# Electric Rail Neg Strat

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## Counterplan

### 1NC P3 PIC

#### Text: The United States federal government should ban direct public investment in national electrified railroad infrastructure. The United States federal government should offer tax credits in the amount equal to offset the loses from capital investments, as long as the companies accepting the credits agree to all of the following conditions:

#### **Companies must use electricity to power their rail services;**

* Companies must have double tracking where appropriate;
* Companies must agree to appropriate track maintenance and better signaling where appropriate;
* Companies must offer, or associate themselves with another company that will offer, express and semi-express freight and passenger services;

The United States federal government should repeal oil subsidies and apply all funding to offset the costs of the tax credits.

#### **Privatization encourages most efficient use of construction and financing- solves the case**

Estache et al. ‘7

Antonio Estache Université Libre de Bruxelles (ULB) - European Center for Advanced Research in Economics and Statistics, Ellis Juan World Bank, Lourdes Trujillo-Castellano Departamento de Analisis Economico Aplicado, Universidad de Las Palmas de Gran Canaria, University College of London (UCL) Estache, Antonio, Juan, Ellis and Trujillo, Lourdes, Public-Private Partnerships in Transport (December 1, 2007). World Bank Policy Research Working Paper Series, Vol. , pp. -, 2007. Available at SSRN: http://ssrn.com/abstract=1072402

Successful PPPs have been characterized by a broad level of risk-sharing between the public and private sectors. Generally, the private sector is better at managing commercial risks and responsibilities such as those associated with construction, operation, and financing. In contrast, transport projects most likely depend on public participation in areas such as acquisition of right-of-way, political risk, and in some cases, traffic and revenue risk. PPPs has worked best when experienced, well-capitalized firms have enough discretion over design and confidence in pricing policy to accept construction and some degree of traffic risk, while the government assumes the risks that it controls and gives consideration to financial support or guarantees if traffic levels in the early years are insufficient.

#### **And, their Drake evidence identifies the counterplan’s conditions as the necessary changes to solve the case- doesn’t require public funding**

1AC EVIDENCE Drake 8, Alan, consulting engineer, “Multiple Birds-One Silver BB: A synergistic set of solutions focused on Electrified Railroads, 7/15/08, http://www.theoildrum.com/node/4301 Accessed: 6/26/12

How much truck freight can be shifted to rail? The correct answer from several public policy perspectives is “as much as possible, as soon as possible”. There are several variables in this calculation: Cost - Rail is already cheaper than trucking, but trucks have a larger modal share except for the lowest value cargoes (coal, gravel, grain). The cost differential is growing rapidly, and there is a shift from truck to rail, but not fast enough for public policy goals. Electrified rail will be even cheaper than diesel rail. Speed & Reliability – It is critical to close the speed and reliability advantage that trucks have over rail. Electrification, double tracking, track improvements and better signals will all speed up trains and reduce the uncertainty about transit times and delivery dates. Management Philosophy - Railroads currently want to run their tracks very close to capacity and they avoid “overbuilding” at all costs. A change in business philosophy will be required to capture higher value cargoes - cargoes from shippers willing to pay a premium rate several times coal rates. For example, Union Pacific stopped carrying UPS shipments because they did not want the operational hassle of running trains on time. US railroads will need to “overbuild” and change operating procedures to get the required capacity, speed and reliability needed to attract a majority of truck freight. Federal policy can help change this with incentives. Semi-High Speed Express Freight - Offering express freight service (with refrigeration as needed) at 90 to 100 mph will capture large segments of the truck market and part of the air freight market. Express freight service is the essential economic driver for a 14,000-mile Semi-High Speed Rail network (more published at a later date on this). Regional passenger service at 110 mph will likely be a large but secondary benefit. Time – Time will be required for shippers to adjust to rail. For example, WalMart has gone almost exclusively to trucking and their many regional distribution centers were built with only trucks in mind. WalMart, and other like shippers, will have to build new regional distribution centers that can accept container trains from ports and domestic factories, and the railroads will need to improve service enough to attract behemoths such as WalMart. Under the pressure of ever-higher oil prices, such changes will still likely take a decade to complete (and the abandoning some not fully depreciated real estate). In some cases, rail will come to the factories and distributors with new spur lines. In other cases, the factories and distributors will move to rail spurs. And in many cases, “the last mile” will be by truck from a local or regional rail-truck inter-modal facility. The key to such a large scale migration is improved rail service more than a cost differential. During WW II, public/military policy was to ship everything by rail and as little as possible by truck in order to save fuel and trucks for overseas operations. Lieut. E. L. Tennyson, Office of Chief of Transportation, US Army states that 90% of ton-miles in the 48 states were by rail during WW II. Ed Tennyson has made the rough estimation that a $250 billion investment in rail infrastructure (electrification, double tracking, no semi-High Speed Rail) would result in an eventual transfer of 67% of truck ton-miles to rail in a high oil price environment. I believe that, in an environment of very high oil prices, an investment of $400 to $450 billion (including semi-High Speed Rail and some new rail lines) could result in an 85% shift of existing truck freight ton-miles to rail. It is difficult to calculate the long term road maintenance savings from such a shift, but that savings alone may justify such massive investments. The bulk of rail investments have 50-year useful lives. A nation-wide improved and electrified rail system would be a very worthwhile inheritance for the next generation facing a post-Peak Oil future.

#### Tax credits are uncontroversial and limit government intervention

-Pass costs to hidden areas

-Remove pork fights

-Less veto points

Rigby ‘9 (Elizabeth, Professor of Political Science – University of Houston, “[Tax Credits vs. Spending: Why Progressives Should Care How the Stimulus is Delivered](http://www.huffingtonpost.com/elizabeth-rigby/tax-credits-vs-spending-w_b_155389.html)”, Huffington Post, 1-5, http://www.huffingtonpost.com/elizabeth-rigby/tax-credits-vs-spending-w\_b\_155389.html)

Considering these features, it is likely that Obama's use of tax expenditures for nearly half of the stimulus package is likely to ease enactment of the program by making bipartisan agreement easier due to the hidden costs (#1), the potential for quick and efficient implementation due to the automatic nature of program (#4), the lack of government administration (#5), and the ability to enact a tax expenditure package without opening up the door to earmarks and pork that would raise the overall price tag (#3). In essence, this is as "small" as "big government" can be. As a result, the part of the stimulus delivered this way is likely to be less controversial and more efficiently administered.

### 2NC A2: Solvency Deficits/PPP’s Key

#### **PPP’s undermine effective capital investment- there’s no standardized methodology and its impossible to put a price on public benefits to split the costs- leads to infighting that undermines the projects**

Allen et al 2008

(Sarah Allen, Kendra Kelson, Hayden Migl, Rodney Schmidt, David Shoemaker, and Heather Thompson, The Bush School of Government and Public Service, May 2008 "Current Trends and Future Challenges in the Freight Railroad Industry Balancing Private Industry Interests and the Public Welfare")

Increasing capacity is not a simple process. It can be costly and slow, which makes it difficult for railroads to adjust quickly to changes in demand for freight transportation. An example of a typical capacity project on many railroads is adding an additional siding on a single track route. According to Norfolk Southern executive James McClellan, such a siding can cost in excess of $10 million. Because capacity expansion projects are costly, railroads are highly selective in pursuing capital improvements. Cost is not the only factor railroads consider. For example, there are a limited number of suppliers of rolling stock. As a result, cars and locomotives must be ordered well in advance. Additionally, there are environmental and quality of life factors that must be considered that often slow down the construction of additional infrastructure. Local residents may be opposed to additional traffic on a nearby rail line if it increases levels of noise and vibration, and environmental rules may prohibit construction in the most advantageous locations. In effect, rail carriers spend considerable time planning major improvements to the fixed physical plant. One response to the capacity crunch has been the use of public funds to finance capacity improvements through public‐private partnerships (PPPs). The principal goal of PPPs is to increase capacity in a particular corridor by adding infrastructure. By reducing a railroad company’s cost of capital, public sector financing effectively increases the likelihood of capital investments and capacity expansion. The Alameda Corridor in Los Angeles is a well‐known PPP that combined several rail lines into one, grade‐separated route. Other PPPs are being considered in Virginia and Chicago. Despite the popularity of PPPs, the trend has been hampered by the difficulty of achieving an equitable division of costs and benefits between the public and private sector. The lack of a standardized methodology and perhaps more significantly, the difficulty of putting a price on intangible benefits have been key barriers to pursuing PPPs.

### 2NC A2: Feds Key

#### **Railroads are private companies- they’re fairly profitable, only small amount of tax credits needed to offset losses from investments- solves their feds key warrant**

1AC EVIDENCE Longman ‘9

Phillip Longman is a senior fellow at the New America Foundation. Back on Tracks

A nineteenth-century technology could be the solution to our twenty-first-century problems. <http://www.washingtonmonthly.com/features/2009/0901.longman.html#Byline>, Jan/Feb

Why don’t the railroads just build the new tracks, tunnels, switchyards, and other infrastructure they need? America’s major railroad companies are publicly traded companies answerable to often mindless, or predatory, financial Goliaths. While Wall Street was pouring the world’s savings into underwriting credit cards and sub-prime mortgages on overvalued tract houses, America’s railroads were pleading for the financing they needed to increase their capacity. And for the most part, the answer that came back from Wall Street was no, or worse. CSX, one of the nation’s largest railroads, spent much of last year trying to fight off two hedge funds intent on gaining enough control of the company to cut its spending on new track and equipment in order to maximize short-term profits. So the industry, though gaining in market share and profitability after decades of decline, is starved for capital. While its return on investment improved to a respectable 8 percent by the beginning of this decade, its cost of capital outpaced it at around 10 percent—and that was before the credit crunch arrived. This is no small problem, since railroads are capital intensive, spending about five times more just to maintain remaining rail lines and equipment than the average U.S. manufacturing industry does on plant and equipment. Increased investment in railroad infrastructure would produce many public goods, including fewer fatalities from truck crashes, which kill some 5,000 Americans a year. But public goods do not impress Wall Street. Nor does the long-term potential for increased earnings that improved rail infrastructure would bring, except in the eyes of Warren Buffett—who is bullish on railroads—and a few other smart, patient investors. The alternative is for the public to help pay for rail infrastructure. Actually, it’s not much of a choice. Unlike private investors, the government must either invest in shoring up the railroads’ overwhelmed infrastructure or pay in other ways. Failing to rebuild rail infrastructure will simply further move the burden of ever-increasing shipping demands onto the highways, the expansion and maintenance of which does not come free. The American Association of State Highway and Transportation Officials (hardly a shill for the rail industry) estimates that without public investment in rail capacity 450 million tons of freight will shift to highways, costing shippers $162 billion and highway users $238 billion (in travel time, operating, and accident costs), and adding $10 billion to highway costs over the next twenty years. "Inclusion of costs for bridges, interchanges, etc., could double this estimate," their

### 2NC Politics Net Benefit

#### Politics is a net benefit to the counterplan-

#### A.) Hidden costs- Rigby says tax credits make unpopular policies bipartisan because it allows politicians to hide the bill- they also avoid earmarks and other wasteful spending battles

#### B.) Tax incentives bypass appropriations- eliminates waste and budget battles

Rigby ‘9 (Elizabeth, Professor of Political Science – University of Houston, “[Tax Credits vs. Spending: Why Progressives Should Care How the Stimulus is Delivered](http://www.huffingtonpost.com/elizabeth-rigby/tax-credits-vs-spending-w_b_155389.html)”, Huffington Post, 1-5, http://www.huffingtonpost.com/elizabeth-rigby/tax-credits-vs-spending-w\_b\_155389.html)

Unlike spending programs which must be first authorized and then go through appropriations to receive actual funding, tax expenditures are created and funded by the same committee in each chamber of Congress. This cuts in half the number of veto points (times that an organized opposition can kill a proposed bill) and makes tax expenditures easier to pass. Further, the absence of an annual appropriations requirement produces a virtual entitlement program in which all eligible tax filers who claim the credit receive the benefit without the waiting lists or capped spending seen in most spending programs. And finally, by avoiding the appropriations stage, tax expenditure proposals pass through the Congressional process avoiding most of the earmarking that produces the "legislative pork" abhorred by most Americans. Since tax expenditures are typically legislated by formula rather than earmark, they remain "cleaner" with less waste.

### 2NC Offsetting Oil Popular

#### **The tax credits just offset other existing tax credits**

Geman 10

Ben Geman. 07/21/10 http://thehill.com/blogs/e2-wire/677-e2-wire/110003-senate-looks-to-debate-something-on-energy-

“The Senate bill could include more than $20B in tax credits for renewable energy and efficiency. Because Congressional rules require tax incentives to be ‘paid for’ with increases in revenue, Democrats expect to rescind existing incentives for the oil and gas industry to offset the cost,” FBR notes.

### 2NC A2: Tax Credits Spend

#### Tax credits legally aren’t spending which is our link.

Business Insider ‘11 (April 10, “Tax credits are not Government Spending?” http://www.businessinsider.com/tax-credits-are-not-government-spending-2011-4)

The current case, Arizona Christian School Tuition Organization v. Winn et al*.,* involves not direct government spending on an unconstitutional activity but rather a tax credit that serves the same purpose as a spending program. Arizona allows taxpayers to claim a non-refundable credit of $500 a year ($1,000 for couples) for donations to qualified school tuition organizations (STOs), which then use the funds to support tuition payments to private schools. The original suit claimed that STOs violated the First Amendment’s prohibition of government activities promoting the “establishment of religion” because tuition payments could go to parochial schools. In a 5-4 decision, the Court ruled that the challenged tax credit was not government spending and therefore the claimants lacked the standing to sue allowed in Flast. Unlike spending, the majority argued, tax expenditures do not necessarily affect the tax bills of others; that is, the government won’t necessarily raise taxes to cover the revenue cost of a tax credit. In fact, the opinion claimed, “the purpose of many governmental … tax benefits is ‘to spur economic activity, which in turn increases government revenues.’” And further, private school tuition assistance might induce some students to switch from public to private schools, thus reducing government costs. Since tax expenditures thus don’t necessarily harm taxpayers, they have no right to sue.

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### **2NC A2: No Investment because of risk**

#### **The counterplan reduces risk instability-tax credits provide a hedge against losses**

Chan and Gemayel ‘4

Kitty K. Chan and Edward R. Gemayel, International Monetary Fund, “Risk Instability and the Pattern of Foreign Direct Investment in the Middle East and North Africa Region,” 2004, Economic Research Service at the United States Department of Agriculture

We conclude that for developed countries, such as members of the European Union (EU), Canada, and the United States, which have relatively lower investment risk, instability associated with investment risk is not as critical a determinant of foreign investment as it is for the MENA countries. Policies created to decrease instability associated with investment risk would help countries in the MENA region in general to attract FDI. We recommend gradual implementation of policies with long-term benefits to lower the degree of risk instability for MENA countries.

#### Companies will just use risk capital to do the counterplan- mitigates potential losses

Tatum ‘12

Malcolm Tatum, Conjecture Corporation, 2012, “What is risk capital?” http://www.wisegeek.com/what-is-risk-capital.htm

Sometimes referred to as speculative capital, risk capital is the money that is set aside for investing in financial opportunities that carry a higher degree of risk. Funds of this type may be used to invest in [futures](http://www.wisegeek.com/what-are-futures.htm) that have the potential to earn a high return over time. Risk capital may also be used to invest in new businesses that are about to launch, or existing businesses that are preparing to expand. The capital may also be used to invest in any type of real [estate](http://www.wisegeek.com/what-is-an-estate.htm) deal where there is some speculation that the property will rapidly increase in value within a short period of time. One of the characteristics of risk capital is that the money can be lost without creating a great deal of financial hardship for the investor. For example, if an investor purchases a piece of property because there is speculation that developers will soon want the land for a new shopping mall, and this anticipated deal never materializes, the investor may not be able to sell the land and recover his or her original cost. If the investor was not counting on the resale of the land to provide capital for other obligations, then he or she can stand to incur the loss and still enjoy the same standard of living. The same general concept applies when considering the possibility of becoming an [angel investor](http://www.wisegeek.com/what-is-an-angel-investor.htm) with a new startup company. Essentially, angel investors contribute a certain amount of risk capital to help the business launch and sustain the operation until it can begin to turn a profit. If the business does reach that point, then the investor begins to realize a return on the investment. Should the business fail to build a viable customer base and ultimately folds, the investor may receive only a portion of that original investment, or possibly nothing at all. Since the funds invested were not needed for other obligations, the impact on the overall financial stability of the investor is minimal at best.

### 2NC A2: Perm Do CP

#### **Perm do the counterplan is severance-**

#### **The plan gives federal funding- that’s the “public” part of PPPs- the counterplan bans direct federal support, that means the perm is severance**

Estache et al. ‘7

Antonio Estache Université Libre de Bruxelles (ULB) - European Center for Advanced Research in Economics and Statistics, Ellis Juan World Bank, Lourdes Trujillo-Castellano Departamento de Analisis Economico Aplicado, Universidad de Las Palmas de Gran Canaria, University College of London (UCL) Estache, Antonio, Juan, Ellis and Trujillo, Lourdes, Public-Private Partnerships in Transport (December 1, 2007). World Bank Policy Research Working Paper Series, Vol. , pp. -, 2007. Available at SSRN: http://ssrn.com/abstract=1072402

Successful PPPs have been characterized by a broad level of risk-sharing between the public and private sectors. Generally, the private sector is better at managing commercial risks and responsibilities such as those associated with construction, operation, and financing. In contrast, transport projects most likely depend on public participation in areas such as acquisition of right-of-way, political risk, and in some cases, traffic and revenue risk. PPPs has worked best when experienced, well-capitalized firms have enough discretion over design and confidence in pricing policy to accept construction and some degree of traffic risk, while the government assumes the risks that it controls and gives consideration to financial support or guarantees if traffic levels in the early years are insufficient.

#### And, the plan has to be direct federal investment- indirect or private incentives would be severance

**“Increase” means the plan must certainly make greater the level of government spending over the squo**

Words and Phrases, 5 (Cummulative Supplementary Pamphlet, v. 20a, p.295) cmr

Cal.App.2 Dist. 1991. Term “increase,” as used in statute giving the Energy Commission modification jurisdiction over any alteration, replacement, or improvement of equipment that results in “increase” of 50 megawatts or more in electric generating capacity of existing thermal power plant, refers to **“net increase”** in power plant’s total generating capacity; in deciding whether there has been the requisite 50-megawatt increase as a result of new units being incorporated into a plant, Energy Commission cannot ignore decreases in capacity caused by retirement or deactivation of other units at plant. West’s Ann.Cal.Pub.Res.Code § 25123.

#### And, the aff must mandate government spending on infrastructure- investments of time are insufficient

**Jimenez 95** (Immanuel, Appointed Director of Public Sector Evaluations – Independent Evaluation Group of the World Bank Group, “Human and Physical Infrastructure: Public Investment and Pricing Policies in Developing Countries”, Handbook of Development Economics, Vol. III, Ed. Behrman and Srinivasan, p. 2774)

1. Introduction and overview

**Almost by definition, infrastructure is the basis for development**. 1 For an economy, it is the foundation on which the factors of production interact in order to produce output. This has been long recognized by development analysts, and infrastructure, often termed "social overhead capital," is considered to include:

•.. those services without which primary, secondary and tertiary production activities cannot function. In its wider sense **it includes** all **public services from law and order through education and public health to transportation**, communications, power and water supply, as well as such agricultural overhead capital as irrigation and drainage systems [Hirschman (1958) p. 83].

These seemingly diverse services share some common traits that are important in economic analysis. They are generally not tradeable. Although they may affect final consumption directly, their role in enhancing output and household welfare can also be indirect - in facilitating market transactions or in making other economic inputs more productive. Finally, and perhaps most importantly, the many infrastructure services share characteristics, such as scale economies in production, consumption externalities and non-exclusivity, that have been used to justify a large role for public policy in their provision and financing.

This chapter will focus not only on what has traditionally been considered the "core" infrastructure sectors, which enhance the productivity of physical capital and land (mainly transportation and power). It will also include human infrastructure- or those services that raise the productivity of labor (health, education, nutrition). This is a broadening of the definition that was given great prominence by Schultz (1963) and Becker (1964) and that has since been widely accepted by both scholars and practitioners.

**Public investment will be defined broadly to include all** government spending **in these sectors, rather than just capital expenditures as traditionally defined in official statistics**. This is to ensure that the economic issues regarding recurrent as well as capital spending are covered, since both have been the focus of the recent iiterature. Moreover, the chapter will emphasize recent policy debates, but will not present in detail the basic theoretical concepts underlying them.

#### If it’s not direct spending, it’s not infrastructure investment

**Musick 10** (Nathan, Microeconomic and Financial Studies Division – United States Congressional Budget Office, Public Spending on Transportation and Water Infrastructure, p. 2)

**Although different definitions of "infrastructure" exist, this report focuses on** two types that claim a significant amount of federal resources: **transportation** and water. Those types of infrastructure share the economic characteristics of being relatively capital intensive and producing services under public management that facilitate private economic activity. They are typically the types examined by studies that attempt to calculate the payoff, in terms of benefits to the U.S. economy) of the public sector's funding of infrastructure.

For the purposes of CBO's analysis, **"transportation infrastructure" includes** the **systems and facilities that support** the following types of activities:

■ **Vehicular transportation: highways, roads, bridges, and tunnels**;

■ **Mass transit** subways, buses, and commuter rail;

■ **Rail transport** primarily the intercity service provided by Amtrak;\*

■ **Civil aviation**: airport terminals, runways, and taxi-ways, and facilities and navigational equipment for air traffic control: and

■ **Water transportation**: waterways, ports, vessel\*, and navigational systems.

The category "water infrastructure" includes facilities that provide the following:

■ Water resources: containment systems, such as dams, levees, reservoirs, and watersheds; and sources of fresh water such as lakes and rivers; and

■ Water utilities: supply systems for distributing potable water, and wastewater and sewage treatment systems and plants.

**Consistent with** CBO'% **previous reports on public spending for transportation** and water **infrastructure, this update excludes spending that is associated with such infrastructure but does not contribute directly to the provision of infrastructure facilities or certain strictly defined infrastructure services. Examples of excluded spending are federal outlays for homeland security** (which are especially pertinent to aviation), **law enforcement and military functions (such as** those carried out by **the Coast Guard), and cleanup operations (such as** those **conducted by the Army Corps of Engineers following** Hurricane **Katrina** in 2005).