

## Challenges for Infrastructure Investments

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Infrastructure has become an increasingly important topic for both users and providers of infrastructure as well as for politics and investors. By 2025, global annual spending on capital projects and infrastructure is expected to reach \$7.2 tr, according to a recent PwC study.



[1]

Pascal Gantenbein (photo: RICS)

Hereof, 30% will fall upon traffic infrastructure. What this means for the involved stakeholders especially in the case of Switzerland has been debated at the RICS 2nd Annual Conference on "The Future of Infrastructure in Switzerland and its Impact on the Real Estate World" held on 2 November 2015 in Berne. The current RICS Switzerland Impulse Paper "[Traffic Infrastructure in Switzerland – Are we ready for the Future?](#)" <sup>[2]</sup> summarizes the main findings and challenges regarding traffic infrastructure, notably federal roads, railways, airports, and inland ports.

Despite the emerging changes in mobility behavior and new technologies both for the street and railways, such as driverless cars, automated cargo systems, and better infrastructure management, all of this conducive to a better usage of existing capacities, respective expansions are nevertheless unavoidable. On the Swiss federal roads only, i.e., disregarding cantonal and

communal roads, the number of hours lost in traffic jams has sextupled since 1995 to about 22,000 hours in 2015. These congestions cause substantial welfare losses. From an economic point of view, this justifies at least some of the investments into road infrastructure in order to eliminate these bottlenecks, even more so given the foreseeable capacity limitations on the railroad network. The same is true for air travel. Until 2030, official forecasts show that passenger volume is expected to increase by two thirds on the demand side. However, the limitations of airport capacity expansion will force the effective growth to be substantially lower. Likewise, the port of Switzerland in Basel expects container volume to double until 2040. Against this background, the following challenges need our consideration: First, a suitable, efficient, and reliable infrastructure is a key precondition for economic growth and future wealth. Both capacity expansion and maintenance of existing infrastructure have to be provided as well as built-in flexibility given customer needs that are changing rapidly. Secondly, intermodal transport and seamless connectivity between different means of transportation are crucial. Hereby, each means of transport has its role in this network, while the ideological discrimination of road infrastructure is outdated and the political distortion of mobility pricing has to be questioned. A third challenge comes with the financing of infrastructure projects in the future. Given the dire straits of public households on the one hand and investor demand on the other, opening up further areas of infrastructure for private and institutional investors may be an opportunity. However, this only works for such long-term investments, if the government takes the responsibility to care for a stable political and legal environment. pg  
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[1] Image: [https://pie-mag.com/wp-content/uploads/2016/07/9\\_EV-RICS.jpg](https://pie-mag.com/wp-content/uploads/2016/07/9_EV-RICS.jpg)

[2] "Traffic Infrastructure in Switzerland – Are we ready for the Future?" : <http://www.rics.org/ch/news/news-insight/comment/making-our-voice-heard---infrastructure-in-switzerland/>

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