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## 1NC CP Text

#### Text: The United States federal government should fund research and development and sponsor liability insurance for private ventures to\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

#### The counterplan solves the entirety of the aff - Privatization spurs growth and innovation and is the most efficient.

Chris Edwards, director of tax policy studies at the Cato Institute, February 2009, “Privatization.” http://www.downsizinggovernment.org/privatization

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. The privatization revolution has overthrown the belief widely held in the 20th century that governments should own the most important industries in the economy. Privatization has generally led to reduced costs, higher-quality services, and increased innovation in formerly moribund government industries. The presumption that government should own industry was challenged in the 1980s by British Prime Minister Margaret Thatcher and by President Ronald Reagan. But while Thatcher made enormous reforms in Britain, only a few major federal assets have been privatized in this country. Conrail, a freight railroad, was privatized in 1987 for $1.7 billion. The Alaska Power Administration was privatized in 1996. The federal helium reserve was privatized in 1996 for $1.8 billion. The Elk Hills Petroleum Reserve was sold in 1997 for $3.7 billion. The U.S. Enrichment Corporation, which provides enriched uranium to the nuclear industry, was privatized in 1998 for $3.1 billion. There remain many federal assets that should be privatized, including businesses such as Amtrak and infrastructure such as the air traffic control system. The government also holds billions of dollars of real estate that should be sold. The benefits to the federal budget of privatization would be modest, but the benefits to the economy would be large as newly private businesses would innovate and improve their performance. The Office of Management and Budget has calculated that about half of all federal employees perform tasks that are not "inherently governmental." The Bush administration had attempted to contract some of those activities to outside vendors, but such "competitive sourcing" is not privatization. Privatization makes an activity entirely private, taking it completely off of the government's books. That allows for greater innovation and prevents corruption, which is a serious pitfall of government contracting. Privatization of federal assets makes sense for many reasons. First, sales of federal assets would cut the budget deficit. Second, privatization would reduce the responsibilities of the 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. For example, repeal of the postal monopoly could bring major innovation to the mail industry, just as the 1980s' breakup of AT&T brought innovation to the telecommunications industry. Some policymakers think that certain activities, such as air traffic control, are "too important" to leave to the private sector. But the reality is just the opposite. The government has shown itself to be a failure at providing efficiency and high quality in services such as air traffic control. Such industries are too important to miss out on the innovations that private entrepreneurs could bring to them.

#### CP is publically popular

Dan Primack, senior editor at Fortune magazine, 2-17-2011, “Why Obama can’t save infrastructure.” CNN Money. http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure/

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.

## Solvency Extensions

### CP Solvency – Airports

#### Government subsidies kill the airlines industry

Chris Edwards and Tad DeHaven, Washington Times Staff Writers, 6-17-2010, http://www.cato.org/publications/commentary/privatize-transportation-spending

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.

#### Privatizing air traffic control solves best

Chris Edwards, director of tax policy studies at the Cato Institute, February 2009, “Privatization.” http://www.downsizinggovernment.org/privatization

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. The privatization revolution has overthrown the belief widely held in the 20th century that governments should own the most important industries in the economy. Privatization has generally led to reduced costs, higher-quality services, and increased innovation in formerly moribund government industries. The presumption that government should own industry was challenged in the 1980s by British Prime Minister Margaret Thatcher and by President Ronald Reagan. But while Thatcher made enormous reforms in Britain, only a few major federal assets have been privatized in this country. Conrail, a freight railroad, was privatized in 1987 for $1.7 billion. The Alaska Power Administration was privatized in 1996. The federal helium reserve was privatized in 1996 for $1.8 billion. The Elk Hills Petroleum Reserve was sold in 1997 for $3.7 billion. The U.S. Enrichment Corporation, which provides enriched uranium to the nuclear industry, was privatized in 1998 for $3.1 billion. There remain many federal assets that should be privatized, including businesses such as Amtrak and infrastructure such as the air traffic control system. The government also holds billions of dollars of real estate that should be sold. The benefits to the federal budget of privatization would be modest, but the benefits to the economy would be large as newly private businesses would innovate and improve their performance. The Office of Management and Budget has calculated that about half of all federal employees perform tasks that are not "inherently governmental." The Bush administration had attempted to contract some of those activities to outside vendors, but such "competitive sourcing" is not privatization. Privatization makes an activity entirely private, taking it completely off of the government's books. That allows for greater innovation and prevents corruption, which is a serious pitfall of government contracting. Privatization of federal assets makes sense for many reasons. First, sales of federal assets would cut the budget deficit. Second, privatization would reduce the responsibilities of the 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. For example, repeal of the postal monopoly could bring major innovation to the mail industry, just as the 1980s' breakup of AT&T brought innovation to the telecommunications industry. Some policymakers think that certain activities, such as air traffic control, are "too important" to leave to the private sector. But the reality is just the opposite. The government has shown itself to be a failure at providing efficiency and high quality in services such as air traffic control. Such industries are too important to miss out on the innovations that private entrepreneurs could bring to them.

### CP Solvency – Alt Energy Vehicles

#### Prizes will produce alt energy vehicles

Simon Bromley, Senior Lecturer in International Political Economy at the Open University, UK, et al., and Joshua Busby Nils Duquet, Leben Nelson Moro, 5-06-2006, “Climate Change and Collective Action: Troubles in the Transition to a Post-Oil Economy,” St Antony’s International Review The International Politics of Oil, http://www.utexas.edu/lbj/faculty/busby/wp-content/uploads/busby\_stair\_2\_1.pdf

Unfortunately, the us government’s record on supporting alternative energy sources and new vehicles–from synthetic fuels to ethanol to zero emission vehicles–has not been especially good. The dilemma ofhow to support technological development without ‘picking winners’remains. On one level, innovation will be spurred if there is a price on carbon. Economists have grudgingly accepted political realities and moved from supporting the most efficient system–carbon taxes–to secon best options such as a cap-and-trade system that limits greenhouse gases but allows firm to trade emissions permits. The eu’s emissions trading system is an example. Senators John McCain and Joe Lieberman have been presenting similar proposals for the us for several years. The political difficulty of initiating such a program in the us has led economist Billy Pizer to endorse a cap-and-trade system that includes a safety valve (to provide more emissions permits if prices rise too substantially) that is based on greenhouse gas intensity targets (rather than an outright cap on total emissions).77 Even if enacted, the market signal for such a system is likely to be weak in the absence of complementary action. One way for governments to spur innovation is to offer prizes to companies that are able to meet ambitious technology standards. This has been used before, most famously in the 1700s for the device that could determine longitude at sea. More recently, the Gates Foundation has offered us$450 million in prize money to support the development of new vaccines for diseases and improvements in tropical crop varietals.78 Such prizes in the transport sector could take the form of monetary awards or procurement contracts. The prize would need to be attractive enough to induce research and investment. For example, successful delivery of a car that reduced greenhouse gas emissions by 50 to 70 percent and was market ready could approximate a best or better shot technology with spill-over benefits for the rest of society.79

#### Private companies are creating hydrogen cars now

Hydrogen Fuel Cars Now, 6-30-2012, “Hydrogen Fuel Cars”, “http://www.hydrogencarsnow.com/”

In 2005, Honda leased the first commercial hydrogen car to a family in Redondo Beach, California, (pictured above). In 2008, the Honda FCX Clarity became the first production line built hydrogen fuel cell lease vehicle rolled out to the same family plus dozens others. For the past 28 years, the Los Alamos National Laboratory (LANL) has been conducting research on hydrogen fuel cells for use in transportation, industry and residential use. According to the LANL, "Hydrogen & Fuel Cell Research at Los Alamos has made significant technological advances in Polymer Electrolyte Membrane (PEM) fuel cells, Direct Methanol Fuel Cells (DMFC), and related technologies such as the electrolyzer (a fuel cell in reverse, liberating hydrogen from electricity and pure water)."

### CP Solvency – Alt Energy Vehicles

#### Government investment in hydrogen vehicles failes

Hydrogen Fuel Cars Now, 6-30-2012, “Hydrogen Fuel Cars”, “http://www.hydrogencarsnow.com/”

President Bush when he was in office allocated approximately $2 billion in hydrogen highway research funds. California Governor Arnold Schwarzenegger was pushing to get 200 hydrogen filling stations built by 2010 stretching from Vancouver, British Columbia, all the way down to Baja, California (but has fallen short of this goal because of a poor economy and lack of political will).

### CP Solvency – Generic

#### Privitization has historically worked better, the government has increased costs of transportation with public projects, and only the private industry alone can solve.

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

Rail transit has long had a presence in American cities. The first commuter trains served the suburbs of Boston in 1838. The first successful electric streetcar opened in Montgomery, Alabama, in 1886. Chicago opened the first electric-powered elevated train in 1895, while New York opened the first electric heavy-rail subway line in 1904.1 Electric-powered commuter trains date to 1906. During the mid-20th century, private transit companies served the vast majority of American cities. These companies operated profitable, if declining, businesses in the face of increasing auto ownership. A big handicap was that transit companies were considered public utilities and were highly regulated, having to seek government permission for every route change, fare increase, or other service change. For private transit firms, buses were becoming a less expensive, more flexible, and safer transit mode than streetcars or other types of rail transit. The beginning of the end for private transit came in 1964 with the Urban Mass Transit Act. The act promised federal capital grants to any public agencies that took over private transit companies. Within a decade, the private transit industry was virtually wiped out, replaced almost completely by tax-subsidized public agencies. Today, city governments that are frustrated with automobiles and congestion are turning to the 19th century technology of rail transit for relief. But pumping subsidies into rail transit is based on a nostalgic view of the past and is not economically sound. It also won't solve America's congestion woes. The Department of Transportation's Federal Transit Administration has an annual budget of more than $10 billion, nearly all of which is spent on subsidies to state and local governments.2 In addition, the economic stimulus bill of 2009 added a further $8 billion in subsidies over a period of years.3 Through these subsidies and related regulations, federal policymakers play a major role in shaping urban transportation choices. Transit funding is costly to taxpayers, and it is not a proper function of the federal government. It encourages state and local governments to pursue high-cost and less-efficient transportation solutions—in particular, rail transit. Outside of a few hyper-dense cities in the world, rail transit is a luxury for the few paid for by everyone. Commuter trains and subways may be necessary to keep Manhattan going, but that doesn't mean that everyone else in the nation should subsidize them. Outside of New York City, rail transit makes little economic sense. The federal government should end its transit subsidies, and American cities should focus on more economically sound and consumer-driven approaches to easing congestion. Policymakers at all levels should work to revive private transit options for cities, and they should allow consumers to pursue their transportation choices in a neutral and competitive market environment.

### CP Solvency – Generic

#### Privatization solves more efficiently and is politically popular

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

The Department of Transportation subsidizes and regulates highways, airports, air traffic control, urban transit, passenger rail, and other activities. However, taxpayers and consumers would be better off if these activities were privatized, as has occurred in numerous other nations. Opening up the financing and operation of transportation infrastructure to the private sector would save money, spur innovation, and reduce congestion. The department will spend about $84 billion in 2012 or about $710 for every U.S. household. It employs 58,000 workers and operates 83 subsidy programs.

#### Private transportation was flourishing before the government ruined it

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

All this innovation to improve convenience and reduce costs came from private entrepreneurs. But soon after the turn of the century, governments began to intrude. Government-owned streetcar lines were opened in Bismarck, North Dakota, and Monroe, Louisiana. And New York City took over the previously private Staten Island Ferry. Private transit companies faced several financial difficulties. Many streetcar lines were built by real-estate developers to attract people to their housing projects. A developer would subdivide land on the city fringe, build a streetcar line from the development to downtown, and sell lots and homes. The profits on the real-estate development paid for the capital cost of the streetcar line. Transit fares covered only the operating cost. That worked fine for a few decades; but when the time came to replace the streetcars, rails, and other equipment, the companies often lacked the capital. One way to raise funds was to increase fares. But governments regulated the fares, and proposals to raise fares were regularly rejected by public utility commissions. This left many transit companies with aging streetcar fleets in precarious financial positions.

### CP Solvency – Economy

#### Privatization spurs growth and innovation

Chris Edwards, director of tax policy studies at the Cato Institute, February 2009, “Privatization.” http://www.downsizinggovernment.org/privatization

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. The privatization revolution has overthrown the belief widely held in the 20th century that governments should own the most important industries in the economy. Privatization has generally led to reduced costs, higher-quality services, and increased innovation in formerly moribund government industries. The presumption that government should own industry was challenged in the 1980s by British Prime Minister Margaret Thatcher and by President Ronald Reagan. But while Thatcher made enormous reforms in Britain, only a few major federal assets have been privatized in this country. Conrail, a freight railroad, was privatized in 1987 for $1.7 billion. The Alaska Power Administration was privatized in 1996. The federal helium reserve was privatized in 1996 for $1.8 billion. The Elk Hills Petroleum Reserve was sold in 1997 for $3.7 billion. The U.S. Enrichment Corporation, which provides enriched uranium to the nuclear industry, was privatized in 1998 for $3.1 billion. There remain many federal assets that should be privatized, including businesses such as Amtrak and infrastructure such as the air traffic control system. The government also holds billions of dollars of real estate that should be sold. The benefits to the federal budget of privatization would be modest, but the benefits to the economy would be large as newly private businesses would innovate and improve their performance. The Office of Management and Budget has calculated that about half of all federal employees perform tasks that are not "inherently governmental." The Bush administration had attempted to contract some of those activities to outside vendors, but such "competitive sourcing" is not privatization. Privatization makes an activity entirely private, taking it completely off of the government's books. That allows for greater innovation and prevents corruption, which is a serious pitfall of government contracting. Privatization of federal assets makes sense for many reasons. First, sales of federal assets would cut the budget deficit. Second, privatization would reduce the responsibilities of the 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. For example, repeal of the postal monopoly could bring major innovation to the mail industry, just as the 1980s' breakup of AT&T brought innovation to the telecommunications industry. Some policymakers think that certain activities, such as air traffic control, are "too important" to leave to the private sector. But the reality is just the opposite. The government has shown itself to be a failure at providing efficiency and high quality in services such as air traffic control. Such industries are too important to miss out on the innovations that private entrepreneurs could bring to them.

### CP Solvency – Freeways

#### Private sector better at freeway projects.

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

Highway aid gets misallocated and related regulations stifle local innovation. Highway aid and federal fuel taxes should be ended, and the states should pursue toll highway projects with the private sector.

#### Highways should be under the private domain

Chris Edwards, director of tax policy studies at the Cato Institute, February 2009, “Privatization.” http://www.downsizinggovernment.org/privatization

A number of states are moving ahead with privately financed and operated highways. The Dulles Greenway in Northern Virginia is a 14-mile private highway opened in 1995 that was financed by private bond and equity issues. In the same region, Fluor-Transurban is building and mainly funding high-occupancy toll lanes on a 14-mile stretch of the Capital Beltway. Drivers will pay to use the lanes with electronic tolling, which will recoup the company's roughly $1 billion investment. Fluor-Transurban is also financing and building toll lanes running south from Washington along Interstate 95. Similar private highway projects have been completed, or are being pursued, in California, Maryland, Minnesota, North Carolina, South Carolina, and Texas. Private-sector highway funding and operation can help pave the way toward reducing the nation's traffic congestion.

### CP Solvency – High Speed Rail

#### Public-Private partnerships cover funding & start up for investments

Petra Todorovice, Director of America 2050, assisting visiting professor at Pratt Institute Graduate Center for Planning and the Environment and member of the Board of Advisors of the EcoTransportation Foundated, Daniel Schned, Lecturer at Edward J. Bloustein School of Planning and Public, and Robert Lane, senior fellow for urban design at Regional Plan Association and a founding principal of Plan & Process LLP. Loeb Fellow at the Harvard Graduate School of Design, September 2011, “Lincoln Institute of Land Policy, Policy Focus Report”

P U B L I C - P R I V A T E P A R T N E R S H I P S Public-private partnerships (sometimes referred to as P3s) generally constitute any arrangement between a government sponsor and a private sector entity in which the private entity provides one or more stages of the project delivery process—designing, building, operating, owning or leasing, maintaining, and ﬁnancing parts of the infrastructure. These partnerships offer the beneﬁt of ﬂexibility to suit the speciﬁc needs of the public sector while encouraging different models of private involvement and investment (Geddes 2011). Public-private partnerships are considered an especially attractive solution for ﬁnancing infrastructure projects. For example, the Florida Department of Transportation was already in the process of ﬁnding a private partner to design, build, operate, maintain, and ﬁnance the state’s high-speed rail line before the project was cancelled in February 2011 (Haddad 2010).

### CP Solvency – High Speed Rail

#### Public-private partnerships can construct high speed rails more efficiently and better than the government.

Petra Todorovice, Director of America 2050, assisting visiting professor at Pratt Institute Graduate Center for Planning and the Environment and member of the Board of Advisors of the EcoTransportation Foundated, Daniel Schned, Lecturer at Edward J. Bloustein School of Planning and Public, and Robert Lane, senior fellow for urban design at Regional Plan Association and a founding principal of Plan & Process LLP. Loeb Fellow at the Harvard Graduate School of Design, September 2011, “Lincoln Institute of Land Policy, Policy Focus Report”

While public-private partnerships are likely to increase in popularity as an option for cash-strapped governments, applying this approach to high-speed rail must be done carefully, with a realistic understanding of the beneﬁts and challenges. Sharing risk: Partnerships allow the public sector to share project risks related to construction, environmental review, system performance, and ridership with their private partner. Properly assigning risk to the party best able to manage it is critical to a successful project. In general, private partners are better able to control construction and ﬁnancing risk, and public partners are better able to manage political and entitlement risk. Ridership risk is shared by both parties, with the opportunity for both to beneﬁt when ridership exceeds expectations. Attention to the private entity’s susceptibility to market downturns is also important. The private entity should not shoulder so much risk that it could endanger its ability to live up to the terms of the contract. Leveraging public investment: Leveraging public investment with private capital, either through the use of federal ﬁnancing tools or availability payments, can help pay for high-speed rail’s large upfront costs. These mechanisms make large projects feasible without the need for the government to provide 100 percent public funding in advance. Federal ﬁnancing tools include quali- ﬁed tax credit bonds such as Build America Bonds, which can draw a wide variety of investors to contribute to transportation projects. Availability payments allow teams of construction and ﬁnance ﬁrms to begin construction of infrastructure projects through their own debt and equity. They later receive reimbursements from the government as particular milestones are reached. Faster project delivery: Private entities can draw on experience to deliver projects on time and on budget. They are also motivated by ﬁnancial incentives for performance (including availability payments), which can be written into the structure of the deal.

### CP Solvency – High Speed Rail

#### Private investment solves high speed rail

Emily Cahn, editorial assistant at Roll Call, 5-23-2011, “GOP pushes private rail investment.” The Hill. “http://thehill.com/business-a-lobbying/162817-gop-makes-case-for-private-bids-on-117b-rail-project”

Republicans on the House Transportation and Infrastructure Committee will press the Obama administration this week to rely more on private investment for a high-speed rail project in the Northeast. Committee leaders noted the benefits high-speed rail would provide to cities in the Northeast in a memo distributed by Republican staff, stressing that the corridor between Boston and Washington is an ideal location for the investment. Still, the memo says, a future project must be supported by private investors and not rely too heavily on federal funds. “While the need and opportunity for a successful true high-speed rail project exists, the federal government cannot carry the full financial burden of public infrastructure projects,” the memo states. “Private industry must step up and help fill the gaps in high-speed rail funding and operations.” President Obama has made the creation of a high-speed rail line a priority of his administration, but has received backlash from Republican governors, who said they were worried their states would be hit with some of the costs for the railroad upgrades. The for-profit company Amtrak announced last week that it would look to private investors to help fund a high-speed rail line on the Northeast Corridor — one of the busiest rail lines in the country. But a company spokesman said Amtrak does not know how large a percentage of the project’s funding will come from private investors and won’t know until after June 10, when proposals from interested backers are due. Transportation Committee Chairman John Mica (R-Fla.) scheduled the Thursday hearing before the Amtrak announcement, Justin Harclerode, a spokesman for the committee, said in an email. “Mica has long supported a strong private sector lead for high-speed rail development in the [Northeast Corridor], and has been very skeptical of Amtrak’s plan and ability to effectively deliver true high-speed service there or anywhere,” Harclerode said. According to the committee, the project will cost a “staggering” $117 billion and would take 30 years to complete. It suggests a different public-private partnership strategy for putting together the high-speed rail project. Under the plan, bids for the system would be made by private companies, with Northeast states managing infrastructure and operations.

#### Federal investment in high speed rail fails

Randal O’Toole et al., Senior Fellow at Cato Institute, Chris Edwards, Director of tax policy studies at the Cato Institute, Tad DeHaven, Budget policy analysis at the Cato Institute, and Peter Van Doren, Senior fellow at the Cato Institute, 2012, “Department of Transportation”, http://www.downsizinggovernment.org/transportation/

Policymakers are dumping billions of dollars into high-speed rail, even though foreign systems are money losers and carry only a small share of intercity passengers.

### CP Solvency – High Speed Rail

#### Private market is more efficient

Chris Edwards and Tad DeHaven, Washington Times Staff Writers, 6-17-2010, http://www.cato.org/publications/commentary/privatize-transportation-spending

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.

#### Public projects are innefficient

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

Progressive-era politicians saw public takeover of transit companies as a solution. San Francisco was the first major city to operate its own streetcars starting in 1912. New York City started operating and acquiring subway lines in 1932. In 1938, Chicago obtained the first federal grants to support construction of a publicly owned rail line. In cities where transit remained private, electric power companies often worked to consolidate streetcar lines under one owner. That gave rise to concerns about monopoly power. In 1935 Congress ordered power companies to divest their transit operations. Since transit was already struggling due to the rise of the automobile and the Depression, this act put many companies on the brink of bankruptcy. One solution was to convert streetcars to buses, which did not require as much infrastructure support. Of the more than 700 American cities served by streetcars in 1910, at least 230 either went out of business or converted to buses by the end of 1929. Another 300 converted during the 1930s and 100 more in the 1940s.4 Fifty American cities still had streetcars in 1949. By 1967, only Boston, Cleveland, New Orleans, Philadelphia, Pittsburgh, and San Francisco still had streetcars; and New York and Chicago were the only other cities that still had other forms of rail transit. The conversions from rail to buses were made for efficiency reasons, not monopolistic reasons, as often claimed.5 By the early 1960s, all of the rail transit systems except one had been taken over by public agencies, but the vast majority of bus systems were still private. That changed quickly when Congress promised to make capital grants available to public agencies—but not private companies—that operated or acquired transit systems. Within a decade, all but a handful of transit systems were taken over by tax-subsidized public agencies. Congress did not pass the Urban Mass Transit Act of 1964 in order to provide mobility to low-income families who could not afford cars. Rather, Congress was reacting to proposals by various railroads to discontinue interstate commuter trains serving Boston, Chicago, New York, and Philadelphia.6 At the time, these four urban areas plus San Francisco had the only commuter trains in America. Urban leaders argued that the commuter trains were essential to maintain jobs in downtown areas. The Urban Mass Transit Act was designed to provide federal support for interstate commuter trains. But politics quickly broadened that mission to providing federal support to mass transit in every state and metropolitan area. Over the decades, about $160 billion has been spent on federal rail subsidies, and the result has been a monument to the folly of federal intervention into a properly local and private activity.

### CP Solvency – High Speed Rails

#### Transit rails are extremely inefficient when ran by the government

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

The beginning of the end for private transit came in 1964 with the Urban Mass Transit Act. The act promised federal capital grants to any public agencies that took over private transit companies. Within a decade, the private transit industry was virtually wiped out, replaced almost completely by tax-subsidized public agencies. Today, city governments that are frustrated with automobiles and congestion are turning to the 19th century technology of rail transit for relief. But pumping subsidies into rail transit is based on a nostalgic view of the past and is not economically sound. It also won't solve America's congestion woes. The Department of Transportation's Federal Transit Administration has an annual budget of more than $10 billion, nearly all of which is spent on subsidies to state and local governments.2 In addition, the economic stimulus bill of 2009 added a further $8 billion in subsidies over a period of years.3 Through these subsidies and related regulations, federal policymakers play a major role in shaping urban transportation choices. Transit funding is costly to taxpayers, and it is not a proper function of the federal government. It encourages state and local governments to pursue high-cost and less-efficient transportation solutions—in particular, rail transit.

### CP Solvency – Jobs

#### Private leadership boosts innovation and jobs.

Esther Dyson, chairman of EDventure Holdings and an investor in a variety of start-ups, 2-8-2010, “Prepare for Liftoff,” Foreign Policy, http://www.foreignpolicy.com/articles/2010/02/08/prepare\_for\_liftoff?page=0,1

But in the long run, the new approach will create more jobs -- and more value -- because the United States will end up with both an innovative, long-term government space program and an energetic, fast-growing private-sector market that will transport people and cargo for the U.S. government, space tourists, and non-U.S. governments. Ultimately, the costs and risks of space transport will come down, flights will increase, and markets will grow. As with the Internet, we can't predict all the uses to which commercial innovation will put this infrastructure.

### CP Solvency – Ports

#### Privatized ports solve better

Chris Edwards, director of tax policy studies at the Cato Institute, February 2009, “Privatization.” http://www.downsizinggovernment.org/privatization

Nearly all U.S. seaports are owned by state and local governments. Many operate below world standards because of inflexible union work rules and other factors. A Maritime Administration report noted that "American ports lag well behind other international transportation gateways such as Singapore and Rotterdam in terms of productivity."5 Dozens of countries around the world have privatized their seaports. One Hong Kong company, Hutchinson Whampoa, owns 30 ports in 15 countries. In Britain, 19 ports were privatized in 1983 to form Associated British Ports. ABP and a subsidiary, UK Dredging, sell port and dredging services in the private marketplace. They earn a profit, pay taxes, and return dividends to shareholders.6 Two-thirds of British cargo goes through privatized ports, which are highly efficient. Because of the vital economic role played by seaports in international trade, this should be a high priority reform area in the United States.

#### CP solves competitiveness and ports

Chris Edwards, Director of Tax Policies Studies at CATO and editor of [www.DownsizingGovernment.org](http://www.DownsizingGovernment.org), 8-3-2011, “Competitiveness: Let Markets Lead the Way” http://www.downsizinggovernment.org/competitiveness-let-markets-lead-way)

At the AEI forum, I noted that America does have to adapt to the realities of globalization, but most of that adaptation can and should occur in the private sector. For example, America needs larger and more efficient seaports to handle rising volumes of international trade. But rather than shoveling more taxpayer money into our government seaports, we should privatize them so that they can expand in response to rising market demands. The World Economic Forum publishes a well-known index of country competitiveness. Kevin and coauthors think the index is dubious, but the WEF report is packed with interesting data. One WEF indicator of competitiveness (page 391) is “quality of seaports.” Hong Kong is ranked #1, and its seaport is privately financed, owned, and operated. American seaports are ranked #22, and they are generally government-owned. The upshot is that when thinking about America’s “competitiveness”—however it is defined—we should think about the proper roles of the public and private sectors. The public sector can pursue tax reform to make us more of a magnet for capital and skilled labor. But when it comes to such things as infrastructure, education, and investing in “industries of the future,” the government should get out of the way and let entrepreneurs and markets drive America’s prosperity in the global economy.

### CP Solvency – Traffic

#### Traffic congestion will be better fixed by private investments in transportation infrastructure.

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

With the federal government out of the picture, state and local governments would need to rethink their own urban transit financing. One problem is that the average American transit agency gets only a third of its operating funds and none of its capital funds from fares. This means that transit officials are less interested in increasing transit ridership than they are in persuading politicians and taxpayers to give them more money. Increased ridership is actually a burden on transit systems: even though transit vehicles are, on average, only one-sixth full, they tend to be fullest during rush hour, when new riders are most likely to use transit. Today's government rail transit systems make no financial or transportation sense. They only work because few people use them and everyone else subsidizes them. Because rail transit costs at least four times as much, per passenger mile, as driving, if everyone rode today's rail systems instead of automobiles, cities would go bankrupt trying to keep the systems running. Yet urban transit does not have to be expensive, and it does not even have to be subsidized. The United States has several completely unsubsidized transit systems that work very well. One is the Atlantic City Jitney Association, whose members own identical 13-passenger buses. Each bus is operated by its owner on routes scheduled by the association. Rides are $1.50 each and cover all major attractions in the city. Unlike most publicly owned transit systems, the jitneys operate 24 hours a day, 7 days a week, and receive absolutely no subsidies from any government agency.62 Such jitney service is illegal in most other American cities because it would compete against the government's monopoly transit agency. Another unsubsidized transit system is the públicos, or public cars, of San Juan, Puerto Rico. Públicos are independently owned and operated buses that typically seat 17 passengers. At least six different companies operate públicos and they provide both urban and intercity service. Fares vary depending on the length of the ride, but in 2007 they averaged less than a dollar. Although públicos compete against a public bus system and a recently built heavy-rail line (whose cost rose from a projected $1.0 billion to $2.2 billion), the públicos carry more riders each year than the public buses and trains combined.63 A third unsubsidized transit system is the NY Waterway ferries, which connect multiple points in New Jersey and Manhattan. Founded in 1986 by Arthur Imperatore, NY Waterway offers a service that none of the many government transit agencies in the metropolitan area thought to provide.64 Passengers arriving in New York City can take NY Waterway buses to and from various points in Manhattan at no extra charge. Although the company accepted a federal subsidy in 2001 to temporarily replace subway service between New Jersey and the World Trade Center after 9/11, it is otherwise funded entirely out of fares.65 The company carried 4.8 million passengers in 2007, collecting $33 million in revenues against $21 million in operating expenses.66 Public transit agencies encourage people to believe that if their large subsidies disappeared, people without cars would lack any mobility. In fact, private forms of transit would quickly spring up to take the place of government transit. Such private transit would, in many ways, be superior to the government transit. It would be more likely to offer door-to-door service, operate during more hours of the day, and provide more limited or nonstop services to popular destinations. American taxpayers can no longer afford costly and inefficient government transit systems, particularly rail transit systems. Federal subsidies ought to be eliminated and local governments should open up transit to private and entrepreneurial solutions to relieving traffic congestion.

## Public Vs. Private

### Public HSR Inefficient

#### Public HSR is extremely costly and inefficient

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

Six Problems with Rail Transit 1. Cost The most important thing to understand about rail transit is that it is very, very expensive. The Government Accountability Office has shown, for example, that buses can provide service as fast and frequently as light rail at a lower operating cost and for about two percent of the capital cost.7 Outside of a few very dense places such as Manhattan, Tokyo, and Hong Kong, there is nothing trains can do that buses cannot do faster, better, more flexibly, and for a lot less money. The typical light-rail project being planned or built today costs $20 million per track mile, although one being planned in Seattle is expected to cost more than $100 million per mile.8 Heavy rail typically costs at least twice as much as light rail: An extension of the Washington Metrorail system is expected to cost $225 million per mile for example.9 Commuter-rail typically costs $5 to $10 million per mile. Freeways typically cost much less than rail. The Fort Bend Tollway Authority recently completed a four-lane freeway on the outskirts of Houston, complete with interchanges and over- and underpasses, for $2.4 million per lane mile.10 The Colorado Department of Transportation recently widened Interstate 25 through the heart of Denver, which required numerous overpasses, at a cost of $19 million per lane mile.11 Counting urban and suburban areas together, the average cost is less than $10 million per lane mile. Rail advocates claim that rail lines can move as many people as several freeway lanes, however capacity counts for much less than actual use. In 2007, the average track mile of light and commuter rail carried less than 15 percent as many passenger miles as the average freeway lane mile in urban areas with rail transit. Outside of New York, the average heavy rail mile carried only 70 percent as many passenger miles as the average urban freeway lane mile.12 In comparing rail and highway productivities, rail supporters often use a double standard: comparing full railcars with the average occupancy of commuter automobiles. In fact, like automobiles, the average transit vehicle carries far fewer people than its capacity. Most rail cars and buses carried less than one-sixth of their capacity in 2007.13 Even sport utility vehicles do better than that.

### Public HSR Is Costly

#### HSR ends up costing 40% more than predicted

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

2. Cost Overruns Rail transit projects are notorious for cost overruns. In a 2002 study, Danish planning professor Bent Flyvbjerg found that, after adjusting for inflation, the average North American rail project cost more than 40 percent more than the original approved cost, while highway projects were 8 percent over-budget, on average.14 Two studies of more recent rail projects found that their costs were also 40 percent over-budget, on average.15 Here are some recent examples of over-budget rail projects: In 1998, Phoenix proposed to build a 13-mile light-rail line for $390 million, or $30 million per mile.16 Completed in 2008, the final cost of the 19.6-mile line was $1.41 billion, or $72 million per mile.17 In 2000, Charlotte, North Carolina, estimated that a light-rail line would cost $331 million.18 The final cost turned out to be $427 million.19 In 2004, the first 12-mile leg of the Dulles rail project in Virginia was projected to cost $1.5 billion.20 Today the projected cost has increased to almost $3.0 billion.21 In 2004, Denver's Regional Transit District persuaded voters to support a $4.7 billion rail transit system. The latest estimate is that this system will cost 68 percent more at $7.9 billion.22 While cost projections are not an exact science, Flyvbjerg believes that persistent underestimates of rail construction costs result from "strategic misrepresentation, that is, lying."23 Planners deliberately lowball estimates in order to gain project approval. Once the project is approved, they develop more realistic estimates, add expensive bells and whistles, and respond to political pressures to lengthen the originally proposed project. Many of the original estimates for transit projects are made by consulting firms, who also expect to receive later contracts for engineering and construction. As such, these firms have an incentive to develop projections that will gain approval, both by underestimating the costs and overestimating the benefits. In one example of strategic misrepresentation, Parsons Brinkerhoff (now known as PB) compared a proposal to bring rail transit to Madison, Wisconsin, with improvements to bus service. To its dismay, the company found that bus improvements alone attracted more riders than bus improvements combined with rail transit. Later, PB admitted that it crippled the bus alternative, making it appear that rail transit was needed to boost transit ridership.24 When the government agency that hired PB presented the results to the public, it never mentioned the bus alternative at all, making it appear that rail transit was the only way to attract people to transit.25 Despite the record of cost overruns, transit agencies often claim that they finish their project "on budget." For example, after adjusting for inflation, Denver's Southwest light-rail line cost 28 percent more than its original estimate.26 The city's Southeast light-rail line went 59 percent over its original estimate.27 Yet Denver's Regional Transit District insisted that both projects were "on budget," based on the deceptive notion that project costs matched the final budgeted amounts—not the earlier and lower estimates.28

#### Public HSR is costly to maintain by the government

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

3. Rehabilitation Transit agencies generally go heavily into debt to fund rail projects by issuing long-term bonds. But the costs don't end when the bonds are paid off: rail lines must be completely replaced, rebuilt, or rehabilitated about every 30 years. Except for the right-of-way, everything—cars, tracks, roadbed, stations, electrical facilities—must be replaced or upgraded. The first Washington, D.C., Metrorail line opened in 1976. In 2002, just 26 years later, the Washington Metropolitan Area Transportation Authority estimated that it needed $12.2 billion—roughly the cost of constructing the original system—to rehabilitate the system.29 It has not found any of this money, so the system suffers frequent breakdowns and service delays.30 Rail transit systems in Chicago, San Francisco, Boston, and New York also face fiscal crises. The Chicago Transit Authority is "on the verge of collapse" as it needs $16 billion to rehabilitate its tracks and trains.31 Similarly, the San Francisco BART system faces a $5.8 billion shortfall to replace worn-out equipment.32 Boston borrowed $5 billion to restore its rail lines and now more than a quarter of its operating budget goes to repay this debt, which is "crushing" the system.33 New York's Metropolitan Transportation Authority "is in deep doo-doo" because it doesn't have the money to rehabilitate its system.34 It is already spending about $2 billion per year repaying debts incurred for past rehabilitation efforts.35 It says it needs $30 billion for rehabilitation over the next 10 years, of which it has only $13 billion.36 As a result, it may need to cut subway, commuter rail, and bus service.37 Rehabiliating light-rail lines is also expensive. The first modern light-rail lines, including those in Buffalo, Portland, Sacramento, and San Diego, will reach their 30th birthdays in the next decade, and their rehabilitation will cost similar amounts. Few, if any, of these agencies know how they are going to finance this cost. Such rehabilitation costs do not increase the capacities of transit systems and thus should be considered maintenance costs. But the Federal Transit Administration allows transit agencies to count rehabilitation as a capital cost. The significance is that when rail advocates claim, as they often do, that rail lines cost less to operate and maintain than buses, they are ignoring these long-term maintenance costs. Many of the same agencies that cannot afford to maintain their existing systems are nonetheless embarking on expensive expansions. New York's MTA is spending $16.8 billion building an eight-mile Second Avenue Subway. Washington's Metro is spending $5.2 billion building a rail extension to Dulles airport. San Francisco's BART is preparing to spend more than $6 billion building a line to San Jose. Chicago is extending several of its commuter-rail lines. This complete disconnect between planning and budgetary reality has become typical of rail-transit agencies. Rail transit fares do not come close to paying the operating costs, much less the costs of line rehabilitation or new rail construction. If transit agencies cannot afford to maintain their existing lines, it makes no sense for them to build new ones.

### Public HSR Costly

#### HSR doesn’t have enough riders to pay for itself

Randal O’Toole, Cato Institue researcher and writer, June 2010, “Urban Tranist,” Downsizinggovernmen.com, “http://www.downsizinggovernment.org/transportation/urban-transit/”

4. Ridership To justify spending billions of taxpayer dollars on rail, advocates often claim that middle-class automobile owners won't ride a bus. In fact, transit ridership is more sensitive to frequency and speed than to whether the vehicles run on rubber tires or steel wheels. "When quantifiable service characteristics such as travel time and cost are equal," say researchers, "there is no evident preference for rail travel over bus."38 The real problem is what happens to overall transit system ridership when agencies face soaring costs and must choose between keeping the trains or buses running. Having built rail, many agencies feel compelled to cut more efficient bus service, which in turn causes overall transit ridership to stagnate or drop. In the late 1970s, Atlanta began building a heavy-rail system. By 1985 it had 25 route miles and ridership had grown to 155 million trips per year. Since then, the Atlanta urban area population has doubled, rail miles have also doubled, yet ridership continues to hover around 155 million. In 2007, it reached 158 million. While rail ridership has grown, that growth has been at the expense of bus ridership.39 In the early 1980s, Los Angeles maintained low bus fares, and between 1982 and 1985 ridership grew by more than a third. Then it decided to build rail transit, which suffered huge cost overruns. In response, the Los Angeles Metropolitan Transportation Authority raised bus fares and cut back on service, leading to a 17 percent drop in bus ridership by 1995. The NAACP sued, arguing that the agency was cutting service to minority neighborhoods in order to finance rail lines to white middle-class neighborhoods. The court ordered the MTA to restore bus service, forcing it to curtail its rail plans.40 Today, bus ridership has rebounded and far exceeds its 1985, prerail level, while rail ridership stagnates. When St. Louis opened its first light-rail line in 1993, it was hailed as a great success because system ridership, which had shrunk by nearly 40 percent in the previous decade, started growing again. But when St. Louis opened a second line in 2001, doubling the length of the rail system, rail ridership remained flat and bus ridership declined. By 2007, total system ridership was no greater than it had been in 1998. As of 2003 about half of the urban areas with rail transit had ridership declines compared to the mid-1980s. The remaining areas enjoyed increases in ridership, but at rates slower than increases in driving and, in most cases, slower than the population growth.41 Many areas with bus-only transit systems did far better. From 1983 to 2003, ridership on bus transit systems in Austin, Charlotte, Houston, Las Vegas, Louisville, and Raleigh-Durham all grew faster than auto driving. The 2000 census revealed that the number of commuters taking transit to work in urban areas with rail transit declined overall, while the number in bus-only urban areas increased.42

### Public HSR Costly

#### Prizes get private companies onboard for innovations; private companies solve better.

Thomas Kalil, Assistant to Chancellorfor Science and Technology at UC Berkeley, December 2006, “Prizes for Technological Innovation”, “http://www.brookings.edu/views/papers/200612kalil.pdf”

Prizes are esrapecially suitable when the goal can be deﬁned in concrete terms but the means of achieving that goal are too speculative to be reasonable for a traditional research program or procurement. For example, the Methuselah Foundation is sponsoring the Mprize for the research team that develops the longest living mouse. The long-term goal of the foundation is the “defeat of age-related disease and the extension of the healthy human lifespan.” Researchers from MIT, Harvard, and UCLA have already announced their intention to compete for the prize, which currently stands at $3.9 million (Mprize 2006), although many researchers in gerontology are skeptical about the potential of radical life extension. Government research grants typically require that the funding agency both determines who will receive funds to achieve a certain goal and chooses among different approaches for achieving that goal. In contrast, public inducement prizes allow the government to establish a goal without being prescriptive as to how that goal should be met or who is in the best position to meet it. The value of leaving open the best way to meet the goal is vividly illustrated by the outcome of the Orteig Prize, a twenty-ﬁve thousand dollar prize sponsored in 1919 by hotel owner Raymond Orteig for the ﬁrst nonstop ﬂight between New York and Paris (Schroeder 2004). The conventional wisdom of the day was that such a transatlantic ﬂight would require a heavy, multiengine plane with a large crew. Charles Lindbergh successfully completed the ﬁrst transatlantic ﬂight in 1927 solo in a single engine plane. 3. Prizes can also address some of the problems that are associated with government support for applied R&D. As Kremer and Glennerster (2004, p. 49) note, “researchers funded on the basis of an outsider’s assessment of potential rather than actual product delivery have incentives to exaggerate the prospects that their approach will succeed, and once they are funded, may even have incentives to divert resources away from the search for the desired product.” Inducement prizes avoid this problem by paying only if someone meets the predeﬁned objective. By comparison, if the government provides a grant or a contract, it pays even if the recipient is unsuccessful, on the condition that the scope of work was completed. For example, NASA gave Lockheed Martin more than nine hundred million dollars to build the X-33, a technology-demonstrator for NASA’s next-generation reusable space-launched vehicles (David 2001). When the program was cancelled because of problems associated with the X-33’s composite fuel tanks, no one expected Lockheed to give the money back. 4. Under some circumstances, prizes can stimulate philanthropic and private sector investment that is greater than the cash value of the prize. For example, the ten million dollar Ansari X PRIZE was ﬁnanced by a one million dollar insurance policy, and the X PRIZE Foundation reports that the prize stimulated at least one hundred million dollars in private sector investment (Diamandis 2006). This leverage can come from a number of different sources. Companies may be willing to cosponsor a competition or invest heavily to win it because of the publicity and the potential enhancement of their brand or reputation. Private, corporate dollars that are currently being devoted to sponsorship of America’s Cup or other sports events might shift to support prizes or teams. Wealthy individuals are willing to spend tens of millions of dollars to sponsor competitions or bankroll individual teams simply because they wish to be associated with the potentially historical nature of the prize. Most areas of science and technology are unlikely to attract media, corporate, or philanthropic interest, however. 5. Prizes can attract teams with fresh ideas who would never do business with the federal government because of procurement regulations (e.g., accounting and reporting requirements) that they may ﬁnd burdensome. This effect is important because, as Baumol (2004, p. 5) notes, “the independent innovator and the independent entrepreneur have tended to account for most of the true, fundamentally novel innovations. In the list of the important innovative breakthroughs of the twentieth century, a substantial number, if not the majority, turn out to be derived from these sources rather than from the laboratories of giant business enterprises.” As examples of small-ﬁrm innovations, Baumol cites the airplane, air conditioning, the electronic spreadsheet, FM radio, the high-resolution CAT scanner, and the microprocessor.

#### Private company will adapt better than Feds

Edward L Glaeser, Harvard Economics Professor, New York Times, 9-28-2010,

http://economix.blogs.nytimes.com/2010/09/28/right-turn-signal-privatizing-our-way-out-of-traffic/

Private road operators or airports will charge higher fees during peak periods to cut down on congestion, and they have incentives to innovate technologically to attract customers and cut costs. Mr. Winston notes that capsule, or pod, hotels, “which enable fliers to nap between flights,” happen to be “available in private airports, but none is available in the United States.”

### Public Stimulus Fails

**The federal** government **is terrible at stimulating the economy -- empirically proven -- privatization is the better route.**

Veronique De Rugy, senior research fellow at the Mercatus Center at George Mason University, writes a monthly economics column for Reason Foundation, December 2011, “Road to Nowhere,” “ http://proquest.umi.com.proxy.lib.umich.edu/pqdlink?vinst=PROD&fmt=3&startpage=-1&vname=PQD&RQT=309&did=2507716341&scaling=FULL&vtype=PQD&rqt=309&cfc=1&TS=1340139475&clientId=17822”

American public works are hardly in perfect condition, and economists have long recognized the value of infrastructure. Highways, bridges, airports, and canals are the conduits through which almost all goods are transported. But the kind of infrastructure spending the government has been indulging in since 2008 is unlikely to produce much of a stimulus- certainly nothing with the scale and speed the administration is banking on as the 2012 elections approach. The economist Mark Zandi of Moody's Analytics, one of the most influential stimulus enthusiasts out there, claims that when the government spends $1 on infrastructure, the economy gets back $1.44 in growth. But economists are far from a consensus about the returns on federal spending. Some find large positive multipliers (meaning that every dollar in government spending generates more than a dollar of economic growth), but others find negative multipliers (meaning every dollar in spending hurts the economy). As Eric Leeper, Todd Walker, and Shu-Chum Yang put it in a recent paper for the International Monetary Fund, "Economists have offered an embarrassingly wide range of estimated multipliers." An additional complication is that, according to stimulus advocates such as former Obama administration adviser Larry Summers, spending is stimulative only if it is timely, targeted, and temporary. Current stimulus spending on infrastructure isn't any of those things, as I found in a recent paper co-authored with my Mercatus Center colleague Matt Mitchell. By nature, infrastructure spending fails to be timely. Even when the money is available, it can take months, if not years, before it is spent Thaf s because infrastructure projects involve planning, bidding, contracting, construction, and evaluation. According to the Government Accountability Office, as of June 2011 only 62 percent ($28 billion) of Department of Transportation infrastructure money from the 2009 stimulus had actually been spent. The only thing harder than getting money out the door promptly is properly targeting spending for stimulative effect. Data from Recovery.gov, the administration's online clearinghouse for information about stimulus spending, shows that stimulus money in general and infrastructure funds in particular were not targeted to those areas with the highest rates of unemployment Keynesian theory of the type many in the Obama administration favor holds that the economy can be stimulated best by employing idle people, firms, and equipment. Even properly targeted infrastructure spending may have failed to stimulate the economy, however, because many of the areas hardest hit by the recession were already in decline. They were producing goods and services that are not, and will never again be, in great demand. The demand for more roads, schools, and other types of long-term infrastructure in fast-growing areas is high, but these areas are more likely to have low unemployment relative to the rest of the country. Perhaps more important, unemployment rates among specialists, such as those with the skills to build roads or schools, are often relatively low. And it is unlikely that an employee specializing in residential-area construction can easily update his or her skills to include building highways. As a result, we can expect that firms receiving stimulus funds will hire their workers away from other construction sites where they were employed, rather than plucking the jobless from the unemployment rolls. This is what economists call "crowding out." In this case labor, not capital, is being crowded out. New data from Garett Jones of die Mercatus Center and Dan Rothschild of the American Enterprise Institute show that a plurality of workers hired with stimulus money were poached from other organizations rather than coming from the ranks of the unemployed. Based on extensive field research- more than 1,300 anonymous, voluntary responses from managers and employees- Jones and Rothschild found that less than half of the workers hired with stimulus funds were unemployed at the time they were hired. Most were hired directly from other organizations, with just a handful coming from school or outside the labor force. So much for putting idle resources to work. Jones adds that during recessions most employers who lose workers to poaching choose not to fill the vacant positions, leaving unemployment essentially unchanged. There is no such thing as temporary government spending, which stimulus spending needs to be in order to work. Infrastructure spending in particular is likely to cost the American people money for a very long time. The stimulus was layered on top of the $265 billion average annual expenditure on infrastructure and capital investments and the $2.9 trillion nominal increase in infrastructure spending during the last 10 years. What are we getting for all that money? Waste, for one thing. Infrastructure spending tends to suffer from massive cost overruns, fraud, and abuse. A comprehensive 2002 study by Danish economists Bent Flyvbjerg, Mette K. Skamris Holm, and Soren L. Buhl examined 20 nations on five continents and found that nine out of 10 public works projects come in over budget. Cost overruns routinely range from ?? percent to 100 percent of the original estimate. For rail, the average cost is 44.7 percent greater than the estimated cost when the decision was made. The figure is 33.8 percent for bridges and tunnels, 20.4 percent for roads. According to the Danish researchers, American cost overruns reached $55 billion per year on average.This figure includes famous disasters such as the Central Artery/Tunnel Project (CA/T), better known as the Boston Big Dig. By the time the Beantown highway project- the most expensive in American history- was completed in 2008, its price tag was a staggering $22 billion. The estimated cost in 1985 was $2.8 billion. The Big Dig also wrapped up seven years behind schedule. Strangely, lawmakers are blindsided by these extra costs every time- even when the excesses take place under their noses. Take the Capitol Hill Visitor Center in Washington, D.C.This ambitious three-floor underground facility, originally scheduled to open at the end of 2005, was delayed until 2008. The price tag leaped from an estimate of $265 million in 2000 to a final cost of $621 million. How can eyewitnesses to this waste still believe such spending is good for the economy? The biggest mistake made by infrastructure spending enthusiasts is to assume that it is the role of the federal government to pay for road and highway expansions in the first place. In a 2009 paper, Cato Institute urban economist Randal OToole explained that, with very few exceptions, roads, bridges, and even highways are inherently local projects (or state projects at most).The federal government shouldn't have anything to do with them. Taxpayers and consumers would be better off if these activities were privatized. If states are not ready for privatization, they can do what Indiana did a few years back, when it granted a 99-year lease for its main highways to a private company for $4 billion. The state was $4 billion richer, and it still owned the highways. Consumers in Indiana were better off, because the deal saved money and the roads got better since the private company committed to spending $4.4 billion in maintenance. Experience in other countries has shown that privatization leads to more construction, innovation, and reduced congestion. A certain amount of public spending on public works is necessary to perform essential government functions. But federal spending on roads, rails, and bridges as a means of providing employment or creating economic growth is an expensive fantasy.

### DOT Bad – Coercion

#### The DOT is unconstitutional and coercive.

Patrick Bohan, author of “Is America Dying?”, 4-6-2012, “Coercion (Part II)”, The Evolution of Mediocrity, 4/6, http://pbohan.blogspot.com/2012/04/coercion-part-ii.html)

It seems everything the federal government does is coercive against the states, companies, or individuals. Justice Scalia suggested that the States “got an offer they could not refuse” and they signed away their sovereignty when they signed onto to Medicaid in 1965. Scalia may be right, but even in 1965 the states had no choice but to sign up for the Medicaid program. Let’s think about it. Two amendments drastically reduced the rights or sovereignty of states well before 1965 – the 14th (adopted in 1868) and 16th amendments (adopted in 1913). The 14th amendment gave the federal government power to rule on states’ due process laws. The 16th amendment gave Congress the right to impose an income tax. Once Congress had the right to levy an income tax, they had complete power over the states. In 1965, the federal government did give the states an offer they could not refuse – take our help on Medicaid or get nothing. After all, it would have been economic and political suicide not to accept the money and instead double tax the citizens of states to help pay for health coverage for the disabled or needy. The 16th amendment has enabled the federal government to coerce states for nearly a century. The government created departments not enumerated in the federal powers of the Constitution including: HHS, Department of Education (DOE), Department of Energy (Doe), Department of Agriculture (USDA), and Department of Transportation (DOT) – to name a few. The federal government collects tax money from the individuals of each state, and if the states want to recoup this money they have to adhere to federal government power grabs for universal control over healthcare, education, energy, agriculture, or transportation. For instance, the Department of Education created a new program called “The Race to the Top”. There was 4.3 billion dollars of state funding hidden in the American Recovery and Reinvestment Act of 2009 (the 862 billion dollar stimulus) for the Race to the Top. Even though The Race to the Top was not a law, the federal government coerced states to abide by their guidelines to get funding for this program. Some claim that this is not coercion because the states could just refuse the money – it is voluntary. But this is not going to happen, especially during a recession where states were already cash strapped and did not want to double tax its citizens. Besides, the government could have just as easily divided the money up evenly (population adjusted) amongst the states without any strings attached – they did not do this. Let’s face facts; the introduction of the 16th amendment made the 10th amendment moot. States are now at the mercy of the federal government. And what’s worse, the 16th amendment made this country more bureaucratic, less efficient, and more susceptible to fraud and waste. For example, the tax payers of Ohio send their tax dollars to the federal treasury which in turn, funnels the money to federal departments which in turn, funnels the money back to the states treasury which in turn, funnels the money into state departments. Things would operate much more smoothly if the states taxed their people and spent the money as they saw fit, and cut out the middle man – the federal government. This simply makes sense and is more logical because states and localities better understand their issues and problems than the federal government. To assume that education or Medicaid has the same variables in Los Angeles California as it does in Alamosa Colorado is just wrong. Some may argue that by having the federal government controlling laws and regulations for HHS, DOE, Doe, USDA, and DOT makes legislation more consistent and equally enforced amongst states. This is not even remotely true and is exactly why legislation is thousands of pages long, because bills are laced with pork, earmarks, and waivers influenced by lobbying which does the contrary, it makes laws inconsistently enforced not only amongst states, but among corporations and individuals. Just this past week Congressional Democrats were talking about cutting tax incentives for only oil companies, but not tax incentives and funding for green companies – is this a fair law equally enforced amongst corporations?

## CP AT Perm

### CP AT: Perm

#### Private industry must be completely separated from government to keep costs down

Eduardo Engel, Yale University, Ronald Fischer, University of Chile in Santiago, and Alexander Galetovic, Universidad de los Andes in Santiago, February 2011, “Public-Private Partnerships to Revamp U.S. Infrastructure,” pdf.

PPPs can be an effective way to provide infrastructure. However, they are not a free lunch, and have costs very similar to public investments. For example, when a state or local government sets up a PPP to build, maintain, and operate a highway in exchange for toll revenue, drivers are still on the hook for tolls and the government relinquishes future toll revenues. Similarly, if the government leases an existing highway in exchange for a lump sum payment, it is exchanging future flows of toll revenue for present funds. PPPs have the greatest potential to achieve efficiency gains by bundling responsibility for the initial capital investment with future maintenance and operating costs. This ensures that a firm has the right incentives to appropriately minimize operating and maintenance costs at the time of the initial investment. Although billed as a way to screen against projects that create no social value—such as the infamous “bridge to nowhere”—PPPs do not always guard against wasteful spending. If the project is repaid by user fees, the presumption is that private firms will not participate unless the project is profitable, which provides a defense against bad projects. But in the case of projects financed by future taxation (as in the case of jails), there is no market test for the desirability of the project. For this reason, PPPs that require public funds should be subject to cost-benefit analysis to determine if the project is a good use of scarce resources. Needless to say, this requirement also applies to other (nonpartnership) infrastructure projects.

#### Present-Value-of-Revenue ensures that the projects are cheap and the state can gain revenue

Eduardo Engel, Yale University, Ronald Fischer, University of Chile in Santiago, and Alexander Galetovic, Universidad de los Andes in Santiago, February 2011, “Public-Private Partnerships to Revamp U.S. Infrastructure,” pdf.

2. USE THE RIGHT PUBLIC-PRIVATE PARTNERSHIP CONTRACT: PPPs should be well-defined projects that are awarded in competitive auctions and not through bilateral negotiations. The transparency and efficiency of competitive auctions can allay the suspicions of those who oppose tolls and private sector involvement in infrastructure provision. New infrastructure projects financed with user fees generally are awarded to the firm that charges the lowest fee schedule for a contractually-specified number of years. We propose, as an alternative, to award the project to the firm that asks for the smallest accumulated user fee revenue in discounted value, or what we call the Present-Value-of-Revenue (PVR). This type of contract would compensate for the risk—and risk premium—by tying the length of the concession to demand for the project. If there is high demand, user fee revenue would accrue quickly and the duration of the PPP would be shorter than if demand is lower. This reduces the risk of the project and the required risk premium. Having the firm face less risk also reduces opportunistic renegotiations, which have been a major problem with PPPs in many countries. There are other advantages to PVR contracts: it is easier to buy back the project if it becomes necessary to do so, because the uncollected revenue (minus reasonable expenses for operations and maintenance) defines a fair compensation. Other award options do not have such a straightforward compensation mechanism for a possible buyback. In addition, it is easy to adjust user fees to respond to congested demand conditions, since the only effect is to shorten the concession; doing so would not be unfair to users. The main disadvantage of using revenue’s present value is that it provides fewer incentives to increase demand for the project. Therefore, it is appropriate for passive investments, such as water reservoirs, airport landing fields, and highways.

### CP AT: Perm

#### Federal spending crowds out the private sector killing solvency

Jason E. Taylor, Professor of Economics at Central Michigan University, and Richard K. Vedder, Professor of Economics are Ohio University, May/June 2010, "Stimulus by Spending Cuts: Lessons From 1946." Cato “www.cato.org/pubs/policy\_report/v32n3/cpr32n3.pdf”

The illusion that new employment results from the stimulus package is understandable because the jobs created by it are visible, whereas jobs lost due to the stimulus are much less transparent. When several hundred million dollars are spent building a 79-mile per hour railroad from Cleveland to Cincinnati, we will see workers improving railroad track, building new rail cars, and so on. In fact, we can directly count the number of jobs supported by stimulus dollars and report them on a website (www.recovery.gov currently reports that 608,317 workers received stimulus monies in the 4th quarter of 2009). At the same time, however, the federal spending invisibly crowds out private spending. This happens regardless of how higher federal spending is financed. Tax financing (not done in this case) reduces the after-tax return to workers and investors, leading them to reduce the resources they provide. Deficit-financing (borrowing) tends to push up interest rates and, more generally, eats up dollars that would otherwise have gone toward private lending and investment. Inflationary financing (roughly the Fed printing money—a fear in this situation) reduces investor confidence, lowers the real value of some financial assets, and leads to falling investment. Of course we do not register these “job losses” on the mainstream statistical radar because they are jobs that would have been created, absent the government spending, but never were—hence their invisibility.

## CP Net Benefits

### CP NB – Elections

#### The public likes privitization

Nick Lord, financial journalist, commentator and analyst, April 2010, “Privatization: The road to wiping out the US deficit.” http://www.euromoney.com/Article/2459161/Privatization-The-road-to-wiping-out-the-US-deficit.html

Public support Despite these issues, public perceptions of the monetization of infrastructure are increasingly positive, and changing directly as a result of the economic and political crises of the past few years. In June 2009 investment bank Lazard commissioned a national infrastructure poll among likely voters. The results make extremely encouraging reading for anyone involved in the infrastructure sector. [TABLE OMITTED] According to the poll results, the economy is the greatest concern for most people and as a result the "majority of likely voters want their elected officials to pursue non-traditional means of addressing their states' fiscal problems, including private investment in infrastructure". The poll went on to indicate a high level of aversion to increases in taxes and debt levels. This is mirrored by an increase in support for private investment in infrastructure. Specifically as a result of the crisis, the poll shows that support for private investment in infrastructure has increased by 9% over the past year alone, with nearly 60% of the respondents saying they favoured it, compared with 34% who opposed it. "Our poll shows that now, across the board, the US public is very supportive of bringing private capital into US infrastructure," says George Bilicic, chairman of power, utilities and infrastructure at Lazard in New York. "This really foreshadows the huge opportunities that are now here."

### CP NB – Politics

#### Private sector is politically popular

Asief Mansour and Hope Nadji, Chief Economist and Strategist at RREEF and Director at RREEF, 2010, “US Infrastructure Privatization and Public Policy Issues.” RREEF “http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr\_Priv\_Pub\_Policy\_Issues.pdf”

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.

#### CP is publically popular

Dan Primack, senior editor at Fortune magazine, 2-17-2011, “Why Obama can’t save infrastructure.” CNN Money. http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure/

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.

### CP NB - Politics

#### Privatizing transportation is politically preferable to federal spending

Alan Fram, The Associated Press. 3-27-2012, “Lawmakers reach compromise on roads, student loans.” http://www2.nbc17.com/news/2012/jun/27/3/congress-near-deal-stafford-loans-boehner-says-ar-2389453/

In return, House Republicans won Senate concessions that would halve the time allowed for environmental reviews for highway projects, and squeeze money for bike paths and pedestrian safety projects by forcing them to compete with other transportation projects, said congressional aides and environmental lobbyists. The bill would give states more flexibility in spending federal money, impose new safety regulations and expand a federal loan guarantee program to encourage private investments in transportation projects. Despite the measure's short-term impact, the bill delays for two years decisions about a long-term funding scheme for highway and transit programs. Gas and diesel taxes no longer cover the cost of transportation programs and are forecast to bring in less revenue as the fuel efficiency of cars and trucks increases.

#### Privatization prevents budget disputes over transportation -- no backlash and Obama won’t have to spend capital.

Dan **Primack**, Senior Editor, 2-17-**2011**, “Why Obama can't save infrastructure”, CNN Money, http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure/)//EL

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.

### CP NB – Elections

#### Privatization of transportation infrastructure is popular with the public.

Nick Lord, financial journalist, commentator and analyst, 3-15-2010 “Privatization: The road to wiping out the US deficit,” http://go.galegroup.com.proxy.lib.umich.edu/ps/i.do?action=interpret&id=GALE%7CA225551392&v=2.1&u=lom\_umichanna&it=r&p=ITOF&sw=w&authCount=1

Public support Despite these issues, public perceptions of the monetization of infrastructure are increasingly positive, and changing directly as a result of the economic and political crises of the past few years. In June 2009 investment bank Lazard commissioned a national infrastructure poll among likely voters. The results make extremely encouraging reading for anyone involved in the infrastructure sector. [TABLE OMITTED] According to the poll results, the economy is the greatest concern for most people and as a result the "majority of likely voters want their elected officials to pursue non-traditional means of addressing their states' fiscal problems, including private investment in infrastructure". The poll went on to indicate a high level of aversion to increases in taxes and debt levels. This is mirrored by an increase in support for private investment in infrastructure. Specifically as a result of the crisis, the poll shows that support for private investment in infrastructure has increased by 9% over the past year alone, with nearly 60% of the respondents saying they favoured it, compared with 34% who opposed it. "Our poll shows that now, across the board, the US public is very supportive of bringing private capital into US infrastructure," says George Bilicic, chairman of power, utilities and infrastructure at Lazard in New York. "This really foreshadows the huge opportunities that are now here."

#### The American public wants better transportation infrastructure through privatization.

William Cassidy, managing editor of the Journal of Commerce 2-4-2011, “Survey Reveals Strong Support for Infrastructure Deal,”

A strong majority of Americans want better roads and bridges, but they want someone else to pay for them, according to a survey released Monday. The survey found strong support for infrastructure investment and compromise on Capitol Hill, even among Tea Party members, and for private highway funding. Half of those surveyed said roads and bridges were inadequate, and 80 percent thought infrastructure investment would boost local economies and create jobs. The poll of 1,001 registered voters found 71 percent placed a high priority on transportation improvements, but 73 percent were opposed to raising fuel taxes. Nearly half of those surveyed also thought federal fuel taxes were raised every year, when in fact they haven't risen since 1993. The respondents were much more open to privatization, with 78 percent supporting greater private investment in transportation infrastructure. However, they stressed the need for greater accountability in the funding process as well as reform and innovation if the U.S. pays for transportation infrastructure.

### CP NB – Spending

#### The counterplan is extremely cheap compared to the plan

William Reinhardt, publisher and editor of “Public Works Financing” newsletter, May 2011, “The Role of Private Investment in Meeting U.S. Transportation Infrastructure Needs.” http://www.artba.org/mediafiles/transportationp3whitepaper.pdf

Established in 1998, TlFlA offers credit assistance for highway, transit, intercity passenger facilities, freight rail and freight transfer facilities. Under TlFlA, USDOT helps project sponsors assemble capital by providing long term, “patient” financial assistance (loans, loan guarantees and letters of credit) for projects of national and regional significance in excess of $50 million that have dedicated revenue sources available for repayment. Since 1998, the USDOT has provided financial assistance in excess of $8 billion, supporting 22 projects, both P3 and publicly developed assets, with a total capital value in excess of $30 billion for less than $1 billion in budget authority. Because the budgetary cost (sometimes called the subsidy cost) of a TIFIA loan is not its face value, but rather the combined cost of issuing the loan and the default risk, the budgetary cost to the Highway Trust Fund or its "score," is typically about 10 percent of the face value of the credit. A leading example of use of this financing tool is the Texas Department of Transportation's North Tarrant Express. This public-private partnership was created to design, build, finance and operate managed lanes and upgrade existing facilities within an existing 13-mile Interstate highway corridor in the congested DallasFt. Worth Metro area. Under construction today, the project's $2 billion in capital costs were financed with $573 million in state funds, $400 million in senior private activity bonds, a $650 million TIFIA loan and $427 million of private equity. Thus the approximately $65 million in budgetary cost for the TIFIA loan, essential to the assembly of the other monies, helped deliver a $2-billion project, yielding a federal cost-to-project value ratio of approximately 3.5 to 100.

### CP NB – Tax Cuts

#### Public sector financing is inefficient and forces higher taxes -- privatization solves and facilitates significant tax cuts.

Jean-Paul Rodrigue, Ph.D. in Transport Geography from the Université de Montréal, 2009, “The Geography of Transport Systems”, http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html)

Fiscal problems. The level of government expenses in a variety of social welfare practices is a growing burden on public finances, leaving limited options but divesture. Current fiscal trends clearly underline that all levels of governments have limited if any margin and that accumulated deficits have led to unsustainable debt levels. The matter becomes how public entities default on their commitments. Since transport infrastructures are assets of substantial value, they are commonly a target for privatization. This is also known as “monetization” where a government seeks a large lump sum by selling or leasing an infrastructure for budgetary relief. High operating costs. Mainly due to managerial and labor costs issues, the operating costs of public transport infrastructure, including maintenance, tend to be higher than their private counterparts. Private interests tend to have a better control of technical and financial risks, are able to meet construction and operational guidelines as well as providing a higher quality of services to users. If publicly owned, any operating deficits must be covered by public funds, namely through cross-subsidies. Otherwise, users would be paying a higher cost than a privately managed system. This does not provide much incentives for publicly operated transport systems to improve their operating costs as inefficiencies are essentially subsidized by public funds. High operating costs are thus a significant incentive to privatize. Cross-subsidies. Several transport infrastructures are subsidized by revenues from other streams since their operating costs cannot be compensated by existing revenue. For instance, public transport systems are subsidized in part by revenues coming from fuel taxes or tolls. Privatization can thus be a strategy to end cross-subsidizing by taping private capital markets instead of relying on public debt. The subsidies can either be reallocated to fund other projects (or pay existing debt) or removed altogether, thus reducing taxation levels.

#### Tax cuts are critical to economic growth.

Christopher Merola, President of Red Momentum Strategies, LLC, a conservative political strategy and communications company in Washington, DC., 4-23-2009, “A True Economic Stimulus Package”, Town Hall, http://townhall.com/columnists/christophermerola/2008/04/23/a\_true\_economic\_stimulus\_package/page/full/

If supply-side economics can transform dictatorships, just imagine what it can do in our nation’s economy. In fact, there are four examples in American history where supply-side economics transformed our nation’s economy. In the 1920’s, President Calvin Coolidge cut tax rates by such a large degree, the economy soared and the standard of living improved for Americans by and large. This period was called the “roaring twenties.” Ironically, it was demand-side economic policies advocated by Keynes that brought a halt to the roaring twenties. Many people today believe that the New Deal policies of FDR and the Democrats of the 1930’s ended the Great Depression. Actually, the Great Depression was made to be even more severe by the Keynesian policies of our government in the 1930’s. During that time federal spending tripled in order to pay for new programs and expand existing ones. The result was a 27% drop in the nation’s Gross Domestic Product. This means the business community was producing a lot less product and subsequently hiring fewer personnel. Those tax and spend policies actually took more capital away from the private sector, thus perpetuating the economic woes of the nation. What the nation needed then more than any time in our history was more private capital to stimulate the economy. That is why tax cuts are so crucial to economic growth; they allow more capital to flow through the economy and create more products and jobs as a result. Still not convinced? In the 1960’s, President John Kennedy used supply-side economic policies to stimulate our economy through income tax rate cuts and the economy soared. The GDP grew by 50.5% as a result. In the 1980’s, Ronald Reagan used supply-side economic policies to cut income tax rates and again the economy exploded, leading to economic growth every month for seven years in a row. Once again, it was Keynesian policies that stopped that economic growth when George H. W. Bush broke his campaign promise to not raise taxes and signed a Democrat tax increase bill. The result was an economic recession. In 2003, President George W. Bush, along with a newly elected Republican majority in both houses of Congress, cut income tax rates and the nation’s economy grew immediately by 4.4%. It is interesting to point out that the rebate checks and tax cuts of 2001 helped grow the economy by only 1.9%. Clearly, cutting taxes on income, business, trade and investment yields a much greater return for the American people than rebate checks. Thus, a true stimulus package would contain cuts in income tax rates, the corporate tax rate so our nation’s business community can compete in a global market, a cut in the capital gains and dividend tax rates to encourage more investment in the economy and a repeal of the inheritance tax, which is sometimes called the “death tax.”