

## THE BOND BUYER

### **Commentary** With the Trump administration, 'strategic patience' on infrastructure may be the key

By John Hallacy

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The phrase "strategic patience" has been used to describe the Obama administration's approach to North Korea and its various disturbing initiatives. The idea was that the U.S. would study up on the situation and be patient, avoiding a headlong rush into any approaches that couldn't be counted on to bear results. The patience part was the biggest challenge, as critics asked: where does it begin and end?

Although strategic patience may not be best alternative towards North Korea, it may be the best approach to infrastructure and the municipal market. We keep hearing about various proposals from federal officials that may be expected to gather momentum at some point in the not too distant future. No clear funding source for the proposed \$200 billion of federal support has been locked in at this point. The current consideration appears to be how does one trade using that information? The message has been inconclusive. Even though uncertainty is the trader's friend, discerning the direction and speed is also key.



The latest pronouncement is that we may have an infrastructure bill by Fall. Certainly, roads, bridges and transit would expect to be beneficiaries of such legislative action. Even healthcare infrastructure has been mentioned. Some observers have pointed out that a successful infrastructure bill many not be possible without tax reform being accomplished simultaneously. You can infer that the success of any legislation is contingent upon a revenue source or sources.

Luring the repatriation of funds from abroad held by corporations via a tax credit proposal is a real change that needs to be fully enacted before it is assumed to work. Given the budget rules, any accommodation made in the federal budget for Infrastructure would need to be offset. This task is hindered by the priority being placed on military spending. Yet there is generally more bipartisan agreement that could be brought to bear on infrastructure. Perhaps, some part of the military budget could be dedicated to infrastructure. After all, that designation helped in delivering the Interstate Highway system that we benefit from today, even though the system needs serious attention. We could use a dose of the long term vision that President Eisenhower had back in the 1950's.

At the state level, the critical needs have propelled states like California and New Jersey to adopt increases in their respective gas taxes. There clearly is no hope for a federal gas tax increase at present.

The Millennial generation's preference for living and working within close proximity without the need for a vehicle may be a real trend with consequences. The auto industry is certainly focused on this developing trend. But the lifecycle of the tensile strength of steel in an aging bridge is not influenced by this newer trend. We must fix what is in place and expand the Infrastructure with extreme caution and justification.

Perhaps if some of the "red tape" is attenuated, it will be easier to include private sector solutions to select projects. This development has been underway for some time without government encouragement. The frequency could be affected by a determined change of thinking in Washington and the availability of more funds for state and local projects.

During "Infrastructure Week" we learned that there is an initiative underway to privatize the air traffic control system. Clearly, safety and security is paramount, but the system is in need of a leap in technology. There do not appear to be any available dollars to apply to the project as important as this one.

Canada privatized its air traffic control system back in the 1996. The system known as NAV CANADA has safely operated the country's civil aviation service ever since. If a similar approach were adopted here, the federal government would still have substantial oversight of the day to day operations. Furthermore, the Canadian system is self-supporting through user fees. Due to the volume of traffic on their system, there is even discussion of lowering fees for travelers. On balance, this kind of privatization is a good idea and should be authorized for the sake of the traveling public.

As for the rest of the many essential projects, we will continue to apply strategic patience.