# Privatization

### 1NC

#### 1NC: The United States Federal Government should privatize

#### Privatization solves better than the USFG – statistics and consensus of economists

Peter Van Doren, senior fellow at the Cato Institute and Chris Edwards, the director of tax policy studies at the Cato Institute, 12/09/08, Dhttp://www.cato.org/publications/commentary/jumping-government-bridge, “Jumping off the Government Bridge”; AB

Infrastructure spending is Washington's latest cure for the nation's economic ills. In the Washington Post an oped by Emil Henry this week says that conservatives should end their traditional skepticism of government and jump on the government-investment bandwagon. Henry is correct that infrastructure is essential to the operation of a market economy. But he is incorrect to assume that markets can't provide infrastructure, that public infrastructure has been historically crucial for economic growth, or that government infrastructure spending has been too low. While America debates higher government spending on infrastructure, governments on every continent have sold off state-owned assets to private investors in recent decades. Airports, railroads, energy utilities, and many other assets have been privatized. Heathrow airport in London is privately owned and operated. Air-traffic control services are fully private in Canada. In Italy and France, limited access highways are private concessions funded with toll revenue. In many areas, **the U.S. is a laggard in the world on private infrastructure provision.**  The issue of whether public infrastructure spending encourages economic growth has been studied extensively by economists. In the late 1980s and early 1990s, some research argued that public capital investments had double the effect of private investment on subsequent economic growth. But those findings were challenged, and **the statistical techniques were found to be faulty**. By the early 2000s **the consensus of economists was that the effect of public investment on subsequent economic output was at best extremely low and at worst no effect at all.** The main problem with current government infrastructure spending is not its magnitude but its lack of efficiency. More roads and transit capacity may or may not make sense depending on whether the benefits exceed the costs. One sure way to find out is to have private provision and user charges. If users are not willing to pay the costs of extra or newer capacity, then calls for taxpayer involvement probably imply subsidy of some at the expense of others rather than efficiency. Privatization of federal and state infrastructure makes sense for many reasons. First, privatization would reduce the responsibilities of the government so that policymakers could better focus on their core responsibilities, such as national security. Second, there is vast foreign privatization experience that could be drawn upon in pursuing U.S. reforms. Third, privatization would spur economic growth by opening new markets to entrepreneurs. For example, repeal of the U.S. postal monopoly could bring major innovation to the mail industry, just as the 1980s' breakup of AT&T brought innovation to the telecommunications industry.

### 2NC Solvency – Privates > USFG

# NIB

### 1NC

#### CP Text: The United States federal government should set up tax incentives to private companies for transportation infrastructure investments

#### Privatization attractive – long-term liabilities and cash flows

Atkinson and Shultz, ‘09

[Robert Atkinson: Chair of National Surface Transportation Infrastructure Commission, President of Information Technology and Innovation Foundation Martin Shultz: Vice Chair and Vice President of Government Affairs at Pinnacle West Capital Corporation, February 2009, 2009 Report of the National Surface Transportation Infrastructure Financing Commission <http://financecommission.dot.gov/Documents/NSTIF\_Commission\_Final\_Report\_Mar09FNL.pdf>]

Other forms of capital used to a lesser but growing extent in the transportation sector include¶ commercial bank financing, taxable bond financing, and private equity. While private-sector¶ participation in transportation infrastructure financing has flourished in Europe, Australia, and¶ Canada, the United States has been slower to use direct private investment—largely due to the¶ availability of low-cost tax-exempt debt. Today a significant amount of equity (over $180 billion¶ according to a recent study)1 has been earmarked for infrastructure investments worldwide.¶ To date, most investors in U.S. private-sector financial participation structures have been¶ European and Australian investors, often coupling investment with direct project development¶ and/or operating roles. Recently, however, U.S. pension funds, insurance companies, and other¶ investors have begun to show interest in infrastructure investments as vehicles to potentially help¶ them achieve their goal of matching long duration liabilities with long-term stable cash flows.

### 2NC Solvency

#### Federal government can’t solve transportation infrastructure

Edwards 11 [“Infrastructure Projects to Fix the Economy? Don't Bank on It.” by Chris Edwards : *Chris Edwards is the director of tax policy studies at Cato and editor of www.DownsizingGovernment.org. He is a top expert on federal and state tax and budget issues. Before joining Cato, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. Edwards has testified to Congress on fiscal issues many times, and his articles on tax and budget policies have appeared in the Washington Post, Wall Street Journal, and other major newspapers. He is the author of Downsizing the Federal Government and co-author of Global Tax Revolution. Edwards holds a B.A. and M.A. in economics, and he was a member of the Fiscal Future Commission of the National Academy of Sciences.* : October 21, 2011. : <http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it> ]

In a recent television ad for her network, MSNBC host Rachel Maddow stands below the Hoover Dam and asks whether we are still a country that can "think this big" — Hoover Dam big. The commercial is built on the assumption that American greatness is advanced by federal spending on major infrastructure projects. If I had my own television commercial, I'd stand in front of the wreckage of Idaho's Teton Dam,which, like the Hoover Dam, was built by the federal Bureau of Reclamation. The Teton Dam was based on shoddy engineering and a flawed economic analysis. It collapsed catastrophically in 1976, just a year after it was built. Increased infrastructure spending has bipartisan support in Washington these days. President Obama wants a new federal infrastructure bank, and members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and bureaucratic bungling, with money often going to wasteful and environmentally damaging projects. When the federal government 'thinks big,' it often makes big mistakes. For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the federal government shouldn't be in the infrastructure business. Rather, state governments and the private sector are best equipped to provide it. The Corps of Engineers has been building levees, canals and other civilian water infrastructure for more than 200 years — and it has made missteps the entire time. In the post-Civil War era, for example, there were widespread complaints about the Corps' wastefulness and mismanagement. A 1971 book by Arthur Morgan, a distinguished engineer and former chairman of the Tennessee Valley Authority, concluded: "There have been over the past 100 years consistent and disastrous failures by the Corps in public works areas ... resulting in enormous and unnecessary costs to ecology [and] the taxpayer." Some of the highest-profile failures include the Great Mississippi Flood of 1927. That disaster dramatically proved the shortcomings of the Corps' approach to flood control, which it had stubbornly defended despite outside criticism. Hurricane Katrina in 2005 was like a dreadful repeat. The flooding was in large part a man-made disaster stemming from poor engineering by the Corps and misdirected funding by Congress. Meanwhile, the Bureau of Reclamation has been building economically dubious and environmentally harmful dams since 1902. Right from the start, "every Senator ... wanted a project in his state; every Congressman wanted one in his district; they didn't care whether they made economic sense or not," concluded Marc Reisner in his classic history of the agency, Cadillac Desert. The dam-building pork barrel went on for decades, until the agency ran out of rivers into which it could pour concrete. Looking at the Corps and Reclamation, the first lesson about federal infrastructure projects is that you can't trust the cost-benefit analyses. Both agencies have a history of fudging their studies to make proposed projects look better, understating the costs and overstating the benefits. And we've known it, too. In the 1950s, Sen. Paul Douglas (D-Ill.), lambasted the distorted analyses of the Corps and Reclamation. According to Reisner, Reclamation's chief analyst admitted that in the 1960s he had to "jerk around" the numbers to make one major project look sound and that others were "pure trash" from an economics perspective. In the 1970s, Jimmy Carter ripped into the "computational manipulation" of the Corps. And in 2006, the Government Accountability Office found that the Corps' analyses were "fraught with errors, mistakes, and miscalculations, and used invalid assumptions and outdated data." Even if federal agencies calculate the numbers properly, members of Congress often push ahead with "trash" projects anyway. Then-senator Christopher Bond of Missouri vowed to make sure that the Corps' projects in his state were funded, no matter what the economic studies concluded, according to extensive Washington Post reporting on the Corps in 2000. And the onetime head of the Senate committee overseeing the Corps, George Voinovich of Ohio, blurted out at a hearing: "We don't care what the Corps cost-benefit is. We're going to build it anyhow because Congress says it's going to be built." As Morgan noted in his 1971 book, these big projects have often damaged both taxpayers and ecology. The Corps, Reisner argues, has "ruined more wetlands than anyone in history" with its infrastructure. Meanwhile, Reclamation killed wetlands and salmon fisheries as it built dams to provide high-cost irrigation water to farmers in the West — so they could grow crops that often compete with more efficiently grown crops in the East. Taxpayers are double losers from all this infrastructure. They paid to build it, and now they are paying to clean up the environmental damage. In Florida, for example, the Corps' projects, along with federal sugar subsidies, have damaged the Everglades. So the government is helping to fund a multibillion-dollar restoration plan. In the West, federal irrigation has increased salinity levels in rivers, necessitating desalination efforts such as a $245 millionplant in Yuma, Ariz. And in a large area of California's San Joaquin Valley, federal irrigation has created such toxic runoff that the government is considering spending up to $2 billion to fix the damage, according to some estimates. When the federal government "thinks big," it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, it replicates the mistakes across the nation. Today, for instance, Reclamation's huge underpricing of irrigation water is contributing to a water crisis across much of the West. Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient aBnd flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities. When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. **The solution is to move as much infrastructure funding as we can to the state, local and private levels.** That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It's true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren't automatically repeated across the country. The states should be the laboratories for infrastructure. We should further encourage their experiments by bringing in private-sector financing. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed — the densely populated Northeast. As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation's massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports. The recent infrastructure debate has focused on job creation, and whether projects are "shovel ready." The more important question is who is holding the shovel. When it's the federal government, we've found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let's give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They're ready.

#### If NIB solves private companies will fund them

Calabria 10 [“A Fannie Mae for Intrastructure?” Mark A. Calabria, Ph.D. is Director of Financial Regulation Studies at the Cato Institute. He was a member of the senior staff of the U.S. Senate Committee on Banking, Housing and Urban Affair September 9, 2010 @ 12:03 pm <http://www.cato-at-liberty.org/a-fannie-mae-for-intrastructure/>]

The real rationale for an infrastructure bank is to transfer the risk of default away from investors, bankers and local/state governments onto the federal taxpayer, but to do so in such a manner that the taxpayer has no idea what they are on the hook for. If there are truly great projects out there that will pay their own way, then they should have no trouble getting private funding. Of course, we will be told that the bank will charge an interest rate sufficient to cover losses and that the taxpayer won’t be on the hook. Again, if it is charging an appropriate rate, then why does the bank need to be chartered (and backed) by the taxpayer? We’ve heard this story before…with Social Security, flood insurance, FHA, Fannie/Freddie…the list goes on, that all of these programs would pay their own way and never cost the taxpayer a dime. If there are truly outstanding infrastructure needs, then appropriate the money and pay for them. An infrastructure bank is just another way to allow Wall Street to line its pockets while leaving the risk with the taxpayer. If bankers aren’t willing to actually take the risks, then why exactly do we need them?

#### Private companies have the capability to fund NIB

Reuters 11 [“The Infrastructure Privatization Bank” By Cate Long SEPTEMBER 10, 2011 http://blogs.reuters.com/muniland/2011/09/10/the-infrastructure-privatization-bank/]

The horrific 2007 bridge collapse in Minneapolis is often used as the poster child to promote a national infrastructure bank. In 2007 there were 75,000 other bridges in America that had the same rating of “structurally deficient” as the Minneapolis bridge; the problem continues today. The need for massive spending on our roads and bridges is well understood by everyone. I think there is some misunderstanding though about the purpose of the proposed infrastructure bank. On the surface it appears to be an alternative source of funding for common transportation, water and energy projects. But its real purpose seems to be a means of spurring a large infrastructure privatization movement in the United States. Senate Resolution 652, sponsored by Senator Kerry of Massachusetts, would create the American Infrastructure Financing Authority. The AIFA would require that funded projects generate revenues to repay the loan to the infrastructure bank. For the Minneapolis bridge project to be funded it would have needed to be a toll bridge rather than a free bridge (or have a government entity repay the loan). It’s a PayGo Infrastructure Bank. Currently almost all American infrastructure is funded either through municipal bonds or federal funding. Even as federal funding has been constrained, municipal bond issuance has been very low this year, running at about half of last year’s rate. There is plenty of capacity to fund infrastructure with municipal bonds. From a funding standpoint it’s not clear why we need an infrastructure bank, especially a paygo infrastructure bank. The AIFA legislation is very specific about the type of projects that can be funded: Highway or road Bridge Mass transit Inland waterways Commercial ports Airports Air traffic control systems Passenger rail, including high-speed rail Freight rail systems The legislation seems to require public-private partnerships for funding. In the bill’s criteria for loan approval, there’s a preference for those projects which maximize private investment (page 41): “the extent to which the provision of assistance by AIFA maximizes the level of private investment in the infrastructure project or supports a public-private partnership, while providing a significant public benefit” Conceivably Warren Buffett’s Burlington Northern Santa Fe railroad could team up with a small municipality and receive below-market loans to fund improvement of their rail systems. There is a lot of gray area defining “public good” in the legislation and this makes way for many projects that might have a larger private component. The legislation also requires that projects have dedicated repayment sources (page 43): (3) DEDICATED REVENUE SOURCES.—The Federal credit instrument shall be repayable, in whole or in part, from tolls, user fees, or other dedicated revenue sources that also secure the infrastructure project obligations. The essence of the American Infrastructure Financing Authority is to use the full faith and credit of the U.S. government to loan funds at below-market rates to public-private partnerships — in other words, to privatize the cash flows from public assets. When you read the congressional testimony and materials about the proposed bank you always hear about the vast sums of private money waiting in the wings to be invested. When Robert Wolf, Chairman and CEO of UBS Americas and close confidant of President Obama, testified to the Senate Banking Committee last year he said: Preqin, a private equity industry consultant, estimates that there is over $180 billion dollars of private equity and pension fund capital focused on infrastructure equity investments. This capital can play an important role in bridging state and local budget gaps. There is no question that private money is interested in being used for loans to infrastructure projects and guaranteed by the federal government and taxpayers. It’s almost identical to senior bondholders who loaned money to too-big-to-fail banks. It’s the best setup for private money because there is no loss. Although McClatchy is reporting that Rep. John Mica, R-Fla., chairman of the House Transportation and Infrastructure Committee is unenthusiastic about plans for an infrastructure bank, it’s likely that the Senator Kerry’s legislation will be adopted since it has support from the administration, the AFL-CIO and the U.S. Chamber of Commerce. But it’s a pity that a project dressed as job creator will really be a vehicle to create privatized public assets. Our nation was founded and grew strong on the basis of our shared public infrastructure. It’s a shame that the American Infrastructure Financing Authority will be the agency in which ownership of public assets becomes private.

# Mass Transit

### 1NC

#### CP Text: The United States federal government should **initiate complete privatization of the Mass Transit system by offering to sell relevant federally-owned parts to all interested private-sector parties**

#### Private transit providers focus on reducing costs and expanding inner city service

Randal O'Toole is a senior fellow with the Cato Institute, 11/10/10, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, “Fixing Transit: The Case for Privatization”; AB

Private transit providers will focus on reducing costs and focusing scheduled transit services on high-demand areas where they can fill a high percentage of seats. To reduce costs, they would employ transit technologies that have minimal infrastructure requirements, use the appropriate size of vehicle for each area served, and economize on labor. Privatization would probably improve transit service in the inner cities, where most transit patrons live, while it would reduce service in many suburbs, where most people have access to cars. Privatization would also greatly alter the nature of transit services in many cities. Private investors would be unlikely to expand or upgrade high-cost forms of transit such as light rail, streetcars, and automated guideways. Private operators might continue to run existing rail lines until the existing infrastructure is worn out, which tends to be after about 30 years of service. Rather than rebuild the lines, private operators would probably then replace the railways with lowcost, flexible bus service.

#### Federal involvement in mass transit fails – privatization is key

Randal O'Toole is a senior fellow with the Cato Institute, 11/10/10, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, “Fixing Transit: The Case for Privatization”; AB

America's experiment with government ownership of urban transit systems has proven to be a disaster. Since Congress began giving states and cities incentives to take over private transit systems in 1964, worker productivity — the number of transit riders carried per worker — has declined by more than 50 percent; the amount of energy required to carry one bus rider one mile has increased by more than 75 percent; the inflation- adjusted cost per transit trip has nearly tripled, even as fares per trip slightly declined; and, despite hundreds of billions of dollars of subsidies, the number of transit trips per urban resident declined from more than 60 trips per year in 1964 to 45 in 2008. Largely because of government ownership, the transit industry today is beset by a series of interminable crises. Recent declines in the tax revenues used to support transit have forced major cuts in transit services in the vast majority of urban areas. Transit infrastructure — especially rail infrastructure — is steadily deteriorating, and the money transit agencies spend on maintenance is not even enough to keep it in its current state of poor repair. And transit agencies have agreed to employee pension and health care plans that impose billions of dollars of unfunded liabilities on taxpayers. Transit advocates propose to solve these problems with even more subsidies. **A better solution is to privatize transit. Private transit providers will provide efficient transit services that go where people want to go. In order for privatization to take place, Congress and the states must stop giving transit agencies incentives to waste money on high-cost transit technologies.**

### 2NC Solvency

#### Federal investment in mass transit is inefficient and corrupt

Randal O'Toole is a senior fellow with the Cato Institute, 11/10/10, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, “Fixing Transit: The Case for Privatization”; AB

The term “socialism” has been much abused in recent years, with people applying it to bailouts, regulation, and other government activities that fall short of actual government ownership. But one industry has unquestionably been socialistic for decades: urban transit, more than 99 percent of which is today owned and operated by state and local governments. The results have not been pretty. Since 1964, the year Congress began giving states and cities incentives to take over private transit companies, worker productivity—the number of transit trips carried per operating employee—has fallen more than 50 percent. 1 After adjusting for inflation, operating costs per rider have nearly tripled, while fare revenues increased by a mere 8 percent. 2 “It’s uncommon to find such a rapid productivity decline in any industry,” the late University of California economist Charles Lave observed of U.S. transit in 1994. 3 Today, urban transit is the most expensive way of moving people in the United States. Airlines can transport people at a cost of less than 15 cents per passenger mile, barely a penny of which is subsidized. 4 Driving costs less than 23 cents per passenger mile, which also includes about a penny of subsidy. 5 Socialized Amtrak costs close to 60 cents per passenger mile, about half of which is subsidized. 6 But urban transit costs nearly one dollar per passenger mile, with fares covering only 21 cents per passenger mile and subsidies paying for the rest. 7 These horrendous financial results are obscured by the mountains of propaganda issued by the Federal Transit Administration, individual transit agencies, the American Public Transportation Association, and various other transit advocates claiming transit saves people money, saves energy, and protects the environment. In fact, it only saves people money by imposing most of their transport costs on other taxpayers. Nor is transit particularly energy efficient or environmentally friendly, as the average transit system uses about the same amount of energy and emits about the same amount of pollution per passenger mile as the average car. In fact, a majority of transit systems use far more energy and pollute far more per passenger mile than the average car. 8 The fact that more than three out of four transit dollars come from taxpayers instead of transit users has several negative effects on transit programs. **For one, transit agencies are more interested in trying to get dollars out of taxpayers, or federal and state appropriators, than in pleasing transit riders**. This leads the agencies to focus on highly visible capital improvements, such as rail transit projects, dedicated bus lanes, and supposedly multimodal transit centers, that are not particularly useful to transit riders. Moreover, the agencies neglect to maintain their capital improvements, partly because most of the taxpayers who paid for them never ride transit and so do not know about their deteriorating condition. Further, dependence on tax dollars makes transit agencies especially vulnerable to economic downturns because the sources of most of their operating funds—generally sales or income taxes, but in some cases annual appropriations from state legislatures—are highly sensitive to the state of the economy. Sales and income taxes are particularly volatile, while property taxes are less so. 9 Yet property taxes provide only about 2 percent of transit operating funds, while sales and income taxes provide more than a quarter of operating funds. 10 **Privatization of public transit systems would solve all of these problems**. Private operators would have incentives to serve customers, not politicians, with cost-effective transport systems. The few examples of private transit operations that can be found show that private operators are more efficient and can offer **better service than government agencies.**

#### Federal oversight of mass transit fails – politically charged

Randal O'Toole is a senior fellow with the Cato Institute, 11/10/10, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, “Fixing Transit: The Case for Privatization”; AB

All the problems identified in this report are a direct result of **public ownership** of transit systems: • Transit productivity has declined because transit managers are no longer obligated to ensure that revenues cover costs. In fact, in the world of government, agency managers are respected for having larger budgets, which leads transit managers to use tools and techniques that actually reduce productivity. • Transit’s tax traumas during the recession are typical of government agencies that create new programs during boom peri-ods that are not financially sustainable in the long run. Private businesses do the same thing, but are able to slough off marginal operations during recessions. Public agencies have a difficult time doing so because each program and each transit line has a built-in political constituency demanding continued subsidies. • Public agencies are also more likely to run up debt because political time horizons are so short: what an agency provides today is much more important than what that service will cost tomorrow. This is especially true when it comes to pensions and other worker benefits whose true costs can be postponed to the politically distant future. • The tendency to build expensive infrastructure whose maintenance cannot be supported by available revenues is a particular government trait. As one official at the U.S. Department of Transportation says, politicians “like ribbons, not brooms.” In other words, they like funding highly visible capital projects, but they gain little from funding the maintenance of those projects. • The failure to innovate and the tendency to turn to social engineering when people will not behave the way planners want are inconsistent with the values of a free society. Ironically, the real problem with public transit is that it has too much money. The addition of tax dollars to transit operations led transit agencies to buy buses and other equipment that are bigger than they need, to build rail lines and other high-cost forms of transit when lower-cost systems would work as well, to extend service to remote areas where there is little demand for transit, and to offer overly generous contracts to politically powerful unions. Privatizing transit would solve these problems. Private transit operators would have powerful incentives to increase productivity, maintain transit equipment, and avoid transit systems that require expensive infrastructure and heavy debts. While private transit systems would not be immune to recessions, they would respond to recessions by cutting the least-necessary expenses. In contrast, public agencies often employ the “Washington Monument Syndrome” strategy: they threaten to cut highly visible programs as a tactic to persuade legislators to increase appropriations or dedicate more taxes to the agency, such as New York MTA’s proposal to eliminate discounted fares for students.

#### Political control of mass transit drives up costs – political forces affect laws

Winston and Shirley, ‘98 – Clifford Winston, a Senior Fellow in the Economic Studies program, specializes in analysis of industrial organization, regulation, and transportation, and Assoc. Prof. at the Transportation Systems Division of MIT’ Department of Civil Engineering. Chad Shirley is a former research assistant in the Bookings Economic Studies program. (Clifford Winston and Chad Shirley, Alternate route : toward efficient urban transportation, published by Brookings Institution Press, p. 68-69 )

POLICYMAKERS do not just happen to create inefficiencies. When economists estimate large welfare losses stemming from public policies as if the losses were simple oversights that officials could correct by paying closer attention to what they are doing, it is the economists, not the officials, who are not paying attention. This chapter attempts to chip away at this type of ignorance by developing a model to identify the political forces most responsible for the inefficiencies in urban transit pricing and service that were documented in chapter 4. It also identifies the factors that contribute to the inefficiencies in automobile travel. We will then be in a position to assess whether urban transportation policymakers would actually take significant steps to make public systems more efficient and less reliant on taxpayer subsidies. Sources of Inefficiencies in Transit One generally expects politics to have a major influence on public policy. And theories abound as to why this influence will create economic inefficiencies.1 Without drawing explicitly on a particular theory, we can identify at least three ways in which politics is likely to cause urban transit prices and service to deviate from optimality. First, although we noted in chapter 1 that government subsidies largely accrue to transit managers and suppliers of transit labor and capital, some of the funds undoubtedly go to keep fares below marginal costs and to expand service beyond what can be supported without subsidies. Second, as we discussed in chapter 2, various policymaking entities determine transit prices and service and receive federal funds. Some may be less capable than others of carrying out efficient policies or more willing to sacrifice efficiency in pursuit of other goals.2 Finally, such varied transportation constituencies as high-income commuters, business developers, and the elderly could influence policymakers to benefit them at the expense of other members of society by lowering prices and expanding service to inefficient levels.3 We have estimated simultaneous equations models of transit prices, service frequency, and route coverage to determine the effect of subsidies, policymaking entities, and constituents on them, and have used the models to determine how much of the social welfare loss from transit pricing and service inefficiencies can be explained by these political influences. Because of the limited guidance that economic theory brings to help our specifications and the absence of comparable empirical work, we recognize that our models offer only preliminary empirical evidence on the political and economic determinants of transit attributes.4 Our basic findings, however, appear to be consistent with informal observations and anecdotal evidence on the extent of inefficiency that is caused by political influences on urban transit policy.

#### Privatization ensures better services and a more efficient operation of transit than the federal government

Randal O'Toole is a senior fellow with the Cato Institute, 11/10/10, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, “Fixing Transit: The Case for Privatization”; AB

­Public ownership of transit is one of the least defensible government programs in the United States. It has led to a huge decline in transit productivity, a large increase in costs, and only minor increases in outputs. In addition, a powerful lobby of groups now feel entitled to government support—groups that do not include transit riders, for the most part, but instead are mainly rail construction companies and railcar manufacturers, transit contractors, transit employee unions, and the transit agencies themselves. Privatization will make transit responsive to users, not politicians, and will actually lead to better services for many transit users.

# Remote Sensing

### 1NC

#### CP Text: The United States Geological Survey should add to and maintain The National Map

#### The National Map allows the private sector to integrate geospatial data and frees up resources

DeLorme and Peterson 03 (David M. DeLorme and James G. Peterson, Chairman and CEO of DeLorme Publishing, a leader in map publishing and GPS software, “The Effect of Governmental¶ Geospatial Data Programs and Policy¶ on Innovation in the Private Sector,” Oct 11 2003, <http://www.asprs.org/a/publications/pers/2003journal/october/2003_oct_1165-1168.pdf>) T. Lee

Thus, the impact of public domain datasets upon the¶ private sector and the value-added market segment has been¶ tremendous. The USGS and The National Map will continue to¶ play a direct and vital role in the encouragement and fostering¶ of private sector innovation. The more data there are in The¶ National Map, the more incentive there will be for the private¶ sector to create new and innovative products, and the less¶ data collection expense will be required to do so. The better, more complete, and more consistent the data are—all of¶ which are goals of The National Map—the less time private¶ industry will need for post-processing, correcting, and recollecting¶ content. Indeed, much of the effort the USGS is¶ proposing to undertake—integrating and making datasets¶ consistent, seamless, and subject to continual improvement¶ and augmentation—has in the past been performed, repeatedly¶ and in isolation, by private firms. Industry-wide, The¶ National Map concept could greatly reduce this duplication¶ of effort, freeing both private sector and government resources¶ for further innovation and data applications, including commercial¶ product development. Further, should The National Map evolve to become a¶ virtual marketplace of geospatial data, both free and otherwise,¶ the USGS could play an even greater role in the promotion¶ of private-sector activity. Companies producing data and¶ those in need of it would more readily be able to find one another¶ and to understand the availability and utility of information¶ and services. The USGS, with its vast collective expertise,¶ could play a role in the characterization of available data¶ in terms of their attributes and value relative to other datasets.¶ Current national standards for spatial-data accuracy remain¶ useful for some datasets, but fall short in some important¶ ways. For example, they fail to address the currentness, or¶ timeliness, of datasets. Furthermore, they provide no means¶ for characterizing the information content, or resolving power,¶ of satellite and aerial imagery. The USGS, as the guardian of¶ The National Map, would be the ideal party to maintain a set¶ of data characterization criteria available to consumers to aid¶ them in the data selection process. Careful coordination of¶ development and maintenance of such data characterization criteria would greatly reduce confusion by data buyers and¶ the perception of inconsistent pricing.

### 2NC Solvency

#### The CP solves timeliness and rising costs while being more efficient

DeLorme and Peterson 03 (David M. DeLorme and James G. Peterson, Chairman and CEO of DeLorme Publishing, a leader in map publishing and GPS software, “The Effect of Governmental¶ Geospatial Data Programs and Policy¶ on Innovation in the Private Sector,” Oct 11 2003, <http://www.asprs.org/a/publications/pers/2003journal/october/2003_oct_1165-1168.pdf>) T. Lee

The private sector has done much to foster the dissemination¶ and widespread use of USGS data. Consumer-oriented products¶ provide easy and inexpensive access to these data by outdoor¶ enthusiasts and others. Professional geographic information¶ system (GIS) products permit the use of these datasets in¶ sophisticated and fruitful ways never anticipated by their producers.¶ As a result, the private sector has played a substantive¶ role in helping the USGS realize its data provision mission and¶ in stimulating understanding of the Nation’s geography. This¶ synergy between the Federal government and the private sector¶ will flourish as The National Map matures. It can be the¶ basis for creative and continuing partnerships that will be the¶ foundation for the efficient delivery of government services¶ and for the pursuit of marketplace opportunities.¶ Private sector and municipal expenditures on geospatial¶ data collection and production have grown over the past¶ 20 years to a level that likely exceeds that of the Federal government.¶ The relentless efforts by industry and local governments¶ to improve data quality while reducing data collection¶ costs have resulted in new methods and technologies. The¶ National Map can benefit from these efforts in a very direct¶ way. They can free government from having to always be¶ the data collector. Such a transition is in harmony with The¶ National Map vision which calls for the USGS’s mapping¶ role to be redefined to be, first and foremost, a guarantor of national data completeness through partnerships and, lastly,¶ a data producer (largely through contracts) only when no¶ other suitable and verifiable source exists. Instead, government¶ can become a consumer of base geographic data, with¶ the flexibility to shop around for the best price and highest¶ quality. As a result, it can benefit from new technologies and¶ methods, and do so while paying prices lowered both by the¶ use of these new technologies and methods and by the possible¶ subsidization of data production by the producer’s own¶ products that employ the data. In many cases, the data needed¶ for The National Map at a given moment may already exist,¶ thereby greatly accelerating the realization of the vision.¶ Further, the distribution of responsibility for data collection¶ to the private sector and counties and municipalities will¶ help to eliminate often-lengthy acquisition delays and thus¶ improve the timeliness and relevancy of the data in The¶ National Map. Increasingly, confidence in the timeliness of¶ data degrades at a faster rate than the data’s actual utility. It¶ is a matter of perception and one not to be taken lightly for,¶ in fact, the timeliness of data does reflect upon their utility.¶ There one entity, USGS included, can monitor and document¶ all changes taking place in the country. Only through the distribution¶ of change-awareness and change-documentation responsibilities,¶ coupled with the establishment of mechanisms¶ by which that collective output can be channeled into a unified¶ and uniform collection, can a centralized body of data,¶ such as The National Map, aspire to timeliness. The Census¶ Bureau’s MAF/TIGER Accuracy Improvement Project, which¶ incorporates data from both the private sector and a number¶ of governmental agencies, is a good example of a successful,¶ well-scheduled, and well-documented governmental data¶ improvement process based on partnerships.

# Icebreakers

### 1NC

#### CP Text: The United States Federal Government should set up tax incentives for the building and operation of Icebreaker ships by interested private sector parties

#### Privatizing the icebreaker industry solves for capabilities while avoiding spending.

**Davis**, 12/9/**2011** (Tyler – current member of the Young Leaders Program at the Heritage Foundation, The Lone Icebreaker: U.S. Sovereignty in the Arctic, p. http://blog.heritage.org/2011/12/09/the-lone-icebreaker-u-s-sovereignty-in-the-arctic/)

Complicating matters even further, ice in the Arctic is melting, producing more ocean area for the transportation of goods and services in the region. Essentially, whoever best utilizes this route will control trade and transportation of goods and materials in the upper hemisphere. With all other nations around the Arctic building their icebreaker fleets and exploiting the key transportation route that connects the Atlantic and Pacific Oceans, the United States is falling behind. In order to create an icebreaking fleet to maintain U.S. presence in the region, the Administration should look toward privatizing the fleet. Allowing private companies to own and operate the U.S. icebreaking fleet and perform national security functions would not only allow for crucial modernization but also save federal dollars and expand U.S. capabilities in the Arctic. This is particularly important at a time when the government is looking to cut corners in federal spending. Ultimately, something must be done. If the U.S. does not act fast, it will come in last in the race for the Arctic.

### 2NC Solvency

#### Only the Private Sector has enough money to solve

DeMarban citing Young 12 (Alex DeMarban, staff writer for Alaska Dispatch, Don Young, Rep. for Alaska, “Should Alaska take the lead in financing new icebreakers?,” Apr 11, 2012, <http://www.alaskadispatch.com/article/should-alaska-take-lead-financing-new-icebreakers>) T. Lee

"Without access to heavy icebreakers, we will be unable to adapt to historic changes in the Arctic," Young wrote. "Icebreakers are critical for ensuring safe shipping and resource operations and providing for field research opportunities."¶ He continues: "Given the current fiscal climate in D.C., funding the acquisition of new vessels presents a significant challenge. It is clear that we must consider creative financing and ownership options to move forward." ¶ In addition to helping bankroll the project, the state should also think about owning an icebreaker with private firms. The state could refurbish the Polar Sea or the Polar Star. It could then lease its icebreakers to the Coast Guard and National Science Foundation, wrote Young.¶ Last fall, Young introduced legislation calling on the federal government to lease two large icebreakers for at least 10 years from private entities that own and operate the ships. The ships must be built on American soil, according to the bill, which remains in the House Transportation and Infrastructure Committee.

# CO2 Pipeline

### 1NC

#### CP Text: The United States federal government should offer substantial monetary prizes for the construction of infrastructure to transport carbon dioxide for the purposes of carbon capture and storage.

#### Prizes are key to make new carbon technology

Bromley 06- co writers · Joshua Busby Nils Duquet · Leben Nelson Moro Peter Utting & Kate Ives . The International Politics of Oil Vol. 2, No. 1, May 2006 published by St Antony’s

International Review <http://www.utexas.edu/lbj/faculty/busby/wp-content/uploads/busby_stair_2_1.pdf> cma

These and other aggregation technologies may diminish concerns of suboptimal outcomes and free-riding. For example, one way governments reward best shot technologies, such as scientific research, is through patent rights. This gives the research team an excludable benefit 4 (albeit for a limited period of time), providing actors with an incentive to supply the public good. The final section discusses technology prizes as another way to create incentives for private provision of public goods. The previous example illustrates a more general point. When there are ‘joint products,’–goods that have both public benefits and private excludable benefits–there may be unilateral incentives for an actor to provide the public good. The higher the percentage of excludable benefits, the more likely markets and clubs will be able to provide the good. 38 For example, new carbon-free energy technologies may provide private benefits for firms and nations as well as public benefits of reduced greenhouse gases. As the section on institutional design suggests, an ideal climate regime should facilitate actors’ ability to reap these kinds of private benefits. The e.u. trading regime, by putting a price on carbon, accomplishes this by rewarding innovation. However, to the extent that a regime does not protect or reward intellectual property, there may be disincentives for private firms or states to provide necessary investments in new energy technologies, particularly when it comes to technology diffusion from rich industrialised countries to rapidly growing consuming nations like China and India.

# Riverlocks

### 1NC

#### CP Text: The United States federal government should transfer the civilian activities of the Army Corps of Engineers to interested private-sector parties

#### Army Corps of Engineers are biased and corrupted – privatization would solve better

Chris Edwards, Director of Tax Policy at the Cato Institute, October 2005, “Privatize the Army Corps of Engineers”, http://www.cato.org/pubs/tbb/tbb-0510-27.pdf, Tax and Budget Bulletin No. 27; AB

The Army Corps of Engineers has been in the news as the owner of the levee system in New Orleans. The levee system could not handle a storm of the strength of Hurricane Katrina, and its failure contributed to the disastrous flooding of the city. The Corps of Engineers is a federal agency that builds and maintains infrastructure for ports and waterways. Most of the agency’s $5 billion annual budget goes toward dredging harbors and investing in locks, channels, and other works on rivers such as the Mississippi. The Corps is the largest owner of hydroelectric power plants in the country with 75 plants worth $18 billion. 1 It also manages 4,300 recreational areas, funds beach replenishment, and upgrades local water and sewer systems. This bulletin examines the inefficiencies that result from federal funding of such local infrastructure, and proposes that the Corp’s civilian activities be privatized or devolved to the states. A Pork Barrel Machine for Congress Congress has used the Army Corps as a pork barrel spending machine for decades. Funds are earmarked for low-value projects in the districts of important members of Congress, while higher-value projects go unfunded. Federal decisions on spending for local infrastructure are often based on political pull, not on economic analysis. That is true for the Army Corps and for federal spending on airports, highways, transit systems, and other facilities. The Washington Post notes that “powerful members of Congress dictate the selection, pace, and price tag for major projects” of the Army Corps. 2 Indeed, data from Citizens Against Government Waste show that Congress inserted 1,073 special interest, or pork, projects into the Corp’s budget for 2005. 3 The result is that while levee upgrades in New Orleans were stalled, dubious projects in other states moved ahead. **The Corps epitomizes the “iron triangle” that produces excess and misallocated federal spending**. It tends to favor expensive projects that expand its empire and please its political overlords. Politicians use the agency’s budget to curry favor with special interests in their districts. Of course, those interests would rather have federal taxpayers fund their projects than pay for them locally. One problem with the federalization of local infrastructure is that it makes local officials complacent about planning for their own needs. Louisiana politicians have complained that the Bush administration underfunded New Orlean’s levees, but they were closest to the problem and should have funded the upgrades themselves.

### Environment NB

#### The Corps projects repeatedly destroy ecosystems and flood areas

**Edwards 12** (Chris Edwards, director of tax policy studies at CATO, March 2012, "Cutting the Army Corps of Engineers," CATO, Downsizing Government, http://www.downsizinggovernment.org/usace)

Aside from economics, many Corps' projects don't make sense from an environmental perspective. The Congressional Research Service says that "the Corps has been widely criticized for the environmental harm its water resources projects have caused to ecosystems."66 For example, the Corps' single-minded efforts since the 1940s to redirect water flows in Florida to aid developers and farmers have damaged the Everglades.67 Federal sugar subsides have added to the damage. Taxpayers are now footing the bill for an almost $8 billion Corps' effort to reverse the damage to the Everglades caused by prior federal policies.68 The Corps' navigation and flood-control structures on the Mississippi and other rivers may have actually made flooding worse over the decades by forcing rivers into narrow channels, destroying wetlands, and encouraging the development of flood-prone areas.69 River navigation is important to the economy, but the Corps seems to have long undervalued the negative effects that its projects are having. A study by Taxpayers for Common Sense and the National Wildlife Federation in 2004 identified 29 Corps' projects that they argued would impose environmental damage and waste a total of $12 billion.70 Similarly, a group of taxpayer and environmental groups produce an annual "Green Scissors" report, which lists billions of dollars in dubious Corps' spending.71 Environmental groups often support wrongheaded anti-development positions, but fiscal conservatives find common cause with environmentalists in opposing government subsidies for dubious projects. A good example of an anti-taxpayer and anti-environment boondoggle was a $220 million project to drain 67,000 acres of wetlands near the Yazoo River in Mississippi for the benefit of a small number of farmers and land owners. The area that was to be drained for farming acts as an emergency relief valve during rises in the Mississippi River. By draining and blocking the floodplain, the Corps would increase the risk of flooding for other areas along the river.

#### Biodiversity loss risks extinction

Walsh 10 [Bryan, covers environment, energy and — when the need arises — particularly alarming diseases for TIME magazine, Wildlife: A Global Convention on Biodiversity Opens in Japan, But Can It Make a Difference? October 18, 2010 http://ecocentric.blogs.time.com/2010/10/18/wildlife-a-global-convention-on-biodiversity-opens-in-japan-but-can-it-make-a-difference/#ixzz131wU6CSp]

The story of non-human life on the planet Earth over the past few decades is a simple one: **loss**. While there are always a few bright spots—including the recovery of threatened animals like the brown pelican, thanks to the quietly revolutionary Endangered Species Act—on a planetary scale biodiversity is **steadily marching backwards**, with extinctions rising and habitat destroyed. Species as diverse as the tiger—less than 3,500 live in the wild today—to tiny frogs could be gone forever if the trends **keep heading downwards**. In a bitterly ironic twist, back in 2002 the United Nations declared that 2010 would be the international year of biodiversity, and countries agreed to" achieve a significant reduction of the current rate of biodiversity loss at the global, regional and national level," as part of the UN Convention on Biological Diversity (CBD). At this paper in Science shows (download a PDF here), however, the world has utterly failed to reduce the rate of biodiversity loss, and by just about every measurement, **things are getting worse all the time**. (Read the Global Biodiversity Outlook if you really want to be depressed.) With that cheery backdrop, representatives from nearly 200 nations are meeting in the Japanese city of Nagoya—home to Toyota and not a whole lot else—for the 10th summit of the CBD, where they will set new goals for reducing species loss and slowing habitat destruction. At the very least, they should know how critical the biodiversity challenge is—as Japanese Environment Minister Ryo Matsumoto said in an opening speech: **All life on Earth** exists thanks to the benefits from biodiversity in the forms of fertile soil, clear water and clean air. **We are now close to a 'tipping point'** - that is, we are about to reach a threshold beyond which biodiversity loss will become **irreversible**, and may cross that threshold in the **next 10 years** if we do not make proactive efforts for conserving biodiversity. Ahmed Djoghlaf, the executive secretary of the CBD, struck an even darker note, reminding diplomats that they were on a clock—and time was running out: Let's have the courage to look in the eyes of our children and admit that we have failed, individually and collectively, to fulfil the Johannesburg promise made by 110 heads of state to substantially reduce the rate of loss of biodiversity by 2010. Let us look in the eyes of our children and admit that we continue to lose biodiversity at an unprecedented rate, thus mortgaging their future. But what will actually come out of the Nagoya summit, which will continue until Oct. 29? Most likely there will be another agreement—a new protocol—outlining various global strategies on sustaining biodiversity and goals on slowing the rate of species loss. (You can download a PDF of the discussion draft document that will be picked over at Nagoya.) It won't be hard for governments to agree on general ambitions for reducing biodiversity loss—who's against saving pandas?—but the negotiations will be much trickier on the question of who will actually pay for a more biodiverse planet? And much as we've seen in international climate change negotiations, the essential divide is between the developed and developing nations—and neither side seems ready to bend. The reality is that much of the world's biodiversity—the most fantastic species and the most complete forests—is found in the poorer, less developed parts of the world. That's in part because the world's poor have been, well, too poor to develop the land around them in the way rich nations have. (There was once a beautiful, undeveloped island off the East Coast of the U.S., with wetlands and abundant forests. It was called Mannahatta. It's a little different now.) As a result, the rural poor—especially in tropical nations—are directly dependent on healthy wildlife and plants in a way that inhabitants of developed nations aren't. So on one hand that makes the poor directly vulnerable when species are lost and forests are chopped down—which often results in migration to thronging urban areas. But on the other, poverty often drives the rural poor to slash-and-burn forests for agriculture, or hunt endangered species to sell for bush meat. Conservation and development have to go hand in hand. That hasn't always been the mantra of the conservation movement—as Rebecca Tuhus-Dubrow writes in Slate, conservation projects in the past sometimes displaced the human inhabitants over a reserve or park, privileging nature over people. But that's changed in recent decades—environmental groups like Conservation International or the Nature Conservancy now spend as much of their time working on development as they do in protecting nature. "Save the people, save the wildlife"—that's the new mantra. The missing ingredient is money—and that's what will be up for debate at Nagoya. As climate change has risen on the international agenda, funding for biodiversity has lagged—the 33 member nations of the Organization for Economic Co-operation and Development (OECD) donated $8.5 billion for climate change mitigation projects in 2008, but just $3 billion annually for biodiversity. One way to change that could be through "payment for ecosystem services." A biodiverse landscape, intact forests, clean water and air—all of these ebbing qualities of a healthy world are vital for our economies as well. (The Economics of Ecosystems and Biodiversity, a UN-funded study, estimates that nature degradation costs the world $2 trillion to $5 trillion a year, with the poorest nations bearing the brunt of the loss.) Rich countries could pay more biodiverse developing nations to keep nature running—allowing poorer countries to capitalize on their natural resources without slashing and burning. Will that work? I'm skeptical—the experience of climate change negotiations have shown that the nations of the world are great at high ideals and fuzzy goals, but not so hot at actually dividing up the pie in a more sustainable fashion. That doesn't mean there aren't smaller solutions—like Costa Rica's just-announced debt-for-nature deal—but a big bang from Japan this month doesn't seem too likely. The problem is as simple as it is unsolvable, at least so far—there's no clear path to national development so far that doesn't take from the natural world. That worked for rich nations, but we're rapidly running out of planet, as a report last week from the World Wildlife Fund showed. And there's something greater at stake as well, as the naturalist E.O. Wilson once put it: The one process now going on that will take **millions of years to correct** is the loss of genetic and species diversity by the destruction of natural habitats-this is the folly our descendants are least likely to forgive us. **We're losing nature**. And **that loss really is forever.**

### Corps Fail

#### The Corps inefficiency and huge backlog would prevent it from solving

**Edwards 12** (Chris Edwards, director of tax policy studies at CATO, March 2012, "Cutting the Army Corps of Engineers," CATO, Downsizing Government, http://www.downsizinggovernment.org/usace)

The Corps of Engineers has a long history of wasteful, low priority, and questionable spending. For example, a 2004 joint report by the National Wildlife Federation and Taxpayers for Common Sense identified 29 wasteful Corps projects that would cost the federal government $12 billion. 1 The report stated, ―The fact that damaging and wasteful proposals continue to receive federal funds and are proceeding is a dramatic testament to the need to overhaul the Corps of Engineers.‖ 2 Additionally, Congress has refused to prioritize the completion of ongoing Corps of Engineers projects before beginning new projects. This behavior has resulted in a construction backlog ranging from $61 billion to more than $80 billion. 3 This backlog has had a negative impact on our economy and the environment. According the Office of Management and Budget, ―The Corps‘ enormous backlog of ongoing civil works construction represents a significant source of unrealized economic and environmental benefits. The size of the backlog and the amount of funding necessary to complete it have grown in recent years, largely because of the continued addition of new projects to the Corps workload each year… This growth trend in the construction backlog unfairly penalizes both taxpayers and project sponsors.‖ 4 Congress should stop authorizing new Corps of Engineers projects until it addresses its $80 billion backlog. Congress also needs an automatic process to trim the Corps‘ to-do list by systematically de-authorizing outdated or unfunded projects. Current laws for unfunded projects can easily be circumvented by Congress or the agency spending a small amount on an updated study or evaluation to keep the project authorized. 5

#### The Corps fail due to lack of focus, mismanagement, and special-interest politics

**Edwards 12** (Chris Edwards, director of tax policy studies at CATO, March 2012, "Cutting the Army Corps of Engineers," CATO, Downsizing Government, http://www.downsizinggovernment.org/usace)

While the Army Corps has built some impressive infrastructure, many of its projects have been economically or environmentally dubious. The agency's activities have often subsidized private interests at the expense of federal taxpayers. Furthermore, the Corps has a history of distorting its cost-benefit analyses in order to justify its projects. The civilian side of the Corps grew out of the engineering expertise gained by the agency's military activities early in the nation's history. In mid-19th century, Congress began adding civilian missions to the Corps in response to political demands and various natural disasters. Today we are left with an agency involved in far flung activities such as beach replenishment, upgrades to city water systems, agriculture irrigation, clean-up of hazardous waste sites, and efforts to revive the Florida Everglades. The Corps has been greatly mismanaged over the decades, with problems ranging from frequent cost overruns on projects to the major engineering failures that contributed to the disaster of Hurricane Katrina. In addition, the dominance of special-interest politics on the agency's activities has resulted in it supporting many wasteful projects. Fortunately, most of the Corps' activities do not need to be carried out by the federal government. Some of its activities—such as flood control and the management of recreational areas—should be turned over to state and local governments. Other activities—such as seaport dredging and hydropower generation—should be turned over to the private sector. This essay focuses on cutting the Corps' spending activities, and does not address the calls for reforming the agency's regulatory functions.3 The following sections look at the history of the Army Corps, the pork-barrel nature of its spending, its legacy of mismanagement, and its role in Hurricane Katrina. The essay concludes that the bulk of the agency's civilian activities and assets should be privatized or transferred to state and local governments. The remaining activities of the Corps that are truly federal in nature should be transferred to the Department of the Interior. The civilian side of the Army Corps should be closed down.

### 2NC Solvency

#### Privatizing the Corps would lead to increased efficiency and higher-return projects

**Edwards 12** (Chris Edwards, director of tax policy studies at CATO, March 2012, "Cutting the Army Corps of Engineers," CATO, Downsizing Government, http://www.downsizinggovernment.org/usace)

The slow progress of Corps' projects contrasts with private sector construction projects, which are built as quickly as possible to hold down costs. A Government Accountability Office report on the Corps found that "funding projects in increments hinders project efficiency by increasing costs and timelines."38 One Corps' official told the GAO, "this is one of the reasons that a civil works project takes 20 years to execute, instead of 3 if we were fully funded from the start."39 The Corps currently has a backlog of more than 1,000 feasibility studies and construction projects worth more than $80 billion that have been authorized but not funded.40 The Corps is an engineering and construction organization, and in our economy such activities are usually carried out by private businesses. The Corps has never been run like a private business—it doesn't have an efficient structure, it doesn't pursue the highest-return projects, and it doesn't construct projects quickly and efficiently. Former Senate majority leader Tom Daschle (D-SD) said the Corps is "one of the most incompetent and inept organizations in all the federal government."41 The good news is that we don't need a civilian Army Corps organization because most of its functions could be carried out by state and local governments and the private sector.

#### The private sector can do infrastructure repairs – capital is abundant

Asieh Mansour, Managing Director of Research @ RREEF and Hope Nadji, Director of Research September 2006, http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf, “US Infrastructure Privatization and Public Policy Issues”; AB

Infrastructure investment needs in the US fall into two basic categories. The first involves growth areas, including booming new suburbs and areas of regional growth, such as the southern and western portions of the nation. The needs in these areas are for capital to develop infrastructure to support this growth. With federal funds more limited, states and municipalities need to be more creative in financing these needs. **Privatization of the new infrastructure is an obvious solution.** The second category involves curing deferred maintenance of older infrastructure. Older communities, particularly in the Northeast and Midwest, are served by old infrastructure. Typically, these regions suffered from under-investment in the maintenance of this infrastructure. With slow economic growth, little fiscal capacity exists to fund what is often substantial deferred maintenance. Once again, **privatization offers a potential solution. The private sector can provide desperately needed capital for investing in the crumbling infrastructure across the US.** There has been severe underinvestment in US infrastructure over the past decade. The supply of infrastructure assets has failed to meet growing demand as exemplified by an aging infrastructure, expanding demand for services with a growing population, and state/local government deficits that have not only restrained needed expenditures, but also had to accommodate competing priorities, such as health care

# Solvency

### General

#### The private sector solves infrastructure investment – federal control ensures political misallocation of funds and bureaucratic mismanagement

Chris Edwards and Tad DeHaven are budget experts at the Cato Institute, 6/17/10, “Privatize Transportation Spending”, http://www.cato.org/publications/commentary/privatize-transportation-spending; AB

After the 2008 election, President Obama promised to "go through our federal budget — page by page, line by line — eliminating those programs we don't need." We haven't seen much of that from the president so far, but at the Cato Institute we are going page by page and finding whole agencies to abolish. If the president ever gets serious about eliminating programs, the $91 billion Department of Transportation would be a good place to start. The DOT should be radically chopped. America's mobile citizens would be better off for it. Rising federal control over transportation has resulted in the political misallocation of funds, bureaucratic mismanagement and costly one-size-fits-all regulations of the states. The solution is to devolve most of DOT's activities back to state governments and the private sector. We should follow the lead of other nations that have turned to the private sector to fund their highways, airports, air traffic control and other infrastructure. The first reform is to abolish federal highway aid to the states and related gasoline taxes. Highway aid is tilted toward states with powerful politicians, not necessarily to the states that are most in need. It also often goes to boondoggle projects like Alaska's "Bridge to Nowhere." Furthermore, federal highway aid comes with costly regulations like the Davis-Bacon labor rules, which raise state highway costs. For their part, the states should seek out private funding for their highways. Virginia is adding toll lanes on the Capitol Beltway that are partly privately financed, and Virginia is also home to the Dulles Greenway, a 14-mile private highway in operation since 1995. Ending federal subsidies would accelerate the trend toward such innovative projects. Another DOT reform is to end subsidies to urban transit systems. Federal aid favors light rail and subways, which are much more expensive than city buses. Rail systems are sexy, but they eat up funds that could be used for more flexible and efficient bus services. Ending federal aid would prompt local governments to make more cost-effective transit decisions. There is no reason why, for example, that cities couldn't reintroduce private-sector transit, which was the norm in U.S. cities before the 1960s. To government planners, intercity high-speed rail is even sexier than urban rail systems. The DOT is currently dishing out $8 billion for high-speed rail projects across the country, as authorized in the 2009 stimulus bill. Most people think that the French and Japanese fast trains are cool, but they don't realize that the price tag is enormous. For us to build a nationwide system of bullet-style trains would cost up to $1 trillion. The truth about high-speed trains is that even in densely-populated Japan and Europe, they are money losers, while carrying few passengers compared to cars, airlines and buses. The fantasy of high-speed rail in America should be killed before it becomes a huge financial drain on our already broke government. Through its ownership of Amtrak, the federal government also subsidizes slow trains. The government has dumped almost $40 billion into the company since it was created in 1971. Amtrak has a poor on-time record, its infrastructure is in bad shape, and it carries only a tiny fraction of intercity passengers. Politicians prevent Amtrak from making cost-effective decisions regarding its routes, workforce polices, capital investment and other aspects of business. Amtrak should be privatized to save taxpayer money and give the firm the flexibility it needs to operate efficiently. A final area in DOT to make budget savings is aviation. Federal aid to airports should be ended and local governments encouraged to privatize their airports and operate without subsidies. In recent decades, dozens of airports have been privatized in major cities such as Amsterdam, Auckland, Frankfurt, London, Melbourne, Sydney and Vienna. Air traffic control (ATC) can also be privatized. The DOT's Federal Aviation Administration has a terrible record in implementing new technologies in a timely and cost-effective manner. Many nations have moved toward a commercialized ATC structure, and the results have been very positive. Canada privatized its ATC system in 1996 in the form of a nonprofit corporation. The company, NavCanada, has a very good record on both safety and innovation. Moving to a Canadian-style ATC system would help solve the FAA's chronic management and funding problems, and allow our aviation infrastructure to meet rising aviation demand. There are few advantages in funding transportation infrastructure from Washington, but many disadvantages. America should study the market-based transportation reforms of other countries and use the best ideas to revitalize our infrastructure while ending taxpayer subsidies.

#### Budget constraints mean that only privatization can solve

Asieh Mansour, Managing Director of Research @ RREEF and Hope Nadji, Director of Research September 2006, http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf, “US Infrastructure Privatization and Public Policy Issues”; AB

Two significant trends are driving the movement towards privatization. First, **governments at all levels are strained for financial resources**. Privatization is a means for providing needed and popular infrastructure **without further straining the public budge**t. Second, the private markets are capital rich, seeking to invest increasing quantities of capital at attractive risk-adjusted yields. Investment in privatized infrastructure can offer attractive opportunities. The federal government traditionally has heavily funded much of the infrastructure currently targeted for privatization. During the past few decades, efforts to reign in the federal budget have resulted in declining resources for roads, bridges, airports, seaports, and water systems. These budget reductions have impacted both capital and maintenance costs. As a result, these burdens have shifted to state and municipal budgets. Increasing revenue at the state and local levels, however, is politically very difficult. Thus, **privatization is viewed as a mechanism for providing infrastructure without negatively impacting a state or municipal government’s fiscal position**. Over the past decade, it has been the regional governments in the US that faced severe fiscal pressures that have predominantly privatized. This issue impacts both capital costs of developing new infrastructure and maintenance costs for older infrastructure.

#### Empirical studies prove that privatizing transportation infrastructure is superior

Asieh Mansour, Managing Director of Research @ RREEF and Hope Nadji, Director of Research September 2006, http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf, “US Infrastructure Privatization and Public Policy Issues”; AB

Nevertheless, a broader view should be taken of employment impacts. There is considerable evidence that a better and more efficiently provided infrastructure generates economic activity and jobs. Much of the historical precedence of privatization efforts has been concentrated in the International Monetary Fund (IMF) programs starting in the 1990s. Since then, over 100 countries, across every continent, have had some experience with privatization of previously state owned enterprises. Privatization has also occurred across all sectors of infrastructure. An estimated 75,000 medium to large-sized firms have been divested around the world, along with hundreds of thousands of small business units. Total generated proceeds are estimated at $735 billion (Nellis, 2002). Across the globe, all countries have privatized a significant number of their publicly-owned firms (with the exception of Cuba and the Democratic People’s Republic of Korea). Even China, a long supporter of a planned economy, is accelerating the privatization of state-owned businesses and encouraging both foreign and private investors to buy major stakes in these enterprises. Much of the literature reviewed suggests that in most cases private ownership provides a **higher level of output for a lower cost** than public ownership. Privatization is generally one of the best ways to reform publicly-owned enterprises and reduce any distortions they create. Private firms do better in fully competitive markets. This advantage persists but is less pronounced in monopolistic markets. (Shirley and Walsh, 2000).Shirley and Walsh (2000) reviewed 52 empirical studies of infrastructure privatization. Of these 52 studies, 32 conclude that the performance of **privatized firms is significantly superior to that of public firms**. Among the 21 studies that examine the performance of a firm before and after privatization, 14 find that performance improves. **This body of empirical literature indicates that private or privatized ownership is superior to public ownership in a variety of situations.**

#### Privatization of infrastructure solves – multiple factors

Asieh Mansour, Managing Director of Research @ RREEF and Hope Nadji, Director of Research September 2006, http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf, “US Infrastructure Privatization and Public Policy Issues”; AB

Several factors appear to be driving the current trend toward privatization of infrastructure: • A perception or belief that private enterprise can develop and/or operate critical facilities more cheaply and efficiently than public agencies. • Provide a source of capital to fund needed infrastructure that would otherwise need to be funded through tax revenue or public financing. • In the case of an outright sale, provide cash to bolster public finances or to be used for other public needs. • To provide the revenue to maintain the infrastructure over time Remove critically needed facilities from on-going political meddling, which can often impede the efficient and economical provision of services. Of the above-mentioned factors, the ability to provide infrastructure without sizeable public funding and the ability to generate cash through a sale of an asset are the most appealing to government officials and politicians. Because voters are highly resistant to increased taxes and higher public debt at all levels of government, opportunities to shift costs from the public to the private sector are appealing.

#### CP solves better – budget constraints and federal inefficiency

Edwards. (Chris Edwards is the director of tax policy studies at Cato and editor of www.DownsizingGovernment.org. He is a top expert on federal and state tax and budget issues. Before joining Cato, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. Edwards has testified to Congress on fiscal issues many times, and his articles on tax and budget policies have appeared in the Washington Post, Wall Street Journal, and other major newspapers. He is the author of Downsizing the Federal Government and co-author of Global Tax Revolution. Edwards holds a B.A. and M.A. in economics, and he was a member of the Fiscal Future Commission of the National Academy of Sciences.) 11

(Federal Infrastructure Investment, November 16 2011, http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment)

One implication of this data is that if Congress wants to boost infrastructure spending, the first priority should be to make reforms to encourage private investment. Tax reforms, such as a corporate tax rate cut, would increase the net returns to a broad range of private infrastructure investments. Regulatory reforms to reduce barriers to investment are also needed, as illustrated by the delays in approving the $7 billion Keystone XL pipeline from Alberta to Texas.¶ Despite its smaller magnitude, public-sector infrastructure spending is also very important to the U.S. economy. But the usual recommendation to simply spend more federal taxpayer money on infrastructure is misguided. For one thing, the government simply can't afford more spending given its massive ongoing deficits. More importantly, much of the infrastructure spending carried out by Washington would be more efficiently handled by devolving it to state and local governments and the private sector.

### Private > USFG

#### State funded infrastructure projects fail – no money

Emilia Istrate, Senior Research Associate and Associate Fellow at the Metropolitan Policy Program and Robert Puentes is a senior fellow with the Brookings Institution's Metropolitan Policy Program, 12/09/11, http://www.brookings.edu/up-front/posts/2011/12/09-infrastructure-puentes-istrate, “A Path to Public Private Partnerships for Infrastructure”; AB

Often when making the case for U.S. infrastructure investment, someone will point overseas to Europe or Asia and wonder aloud why other countries have world-class, economy-shaping infrastructure and the United States doesn’t. There are obviously many reasons but a key problem is that, unlike other nations, the United States is still over-reliant on the public sector for delivering infrastructure projects. Today, those public resources are strained, especially for transportation projects. On the federal level, the Congressional Budget Office estimates that the highway trust fund will be unable to meet obligations sometime next summer, if not sooner. And while money from the American Recovery and Reinvestment Act provided roughly $335 billion to support the physical infrastructure, those funds are largely spent with little prospect for additional dollars anytime soon. State funding sources are also shrinking. In addition to the 21 states that saw transportation program cuts in fiscal year 2010, more are proposed for the next fiscal year. While states have spent billions on energy efficiency and renewable energy programs over the decade, these programs are also under budgetary microscopes and short term prospects for funding are strained. Other state sources--such as revenue from sales taxes--that are earmarked for infrastructure projects are also in decline due to the recession. So what to do? To paraphrase the physicist Ernest Rutherford, “We’ve run out of money; it’s time to start thinking.” The kind of economy shaping next generation infrastructure we need will require a new way to deliver projects. In an ideal world, the federal government would set a strong platform for transformative investments by establishing new vehicles for infrastructure finance and by radically overhauling the regulatory and administrative barriers that stifle innovation and execution. But **the likelihood of meaningful federal action in today’s environment of polarized partisanship is slim**. So we must create a new norm and practice of transformative investments the hard way--from the ground up, despite political odds and fiscal obstacles.

#### Privatization solves better than the USFG – cost overruns and political interference

Chris Edwards, the director of tax policy studies at the Cato Institute, November 16th 2011, “Federal Infrastructure Investment”, http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment; AB

There are calls today for more federal spending on infrastructure, but advocates seem to overlook the downsides of past federal efforts. Certainly, there have been federal infrastructure successes, but there has also been a history of **pork barrel politics and bureaucratic bungling in federal investment spending**. A substantial portion of federal infrastructure spending has gone to low-value and dubious activities. I've examined spending by the two oldest federal infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation.7 While both of those agencies constructed some impressive projects, they have also been known for proceeding with uneconomic boondoggles, fudging the analyses of proposed projects, and spending on activities that serve private interests rather than the general public interest. (I am referring to the Civil Works part of the Corps here). Federal infrastructure projects have often suffered from large cost overruns.8 Highway projects, energy projects, airport projects, and air traffic control projects have ended up costing far more than originally promised. Cost overruns can happen on both public and private infrastructure projects, but the problem is exacerbated when multiple levels of government are involved in a project because there is less accountability. Boston's Big Dig — which exploded in cost to five times the original estimate — is a classic example of mismanagement in a federal-state project.9

#### Federal involvement fails – fund misallocation and costly regulations

Chris Edwards, the director of tax policy studies at the Cato Institute, November 16th 2011, “Federal Infrastructure Investment”, http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment; AB

When the federal government subsidizes certain types of infrastructure, the states want to grab a share of the funding and they often don't worry about long-term efficiency. High-speed rail is a rare example where some states are rejecting the "free" dollars from Washington because the economics of high-speed rail seem to be so poor.11 The Obama administration is trying to impose its rail vision on the nation, but the escalating costs of California's system will hopefully warn other states not to go down that path.12 Even if federal officials were expert at choosing the best types of infrastructure to fund, politics usually intrudes on the efficient allocation of dollars. Passenger rail investment through Amtrak, for example, gets spread around to low-population areas where passenger rail makes no economic sense. Indeed, most of Amtrak's financial loses come from long-distance routes through rural areas that account for only a small fraction of all riders.13 Every lawmaker wants an Amtrak route through their state, and the result is that investment gets misallocated away from where it is really needed, such as the Northeast corridor. Another problem is that federal infrastructure spending comes with piles of regulations. Davis-Bacon rules and other federal regulations raise the cost of building infrastructure. Regulations also impose one-size-fits-all solutions on the states, even though the states have diverse needs. The former 55-mph speed limit, which used to be tied to federal highway funds, is a good example. Today, federal highway funds come with requirements for the states to spend money on activities such as bicycle paths, which state policymakers may think are extraneous.

#### New transportation programs trade off with existing ones

Ronald Utt, Ph.D, is Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation, 6/6/11, http://thf\_media.s3.amazonaws.com/2011/pdf/wm3278.pdf, “Using Market Processes to Reform Government Transportation Programs: Report No. 1”

2. Transportation Ranked Low on Budget Priorities. As part of the federal budget, transportation programs must—in practice and in theory—compete with other federal programs for available resources. Until 2008, highway and transit spending escaped this constraint by virtue of a dedicated funding source (federal fuel taxes) and a trust fund that protected these revenues from congressional and presidential predation. But after several years of spending more than it earned, the trust fund required its first ever infusion of general revenues in 2008, and many more infusions are predicted unless dedicated revenues are increased or spending is cut. Implications. This mode of operation makes little sense from an economic perspective. Transportation services represent a vital commercial activity providing benefits to every American and every American business. Yet the amount of transportation service provided is based on overall budget priorities rather than the needs and desires of transportation users. Such a system is also independent of consumers’ willingness to “buy” more transportation services, since no market exists to accommodate an increase in demand. This results in more congestion and more infrastructure decay. While it may be possible for a socialist enterprise to mimic the market, the politicization of transportation programs work to undermine that effort. Most Americans want to drive their cars on congestionfree roads, yet most federal, state, and local elected officials and department employees intervene by mandating the provision of non-road transportation products that most transportation consumers do not want.

#### Private sector is superior – risk analysis forces efficiency

Ezra Klein, writer and columnist for The Washington Post, Bloomberg, and a contributor to MSNBC, 04/01/2012, http://www.washingtonpost.com/blogs/ezra-klein/post/more-states-privatizing-their-infrastructure-are-they-making-a-mistake/2012/03/31/gIQARtAhnS\_blog.html

Here’s how this setup would work. Say a state wants to build or upgrade a highway. Various private companies will bid for the project, and the winning bidder has to raise enough money from outside investors to design, operate, build, and maintain the highway for a fixed number of years. The firm is allowed to recoup its costs through tolls and the like over that span. Because the private company is on the hook for the whole thing, it has an incentive to keep costs as low as possible and finish the road on time. “The idea here,” says Robert Poole of the Reason Foundation, “is that the government is only commissioning projects where the private sector is willing to put its skin in the game.” There’s some evidence that **privately operated infrastructure projects can get built more quickly — and for less money — than projects wholly overseen by the government.** One 2007 study (pdf) from Allen Consulting and the University of Melbourne looked at 54 large infrastructure projects in Australia and found that the privately financed ones had smaller cost overruns and were more likely to be finished on schedule than those financed through traditional public-sector methods.

#### Private sector solves transportation infrastructure faster and better than the USFG

- solvency for bridges, roads and tunnels

Cezary Podkul is the associate editor of Infrastructure Investor, published by PEI and writer for the Washington Post, 10/21/11, http://www.washingtonpost.com/business/with-us-infrastructure-aging-public-funds-scant-more-projects-going-private/2011/10/17/gIQAGTuv4L\_story.html, “With U.S. infrastructure aging, public funds scant, more projects going private”; AB

“This is a Christmas gift for the city,” said Chesapeake Mayor Alan Krasnoff. It’s a gift cities and states are asking for more than ever. The goal is not to raise cash by selling public infrastructure but to tap into the private sector for money to build new bridges, roads or tunnels — possibly faster and cheaper than the government otherwise could. There are at least 70 privately funded and managed infrastructure projects across the United States in various stages of development, according to a list compiled by the law firm Allen & Overy. These are part of a vast network of roads, bridges and tunnels — to say nothing of the subways, ports, airports and water systems — crying out for attention. Consider this: Over the past 60 years, the United States has built a 46,876-mile federal highway system that is now in dire need of repair. As a result, states have had to pour more of their transportation dollars into fixing aging highways and even in good times have little or nothing left over for new construction.

#### Private sector solves infrastructure better – countless reasons

David Gillen, Ph.D. at the University Cooper of Toronto, and is the Centre for Transportation Studies YVR Professor of Transportation Policy Professor and Douglas, researcher at the Institute of Transportation Studies @ UC Berkley, 10/20/99, “Public Versus Private Ownership and Operation of Airports and Seaports of Canada”, http://oldfraser.lexi.net/publications/books/essays/chapter1.html; AB

The ideal view of privatization is that it enhances individual freedoms, encourages and improves efficiency, makes industry more responsive to the demands of the customer, decreases the public debt, and reduces the potential stranglehold of trade unions by forcing management to face the realities of the market place. The major objectives of privatization were, perhaps, best spelled out by Great Britain's then Financial Secretary to the Treasury, John Moore, in 1983 and augmented by a subsequent government White Paper. They are: to reduce government involvement in the decision-making of industry; to permit industry to raise funds from the capital market on commercial terms without government guarantee; to raise revenue and reduce the public sector borrowing requirement; to promote wide share ownership to create an enterprise culture; to encourage workers to share ownership in their companies; to increase competition and efficiency; and to replace ownership and financial controls with a more effective system of economic regulation designed to ensure that benefits of greater efficiency are passed on to consumers (Veljanovski, 1987).Note The argument is made that when projects meet private investors' profit return expectations, only economically sound projects will be undertaken. Furthermore, the operation of infrastructure facilities by private operators is claimed to result in lower costs than if they were run by the public sector. The cost savings are said to be real efficiency gains and not simply transfers from one sector of the economy to another. See Gomez-Ibanez, John Meyer and D. Luberoff (1991), "The Prospects for Private Infrastructure: Lessons from U.S. Roads and Solid Waste," Journal of Transport Economics and Policy, Vol. XXV, No. 5 (September) p. 259-279.Note The private sector also represents a source of financing development, expansion, and improvement of infrastructure at a time when governments are meeting increasing taxpayer resistance and are reluctant to further increase their debt. Finally, there is an argument that a public firm would have less incentive to charge socially efficient prices. This is based upon the notion that public firms will be used for "general government purposes" such as promoting regional economic development and, that allocative inefficiencies would arise from a government firm as they provide the wrong mix of outputs. In the absence of these two arguments there is no strong theoretical argument that a more efficient form of and base for pricing is more likely with private operations than with public operations. Note This means that with public ownership there is some likelihood that infrastructure will be financed out of general revenues rather than through user charges.

#### Federal involvement in infrastructure fails – results in error replication

Chris Edwards, the director of tax policy studies at the Cato Institute, November 16th 2011, “Federal Infrastructure Investment”, http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment; AB

Perhaps the biggest problem with federal involvement in infrastructure is that when Washington makes mistakes it replicates those mistakes across the nation. Federal efforts to build massive public housing projects in dozens of cities during the 20th century had very negative economic and social effects. Or consider the distortions caused by current federal subsidies for urban light-rail systems. These subsidies bias cities across the country to opt for light rail, yet rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road.10

### Competitiveness

#### Privatization is key to investments that maximize competitiveness

Chris **Edwards**, director of tax policy studies at Cato, 11-16-**11**, [“Federal Infrastructure Investment,” testimony, Joint Economic Committee¶ United States Congress¶ <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>] E. Liu

In its report on the state of U.S. infrastructure, the American Society of Civil Engineers gives America a grade of "D."37 However, the ASCE report mainly focuses on infrastructure provided by governments, so if you believe that this low grade is correct, then it is mainly due to government failures. The ASCE lobbies for more federal spending, but OECD data shows that public-sector spending on infrastructure is about the same in this country as in other high-income nations.¶ Some of the infrastructure shortcomings in the United States stem from mismanagement and misallocation by the federal government, rather than a lack of taxpayer support. So part of the solution is to decentralize infrastructure financing, management, and ownership as much as possible. State and local governments and the private sector are more likely to make sound investment decisions without the federal subsidies and regulations that distort their decisionmaking.¶ This committee's description of today's hearing noted: "Transportation infrastructure is especially important to the manufacturing sector, which relies on various modes of transportation to obtain raw materials and to transport end products to the marketplace." That is certainly true, and I think transportation privatization is part of the answer to improve America's competitiveness in global markets. For example, nearly all airports and seaports in this country are owned by governments, but many airports and seaports abroad have been partly or fully privatized. The World Economic Forum rates America's seaports only 23rd in the world, but the first- and third-best seaports in the world, according to the WEF, are private — Singapore and Hong Kong.38¶ The federal government cannot afford to expand its infrastructure spending because of today's massive deficits. Many states are also in a budget squeeze. Fortunately, the global trend is toward partly or fully privatizing the financing and ownership of infrastructure. U.S. policymakers should study the recent innovations in infrastructure investment, and then start unloading the financing and ownership of our infrastructure to the private sector.

### Economy

#### Privatization of existing infrastructure solve econ – they get bill$

Lord, ‘10

[Nick Lord, executive editor of Financial Media at Haymarket Media Group, Staff Writer at Euromoney former Editorial Director at Finance Asia, affiliated with the University of Oxford, 4/2010, Euromoney <http://www.euromoney.com/Article/2459161/Privatization-The-road-to-wiping-out-the-US-deficit.html?single=true>]

Full Text¶ Translate Full text¶ Note: As the USA grapples with its oversized debt, attention is focusing on one resource the nation has in abundance: infrastructure. Could the crisis kick-start the development of what might be one of the biggest ever monetization exercises? Nick Lord reports.¶ A brief history of US infrastructure¶ PRESIDENT BARACK OBAMA was in a sombre mood as he delivered his administration's 2010 budget. Speaking in the Grand Foyer of the White House on February 1, he intoned: "Our government is deeply in debt after what can only be described as a decade of profligacy." Outlining the myriad problems the government faced, he said the solution lay in doing "what families across America do: save where we can so that we can afford what we need".¶ He concluded: "We simply cannot continue to spend as if deficits don't have consequences. In order to meet this challenge, I welcome any idea."¶ One idea that financiers are now openly discussing as the government's only way out of the perennial budget crisis is the wholesale privatization of US infrastructure assets. And if a wholesale privatization programme can get under way, it could create one of the biggest new markets in the world, while simultaneously bringing US finances back in order. After all, what US families also do when they are in debt is to sell stuff.¶ Infrastructure privatization in the US has been slow to take off in comparison to continental Europe, the UK, Canada and Australia. The effects of this can be seen in the difference in quality of US infrastructure compared with other developed countries. The immaturity of the market can also be seen in the financial structures that exist in the US and those that are commonplace elsewhere. Public-private partnerships (called P3s in the US and PFI -- the Private Finance Initiative -- in the UK) have come into play in the US only in the past two or three years. "Europeans are 20 years ahead of us in terms of privately financed infrastructure spending," says Andrew Horrocks, a managing director at Moelis & Co investment bank in New York covering the transport and infrastructure sectors.¶ According to Horrocks, from 1950 to 1970 the US spent 3% of its GDP on infrastructure. From 1970 to the present day the figure fell to 2%. This has caused an immense backlog, with an estimated $1 trillion needed just to get existing infrastructure up to scratch. Luckily, there is a perfect mechanism for raising that money: the monetization of existing assets.¶ These assets are extremely valuable. According to the US Department of Commerce's Bureau of Economic Analysis, in 2008 the total value of US government fixed assets (at a federal, state and local level) was $9.3 trillion. Of this $1.9 trillion is owned by the federal government, while $7.4 trillion is held at the state level.¶ If one assumes that the federal government will not be selling the navy or the municipalities their schools, there is still an immense amount of assets that can be sold. For instance, the value of all the highways and roads owned by states and municipalities is $2.4 trillion. There are $550 billion of sewerage assets at state and local levels along with a further $400 billion of water assets. Even at the federal level there is $42 billion-worth of amusement and recreation assets. And in the real estate sector, the federal, state and local governments own assets worth $1.09 trillion.¶ To put these numbers into the context of the budget deficit and the overall debt burden, in 2009 the US government spent $1.4 trillion more than it received in taxes and raised in debt. This year the February 2010 deficit alone is $221 billion and the figure since October 2009 is $650 billion.¶ These assets have not been monetized before because the US did not need to do so. Yet it has never faced the kind of budgetary pressures that it faces today. Secondly, the public, \

political and perception problems surrounding infrastructure asset sales have kept the issue away from discussion.¶ But conditions have changed. The situation that the US now finds itself in is similar to where the UK and Australia were 20 years ago. Public perception has changed, politicians are willing to think the once unthinkable and private-sector money is lining up looking for the long-term stable cashflows that privatized infrastructure can bring. All of the pieces are in place for the market to explode.¶ Tipping point¶ "This has been the promised land for so long," says Ben Heap, managing director of UBS's infrastructure fund in New York, and one of the many Australians now working in the US infrastructure sector. "Is now the tipping point? At some stage we will look back and see that it is."¶ "There are very few options left. So we will see a gravitation towards new public-private partnership deals".

#### Infrastructure privatization solves the economy – opens of markets

Peter Van Doren, senior fellow at the Cato Institute and Chris Edwards, the director of tax policy studies at the Cato Institute, 12/09/08, Dhttp://www.cato.org/publications/commentary/jumping-government-bridge, “Jumping off the Government Bridge”; AB

The main problem with current government infrastructure spending is not its magnitude but its lack of efficiency. More roads and transit capacity may or may not make sense depending on whether the benefits exceed the costs. One sure way to find out is to have private provision and user charges. If users are not willing to pay the costs of extra or newer capacity, then calls for taxpayer involvement probably imply subsidy of some at the expense of others rather than efficiency. Privatization of federal and state infrastructure makes sense for many reasons. First, privatization would reduce the responsibilities of the government so that policymakers could better focus on their core responsibilities, such as national security. Second, there is vast foreign privatization experience that could be drawn upon in pursuing U.S. reforms. Third, privatization would spur economic growth by opening new markets to entrepreneurs. For example, repeal of the U.S. postal monopoly could bring major innovation to the mail industry, just as the 1980s' breakup of AT&T brought innovation to the telecommunications industry.

### Jobs

#### Privatization creates and maintains long term jobs

**Mansour, ‘06**

[Asieh Mansour, managing director, 2006, RREEF America L.L.C. Real estate/infrastructure division of Deutsche Bank AG <http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf>]

A second, and quite vocal, opposition to privatization centers on the potential loss of public ¶ sector jobs and reduced pay. To the extent that the private operator is more efficient than the ¶ previous publicly-owned operator, this fear is likely to be real. The impact of job loss, however, ¶ can be mitigated through the contractual agreement. For example, redundant jobs can be ¶ eliminated through attrition or transfer to other government agencies. Pay scales can be ¶ maintained through the contractual agreement. Taking a broader view of the impact on jobs, ¶ however, empirical studies of the impacts of privatizations suggest that they increase jobs and ¶ incomes in the longer term. These studies conclude the improvements in infrastructure ¶ through increased investment and more efficient operations result in greater economic ¶ productivity. This increased economic activity results in job growth and higher wages. 18 Real Estate Research¶ A third issue raised by opponents is the likelihood of price increases to the user. The objection ¶ is that a private entity will increase prices to generate an attractive return on investment. In ¶ fact, a well structured privatization should create efficiencies that allow for a profit margin ¶ within the original pricing structure. The contractual agreement should provide an allowable ¶ cost structure for the private operator. However, this assumes that the original pricing ¶ structure covered the costs of capital and maintenance. Often public agencies have been ¶ under-charging, fearful of the political response to increases in user fees, so the fees have ¶ been set artificially low and the true cost of operations has not been recouped. In such cases ¶ where charges will need to be increased to allow for prudent repair and maintenance, the ¶ benefits of this decision need to effectively communicated to the local constituencies. ¶ Highways, bridges, public transport, dams, water and wastewater systems and airports are ¶ central to the economic success of regions and localities. This is the link between the ¶ citizens’ well-being and their support of necessary infrastructure investment.

Next Gen

### 1NC

#### CP Text: The United States federal government should eliminate tax-exempt revenue bonds for state controlled airports and air traffic control.

#### Private industry is superior to the federal government for airport investment – capital and flexibility

Robert Poole is the director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation and is an MIT-trained engineer and has advised four presidential administrations on transportation policy issues, and Chris Edwards, the director of tax policy studies at the Cato Institute, June 2010, “Airports and Air Traffic Control”; AB

The U.S. economy depends on safe, reliable, and affordable air transportation. Beginning in 1978, airline deregulation transformed commercial aviation from a luxury for the few to a service available to essentially all Americans. Air transportation is a hugely important part of the economy for business travel, tourism, and domestic and international trade. The quality and cost efficiency of air travel relies critically on the nation's aviation infrastructure. That infrastructure includes commercial airports, which are virtually all owned and operated by state and local governments in the United States, and the air traffic control (ATC) system, which is operated by the Federal Aviation Administration (FAA). In fiscal 2011, the FAA budget will be about $16.4 billion.1 Of the total, $9.7 billion will go toward "operations," which includes $7.6 billion for air traffic control operations, $1.3 billion for safety regulation and certification, and $0.8 billion for other functions. In addition, the FAA will spend $3.3 billion in 2011 on capital investments in ATC facilities, equipment, and research. Most of the rest of FAA's budget, about $3.4 billion, will go toward grants to state and local governments for airport investments. Many experts are predicting major problems with U.S. aviation infrastructure in coming years as large demand growth outstrips the capacity of available facilities. In addition to a rising number of airline passengers, the average size of planes has fallen, which increases the number of planes in the sky that the ATC system needs to handle. On the supply side of the aviation equation, the FAA has long had problems with capital funding, high labor costs, and an inability to efficiently implement new technologies. Major changes are needed because the increased air traffic will soon bump up against the limits of the current air traffic control system. **The United States should embrace the types of reforms adopted around the world to privatize airports and commercialize air traffic** control services. Investor-owned airports and commercialized ATC companies can better respond to changing market conditions, and they can freely tap debt and equity markets for capital expansion to meet rising demand. Such enterprises also have greater management flexibility to deal with workforce issues and complex technology implementation. There is vast foreign experience that can be drawn on in pursuing U.S. reforms, such as European airport privatization and Canadian air traffic control commercialization. The next section provides a brief history of federal involvement in airport funding and air traffic control. The subsequent sections describe the global trend toward airport privatization, the brewing crisis in air traffic control, and ways to reform the ATC system.

### 2NC Solvency

#### Privatization good – cuts budget deficit, spurs growth, and reduces the size of government responsibility

Thomas, ‘10

[Cal Thomas, National #1 syndicated columnist, writer for USA Today, author and speaker for Fox News3/16/2010, Saratogian <http://www.saratogian.com/articles/2010/03/16/opinion/doc4b9eddd47d1b9087638811.txt>]

Here’s a shocker: The Office of Management and Budget has calculated that about half of all federal employees do work that is not “inherently governmental.” The CATO Institute has done an excellent study into what federal agencies and programs could be sold to private firms (www.¶ downsizinggovernment.org/¶ privatization). CATO’s Chris Edwards writes of the benefits of privatization: “First, sales of federal assets would cut the budget deficit. Second, privatization would reduce the responsibilities of government so that policymakers could better focus on their core responsibilities, such as national security. Third, there is vast foreign privatization experience that could be drawn on in pursuing U.S. reforms. Fourth, privatization would spur economic growth by opening new markets to entrepreneurs.”¶ Edwards says selling off the postal monopoly would bring innovation to the mail industry, just as the 1980s breakup of AT&T transformed the field of telecommunications. That’s just for starters. CATO says at the end of fiscal 2007, the federal government held $12 trillion in buildings and equipment,¶ $277 billion in inventory,¶ $919 billion in land, and¶ $392 billion in mineral rights. Surely it doesn’t need all — or even most — of that.¶ While the federal government grows and pays its workers more than the private sector, if Gov. Christie can reduce the size and cost of state government, he — along with Virginia’s Gov. Bob McDonnell, who has similar goals — could change government as we know it back to what the Founders envisioned: small government that protects personal liberty.

#### Privatization of airports is key to prevent mismanagement and inefficiencies

Chris Edwards, the director of tax policy studies at the Cato Institute, 8/4/11, http://www.cato-at-liberty.org/solve-the-faa-problem-by-privatization/, “Solve the FAA Problem by Privatization”; AB

Everyone agrees that it’s rather stupid for a federal funding dispute to idle about 70,000 workers on airport-related construction. Just as absurd, there have been 20 stop-gap funding bills passed for the FAA since 2007. News stories are digging into the political disputes surrounding the FAA, but they aren’t addressing the root problem. The root problem is that we have federalized the funding of airports in this country, when there is absolutely no need to. Airports are generally owned by state and local governments, and it should be up to them to figure out how to finance them. By federalizing infrastructure financing, we are simply encouraging the misallocation of resources through the political pork barrel. We should get the federal government out of financing airports. Then state governments should look to the advantages of airport privatization, which is a reform that has swept the world from London to Sydney. Private airports can plan their investment programs in an efficient manner, balancing costs and the market demand for services. Privatized airports can raise revenue from debt, equity, fees on airlines and passengers, advertising, retail concessions, and other items. There is no need for taxpayer funding of airports. The FAA dispute doesn’t affect current air traffic control operations, but it is affecting investments in ATC upgrades. Our ATC system needs large new investments in technology, but it is a battle in Congress to secure funding and to make sure the funding is spent efficiently. The FAA has a very poor record at making cost-efficient investments. The solution is to privatize our ATC system, as Canada has done. When the federal government is like an octopus with tentacles stretching into every area of the economy, the economy gets dragged down by political dysfunction in Washington. We see the same sort of dysfunction in the federal government’s other business activities, such as passenger rail and mail delivery. A lot of people worry about the quality and quantity of the nation’s infrastructure investments. But we don’t need to rely on disorganized and indebted governments to fix the problems. We can move ahead with privatization and let America’s entrepreneurs take on the challenge.

#### The federal government will fail at implementation of NextGen – funding, tech and political problems. Privatization key to solve

Robert Poole is the director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation and is an MIT-trained engineer and has advised four presidential administrations on transportation policy issues, and Chris Edwards, the director of tax policy studies at the Cato Institute, June 2010, “Airports and Air Traffic Control”; AB

However, the challenge ahead for the ATC system is more complex than just financial. NextGen will be a major paradigm shift—from 20th-century (manual) air traffic control to 21st-century (semi-automated) air traffic management—and it will be more complex and riskier than any other challenge the FAA has previously attempted. Given the FAA's management and cost overrun problems in the past, simply fixing the funding problem for the ATC system without dramatically reforming its governance **poses risks of larger and more dramatic failures and greater congestion down the road.** Here are three key problems with the current government-owned and operated system of air traffic control: Inflexible Funding. Government funding sources tend to be static and subject to political considerations, and they are decoupled from changing market demands. Changes in aviation over the past decade have hurt the FAA's funding base. A large part of the FAA budget comes from aviation excise taxes, especially the 7.5 percent tax on airline tickets. As average ticket prices have fallen over time, ATC funding has been squeezed. Payroll costs of the current labor-intensive ATC system consume most of the available budget, leaving less funding for capital investment. Making the transition to NextGen will require billions of dollars of new investments in advanced technologies. The FAA's capital budget is still focused mostly on patching up the existing system, such as replacing antiquated display consoles. Such investments are needed in the short-term, but won't add very much capacity to the system. But that is nearly all the FAA can afford under the current funding structure. Some people argue that Congress could solve the funding problem by appropriating a larger amount of general federal revenue for the ATC system. But given the giant federal budget deficit, federal discretionary spending is going to be severely squeezed in coming years. The solution, as discussed below, is to create a commercialized ATC system that can flexibly respond to changing conditions and access private capital markets for investment. Technology Implementation Risks. The FAA has been attempting to modernize its system, expand capacity, and increase its productivity for decades. But dozens of reports over the years from the Government Accountability Office and the Office of Inspector General in the Department of Transportation have faulted the FAA for poor management of major projects, which are often delayed and over budget.24 The Advanced Automation System, Wide Area Augmentation System, and other major projects have had large cost overruns and been years behind schedule or cancelled, as discussed above. In 2005 two OIG researchers presented an overview of the FAA's failed efforts over the years to modernization the National Airspace System.25 In reviewing what went wrong, they concluded that FAA modernization efforts had neither reduced costs nor increased productivity: NAS modernization plans have been consistently subverted by requirements growth, development delays, cost escalations, and inadequate benefits management. All these things were symptomatic of the fact that FAA didn't think it needed to reduce operating costs.26 Many experts are greatly concerned that the FAA's institutional culture is poorly suited to implementing anything as dramatic as NextGen. In 2004, the National Academy of Sciences convened an expert panel to assist the GAO in understanding the cultural and technical factors that have impeded previous ATC modernization efforts. It found that "the key cultural factor impeding modernization has been resistance to change... [which is] characteristic of FAA personnel at all levels" and that "the key technical factor affecting modernization... has been a shortfall in the technical expertise needed to design, develop, or manage complex air traffic systems."27 As a government agency, the FAA is not designed to judge risks, aim at the most efficient investments, manage people to produce results, reward excellence, or punish incompetence. It is therefore not equipped to fundamentally reform the ATC system. Thus, major institutional change is probably a prerequisite for implementing the advanced ATC system the nation needs to meet rising aviation demand. Political Constraints. A third impediment to ATC reform is political. The redesign of the ATC system foreseen in NextGen could potentially deliver major cost savings and greatly expand ATC capacity. However, realizing those gains would require retirement of large numbers of costly radars and other ground-based navigation aids and the consolidation of ATC facilities. One current proposal would replace 21 en route centers and 171 terminal radar approach control (TRACON) facilities with just 35 air traffic service hubs in a redesign of U.S. airspace.28 Physical control towers located at many smaller airports would gradually be phased out as "virtual tower" functions are built into the new super-hubs. However, Congress tends to resist consolidating ATC facilities because of concerns about job losses and the like, which is similar to the political resistance to closing post offices and military bases. A major 1982 proposal for consolidating ATC facilities was quietly dropped after it became clear that getting it through Congress would be very difficult. Similarly, Congress came extremely close to forbidding the FAA's recent success in outsourcing its Flight Service Station system, which involved reducing the system from 58 facilities to 20. The prohibition was defeated only by a credible veto threat from the White House. In sum, as long as ATC remains government-owned and controlled, making the needed reforms to improve efficiency and implement NextGen will be very difficult.

#### Legally feasible – up to 5 privatization projects

Fiertz, ‘10

[Randall S. Fiertz, Director, Office of Airport Compliance and Field Operations, 7/7/2010, The Federal Register, DOT, FAA <http://search.proquest.com/docview/580101404>]

49 U.S.C. Section 47134 establishes an airport privatization pilot program and authorizes the Department of Transportation to grant exemptions from certain Federal statutory and regulatory requirements for up to five airport privatization projects. The application procedures require the FAA to publish a notice in the Federal Register after review of a preliminary application. The FAA must publish a notice of receipt of the final application in the Federal Register for public review and comment for a sixty-day period. The LZU preliminary application is available for public review at http://www.regulations.gov. The docket number is FAA Docket Number 2010-0473.

### AT US Code Prohibits

#### US code authorizes privatization exemptions – solves back regulatory and grant deficits

Fiertz, ‘10

[Randall S. Fiertz, Director, Office of Airport Compliance and Field Operations, 7/7/2010, The Federal Register, DOT, FAA <http://search.proquest.com/docview/580101404>]

SUPPLEMENTARY INFORMATION: Title 49 of the U.S. Code 47134 authorizes the Secretary of Transportation, and through delegation, the FAA Administrator, to exempt a sponsor of a public use airport that has received Federal assistance, from certain Federal requirements in connection with the privatization of the airport by sale or lease to a private party. Specifically, the Administrator may exempt the sponsor from all or part of the requirements to use airport revenues for airport-related purposes, to pay back a portion of Federal grants upon the sale or lease of an airport, and to return airport property deeded by the Federal Government upon transfer of the airport. The Administrator is also authorized to exempt the private purchaser or lessee from the requirement to use all airport revenues for airport-related purposes, to the extent necessary to permit the purchaser or lessee to earn compensation from the operations of the airport.

### AT Privatization Impossible

#### Here are dozens of examples of privatization of airlines being effective

Robert Poole is the director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation and is an MIT-trained engineer and has advised four presidential administrations on transportation policy issues, and Chris Edwards, the director of tax policy studies at the Cato Institute, June 2010, “Airports and Air Traffic Control”; AB

Airports have been fully or partly privatized in many foreign cities, including Amsterdam, Athens, Auckland, Brussels, Copenhagen, Frankfurt, London, Melbourne, Naples, Rome, Sydney, and Vienna. Britain led the way with the 1987 privatization of British Airports Authority, which owns Heathrow and other airports. Other countries followed with a wide range of commercialization reforms under which private firms own or operate various aspects of airport facilities. **Since 1987, more than 100 airports have been partly or fully privatized worldwide**. A recent survey found that there are about 100 companies around the world that own and operate airports, finance airport privatization, or participate in projects to finance, design, build and operate new airports or airport terminals.13 Here are some examples of airport privatization reforms in recent years: France's Aeroports de Paris, which owns Charles de Gaulle and Orly airports, was partially privatized in 2006. Most of Italy's larger airports have been privatized, including those in Rome, Florence, Naples, Parma, Pisa, and Venice. Greece plans to sell part of the remaining share of the Athens airport that it retains, and it may privatize some of its larger regional airports. Spain's government announced in 2008 that it will sell major stakes in the 47 airports operated by state agency AENA. Mexico has privatized numerous airports, and the country boosts three successful airport operators that plan to expand abroad. Brazil is planning to privatize Galeao International Airport in Rio de Janeiro. Most of Australia's major airports have been either privatized or contracted out to private operators under long-term leases.14

# AT

### AT Spending Links

#### Privatization of infrastructure would generate a budget surplus

**Lord, ‘10**

[Nick Lord, executive editor of Financial Media at Haymarket Media Group, Staff Writer at Euromoney former Editorial Director at Finance Asia, affiliated with the University of Oxford, 4/2010, Euromoney <http://www.euromoney.com/Article/2459161/Privatization-The-road-to-wiping-out-the-US-deficit.html?single=true>]

Barend at the New York State Asset Maximization Commission concurs. "We don't want to monetize critical assets to close a short-term budget gap," she says. "We want to use P3s as a means of delivering vital state infrastructure on time, on or below budget, and with greater accountability for the performance of the asset."¶ But there is no getting away from the fact that the assets are there and people want to buy them. And the conditions have never been this propitious to support a whole new vibrant market. With hundreds of billions and potentially trillions of dollars at stake, this could be the biggest emerging market in the world. In years to come president Obama could be crowing about the persistent budget surpluses, surpluses provided by the successful monetization of one of the US's greatest resources, its infrastructure.

#### Private sector means more reliable growth – more efficient and effective budget concerns and competitive bidding process minimizes costs

**Gaffey, ‘10**

[David W. Gaffey, Law Clerk to Bankruptcy Court for Eastern District of Virginia, Juris Doctor with Honors from George Washington Unviersity, Winter 2010 Public Contract Law Journal 39.2 <http://search.proquest.com/docview/218700910>]

In addition to reduced public expenditures for infrastructure projects, the involvement of the private sector in the design, construction, operation, and maintenance of such projects will lead to significant improvements in efficiency and operating costs. According to the GAO, private sector entities analyze their costs, revenues, and risks throughout all phases of a project in a much more reliable manner than their public sector equivalents, leading to reduced construction and operation costs.22 In many cases, governments continue to provide funding for public projects even if the projects exceed their planned budget. This occurs in part because there are fewer incentives compelling governmental bodies to fully examine the cost of a project as compared to its expected future revenue, or to streamline the building and subsequent operation of facilities. Private corporations, however, do not have the luxury of falling back on the public treasury, and thus make every effort to accurately forecast operating expenses and revenues in an attempt to reduce all unnecessary expenditures and financial risks.¶ The use of competition in the bidding process further reduces the cost to the public for many DBOM or design-build projects. As discussed above, public agencies are only minimally constrained by budgetary restrictions on construction projects or for the operation of existing facilities, often continuing to fund overbudget programs and projects. The transfer of construction or operation responsibilities to private entities through a competitive fixedprice, closed-bidding process helps to ensure efficiency and cost-effectiveness because contractors have a strong incentive to reduce their bid amounts in order to maximize their chance of winning the contract.23

#### Private sector key to avoid more debt and financial burden

**Orski, ‘08**

[C. Kenneth Orski, editor and publisher of Innovation briefs a transportation newsletter, 7/1/2008, Heartland Institute <http://news.heartland.org/newspaper-article/2008/07/01/private-investment-tolls-will-play-increasing-role-funding-tomorrows-tr>]

State officials tell us they are embracing private-sector financing and tolling not because of any ideological commitment to "privatization" or a philosophic attachment to market-driven solutions but out of sheer fiscal necessity. Increasingly, state DOTs are obliged to commit a major part of their tax-supported transportation budgets to preserving and modernizing existing infrastructure, leaving little money for new construction.¶ As one senior state official told us, "since Congress is not likely to come up with adequate resources to help us meet our future infrastructure needs, we have no option but to move on our own and find new ways of funding our capital needs."¶ Influential political leaders in state capitals, on Capitol Hill, and in the Bush administration are coming to the same conclusion. Texas Gov. Rick Perry (R), in a keynote speech at the annual meeting of the Texas Transportation Forum on April 22, said, "I am convinced that private dollars, administered through public-private partnerships, are a significant part of the answer to our transportation infrastructure challenge."¶ Pelosi Sees Continued Expansion¶ House Speaker Nancy Pelosi (D-CA) agrees. "Private investment is playing an increasingly larger role in public infrastructure," she observed in an address before a Regional Plan Association luncheon on April 18. "Innovative public-private partnerships are appearing around the country, bringing much-needed capital to the table.¶ "It is important to ensure that the public interest is well-served in public-private partnerships, since they are here to stay and likely to grow in importance," Pelosi continued. "User fees will continue to play a major role in financing many types of infrastructure. Reliance on tolls for transportation funding is likely to continue and expand.."¶ U.S. Secretary of Transportation Mary Peters also has been a longstanding advocate of public-private partnerships. "Unleashing the investment locked in the private sector by partnering with business is the most efficient path to the transportation future this country needs and deserves," she told an audience of Arizona contractors in February. It's a message she and her senior staff have conveyed many times before and since.¶ Using the leverage of private capital to supplement public funding also lies behind the proposal by Senators Christopher Dodd (D-CT) and Chuck Hagel (R-NE) for a National Infrastructure Bank (S.1926)¶ The proposal would establish "a unique and powerful public-private partnership," Dodd said in his opening statement at a March 11 hearing on the bill, held by the Senate Committee on Banking, Housing and Urban Affairs. "Using limited federal resources, it would leverage the significant resources and innovation of the private sector. It would tap the private sector's financial and intellectual power to meet our nation's critical structural needs."¶ Numerous States Mull Tolls¶ By our count, a total of 22 states are contemplating the use of tolls to support road capacity expansion.¶ Some of them, such as California, Florida, Pennsylvania, and Texas, may resort to private tolling concessions, while others will choose the more traditional route of municipal bond financing and public operation.¶ Our survey participants thought public-private partnerships and private concessions will play a significant role in the nation's efforts to expand infrastructure capacity.¶ Engaging the private sector in the task of modernizing the nation's roads, bridges, ports, transit systems, and intermodal facilities may be the best way to ensure the continued growth of the nation's transportation capacity without imposing an unacceptable fiscal burden on the American taxpayer or burdening future generations with further debt.

#### Privatization only way to provide needed funds without straining the budget

**Mansour, ‘06**

[Asieh Mansour, managing director, 2006, RREEF America L.L.C. Real estate/infrastructure division of Deutsche Bank AG <http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf>]

¶ Two significant trends are driving the movement towards privatization. First, governments at ¶ all levels are strained for financial resources. Privatization is a means for providing needed and ¶ popular infrastructure without further straining the public budget. Second, the private markets ¶ are capital rich, seeking to invest increasing quantities of capital at attractive risk-adjusted ¶ yields. Investment in privatized infrastructure can offer attractive opportunities. ¶ The federal government traditionally has heavily funded much of the infrastructure currently ¶ targeted for privatization. During the past few decades, efforts to reign in the federal budget ¶ have resulted in declining resources for roads, bridges, airports, seaports, and water systems. ¶ These budget reductions have impacted both capital and maintenance costs. As a result, ¶ these burdens have shifted to state and municipal budgets. Increasing revenue at the state ¶ and local levels, however, is politically very difficult. Thus, privatization is viewed as a ¶ mechanism for providing infrastructure without negatively impacting a state or municipal ¶ government’s fiscal position. Over the past decade, it has been the regional governments in ¶ the US that faced severe fiscal pressures that have predominantly privatized. This issue ¶ impacts both capital costs of developing new infrastructure and maintenance costs for older ¶ infrastructure. ¶ Infrastructure investment needs in the US fall into two basic categories. The first involves ¶ growth areas, including booming new suburbs and areas of regional growth, such as the ¶ southern and western portions of the nation. The needs in these areas are for capital to ¶ develop infrastructure to support this growth. With federal funds more limited, states and ¶ municipalities need to be more creative in financing these needs. Privatization of the new ¶ infrastructure is an obvious solution. ¶ The second category involves curing deferred maintenance of older infrastructure. Older ¶ communities, particularly in the Northeast and Midwest, are served by old infrastructure. ¶ Typically, these regions suffered from under-investment in the maintenance of this ¶ infrastructure. With slow economic growth, little fiscal capacity exists to fund what is often ¶ substantial deferred maintenance. Once again, privatization offers a potential solution. ¶ The private sector can provide desperately needed capital for investing in the crumbling ¶ infrastructure across the US. There has been severe underinvestment in US infrastructure ¶ over the past decade. The supply of infrastructure assets has failed to meet growing demand ¶ as exemplified by an aging infrastructure, expanding demand for services with a growing

### AT Politics Links

#### Privatization is popular with the public – ensures reelection

Peter Samuel, freelance journalist who writes on regulatory affairs, his work appears in Forbes and National Review, June 27 1995, “Highway Aggravation: The Case For Privatizing The Highways”, http://www.cato.org/pubs/pas/pa-231.html; AB

Traffic congestion is a major annoyance to tens of millions of Americans and a $100 billion annual economic loss. The traditional answer to highway backups, mass transit and carpooling, have not worked. The convenience of the private car for the vast majority of commuters makes even the most lavishly subsidized mass transit uncompetitive. Since 1956 most highways have been financed by gas taxes. Now those taxes are being siphoned off to transit and general revenue, and what is left for roads goes largely for maintenance and rebuilding, not new building. The revolt against rising taxes means that the only source of revenue for significant new highway capacity is the private sector. The economics, politics, and technology are right for progressively privatizing highways and creating markets in highway service. Washington State, Virginia, and California have begun to do so. Private highway projects in those states are discussed in detail. State highways should be sold section by section to private owners. With private operators responsible for maintenance as well as improvement of the highways, gasoline taxes and other government charges for roads could be phased out. New ideas and new technologies would be applied. For example, to eliminate stop-and-go conditions, private highway operators could vary toll rates by the minute to encourage less peak-hour travel. Privatization of the highways should be attractive to elected officials needing to make good on promises of reducing budget deficits and lowering taxes. Officials who take the lead in sponsoring bold reforms may win public acclaim and votes.

#### CP is shielded from politics – closed bids and no public debate. EVEN IF it is unpopular with the public, they won’t know about it

Bethany McLean, writes a weekly business column for Slate, 3/15/11, “Cities for Sale: Psst! Wanna buy the New Jersey Turnpike?” http://www.slate.com/articles/business/moneybox/2011/03/cities\_for\_sale.html; AB

Actually, the privatization of state and, especially, local government assets is a very real, very national issue, albeit one in which the left's favorite villains in Wisconsin—the Koch brothers—don't figure as prominently as the left's other favorite villain—the banks. The deep budgetary woes of states and cities around the country have made the quick (but one-time) infusion of cash resulting from an asset sale a handy temporary solution. The big banks advise cities about whether privatization is a wise choice. They also control the ability of states and cities to access the market for their financing needs. But the banks' investment funds may also stand to make money off privatizations. As Josh Rosner, a managing director at the research firm Graham, Fisher who was a prescient critic of the housing boom, says, "Given what we've seen [in other deals], I have concerns that the banks will or could use their lending power" to push privatization deals that get done via **closed bids, aren't publically debated, and may not be in the public interest**. Privatization of assets that most of us consider public goods—like airports and highways—has a long, often-**uncontroversial history**. Australia and Europe have used so-called "private public partnerships" to fund infrastructure projects that otherwise **might not have been feasible**. But as a 2008 report by the Government Accountability Office noted, there is a right way and a wrong way to privatize. The right way includes shorter leases, some revenue sharing between the private owner and the government allowing taxpayers to benefit from any upside, and a transparent, deliberative decision-making process.

#### CP is popular with politicians and the public – reduces spending and prevents taxes

Asieh Mansour, Managing Director of Research @ RREEF and Hope Nadji, Director of Research September 2006, http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf, “US Infrastructure Privatization and Public Policy Issues”; AB

Several factors appear to be driving the current trend toward privatization of infrastructure: • A perception or belief that private enterprise can develop and/or operate critical facilities more cheaply and efficiently than public agencies. • Provide a source of capital to fund needed infrastructure that would otherwise need to be funded through tax revenue or public financing. • In the case of an outright sale, provide cash to bolster public finances or to be used for other public needs. • To provide the revenue to maintain the infrastructure over time Remove critically needed facilities from on-going political meddling, which can often impede the efficient and economical provision of services. Of the above-mentioned factors, the ability to provide infrastructure without sizeable public funding and the ability to generate cash through a sale of an asset are the **most appealing to government officials and politicians**. Because **voters are highly resistant to increased taxes** and higher public debt at all levels of government, opportunities to shift costs from the public to the private sector are appealing.

#### Even if the private sector is unpopular, the companies shield politicians from backlash

Ezra Klein, writer and columnist for The Washington Post, Bloomberg, and a contributor to MSNBC, 04/01/2012, http://www.washingtonpost.com/blogs/ezra-klein/post/more-states-privatizing-their-infrastructure-are-they-making-a-mistake/2012/03/31/gIQARtAhnS\_blog.html

While advocates claim that the private sector can operate these toll roads more efficiently, the major appeal of these moves is to solve short-term budget crunches. Essentially, state officials are giving up a source of revenue that’s spread out over a number of years — in Indiana’s case, tolls — and receiving a lump of cash upfront. “You might get less money overall, but you get it upfront, so that officials can go build the things they want to build,” explains Joshua Schank, the president of the Eno Center for Transportation. What’s more, the private firms are the ones that take the heat for raising fees and tolls, instead of nervous politicians.

#### Privatization solves political standoff on TI issues – invests without tax increases

**Primack, ‘11**

[Dan Primack, Senior Editor, 2/17/2011, Fortune/CNN Finance <http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure/>]

Increases in transportation infrastructure spending traditionally have been paid for via gas tax increases, but today's GOP orthodoxy is to oppose all new revenue generators (even if this particular one originated with Ronald Reagan). This isn't to say that Republicans don't believe the civil engineers – it's just that they consider their version of fiscal discipline to be more vital.¶ In other words, America's infrastructure needs are stuck in a holding pattern. That may be sustainable for a while longer, but at some point we need to land this plane or it's going to crash.¶ Luckily, there is a solution: State and municipal governments should get off their collective butts, and begin to seriously move toward partial privatization of their infrastructure assets.¶ Remember, the federal government doesn't actually own America's roads, bridges or airports (well, save for Reagan National). Instead, it's basically a piggy-bank for local governments and their quasi-independent transportation authorities. Washington is expected to provide strategic vision -- like Eisenhower's Interstate Highway System or Obama's high-speed rail initiative -- but actual implementation and maintenance decisions are made much further down the food chain.¶ Almost every state and municipal government will tell you that it doesn't have enough money to adequately maintain its existing infrastructure, let alone build new infrastructure. And, in many cases, existing projects are over-leveraged from years of bond sales.¶ At the same time, private investment firms are clamoring to fill the void.¶ Nearly $80 billion has been raised by U.S.-based private equity infrastructure funds since 2003, and another $30 billion currently is being raised to focus on North American projects, according to market research firm Preqin. Each of one those dollars would be leveraged with bank debt, and none of that includes the billions more available from public pension systems and foreign infrastructure companies.¶ For example, Highstar Capital last year signed a 50-year lease and concession agreement to operate the Port of Baltimore's Seagirt Marine Terminal. The prior year, private equity firm The Carlyle Group signed a 35-year lease to redevelop, operate and maintain Connecticut's 23 highway service areas. And in 2005, an Australian and Spanish company teamed up to lease The Chicago Skyway for $1.83 billion. That same tandem later acquired rights to the Indiana toll road.¶ But those are exceptions to the America's transportation infrastructure rule, which says that everything should be government-owned and operated. It's a rule grounded in fears that private investors will put profits over safety, plus a hefty dose of inertia.¶ Well, it's time for us to get over it.¶ First, we've already established that our current system isn't working. Again, $2.2 trillion in infrastructure needs. And if you haven't seen a crumbling or rusted out bridge somewhere, then you haven't been looking.¶ Second, it's counter-intuitive to think that a private investment firm wouldn't do everything in its power to make its transportation assets safe and efficient. Toll roads, airports and the like are volume businesses. One giant accident, and the return on investment could be irreparably harmed. This isn't to say that all of these projects will be successful -- there have been fiascos, like with Chicago's parking system -- but this is no longer a choice between private and public funding. It's a choice between private funding and woefully insufficient funding.¶ Third, local governments have the ability to structure these leases any way they see fit. For example, the Chicago Skyway deal includes an annual engineering checkup, and the private owners are obligated to make any recommended repairs. This also goes for pricing. In a failed privatization deal for the Pennsylvania Turnpike, prospective buyers agreed to certain parameters on future toll increases.¶ Most importantly, infrastructure privatization provides a solution to the current standoff between Obama and House Republicans -- by providing for investment to repair and maintain existing infrastructure, without requiring tax increases or enabling parochial pork.¶ But the benefits go far beyond the obvious. Privatization also may mean up-front payments that local governments can use to pay down existing project debt, while thoughtful leaders could set aside part of the proceeds to fund other infrastructure needs. Moreover, taxpayers no longer are on the hook for infrastructure-related risk (maintenance costs, liabilities, etc.).¶ I'm obviously not saying that any of this is easy. There are big barriers to privatization, including objections from those who currently run our toll roads, bridges, etc. (just ask those who lost the fight to lease out the Pennsylvania Turnpike in 2008).¶ But it's the best path forward for a nation that really could use more, and safer, paths.

#### Privatization popular – provides necessary infrastructure without raising debt and increasing taxes

Mansour, ‘06

[Asieh Mansour, managing director, 2006, RREEF America L.L.C. Real estate/infrastructure division of Deutsche Bank AG <http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf>]

¶ Therefore the question of why privatize is that for many state and municipal governments, it ¶ may be the only way to provide or maintain needed infrastructure for their local constituents. ¶ Infrastructure investments, whether private or public, are a necessary input to expand the ¶ productive capacity of an area. Capital investment in infrastructure, private as well as public, ¶ goes hand in hand with economic activity. Empirical studies have shown that infrastructure ¶ has substantial payoffs, and currently in the US, public infrastructure is undersupplied and ¶ higher levels are warranted. ¶ ¶ Benefits of Privatization ¶ Several factors appear to be driving the current trend toward privatization of infrastructure: ¶ • A perception or belief that private enterprise can develop and/or operate critical ¶ facilities more cheaply and efficiently than public agencies. ¶ • Provide a source of capital to fund needed infrastructure that would otherwise need ¶ to be funded through tax revenue or public financing. ¶ • In the case of an outright sale, provide cash to bolster public finances or to be used ¶ for other public needs. ¶ • To provide the revenue to maintain the infrastructure over time. ¶ Grade¶ 2001 2005¶ Aviation/Aerospace D D+¶ Bridges C C¶ Dams D D+¶ Drinking Water D DEnergy D+ D¶ Hazardous Waste D+ D¶ Navigable Water Ways D+ DPublic Parks & Recreation – CRail – CRoads D+ D¶ Solid Waste C+ C+¶ Transit C- D+¶ Wastewater D DAm erica 's Infras truc ture G.P.A. = D¶ Tota l Inv es tm ent Needs = $ 1.6 Trillion¶ \*Each category was evaluated on the basis of condition and¶ performance, capacity vs. need, and funding vs. need¶ Exhibit 1¶ The State of America's Infrastructure\*¶ (American Society of Civil Engineers)4 Real Estate Research¶ • Remove critically needed facilities from on-going political meddling, which can often ¶ impede the efficient and economical provision of services. ¶ Of the above-mentioned factors, the ability to provide infrastructure without sizeable public ¶ funding and the ability to generate cash through a sale of an asset are the most appealing to ¶ government officials and politicians. Because voters are highly resistant to increased taxes ¶ and higher public debt at all levels of government, opportunities to shift costs from the public ¶ to the private sector are appealing. ¶ Canada has been at the forefront of this movement toward privatization in North America, ¶ with infrastructure becoming a mainstream asset class that attracts investor capital. Longduration infrastructure investments are especially appealing to pension funds, which have ¶ long-dated liabilities. ¶ The key arguments for privatization are presented in Exhibit 2

#### No political pressure involved in trending towards private infrastructure

Mansour, ‘06

[Asieh Mansour, managing director, 2006, RREEF America L.L.C. Real estate/infrastructure division of Deutsche Bank AG <http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf>]

Interestingly, infrastructure privatization in the US is not a particularly partisan issue. For ¶ example, the Democratic mayor of Chicago has privatized a portion of the region’s transport ¶ infrastructure (the Chicago Skyway), while the Republican Governor of Indiana has privatized ¶ the Indiana Toll Road. ¶ Problems with Old/Public Model Benefits of Privatized Model¶ • Underinvestment • Increased investment¶ • Fees that are not cost reflective • Cost-reflective fees¶ • High costs • Improved incentives for efficiency¶ • Low productivity • Access to superior management¶ • Accountability; providing appropriate service level • Improved service quality¶ • Shortages¶ Source: RREEF Research¶ Exhibit 2¶ The Case for PrivatizationReal Estate Research 5¶ Privatization: Empirical Evidence ¶ From a public policy perspective, the benefits or lack thereof from privatization depend ¶ substantially upon how it is structured and regulated. This parallels the experience in the US of ¶ regulating private infrastructure, such as rail, air transport, telecommunications, gas and ¶ electricity. There is little political pressure in this country to take private infrastructure public, ¶ so there is clearly more of a move towards private rather than public ownership. ¶ Efficiency is a key argument of privatization. Those in favor suggest that goods can be most ¶ efficiently provided by the private sector (Wood, 2004). They argue that privatization is a ¶ mechanism for achieving optimal economic efficiency. If the entity is given a profit incentive ¶ to maximize its service and efficiency, the private sector is likely to outperform the public. A ¶ private firm, so incentivized, can optimally reallocate scarce resources, improving technology ¶ and management. Although it has been tried, there is little evidence that such incentives can ¶ effectively be established within public enterprises to produce superior performance. ¶ The argument that the profit incentive requires higher charges to be assessed needs to be ¶ addressed, however. Private ownership and/or operation of infrastructure must be sufficiently ¶ more efficient than its publicly owned predecessor to cover its profit targets. Therefore, the ¶ privatization should be structured so that at a minimum, the public receives service at least as ¶ good from the private entity as from its public counterpart for the same price. To the extent ¶ that the private firm can provide better service is a winning situation for the community.

#### Congressional leaders eager for effective transportation programs – popular with the public

Fram, ‘12

[Alan Fram, Quals, 6/27/2012, NBC <http://www2.nbc17.com/news/2012/jun/27/3/congress-near-deal-stafford-loans-boehner-says-ar-2389453/>]

Washington – Facing weekend deadlines for¶ action, congressional leaders have agreed to deals overhauling the nation's transportation programs without a Republican provision forcing approval of the proposed Keystone XL oil pipeline, and avoiding a doubling of interest rates for new student loans, congressional officials said Wednesday.¶ ¶ The agreements underscored the pressures both parties face to avoid angry voters and embarrassing headlines in the run-up to this November's presidential and congressional elections. Letting road-building programs grind to a halt during an economic downturn would be a blow to the image of lawmakers, while Democrats and Republicans alike seemed eager to avoid enraging millions of students and their parents by boosting the costs of college loans.

### AT Fed Key

#### Federal and State funding can’t finance infrastructure – the private sector is critical to raising capital

Leonard Gilroy is the director of government reform and Harris Kenny is a policy analyst at Reason Foundation, a Los Angeles-based think tank, 5/17/12, “States and Cities Going Private With Infrastructure Investment”, http://www.realclearmarkets.com/articles/2012/05/17/states\_and\_cities\_going\_private\_with\_infrastructure\_investment\_99671.html, AB

States and municipalities across the U.S. continue to grapple with the lingering effects of the Great Recession. City leaders continue to struggle with depressed revenues, and 30 states are expected to close budget deficits totaling $49 billion this year, according to the Center on Budget and Policy Priorities. Further, many government bodies are struggling to maintain their credit ratings in an uncertain economy. As public debts grow, cities and states simultaneously face pressing needs to repair and modernize critical infrastructure assets that can't wait if citizens hope to keep goods and services moving in the economy. For example, many interstate highways, which are owned and maintained by states, are reaching the end of their useful lives and will cost tens of billions of dollars to reconstruct. Yet, projected federal and state fuel tax revenues will come nowhere close to covering the bills. When factoring in similarly large investment needs in water, aviation, schools and other public infrastructure facilities, it becomes abundantly clear that new infrastructure financing models and sources of capital will be the only viable option to support and sustain growth. Enter the private sector, where investors are demonstrating a willingness and capability to partner with governments to modernize and expand infrastructure, according to Reason Foundation's recent Annual Privatization Report 2011. The report finds that the amount of capital available in private infrastructure equity investment funds reached a new all-time high last year. And since 2006, the 30 largest global infrastructure investment funds have raised a total of $183.1 billion dedicated to financing infrastructure projects; the bulk coming from U.S., Australian and Canadian inventors. In fact, eight major privately financed transportation projects were under construction in the U.S. in 2011 totaling over $13 billion.

### AT Perm do Both

1. The perm still links to the DA, an infrastructure project that the federal government gets anywhere near will be spun as a positive for Obama, as the link to the DA is perception based

#### 2. Private sector solvency is dependent upon a decrease in state involvement in infrastructure

Blake 1 (Stephen Blake, President at the Center for Transportation Training, Education and Research, 2001, The Thomas Jefferson Institute for Public Policy, Issue Brief #3, http://heartland.org/sites/all/modules/custom/heartland\_migration/files/pdfs/3783.pdf) AB

1. Privatization. The privatization of transportation planning, design, construction and maintenance will enhance the efficiencies and effectiveness of the government sponsored transportation system. This can be accomplished through innovative financing mechanisms, particularly the development of public-private partnerships and privatization initiatives that move the financial burden away from sole dependence on government to a sharing of financial responsibility between government and the private sector. The current privatization legislation needs to be strengthened to provide incentives for the transportation industry to assume greater responsibility and for the state Department of Transportation to yield responsibility to the private sector**. The adequacy of the private sector to provide this assistance must be addressed as the role of the public sector is reduced.** Opportunities to privatize government activities should be pursued. An example of this privatization is the project conducted by the motor pool at the state. This project resulted in the hiring of Enterprise Rent-A-Car to provide a back up source of vehicles for state employees who travel, this allowed the motor pool to more efficiently manage the state cars and allowed a substantial savings over reimbursing state employees for using their personal vehicles for travel. This year Richmond Car and Truck Rental won the bid and reduced the cost from $25/per vehicle and 19 cents a mile to $18.95 and unlimited mileage. Other examples include; contracting out of maintenance functions by VDOT, and in Fairfax County and the City of Alexandria bus service is now provided through contracts with private transportation management companies.

3. The plan and the counterplan are mutually exclusive, the perm cant magically have the government both repair the riverlocks as well as sell of the rights to fix it. I challenge the aff to try to write out the perm text

### AT Perm do CP

#### They sever “federal government” – Government investment excludes private corporations

Chan 9 (Chris Chan, part of the Productivity Commission, the Australian Government’s independent research ¶ and advisory body on a range of economic, social and environmental issues affecting ¶ the welfare of Australians, et al., ¶ Danny Forwood¶ Heather Roper¶ Chris Sayers, 3-09,“Public Infrastructure ¶ Financing:¶ An International Perspective,” Commonwealth of Australia , <http://ssrn.com/abstract=1565073>) E. Liu

• General government investment (which excludes public corporations) as a ¶ proportion of GDP has fallen in most countries over the past four decades. In ¶ Australia it stood at 2.4 per cent of GDP in 2005-06. This could reflect the ¶ pattern of corporatisation of GTEs as well as privatisation over the period.

Which is bad because

1.Kills Fairness - Creates A Moving Target – Aff can just change to something else, destroying the strategy we based around the 1NC

2. Destroys Negative Ground – They can sever out of disad links of counterplan ground, destorying the 1NC strategy. They can change their plan text in any way to completely skew the ground in their favor

3. Justifies Untopical Cases – They can advocate the permutation, which can include non-topical action. This means the permutation is a time and strategy skew, because we base our strategy on the 1AC text. The plan should be a stable advocacy because they started the debate.

4. Severance Is A Voter – You must reject the team because the damage in the round has already been done. Your ballot sets a precedent for future debates

### AT Gov Spending Good

#### Government infrastructure spending does little to nothing for the economy – privatization key

Peter Van Doren, the editor of Regulation, is a senior fellow at the Cato Institute and Chris Edwards, the director of tax policy studies at the Cato Institute, December 9th 2008, “Jumping off the Government Bridge”, http://www.cato.org/publications/commentary/jumping-government-bridge; AB

While America debates higher government spending on infrastructure, governments on every continent have sold off state-owned assets to private investors in recent decades. Airports, railroads, energy utilities, and many other assets have been privatized. Heathrow airport in London is privately owned and operated. Air-traffic control services are fully private in Canada. In Italy and France, limited access highways are private concessions funded with toll revenue. In many areas, the U.S. is a laggard in the world on private infrastructure provision. The issue of whether public infrastructure spending encourages economic growth has been studied extensively by economists. In the late 1980s and early 1990s, some research argued that public capital investments had double the effect of private investment on subsequent economic growth. But those findings were challenged, and the statistical techniques were found to be faulty. By the early 2000s the consensus of economists was that the effect of public investment on subsequent economic output was at **best extremely low and at worst no effect at all.** The main problem with current government infrastructure spending is not its magnitude but its lack of efficiency. More roads and transit capacity may or may not make sense depending on whether the benefits exceed the costs. One sure way to find out is to have private provision and user charges. If users are not willing to pay the costs of extra or newer capacity, then calls for taxpayer involvement probably imply subsidy of some at the expense of others rather than efficiency.

### AT State Restrictions

#### States are passing laws to get past restrictions to private investment

Cezary Podkul is the associate editor of Infrastructure Investor, published by PEI and writer for the Washington Post, 10/21/11, http://www.washingtonpost.com/business/with-us-infrastructure-aging-public-funds-scant-more-projects-going-private/2011/10/17/gIQAGTuv4L\_story.html, “With U.S. infrastructure aging, public funds scant, more projects going private”; AB

States are increasingly rolling out the red carpet to attract big investors to their infrastructure projects. Thirty-one states and Puerto Rico have laws on their books authorizing private investment in infrastructure, according to the NCSL’s Rall. But the laws vary so much from state to state that investors often refer to the United States as a patchwork of 50 separate countries. Nevada, for example, has approved private investment in one toll road, while Puerto Rico’s 2009 law created a menu of opportunities across water, energy, transportation and education sectors, as well as a separate office to administer them. So far, Virginia has had the most success attracting private capital to its projects. The state was among the first to pass legislation enabling private investment for transportation in 1995. It has since built three projects with the help of private capital. Five more are under construction, and another four are in various stages of development. One deal sealed in July is a $1.9 billion tunnel project directly north of Chesapeake’s new Jordan Bridge. It is what people in the business call “a public-private partnership.” A private consortium led by Macquarie will invest $1.2 billion, one quarter in direct equity, more than a third covered by commercial loans or bonds, and a third to be provided through a direct Transportation Department loan that has yet to be approved. As in the privately financed Jordan Bridge, tolls from the Midtown Tunnel expansion will go to covering the finance costs and providing a return to the investors. “You have to look at this from a business perspective,” said Tony Kinn, who heads up a new division for privately financed projects at the Virginia Department of Transportation. “If we could afford to do all these projects ourselves, we would do them.” The state is also a partner in the Midtown Tunnel expansion. It will contribute a $395 million subsidy to the project. It gets two things: a new tunnel without laying out the extra $1.2 billion and a lower toll than the private investors would have demanded otherwise. But it gets no revenue unless certain revenue-sharing provisions kick in later in the 58-year contract. Under the deal, Virginia capped tolls initially at $1.84 and will let them rise at roughly the rate of inflation. “We have to leverage the available state funds,” Kinn said.

### AT Private won’t invest

#### Private sector eager to invest

Lord, ‘10

[Nick Lord, executive editor of Financial Media at Haymarket Media Group, Staff Writer at Euromoney former Editorial Director at Finance Asia, affiliated with the University of Oxford, 4/2010, Euromoney <http://www.euromoney.com/Article/2459161/Privatization-The-road-to-wiping-out-the-US-deficit.html?single=true>]

Kris Kolluri¶ Senior members of the US political establishment are also betting that the time has come for the market to take off. "I expect to see a big increase in infrastructure assets for purchase by folks like us," says Emil Henry, the chief executive of Tiger Infrastructure Fund, a new vehicle set up with the backing of legendary hedge fund investor Julian Robertson. Henry was assistant secretary of the US Department of the Treasury from 2005 to 2007 and is extremely well connected in Republican circles. "If you look at the data, 40 out of 50 states are currently in record deficit," he says. "And the two levers to fund deficits are increases in taxes or increases in debt. But the environment is such that raising debt or taxes is extremely difficult right now. Therefore, many municipalities and states are looking at monetizing their assets."¶ At a state level, senior officials and politicians are fully aware of the budget problems they face. According to Kris Kolluri -- who ran New Jersey's Department of Transportation under governor Jon Corzine before being appointed the head of the New Jersey Schools Development Authority -- the New Jersey Transportation trust fund faces bankruptcy in 18 months and the school system needs $25 billion over the next 10 years. "There are very few options left," says Kolluri, who now runs his own infrastructure and P3 consultancy. "So we will see a gravitation towards new P3 deals."¶ The irony of this situation is that while the three levels of government in the US have never had less money to invest in infrastructure, there has never been more private-sector money looking to get equity participation in infrastructure. In early 2009 a group of banks, infrastructure companies and lawyers working in US infrastructure convened what they called the Working Group. Comprising 18 companies including Abertis, Morgan Stanley, Carlyle, Freshfields and Allen & Overy, the Group released a report called Benefits of private investment in infrastructure. It says there was "over $180 billion available in private capital [that] can be used to build infrastructure projects". It goes on to note that with a 60:40 debt-to-equity ratio, the amount available actually increases to $450 billion.¶ Since that report was put together allocations from US pension funds into US infrastructure funds have increased, not just on an absolute level but also as a percentage of their overall asset allocation. "There is a wall of private sector money that wants to invest in US infrastructure," says Nick Butcher, senior managing director and head of infrastructure and utilities, America, at Macquarie in New York. Henry at Tiger Infrastructure agrees. "There has never been more capital available for these assets," he says.

#### Privatization attractive – long-term liabilities and cash flows

Atkinson and Shultz, ‘09

[Robert Atkinson: Chair of National Surface Transportation Infrastructure Commission, President of Information Technology and Innovation Foundation Martin Shultz: Vice Chair and Vice President of Government Affairs at Pinnacle West Capital Corporation, February 2009, 2009 Report of the National Surface Transportation Infrastructure Financing Commission <http://financecommission.dot.gov/Documents/NSTIF\_Commission\_Final\_Report\_Mar09FNL.pdf>]

Other forms of capital used to a lesser but growing extent in the transportation sector include¶ commercial bank financing, taxable bond financing, and private equity. While private-sector¶ participation in transportation infrastructure financing has flourished in Europe, Australia, and¶ Canada, the United States has been slower to use direct private investment—largely due to the¶ availability of low-cost tax-exempt debt. Today a significant amount of equity (over $180 billion¶ according to a recent study)1 has been earmarked for infrastructure investments worldwide.¶ To date, most investors in U.S. private-sector financial participation structures have been¶ European and Australian investors, often coupling investment with direct project development¶ and/or operating roles. Recently, however, U.S. pension funds, insurance companies, and other¶ investors have begun to show interest in infrastructure investments as vehicles to potentially help¶ them achieve their goal of matching long duration liabilities with long-term stable cash flows.

### AT Public Backlash

#### Globalized economy means no backlash to foreign investments

Cezary Podkul is the associate editor of Infrastructure Investor, published by PEI and writer for the Washington Post, 10/21/11, http://www.washingtonpost.com/business/with-us-infrastructure-aging-public-funds-scant-more-projects-going-private/2011/10/17/gIQAGTuv4L\_story.html, “With U.S. infrastructure aging, public funds scant, more projects going private”; AB

The sale or leasing of big visible infrastructure — especially to foreigners — has provoked resistance from the public. “Do you really want to be selling off your assets?” Rolling Stone writer Matt Taibbi asked a New York audience in March. He had elicited laughs while recounting an anecdote about officials from a Middle Eastern sovereign wealth fund trying to decide whether to bid for the Pennsylvania Turnpike. “I think its absolutely nuts,” Taibbi said. Orr dismisses such sentiments. “We live in a globalized economy,” he said, and as a result Middle Eastern investors make all kinds of investments in American assets, such as U.S. Treasury bonds. “Why is a toll road any different? Has there ever been a case where we’ve ever had a problem with an Arab sheik interfering with the operation of one of our assets?”

### AT Monopoly

#### Competitive bidding solves the reasons why a monopoly over transportation infrastructure would occur

Steve H. Hanke is a Professor of Applied Economics at The Johns Hopkins University in Baltimore and a Senior Fellow at the Cato Institute, April 2008, http://www.cato.org/publications/commentary/praise-private-infrastructure, “In Praise of Private Infrastructure”; AB

With the private provision of infrastructure, however, there is a potential problem: introducing and maintaining competition. This potential problem can arise because of the so-called natural monopoly character of many infrastructure projects. In short, even if there are no artificial barriers to entry, a monopoly will likely emerge because a single firm can produce goods and services more cheaply than multiple firms (multiple ports, bridges, etc. at the "same" location are not economically feasible). Opponents of infrastructure provided by the private sector are quick to raise the specter of a monopoly but there is a way to solve the natural monopoly problem and introduce competition into the provision of private infrastructure. It involves a system of competitive bidding for privately owned infrastructure franchises. Though competition within a market may be impossible, the benefits of competition for that market may be attainable. So long as there is vigorous bidding for an infrastructure franchise, the best of both worlds - avoidance of redundant facilities together with competitive prices - can be had. In theory, such a system could ensure that the favorable incentive effect normally associated with private ownership and management of a firm (i.e. that private owners will control costs, enhance efficiency, etc. as a way of maximizing their profits) will actually come about.

### AT No Regulation

#### Private infrastructure developments are still regulated by the government

Asieh Mansour, Managing Director of Research @ RREEF and Hope Nadji, Director of Research September 2006, http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf, “US Infrastructure Privatization and Public Policy Issues”; AB

Public infrastructure is accessed and used by the public at large, by businesses and residents. Most of this infrastructure has the characteristics of natural monopolies. For example, if infrastructure were purely in the private market, several companies might provide parallel roadways, wired phone lines, airports, water systems, etc. Since a free-for-all in the provision of such critical and expensive investments has not been viewed as in the best interests of the public, some governmental control has been typical in the US as well as most modern countries. How it is provided, however, varies from nation to nation. For example, in the US, rail, air, energy, and telecommunications have largely been provided by private companies, but **are heavily regulated as monopolies by federal and state agencies.** In many countries, these services are provided by government-owned companies or agencies. On the other hand, private firms own and operate public roadways in some countries, while they are traditionally under the ownership of governmental agencies in the US. Even tollways and toll-financed bridges are typically owned by governmental authorities in the US, whereas most of this infrastructure is privately owned and/or operated in other countries. Experience in the US and other developed countries indicates that, due to its monopolistic nature, public infrastructure must be publicly regulated. However, its ownership and operation can be either in the public or private sector. If privately provided, appropriate regulation is key to its success in serving the best interests of residents and businesses. The US has had considerable experience in successfully regulating rail, air transport, gas, electricity, and telephone systems, and has acquired an extensive knowledge base. As a result, such regulation has evolved through the years, becoming more responsive to changing public needs. For example, telephone systems that were once monopolistic are no longer as wireless, cable and internet systems compete to provide an essential service. Regulations are struggling to catch up with this shifting landscape.

### Fed Bad – Efficiency

#### Federal spending is inefficient and influenced by politics

Chris Edwards, director of tax policy studies at Cato, 11-16-11, [“Federal Infrastructure Investment,” testimony, Joint Economic Committee¶ United States Congress¶ <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>] E. Liu

Perhaps the biggest problem with federal involvement in infrastructure is that when Washington makes mistakes it replicates those mistakes across the nation. Federal efforts to build massive public housing projects in dozens of cities during the 20th century had very negative economic and social effects. Or consider the distortions caused by current federal subsidies for urban light-rail systems. These subsidies bias cities across the country to opt for light rail, yet rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road.10¶ When the federal government subsidizes certain types of infrastructure, the states want to grab a share of the funding and they often don't worry about long-term efficiency. High-speed rail is a rare example where some states are rejecting the "free" dollars from Washington because the economics of high-speed rail seem to be so poor.11 The Obama administration is trying to impose its rail vision on the nation, but the escalating costs of California's system will hopefully warn other states not to go down that path.12¶ Even if federal officials were expert at choosing the best types of infrastructure to fund, politics usually intrudes on the efficient allocation of dollars. Passenger rail investment through Amtrak, for example, gets spread around to low-population areas where passenger rail makes no economic sense. Indeed, most of Amtrak's financial loses come from long-distance routes through rural areas that account for only a small fraction of all riders.13 Every lawmaker wants an Amtrak route through their state, and the result is that investment gets misallocated away from where it is really needed, such as the Northeast corridor.

### Fed Bad – Efficiency Key

#### Quality of investment is key – Federal spending doesn’t respond to markets or efficiency

Chris Edwards, director of tax policy studies at Cato, 11-16-11, [“Federal Infrastructure Investment,” testimony, Joint Economic Committee¶ United States Congress¶ <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>] E. Liu

¶ Let's look at current data on infrastructure spending. Interest groups complain that governments in the United States aren't spending enough on infrastructure, and we often hear that U.S. roads and other assets are crumbling. However, Figure 2 shows that while federal, state, and local infrastructure spending in the United States has dipped a little in recent decades, U.S. spending has closely tracked trends in other high-income nations. The figure shows gross fixed investment as a share of gross domestic product in the United States compared to the average of countries in the Organization for Economic Cooperation and Development.4 In 2010, U.S. infrastructure spending by governments was 3.5 percent of GDP, which was a little higher than the OECD average of 3.3 percent.¶ ¶ ¶ ¶ Let's take a closer look at just U.S. federal infrastructure spending using data from the Bureau of Economic Analysis.5 Figure 3 shows that federal nondefense infrastructure spending declined somewhat during the 1980s and 1990s, but started to rise again during the 2000s even before the recent "stimulus" spending. Spending in recent decades was generally above the levels of the 1950s, but below the high levels of the 1960s.¶ ¶ ¶ ¶ The high federal infrastructure spending of the 1960s was unique. A large share of that spending was for building the Interstate Highway System, which is now complete. Also note that substantial federal infrastructure spending at that time was misallocated to dubious or harmful activities. For example, federal funding of urban redevelopment and high-rise public housing schemes often had damaging social and economic effects. Also, federal spending on water infrastructure, such as dams, peaked in the mid-20th century, and a substantial part of that spending made little sense from an economic or an environmental perspective.¶ Thus, the important thing about infrastructure is to focus on allocating funds efficiently, not to maximize the amount of government spending. If infrastructure funding flows to low-value activities, it doesn't aid economic growth, nor does it help industries such as manufacturing. Experience shows that Washington often does a poor job at allocating infrastructure spending, in part because its decisions are far removed from market-based demands and price signals.

### Fed Bad – Overruns and Boondoggles

#### Federal investment is diverted to inefficient activities and has cost overruns

Chris Edwards, director of tax policy studies at Cato, 11-16-11, [“Federal Infrastructure Investment,” testimony, Joint Economic Committee¶ United States Congress¶ <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>] E. Liu

There are calls today for more federal spending on infrastructure, but advocates seem to overlook the downsides of past federal efforts. Certainly, there have been federal infrastructure successes, but there has also been a history of pork barrel politics and bureaucratic bungling in federal investment spending. A substantial portion of federal infrastructure spending has gone to low-value and dubious activities.¶ I've examined spending by the two oldest federal infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation.7 While both of those agencies constructed some impressive projects, they have also been known for proceeding with uneconomic boondoggles, fudging the analyses of proposed projects, and spending on activities that serve private interests rather than the general public interest. (I am referring to the Civil Works part of the Corps here).¶ Federal infrastructure projects have often suffered from large cost overruns.8 Highway projects, energy projects, airport projects, and air traffic control projects have ended up costing far more than originally promised. Cost overruns can happen on both public and private infrastructure projects, but the problem is exacerbated when multiple levels of government are involved in a project because there is less accountability. Boston's Big Dig — which exploded in cost to five times the original estimate — is a classic example of mismanagement in a federal-state project.9

### Privatization Good – Innovative Financing

#### Federal creation of innovative funding mechanisms is modeled by states

Ali Mostafavi, Doctoral Student and Graduate Research Assistant, School of Civil Engineering, Purdue University and Dulcy M. Abraham, Professor, School of Civil Engineering, Purdue University, 11-4/7-10, [“Frameworks for Systemic and Structural Analysis of ¶ Financial Innovations in Infrastructure,” Proceedings Editors ¶ John E. Taylor, Columbia University ¶ Paul Chinowsky, University of Colorado - Boulder ¶ , EPOC 2010 Conference, <http://academiceventplanner.com/EPOC2010/Papers/EPOC_2010_MostafaviAbraham.pdf>] E. Liu

The federal government facilitates invention and diffusion of innovative financing ¶ systems through policies. An example of such policies is the Transportation Infrastructure ¶ Finance and Innovative Act (TIFIA). The TIFIA program provides federal credit assistance in ¶ the form of direct loans, loan guarantees, and standby lines of credit to finance surface ¶ transportation projects of national and regional significance. ¶ The FHWA developed the Innovative Finance Program to enhance innovative financing ¶ of transportation infrastructure through "learning" the best financing practices in other sectors ¶ and in other countries and creating guidelines to be used by states DOTs (FHWA, 2010). ¶ Similarly, AASHTO’s Center of Excellence in Project Finance was developed to provide policy ¶ guidance pertaining to innovative financing. This center partners closely with FHWA's ¶ Innovative Finance Program for policy implementation. All categories of financial innovation ¶ (architectural, generational, and disruptive), as defined in the definition phase, are of interest to ¶ AASHTO's Center of Excellence in Project Finance and the FHWA Innovative Finance ¶ Program. ¶ The innhovative financing policies and best practices guidelines developed by federal ¶ agencies are provided to state governments and state DOTs to be adapted for financing projects. ¶ State governments practice innovative financing based on their transportation infrastructure ¶ development plans and needs. For instance, the capital shortfall in the State of Indiana early in ¶ the Indiana Governor’s administration (2004) along with his vision to turn Indiana into the ¶ "transportation logistics capital" of the U.S. led to the state leasing the Indiana Toll Road to a ¶ private consortium in 2006. A leaseback innovative system was used to provide capital for the ¶ unfunded $2.8 billion estimated capital plan while there was an inability to raise fuel tax as the ¶ traditional funding system. ¶ State DOTs adapt policies and best practices provided by federal agencies based on their ¶ needs and based on the characteristics of projects (e.g., project risks, possibility of tolling in the ¶ project, and project priority) and economic conditions such as a recession. Thus far, states such ¶ as Florida, Virginia, and Texas with a significant need for financing sources have implemented ¶ innovative systems such as availability payments and shadow tolls. As the states pursue ¶ innovative financing, they learn in the process to adapt more innovative systems. For instance, ¶ the state of Texas started using shadow tolls as an innovative funding system for projects ¶ financed to facilitate private investments. As Texas DOT learned through adaptation of the ¶ mechanism, a Pass-through Financing program was developed in 2008 within Texas DOT that ¶ led them to consider the possibility of tolling for each project whether it is financed by private ¶ investors or it is financed using federal or state money. ¶ Once a state succeeds in meeting its infrastructure demand by implementing innovative ¶ financing, other states are prompted to adapt the mechanism. The interviewees from the Texas ¶ and Florida DOTs mentioned that they have been contacted by other states DOTs (e.g., Georgia) ¶ asking about their experiences and lessons learned using innovative financing systems.

y or immediately impact the supply of another.¶ Crude oil must be refined by one of the 100-plus refineries operating in the United States today, some of which lie in the Gulf region, some on the West Coast, some in the Great Lakes, and some on the East Coast. (Sure there are others, but for simplicity these are the major refining hubs.)¶ If a refinery in Chicago has supply issues or if traders perceive supply will tighten, prices of gasoline will rise even as crude prices fall. It's not normal, sure—its a temporary phenomena—but it occurs perhaps more often than you may think.¶ [See a collection of political cartoons on energy policy.]¶ Earlier this year, a major refinery fire in Washington broke out at a BP oil refinery. It caused major damage and caused the facility to shut down much of its production. While prices rose slightly, the difference wasn't huge, mainly because demand is the weakest in February. As warmer weather approached, more people starting driving more—getting their summer vehicles out, going on trips, etc. With BP's facility still shut a month ago, demand rose, sapping inventories. Prices rose, even as oil prices fell due to this situation. Not helping things was the change-over in gasoline specifications from winter to summer that resulted in even tighter supply. As BP came back up a week or two ago, wholesale prices have fallen sharply, even outpacing drops in oil prices, as the temporary (a long "temporary") issue was resolved. Gasoline prices have fallen more than oil on the West Coast. It's a two-way street.¶ Americans, there is no magic ratio that can accurately determine gasoline prices based on oil. The market determines prices based on demand, supply, things we call oil fundamentals. This isn't a hoax or conspiracy to get you to pay more, it's just reality, and sometimes we need a dose of it to help understand how things work, and that's the case here. I believe it is admirable that individuals want to learn about gasoline prices, but putting your faith in errant math simply does no one any good. So in the future, remember, while oil and gasoline have a strong relationship, it isn't always a directly proportionate relationship.

he federal government doesn't actually own America's roads, bridges or airports (well, save for Reagan National). Instead, it's basically a piggy-bank for local governments and their quasi-independent transportation authorities. Washington is expected to provide strategic vision -- like Eisenhower's Interstate Highway System or Obama's high-speed rail initiative -- but actual implementation and maintenance decisions are made much further down the food chain.¶ Almost every state and municipal government will tell you that it doesn't have enough money to adequately maintain its existing infrastructure, let alone build new infrastructure. And, in many cases, existing projects are over-leveraged from years of bond sales.¶ At the same time, private investment firms are clamoring to fill the void.¶ Nearly $80 billion has been raised by U.S.-based private equity infrastructure funds since 2003, and another $30 billion currently is being raised to focus on North American projects, according to market research firm Preqin. Each of one those dollars would be leveraged with bank debt, and none of that includes the billions more available from public pension systems and foreign infrastructure companies.¶ For example, Highstar Capital last year signed a 50-year lease and concession agreement to operate the Port of Baltimore's Seagirt Marine Terminal. The prior year, private equity firm The Carlyle Group signed a 35-year lease to redevelop, operate and maintain Connecticut's 23 highway service areas. And in 2005, an Australian and Spanish company teamed up to lease The Chicago Skyway for $1.83 billion. That same tandem later acquired rights to the Indiana toll road.¶ But those are exceptions to the America's transportation infrastructure rule, which says that everything should be government-owned and operated. It's a rule grounded in fears that private investors will put profits over safety, plus a hefty dose of inertia.¶ Well, it's time for us to get over it.¶ First, we've already established that our current system isn't working. Again, $2.2 trillion in infrastructure needs. And if you haven't seen a crumbling or rusted out bridge somewhere, then you haven't been looking.¶ Second, it's counter-intuitive to think that a private investment firm wouldn't do everything in its power to make its transportation assets safe and efficient. Toll roads, airports and the like are volume businesses. One giant accident, and the return on investment could be irreparably harmed. This isn't to say that all of these projects will be successful -- there have been fiascos, like with Chicago's parking system -- but this is no longer a choice between private and public funding. It's a choice between private funding and woefully insufficient funding.¶ Third, local governments have the ability to structure these leases any way they see fit. For example, the Chicago Skyway deal includes an annual engineering checkup, and the private owners are obligated to make any recommended repairs. This also goes for pricing. In a failed privatization deal for the Pennsylvania Turnpike, prospective buyers agreed to certain parameters on future toll increases.¶ Most importantly, infrastructure privatization provides a solution to the current standoff between Obama and House Republicans -- by providing for investment to repair and maintain existing infrastructure, without requiring tax increases or enabling parochial pork.¶ But the benefits go far beyond the obvious. Privatization also may mean up-front payments that local governments can use to pay down existing project debt, while thoughtful leaders could set aside part of the proceeds to fund other infrastructure needs. Moreover, taxpayers no longer are on the hook for infrastructure-related risk (maintenance costs, liabilities, etc.).¶ I'm obviously not saying that any of this is easy. There are big barriers to privatization, including objections from those who currently run our toll roads, bridges, etc. (just ask those who lost the fight to lease out the Pennsylvania Turnpike in 2008).¶ But it's the best path forward for a nation that really could use more, and safer, paths.

me necessary to prohibit some of your favorite foods and ban other pleasures, so you don't fall ill or have an accident - putting a burden on America's health-care system? Some of these things - such as getting children to snitch on their parents or ordering people into reeducation programs - already are happening in America. The others have been proposed and are being considered seriously. History has shown that each was an important step in the evolution of the world's worst tyrannies. We move step by step further along the road to oppression because each step seems like such a small one. And because we're told that each step will give us something alluring in return-less crime, cheaper health care, safety from terrorists, an end to discrimination - even if none of the previous steps delivered on its promise. And because the people who promote these steps are well-meaning reformers who would use force only to build a better world.

private advantage to be gained by social cooperation under the division of labor.”[2] But, as Opitz shows, this perspective gives rise to a serious problem. Since theft is the first labor saving device, the utilitarian principle will tend to lead to the collective use of government power so as to redistribute income in order to gain the “greatest happiness” in society. Regrettably, the rent seeking behavior that is spawned as a result of this mind set will prove detrimental to the economy. Nevertheless, this kind of action will be justified as that which is most socially expedient in order to reach the assumed ethical end. “Utilitarianism, in short, has no logical stopping place short of collectivism.”[3] If morality is ultimately had by making the individual’s happiness subservient to the organic whole of society, which is what Bentham’s utilitarianism asserts, then the human rights of the individual may be violated. That means property rights may be violated if it is assumed to promote the utilitarian end. However, property rights are essential in securing a free market order. As a result, utilitarianism can then be used to justify some heinous government actions. For instance, the murder of millions of human beings can be justified in the minds of reformers if it is thought to move us closer to paradise on earth. This is precisely the view that was taken by communist revolutionaries as they implemented their grand schemes of remaking society. All of this is not to say that matters of utility are unimportant in policy decisions, but merely to assert that utilitarian ethics will have the tendency of promoting collectivist policies. This will tend to hold true in most cases except when such collectivism has so thoroughly destroyed the economic enterprise as in the case of the former Soviet Union. In those cases, the very real need of material advancement will lead to reform in the other direction. Therein lies the problem. Is the end that utilitarianism aims for truly ethical? It certainly contradicts the traditional moral philosophies. Both the older natural law philosophies as well as those founded upon religious traditions take issue with the use of force so as to gain one’s material wherewithal. If it can be shown that utilitarianism suffers logically from several fatal flaws, then the rational thing that one ought to do is to reject it as a basis for making ethical judgments in policy debates in favor of a more substantive moral philosophy of life. This is the purpose of this paper. Namely, to point out the numerous shortcomings of utilitarianism. In addition, it will be worthwhile to examine a common policy issue in order to demonstrate the difference that it makes when traditional moral philosophies are employed as the foundation upon which one either approves of or disapproves of a particular government action. In this case, an examination of the debate over the delivery of public goods will prove useful.