infrastructure and private-equity fund managers in purchasing services companies in the infrastructure space than investing directly in the capital expenditures for the assets themselves," Mr. Rowey said.

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