Foreign Companies Driving The Global Privatization Of Domestic Infrastructure

John P. Ruehl – Source: Independent Media Institute

02-14-2025 ~ *Foreign entities have secured profitable positions in once-public domestic infrastructure. The pursuit of short-term cash has sacrificed long-term revenue streams to a variety of foreign investors.*

On February 4, 2025, Chicago's business community pushed back against Mayor Brandon Johnson's proposal to raise real estate transfer taxes, adding to the city's ongoing economic struggles.

Besides a struggling pension fund, high home prices, and other factors, a significant contributor to the city's woes lies in the controversial privatization initiatives from the 2000s, known as the "Great Chicago Sell-Off." Over the past two decades, these decisions have siphoned an estimated $3 to $4 billion from Chicago.

The privatization trend began under former Mayor Richard M. Daley, starting with the Chicago Skyway. In 2005, the 7.8-mile toll road was leased to a consortium led by Spain's Ferrovial and Australia's Macquarie Group for $1.83 billion. Tolls were raised immediately, and in 2016, the 99-year lease was sold to "a trio of Canadian pension funds" (the Ontario Municipal Employees Retirement System (OMERS), the Canada Pension Plan Investment Board (CPPIB), and the

Ontario Teachers' Pension Plan (OTPP)) for $2.8 billion. Australia's Atlas Arteria Ltd. then acquired a two-thirds stake for $2 billion in 2022, while OTTP retained the remainder.

In 2006, four downtown parking garages with more than 9,000 spaces were leased for 99 years to Morgan Stanley for $563 million. After Morgan Stanley defaulted on its debt tied to the lease agreement, control was transferred in 2014 to lenders, including France's Societe Generale, the German government, and Italy's UniCredit S.p.A. In 2016, Australia's AMP Capital and Canada's Northleaf Capital Partners acquired the garages.

Abu Dhabi came into the picture in 2008. In a $1.16 billion deal, 36,000 parking meters were sold to Chicago Parking Meters (CPM) LLC for 75 years, a consortium led by Morgan Stanley. Morgan Stanley's Infrastructure group soon restructured CPM's ownership, transferring major stakes to the Abu Dhabi Investment Authority and Germany's Allianz through complex investment vehicles. Over the next five years, parking fees more than doubled. By 2022, CPM recovered its entire $1.16 billion investment, while the city had spent $78.8 million buying back parking spots to cover the revenue it would have generated until 2084. As of 2024, the investment has returned $700 million, with 60 years left on the lease.

Daley's goal was to balance the city's budget without raising property taxes before leaving office. However, the one-time payments resulted in long-term consequences. In addition to financial losses, the privatization deals have hindered Chicago's ability to modernize infrastructure by limiting efforts to build bike lanes and reduce car dependence downtown, and people even need to get permission or make payments to companies thousands of miles away for local street parades.

Growing Privatization

Profit-driven entities argue that privatizing public infrastructure leads to greater efficiency through expertise and investment. However, their focus is on profit maximization, not service improvement, leading to long-term rent-seeking behavior. Furthermore, in contracts with limited liability companies, the government assumes the losses, while private companies reap the profits. Companies can walk away or demand renegotiations, while governments are left to maintain services, absorb long-term revenue losses, and burden the public with higher costs.

As Chicago's experience shows, privatization has extended beyond domestic markets to become an international phenomenon. Starting in the 1980s, the International Monetary Fund (IMF) and World Bank reforms encouraged the privatization of public infrastructure to attract investment, leading to its internationalization. "A 2006 study by the Norwegian government of IMF conditionality revealed that 23 out of 40 poor countries still have privatization and liberalization conditions attached to their IMF loans," stated an Oxfam Briefing Paper.

By 2000, sovereign wealth funds, pension funds, and multinational corporations began treating infrastructure as a global asset class, involving extended leases that frequently change hands.

Foreign companies operate under bilateral investment treaties or trade agreements, allowing them to bypass local courts. Disputes are often mediated in foreign courts or through international arbitration, such as Investor-State Dispute Settlement (ISDS) and the World Trade Organization. By exploiting legal loopholes like offshore subsidiaries and tax havens, companies can also shield profits while facing little public scrutiny. Despite these issues, domestic infrastructure continues to be increasingly available on international markets.

United States

While Chicago remains the most prominent American example, similar deals are widespread across the country, primarily involving companies from allied or dependent nations.

In 1998, Atlanta became one of the first cities to enter into an international privatization deal over public services, signing a 20-year and $428 million contract with United Water, a subsidiary of France's corporate conglomerate Suez, to operate the city's water system. Celebrated as the biggest privatization contract in the U.S. at the time, it led to claims of quality decline, delays, and other mismanagement before the contract was terminated, leading to the infrastructure being returned to public control in 2003.

Nonetheless, the trend continued. By 2006, foreign companies were leasing and operating 80 percent of U.S. port terminals along with a smaller share of the nation's airports. The UK's National Grid owns and operates electric transmission networks in the northeastern U.S.

Indiana has since become a prominent example of experimenting with international privatization. France's Veolia entered a 20-year contract to manage Indianapolis's waterworks in 2002. The deal was, however, eventually canceled in 2010. Meanwhile, its airport was managed by Britain's BAA from 1994 to 2007. In 2006, the Indiana Toll Road was leased to a foreign consortium led by Spanish and Australian companies for 75 years for $3.8 billion. It was later sold for $5.7 billion to Australia's IFM Investors in 2015.

United States entities have purchased some infrastructure abroad, such as in 1999, when a subsidiary of Bechtel privatized Cochabamba's water system in Bolivia before controversy forced its exit. But for a major economy, the U.S. owns surprisingly little foreign infrastructure. It has few state-owned enterprises for overseas infrastructure investment, though some private entities like Blackstone's Infrastructure Partners division and Corsair Capital are active. Instead, extensive domestic privatization opportunities have made U.S. infrastructure a prime target for American and foreign investors.

Canadian and Australian Companies

Canadian and Australian pension funds and other entities, driven by well-funded systems, consolidation, government support, and early privatization experience, have become major infrastructure investors in the U.S. and elsewhere. The CPPIB owns toll roads worldwide, the OTPP holds stakes in airports across Europe, along with the Channel Tunnel, while the Canadian company Brookfield Infrastructure Partners owns telecom infrastructure across Europe.

Roughly half of Australia's pension pool is invested outside the country. But Australia's Macquarie Group, in particular, has seen its assets surge, emerging as the "world's largest infrastructure asset manager." Since the 1990s, Macquarie Group has focused on identifying underperforming or undervalued public assets to acquire and restructure, and it established its Global Infrastructure Fund in 2001 "to invest in infrastructure financing opportunities in the U.S., Canada, UK, and the European Union," according to its website. In addition to Chicago's Skyway, Macquarie holds long-term operational licenses for the Dulles Greenway toll road in Virginia and the Foley Beach Expressway in Alabama, among others.

Macquarie's toll road portfolio in India is worth an estimated $2 billion, and it took a 49 percent stake in Greece's largest utility, Public Power Corporation (PPC) in 2021. It also led the push for privatizing the UK's Bristol Airport in 2001, while Britain's largest water utility was sold to an international consortium led by Macquarie Group from 2006 to 2017. Macquarie also took full ownership of the UK's National Gas Network in 2023.

According to a July 2023 Guardian article, "Macquarie is well known for taking advantage of volatile markets. In the aftermath of the global financial crisis, it bet big on non-investment grade loans, known as junk debt. The debt was cheap, but the quality was decent and the returns turned out to be excellent."

Europe
The UK has been a major market for infrastructure investors since the global wave of privatization in the 1980s. Beyond Macquarie's infrastructure holdings, the UK's largest electricity generation company was privatized and acquired by France's EDF in 2009. Foreign investors have continued to diversify, with Saudi Arabia's Public Investment Fund (PIF) poised to take over Newcastle Airport, after acquiring a 37.6 percent stake in Heathrow with French co-investor Ardian in 2024.

Europe's collective experience with infrastructure privatization has been marked by controversy, largely due to Western European corporate dominance. As the EU expanded, some Western EU companies bought control of critical infrastructure in Eastern EU member states. In 2015, Greece privatized 14 regional airports handing them over to a consortium led by the German company Fraport. This move was unpopular in Greece, especially following the austerity measures imposed by the EU and Germany during Greece's economic crisis. However, the EU also provides safeguards in such deals, including profit sharing and economic support to member states.

Outside the EU, resolving disputes is even more challenging. French water companies like Veolia and Suez are leaders in global privatization efforts but have ended up in court over dealings with Argentina in the 1990s, Egypt in the 2000s, and Gabon in the 2010s. Argentina renationalized its oil company from Spanish company Repsol in 2012 after domestic backlash, damaging relations between the two countries. Such cases can be particularly sensitive when they involve former colonial powers and their former colonies, as economic disputes risk being seen as extensions of past dominance, with former ruling states accused of leveraging privatization to maintain influence.

China

China's Belt and Road Initiative (BRI) predominantly focuses on building infrastructure in non-Western countries, though the 2020 takeover of Laos' electric grid shows an exception. In contrast, Europe's existing infrastructure has proven attractive for Chinese investment. Greece sold a 51 percent stake in its Piraeus Port Authority in 2016 to China's COSCO shipping, which later increased to 67 percent in 2021.

China's competitive pricing, substantial financial and productive resources, and strategic interests have extended its infrastructure influence to countries with their own expansive foreign infrastructure portfolios. Chinese firms hold stakes in Belgian, Dutch, German, Spanish, and Italian ports, as well as European energy and telecommunications infrastructure.

In Australia, the Port of Darwin was leased for 99 years in 2015 to China's Landbridge Group, with the Australian government resisting pressure to cancel the deal. The State Grid Corporation of China and its subsidiaries, meanwhile, hold large stakes in Australia's electricity and gas infrastructure, raising national security concerns due to its close ties to Chinese military and intelligence agencies. Furthermore, China's control over Australian agricultural land has granted it valuable water rights.

The geopolitical implications of these foreign investments in infrastructure are undeniable, with national security concerns forcing China to sell its stake in the U.S. Port of Long Beach in 2019. Yet such investments are only becoming more common globally. While they may strengthen economic ties between countries, they reduce accountability, risk undermining sovereignty, and disconnect public services from local oversight, sidelining effective public planning in favor of enriching foreign entities.

This trend appears likely to continue, requiring more responsible approaches to maintaining a healthy balance between the necessity for infrastructure investment and public needs. Shorter contracts, profit-sharing models, and performance-based agreements could help countries and companies showcase their development models and expertise—potentially even at lower costs than local providers. However, profit maximization remains the driving force, particularly when financial entities dominate the field.

By John P. Ruehl

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