### 2ac No Solvency

#### Counterplan doesn’t solve and links to the DAs

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Toby and Corina, “The Problem with Public-Private Partnerships,” Canadian Centre for Policy Alternatives, http://www.policyalternatives.ca/publications/monitor/problem-public-private-partnerships

If there is one thing that the current financial and economic crisis has shown, it is that the neoconservative economic model of deregulation, privatization, tax cuts, free trade and unequal growth is bankrupt. And yet, incredibly, Canadian governments and corporations are using the economic crisis to push more of the same policies: tax cuts, the sale of public assets, and, especially, more privatization through public-private partnerships (P3s). The shifting rationales of P3s has always been highly dubious. P3s had been used by politicians as a form of off-book accounting to make it appear as if public spending and deficits were lower than they actually were — but then public auditors forced governments to include these obligations on their books. P3 proponents then claimed that their projects could be less expensive, more innovative, speedier, and more accountable than public service delivery — but a string of failures, delays, little transparency, and secretive deals proved these claims wrong. Most recently, P3 advocates have acknowledged that they cost more, but they try to justify these deals by claiming that P3s transfer massive amounts of “risk” from the public sector to the private sector. By using highly questionable “value for money” accounting, they claim that the higher costs of P3s, particularly on the financing side, are offset by transferring colossal amounts of risk to the private sector. While independent experts have criticized these deceptive rationales and faulty accounting for years, the details can be complicated. The misleading accounting practices remain, but the financial crisis has exposed the false economics of P3s in a number of different ways: • The economic and financial crisis was caused by the same policies behind the push for public-private partnerships. • Private financing is more costly and risky than public financing. • The private sector is worse at managing risk than the public sector. • Risks can never be completely transferred through P3s. • Additional and complicated P3 requirements lengthen the process and add to delays. This economic and financial crisis has a number of deep roots, but what propelled both the later stages of the boom and the consequent crisis was a systemic cover-up of losses, mispricing, and mismanagement of risk in the private sector. Sub-prime mortgages were only a small part of this. On top of these and other debts, the financial industry built a web of speculation and highly leveraged securitized assets that were sold to unsuspecting buyers as solid investments. This helped to provide easy credit for a number of years, but it was only a matter of time before the financial house of cards came tumbling down. Despite trillions of dollars provided by the taxpayers in public bailouts (and much more in accommodative actions by central banks), financial institutions around the world, including many of those behind P3 projects, continue to teeter on the brink of insolvency. It was only effective public nationalization of major banks and financial institutions in a number of countries that managed to save the world’s financial system from collapsing around the world. In a thoroughly perverse twist, these free market economic policies led to the largest public bailouts in history and what Nobel-Prize winning economist Joseph Stiglitz has described as a "new form of public-private partnership, one in which the public shoulders all the risk, and the private sector gets all the profit." Public-private partnerships have fundamentally been about giving private investors and financiers high returns with low risks, at the long-term expense of taxpayers and the public. The financial backers of P3s were able to borrow capital at lower rates of interest, thanks in large part to unregulated and often fraudulent activities in financial markets. This narrowed the interest rate spread between private and public sector borrowing rates, allowing P3s to appear more financially attractive than otherwise. They were still a bad deal for taxpayers, but low private sector costs of borrowing meant that faulty accounting didn’t have to cover up as much. These low borrowing rates for the private sector were not based on economic fundamentals or realistic calculations of risk in the private sector. Private financial institutions engaged in systemic cover-ups, miscalculations, and passing on of undisclosed risks to unsuspecting investors. The unregulated financial markets allowed financial speculation to flourish, siphoning funds away from productive investments in the real economy. As a result, the paper economy grew, but real economy stagnated. Then the whole house of cards came crashing down. As a result, private financing costs for P3s have increased and will continue to stay relatively high, while costs of public borrowing have tumbled. This will continue to make P3s both more costly and more risky for the public. The spread (difference between public and private sector interest rates) for short-term borrowing rates in Canada is now about 100 basis points higher than it was during the five years of easy credit. According to a recent industry report, the spreads for P3 financing have doubled, on average, compared to last year. On a typical project, this increased spread of 100 basis points would increase the cost of financing by about 10% to 15%, or by upwards of $20 million for $100 million over 30 years. There is no foundation to the claim that the private sector is better at managing risk than the public sector. Virtually all P3s in Canada have been justified on the basis that they transfer large amounts of risk to the private sector. But a growing list shows that P3s are both more risky and more costly for the public: • B.C. Bridges. The financing behind Partnerships B.C.'s flagship Golden Ears Bridge project came close to collapse when its financial backers almost went into default. The German government came to the rescue with a $77 billion bailout of the German-based parent of the Irish Depfa Bank. The other financial partner of this project, Dexia, also received a $9.6 billion injection from taxpayers. • Alberta Schools. A key player behind Alberta's P3 schools project has also come close to collapse. Last year, Babcock and Brown Ltd. lost 97% of its stock value while its P3 arm, Babcock and Brown Partnerships Ltd, recently laid off 25% of its staff. In every single project approved so far as a P3 in Ontario, the costs would have been lower through traditional procurement if they had not inflated by these calculations of the value of "risk." The calculations of risk could just as well have been pulled out of thin air – and they are not small amounts. For a number of projects, the estimates of risks transferred inflated the base project costs by over 50%. The total amount of risk supposedly transferred through projects in Ontario has now reached over $1 billion, all based on sketchy calculations. The total cost savings of traditional procurement compared to P3s for Ontario’s projects has now reached well over $500 million if these dubious calculations of risk are excluded. Some examples of excessive costs include: • Ontario hospitals: Ontario’s Auditor-General recently revealed that the province’s flagship P3 hospital, Brampton Civic, cost the public $200 million more than if it had been publicly financed and built directly by the province. • East Coast Toll Roads: An estimated more than $300 million in tolls were produced on the Cobequid Pass for a deal in which private financiers put up $66 million. The Nova Scotia government is paying an effective interest rate of 10% for 30 years, twice its rate of borrowing. High fines for using adjacent roads force truckers to use the toll road. • Universities: A P3 project at the Université de Québec à Montréal failed, doubling the cost to the public from $200 million to $400 million. • West Coast Highways: B.C.'s Sea-to-Sky Highway will cost taxpayers $220 million more than if it had been financed and operated publicly. Risks can never be completely transferred through P3s, because governments will always be ultimately accountable for delivering public services and infrastructure. This responsibility is not changed by expensive and lengthy P3 agreements. If problems arise, it is the public that always has to pick up the bill at the end of the day. If P3 operators run into problems or don't achieve expected returns, they can just walk away, leaving the public sector to pick up the tab. • Recreation: The City of Ottawa was forced to bail out two of three of its flagship P3 recreation arena projects in 2007. Both of the parent companies were still very profitable, but wanted even higher returns. • Water and wastewater: Hamilton's water and wastewater services had to be taken in-house after a string of owners, including an Enron subsidiary, created a financial mess of the P3, including a raw sewage spill that had to be cleaned up at public expense. P3 programs in Canada are largely modeled on the U.K.'s "Private Finance Initiative" (PFI), which has its own spectacular failures. Metronet, the private company that won a £30 billion, 30-year P3 deal to upgrade and maintain London's Tube network, failed and had to be taken over by the City of London's transport authority last year. The Metronet failure has already cost U.K. taxpayers an extra £2 billion (nearly $4 billion Canadian) and left Londoners with 500 subway stations in various states of disrepair for a P3 deal that was forced on their city by the central government under its PFI initiative. And this is just the beginning: costs for the City of London are already expected to grow by an additional £1 billion. Even the normally conservative Economist magazine now admits that these P3 deals now look like "complicated costly mistakes." Other projects in the U.K., Australia,and New Zealand are in crisis or have been under call for greater oversight. Governments are under increased pressure to speed up infrastructure investments as an important means of stimulating the economy. The same factors that make P3s complicated and risky also mean that they usually involve significant delays and high legal and financial costs. This means they are particularly inappropriate for the type of accelerated infrastructure investments that are now required for the economy. As the U.K. Treasury has advised: “A PFI transaction is one of the most complex commercial and financial arrangements that a procurer is likely to face. It involves negotiations with a range of commercial practitioners and financial institutions, all of whom are likely to have their own legal and financial advisors. Consequently, procurement timetables and transaction costs can be significantly in excess of those normally incurred with other procurement options." In Vancouver, for instance, the publicly operated and financed Millennium Line rapid transit project started operation three years after the process got under way. In comparison, the P3-financed Canada Line transit project is not expected to be in service until 2009, eight years after B.C. Transit got its process started. Similarly, the Evergreen Line transit line has also been delayed until 2014, at least 10 years after approval. The recent announcement by the British Columbia government that it has raised the threshold for projects to be considered as a public-private partnership to $50 million in order to accelerate capital investment is a clear acknowledgement that the P3 requirement delays investment, particularly for smaller projects. \* \* \* Recent failures, bailouts, and excessive costs show that the risk analyses and value-for-money accounting used to justify P3s are clearly flawed and cover up the true costs and risks for the public. Governments in Canada will be forced to rescue or bail out a growing number of P3 projects in the coming years, particularly with harsh and turbulent economic conditions expecting to persist for a several years. At the same time, private investors will put increasing pressure on governments to increase the number of P3s, since they provide them with long-run, secure, and relatively high returns. But taxpayers who subsidize these high returns should be very concerned. The current financial and economic crisis didn't just occur because of a number of isolated failures in the financial industry. The unregulated financial markets allowed financial speculation to flourish, siphoning away funds from productive investments in the real economy. As a result, the paper economy grew, but the real economy stagnated with negative or zero rates of productivity growth during recent years. Public-private partnerships are not just a highly questionable deal for the taxpayers; they also have a negative impact on the economy. The investment banks and funds that are now heavily promoting P3s would do more good for the economy if they returned to what should be their primary role: financing investments to boost productivity and growth in the languishing private sector economy. Smaller Canadian contractors are squeezed out of access to infrastructure contracts while international firms take public funds sunk into P3 projects out of the country. Public services and infrastructure are best financed and delivered by the public sector. Private industry has a key part to play in its traditional role of designing and constructing public infrastructure under contract. But expanding these deals to include private financing and operations makes them much more complicated, expensive, and risky. Canadians need more public investment to rebuild our economy – but they can't afford more expensive, unaccountable, and risky public-private partnerships. As Greg Malone puts it: “P3s ahould be called P12s — Public-Private Partnerships to Plunder the Public Purse to Pursue Policies of Peril to People and the Planet for all Posterity.”

### 2ac Point-to-Point

#### P3’s lead to *uncoordinated* profit-maximization for private industries – results in point-to-point

DiNapoli 11 – New York State Comptroller

Thomas, “Controlling Risk Without Gimmicks: New York’s Infrastructure Crisis and Public-Private Partnerships,” http://www.osc.state.ny.us/reports/infrastructure/pppjan61202.pdf

Risk of Uncoordinated Infrastructure Planning – The nation’s transportation system is a diverse network of highways, mass transit systems, railroads, airports, and sea ports. Although this complicated system is operated by hundreds of federal, state and local agencies, and many private firms, it enjoys a high degree of integration. Public private partnerships represent a potential threat to the rational coordination of that transportation system. This is because P3 agreements are based on opportunities for private profit rather than a comprehensive consideration of public needs. The private sector is inevitably interested in seeking the most profitable transportation opportunities, leaving the more costly and more difficult services to the public sector. Weaknesses resulting from such “cherry picking” can be made even more troublesome by the “non-compete” clauses in some P3 agreements that prevent government entities from offering alternatives at all.

### 2ac AT: Solvency net-benefit

#### No solvency benefit --

#### First – efficiency focus of P3’s trade off with environmental sustainability – case is an impact turn

Brenninkmeijer 11- Ph.D. from the Graduate Institute of International and Development Studies @ Geneva, Professor @ CAPA

Olivier, Public-Private Partnerships: Success and Failure Factors for In-Transition Countries, p. 74

With the opening of the public sector to private involvement, a potentially enormous market for business is opening at the rate at which national governments modify their policies and laws to allow for this to happen. New industrial consortia are created especially to bid for large PPP contracts, and they receive the active participation from international financial institutions and consulting companies. Private industry is thus moving into a commercialisation of public infrastructure and public services for the long-term and for the life-cycle of projects. This involvement includes financing, design, construction, operation and service to the end-user and the public. This implies important changes away from traditional forms of government procurement, While the potential benefits are often enumerated by proponents of public-private partnerships, real problems challenge governments and private sector partners about the lack of transparency of contracts and public spending and raise expectations for greater accountability to civil society and stakeholders. This is the vision of PPPs that was outlined in the Johannesburg Declaration on Sustainable Development of 2002.7 However to date, this vision remains more an aspiration than a reality. In fact PPPs introduce new kinds of trade-off that may favour, for example, economic efficiency over social equity, or security over economic efficiency, etc While the ideal of so-called "win-win" situations is appealing and which proponents of public-private partnership often mention, it is difficult to envisage how costs for greater security or long-term sustainability can be accounted for in projects that also must be socially equitable and financially more efficient than other forms of government procurement.

#### Second – P3’s lead to cost-cutting which lower quality and undermines the whole project

Corry et al 97 – MA in Economics, chief executive of New Philanthropy Capital

Dan, Public-Private Partnerships: A marriage of convenience or a permanent commitment, p. 11

Use of PPPs is a way to try and get round the problems of public sector provision. But they give rise to two major difficulties of their own. These come both from the potential weaknesses of private sector provision itself and from the attempt to mesh public and private interests. The first derives from the fundamental nature of a private sector operator: that it is a profit maximiser. This will give it incentives that may be at variance with those required to deliver a public service as defined above. There will thus always be a tension right at the heart of a PPP. The tension may appear in a number of ways. The private provider may be tempted to reduce costs by cutting quality, especially if it perceives the public purchaser or regulator as unable properly to monitor quality. Again in the interests of cost-cutting, it may worsen the terms and conditions of employees thus reducing their incentive to provide a quality service. Also, it may be subject to short-termist pressures from shareholders, anxious to maximise dividend income, and therefore it may be reluctant to undertake long-term planning.

#### Third – focus on efficiency and speed undercuts expert planning

Delmon 11 – PhD in Project Finance, Senior PPP Specialist at World Bank

Jeffrey, “Public-Private Partnership Projects in Infrastructure: An Essential Guide for Policy Makers,” p. 3

PPP represents an approach to procuring infrastructure services that is radically different from traditional public procurement, with numerous associated challenges. This book provides a practical guide to PPP and is intended in particular for policy makers and strategists needing a good understanding of the key issues specific to PPP development and financing. A particular focus is given to good preparation and thoughtful implementation. ■ PPP projects are often prepared in a hurry, with little funding or expert assistance. This is a critical error. A good feasibility study, performed by PPP experts and focused on all aspects of project viability (in particu¬lar, value for money - see Box 2.1) is invaluable.

### 2ac Solvency / Solvency Advocate

#### No solvency advocate –

#### Interpretation: the negative must present a solvency advocate in the 1nc that is specific to (\_insert aff\_). Otherwise, it’s unpredictable and distracts from aff-specific education. Leads to over-emphasis on generics – which forces substantive tradeoff. Voting issue.

#### Even if you don’t reject the counterplan, be skeptical of their generic solvency evidence – P3’s rely on a *particular set* of variables for success – demand *aff-specific evidence* before concluding the CP is sufficient

Urio 11 – PhD, Professor of Political Science @ URIGE

Paolo, Public-Private Partnerships: Success and Failure Factors for In-Transition Countries, p. 7

In spite of a huge literature in favour of PPPs, scientific empirical evidence is generally mixed and balanced. Success or failure depends on many factors that need to be identified and analysed. To begin with, improved economic performance (as compared to the provision by the State alone) is difficult to assess. Moreover it may be altered by transaction costs, and capture phenomena. Finally, economic performance may be achieved at the expense of other evaluation criteria, which are essential for the present research, such as quality, equity, accessibility, public scrutiny and accountability. This could happen for example if savings are realised at the expense of reduced wages, and reduced job security; or in case of differential service provision according to the financial capacity of different target groups.

### 1ar Extension

#### Here’s quantitative evidence – 50 percent of P3’s are never financed, and even if they are they will get bogged down in renegotiations

--can’t make a judgment about success or failure without specific details of the initial agreement

Bracey and Moldovan 6 - \*International Trade and Development Specialist, \*\*MA @ GWU

Najja and Sonia, “PUBLIC-PRIVATE-PARTNERSHIPS: RISKS TO THE PUBLIC AND PRIVATE SECTOR,” Scholar

The prevailing idea among development circles is that public-private partnership arrangements in infrastructure development allow municipalities and national governments to shift significant risk to the private sector. But is this really true? While forming PPPs is a promising technique, it is worth mentioning that about 50 percent of these deals never reach the financing stage, and of those financed, about half need to be renegotiated as the projects are built and implemented. In order to fully analyze risk sharing in a particular PPP, one needs to understand the details of the initial agreement. But one can say a few things about risk sharing in general. Risks can be in the form of unexpected losses or unexpected gains. The question then is: how are these losses or gains shared between the public and private sector? If the losses or gains result from specific actions by either the public sector or the private sector, then the issue would not arise. It is in cases where the losses or gains occur due to external forces such as an unexpected rise in traffic and hence in tolls, or unexpected rise in the cost of materials that the issue comes up. In this case if there is risk sharing, then both parties share in the gain or loss. An example where there is no risk sharing is when there are losses the public sector pays them, but when there are gains, the private sector keeps them. The private sector essentially does not bear the risk, yet gets any windfall profits.

### 2ac NEPA

#### \*\*\*Not necessary, may introduce new risks for the aff

#### P3’s bypass NEPA

DiNapoli 11 – New York State Comptroller

Thomas, “Controlling Risk Without Gimmicks: New York’s Infrastructure Crisis and Public-Private Partnerships,” http://www.osc.state.ny.us/reports/infrastructure/pppjan61202.pdf

These reforms are necessary to ensure the State properly maintains and improves its infrastructure and capital asset base to meet both current and future needs. If such reforms are not adopted, the chances that P3 agreements will be used as budget gimmicks – rather than as prudent strategies to maximize the value of public assets and achieve long-term goals—remain very high. Additional Considerations In addition to financial risks associated with public-private partnerships, there are numerous other public policy considerations that must be taken into account, including:  Loss of Public Accountability. Private entities are not subject to the same level of oversight and public information standards that public agencies are. How much financial secrecy is the public willing to accept in return for P3 savings?  Loss of Administrative Control. Public-private partnerships often shift control of an asset from the public to the private sector. How much oversight can the public sector shift to the private sector while still maintaining and advancing the government’s core mission?  Loss of Regulatory Oversight. Asset maximization agreements may be used to by-pass important environmental, labor, procurement, and other protective laws. To what extent can the government continue to protect the public interest under P3 agreements?