Transport

A NEW WAY OF INVESTING IN TRANSPORT INFRASTRUCTURE


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Historically, transport has always represented an essential factor in the development of civilisations. The concentration of wealth in cities over the centuries has led them to being equipped with increasingly complex infrastructure to connect one city to another.
Up until the 17th century, cities developed around ports, in the 19th century around railway stations, in the 20th century it was motorways that shaped the urban landscape and in the 21st century, airports will be key. While there is no doubt that transport is a lever for growth, it essentially remains the least profitable form of infrastructure for private investors as it poses a challenge in terms of exclusion and presents the strongest network economy.
Transport infrastructure offers the strongest general interest and is therefore predominantly funded by public bodies.
On the other hand, it is possible to think back to the financial collapse of the Channel Tunnel, solely funded by private investors.

A need for greater selectivity

In a context where public resources are under pressure, it is essential to have clear and precise rules regarding the evaluation and selection of infrastructure projects.
Their choice gives rise to increased selectivity, to tighter decision-making processes.
The robustness and relevance of criteria becomes essential in order to identify the programmes that will be the most useful to society and the most economically profitable.
The report entitled *L'évaluation socioéconomique des investissements publics* [socio-economic evaluation of public investment] assigned to Emile Quinet by the *Commissariat général à la stratégie et à la prospective* [general commission for strategy and economic foresight] updated and enhanced the methodology for socio-economic evaluation of public investment.
Nevertheless, despite increasingly enhanced theoretical and statistical tools, it remains very difficult to evaluate the actual profitability of public investment projects.
Regardless of whether they relate to the field of renewable energy, transport or education, calculating the profitability of investments relies on the complex evaluation of the value of externalities.
The different models are based on hypotheses which can be varied according to the more or less optimistic nature of the operator.
It is at this point that political decision-making should come into play.
No one will ever be omniscient when it comes to the quality of a particular project but sometimes, if there are grey areas, you must learn to trust your intuition in order to bring a project to fruition.
Greater selectivity cannot mean a lack of investment which would, all too easily, amount to sacrificing the well-being of future generations.

Facilitate investment from private stakeholders

In addition to greater selectivity in its investments, the State used an unknown lever in order to maximise its investment expenditure: finding new channels to facilitate investment from private stakeholders.
The legacy of tangible and intangible infrastructure from which we now benefit is the result of decided former investment in the 1960s, implemented in the 1970s.
This is a model which assumes a specific environment, strong social cohesion, a stable technological environment, relative homogeneity among the needs of the population and a firm belief in the future.
But the world has changed.
The State used to take the initiative in deciding to create infrastructure, as the State alone possessed the expertise and legitimacy.
The increasing willingness of individuals to participate in public decision-making and the development of companies' expertise and finance capacities have challenged this monopoly.
The new infrastructure will be collaborative.
In order to illustrate this new approach towards infrastructure, in the energy sector, there was a transition from the nuclear power plant, initiated and directed by public authorities, towards solar panels installed in the homes of private individuals with the support of the State and in conjunction with energy companies, the network operators, in a collaborative manner.
In terms of financial tools, the State can aid investment without being directly associated with it, by providing its guarantee.
As a legal entity who benefits from the confidence of international lenders, this guarantee is of real use for financing large projects which private entrepreneurs would not be able to take on by themselves.
This is a useful tool which, if used intelligently, will not have a negative impact on public finances.

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1) www.strategie.gouv.fr/publications/levaluation-socioeconomique-investissements-publics-tome1