



Could 2019 Provide A Comprehensive Infrastructure Spending Bill In The US?

26 December 2018
By **Nyambura Tabitha**
Markets Reporter



The issue of revamping US infrastructure at the federal, state and local level has dominated public debates for a few years now. Despite the ambitious rhetoric, there hasn't

been any substantial infrastructure spending legislation yet but there are increasing signs that this could actually change in 2019. It's no secret US infrastructure is decaying. Without proper investment soon, the US might start losing its competitive edge as a leading economy.

Additionally, the need for a stronger infrastructure in the country has grown bigger as manufacturing continues to rebound. The National

Association of Manufacturers in the US is estimating that optimism in the industry has hit 93.9%, the highest ever recorded in US history. A combination of deregulation and tax reforms over the last 2 years has largely been credited with this increase in optimism. But more still needs to be done especially on the infrastructure front. A strong manufacturing industry cannot thrive without a strong infrastructure

◀ network and a lot of analysts are growing confident that perhaps 2019 could be the year where huge infrastructure investments will be announced.

Advances in Congress

Recent surveys have shown that US current infrastructure spending has been the lowest over the last 30 years. As a percentage of GDP spending on infrastructure is at 2.4%. This is not just at the federal level. Even in state and local levels, infrastructure spending is at a thirty year low at the moment. Besides, US investments on infrastructure compared to other countries is significantly low. For instance, China's infrastructure investment as a percentage of GDP is at 8.4%, almost three times higher than the US.

The good thing is that lawmakers in Washington are starting to understand these figures and are pushing for a bipartisan legislation that could finally unlock the funding needed to revamp US infrastructure. A previous proposal by the White House that would have raised about \$1.5 trillion through state and local taxes faced significant opposition in Congress. In July this year, there was also a draft proposal by the House Transportation and Infrastructure Committee that addressed funding challenges that had been pointed out in the previous plan by the White House. The plan looked to leverage on multiple levies on fuel for funding.

Minor legislations too have already been passed that touch on the broader need for infrastructure investments

The bill has received significant bipartisan support and appears to have laid the ground work for additional legislative successes for a bigger funding plan.

Minor legislations too have already been passed that touch on the broader need for infrastructure investments. The Federal Aviation Administration Reauthorization Act of 2018 that outlines funding provisions for the US aviation sector is one notable example. President Donald Trump also signed into law the Water Infrastructure Act of 2018 that will allow federal funding for water related infrastructure projects across the country. One of the biggest challenges though still remains on transpiration systems. It's important to note that the Fixing America's Surface Transportation Act or the FAST Act is expiring in 2020. Lawmakers are facing a tough deadline to upgrade the plan before the deadline but there is hope a breakthrough is on the cards. In addition to this, Democrats who recently took control of the House of Representatives have promised a

robust infrastructure spending bill presumably next year.

The role of Outside Capital

Although the federal government will still fund a big share of infrastructure projects around the country, the inaction in funding seen over the last few years has been pulling private equity firms into the mix. So, substantial amounts have been raised through private equity for US infrastructure investment. For instance, the first three quarters in 2018 have seen a total of \$68.2 billion raised collectively through private equity. This was a jump of 18% compared to the same period last year. Until now, it does seem like the cost of infrastructure has dominated discussions in private equity. But things are changing. Investors are simply looking at the massive opportunity and the possibility of taking advantage of it within the right legislative and political climate.

Investing On US Infrastructure

As a private investor, the best way to invest in infrastructure projects is through a managed portfolio. Private funds like the Brookfield Infrastructure Income Fund are giving you this opportunity. The Fund invests in different infrastructure assets mostly in North America. You can buy into the Fund on the NYSE under the ticker symbol INF.