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Dramatic changes in US project finance

[Short, Rodney.](#) [International Financial Law Review;](#) **London** (1999): 49-50.

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The US is in the midst of a redesign, restructuring, and rethinking of its infrastructure that is as dramatic as anything that has taken place since the original development of the telephone and the electric light. Perhaps not surprisingly, those same two industries, telecommunications and electricity, are at the centre of the current overhaul, and once again virtually every household in the country will eventually feel the impact.

As has been well documented, the telecommunications industry is undergoing a revolution driven by wireless telephony and high-speed computer networks. The speed and scope of this revolution is unprecedented in economic and social history, and it is not at all clear who

will win and who will lose in this digital economy. While traditional project finance may eventually play a significant role in this revolution, at present there seems to be no shortage of equity capital willing to finance practically any business venture with a cyber spin.

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Meanwhile, with somewhat less hype, the electricity industry is undergoing a revolution of its own driven by the introduction of free-market competition and the consequent unbundling of generation from transmission and distribution. As this is a regulatory revolution taking place in 50 different jurisdictions rather than a technological revolution, the pace of change is significantly slower than what is happening in the telecommunications industry. Nevertheless, slowly but steadily, on a state by state basis, an industry with annual revenues in the hundreds of billions of dollars is being taken apart and put back together again. As in the telecommunications revolution, it is not clear who the winners and losers will be. It is clear, however, that equity investors alone are not going to be willing to finance the level of investment needed to restructure the industry. Consequently, there should be a role for project finance in...

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