

# InfrastructureUSA

**Felix Rohatyn, President, FGR Associates LLC**

**Interviewed by Steve Anderson, Managing Director, InfrastructureUSA**

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**Felix Rohatyn on:**

## **Infrastructure Investments and Job Creation:**

This country has two major problems right now: one is employment and the other is finance, and both of these can be serviced from revenues of a big infrastructure build. And if you had, say, a ten-year plan for a trillion dollars of new infrastructure, well you'd probably create several million jobs and you'd create a much more efficient economy and a higher standard of living for the people living in those areas. So, you know, there comes a time when you say, "where's the next generation to do this?" Because, I mean, at some point it ceases to be funny.

## **Funding for infrastructure projects:**

The Society of Civil Engineers does some kind of an audit about the state of the infrastructure, giving them an A, B, C or D. They concluded that in order to bring the infrastructure up to standard – and this is not gold plated, but just a viable standard – would take two trillion dollars. So everybody said "Well, two trillion dollars. Nobody can afford two trillion dollars," but somebody did, I mean the money was spent; the money is now gone because the systems are...some of them are decrepit, some of them are OK but are just too old. Then comes the question, you know, if we do this, if the government decides to do...or if the private sector decides to do it, somebody has to figure out how to finance this and how these bonds are going to get repaid. And this is where usually the thing falls apart. But there is a lot of infrastructure that is always being built and being used, etc. So it clearly isn't desperate, because it happens, but it certainly doesn't happen in the right way, and you get these earmarks in these projects so that the congressmen and the senators and the government can all get their involvement in this. And now the federal government is held responsible for New Orleans, and if that isn't a wake-up call I don't know what is.

## **The infrastructure bank:**

There is a bill in the Senate, and there is a bill in the House based on some of the work we've done...this bank for infrastructure. It's the same concept as financing anything else that has a predictable stream of revenue, where you can say, well, we need a billion dollars here. We're going to sell a billion dollars worth of bonds and those bonds are going to be repaid 100 million dollars a year over ten years

and guaranteed by the state or the local government or the federal government or the private sector, but you have a funnel, you have a revenue stream and you have the beneficiaries of this project, whether it's the state government, the federal government, the private sector.

### **The role of government:**

There is a huge concern about the role of government, and it's hostile. So you're beginning with two strikes against you on this thing. But it has to be...when I worked on the refinancing of New York City we ran into this because the city has clearly screwed up its financing, lied about its financial statement, etc, etc...and it took us a couple years finally to get the whole structure together but we did it by getting away from government... around the table we had the banks, we had the labor unions, and we had the public markets. And around that group we created a plan and we raised X billion dollars and refinanced the city. Now, if we had had to have the city totally guaranteeing the debt it wouldn't have happened because people wouldn't have bought the bonds. It was already very difficult to do this because we had to create a financial control board, we had to create a municipal assistance corporation, we had to give all kinds of protection. But out of financing of 20 or 30 billion dollars, I don't think there was a billion dollars of state and federal money. It was all the markets, plus just enough government involvement to give it the stamp of approval.

### **Funding from the private sector:**

It's usually better. Not always, but on the other hand you can't just have the private sector raise all the money and have the public sector get the benefit alone. So it has to be a package, I think, the private sector and the public sector. You want another bridge? Well ok, the private sector will build the tolls and will use the revenue stream. The public sector will vouch that the tolls are going to be paid and that the project will pay out in X years as per plan. But these are parallel.

### **The need for governmental support:**

I think we're finally getting to people, and you need the public sector, you need the politics of the federal government beginning to play...not play a huge role, but at least being supposedly supportive of the notion of doing this. And when President Obama, a year or two ago in his campaign, supported the notion of an infrastructure bank and the federal role of infrastructure, I thought we were going to finally get some action. I thought that way also ten, twelve years earlier when Clinton was president. They were very similar: they said, "we like this, this is a good thing, we have to do it." And then as other projects come along it begins to

drift off into the distance, and that's where we are, I mean we have these two bills in the Senate and the House, and very little traction at this point.

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