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Global Infrastructure Investor Association
Promoting Private Investment in Infrastructure

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Dear

Economic Stimuli – Private investment in infrastructure

As planning moves from managing the near-term impacts of the Covid-19 crisis to restarting the US economy, investment in both new and existing infrastructure presents a well proven way to spur economic growth and create jobs.

The Global Infrastructure Investor Association (GIIA) represents many of the leading international investors in infrastructure including a significant number of US-based players including fund managers, retirement systems among others. Our members own or manage over US$750bn worth of existing infrastructure assets and control substantial further sums ready for investment in infrastructure across the US economy. They are experts in deploying capital and managing assets to deliver world class infrastructure - from transport to energy, broadband to hospitals - across 55 countries on six continents.

It has long been recognized that the US requires substantial investment in its infrastructure: the challenge has always been how to get investment moving. GIIA and its members believe that utilizing private capital represents the best means by which to help this element of the economy get moving. Increasing the involvement of private capital reduces the strain on federal and state budgets while leveraging the private sector to deliver new infrastructure projects that can drive employment and economic growth.

As part of the next stimulus package, we encourage you to put private investment to greater use by implementing the following steps:

1. Lease existing infrastructure for future investment: We strongly believe that at the state and local government level there is untapped opportunity to recruit new investment using existing infrastructure assets. By entering into long term leases or concessions with the private sector for the operation of selected existing assets, governments could then invest the proceeds from those arrangements into other infrastructure. Contractual terms can be designed to provide certainty to governments and reassurance to local communities, with ultimate ownership remaining in public hands. Crucially, the lease proceeds create a new revenue stream for governments which, when supplemented with targeted federal incentive grants, provide a new infrastructure funding mechanism without placing huge additional pressure on already stretched federal, state or local budgets. A limited program of federal investment incentives for state and local governments has been proven to have an outsized impact in catalysing lease activity and boosting overall infrastructure investment using private capital. As a complement to federal investment incentives, certain regulatory and/or statutory tax changes to expand the permitted use of tax-exempt debt would further expand this opportunity to boost infrastructure investment and we would be pleased to share additional details.

2. Implement targeted tax measures to incentivize new investment, thereby creating jobs and enhancing sustainability. Making tax changes is consistent with the approach in the CARES Act and allows for stimulus to be measured and focused where it will have most impact. Examples of specific changes include:

a) Amending the US business interest deduction limitations under Section 163(j) such that they only apply a cap based on a taxpayer's EBITDA for all future years. Current law will reduce the cap to 30% of EBIT for tax years beginning on or after 1 January 2022. Infrastructure assets generate substantial depreciation deductions making the proposed amendment an important change to incentivize financing for new and existing assets. This has immediate consequences as without the change, the impact of applying Section 163(j) to EBIT in the future would perversely disadvantage investors who make significant capex investments now (as well as in the future).
b) Encouraging new infrastructure investment by broadening the scope of infrastructure businesses excluded from the business interest limitation cap under Section 163(j).
c) Introducing a (potentially transferable) credit for capex on infrastructure projects spent within a certain "COVID-19 economic recovery" time period. Such a credit already exists for railroad maintenance. Having a similar credit apply more broadly to other classes of infrastructure would spur capital investment and jobs growth.

To summarize, there are highly investible assets in all US states across multiple sectors, including transport (ports, airports, roads railways), water / wastewater, renewables (particularly wind, solar, energy storage and biomass), and the roll out of high-speed broadband networks. Targeted use of limited federal incentives will unlock outsized investment at the state and local level. A meaningful number of these projects may be accelerated to offer positive near-term economic impact. Much good work has been done to streamline permitting over recent years, but more is needed.

We believe the ideas outlined above can be swiftly brought to bear, helping to deliver economic stimuli, with minimal call on the federal purse, while creating jobs and spurring economic activity that will have far-reaching benefits in local and national economic terms.

We would welcome the opportunity to discuss our thoughts with you and would be happy to organize virtual meetings in the coming weeks to help facilitate discussions.

Yours sincerely

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