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**INFRASTRUCTURE 2013, A NEW REPORT FROM THE URBAN LAND INSTITUTE AND ERNST & YOUNG,  
FINDS FUNDING CONSTRAINTS SLOW MOMENTUM OF EUROPEAN INFRASTRUCTURE INVESTMENT**  
*Global overview highlights the funding challenges facing European infrastructure projects*

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LONDON (May 15, 2013) -- Sluggish economic recovery and high levels of government debt have slowed the rate of infrastructure investment in most European countries according to *Infrastructure 2013:Global Priorities, Global Insights*, a joint report from the Urban Land Institute (ULI) and Ernst & Young. Many European governments are making significant reductions in public spending and infrastructure budgets are often being targeted for cuts resulting in the scaling back, postponement or cancellation of key projects.

The European Union is continuing to fund infrastructure projects which improve connections between member states including freight-rail, high-speed passenger rail, motorway, canal, and port terminal projects. However, the report cautions that it may become increasingly difficult to deliver upfront financing to meet the €1.5 trillion (\$1.9 trillion) investment goals set before 2020.

Many interviewees in this year's report viewed Public Private Partnership (PPP) deals as critical to delivering infrastructure projects but called for more innovative models that would deliver faster funding to a wider number of regions. However, as a barometer of current activity, some interviewees estimated that the size of the European market for PPP deals had shrunk by 50% since the economic downturn.

"Funding is the single biggest issue facing Europe's infrastructure markets," comments Joe Montgomery, Chief Executive of the Urban Land Institute in Europe. "Private capital is essential to delivering new projects as well as enabling improvements and maintenance to existing infrastructure. Notwithstanding the positive role that the European Investment Bank is playing on infrastructure financing, many countries across Europe have had to reduce or delay infrastructure investment. Indeed, even countries such as the UK which is trying to use infrastructure investment as an economic stimulus are finding it hard to put the right funding and guarantees in place to enable delivery."

Howard Roth, Ernst & Young's Global Real Estate Leader, added, "The rate of urbanization worldwide is putting increased pressure on the need for additional investment in infrastructure. Who's going to pay for it remains a global issue. There's plenty of global capital looking for a home, without regard to borders. Additionally, global investors appear to be warming up to infrastructure as an asset class. That spells opportunity for governments, who simply don't have the required funding, to tap into these nontraditional sources."

Malcolm Bairstow, Ernst & Young's Global Infrastructure Advisory Leader, stated, "There is clearly an opportunity for governments and the private sector to come together in more innovative and effective ways to finance, build and maintain existing infrastructure. Infrastructure is the foundation which enables any city, community or successful real estate project to thrive and flourish. We must find better ways to make this happen."

*Infrastructure 2013: Global Priorities, Global Insights* reviews a number of major European infrastructure markets including:

#### United Kingdom

One country trying to buck the trend on infrastructure investment is the UK, which sees infrastructure expenditure as a way of boosting the economy and widening the nation's strategic asset base. The UK Government has embarked upon a National Infrastructure Plan (NIP) which has identified 550 projects totaling \$471 billion (£310 billion) for investment up to 2015 and beyond.

However, there are concerns about funding these ambitious plans, which rely heavily on private capital. A parliamentary review of the PPP program, the Private Finance Initiative now called PF2, has caused many large projects to be temporarily put on hold.

The \$36 billion (£24 billion) Crossrail project, which links west London suburbs and Heathrow Airport with east London's business and regeneration areas via the city centre, remains one of the few major projects to progress. Other projects such as High Speed Rail 2 (HS2), a \$45 billion (£30 billion) rail link between London and the north of England and Scotland continue to make slow progress in the planning stages.

#### France

In France, the government's limited capacity to fund major projects outright has led to cutbacks and project postponements and a greater reliance on public/private partnership (PPP) funding. There are currently €33 billion (\$43 billion) of PPP deals in the infrastructure pipeline up to 2020, with a stimulus program providing €10 billion (\$13 billion) for the financing of up to 80 percent of infrastructure projects.

Despite fiscal constraints, France is continuing to expand its world-renowned high-speed rail lines by building routes from Tours to Bordeaux and from Bretagne to Pays de la Loire as well as constructing a high-speed airport rail link in Paris. There is also approval for a new motorway concession between Bordeaux and Bayonne, and a 96 km (60-mile) canal project connecting the Rhine-Scheldt waterway in Germany to the Seine.

#### Germany

Germany benefits from its already extensive infrastructure network, which features some of the world's best rail and road networks as well as efficient power grids and modern water facilities. Forecasted population declines, mean the country does not require significant infrastructure expansions and can ride out current economic conditions without losing ground if projects need to be delayed.

Most expenditure is directed at upgrading the existing road network, including some Autobahns that are approaching the end of 50-year life cycles and require ongoing capital for preservation and enhancement. Railway projects are also focused on maintenance, although the €6.5 billion (\$8.4 billion) Stuttgart 21 rail

project will build out 56 km (35 miles) of high-speed rail track, the latest section of a cross-border European Union route connecting Paris to Bratislava in Slovakia. Major airport expansions are underway in Munich and Frankfurt, and the new Berlin-Brandenburg Airport will open in the autumn.

### Spain

Spain's big-budget infrastructure expansion has slowed down significantly as a result of the austerity measures taken to secure EU bailouts. Many road and rail projects have now been mothballed for the foreseeable future.

However, Spain has benefited from a number of years of infrastructure investment and now has 8,750 miles of motorways and dual carriageways which is more than any other European country. Its rail network has expanded to more than 9,000 miles. The government remains determined to complete the longest high-speed passenger-rail system in Europe with more than 6,000 miles of lines connecting all major cities, by 2020.

However, severe budget cutbacks are hitting local projects (water, sewer, highway repairs) and rural areas where road conditions remain poor, and the country's electricity transmission system requires new investment.

### Italy

In Italy, austerity is delaying government development plans, which focus on upgrading deficient infrastructure including roads, rail, energy, and water in the historically neglected southern region. Most prominent among sidelined projects is the long-sought-after suspension bridge across the Messina Straits to connect Sicily and the mainland.

Credit concerns over the country's high debt-to-GDP ratio raise borrowing costs for private investors and further compromise attempts to finance initiatives.

One project continuing is the construction of a high-speed rail line from Turin, Italy, to Lyon, France. The \$11 billion first phase will begin in 2014 and involve boring a tunnel underneath the Alps at the border. When completed in 2021, the new line should help reduce travel time between Paris and Milan from seven to four hours.

### Russia

Russia is focusing on delivering \$50 billion in facilities and public works for the 2014 Sochi Winter Olympics, including airport and railroad terminals and hundreds of miles of new roads. However, officials are hesitating on moving ahead with desired high-speed rail projects due to lack of capital.

The Russian government would like to redirect \$3.3 billion in overseas investments from the country's sovereign wealth fund into bonds that would back domestic infrastructure projects.

### Turkey

Turkey is increasingly taking advantage of its strategic crossroads position in energy markets between European consumers and Middle Eastern and Russian gas producers, which helps boost the economy.

The country is undertaking a host of major projects to deal with road congestion, including a high-speed rail link between Istanbul and Ankara, completion of a third Istanbul airport, a new tunnel under and a third bridge over the Bosphorus Strait, and numerous port and power plant initiatives.

The government is looking to attract private capital through PPP structures focusing on privatising ports and airports.

Scanning the globe, *Infrastructure 2013: Global Priorities, Global Insights* concludes that emerging markets spenders such as China, Brazil, and the Middle East Gulf states, and mature economies such as the United Kingdom, France, and the United States—now constrained by austerity—can still find a competitive edge. Those who pay attention to urban mobility, setting priorities, wisely incorporating public/private partnerships, and addressing climate change will come out ahead. The report features quotes and insights from infrastructure leaders from around the globe.

*Infrastructure 2013: Global Priorities, Global Insights* is the seventh of annual infrastructure reports published by the Urban Land Institute and Ernst & Young. The report reviews key global infrastructure trends, policies and issues based on in-depth research and interviews with leading experts from around the world. Read more at [www.uli.org/infrastructurereport](http://www.uli.org/infrastructurereport).

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### **About the Urban Land Institute**

The Urban Land Institute ([www.uli.org](http://www.uli.org)) is a global nonprofit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Established in 1936, the Institute has nearly 30,000 members representing all aspects of land use and development disciplines.