

# WHAT WILL TRANSPORTATION INFRASTRUCTURE LOOK LIKE POST-COVID?

An interview with Jamie Storrow, who co-leads infrastructure investment at Northleaf Capital Partners. Storrow discusses COVID's impact on transportation, the challenges of deals with municipalities and the infrastructure play in the electric vehicle space.



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## Privcap: How has the COVID crisis affected transportation infrastructure?

**Jamie Storrow, Northleaf Capital Partners:** Depending on the jurisdiction, starting in February and March, there were regional lockdowns and we saw usage of pretty much every type of transportation decline dramatically. People weren't on subways, they weren't flying on planes, they weren't driving to work in vehicles. Everything was impacted and we'd never seen that before. The global financial crisis was probably the most relevant recent drop in transportation activity that we have modeled. But this is completely different. We've seen some roads in the U.S. experience traffic declines of over 90%. Almost every airport has been impacted. This is completely unprecedented and there are going to be winners and losers. People may stay away from airports and move more to roads for regional travel. People may avoid public transportation and things like Uber and ride sharing. We still don't know the answers to these questions.

## You've spoken in the past about 'mode shifts' in transportation. What does this mean?

**Storrow:** I'll use commuting as an example. You might have a choice between the subway and driving into work. Some people might be concerned about enclosed public spaces, like the subway, and so if they have a choice, they may move to using their car and parking, or to use some other non-public form of transportation. So that's a mode shift until things go back to normal. We're already seeing people make those kinds of decisions and it will

likely continue until there's a vaccine. For some people there could be permanent change. There is a lot of real-time data about public transportation and we are seeing this mode shift across a number of communities.

Another similar mode shift involves people meeting virtually to avoid air travel and using platforms such as Zoom and Google Meets. We are seeing that happen now, with travel restrictions internationally and in some countries, domestically. But people are generally adapting and we expect a continued use of COVID-era methods of communication to minimize their travel on an ongoing basis. People are becoming more comfortable with working remotely, and digitally. This is going to have a huge impact on the infrastructure that they're going to need.

## Let's stick with cars for a bit. There are many predictions that car ownership will decline in favor of sharing, borrowing. What is your take?

**Storrow:** This shift is very community dependent. In some communities people could transition away from cars and move to a ride share program or use Uber, and in some places we've seen that happen really quickly—typically in urban settings. It really has had a major impact on both parking and rental cars, because those services aren't needed as much anymore.

That said, post-COVID, there have been some suggestions that people are going to be less comfortable sharing vehicles with non-family members. If that is the case we may see an increase in car purchases and a reduction of ride sharing.

## Infrastructure investors have bought many [transportation] assets from governments. Given that tax revenues are under tremendous strain now, might that spur more municipalities to sell their infrastructure assets to private investors?

**Storrow:** Certain governments don't want to own some of their hard assets and work to push the risk of operations to the private

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sector. Some governments have fiscal issues, as you mentioned, and they're looking to recycle money from assets they have. But from a COVID perspective, it's just too early to know. These sale processes take a really long time—years in almost every case. But we're going to see more privatizations in some places as a solution.

**The U.S. is well behind Europe and Australia with regard to the private ownership of transportation infrastructure. Might that mean that there will be many PPP deals to be had in the U.S.?**

**Storow:** The U.S. is so fragmented with most of the 50 states acting independently from a transportation perspective. In other countries, a lot of the PPP deals are done on a national or federal basis. In the U.S., you are dealing with the individual state transportation authorities the vast majority of the time. States like Texas and Virginia have a fair bit of private road ownership, and then there are other states that have absolutely none.

In Europe, almost all the major airports are privately owned. Whether it's airports or roads in the U.S., we could absolutely see states and municipalities looking to privatize those.

**Talk about the rise of electric vehicles and the infrastructure that will be necessary for them.**

**Storow:** Firstly, electric vehicles are going to need charging stations, and given the current range of electric vehicles, charging infrastructure has to be widely available. Those may or may not be investable infrastructure depending on the revenue model. The demand for electricity in some areas is going to change, and so getting involved in local generation and battery storage are opportunities related to electric vehicles as well. ■

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