#  \*\*\*neg

# 1nc user fees cp

**Through public private partnerships, the United States federal government should allow private actors to charge user fees over public use of [plan] in exchange for private actors financing and maintaining [insert plan]. The United States federal government should remove any current regulations and not impose any new regulations on the private transportation industry.**

#### CP solves – tolls ensure private investment

**CBO 12**, (Congressional Budget Office, “Using Public-Private-Partnerships to Carry Out Highway Projects,” <http://www.cbo.gov/publication/42685>)

The term “public-private partnership” refers to a variety of alternative arrangements for highway projects that transfer more of the risk associated with and control of a project to a private partner. That transfer is achieved in part by bundling some of the elements of providing a highway. Among the most extensive public-private partnerships are those in which a private firm provides financing for a highway project, designs and builds it, and then, in exchange for the right to charge tolls, operates and maintains it over its useful life. The most common type of public-private partnership, however, is the more limited “design-build” agreement in which one contractor agrees to both design and build a highway rather than having the public sector manage each of those steps independently. In a partnership, the contractor assumes greater risks than it would under the traditional approach because the terms of the partnership’s contract generally limit the private firm’s ability to renegotiate the contract in the event of higher costs. Nevertheless, that advantage to the public sector of transferring the risk and control of a project to a private firm may have a downside: It may limit the government’s ability to respond to changing conditions or to achieve other objectives that might improve the welfare of the state’s or locality’s citizens but reduce the private partner’s profits. The use of such partnerships for providing highway infrastructure is limited in the United States. Between 1989 and 2011, the value of contracts for all projects whose costs exceeded $50 million was only about $41 billion, representing a little more than 1 percent of the approximately $3 trillion (in 2010 dollars) that was spent on highways during that period by all levels of government. The use of public-private partnerships is increasing, however, and by one estimate accounted for between 30 percent and 40 percent of all new miles of urban limited-access highways built between 1996 and 2006. This study addresses the potential role of the private sector in two aspects of building highways: the financing of projects and the provision (that is, the design, construction, operation, and maintenance) of highways.¶ Most highway projects are paid for with current state or federal revenues and are not financed through borrowing. But sometimes a project is large enough that the state or local government, or other public authority, must borrow money to move the project forward. When that is the case, the public entity can provide financing either through traditional public borrowing—by issuing government bonds, on which investors are generally willing to accept a relatively low rate of return because the bonds are backed by the taxing authority of the public entity—or by joining with a private partner to obtain private financing. Private financing can provide the capital necessary to build a new road, but it comes with the expectation of a future return, the ultimate source of which is either taxes or tolls.

#### PPP’s solve – user fee returns are key for involvement

**PublicInterest 12** (Center devoted to researching all types of privatization, “Public-Private-Partnerships,” http://www.inthepublicinterest.org/node/576)

In many Public-Private Partnerships (also known as PPPs or P3s), a private investor or consortium of companies pay the governmental entity to build or operate an asset in exchange for the right to collect user fees and other revenue streams associated with the asset.  P3's can be used to shift control of an existing asset like a government building, parking lots or roads.  They are also used to generate investment capital to build new infrastructure needed when public agencies are unable to raise sufficient public debt. Sales of existing assets allow a governmental entity to raise a large amount of funds for today's needs.  Because of this quick cash infusion, some cities and state are considering selling valuable assets to help fill in budget gaps.   In both cases there are several serious risks if the deal fails to include public interest and taxpayer protections.  P3 variations are discussed below in the Public-Private Partnership Models section.

# 1nc prizes cp

**The United States federal government should issue a monetary prize for the first private company that demonstrates their ability to do [insert plan]. The United States federal government should remove any current regulations and not impose any new regulations on the private transportation industry.**

#### Prizes solve – more efficient and avoid the link to politics

**Tong, Lakhani, 7/13,** Raymond Tong**,** The Boston Consulting Group**,** Karim Lakhani, Harvard Business School - Technology and Operations Management Group; Harvard University - Berkman Center for Internet & Society; Harvard Institute for Quantitative Social Science, *Public-Private Partnerships for Organizing and Executing Prize-Based Competitions*,7/13/12.

Prizes can be effective tools for finding innovative solutions to the most difficult problems. While prizes are often associated with scientific and technological innovation, prizes can also be used to foster novel solutions and approaches in much broader contexts, such as reducing poverty or finding new ways to educate people. Now that the America COMPETES Reauthorization Act has given all government departments and agencies broad authority to conduct prize competitions, agencies may find themselves looking for resources to learn about prizes and challenges. This paper describes how government agencies can design, build, and execute effective prizes – though these models can easily be adapted to meet the needs of foundations, public interest groups, private companies, and a host of other entities with an interest in spurring innovation.

 Prizes can have numerous advantages over conventional means of research and development. First, they can greatly increase the cost effectiveness of developing ambitious solutions to hard challenges. If an agency uses a vendor or provides a grant to a third party, the agency is obligated to pay for all results; however, if the agency uses a prize, it pays only for the winning entry. Second, prizes can help identify solutions faster. Instead of the slow patterns of sequential innovation often found in the private sector, prize competitors can work in parallel, motivated by the need to meet a deadline. Third, prizes can dramatically increase the number of minds simultaneously tackling a problem. The most valuable and innovative solutions often come from the most unexpected corners. Finally, Prizes can stimulate **private sector investment in amounts far greater than the cash value of the prize**. Winning teams in prize competitions are often magnets for private sector interest.

Government agencies need not administer prizes on their own. Rather, agency involvement in prizes falls along a spectrum, from prizes developed internally to those developed entirely by external partners who invite the agency to contribute. An agency can play a variety of roles in partnership arrangements: as the “host,” it generates prize ideas, oversees operations, and solicits partners as needed (as sponsors, for instance); as the “coordinator,” it develops the prize but finds external partners to implement the operational components; and as the “contributor,” it enables external actors to handle the prize design and operations, while the agency contributes in other ways (for instance, by providing data sets, overseeing the judging process, or offering testing facilities). Over the course of a prize lifecycle, the agency may move between these broad categories, or combine them according to its specific needs, capacity, and skillset. Various partnership arrangements affect the agency’s cost, control, and coverage of the prize lifecycle.

 As an informational guide to promote the use of prizes within government agencies, with an emphasis on opportunities to form different types of private-public partnerships, this paper:

Provides an overview of the prize lifecycle to help agencies better understand when to use prizes and the various elements involved in developing a prize;

 Presents a framework outlining the various roles agencies can fill in the prize process and the importance of using partnerships to maximize the effectiveness of a prize; and highlights important steps and considerations regarding partnerships with other organizations.

Drawing on interviews and secondary research on existing prizes that rely on multi-sector partnerships, this paper explores every aspect of forming partnerships and implementing prizes across the broad range of activities that occur within various stages of the prize lifecycle.

While prizes may not be suited to solve every type of problem, they offer a powerful complement to government agencies’ traditional channels of innovation. As the use of prizes in the government sector increases, new practices and novel ways of structuring competitions and partnerships will undoubtedly emerge. To share best practices, agencies are encouraged to collaborate by offering lessons learned from previous competitions and seeking opportunities to assist other agencies in conducting prizes when objectives overlap.

# 1nc econ nb

#### Privatization leads to increased innovation and quality that the government cannot access – spurs economic growth

**Edwards 09** (Chris, Director of Tax Policy Studies @ CATO Institute, M.A. in Economics, “Privatization”, February 2009 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.

#### Government involvement fails and stifles economic growth

Edwards, director of tax policy studies at Cato, 2011 (Chris, November 16th 2011, Testimony given to the Joint Economic Committee United States Congress about Federal Infrastructure Investment, <http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment>)

There are calls today for **more federal spending on infrastructure**, **but advocates seem to overlook the downsides of past federal efforts**. Certainly, there have been federal infrastructure successes, but there has also been a **history of pork barrel politics and bureaucratic bungling** in federal investment spending. A substantial portion of federal infrastructure spending has gone to low-value and dubious activities.

I've examined spending by the two oldest federal infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation.7 While both of those agencies constructed some impressive projects, they have also been known for proceeding with uneconomic boondoggles, **fudging the analyses of proposed projects**, and spending on activities that serve private interests rather than the general public interest. (I am referring to the Civil Works part of the Corps here).

Federal infrastructure projects have often suffered from large cost overruns.8 Highway projects, energy projects, airport projects, and air traffic control projects have ended up costing far more than originally promised. Cost overruns can happen on both public and private infrastructure projects, but the problem is exacerbated when multiple levels of government are involved in a project because there is less accountability. Boston's Big Dig — which exploded in cost to five times the original estimate — is a classic example of mismanagement in a federal-state project.9

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

When the federal government subsidizes certain types of infrastructure, the states want to grab a share of the funding and they often don't worry about long-term efficiency. High-speed rail is a rare example where some states are rejecting the "free" dollars from Washington because the economics of high-speed rail seem to be so poor.11 The Obama administration is trying to impose its rail vision on the nation, but the escalating costs of California's system will hopefully warn other states not to go down that path.12

**Even if federal officials were expert at choosing the best types of infrastructure to fund**, **politics usually intrudes on the efficient allocation of dollars**. Passenger rail investment through Amtrak, for example, gets spread around to low-population areas where passenger rail makes no economic sense. Indeed, most of Amtrak's financial loses come from long-distance routes through rural areas that account for only a small fraction of all riders.13 Every lawmaker wants an Amtrak route through their state, and the result is that investment gets misallocated away from where it is really needed, such as the Northeast corridor.

Another problem is that **federal infrastructure spending comes with piles of regulations**. Davis-Bacon rules and other federal regulations raise the cost of building infrastructure. **Regulations also impose one-size-fits-all solutions** on the states, even though the states have diverse needs. The former 55-mph speed limit, which used to be tied to federal highway funds, is a good example. Today, federal highway funds come with requirements for the states to spend money on activities such as bicycle paths, which state policymakers may think are extraneous.14

Decentralizing Infrastructure Financing

The U.S. economy needs infrastructure, but state and local governments and the **private sector** are generally the **best** places **to fund and manage it**. The states should be the "laboratories of democracy" for infrastructure, and they should be able to innovate freely with new ways of financing and managing their roads, bridges, airports, seaports, and other facilities.

It is true that — like the federal government — the states can make infrastructure mistakes. But at least state-level mistakes aren't automatically repeated across the country. If we ended federal involvement in high-speed rail, for example, California could continue to move ahead with its own system. Other states could wait and see how California's system was performing before putting their own taxpayers on the hook.

A big step toward devolving infrastructure financing would be to cut or eliminate the federal gasoline tax and allow the states to replace the funds with their own financing sources. President Reagan tried to partly devolve highway funding to the states, and more recent legislation by Rep. Scott Garrett (R-NJ) and Rep. Jeff Flake (R-AZ) would move in that direction.15 Reforms to decentralize highway funding would give states more freedom to innovate with the financing, construction, and management of their systems.16

One option for the states is to move more of their **infrastructure financing to the private sector through** the use of **public-private partnerships** (PPP) and privatization. The OECD has issued a new report that takes a favorable view on the global trend towards infrastructure PPPs, and notes the "widespread recognition" of "the need for greater recourse to private sector finance" in infrastructure.17 The value of PPP infrastructure projects has soared over the past 15 years in major industrial countries.18

#### Economic collapse causes multiple scenarios for nuclear war

**Auslin, 9** (Michael, Resident Scholar – American Enterprise Institute, and Desmond Lachman – Resident Fellow – American Enterprise Institute, “The Global Economy Unravels”, Forbes, 3-6, http://www.aei.org/article/100187)

What do these trends mean in the short and medium term? The Great Depression showed how social and global chaos followed hard on economic collapse. The mere fact that parliaments across the globe, from America to Japan, are unable to make responsible, economically sound recovery plans suggests that they do not know what to do and are simply hoping for the least disruption. Equally worrisome is the adoption of more statist economic programs around the globe, and the concurrent decline of trust in free-market systems. The threat of instability is a pressing concern. China, until last year the world's fastest growing economy, just reported that 20 million migrant laborers lost their jobs. Even in the flush times of recent years, China faced upward of 70,000 labor uprisings a year. A sustained downturn poses grave and possibly immediate threats to Chinese internal stability. The regime in Beijing may be faced with a choice of repressing its own people or diverting their energies outward, leading to conflict with China's neighbors. Russia, an oil state completely dependent on energy sales, has had to put down riots in its Far East as well as in downtown Moscow. Vladimir Putin's rule has been predicated on squeezing civil liberties while providing economic largesse. If that devil's bargain falls apart, then wide-scale repression inside Russia, along with a continuing threatening posture toward Russia's neighbors, is likely. Even apparently stable societies face increasing risk and the threat of internal or possibly external conflict. As Japan's exports have plummeted by nearly 50%, one-third of the country's prefectures have passed emergency economic stabilization plans. Hundreds of thousands of temporary employees hired during the first part of this decade are being laid off. Spain's unemployment rate is expected to climb to nearly 20% by the end of 2010; Spanish unions are already protesting the lack of jobs, and the specter of violence, as occurred in the 1980s, is haunting the country. Meanwhile, in Greece, workers have already taken to the streets. Europe as a whole will face dangerously increasing tensions between native citizens and immigrants, largely from poorer Muslim nations, who have increased the labor pool in the past several decades. Spain has absorbed five million immigrants since 1999, while nearly 9% of Germany's residents have foreign citizenship, including almost 2 million Turks. The xenophobic labor strikes in the U.K. do not bode well for the rest of Europe. A prolonged global downturn, let alone a collapse, would dramatically raise tensions inside these countries. Couple that with possible protectionist legislation in the United States, unresolved ethnic and territorial disputes in all regions of the globe and a loss of confidence that world leaders actually know what they are doing. The result may be a series of small explosions that coalesce into a big bang.

# \*solvency\*

## neg solvency – generic

#### Privatization fills the costly needs for transportation, is safe, doesn’t link to politics and COMPANIES WANT TO INVEST

**Primack 11** (Dan Primack, Senior Editor for Fortune.com; former Editor-at-Large of Thomson Reuters, Why Obama Can’t Save Infrastructure, Fortune, <http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure>, Stumbris)

Here are two things we all can agree on about America's transportation infrastructure: (1) It is in desperate need of costly repairs, and (2) Our political leaders cannot agree on how to pay for them.

President Obama dove into the conversation this week, proposing $556 billion in new infrastructure spending over the next six years. Not only would it include money for road and bridge repair, but also high-speed rail development and the formation of a National Infrastructure Bank that would (hopefully) prevent the next Bridge to Nowhere from being federally funded.

It is an important step, considering that the American Society of Civil Engineers estimates that the nation's 5-year infrastructure investment need is approximately $2.2 trillion. Unfortunately, Obama didn't explain how the new spending would be paid for.

Increases in transportation infrastructure spending traditionally have been paid for via gas tax increases, but today's GOP orthodoxy is to oppose all new revenue generators (even if this particular one originated with Ronald Reagan). This isn't to say that Republicans don't believe the civil engineers – it's just that they consider their version of fiscal discipline to be more vital.

In other words, America's infrastructure needs are stuck in a holding pattern. That may be sustainable for a while longer, but at some point we need to land this plane or it's going to crash.

Luckily, there is a solution: State and municipal governments should get off their collective butts, and begin to seriously move toward partial privatization of their infrastructure assets.

Remember, the federal government doesn't actually own America's roads, bridges or airports (well, save for Reagan National). Instead, it's basically a piggy-bank for local governments and their quasi-independent transportation authorities. Washington is expected to provide strategic vision -- like Eisenhower's Interstate Highway System or Obama's high-speed rail initiative -- but actual implementation and maintenance decisions are made much further down the food chain.

Almost every state and municipal government will tell you that it doesn't have enough money to adequately maintain its existing infrastructure, let alone build new infrastructure. And, in many cases, existing projects are over-leveraged from years of bond sales.

At the same time, private investment firms are clamoring to fill the void.

Nearly $80 billion has been raised by U.S.-based private equity infrastructure funds since 2003, and another $30 billion currently is being raised to focus on North American projects, according to market research firm Preqin. Each of one those dollars would be leveraged with bank debt, and none of that includes the billions more available from public pension systems and foreign infrastructure companies.

For example, Highstar Capital last year signed a 50-year lease and concession agreement to operate the Port of Baltimore's Seagirt Marine Terminal. The prior year, private equity firm The Carlyle Group signed a 35-year lease to redevelop, operate and maintain Connecticut's 23 highway service areas. And in 2005, an Australian and Spanish company teamed up to lease The Chicago Skyway for $1.83 billion. That same tandem later acquired rights to the Indiana toll road.

But those are exceptions to the America's transportation infrastructure rule, which says that everything should be government-owned and operated. It's a rule grounded in fears that private investors will put profits over safety, plus a hefty dose of inertia.

Well, it's time for us to get over it.

First, we've already established that our current system isn't working. Again, $2.2 trillion in infrastructure needs. And if you haven't seen a crumbling or rusted out bridge somewhere, then you haven't been looking.

Second, it's counter-intuitive to think that a private investment firm wouldn't do everything in its power to make its transportation assets safe and efficient. Toll roads, airports and the like are volume businesses. One giant accident, and the return on investment could be irreparably harmed. This isn't to say that all of these projects will be successful -- there have been fiascos, like with Chicago's parking system -- but this is no longer a choice between private and public funding. It's a choice between private funding and woefully insufficient funding.

Third, local governments have the ability to structure these leases any way they see fit. For example, the Chicago Skyway deal includes an annual engineering checkup, and the private owners are obligated to make any recommended repairs. This also goes for pricing. In a failed privatization deal for the Pennsylvania Turnpike, prospective buyers agreed to certain parameters on future toll increases.

Most importantly, infrastructure privatization provides a solution to the current standoff between Obama and House Republicans -- by providing for investment to repair and maintain existing infrastructure, without requiring tax increases or enabling parochial pork.

But the benefits go far beyond the obvious. Privatization also may mean up-front payments that local governments can use to pay down existing project debt, while thoughtful leaders could set aside part of the proceeds to fund other infrastructure needs. Moreover, taxpayers no longer are on the hook for infrastructure-related risk (maintenance costs, liabilities, etc.).

I'm obviously not saying that any of this is easy. There are big barriers to privatization, including objections from those who currently run our toll roads, bridges, etc. (just ask those who lost the fight to lease out the Pennsylvania Turnpike in 2008).

But it's the best path forward for a nation that really could use more, and safer, paths.

#### PPPs are more efficient and faster than publicly funded projects

**CBO 12**, (Congressional Budget Office, “Using Public-Private-Partnerships to Carry Out Highway Projects,” http://www.cbo.gov/publication/42685)

Assessments of whether public-private partnerships can provide highway infrastructure more efficiently than traditional methods are challenging, in large part because of limited data and research. Only a few studies have focused on the private provision of a highway project—that is, on design and construction as well as on operations and maintenance. That research found that the use of the design-build type of public-private partnership slightly reduced the cost of building highways relative to the cost under the traditional approach and slightly reduced the amount of time required to complete the projects. The studies typically estimated that the cost of building roads through design-build partnerships was a few percentage points lower than it would have been for comparable roads provided in the traditional way. (However, estimates of such savings are quite uncertain, and the effect on costs of using design-build arrangements in the future could differ significantly from what the estimates in those studies imply.) Moreover, under such partnerships, many of the roads were built more quickly. Studies found that for projects with contracts valued at more than $100 million, the total time required to design and build the road declined by as much as a year on some projects—in part because the public-private partnership bundled the design and construction contracts and so eliminated a second, separate bidding process for the additional tasks.

#### PPPs are better in every way – faster, more cost efficient, and better risk management

**DFT 6** (Eddington Transport Study, Volume 4.4, “Engaging the Private Sector,” Department for Transport in the UK, http://webarchive.nationalarchives.gov.uk/+/http://www.dft.gov.uk/adobepdf/187604/206711/mainreport/mainreportvolume4.pdf/mainreportvol4chap44.pdf)

An important component of the assessment of major transport projects is the cost of construction. The true costs of implementing interventions can in some cases prove higher than were initially envisaged at the stage of the public investment decision. This may be due to poor cost estimation by the promoter, poor project management, or unexpected costs in delivery for which insufficient contingency has been allowed.International experience suggests that governments have often struggled with the effective planning and delivery of major capital investments. This is an area where the private sector, given its experience in the design, construction and delivery of large capital- intensive projects, on time and to budget has particular potential to add value, especially where the process of relying on project finance clearly incentivises performance. After construction the asset needs to be maintained. The long life of many transport investments requires strong attention to the issue of minimising whole life costs and the private sector is often better placed to plan and manage spending efficiently over a 25-30 year contract, than a public sector body with a shorter planning horizon. This can potentially be a substantial source of efficiency savings. This potential is recognised under the PFI model in the UK in the context of maintenance of street lighting and highways infrastructure where a number of such contracts have been let. The evidence also suggests that the private sector is able to: bring a broad range of skills to project delivery, including project  management, innovative design and risk management; and increase the likelihood of projects being delivered to time, as well as managing the cost risks. The NAO found that of the schemes they looked at, over 70 per cent of PFI projects were delivered on time and budget as opposed to just 30 per cent for non-PFI projects.

#### **PPP allows efficient transportation construction by avoiding fiscal obstacles**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

<http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a>)

The benefits of public-private partnerships are not limited to cost savings. By providing access to alternative financing sources, public-private partnerships can facilitate the construction of projects that might otherwise have been delayed or not built at all. In addition, the same efficiencies that produce cost savings often enable projects to be constructed faster. Completing a project faster minimizes public inconvenience and traffic disruption. In addition, a project constructed earlier than scheduled produces public safety benefits. Work zones are removed faster and the public is able to benefit from the additional capacity and safety improvements sooner. This section discusses the benefits a public-private partnership contributes to design and construction time-savings.The Battelle Report showed that innovative contracting methods can result in as much as a 50 percent time reduction in project duration when compared to the traditional design-bid-build approach.[[](http://www.fhwa.dot.gov/reports/pppdec2004/index.htm%22%20%5Cl%20%22ftn51%22%20%5Co%20%22)  For some projects this time-savings is a result of the innovative financing methods brought to the project by the private sector member of the team. The public-private partnerships can bring additional capital to a project and enable States to build transportation projects that they want and need to build, but are prevented from doing so due to fiscal constraints. Following is a discussion of public-private partnership methods and specific examples of projects built using public-private partnerships that realized significant time-savings as a result of innovative financing.

PPP allows projects to be done that would not be able to be done

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

<http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a>)

A recent General Accouting Office (GAO) report on private-sector participation in major projects found that transportation projects involving private investment or sponsorship were built sooner than they would have been had the private sector not become actively involved. For example, the GAO studied five private-sector toll-road projects and one monorail project, each of which had been on their respective federally-approved State transportation plans for periods ranging from 7 to 30 years.[[53]](http://www.fhwa.dot.gov/reports/pppdec2004/index.htm%22%20%5Cl%20%22ftn53%22%20%5Co%20%22) But for a public-private partnership, some of these projects might not have been built at all in light of other State transportation priorities.

#### PPP’s are empirically effective

**Galetovic, Fischer, Engel, February 2011,** Ronald Fischer, author from the

University of Chile in Santiago, Eduardo Engel, author from Yale University, Alexander Galetovic, author from the Universidad de los Andes in Santiago, *Public-Private Partnerships to Revamp U.S. Infrastructure,* The Hamilton Project, February 2011

Such partnerships between the public and private sectors have clearly caught on in governments abroad. As Figure 1 shows, PPPs in Europe increased sixfold, on an annual basis, between 1990 and 2005–2006. In certain countries, such as the United Kingdom and Portugal, PPPs now account for 32.5 and 22.8 percent, respectively, of infrastructure investment during the 2001–2006 period (see Table 1 While the transportation sector is the largest beneficiary of PPP investments, European countries have used PPPs for projects in defense, environmental protection, government buildings, hospitals, information technology, municipal services, prisons, recreation, schools,

#### US utilization of PPP’s could greatly improve transportation infrastructure

Puentes 11 (Robert Puentes, senior fellow with the Brookings Institution’s Metropolitan Policy Program where he also directs the Program's Metropolitan Infrastructure Initiative; the Initiative was established to address the pressing transportation and infrastructure challenges facing cities and suburbs in the United States and abroad, “A Path to Public Private Partnerships for Infrastructure”, Brookings, 12-9-11, <http://www.brookings.edu/up-front/posts/2011/12/09-infrastructure-puentes-istrate>, KG)

For one, the United States needs to take better advantage of and facilitate the use of public/private partnerships (PPPs) for investments. A poll by the financial advisory firm Lazard shows strong willingness for public entities to consider private investment in infrastructure. However, our recent Brookings report shows that the United States lags in this area. In the quarter-century from 1985 and 2011, there were 377 PPPs in the U.S., a scant 9 percent of total amount of infrastructure PPPs around the world.¶ The problem is not just the unwillingness to consider these arrangements. Increasingly, it seems to be an institutional challenge as public entities are ill-equipped to execute such deals while at the same time fully protecting the public interest. As a result, nothing gets done.¶ Today the private sector is seeking more legislative certainty prior to bidding on projects and has little appetite for negotiating transactions that are subject to legislative or other major political approvals. While 31 states have PPP enabling legislation for highways, roads and bridges, and 21 for transit projects, the wide differences between them makes it time-consuming and costly for private partners wishing to engage in PPPs in multiple states to handle the different procurement and management processes.¶ The United States should learn from the experiences of the 31 other countries that have established specialized units throughout various governmental agencies to assist with the expanding opportunities for PPPs. These so‐called PPP Units fulfill different functions such as quality control, policy coordination, and promotion. In the U.S., the primary purpose would be to provide technical, non‐binding information, assistance and advice to states and metropolitan governments.

#### Private companies save money and increase longevity of infrastructure

Goldsmith 11 (Stephen Goldsmith, New York City Deputy Mayor for Operations, “Infrastructure Investment and U.S. Competitiveness”, Renewing America, 4-5-11, <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, KG)

Unfortunately, this pattern has been repeated for decades, and the accumulation of deferred maintenance and deferred investment in future infrastructure has led to an unsatisfactory status quo. To ensure America's future competitiveness in the global marketplace, we must rethink our approach to the construction and financing of infrastructure. And in this policy area, many of the most promising ideas for unlocking public value involve public-private partnerships. The key question in a debate about infrastructure should be: "How can we produce the most public value for the money?" Answering this question should lead us to pursue both operational and financing innovations. The private sector has an important role to play in both. Public officials can produce more value for the dollar by better structuring the design, construction, operation, and financing of infrastructure projects that produce more lifecycle benefits and fewer handoffs among various private parties. A private partner can often achieve savings for government by identifying operational efficiencies and assuming risk formerly held by the public sector. Unlike the traditional model for bridge construction in which one firm designs, one firm builds, one company finances, and the public maintains, an arrangement which gives the private firm an ongoing responsibility for maintenance or durability will encourage design optimization and likely increase the length of the asset's lifecycle.

#### Federal advisory board states private companies are more effective – reduced cost and innovation

**DoT 07** (Department of Transportation Case Studies of Transportation Public-Private Partnerships around the World Private companies provide better projects

<http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

Private contract services are fee-based arrangements between public agencies and the private sector for services that are typically performed in-house, such as planning and environmental studies, program and financial management, and/or operations and maintenance. While traditionally performed by public employees, maintenance services are increasingly being outsourced to private companies. A maintenance contract assigns responsibility for facility upkeep to a private company based on specified performance standards for a certain period of time, often for five years. These contracts generally are awarded on a competitive bid process to the contractor offering the best price and qualifications. The potential benefits of fee-based private contract services include: · Reduced work load for agency staff; · Potential for reduced costs; and · Opportunities to apply innovative technologies, efficiencies, and private sector expertise

#### Transit PPP’s will be more developed

**DoT 07** (Department of Transportation Case Studies of Transportation Public-Private Partnerships around the World Private companies provide better projects

<http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

Transit-oriented development (TOD) is commercial and residential development that is a consequence of proximity to an existing or recently opened transit station or terminal. TODs may involve the partnership of private developers with local governments, development agencies, and transit agencies in order to enhance the land use surrounding a transit facility. Transit agencies or local governments frequently own land located near existing or future transit facilities that is not being used, or could be put to a higher use. Developers are continuously looking for new development opportunities, and the location of available land with good access to transit is attractive for new development or re-development. With TOD, the private developer is solely responsible for the financing and risks associated with constructing the development on publicly owned land. Local governments may also play a role beyond that of land owner; they can provide incentives to developers in the form of density bonuses, rezoning, relaxing parking requirements, and streamlining regulatory requirements. It takes the commitment, communication, and coordination of all these public and private groups to make TOD successful. The benefits of TOD are quite varied and extend well beyond transit usage. Exhibit 2.6 summarizes the primary and secondary benefits from the perspective of the public and private sectors.

#### PPPs Can Overcome financial constraints

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<http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

Many projects proposed by public entities are postponed or do not proceed due to limited financial resources, and in particular, the provision of upfront capital. PPPs provide an advantage with respect to financing by allowing the private sector to finance projects using private funds, in effect providing a form of off-balance sheet financing for public agencies. In turn, financing commitments from the private sector often bring forward the development of projects that may otherwise not proceed due to a lack of capital.

#### Faster delivery makes PPPs more advantageous

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<http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

PPPs can expedite the financing and delivery of transportation projects through the involvement of the private sector in these phases of a project, that lower project costs by avoiding inflationary cost increases, applying best practices and new technology, and transferring more technical and other risks to the private sector which is often better able to manage these risks. The private sector has an incentive to minimize construction delays in order to minimize costs and bring forward their revenue stream. Contract conditions including early completion bonus payments and the inclusion of the construction period within the concession period can provide further incentives to bring forward delivery.

#### PPPs are more innovative

**DoT 07** (Department of Transportation Case Studies of Transportation Public-Private Partnerships around the World Private companies provide better projects

<http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

Private sector involvement encourages the development of new and creative approaches to financing, economies of scale, development, implementation and operation/maintenance. The private sector can also offer expertise in project, operational and risk management. In particular, financial markets have become savvy in the methods that they use to structure finance to suit infrastructure projects through the use of stepped margin and indexed bonds.

#### Better Risk management

**DoT 07** (Department of Transportation Case Studies of Transportation Public-Private Partnerships around the World Private companies provide better projects

<http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

PPPs allow public sponsors to share project risks with the private sector. In the risk sharing process, public sponsors can pass risks that may be more effectively managed by the private sector while retaining risks where it is in a better position to manage them or deal with their consequences. For instance, the private sector may be more effective in managing the variance in construction, operating, and maintenance costs while public agencies may be more effective in managing public liability, environmental clearance, and permitting risks.

#### Private sector more efficient and better technology

FHWA 2011 (Federal Highway Administration, “Status of Nation’s highways, bridges, and Transit; 2006 Conditions and performance.” April 4, 2011. <http://www.fhwa.dot.gov/policy/2006cpr/es13.htm>)

States are increasingly looking to the private sector as another potential source of highway and transit funding, either in addition to or in concert with new credit and financing tools. The private sector often has expertise that may not be readily available in the public sector that can bring innovation and efficiency to many projects. A variety of institutional models are being used including (1) concessions for the long-term operation and maintenance of individual facilities or entire highway systems; (2) purely private sector highway design, construction, financing, and operation; and (3) Public-Private Partnerships (PPPs) in designing, constructing, and operating major new highway systems. Options for PPPs stretch across a spectrum of increased private responsibilities and range from transferring tasks normally done in-house to the private sector, to combining typically separate services into a single procurement or having private sector partners assume owner-like roles.

#### The private sector can provide and operate critical facilities cheaper and more efficiently than the federal government.

**RREEF 06**RREEF is the brand name of the real estate and infrastructure division for the asset management activities of Deutsche Bank AG. In the US this relates to the asset management activities of RREEF America L.L.C.; in Australia: Deutsche Asset Management (Australia) Limited (ABN 11 076 098 596) Australian financial services license holder;

in Hong Kong: Deutsche Asset Management (Hong Kong) Limited (“DeAMHK”); in Japan: Deutsche Securities Inc.; and in the United Kingdom: RREEF Limited, DB Absolute Return Strategies Limited and DWS Investment Trust Managers Limited; in addition to other regional entities in the Deutsche Bank Group. "Benefits of Privatization"

<http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr_Priv_Pub_Policy_Issues.pdf>

A perception or belief that private enterprise can develop and/or operate critical

facilities more cheaply and efficiently than public agencies.

• Provide a source of capital to fund needed infrastructure that would otherwise need

to be funded through tax revenue or public financing.

• In the case of an outright sale, provide cash to bolster public finances or to be used

for other public needs.

• To provide the revenue to maintain the infrastructure over time.

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.

#### Private sector more efficient and better technology

FHWA 2011 (Federal Highway Administration, “Status of Nation’s highways, bridges, and Transit; 2006 Conditions and performance.” April 4, 2011. <http://www.fhwa.dot.gov/policy/2006cpr/es13.htm>)

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## neg solvency – airports

#### Private companies are more effective in airport infrastructure – solves better than the federal government

Robert W. **Poole**, Jr, October/19**94** (Robert Poole holds two engineering degrees from MIT and has previous experience in the aerospace industry. As president of the Reason Foundation since 1978, he has written and consulted on transportation issues in the United States and overseas.) ([**http://reason.org/files/ef0083ff217c54e9ee0068e0b63f310a.pdf**](http://reason.org/files/ef0083ff217c54e9ee0068e0b63f310a.pdf))

**Increasingly, airports are being viewed as enterprises, rather than as public services which are expected, at best, to break even. Around the world,** governments **in both developed and developing countries are turning to the private sector for airport management and development. Municipal and state governments in this country can use the private sector to improve airport operations in several ways. For existing airports, the simplest form of privatization is contracting out management of the airport on a relatively short-term basis. Larger economic benefits can generally be obtained via a long-term lease or sale of the airport, increasingly common overseas. To create new airport facilities (or entirely new airports), the private sector can be granted either a long-term or perpetual franchise to finance, design, own, and operate those facilities. These techniques can also be used to convert military bases to commercial airports. Federal airport grant (AIP) funds for capital investment projects can be used at all types of privatized airports, but so-called entitlement grants (based on passenger or cargo volume) are only available if government retains underlying ownership of the airport (which still permits management contracting or long-term leases). Tax-exempt bonds may remain in place when an airport is privatized, and in some cases tax-exempt financing can be used for new airport privatization projects. The benefits of a more entrepreneurial approach to airport management include increased operating efficiency, increased airport revenues, improved airport amenities, possible new revenue streams for state and local governments, and reduced risk of developing uneconomic (white-elephant) projects. Airlines, passengers, private-plane owners, and taxpayers can all benefit from this new approach to airport management.**

#### PPP’s solve airport infrastructure – cost effective and efficient

**Airport Data Systems 99** (Airport Data Systems, 3/7/1999, <http://www.airportweb.com/serv04.htm>, This person was a part in a PPP and he ended up being good shows the effectiveness of managing in the airports)

ACA's President, John P. Kennedy, has been involved with public/private partnerships in airport management since 1973 when he became Vice President of Pan Am World Services’ General Aviation Services Division (now known as American Port Services or Amport). In this capacity, Mr. Kennedy took over the management of Teterboro Airport via a lease agreement with the Port Authority of New York and New Jersey, conducted a similar operation with the City of New York at its East 60th Street Heliport in Manhattan, and in 1977, he bid and won for Pan Am the management contract for Westchester County Airport. He was personally responsible for establishing the management structure and staffing at each facility and for the Division’s headquarters. Mr. Kennedy was also responsible for the operational and financial performance of these facilities and, therefore, highly motivated to provide an organizational structure and management environment that produced maximum operational and financial performance in an orderly, sound environment at reasonable costs. The combined operation of the three facilities was equivalent to the activity at Atlanta - Hartsfield. The basic structures Mr. Kennedy put in place at those facilities remain in place today with continuing sound operational and financial performance results. During his tenure from 1973 through 1982, all three facilities progressed from losing operations to substantially profitable ones. Relations with tenants were also substantially improved. In 1980, Mr. Kennedy drafted and negotiated management contracts with the State of New York to operate two airports for it during the 1980 Winter Olympics in Lake Placid. Since founding ACA, Mr. Kennedy has been involved with the New York State Department of Transportation in the private contract management and development of Stewart International and Republic Airports as previously discussed, in the public acquisition and management of Palwaukee and Sugar Land Municipal Airports, the privatization of Alliance Airport, the privatization of the City of Phoenix FBO facilities and in military airport conversion analyses conducted for Hamilton and Ellington Air Force Bases. It is important to note that each of these public/private partnerships are different in substantive terms and conditions, ownership interests transferred, services to be rendered, length of term, development of capital projects and rents and fees to be paid to the airport proprietor.

## neg solvency – energy

#### PPPs have empirically been used for energy projects – CP solves

**Reed et al 10** James, [U.S. Representative](http://en.wikipedia.org/wiki/United_States_House_of_Representatives) from [Arkansas' former 6th congressional district](http://en.wikipedia.org/wiki/Arkansas%27s_6th_congressional_district), Jaime Rall, National Conference of State Legislators, Nicolas J Farber, transportation Policy Associate. National Conference of State Legislatures “Public Private Partnerships for Transportation: A Toolkit for Legislators” http://www.ncsl.org/documents/transportation/PPPTOOLKIT.pdf

Projects with many different missions may be deliverable through PPPs. This report focuses on PPPs for transportation projects—especially highways—but these partnerships have been used in many sectors worldwide, inclng building or modernizing schools, hospitals and other health care facilities, traditional and renewable energy projects, water and wastewater utilities, government buildings, prisons, police and fire stations, and national defense projects. In the trans­portation sector, PPPs can help deliver diverse highway and bridge, rail, mass transit, aviation, ferry and port projects. PPPs are not appropriate for every project, however; in fact, less than 20 percent of transportation infrastructure is likely to be deliverable through PPPs (see also Principle 6).12

## neg solvency – highways

PPPs are viable for highway systems

ITSP in 09 (International Technology Scanning Program, “Public-Private Partnerships for Highway Infrastructure: Capitalizing on International Experience” published March 2009)

Highway PPP arrangements, particularly in the most mature markets, are not exclusively financial transactions; rather, they are the selected project delivery strategy based on a value-for-money or feasibility analysis. In the majority of the countries visited, this perspective was either firmly held or gaining traction. In nearly all cases, the government determines that a PPP arrangement is the preferred method of delivery based on a systematic analysis and selection methodology.

PPPs are a critically important and growing percentage of the national highway network.

A moderate percentage of the overall highway and roadway networks are under PPP arrangements, but the PPP segments are typically critical components of the national or regional system for vehicular mobility.

Highway PPP arrangements do not automatically require user fees**.** The scan team found that various sources of funds are used throughout the world— from exclusively real tolls to a combination of real tolls and shadow tolls to exclusively shadow tolls or direct-payment mechanisms (often principally availability based).

#### **PPP empirically successful – key to highway infrastructure**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a)

Public-private partnerships are not a new concept to transportation infrastructure development. For highways, the private sector historically had an important role in highway construction operation and financing. Although the role of the private-sector in highway financing and operation declined in the mid-part of the 19th century, in the late 1980’s, private-sector involvement in these cases remerged. As Federal and State highway funding becomes more constrained, and as the need for highly efficient surface transportation systems continue to grow, the role of the private sector will continue to reemerge.

## neg solvency – hsr

#### PPP solves all the aff, better - design, operation, maintenance, and funding

Richard R. Geddes is an associate professor in the Department of Policy Analysis and Management at Cornell University, and an Adjunct Scholar for the American Enterprise Institute, 12-6-2011 [“The Federal Railroad Administration’s High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned”, Testimony before the House Committee on Transportation and Infrastructure ]

In thinking about future efforts, two useful distinctions in the use of PPPs for HSR in the United ¶ States should be made. The first is between provision of the underlying infrastructure versus ¶ operating services. PPPs can be applied to operations in a straightforward manner. This ¶ includes such tasks as actual train operation, ticketing, advertising and marketing, as well as ¶ providing new rolling stock where necessary. It may also include the maintenance of right of ¶ way and stations. As noted, competitive bidding among private train operating firms can take ¶ place on the basis of various criteria, such as the lowest fares or, if optimal fares are predetermined, on the basis of the size of an upfront concession payment that can then be applied ¶ to infrastructure improvements. ¶ A second type of PPP is already in widespread use, which utilizes private assistance to design,¶ build, and renovate the rail infrastructure on which passenger trains operate. In bidding out this ¶ second type of PPP, policy makers should pay close attention to how the design of the rail ¶ infrastructure affects train operations.

#### PPP structure is key to success – results in lower prices and better quality product

Tony Dutzik and Jordan Schneider, Tony Dutzik is senior policy analyst with Frontier Group. His research has focused on climate and energy policy, transportation, privatization of government services, and state-based approaches to public policy challenges. His reports have received national media attention - gaining coverage in the New York Times, the Wall Street Journal, the Philadelphia Inquirer and other major newspapers - and have helped lay the groundwork for reforms such as state adoption of enhanced emission standards for cars. Jordan Schneider is an analyst in the Frontier Group Santa Barbara office., Summer 2011, The Frontier Group, High-Speed Rail:Public, Private or Both?, http://cdn.publicinterestnetwork.org/assets/85a40b6572e20834e07b0da3e66e98bf/HSR-PPP-USPIRG-July-19-2011.pdf

Private sector participation in government¶ infrastructure projects is only likely to¶ be beneficial in cutting costs, improving¶ quality, and mitigating risk if private sector¶ firms are forced to compete against one¶ another for the projects. It is also likely to¶ be beneficial only to the extent that the¶ projects do not become “too big to fail” and¶ the state does not become locked into partnerships¶ with particular private entities.¶ PPP projects must be structured in such¶ a way as to attract multiple competitive¶ bids. In Portugal, for example, the signaling¶ and communications contract was bid¶ out on a national—rather than regional—¶ basis in part based on the assumption that¶ there were a limited number of global firms¶ willing and able to bid for the contract. In¶ the Netherlands, the process of bidding¶ out the substructure contracts *appeared¶* to be competitive, with various consortia¶ ultimately winning the contracts. Unfortunately,¶ those consortia were largely¶ made up of different configurations of the¶ same few companies, which pursued anticompetitive¶ practices during the bidding¶ process.87¶ Breaking high-speed rail projects into¶ smaller pieces to enable a variety of firms¶ to compete is not without drawbacks, since¶ doing so creates additional interfaces requiring¶ coordination among various actors.¶ However, it does reduce the chances that¶ the state will be “locked in” with a single¶ contractor on a project that is “too big to¶ fail,” and increases the chances that competition¶ among firms will result in lower¶ prices and better quality.

## neg solvency – monorail

#### Private sector solves monorail project better

**AMP 12** (American Monorail Project, 2012, “The American Monorail Project”, <http://www.theamericanmonorailproject.com/venture-strategies/federal-transportation-matching-funds-applied-to-joint-ventures-tax-incentives-and-supplemental-funding-of-monorail-projects>)

Once funded and built, operation and maintenance of new transportation facilities and systems becomes the fiscal responsibility of local and regional transportation authorities, and the local governments they represent. Failure to plan and design self-sustaining public transportation systems inevitably leads to operating deficits and reduction of service, which can only be offset by subsidies derived from funding reallocation or tax increases. Deficit operational performance only adds to short falls in servicing the ever-increasing debt that local and regional governments are assuming as they leverage bonds, taxes and other transportation authority commitments of public funds in efforts to fast track or expand the scope of transportation developments under their jurisdiction. Monorail systems can be developed and placed in service in approximately three years, while light rail generally takes twice as long to fully complete, and subways may require ten to twenty years from environmental study to public operation. Combined with maintenance and operational costs at 5-10% of all types of passenger rail systems, the distinct economic advantages of monorail system development, technology and operational efficiency present transportation authorities with alternatives that should be addressed and considered in every mass transportation situation and development campaign. Monorail system development can leverage federal funds by strategically applying a fraction of the typical amounts of federal transportation dollars to defraying limited local government expenditures incurred in the assembly of right of way, environmental impact study, planning, permit issuance, inspection, utility and infrastructure relocation, project oversight and other governmental functions required for successful implementation of new monorail systems and services. Built and put into service by private monorail development companies, new monorail systems could be operated and maintained by private monorail operators; or turned over to local transportation authorities under BOOT, Build-Own-Operate-Transfer agreements, or similar processes that would employ the efficiencies and cost effective advantages of the private sector to implement public transportation infrastructure and services. Local governments and public transportation agencies should be aware that transfer of system operations to public entities may change the property tax status, and possibly curtail several sources of tax revenue from the system’s guide ways, facilities and service operations. The need for comprehensive, long-term planning of debt service and operating revenue sufficient to maintain transportation services at optimal levels is critical to the future of public mass transportation. Under current planning and funding regimes, the long-term viability and sustainability of new transportation services appears to be systematically stunted, and dependent on ever-increasing subsidy, revenue diversion and tax increases. The self-limiting, self-defeating nature of such planning is illustrated by the proposed commitment of thirty years of future sales tax revenues to servicing an $8.8 billion federal loan to fund a ten-year accelerated Los Angeles County MTA development program, that would only serve to compound the long-term indebtedness of LACMTA and the taxpayers of Los Angeles County. Shifting of long-term debt obligations increasingly onto local taxpayers has in large part paralleled the change in the federal-local shares of transportation funding, as well as, the diminishing solvency of local government. In view of the perpetual deficit condition of virtually every MTA service and program, the shifting of current development expenditures into long-term debt service will inevitably exacerbate future budget shortfalls, while forfeiting all opportunities to change plans or reallocate tax revenues to more productive or appropriate uses.

## neg solvency – seaports

#### Private sector solves seaports

Paul Scott **Abbott**, 20**10** (Editor, AAPA Seaports Magazine)

(<http://www.aapaseaports.com/article.cgi?id=19005>) *ja*

Interest of private enterprise in ports is now extending beyond that of ocean carriers and terminal operators - such as Ports America and its concessions for Port of Oakland and Port of Baltimore berths and, most recently, the agreement of Philippines-based International Container Terminal Services Inc. to operate Terminal 6 of the Port of Portland, Ore. - to encompass entities not traditionally associated with seaports.CenterPoint Properties Trust's executive vice president for infrastructure and transportation, Neil Doyle, told Tampa workshop attendees that he sees integrated intermodal centers driving port volumes, with, for example, multimodal facilities his firm has in Illinois directly spurring Virginia port volume growth. Enhanced rail corridors, on which railroads are spending billions of dollars, with an added boost from state and federal sources, will provide swifter links and allow moves of double-stacked containers from ports to inland centers.Oakbrook, Ill.-based CenterPoint has been so enthusiastic, even amid the recession, that it last year made a $3.5 billion concession offer for Virginia Port Authority container facilities - an offer succeeded by a similarly unsolicited proposal from a Washington-based private equity firm, the Carlyle Group. VPA officials are still mulling the offers.In April, CenterPoint, which largely is owned by the California Public Retirement System, made a $3.5 billion offer to enter into a 60-year partnership with the Port of Galveston, a bid that that port's director, Steven M. Cernak, said would be carefully considered.And other ports are actively seeking private investment, including the efforts of the Commonwealth of Pennsylvania soliciting a private partner for the Philadelphia Regional Port Authority's new Southport marine terminal. That initiative was announced May 12, the same day the Port of Portland signed its 25-year lease with ICTSI.

#### Investors interested in ports

Orski 2008 (C. Kenneth Orski editor and publisher of Innovation Briefs, “Private Investment, Tolls Will Play an Increasing Role in Funding Tomorrow's Transportation Infrastructure” <http://news.heartland.org/newspaper-article/2008/07/01/private-investment-tolls-will-play-increasing-role-funding-tomorrows-tr>, 7/1/2008, SN)

Ports also have come to be recognized as a sound investment by global capital markets. Institutional investors with long-term investment horizons see container port facilities as safe investments offering returns comparable to those from fixed income and real estate. The growing scarcity of deep water port capacity, environmental obstacles to building new "greenfield" ports, and the prospect of Panama Canal expansion have enhanced the value of existing port facilities on the eastern seaboard and raised expectations of higher earning potential.

## neg – usfg fails

#### PPP solve – government involvement prevents effective infrastructure projects

(CRS Report for Congress “Public-Private Partnerships in Highway and transit Infrastructure Provision, July 9, 2008. CL)

<http://cdm15025.contentdm.oclc.org/cdm/singleitem/collection/p266401coll4/id/3136/rec/19>)

However, these same types of PPPs may also have a longer term effect on the network as a result of their influence on decisions about what to build and where, that is the infrastructure planning process. Proponents of PPPs argue that private sector investment not only will generate more resources for transportation, but will result in resources being committed to the most effective projects. It is frequently argued that because of the political process, government funding of transportation infrastructure is spread too widely, or worse, is spent on cost-ineffective projects. A number of studies have shown, for example, that geographic equity is often a basis for distributing transportation funding and selecting projects. Private sector investments on the other hand, it is argued, would focus on projects that have the greatest potential economic returns. Foremost among these are congestion relief projects in places where demand is significantly greater than supp

#### PPP Avoids government failure

Julie Borowski, Policy Analyst at FreedomWorks. government affairs associate at Americans for Tax Reform, August 19, 2010 Government Run High-Speed Rails Will Likely Be a Disaster, Freedom Works, http://www.freedomworks.org/blog/jborowski/government-run-high-speed-rails-will-likely-be-a-d

For years, government has been subsidizing transportation with no track record of success. Wonder how successful a government high-speed rail system will be? Chances are that we need to look no further than the government failure of Amtrak for the answer. Despite the fact that the majority of trains remain fairly empty, government run Amtrak runs an abundance of trains daily. In fact, Amtrak actually loses money on [41 out of 44](http://reason.com/blog/2009/10/27/riding-the-subsidized-rails-of) of their train routes. Taxpayers are forced to pay [$32](http://sunlightfoundation.com/presscenter/articles/2009/10/27/study-amtrak-loss-comes-32-passenger/) per Amtrak passenger to make up for these losses. Even still, riders often complain about spotty Amtrak service and [frequent delays](http://www.washingtonpost.com/wp-dyn/content/article/2010/04/22/AR2010042205620.html).

#### USFG will fail due to budget restraints, Private Sector still Solves

**DOT 07** (United States Department of Transportaion Federal Highway Administration, Case Studies of Transportation Public-Private-Partnerships around the World, 7/7/07, <http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

Many projects proposed by public entities are postponed or do not proceed due to limited

financial resources, and in particular, the provision of upfront capital. PPPs [Public Private Partnerships] provide an advantage with respect to financing by allowing the private sector to finance projects using private funds, in

effect providing a form of off-balance sheet financing for public agencies. In turn, financing

commitments from the private sector often bring forward the development of projects that may

otherwise not proceed due to a lack of capital

#### Government fails at making making worthwhile investments

**Feigenbaum 12** (7/6/1, Baruch Feigenbaum, Reason Foundation, “Problems with the Governmnet’s Transportation Investment Generating Economic Recovery Grants”, <http://reason.org/news/show/problems-with-the-governments-trans>, Policy analyst at the Reason Foundation. He specializes in transportation policy)

As before, many extremely questionable projects were funded. Using a strict cost-benefit analysis model, the department would not have awarded $5,000,000 to Concord, N.H. (population 40,000) to improve livability and construct a snow-melting system. The transportation benefits of awarding $18,000,000 to a 1.4 mile Fort Lauderdale, Fla. streetcar that will serve a maximum of 2,800 daily passengers and be located several miles from a commuter-rail line and BRT line are non-existent. While Native Americans from the Turtle Mountain Band of Chippewa have a distressing 69 percent unemployment rate, a $4,000,000 grant that repaves a highway and adds bike/pedestrian lanes will neither improve transportation nor stimulate economic development for them. Finally, House Minority Leader Nancy Pelosi received $10,000,000 to fill gaps in the transportation network of the University of San Francisco's new medical center. This local project should be funded with local resources. Since school leaders have successfully secured millions of dollars in donations to build the complex, they should be able to find another $10,000,000 for transportation network gaps. The only reason these gaps needed to be filled is because of the new hospital. This project likely would not have been funded if Nancy Pelosi - representing California's 8th Congressional district - were not minority leader.

#### Federal government fails

[Leonard **Gilroy**](http://reason.org/experts/show/leonard-gilroy)**and**[Harris **Kenny**](http://reason.org/experts/show/harris-kenny)**,** 5/ 24/ **2012** (Leonard Gilroy is the director of government reform and Harris Kenny is a policy analyst at Reason Foundation, a Los Angeles-based think tank. Gilroy and Kenny are both editors of Reason's[Annual Privatization Report 2011](http://reason.org/reason.org/apr2011)) **(**[**http://reason.org/news/show/states-and-cities-going-private-wit**](http://reason.org/news/show/states-and-cities-going-private-wit)**)**

**States and municipalities across the U.S. continue to grapple with the lingering effects of the Great Recession. City leaders continue to struggle with depressed revenues, and 30 states are expected to close budget deficits totaling $49 billion this year, according to the Center on Budget and Policy Priorities. Further, many government bodies are struggling to maintain their credit ratings in an uncertain economy. As public debts grow, cities and states simultaneously face pressing needs to repair and modernize critical infrastructure assets that can't wait if citizens hope to keep goods and services moving in the economy. For example, many interstate highways, which are owned and maintained by states, are reaching the end of their useful lives and will cost tens of billions of dollars to reconstruct. Yet, projected federal and state fuel tax revenues will come nowhere close to covering the bills. When factoring in similarly large investment needs in water, aviation, schools and other public infrastructure facilities, it becomes abundantly clear that new infrastructure financing models and sources of capital will be the only viable option to support and sustain growth. While governments continue to struggle even with the basics of balancing budgets, much less long-term crises like entitlement spending and underfunded public pensions, the question is not if, but when, will more policymakers like Fortuño and Emanuel step up and embrace the private sector? Infrastructure represents the arteries and capillaries of our economy, and if we let those deteriorate, the heart itself will soon follow.**

## neg at: bad infrastructure

#### **PPP innovation means the cp solves better than the plan – also leads to higher quality infrastructure**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

<http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a>)

In contrast to traditional contracting methods, public-private partnerships have more flexibility to maximize the use of innovative technologies that will lead to increases in quality and the development of faster and less expensive ways to design and build highway facilities. This section examines the benefits that can occur when contractors are given greater flexibility to employ innovative materials and techniques. The traditional contracting approach has limited opportunities for contractors to incorporate innovative materials and techniques in the design and construction of transportation projects. The Federal government and many State governments have constraints on their procurement methods that have the unintended result of limiting access to new technologies and techniques. “Lowest price” on bids is often required, even when “best value” would be a more effective approach. Restrictions on the participation of Federal funds in payment for premiums or royalties on patented or proprietary material limits a State’s ability to use newer technologies on projects. Outside of government procurement, the private sector is not constrained by these laws and regulations. The private sector also has access to product and trade secrets available to the public sector, and these can be quickly and easily incorporated into public-private partnerships. Innovative contracting methods often give the contractor additional freedom to decide the best method and material for the project, while the State highway agency provides the direction on the performance, schedule and cost. Greater flexibility and less rigid prescriptive specifications give the contractor freedom in other areas of the project. The departure from the traditional contracting approach allows designers and builders to take advantage of the advances in technologies and techniques relating to construction materials, equipment, and design methods. These innovative techniques and materials improve the quality and reduce the duration of the construction project, and normally result in lower life-cycle costs.

#### **PPP solves – avoids fiscal constraints and ensure high quality infrastructure**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

<http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a>)

An increasing number of States are discovering the many advantages of public-private partnerships. This chapter begins by highlighting the cost and time savings of projects built using public-private partnership. It then explores the factors that contribute to these savings. These factors include the flexibility to use private sector financing and intellectual capital, the allocation of risk to the party best able to manage it, and the incorporation of life-cycle costs in the price of the projects. Public-private partnerships provide greater flexibility in the design, construction and maintenance of transportation facilities through the use of innovative financing, design, and contracting techniques. As a result, they have the potential to deliver higher quality transportation projects faster and cheaper than through traditional contracting and financing methods. Importantly, public-private partnerships can facilitate the construction of projects that have been sidelined due to fiscal constraints.

## neg at: data solvency deficit

#### Tax breaks reveal a natural relationship for public-private projects

Puentes 11 (Robert Puentes, senior fellow with the Brookings Institution’s Metropolitan Policy Program where he also directs the Program's Metropolitan Infrastructure Initiative; the Initiative was established to address the pressing transportation and infrastructure challenges facing cities and suburbs in the United States and abroad, “Move It: How the U.S. Can Improve Transportation Policy”, Brookings, 5-23-11, <http://www.brookings.edu/research/opinions/2011/05/23-transportation-policy-puentes>, KG)

We need to change the system to reward innovation and efficiency, and have a public-private partnership to get this kind of technology deployed across the country. In a sense, we just need to encourage more of what's already going on in some places. Already, public entities buy technology from private companies and put it in the field. And public entities share their data with companies to develop new technologies, such as systems that track buses on their routes. Give municipalities ample rewards for getting efficient, such as grants and tax breaks, and this back-and-forth will happen naturally.

## neg at: delay/cost overrun

#### Private sector is best – checks delays and cost overruns

**DOT 07** (United States Department of Transportaion Federal Highway Administration, Case Studies of Transportation Public-Private-Partnerships around the World, 7/7/07, <http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

PPPs [Public Private Partnerships] can expedite the financing and delivery of transportation projects through the involvement of the private sector in these phases of a project, that lower project costs by avoiding inflationary cost increases, applying best practices and new technology, and transferring more technical and other risks to the private sector which is often better able to manage these risks. The private sector has an incentive to minimize construction delays in order to minimize costs and bring forward their revenue stream. Contract conditions including early completion bonus payments and the inclusion of the construction period within the concession period can provide further incentives to bring forward delivery

#### Private Sector More Cost-Effective

DOT 07 (United States Department of Transportaion Federal Highway Administration, Case Studies of Transportation Public-Private-Partnerships around the World, 7/7/07, <http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

The private sector has an incentive to ensure its operations are as cost efficient as possible. Inparticular, the private sector is often better at managing third-party usage of facilities, thus reducing the net cost of a facility to transportation agencies. A private operator would also be motivated to increase the productivity and return from assets, with greater interest in implementing practices such as yield management and demand management when limited capacity exists and is expensive to create Integration of Project Development and Delivery The potential integration of design, construction, maintenance, and operation provides incentives for the private sector to optimize expenditure and maximize innovation to achieve the greatest

#### PPPs are more efficient and faster than publicly funded projects

**CBO 12**, (Congressional Budget Office, “Using Public-Private-Partnerships to Carry Out Highway Projects,” http://www.cbo.gov/publication/42685)

Assessments of whether public-private partnerships can provide highway infrastructure more efficiently than traditional methods are challenging, in large part because of limited data and research. Only a few studies have focused on the private provision of a highway project—that is, on design and construction as well as on operations and maintenance. That research found that the use of the design-build type of public-private partnership slightly reduced the cost of building highways relative to the cost under the traditional approach and slightly reduced the amount of time required to complete the projects. The studies typically estimated that the cost of building roads through design-build partnerships was a few percentage points lower than it would have been for comparable roads provided in the traditional way. (However, estimates of such savings are quite uncertain, and the effect on costs of using design-build arrangements in the future could differ significantly from what the estimates in those studies imply.) Moreover, under such partnerships, many of the roads were built more quickly. Studies found that for projects with contracts valued at more than $100 million, the total time required to design and build the road declined by as much as a year on some projects—in part because the public-private partnership bundled the design and construction contracts and so eliminated a second, separate bidding process for the additional tasks.

#### PPPs can build projects quicker and cheaper

**USDT in 04** (US Dept. Of Transportation, “REPORT TO CONGRESS ON PUBLIC-

PRIVATE PARTNERSHIPS”, published December, 2004

Although not extensive, virtually all of the literature on the use of public-private partnerships to provide transportation infrastructure finds that they are effective in building projects quicker and at a lower cost. The ability of public-private partnerships to encourage innovation and produce improved quality is less well studied, but preliminary indications are that those benefits accrue to these types of projects as well Public-private partnerships have been viewed as a more effective way to build a project andhave typically been used on a project by project basis. However, several States have usedthese partnerships in a variety of innovative ways. Virginia, Florida, Texas, and the District of Columbia have used public-private partnerships to better manage maintenance on whole sections of their highway systems. States also have used these partnerships to managea number of projects, e.g., Louisiana’s TIMED effort and South Carolina’s “27 in 7” program

## neg at: generic solvency deficit

#### No offense – private sector is always innovating overcomes all solvency deficit

**DFT 6** (Eddington Transport Study, Volume 4.4, “Engaging the Private Sector,” Department for Transport in the UK, [http://webarchive.nationalarchives.gov.uk/+/http://www.dft.gov.uk/adobepdf/187604/206711/mainreport/mainreportvolume4.pdf/mainreportvol4chap44.pdf](http://webarchive.nationalarchives.gov.uk/%2B/http%3A//www.dft.gov.uk/adobepdf/187604/206711/mainreport/mainreportvolume4.pdf/mainreportvol4chap44.pdf))

In a further sign of the medium to long-term nature of this shift in allocation strategies, infrastructure fund managers and pension companies are exhibiting greater interest in acquiring development capacity, often at a premium to net asset value. Private sector capacity and expertise for managing all types of transport infrastructure risk is **growing**. Aspects include: construction and engineering groups extending their capacity to invest directly in long term concessions; the emergence of integrated infrastructure companies, where construction and engineering divisions are matched by considerable operational service business activities, plus facilities and system management capacities; the formation of consortia combining independent specialists to bid for PPP contracts in competition with these integrated groups; the growth of funds, specialist banking divisions and both listed and unlisted companies specialising in infrastructure equity investment; increased competition between different forms of financing from the banking and capital markets to support transport investment and increasing sophistication in financing; and growing sophistication in the commercial evaluation of project risks as part of the project financing, delivery and operation cycle.

# \*solvency mechanisms\*

## neg solvency – availability/user fees

#### A blend of availability fees and user-fees is the best way – shared risk means project succeeds and no one takes all the heat

**Farquharson et al, 11** (Members of the Public-Private Infrastructure Adivisory Facility, “How to Engage with the Public Sector in Public-Private partnerships in Emerging Markets,” The World Bank, http://www.gpoba.org/gpoba/sites/gpoba.org/files/How-to-engage-with-private-sector.pdf)

Whether to pursue a user-fee or an availability-based PPP is both a policy decision and a reflection of who is best placed to pay for the service. The affordability of availability-based PPPs is likely to be an issue in some devel- oping countries, because such projects require public resources and do not themselves raise revenue through user-payment mechanisms. Availability- based PPPs also require that the long-term payment obligations of the gov- ernment are acceptable to investors, especially since such payments may rely on multiannual budget approvals. However, user-fee PPPs also present their own challenges with regard to demand risk and user affordability (see Har- ris and Patrap 2008 on how these risks may be higher in some sectors and play a role in the cancellation of projects). Faced with these challenges, the solution in a particular situation may involve blending user fees and public service charges and, in some cases, tailoring overseas development assistance into longer-term, performance-based contracting support. These mecha- nisms can often create much more stable projects, as demand risk—a common cause of project failure—is shared. On the funding side, the solution may also involve mixing different forms of finance and funding support (as is happening even in mature PPP markets in the current climate). These issues are discussed further in this guide. In many markets, particularly those with availability-based schemes, PPPs are now seen as a method of procuring pub- lic services, not just as a means of financing infrastructure. Looked at in this light, other forms of partnership are also developing to provide greater flex- ibility (although they often are more complex). These may involve partner- ships to manage whole programs of investment and service delivery (rather than individual projects), particularly in cases where the timing or nature of future requirements may vary, but where there are still significant ben- efits to sharing risk and taking a strategic approach with a private sector partner. The United Kingdom adopted this approach for some of its primary health care and schools infrastructure under which the private and public sectors become partners to deliver a whole program of infrastructure invest- ment within a region over a defined period, with the identification and tim- ing of delivery of many of the individual facilities taking place over the life of the program. This guide does not cover these forms of partnership, but it is important to be aware that increasing and varied forms of PPPs are emerging around the world

## neg solvency – prizes

#### Public-Private Prizes solve faster and cheaper than alternatives

**Tong, Lakhani, 7/13**, Raymond Tong, The Boston Consulting Group, Karim Lakhani, Harvard Business School - Technology and Operations Management Group; Harvard University - Berkman Center for Internet & Society; Harvard Institute for Quantitative Social Science, *Public-Private Partnerships for Organizing and Executing Prize-Based Competitions*, 7/13/12

Competitors develop their ideas in parallel with one another and are motivated to find a solution by the prize’s deadline. The Progressive Insurance Automotive X PRIZE had over 111 teams compete for a $10 million prize purse, each striving to develop an automobile that could achieve fuel efficiency rates over 100 MPGe (miles per gallon or energy equivalent). In comparison to private sector investment in fuel efficiency by automotive manufacturers, this competition developed cars with significantly better fuel efficiency than existing models, and **accomplished this objective quickly and with far less funding.**

#### Public-Private Prizes easily solve complex problems.

**Tong, Lakhani, 7/13**, Raymond Tong, The Boston Consulting Group, Karim Lakhani, Harvard Business School - Technology and Operations Management Group; Harvard University - Berkman Center for Internet & Society; Harvard Institute for Quantitative Social Science, *Public-Private Partnerships for Organizing and Executing Prize-Based Competitions*, 7/13/12

The America COMPETES Reauthorization Act of 2010 authorizes federal investment in R&D, education, innovation, and competitiveness. Specifically, it grants federal agencies the authority to conduct prize compe­titions, in addition to funding federal R&D labs and the Department of Energy’s (DOE) ARPA-E, modeled after DARPA in the Department of Defense. Reflecting the view of Sun Microsystems co-founder Bill Joy that “(n)o matter who you are, most of the smartest people work for someone else,”2 prize competitions enable agen­cies to leverage the “crowd” by tapping the resources and ingenuity of citizen solvers in generating solutions to a wide variety of problems. Although the rise of the R&D lab displaced prizes over much of the past 60 years, modern governments and industrialists have made use of incentive prizes to great effect. America COMPETES reinvigorates this model. Indeed, Challenge.gov, the online platform for agencies to showcase prizes that debuted following the passage of America COMPETES, featured 57 challenges from 27 agencies in its first three months, generating advanced vehicle technologies and responses to childhood obesity, among other solutions.3 A recent report by the Office of Science and Technology Policy details the over 150 prize competitions implemented by 40 agencies since 2010.4 The analysis predicts the increased use and scope of public-sector prizes in the coming years by Federal agencies as a means to solve complex problems, stimulate new forms of innovation, and advance their missions.5

#### A variety of public-private Prizes, supply a range of benefits.

**Tong, Lakhani, 7/13**, Raymond Tong, The Boston Consulting Group, Karim Lakhani, Harvard Business School - Technology and Operations Management Group; Harvard University - Berkman Center for Internet & Society; Harvard Institute for Quantitative Social Science, *Public-Private Partnerships for Organizing and Executing Prize-Based Competitions*, 7/13/12

**POINT SOLUTION PRIZES** aim to solve well-defined problems. The NASA Tourna- ment Lab produces software solutions quickly and inexpensively because problems can be explained clearly and the criteria (e.g., speed, resource usage) are objective and easily measurable.8 **MARKET STIMULATION PRIZES** facilitate the creation of new markets such as, for example, mobile banking in developing countries. The Gates Foundation and the US Agency for International Development (USAID) are using a contest to develop mobile banking applications in Haiti, a country where less than 10% of the popula- tion used a commercial bank prior to the earthquake in 2010.9 By offering $4 million to the first two application operators in the country and an additional $6 million when five million transactions are reached, the contest provides incentives to fill this market need. **EXPOSITION PRIZES** are designed to highlight a broad range of promising ideas or practices, attracting attention and mobilizing capital to further develop the winning innovations. The G20 SME Finance Challenge10 was designed to identify innovative and scalable business models to increase financing for small to medium sized enterprises.11 The SME Finance Challenge received over $500 million in sup- port from the G20 and Multilateral Development Banks. **PARTICIPATION PRIZES** create value during and after the competition by encour- aging participants to change behavior or develop new skills. The Environmental Protection Agency’s Battle of the Buildings is a competition where participants reduce their energy usage.12 Changing behavior is part of the process, and the EPA provides energy monitoring tools to ensure the changes last beyond the end of the competition.

## neg solvency – tax exemption bonds

#### Tax exemptions on bonds allow for lowered costs and increased development prospects

IPD 10 (Innovative Program Delivery, provides assistance to transportation agencies in delivering complex transportation improvements and oversees specific procedures mandated by Congress to help enhance cost estimating, financial planning, and project management practices for all major projects with construction values of $500 million or more receiving Federal funding, “Tools and Program – Background”, US Department of Transportation: Federal Highway Administration, January 2010, <http://www.fhwa.dot.gov/ipd/p3/tools_programs/pabs.htm>, KG)

Section 11143 of Title XI of SAFETEA-LU amends Section 142 of the Internal Revenue Code to add highway and freight transfer facilities to the types of privately developed and operated projects for which private activity bonds may be issued. This change allows private activity on these types of projects, while maintaining the tax-exempt status of the bonds.¶ The law limits the total amount of such bonds to $15 billion and directs the Secretary of Transportation to allocate this amount among qualified facilities. The $15 billion in exempt facility bonds is not subject to the state volume caps.¶ Passage of the private activity bond legislation reflects the Federal Government's desire to increase private sector investment in U.S. transportation infrastructure. Providing private developers and operators with access to tax-exempt interest rates lowers the cost of capital significantly, enhancing investment prospects. Increasing the involvement of private investors in highway and freight projects generates new sources of money, ideas, and efficiency.

#### Tax credit bonds incentivize private companies to participate

Latham and Trombka 10 (Kristen Latham and Aron Trombka, Office of Legislative Oversight’s legislative analyst and senior legislative analyst respectively, “An Overview Of Public-Private Partnerships

In Road, Parking, and Transit Projects – Report Number 2010-6”, Office Of Legislative Oversight, 1-26-10, <http://www6.montgomerycountymd.gov/content/council/olo/reports/pdf/2010-6.pdf>, KG)

Historically, state and local governments financed transportation infrastructure with a combination of state and local taxes and federal grants from the Federal Highway Trust Fund (funded by a federal gasoline tax). In recent years, governments have looked into "innovative finance mechanisms defined as alternatives or supplements to traditional, tax- or grant-based funding strategies to fund transportation projects. The primary types of financing used in public-private partnership development are summarized below. Federal Credit Assistance. To expedite the development of state and local transportation projects, the federal government has created a financial market that gives private entities access to credit, as a loan or a federal subsidy. Specific federal programs to finance P3 projects through credit assistance include: the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program; the State Infrastructure Bank Program (SIB); and Section 129 Loans. Bonding and Debt Instruments. Traditionally, the transportation bonds used to finance local highways and transit systems were municipal bonds, backed by the taxing authority of the state or local government. More recently, to access increased bond funding capacity, these governments have issued bonds backed by funding sources not previously used to secure debt. Examples of these approaches include: limited and special tax bonds; revenue bonds; private activity bonds; tax credit bonds; and anticipation notes. Other Mechanisms. Some examples of other financial tools that state and local governments have used to structure the private financing and/ or ownership of transportation projects include: flexible match, pass-through tolls, and availability payments (payments based on project milestones or performance standards).

#### Private Activity Bonds are enticing to private companies

IMG, Inc. 08 (Infrastructure Management Company, Inc, a full-service infrastructure consulting firm specializing in improving the management, finance, and operations of utilities, airports, transportation, and public-use facilities, Barclays Capital, Goldman Sachs, Sperry Capital, leading global investment banking, securities and investment management, “Financial Plan For The California High-Speed Rail Authority San Francisco To Anaheim Segment”, Infrastructure Management Company, Inc, 10-27-08, <http://www.cahighspeedrail.ca.gov/assets/0/152/198/f7ba34bb-9822-4ed8-9f8c-d85a5a634994.pdf>, KG)

Private Activity Bonds are tax-exempt bonds that are issued by the State or local government on ¶ behalf of a private entity. Their purpose is to facilitate private investment for projects that generate ¶ public benefit. PABs allow for the private sector to borrow at tax-exempt rates resulting in lower ¶ overall financing costs. Currently any PABs issued for HSR would be subject to a volume cap of ¶ the respective State; however, a new category of exempt facilities was created under SAFETEALU that allows projects receiving Title 23 and under certain conditions Title 49 funds, to qualify for ¶ the $15 billion in transportation PABs.¶ The Secretary of Transportation and the U.S. DOT are ¶ responsible for the allocation of these PABs. ¶ PABs are highly attractive to private investors in conjunction with a public-private partnership ¶ (“P3”) program that includes equity investment, design-build, and operations involvement and ¶ could be used in conjunction with TIFIA/RRIF. For instance PABs were recently used in the ¶ financing of the $1.9 billion Capital Beltway project in Northern Virginia, one of the first variable ¶ toll rate congestion pricing projects in the U.S.

## neg solvency – tax incentives

#### Tax incentives result in private investment – solves the aff

**Mercator Advisors LLC,** ( Mercator Advisors LLC provides financial consulting services to government, corporate and non-profit organizations sponsoring major infrastructure projects and programs.) January 10**,2007** (<http://transportationfortomorrow.com/final_report/volume_3_html/technical_issues_papers/paper152d.htm?name=5a_14>)

**Federal tax incentives can provide a substantial subsidy to capital investment in long-lived assets such as transportation projects, by providing a portion of the investor's return through tax benefits rather than project cash flow. Tax Code measures may be especially suitable for encouraging investment in sectors that are not otherwise eligible to receive federal assistance, such as freight rail.SAFETEA-LU established a new class of "private activity" tax-free bonds with a volume cap of $15 billion. The provision is intended to encourage private participation in the delivery, operation and ownership of highway, freight transfer and other surface transportation projects. Tax exemption generally provides a 15-20 percent present value subsidy on long-term borrowing.To date, USDOT has authorized one state (Texas) to pursue plans to issue up to $1.86 billion of private activity bonds for a highway project. As with the TIFIA program (described in Briefing Paper 1-14), use of this financing tool likely will be limited to the relatively small number of eligible projects that can generate sufficient revenue to repay project debt. Other factors that may limit the use of these private activity bonds include: (i) narrow yield spreads between taxable and tax-exempt debt; (ii) limitations in the tax code on how private activity bonds may be structured; and (iii) the apparent willingness of commercial banks to accept credit risk on project debt lacking an investment grade rating.A deeper form of federal subsidy can be conferred by tax credit bonds, in which the borrower pays no cash interest. Instead, the lender receives its annual return in the form of federal tax credits. Depending on the term of the bond, this can subsidize 50-75 percent of the cost of borrowing, in present value terms.To date, Congress has enacted three separate tax credit bond programs totaling over $5 billion in volume � for school modernization, renewable energy projects and Hurricane Katrina assistance. Several tax credit bond proposals for surface transportation have been introduced in recent years (e.g., Build America Bonds, Amtrak, other rail infrastructure), but none has yet been enacted.Another form of credit can be used in connection with direct equity participation, through investment tax credits (ITCs). There presently are ITCs in sectors such as energy, low-income housing and historic preservation that produce present value benefits in the 20-40 percent range, depending on the terms of the specific programs. Because ITCs are less liquid and require direct ownership of the asset, the market for investors is much narrower. This approach is seen as requiring higher yields to investors, and being less cost-effective from a federal perspective.Of the three tax-preferred investment products, tax credit bonds are potentially the most effective at encouraging private investment in certain facilities, due to the depth of the subsidy and the potential for developing a broad investor market. However, their deeper subsidy means a higher cost to the federal government, requiring strong justification that targeting investment to that activity will clearly benefit the public.Regardless of the tax-preferred product, it is important to recognize that financing tools still generate only a partial subsidy. Each assisted project will require identifying a predictable long-term revenue stream. Accordingly, tax-preferred products should not be viewed as an "investment gap-closer" in the way that revenue-raising policies such as increasing or forward-indexing of fuel excise taxes would be.**

#### **Tax incentives encourage investors in private sectors**

NSTP 10 (National Surface Transportation Policy and Revenue Study Comission " Final Report Volume III: Section 1- Technical Issues Papers, January 10, 2010

<http://transportationfortomorrow.com/final_report/volume_3_html/technical_issues_papers/paper152d.htm?name=5a_14>)

Federal tax incentives can provide a substantial subsidy to capital investment in long-lived assets such as transportation projects, by providing a portion of the investor's return through tax benefits rather than project cash flow. Tax Code measures may be especially suitable for encouraging investment in sectors that are not otherwise eligible to receive federal assistance, such as freight rail.

## neg solvency – user fees

#### PPPs take pressure off of government politically and financially, but require tolls to work

**Cooper 12** (Donna Cooper, Senior Fellow for the Center for American Progress, “Meeting the Infrastructure Imperative,” Center for American Progress, http://www.americanprogress.org/issues/2012/02/infrastructure.html)

Further funding can come by modernizing how federal funds are made available for infrastructure improvements, thereby attracting more private funds to finance projects—and reducing the strain on federal, state, and local government treasuries for critical projects. Infrastructure projects offer private investors the opportunity to make long-term investments that offer a predictable rate of return. For instance, if they finance the building of an airport and lease the airport to a regional authority, the terms of the lease will guarantee the investor regular payments that in turn cover their cost of the loan, its interest, and a rate of return or profit to the investors.¶ Private investors have partnered with state or local governments to build roads, expand highway systems, and build or repair bridges. Typically in this case the private investor pays the public entity upfront an estimated market value for the transportation asset, and then is required under an agreement to cover the cost of improving the asset. In addition, these agreements permit the investor to charge tolls or receive dedicated tax payments while also establishing clear maintenance requirements. Investors enter into these agreements where the tolls or dedicated taxes are projected to cover all costs and profits and are most attractive to investors when the level of earnings has the potential to exceed projections. Federal credit subsidies lower the overall project costs, which in turn reduces the pressure on tolls and/or dedicated taxes, which then has the positive results of making a project more politically and financially feasible.

#### User fee’s ensure PPP success

**Samuel**, Peter, “The Role of Tolls in Financing 21 st Century Highways,” Reason Foundation Policy Study 359, May 20**07**.

**One of the main attractions of PPPs, according to advocates, is that they provide additional resources for the provision of transportation infrastructure. Some advocates of PPPs argue that without additional sources of investment the nation risks undermining the transportation system as a result of physical deterioration and congestion. Primarily these additional resources are associated with a project-related revenue stream such as vehicle tolls, container fees, or, in the case of transit station development, building rents. Private sector resources may come from an initial payment to lease an existing asset in exchange for future revenue, as with the Indiana Toll Road and Chicago Skyway, or it may involve developing an asset along with a new revenue stream. Either way, a facility user fee is often the key to unlocking private sector participation and resources. Of course, the public sector can build toll roads, raise tolls on existing facilities, or, in some cases, even institute tolls on existing “free” roads, bridges, and tunnels when reconstructing or replacing the facility. Proponents of PPPs argue, however, that for two primary reasons the private sector can attract more capital to highway infrastructure than the public sector. 48 First, a privately operated toll road can be financed with both debt (bond) and equity financing, and that because equity investors have an opportunity to share in the profits, they tend to be less conservative than traditional municipal bond investors. In addition, private concessions are often for terms longer than traditional municipal bond maturities of 25, 30, or 40 years, hence, with an income stream over a longer period the concessionaire can raise extra capital. Based on these principles, one estimate suggests that the $1.83 billion raised in the 99-year concession of the Chicago Skyway, would only have raised $800 billion in traditional bond financing. 49 Second, PPP proponents argue that toll facilities are less successful when operated by the public sector because political forces typically make it difficult to raise tolls in line with costs. Not only does this create a potential further drag on public coffers in the future, it also affects the ability of government to borrow money to initiate construction. By contrast, it is sometimes argued, the private sector can generate the necessary funds because lenders are more sure that toll revenues will be stable when decisions are made primarily on a business rationale. 50 An exception to the difference between the public and private sector in setting toll rates is the use of dynamic tolling in congestion pricing schemes in which the toll is adjusted up and down to maintain “free-flowing” traffic. In such cases, traffic demand determines the price. Moreover, in leasing agreements, the toll rate is often regulated, thus the private operator does not have complete freedom to choose when and by how much to raise the toll. Nevertheless, proponents of private sector involvement argue “long-term toll road concessions...are not simply a private-sector version of a public-sector toll agency. They are a new and important innovation in U.S. highway finance.”**

#### User fees are a basic standard of successful PPPs – Takes pressure off of government’s finances

**Perez 6**, (Benjamin G. Perez, AICP Senior Professional Associate for PB Consult Inc., “Public-Private Partnerships and the Development of Transport Infrastructure: Trends on Both Sides of the Atlantic,” Department of Transportation, http://financecommission.dot.gov/Documents/Background%20Documents/perez\_banff\_ppp\_final.pdf)

Conventionally in both Europe and the United States transportation improvements have been procured on a design-bid-build basis. This traditional two-step process involves governments retaining the services of private sector engineers to design a project to 100 percent completion and then organizing a second procurement to award a construction contract to the qualified private contractor submitting the lowest bid to build the project. The government assumes all financial responsibility for paying for both the design and construction of the project and then operates and maintains the completed facility itself. It is true both in Europe and the United States that transportation partnerships depart most substantially from conventionally developed projects when they involve private financings. This is the classic concession model first developed in Europe where private investors use a combination of their own debt and equity to finance the construction of a transportation project. They then have the use of the toll income generated by the project for a specified concession period and use those project generated revenues to repay the underlying debt, recuperate their own equity, and earn a fair profit.

#### User fees solve – Investors need them as reassurance

**Cooper 12** (Donna Cooper, Senior Fellow for the Center for American Progress, “Meeting the Infrastructure Imperative,” Center for American Progress, <http://www.americanprogress.org/issues/2012/02/infrastructure.html>)

In addition, increased private financing opportunities focused on transportation will also require the federal government to more rapidly and readily approve tolling on roads in the federal highway system so that investors can rely on predictable revenues for repayment and earnings. It also will require the creation of a national intermediary such as an Infrastructure Bank that can expertly and expeditiously package high-priority and multistate infrastructure financing projects together with private investors. Increased federal guidance can promote models that protect wages, collective bargaining rights, and the taxpayers and users who are at risk if private partners fail to manage the project responsibly. In addition, it is not prudent to finance every infrastructure project. When using debt to stretch out the cost of improvements over time, the cost of a project is increased significantly to both account for the interest on the debt and, where necessary, a return on investment for private investors. As a result, financing of infrastructure should be a method employed to help complete meritorious and expensive projects that would be too burdensome to pay for upfront. Increasing the degree to which infrastructure improvements are paid with either public or private investment or debt will permit us to complete more projects in the short term. It also means that projects must have sufficient direct user fee collections and public sources of revenue to pay back investors of the debt, interest, and a rate of return or profit. Other public improvements can be and should be paid for with federal and matching local government grants. Here, too, federal reforms are needed to stretch the impact of current and future public investments in infrastructure.

#### User Fees Solve for Funding Shortages

**Orr & Keever 08** (Ryan J. Orr, Executive Director of Civil and Environmental Engineering at Stanford University; Infrastructure Investment instructor at the Engineering School and Graduate School of Business at Stanford University, Gregory Keever, member of the Collaboratory for Research on Global Projects at Stanford University, whose mission is to partner with government and industry worldwide to advance the science and practice of infrastructure finance, delivery, and governance, Enabling User-Fee Backed Transportation Finance in California, Collaboratory for Research on Global Projects, <http://crgp.stanford.edu/publications/working_papers/Orr_Keever_Enabling_User_Fee_Backed_Transportation_Finance_wp0041.pdf>, Stumbris)

At the national level, a political contest looms as the 2009 date approaches when the Highway

Trust Fund will spend its last penny. In California and across the nation, even though users feel like they have paid the price for transportation from multiple pockets, not enough revenue is being generated to pay both for needed deferred road maintenance and new construction. Financing is not the problem, it is funding that is in short supply and new sources of funding are needed to prevent further maintenance backlogs and congestion problems and to expand transportation capacity. Direct user fees have been implemented on nine state bridges to pay for construction costs; tolls are still in place on seven to cover operation and maintenance costs. In the case of the Bay Area, voters authorized the use of bridge tolls to help finance non-tolled capacity on other roadways in the region and ongoing maintenance and operational costs. However, tolling is not yet widely authorized or accepted. Overall, limited success has come from efforts to secure uncertain revenue streams from a variety of sources and to contain the capital costs of new roads. Moreover, State and local taxes are inadequate to add new capacity and maintain what already exists. Thus a new source of revenue is essential to meet the State’s transportation needs. One option might be an increase in the use of direct user fees, which is a proposal that we discuss later on in greater length.

#### User Fee Implementation checks congestion

**Orr & Keever 08** (Ryan J. Orr, Executive Director of Civil and Environmental Engineering at Stanford University; Infrastructure Investment instructor at the Engineering School and Graduate School of Business at Stanford University, Gregory Keever, member of the Collaboratory for Research on Global Projects at Stanford University, whose mission is to partner with government and industry worldwide to advance the science and practice of infrastructure finance, delivery, and governance, Enabling User-Fee Backed Transportation Finance in California, Collaboratory for Research on Global Projects, <http://crgp.stanford.edu/publications/working_papers/Orr_Keever_Enabling_User_Fee_Backed_Transportation_Finance_wp0041.pdf>, Stumbris)

An important collateral benefit to rationing highway space with direct user-fees is the potential to relieve congestion, keep the transportation system operating at higher speeds and efficiencies, and achieve environmental benefits through dynamic, demand-based pricing. Tolls would be set to rise and fall dynamically throughout the day, varying with fluctuations in user demand. For example, at midnight when the road is not heavily used, it may very well be possible to make all lanes free. On the contrary, at 8am in morning rush-hour when traffic is at its worst, the toll may rise to $20 or higher. At 3pm, when traffic is relatively light, the toll might fall to $2. Toll structures could vary across lanes, so that there was always a “free” lane for low-income groups that valued money over time and always an “open” lane for business travelers who valued time over money. Mixed speeds do present safety concerns, however. Economists such as Larry Goulder use the term “double-dividend” to describe the benefits of implementing a tax, such as a toll, to reduce a widespread social ill, such as congestion. The first dividend results from eliminating the inefficiencies of congestion and the harmful effects of environmental pollution. The second dividend arises in the form of a revenue stream that the State could use to improve other parts of the transportation system. If a toll fluctuates dynamically as a congestion relieving measure, it could actually generate much more revenue than necessary to merely pay for capitalized costs and maintenance on the roadway. In such cases, the additional revenue could be applied to cross-subsidize other local roadways or important State services.

# \*perms\*

## 2nc at: perm do both

**Links to the net benefit <>**

#### And that deters private investment

Geddes, visiting scholar at AEI, 4/6/12 (R. Richard Geddes, American Enterprise Institute, “Private Investment for infrastructure”, April 6th, 2012, http://www.aei.org/article/economics/private-investment-for-infrastructure/)

Despite its long history of private investment in railroads, canals, electricity, natural gas, water systems and many other sectors, the United States now lags behind many other countries in private infrastructure investment. After controlling for the relative size of the economies, Canada has seven times more private investment in infrastructure than the United States. Mexico, Latin America and the Caribbean have about 3½ times as much - as does Europe. **The hostile environment created by some U.S. politicians is an important deterrent to private investment**. With the Bingaman amendment, the Senate highway bill effectively penalizes states for using innovative infrastructure financing. **It is likely to have a chilling effect on future public-private partnerships** at a time when U.S. infrastructure needs every dime of investment it can get.

#### Cross apply Edwards (if 1nc econ nb was read) – Federal involvement stifles economic growth and innovation – means perm will ruin infrastructure

#### Here’s more evidence

**Galetovic, Fischer, Engel**, February 20**11,** Ronald Fischer, author from the University of Chile in Santiago, Eduardo Engel, author from Yale University, Alexander Galetovic, author from the Universidad de los Andes in Santiago, *Public-Private Partnerships to Revamp U.S. Infrastructure,* The Hamilton Project, February 2011

After years of underfinancing much-needed repairs and maintenance to America’s infrastructure—by as much as $2.2 trillion, according to some estimates—digging out of the current deficit will be costly. And with state and local governments facing tight budgets, it may be decades before the work will be affordable. The lack of resources for infrastructure improvement and maintenance extends beyond highways and affects a range of public capital investments, from levees to wastewater treatment and from transportation to schools. **The dismal state of the nation’s current infrastructure could hamper future growth.**

The ways that governments allocate new funding for infrastructure projects and the ways they build, operate, and maintain those projects has contributed to the problem. New spending often flows to less valuable new construction at the expense of funding maintenance on existing infrastructure. Further hindering efficiency, the traditional process for building infrastructure decouples the initial investment—the actual building of a highway, for example—from the ongoing costs of maintaining that highway. As a result, the contractor building the highway often has little incentive to take steps to lower future operations and maintenance costs. Such inefficiencies likely contribute to falling rates of return on public capital investments.

**One solution to these incentive problems is to bundle construction with operations and maintenance in what is known as a public-private partnership (PPP).** Indeed, many governments around the world are turning to PPPs as a way to tap these efficiencies and to leverage private sector resources to augment or replace scarce public investment resources.

## 2nc at: perm do cp (prizes)

#### The perm severs the entirety of the aff – voting issue – lets them dodge all ground. The CP mandates a monetary prize and has private actors fund the plan – the plan commits to federal funding

#### “its” is possessive

Oxford Dictionary 10 (“Of”, http://www.oxforddictionaries.com/definition/its?view=uk)

Pronunciation:/ɪts/

possessive determiner

belonging to or associated with a thing previously mentioned or easily identified:turn the camera on its side he chose the area for its atmosphere

#### “Investment” requires capital expenditure

Anderson 6 (Edward, Lecturer in Development Studies – University of East Anglia, et al., “The Role of Public Investment in Poverty Reduction: Theories, Evidence and Methods”, Overseas Development Institute Working Paper 263, March, http://www.odi.org.uk/resources/docs/1786.pdf)

1.3 Definitions

We define (net) public investment as public expenditure that adds to the public physical capital stock. This would include the building of roads, ports, schools, hospitals etc. This corresponds to the definition of public investment in national accounts data, namely, capital expenditure. It is not within the scope of this paper to include public expenditure on health and education, despite the fact that many regard such expenditure as investment. Methods for assessing the poverty impact of public expenditure on social sectors such as health and education have been well covered elsewhere in recent years (see for example, van de Walle and Nead, 1995; Sahn and Younger, 2000; and World Bank, 2002).

#### The counterplan removes capital expenditure from the government

McMillan, Senior Lecturer in politics at the University of Sheffield, No Date Given

(Alistair, “Public-Private Partnership,” About.com Political Dictionary, http://www.answers.com/topic/public-private-partnership)

PPP Agreement between government and the private sector regarding the provision of public services or infrastructure. Purportedly a means of bringing together social priorities with the managerial skills of the private sector, **relieving government of the burden of large capital expenditure**, and transferring the risk of cost overruns to the private sector. Rather than completely transferring public assets to the private sector, as with privatization, government and business work together to provide services. The British Government has used PPPs to finance the building of schools, hospitals, for defence contracts, and specific capital projects such as the Channel Tunnel Rail Link, the National Air Traffic Services, and improvements to the London Underground. The system has been criticized for blurring the lines between public and private provision, leading to a lack of accountability with regard to funding, risk exposure, and performance (see also Private Finance Initiative).

#### And, the CP has to negotiate the prize which means there is a minute delay – makes the cp distinct from the plan

#### Plus it’s immediate

**Rogers, 05** (Judge, STATE OF NEW YORK, ET AL., PETITIONERS v. U.S. ENVIRONMENTAL PROTECTION AGENCY, RESPONDENT, NSR MANUFACTURERS ROUNDTABLE, ET AL., INTERVENORS, 2005 U.S. App. LEXIS 12378, \*\*; 60 ERC (BNA) 1791, 6/24, lexis)

 [\*\*48]  Statutory Interpretation. HN16While the CAA defines a "modification" as any physical or operational change that "increases" emissions, it is silent on how to calculate such "increases" in emissions. 42 U.S.C. § 7411(a)(4). According to government petitioners, the lack of a statutory definition does not render the term "increases" ambiguous, but merely compels the court to give the term its "ordinary meaning." See Engine Mfrs.Ass'nv.S.Coast AirQualityMgmt.Dist., 541 U.S. 246, 124 S. Ct. 1756, 1761, 158 L. Ed. 2d 529(2004); Bluewater Network, 370 F.3d at 13; Am. Fed'n of Gov't Employees v. Glickman, 342 U.S. App. D.C. 7, 215 F.3d 7, 10 [\*23]  (D.C. Cir. 2000). Relying on two "real world" analogies, government petitioners contend that the ordinary meaning of "increases" requires the baseline to be calculated from a period immediately preceding the change. They maintain, for example, that in determining whether a high-pressure weather system "increases" the local temperature, the relevant baseline is the temperature immediately preceding the arrival of the weather system, not the temperature five or ten years ago. Similarly,  [\*\*49]  in determining whether a new engine "increases" the value of a car, the relevant baseline is the value of the car immediately preceding the replacement of the engine, not the value of the car five or ten years ago when the engine was in perfect condition.

#### “Should” means “must” and requires immediate legal effect

Summers, 94 — Justice on the Oklahoma Supreme Court (“Kelsey v. Dollarsaver Food Warehouse of Durant”, 1994 OK 123, 11-8, http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn13)

4 The legal question to be resolved by the court is whether the word "should"[13](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn13) in the May 18 order connotes futurity or may be deemed a ruling in praesenti.[14](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn14) The answer to this query is not to be divined from rules of grammar;[15](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287" \l "marker3fn15) it must be governed by the age-old practice culture of legal professionals and its immemorial language usage. To determine if the omission (from the critical May 18 entry) of the turgid phrase, "and the same hereby is", (1) makes it an in futuro ruling - i.e., an expression of what the judge will or would do at a later stage - or (2) constitutes an in in praesenti resolution of a disputed law issue, the trial judge's intent must be garnered from the four corners of the entire record.[16](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn16)  ¶5 Nisi prius orders should be so construed as to give effect to every words and every part of the text, with a view to carrying out the evident intent of the judge's direction.[17](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn17) The order's language ought not to be considered abstractly. The actual meaning intended by the document's signatory should be derived from the context in which the phrase to be interpreted is used.[18](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn18) When applied to the May 18 memorial, these told canons impel my conclusion that the judge doubtless intended his ruling as an in praesenti resolution of Dollarsaver's quest for judgment n.o.v. Approval of all counsel plainly appears on the face of the critical May 18 entry which is [885 P.2d 1358] signed by the judge.[19](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn19) True minutes[20](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker3fn20) of a court neither call for nor bear the approval of the parties' counsel nor the judge's signature. To reject out of hand the view that in this context "should" is impliedly followed by the customary, "and the same hereby is", makes the court once again revert to medieval notions of ritualistic formalism now so thoroughly condemned in national jurisprudence and long abandoned by the statutory policy of this State. [Continues – To Footnote] [14](http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=20287#marker2fn14) In praesenti means literally "at the present time." BLACK'S LAW DICTIONARY 792 (6th Ed. 1990). In legal parlance the phrase denotes that which in law is presently or immediately effective, as opposed to something that will or would become effective in the future [in futurol]. See Van Wyck v. Knevals, [106 U.S. 360](http://www.oscn.net/applications/oscn/deliverdocument.asp?box1=106&box2=U.S.&box3=360), 365, 1 S.Ct. 336, 337, 27 L.Ed. 201 (1882).

## 2nc at: perm do the cp (user fees)

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Oxford Dictionary 10 (“Of”, http://www.oxforddictionaries.com/definition/its?view=uk)

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possessive determiner

belonging to or associated with a thing previously mentioned or easily identified:turn the camera on its side he chose the area for its atmosphere

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# \*nb\*

## 2nc econ nb

#### PPP vital to solve Congestion Turns Econ

Crystal Jones is a transportation specialist in the FHWA Office of Freight Management and Operations. She administers programs and initiatives related to measuring freight performance and freight movement at U.S. international land border crossings. Before joining the freight office in 2003, Jones was a traffic management specialist with the United States Army, specializing in supply chain management and automation., Aug 2007, Department of Transportation, <http://www.fhwa.dot.gov/publications/publicroads/07july/06.cfm>

Along with the complexity of the U.S. transportation network comes complexity in determining the right mix of strategies and solutions for effecting positive change. Successful strategies and solutions require individual action and partnership between the private and public sectors.¶ In the private sector, strategies center on operational changes such as shifting hours of operation of distribution centers and other shipment facilities, optimizing route selection (comparing travel times for the shortest route with a longer, less direct route), improving shipment planning (shipper providing more precise information on load times, weights), and load optimization. Other strategies include improving connectivity to rail and marine transportation infrastructure and clustering common destinations to reduce the travel required for goods distribution. Not only are these strategies good business, but they also reduce congestion.¶ The U.S. economy depends on an efficient and reliable freight transportation system. Congestion and insufficient investment may create a potential weakness in a system that for many years has been a major strength. Much work needs to be done to develop and access the most appropriate solutions to freight congestion.

#### Privatization promotes innovation and efficiency through competition – past recessions prove that nothing increases the economy as well as the private sector

**Bouché & Volden 10** (Vanessa, Ph.D. candidate in Political Science @ Ohio State Univeristy & Craig, Professor of Political Science @ Ohio State University. “Privatization and Diffusion of Innovation” http://psweb.sbs.ohio-state.edu/faculty/cvolden/BVPrivatization.pdf July 2010)

The empirical work arguing that contracting leads to positive policy outcomes is undergirded by a theoretical literature suggesting that privatization promotes policy innovations (but see Hart, Shleifer, and Vishny 1997). Privatization introduces competition, which in turn increases efficiency, cuts costs, and spawns innovation (e.g., Donahue 1989; Ostrom and Ostrom 1977; Savas 1987). Indeed, without competition, there are likely to be serious negative consequences to privatization, including the problems of corruption, of service-specific benefits, of increased costs, and of lack of accountability (e.g., Donahue 1989, Moe 1987). Competition, on the other hand, is presented as introducing innovative approaches to policy problems, which in turn lead to more efficient public management and better policy practices. “When it works well, privatization can boost efficiency through accelerated innovation” (Donahue 1989: 217). Such arguments lead to the following: Privatization Hypothesis: Privatization increases the likelihood of adopting innovations.

## neg – avoids spending links

#### **PPP allows projects and not be in deep debt**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

<http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a>)

Another benefit of private investment in transportation projects is that the debt issued by the partnerships is generally not considered debt of the State. It is not backed by State tax revenues and consequently does not jeopardize the State’s ability to issue bonds for other purposes. Debt repayment is typically through revenues from tolls, although the State may use tax revenues to enhance the quality of the credit or to cover other expenses. Bond buyers voluntarily purchase bonds on the basis of the contribution they expect the bonds to make to their portfolios, considering returns, risk, diversification, maturity, tax status, and other factors. For example, when the Dulles Greenway partially defaulted on its debt in 1996, Virginia was not liable for the debt, nor did the debt affect the State’s credit rating. Similarly, both the Pocahontas Parkway’s and Southern Connector’s bond ratings have been lowered to below investment grade; however, this has no effect on either Virginia’s or South Carolina’s credit ratings.

## neg – avoids politics

#### PPPs needed for funding of federal projects – avoids the link to politics

**Reinhardt and Utt 12** (William Reinhardt and Richard Utt, Law attorney and Senior researcher for the Economic Policy Studies at the Heritage Foundation, “Can Public-Private Partnerships Fill the Transportation Funding Gap?”, Heritage Foundation, <http://www.heritage.org/research/reports/2012/01/can-public-private-partnerships-fill-the-transportation-funding-gap>)

To shrink the financial gap between wishes and reality, many have proposed that governments seek to negotiate public–private partnership contracts (P3s) with infrastructure investors and developers. These complex and carefully drafted agreements allow governments to leverage **scarce public funds** with private capital for major transportation projects. However, while P3s have demonstrated the ability to raise substantial sums of money for major infrastructure projects—especially those that add needed capacity in congested corridors—experience demonstrates that they can be complicated and time-consuming to create and that not every transportation project is amenable to the P3 approach.

For the most part, the quest for alternative financing sources is driven by public opposition to raising state and federal fuel taxes. The last time the federal fuel tax was increased was in 1993. The federal excise tax is currently 18.3 cents per gallon and is the major source of revenue for the highway trust fund. Much higher fuel efficiencies mean lower gas tax proceeds and a shrinking trust fund.

The disparity between transportation spending needs and wants as defined by congressional transportation committees, the Obama Administration, and the program’s stakeholders is growing as shrinking trust fund revenues limit future investment. Under the circumstances, a non-tax alternative procurement approach based on private-sector involvement using tolls and other types of user fees would fill part of the yawning gap.

#### Privatization is popular avoids the link to politics

**Elaine R. Davis,** (Senior Research Fellow: 20 years in public policy research and program development. She is a Senior Research Fellow for the Washington Institute Foundation.) January, 19**97** (<http://www.washingtonpolicy.org/publications/brief/private-solutions-public-service-opportunities-privatization-king-county>

**Privatization -- delivering governmental services with help from the private sector -- has been debated for nearly two decades. With a multitude of successful examples, par-ticularly in local government, privatization is no longer a fuzzy concept. Internationally, from Margaret Thatcher's innovations in England to its growing use throughout the Third World, private sector solutions are increasingly important to the public policy debate. Ironically, it has seemed to many that only in the U.S. has privatization lagged. But, here too, it is now being tested on the front lines of government. Privatization in its many forms - contracting out, competitive procurement, asset divestiture and outright asset sales - has been gaining ground within both political parties, and the results are in: Lower costs; greater efficiency; more effective and responsive programs; improved worker satisfaction; and, greater community support and involvement.In this paper on privatization opportunities for King County, we review examples of effective privatization in local communities around the nation, reporting where innova-tive thinking saved money while contributing to improved service delivery. We describe how similar activities are currently accomplished in King County, and how much is being spent here.Privatization ... has been gaining ground within both political parties, and the results are in: Lower costs; greater efficiency; more effective and responsive programs; improved worker satisfaction; and, greater community support and involvement.Large organizations, whether big government or big business, have suffered from too many layers of management and from too much unproductive, bureaucratic process. Corporations and governments alike - whether through downsizing, rightsizing, re-engineering, reinventing, outsourcing or through privatization -- have begun working to reduce unnecessary barriers to efficiency and competitiveness.Strong leadership has been the key ingredient necessary to success. And in several places around the country, government leaders, including Chicago Mayor Daley, Indianapolis Mayor Goldsmith, Governor Weld in Massachusetts, and Governor Wilson in California, in cooperation with businesses in their areas, have demonstrated that public purposes, thoughtfully conceived, can be achieved best by moving away from the traditional monopoly of government employment, opting instead for service delivery in competitive -- often private sector-- environments**

# \*\*\*aff answers

## aff ppps fail

#### **PPP’s don’t solve – litany of reasons**

Sanger 9 (Toby Sanger, writer for policyalternative.ca, “The problem with Private-Public Relationships” April 1, 2009. CL.

<http://www.policyalternatives.ca/publications/monitor/problem-public-private-partnerships>)

The shifting rationales of P3s has always been highly dubious. P3s had been used by politicians as a form of off-book accounting to make it appear as if public spending and deficits were lower than they actually were — but then public auditors forced governments to include these obligations on their books. P3 proponents then claimed that their projects could be less expensive, more innovative, speedier, and more accountable than public service delivery — but a string of failures, delays, little transparency, and secretive deals proved these claims wrong.

#### PPPs empirically fail in the US

**Engel et al, 11,** (Eduardo Engel from Yale University, Ronald Fischer from the University of Chile in Santiago, Alexander Galetovic from the Universidad de Los Andes in Santiago, “Public-Private Partnerships to Revamp U.S. Infrastructure,” The Hamilton Project, <http://www.hamiltonproject.org/files/downloads_and_links/Final_BRIEF_ENGEL_Feb2011.pdf>)

Despite these potential benefits, public-private partnerships are used relatively infrequently in the United States, as compared to many countries in Europe. When they have been used, they have often been dogged by contract design problems, waste, and unrealistic expectations. Inflexible contracting combined with unforeseen circumstances have led to high-profile and costly bankruptcies. In other cases, governments “sold the future” by using a public-private partnership to trade future revenues for current spending—effectively saddling future taxpayers with the bill.

#### PPP’s remove accountability in the government and are incredible failures

Norwalk and Pilarnos (Stan Norwalk and Pat Pilarinosm writers for WakeUp, “What’s Good and Bad About Public-Private Partnerships” No date. CL

http://www.wakeupwakecounty.com/original\_website/pdf/p3s\_whats\_good\_and\_bad.pdf)

Normally, citizens get to vote on new debt and potential new taxes. P3’s take away that right. The decisions are made by government alone. While government has the right to make such decisions under dire conditions, that right should be rarely used. Because of their complexity, P3’s are not readily understood by the public, i.e. they are not readily “transparent”. Add the lack of a vote, and the accountability of government is eroded. P3’s, while relatively new, have been used all over the world for all sorts of infrastructure. P3’s for public schools are more common overseas and have a longer history than in the U.S. There have been some successes but over time their defects have become more apparent. Because of their complexity there have been spectacular failures among P3’s.

#### PPPs don’t solve financially

DiNapoli in 11 (Thomas DiNapoli, New York Comptroller [financial control guy], “Controlling Risk Without Gimmicks: New York’s Infrastructure Crisis and Public-Private Partnerships”, published Jan 11)

In response to these challenges, there has been much discussion of a construction and financing technique known as the public-private partnership (P3) as a means of filling the gap. At a time when the State already bears a high tax and debt load, P3 arrangements can provide alternative ways to finance needed improvements. As State policy makers consider undertaking these partnerships, however, they must be aware of the four primary financial risks associated with the public-private partnership model:

Failure to Identify the Full Value of Public Property. P3 agreements may underestimate the value of public assets, and so short-change the public.

Unfavorable Pricing Mechanisms. P3 agreements may include pricing mechanisms or financial contingencies that burden the public with unwarranted expenses, including excessive fee and toll increases.

 Unrealistic Expectations and Poorly Drafted Agreements. P3 agreements may create expectations that go unmet, either when a private entity promises more than it can deliver or when the contracts fail to lay out the private partner’s obligations adequately. The result may be that the public fails to receive the anticipated benefit.

 Budget Gimmickry. P3 agreements are sometimes used for short-term fiscal relief, which provides a short-term cash benefit while pushing costs to the future and potentially increasing public debt.

#### **Private companies in PPP’s do not work up to par; the government has total control over the whole market**

Alexander 11 (Rachel Alexander, writer for parcbench.com “Government destroying free market with public-private partnerships” August 30, 2011. CL.

<http://www.parcbench.com/2011/08/30/government-destroying-free-markets-with-public-private-partnerships/>)

There are a myriad of problems with PPPs. Some or all of the risk is transferred from the private sector to taxpayers, diminishing the incentive for the private entity to perform well. Optimally, the risk should instead be on private financiers who have a direct stake in the outcome. With government guaranteeing payment, there is less motivation for the private entity to cut costs. The private partner has little risk of going under since government will bail it out. Of PPPs that reach the implementation stage,  at least 50% end up in renegotiations of the contract due to unexpected circumstances such as less revenue than projected. One disturbing characteristic of PPPs is the government’s ability to seize private property through eminent domain and transfer it to another private entity. Government can pick and choose favorites, giving its preferred private partner privileges over other private entities, even eliminating competition entirely by granting monopolies. Furthermore, it is no secret that government can tailor bid specifications in such a way that only one private entity qualifies.

#### **Private companies don’t solve – multiple risks**

Alexander 11 (Rachel Alexander, writer for parcbench.com “Government destroying free market with public-private partnerships” August 30, 2011. CL.

<http://www.parcbench.com/2011/08/30/government-destroying-free-markets-with-public-private-partnerships/>)

With government as a partner, private companies lose some of their decision-making authority. Their actions are less likely to be based upon free market considerations. Another problem with PPPs is the lack of transparency. Private companies are not subject to public records laws. PPPs provide a way for government to hide its actions. Even when a PPP is set up so more of the risk is allocated to the private entity, if the entity fails leaving private investors in the lurch, government often ends up buying back the service or infrastructure. In England, government is taking over more of the risk in PPPs as the debt markets dry up for private companies.

#### **No investment – empirically returns are lower than expected**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

In addition, private sector funding does not always ensure financial solvency when the project financing is secured by tolls or other revenue streams from the project. Sometimes public use is not as high as projected, resulting in revenues that are inadequate to pay off the debt on the project. An example of this is the Dulles Greenway, a project that was initially financed with equity contributions from the TRIP II partnership, bank loans, and long-term, fixed rate notes. After construction costs of roughly $340 million, the project ran into financial troubles. Traffic and revenues were initially lower than expected, in part due to improvements made by the State to a competing road, State Route 7. As a result, TRIP II went into default on its loans and note agreements in 1996. Refinancing occurred in 1996, allowing it to create project reserve funds and issue $370 million in senior bonds and $76 million in subordinate bonds. While the project is still yet to make a profit for its investors, development in the area is increasing and bringing with it increased usage of the Greenway

#### PPPs cannot solve most projects

**Cooper 12** (Donna Cooper, Senior Fellow for the Center for American Progress, “Meeting the Infrastructure Imperative,” Center for American Progress, http://www.americanprogress.org/issues/2012/02/infrastructure.html)

Roy Kienitz, the former under secretary of transportation, points out, “It’s important to note that most transportation infrastructure projects are not viable candidates for private investment and therefore must rely entirely on public funds backed by federal- or state-imposed user fees or general tax revenues.” Nick Debenedictus, CEO of Aqua America Inc., a New York Stock Exchange-listed water company with 3 million customers across 13 states, makes a similar point with respect to water infrastructure: With respect to water and energy infrastructure, the lion’s share of investment is already privately financed, but even in these sectors there are infrastructure gaps, such as combined sewer overflows in many of our older cities, where private investors are not willing to invest because the payback is too risky or too far off in the future.

#### **Environmental licensing can severely slow down PPP’s- empirically proven**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a)

Although all construction projects are required to obtain environmental permits under State and Federal laws, environmental clearance constitutes a particular barrier to public-private partnerships. Substantial time and financial resources are required to obtain the proper clearances and permits.  Much of this cost occurs during the financially volatile early stages of a project. Uncertainties abound about how many permits are required, whether the private franchise must meet the varying requirements of numerous overlapping jurisdictions, and whether other State or Federal agencies may exert jurisdiction unexpectedly. The risk to private highway projects is greater because these private projects have no revenues until operations begin and usually cannot access the State's revenue flow from highway fees. Environmental risk drives up the required rate of return, adding to the difficulty in securing financing.[  There is substantial risk of failing to obtain environmental permits resulting in a loss of the entire investment.[  State, local, or Federal agencies may veto the project on environmental grounds, after the private sector has expended large sums and extensive time for detailed environmental studies. Judicial challenges to the NEPA process and other environmental requirements, the risk of injunction, and new application of law imposing added requirements also present significant barriers. The SR 125 South project in San Diego, California, is an example of how the environmental process can cause significant delays in the development of a public-private partnership project. Although the California Department of Transportation (Caltrans) and California Transportation Ventures entered into a partnership agreement in 1989, challenges from environmental interests delayed the start of construction on the project until July 2003. It was not until March 2003 that litigation challenging the final record of decision on the environmental impact statement for the project was resolved in favor of Caltrans.[[](http://www.fhwa.dot.gov/reports/pppdec2004/index.htm%22%20%5Cl%20%22ftn265%22%20%5Co%20%22)

#### Private involvement leads to less quality in the finished product

IMF in 99 (International Monetary Fund, “IMF Working Paper: Determinants of Public-Private Partnerships in Infrastructure” Published 06/2009)

More generally, government involvement makes PPP decisions difficult even in the absence of politics. The main policy risk results from the fact that PPPs in developing countries are formed amid institutional, regulatory, and legal reforms. Yet, the outcomes of these reforms—often driven by a need to enable PPPs themselves—affect the balance of risks between governments and private firms. Our results stress the critical contribution of controlling corruption and the rule of law in attracting both private investors and efficient infrastructure-services providers. Beyond these key risks, our results support the arguments that the extent of private participation in PPP arrangements is likely to be positively correlated with the degree of impurity of the goods or services to be provided and the technology structure required to provide them. As such, private involvement tends to be greatest in the technology-intensive telecommunication sector and least important in the water infrastructure sector. The evidence shows that, because of the nature of the goods and relative factor intensities, energy and transportation fall between these two extremes.

#### **Empirics roves – Private sector can’t solve**

NZ Herald in 9 (New Zealand Herald News, “Promised electric trains derailed by misguided enthusiasm”, June 1, 2009)

All of which is by way of saying, the PPP model so favoured of politicians trying to keep their borrowing off the public books, has a rocky track record. Mr Joyce's bureaucrats need only dust down previous reports by their predecessors on the subject. Ministers in the last Government sent their officials off chasing similar rainbows, too, and each time, the bureaucrats came back empty-handed. ¶ In 2006, a Treasury paper concluded "there is little reliable empirical evidence about the costs and benefits of PPPs". It said there "are other ways of obtaining private sector finance" and "the advantages of PPPs must be weighed against the contractural complexities and rigidities they entail". ¶ The consensus, as former Finance Minister Michael Cullen was wont to point out, was that Governments could always borrow money cheaper than anyone else.

## aff ppps fails – cost overruns

#### **Cost overruns empirically proven – links to the net benefit and doesn’t solve**

Alexander 11 (Rachel Alexander, writer for parcbench.com “Government destroying free market with public-private partnerships” August 30, 2011. CL.

<http://www.parcbench.com/2011/08/30/government-destroying-free-markets-with-public-private-partnerships/>)

The number of failed PPPs is piling up. A Norwegian study of 258 large PPP projects in 20 countries found that 90% had cost overruns of over 20-45%. Boston’s Big Dig transportation project ballooned from an estimated cost of $2.2 billion to $14.6 billion. The Connector 2000 toll road project in South Carolina defaulted on debt service and filed for bankruptcy. A toll road project in Indiana is in trouble, with a reported $209 million deficit in 2010. A toll road for trucks in Texas, Camino Columbia produced only 10% of the traffic forecasted, forcing the private entity to default on the debt and file bankruptcy after lenders foreclosed. The city of Chicago was caught leasing its parking meters to a private entity for nearly $1 billion less than they were worth in a hastily accepted deal. Four PPPs for water failed in Puerto Rico, Trinidad, Argentina and Bolivia. The Cross-City Tunnel in Sydney, Australia attracted only one-third of the expected traffic, resulting in the private entity filing bankruptcy. Some proposed partnerships are now being [scuttled](http://www.infrastructurist.com/2009/10/06/public-private-partnerships-another-one-bites-the-dust/) as it becomes apparent they would be financial mistakes. The proposed NAFTA Superhighway crossing the U.S. from Mexico to Canada has been [mostly abandoned](http://townhall.com/columnists/rachelalexander/2011/08/12/rick_perrys_nafta_superhighway_problem/page/full/). European governments that embraced PPPs faster than other parts of the world are feeling the [effects](http://www.guardian.co.uk/business/2011/apr/24/portugal-greece-european-debt-crisis) now with debt crises. Several countries including Ireland are canceling existing PPPs. The World Bank has egg on its face; after promoting PPPs in developing countries for years, the projects have failed to deliver investments.

#### PPP is not cost effective – empirically proven

**USDT 4** (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a)

Most of the studies and literature on public-private partnerships highlight the benefits of using public-private partnerships for government procurement. As discussed throughout this chapter, innovative procurement methods can result in a variety of benefits, including significant savings in time and cost. However, not all projects fit a public-private partnership model and the increased complexity of public-private partnership procurement can create unusual challenges. States and localities interested in pursuing public-private partnerships should consider some of the shortcomings of public-private partnerships before engaging in this type of procurement. Public-private partnerships do not always result in cost savings. As demonstrated in Figure 3.1, Florida’s use of innovative contracting resulted in cost overruns more often than they resulted in cost savings. Another example of cost overruns is Washington State’s first design-build project, the SR 500 Thurston Way Interchange, in Vancouver, Washington. The actual design-build project costs were approximately 23% more than the estimated costs for the project under the traditional design-bid-build methods ($25,610,004 vs. $20,878,121). This comparison is based primarily upon a Washington State Department of Transportation (WSDOT) engineer’s estimate used to construct an equivalent design-bid-build cost model.[[116]](http://www.fhwa.dot.gov/reports/pppdec2004/index.htm%22%20%5Cl%20%22ftn116%22%20%5Co%20%22) Dr. Keith Molenaar with the University of Colorado at Boulder, Department of Civil, Environmental, and Architectural Engineering, evaluated the use of design-build on the SR 500 Thurston Way Interchange on behalf of WSDOT. In his report, in his view, the risk of cost increases in this case outweighed the potential benefits

#### **Private sectors often run over than the initial cost**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a)

Initial evaluation of a public-private partnership project is not the only uncertainty in assessing the financial viability of a project. Substantial risks are involved in the highway construction process. Large projects face possible unforeseen and uncontrollable design and engineering changes, which can undermine the financial viability of an otherwise sound project. Completion delays alone can add substantially to completion costs and defer the receipt of user revenues. These uncertain completion costs for a highway facility are a barrier because the construction phase spans several years and market conditions may change, labor and materials costs may increase, interest rates may fluctuate, and unexpected delays occur. Construction cost overruns can consume a developer’s capital budget and undermine the coverage of debt service. Additionally, construction risks will be reflected in the higher yields required by investors. The yields will not be known until financing is completed, raising further uncertainties about the overall costs of the project. Traditional public highway construction projects use funds allocated from State transportation budgets and request bids for project completion. If the bids are within the budget, the project is likely to proceed; if not, it is deferred, redesigned, or rebid. Public-private partnership projects normally seek financing for some portion of construction costs beyond the equity or public investment, yet these costs are relatively difficult to predict before contracting and thus pose a barrier. The structure and marketability of these financing arrangements require reasonably precise and definite knowledge of project costs; thus, new approaches to control and allocate construction risks are necessary.

## aff ppps fail/link to spending

#### PPPs make it hard for the government to control, lead to higher taxes, and make future action more expensive

**CBO 12**, (Congressional Budget Office, “Using Public-Private-Partnerships to Carry Out Highway Projects,” http://www.cbo.gov/publication/42685)

If a public-private partnership arrangement is chosen for a highway project, the government involved must design, implement, and monitor contracts that allocate risk and control between the public and private partners. Although contracts of that kind are difficult to create because the parties involved cannot anticipate all contingencies, they are essential to establishing the right incentives to perform the work efficiently and manage the project’s associated risks. In particular, they may help reduce the total cost of the project by bundling tasks that under the traditional approach would be performed by separate entities. A drawback of a partnership arrangement for the public sector, however, can be its loss of control of a project. Contracts for public-private partnerships may in some cases turn over some toll-setting authority to the private sector. Higher tolls are likely to result, an outcome that may conflict with other public-sector goals. A loss of control may also lead to conflicts about and renegotiations of the terms of the contract, which may be costly for the public sector. More generally, less control of a project by the public partner over the long run may make attainment of the government’s future objectives more costly; it may also complicate efforts to adhere to a contract written many years—or even decades—earlier and still protect the public’s interests.

#### PPPs fail – inevitably leading to higher taxes

**Engel et al, 11**, (Eduardo Engel from Yale University, Ronald Fischer from the University of Chile in Santiago, Alexander Galetovic from the Universidad de Los Andes in Santiago, “Public-Private Partnerships to Revamp U.S. Infrastructure,” The Hamilton Project, <http://www.hamiltonproject.org/files/downloads_and_links/Final_BRIEF_ENGEL_Feb2011.pdf>)

Between 1998-2007 and 2008-2010, the use of public-private partnerships to provide infrastructure in the United States increased fivefold (although the frequency of usage is still low compared to usage in countries like the United Kingdom and Portugal). Despite their increased use and appeal, however, experience with partnerships has been mixed. The most salient experiences with the PPP model include high-profile toll-road bankruptcies when inflexible or incomplete contracts collided with lower-than-expected toll revenue. For example, before starting on the Dulles Greenway project, independent consulting companies forecast traffic levels of about 35,000 vehicles a day. But when the road was built, the average number of vehicles per day turned out to be one- fourth of this total. Even after tolls were lowered, ridership increased only modestly. The project quickly fell into default, and the contract was renegotiated, partly at the expense of Virginia taxpayers.

## aff ppps fail – highways

#### **PPP on highways causes road deterioration through diversion**

(CRS Report for Congress “Public-Private Partnerships in Highway and transit Infrastructure Provision, July 9, 2008. CL)

<http://cdm15025.contentdm.oclc.org/cdm/singleitem/collection/p266401coll4/id/3136/rec/19>)

Another concern with the network effects of PPPs, and tolling in general, is that it has the potential for diverting traffic on to other routes, possibly increasing congestion, contributing to possible roadway deterioration, and reducing safety. Private control, it is argued, will lead to higher toll rates and, therefore, more diversion. Diversion of truck traffic is seen as particularly problematic, although diversion of all types of vehicles may occur. A recent study suggests that the safety impacts and infrastructure damage resulting from diversion may be substantial, although the scale of effects will vary by route and the size of the toll.

## aff at: econ nb

#### **PPP’s don’t solve private sector innovation – government retains control**

Alexander 11 (Rachel Alexander, writer for parcbench.com “Government destroying free market with public-private partnerships” August 30, 2011. CL.

<http://www.parcbench.com/2011/08/30/government-destroying-free-markets-with-public-private-partnerships/>)

Do not be fooled by the rhetoric of politicians and bureaucrats claiming PPPs increase privatization. PPPs are nothing more than a new name slapped on the same old concepts of government-enabled monopolization and government control over business. Directing a few large corporations to dominate the market is not the same as a free market. Corporations want to keep out competition, not increase it. Some critics go so far as to accuse PPPs of being part fascist and part socialist due to the quasi-state ownership of the means of production. A real private sector solution would be to get government out of many of these areas entirely.

## aff at: value for money

#### **Value for Money approach is inherently flawed**

CCPA in 9 (Canada Center for Policy Alternatives, “Flawed analysis props up BC public private partnerships”, published 11/20/12, <http://www.policyalternatives.ca/publications/commentary/flawed-analysis-props-bc-public-private-partnerships>)

However, the major and most obvious failing of Partnerships BC’s methodology is that it only focuses on the benefits of P3s and completely ignores the cost side of the equation. When private companies finance public projects, they pay higher interest rates on what they borrow and require a high rate of return on what they invest. The higher costs of private financing for P3s are built into the lease rates that taxpayers ultimately pay, and are much higher than the debt service costs that government would pay if it financed the projects itself. For large, expensive public infrastructure, that can add hundreds of millions of dollars to the total expenditures government incurs over the life of the project.¶ For inexplicable and certainly unjustifiable reasons, Partnerships BC completely ignores the higher financing costs of P3s in its assessment methodology. It pretends the financing costs are the same. In other words, its methodology looks at the potential benefits of P3s without considering the costs. And it compounds that problem by giving very little weight in its analysis to the future tax burdens the P3s impose.¶ No wonder all of Partnerships BC’s so-called ‘Value for Money’ assessments find that P3s are preferred to the more traditionally procured, publicly financed approach. Its methodology, which provides estimates of benefits, and which assumes incorrectly there are no costs, guarantees the result.

## aff 2ac democracy turn

#### **PPP’s undermine democracy**

Redlin 4 (Blair Redlin, researcher for CUPE “How Public-Private Partnerships are Bad for Democracy” November 21, 2004. CL

<http://cupe.ca/updir/rptbr_Secretive_Risky_Unaccountable_P3_Bad_for_Democracy_1.26.05.pdf>

Healthy democracy depends on full information for citizens, full participation by

citizens, independent advice and judgement from public servants, accountability to Parliament and accountability to electors. Public-private partnerships are undermining all of that. In many P3 cases, the imperatives of investor certainty, commercial confidentiality, proprietary control of information and long term contractual arrangements are subverting the normal checks and balances of our democratic system. Those of us who care about the public sphere and who have a vision of increased and ever more health democracy in Canada need to start paying closer attention to P3 proposals. We need to insist on full disclosure, full public participation, decision making by elected officials and accountability of public servants. The more we rely on public private partnerships for provision of public services, the less we’ll be able to achieve our dreams for the public good.

#### Extinction

**Muravchik, 1 –** Resident Scholar at AEI (Josh, “Democracy and Nuclear Peace”, July, http://www.npec-web.org/Syllabus/Muravchik.pdf)

The greatest impetus for **world peace** -- and perforce of **nuclear peace** -- is the spread of democracy. In a famous article, and subsequent book, Francis Fukuyama argued that democracy's extension was leading to "the end of history." By this he meant the conclusion of man's quest for the right social order, but he also meant the "diminution of the likelihood of large-scale conflict between states." 1 Fukuyama's phrase was intentionally provocative, even tongue-in-cheek, but he was pointing to two down-to-earth historical observations: that democracies are more peaceful than other kinds of government and that the world is growing more democratic. Neither point has gone unchallenged. Only a few decades ago, as distinguished an observer of international relations as George Kennan made a claim quite contrary to the first of these assertions. Democracies, he said, were slow to anger, but once aroused "a democracy … fights in anger … to the bitter end." 2 Kennan's view was strongly influenced by the policy of "unconditional surrender" pursued in World War II. But subsequent experience, such as the negotiated settlements America sought in Korea and Vietnam proved him wrong. Democracies are not only slow to anger but also quick to compromise. And to forgive. Notwithstanding the insistence on unconditional surrender, America treated Japan and that part of Germany that it occupied with extraordinary generosity. In recent years a burgeoning literature has discussed the peacefulness of democracies. Indeed the proposition that democracies do not go to war with one another has been described by one political scientist as being "**as close as anything we have to an empirical law in i**nternational **r**elations." 3 Some of those who find enthusiasm for democracy off- putting have challenged this proposition, but their challenges have only served as empirical tests that have confirmed its robustness. For example, the academic Paul Gottfried and the columnist-turned-politician Patrick J. Buchanan have both instanced democratic England's declaration of war against democratic Finland during World War II. 4 In fact, after much procrastination, England did accede to the pressure of its Soviet ally to declare war against Finland which was allied with Germany. But the declaration was purely formal: no fighting ensued between England and Finland. Surely this is an exception that proves the rule. The strongest exception I can think of is the war between the nascent state of Israel and the Arabs in 1948. Israel was an embryonic democracy and Lebanon, one of the Arab belligerents, was also democratic within the confines of its peculiar confessional division of power. Lebanon, however, was a reluctant party to the fight. Within the councils of the Arab League, it opposed the war but went along with its larger confreres when they opted to attack. Even so, Lebanon did little fighting and soon sued for peace. Thus, in the case of Lebanon against Israel, as in the case of England against Finland, democracies nominally went to war against democracies when they were dragged into conflicts by authoritarian allies. The political scientist Bruce Russett offers a different challenge to the notion that democracies are more peaceful. "That democracies are in general, in dealing with all kinds of states, more peaceful than are authoritarian or other non- democratically constituted states … is a much more controversial proposition than 'merely' that democracies are peaceful in their dealings with each other, and one for which there is little systematic evidence," he says. 5 Russett cites his own and other statistical explorations which show that while democracies rarely fight one another they often fight against others. The trouble with such studies, however, is that they rarely examine the question of who started or caused a war. To reduce the data to a form that is quantitatively measurable, it is easier to determine whether a conflict has occurred between two states than whose fault it was. But the latter question is all important. Democracies may often go to war against dictatorships because the dictators see them as prey or underestimate their resolve. Indeed, such examples abound. Germany might have behaved more cautiously in the summer of 1914 had it realized that England would fight to vindicate Belgian neutrality and to support France. Later, Hitler was emboldened by his notorious contempt for the flabbiness of the democracies. North Korea almost surely discounted the likelihood of an American military response to its Page 2 invasion of the South after Secretary of State Dean Acheson publicly defined America's defense perimeter to exclude the Korean peninsula (a declaration which merely confirmed existing U.S. policy). In 1990, Saddam Hussein's decision to swallow Kuwait was probably encouraged by the inference he must have taken from the statements and actions of American officials that Washington would offer no forceful resistance. Russett says that those who claim democracies are in general more peaceful "would have us believe that the United States was regularly on the defensive, rarely on the offensive, during the Cold War." 6 But that is not quite right: the word "regularly" distorts the issue. A victim can sometimes turn the tables on an aggressor, but that does not make the victim equally bellicose. None would dispute that Napoleon was responsible for the Napoleonic wars or Hitler for World War II in Europe, but after a time their victims seized the offensive. So in the Cold War, the United States may have initiated some skirmishes (although in fact it rarely did), but the struggle as a whole was driven one-sidedly. The Soviet policy was "class warfare"; the American policy was "containment." The so-called revisionist historians argued that America bore an equal or larger share of responsibility for the conflict. But Mikhail Gorbachev made nonsense of their theories when, in the name of glasnost and perestroika, he turned the Soviet Union away from its historic course. The Cold War ended almost instantly--as he no doubt knew it would. "We would have been able to avoid many … difficulties if the democratic process had developed normally in our country," he wrote. 7 To render judgment about the relative peacefulness of states or systems, we must ask not only who started a war but why. In particular we should consider what in Catholic Just War doctrine is called "right intention," which means roughly: what did they hope to get out of it? In the few cases in recent times in which wars were initiated by democracies, there were often motives other than aggrandizement, for example, when America invaded Grenada. To be sure, Washington was impelled by self-interest more than altruism, primarily its concern for the well-being of American nationals and its desire to remove a chip, however tiny, from the Soviet game board. But America had no designs upon Grenada, and the invaders were greeted with joy by the Grenadan citizenry. After organizing an election, America pulled out. In other cases, democracies have turned to war in the face of provocation, such as Israel's invasion of Lebanon in 1982 to root out an enemy sworn to its destruction or Turkey's invasion of Cyprus to rebuff a power-grab by Greek nationalists. In contrast, the wars launched by dictators, such as Iraq's invasion of Kuwait, North Korea's of South Korea, the Soviet Union's of Hungary and Afghanistan, often have aimed at conquest or subjugation. The big exception to this rule is colonialism. The European powers conquered most of Africa and Asia, and continued to hold their prizes as Europe democratized. No doubt many of the instances of democracies at war that enter into the statistical calculations of researchers like Russett stem from the colonial era. But colonialism was a legacy of Europe's pre-democratic times, and it was abandoned after World War II. Since then, I know of no case where a democracy has initiated warfare without significant provocation or for reasons of sheer aggrandizement, but there are several cases where dictators have done so. One interesting piece of Russett's research should help to point him away from his doubts that democracies are more peaceful in general. He aimed to explain why democracies are more peaceful toward each other. Immanuel Kant was the first to observe, or rather to forecast, the pacific inclination of democracies. He reasoned that "citizens … will have a great hesitation in … calling down on themselves all the miseries of war." 8 But this valid insight is incomplete. There is a deeper explanation. Democracy is not just a mechanism; it entails a spirit of compromise and self-restraint. At bottom, **democracy is the willingness to resolve civil disputes without recourse to violence. Nations that embrace this ethos in the conduct of their domestic affairs are naturally more predisposed to embrace it in their dealings with other nations**. Russett aimed to explain why democracies are more peaceful toward one another. To do this, he constructed two models. One hypothesized that the cause lay in the mechanics of democratic decision-making (the "structural/institutional model"), the other that it lay in the democratic ethos (the "cultural/normative model"). His statistical assessments led him to conclude that: "almost always the cultural/normative model shows a consistent effect on conflict occurrence and war. The structural/institutional model sometimes provides a significant relationship but often does not." 9 If it is the ethos that makes democratic states more peaceful toward each other, would not that ethos also make them more peaceful in general? Russett implies that the answer is no, because to his mind a critical element in the peaceful behavior of democracies toward other democracies is their anticipation of a conciliatory attitude by their counterpart. But this is too pat. The attitude of live-and-let-live cannot be turned on and off like a spigot. The citizens and officials of democracies recognize that other states, however governed, have legitimate interests, and they are disposed to try to accommodate those interests except when the other party's behavior seems threatening or outrageous.

##  1ar democracy turn

#### PPP’s bad – lack of transparency hurts democracy

Redlin 4 (Blair Redlin, researcher for CUPE “How Public-Private Partnerships are Bad for Democracy” November 21, 2004. CL

<http://cupe.ca/updir/rptbr_Secretive_Risky_Unaccountable_P3_Bad_for_Democracy_1.26.05.pdf>)

Because P3s are, first and foremost, commercial relationships, they are fundamentally changing the values and processes of democratic governments. The thesis of this presentation is that P3s are undermining democratic public institutions because the commercial relationships are inherently secretive, unaccountable and often very risky. Further, the commercial, business nature of these contracts is turning normal public priorities and values upside down. Public administrative values such as responsibility of staff to elected officials, accountability to the public **of** elected officials, transparency, public consultation, openness, and Parliament’s “power of the purse” have increasingly been supplanted by concepts such as “investor confidence”; “commercial confidentiality”; “stability for investors”; “proprietary ownership of information and assets”; “commercial sensitivity”; “protection of shareholders” and “competitive procurement rules”. The language change reflects a change in priorities and process.

## aff – perm

#### Perm solves – the cp isn’t distinct from the plan or it links to the net benefit

**DOT 07 (**United States Department of Transportaion Federal Highway Administration, Case Studies of Transportation Public-Private-Partnerships around the World, 7/7/07, <http://www.fhwa.dot.gov/ipd/pdfs/int_ppp_case_studies_final_report_7-7-07.pdf>)

In comparison to shorter-term procurements methods, PPPs [Public Private Partnerships] provide the opportunity for public sector agencies and private sector providers to develop long-term, high trust relationships. With the need to concentrate on long-term objectives, there is greater incentive for public sponsors and private providers to understand goals and share information to develop better long-term solutions. Further, the opportunity to develop strong long-term relationships provides a better forum in which to resolve problems and issues.With transportation assets typically having long effective lives, a need exists for the public sector to develop a long term relationship with a provider to assist the development of transportation infrastructure, guide capital expenditure decisions and ensure that assets are maintained, safe and are of high quality upon transfer.

# \*popular/unpopular\*

## ppps unpopular – public

#### **PPP’s are not popular with the public**

USDT 4 (United States Department of Transportation “Report to Congress on Public-Private Partnership” December 2004. CL.

http://www.fhwa.dot.gov/reports/pppdec2004/index.htm#2a)

A common type of alternative financing is tolls. Generally, the public resists toll projects and opposes the tolling of pre-existing tax-supported roads. The public views the roads as "free" and believes that the construction and maintenance of these roads has already been paid for through Federal and State gas taxes, as well as other fees. Tolls are often viewed as an additional charge for a road for which the public believes it has already paid through taxes and other fees. However, when roads must be expanded to handle peak travel demands, existing taxes paid by motorists are inadequate to cover the costs, as discussed below.

#### **PPP operations are very unpopular with the public**

(CRS Report for Congress “Public-Private Partnerships in Highway and transit Infrastructure Provision, July 9, 2008. CL)

<http://cdm15025.contentdm.oclc.org/cdm/singleitem/collection/p266401coll4/id/3136/rec/19>)

One of the main concerns of the critics of public-private partnerships in highways is that it will create a patchwork of tolled and non-tolled roads, undermining national uniformity in highway operation, increasing travel costs (see below), and ultimately impeding passenger travel and interstate commerce. Conceivably, this perceived “patchwork” will add a good deal of complexity to everyday routing decisions, and possibly longer term location decisions, that may mean the cheapest route is no longer the shortest, quickest route. The American Trucking Associations (ATA) has also expressed the concern that tolling and privatization will place an extra administrative burden on national and regional trucking companies because of having to do business with a multitude of public and private tolling entities. Others are concerned that the first facilities to be candidates for leasing will be those that serve a high proportion of users from other states or local jurisdictions.

## Ppps unpopular – user fees

#### **PPP increases travel costs makes them unpopular with the public**

(CRS Report for Congress “Public-Private Partnerships in Highway and transit Infrastructure Provision, July 9, 2008. CL)

<http://cdm15025.contentdm.oclc.org/cdm/singleitem/collection/p266401coll4/id/3136/rec/19>)

Probably of greatest concern to many users of the highway system is that greater private sector involvement will lead to substantial increases in travel costs through the proliferation of tolled roads and toll rates that will rise more quickly than has typically been the case under public control. This is of particular concern where no new service is provided, such as a new facility or the addition of new lanes on an existing facility, and where there is no viable, non-tolled alternative. Proponents of PPPs agree that private sector participation will most likely lead to an increase in direct highway user costs, but note that this is the price to be paid for not providing highway infrastructure through taxation. Of particular concern to critics of privately operated toll roads is any situation where there is no viable travel alternative, or to put it another way, where the private road operator has significant monopoly power. In such a situation, these critics argue that, unless carefully regulated, toll rates can be set very high and the rate of return on investment will be unreasonably large.

## ppps unpopular – spending

#### PPPs have no effect on spending or the government’s budget

**Engel et al, 11,** (Eduardo Engel from Yale University, Ronald Fischer from the University of Chile in Santiago, Alexander Galetovic from the Universidad de Los Andes in Santiago, “Public-Private Partnerships to Revamp U.S. Infrastructure,” The Hamilton Project, <http://www.hamiltonproject.org/files/downloads_and_links/Final_BRIEF_ENGEL_Feb2011.pdf>)

Public-private partnerships seldom relieve long-run government budget constraints.  Public-private partnerships can seem like a free lunch—a way to provide infrastructure without using taxpayer money. In actuality, the government’s (or taxpayer’s) overall budget constraint is seldom relieved. In a partnership, the government does not need to make an up-front investment, but it does have to forgo future toll revenue—funds that it would otherwise collect under public provision and that are ultimately paid by constituents. In short, the composition and timing of infrastructure financing differs under a public-private partnership, but the government’s budget bottom line (and taxpayers’ expenditures) remain essentially unchanged over the long run.

#### **PPP’S lead us into debt and fail – links to the net benefit**

Alexander 11 (Rachel Alexander, writer for parcbench.com “Government destroying free market with public-private partnerships” August 30, 2011. CL.

http://www.parcbench.com/2011/08/30/government-destroying-free-markets-with-public-private-partnerships/)

 In some countries, the majority of civil infrastructure projects are contracted as PPPs. Sounds good, right, for government to assign more areas to the private sector? In theory it seems like less government. In reality it works out to be government granting monopolies to favored corporations which no longer act like free market entities and are controlled substantially by government. Cash-strapped governments maxed out on taxes and spending have figured out that PPPs are a sneaky way around being forced to cut costs. Government officials deceptively describe PPPs as a way to “overcome budgetary constraints,” using the promise of more private sector involvement to make their junk science ideas of  “sustainability” projects more acceptable. PPPs allow governments to continue launching large ambitious expensive projects by using a private entity to put up the initial cost in exchange for guaranteed returns. Unfortunately, government ends up in more debt in the long-term because the private entity no longer acts like a private entity in a PPP.

#### **Cost overruns empirically proven – links to the net benefit and doesn’t solve**

Alexander 11 (Rachel Alexander, writer for parcbench.com “Government destroying free market with public-private partnerships” August 30, 2011. CL.

<http://www.parcbench.com/2011/08/30/government-destroying-free-markets-with-public-private-partnerships/>)

The number of failed PPPs is piling up. A Norwegian study of 258 large PPP projects in 20 countries found that 90% had cost overruns of over 20-45%. Boston’s Big Dig transportation project ballooned from an estimated cost of $2.2 billion to $14.6 billion. The Connector 2000 toll road project in South Carolina defaulted on debt service and filed for bankruptcy. A toll road project in Indiana is in trouble, with a reported $209 million deficit in 2010. A toll road for trucks in Texas, Camino Columbia produced only 10% of the traffic forecasted, forcing the private entity to default on the debt and file bankruptcy after lenders foreclosed. The city of Chicago was caught leasing its parking meters to a private entity for nearly $1 billion less than they were worth in a hastily accepted deal. Four PPPs for water failed in Puerto Rico, Trinidad, Argentina and Bolivia. The Cross-City Tunnel in Sydney, Australia attracted only one-third of the expected traffic, resulting in the private entity filing bankruptcy. Some proposed partnerships are now being [scuttled](http://www.infrastructurist.com/2009/10/06/public-private-partnerships-another-one-bites-the-dust/) as it becomes apparent they would be financial mistakes. The proposed NAFTA Superhighway crossing the U.S. from Mexico to Canada has been [mostly abandoned](http://townhall.com/columnists/rachelalexander/2011/08/12/rick_perrys_nafta_superhighway_problem/page/full/). European governments that embraced PPPs faster than other parts of the world are feeling the [effects](http://www.guardian.co.uk/business/2011/apr/24/portugal-greece-european-debt-crisis) now with debt crises. Several countries including Ireland are canceling existing PPPs. The World Bank has egg on its face; after promoting PPPs in developing countries for years, the projects have failed to deliver investments.

## ppps popular – spending/politics

#### Privatization is popular avoids the link to politics

**Elaine R. Davis,** (Senior Research Fellow: 20 years in public policy research and program development. She is a Senior Research Fellow for the Washington Institute Foundation.) January, 1997 (<http://www.washingtonpolicy.org/publications/brief/private-solutions-public-service-opportunities-privatization-king-county>

**Privatization -- delivering governmental services with help from the private sector -- has been debated for nearly two decades. With a multitude of successful examples, par-ticularly in local government, privatization is no longer a fuzzy concept. Internationally, from Margaret Thatcher's innovations in England to its growing use throughout the Third World, private sector solutions are increasingly important to the public policy debate. Ironically, it has seemed to many that only in the U.S. has privatization lagged. But, here too, it is now being tested on the front lines of government. Privatization in its many forms - contracting out, competitive procurement, asset divestiture and outright asset sales - has been gaining ground within both political parties, and the results are in: Lower costs; greater efficiency; more effective and responsive programs; improved worker satisfaction; and, greater community support and involvement.In this paper on privatization opportunities for King County, we review examples of effective privatization in local communities around the nation, reporting where innova-tive thinking saved money while contributing to improved service delivery. We describe how similar activities are currently accomplished in King County, and how much is being spent here.Privatization ... has been gaining ground within both political parties, and the results are in: Lower costs; greater efficiency; more effective and responsive programs; improved worker satisfaction; and, greater community support and involvement.Large organizations, whether big government or big business, have suffered from too many layers of management and from too much unproductive, bureaucratic process. Corporations and governments alike - whether through downsizing, rightsizing, re-engineering, reinventing, outsourcing or through privatization -- have begun working to reduce unnecessary barriers to efficiency and competitiveness.Strong leadership has been the key ingredient necessary to success. And in several places around the country, government leaders, including Chicago Mayor Daley, Indianapolis Mayor Goldsmith, Governor Weld in Massachusetts, and Governor Wilson in California, in cooperation with businesses in their areas, have demonstrated that public purposes, thoughtfully conceived, can be achieved best by moving away from the traditional monopoly of government employment, opting instead for service delivery in competitive -- often private sector-- environments**

#### Privatization fills the costly needs for transportation – shields the link to politics

**Primack 11** (Dan Primack, Senior Editor for Fortune.com; former Editor-at-Large of Thomson Reuters, Why Obama Can’t Save Infrastructure, Fortune, <http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure>, Stumbris)

Here are two things we all can agree on about America's transportation infrastructure: (1) It is in desperate need of costly repairs, and (2) Our political leaders cannot agree on how to pay for them.

President Obama dove into the conversation this week, proposing $556 billion in new infrastructure spending over the next six years. Not only would it include money for road and bridge repair, but also high-speed rail development and the formation of a National Infrastructure Bank that would (hopefully) prevent the next Bridge to Nowhere from being federally funded.

It is an important step, considering that the American Society of Civil Engineers estimates that the nation's 5-year infrastructure investment need is approximately $2.2 trillion. Unfortunately, Obama didn't explain how the new spending would be paid for.

Increases in transportation infrastructure spending traditionally have been paid for via gas tax increases, but today's GOP orthodoxy is to oppose all new revenue generators (even if this particular one originated with Ronald Reagan). This isn't to say that Republicans don't believe the civil engineers – it's just that they consider their version of fiscal discipline to be more vital.

In other words, America's infrastructure needs are stuck in a holding pattern. That may be sustainable for a while longer, but at some point we need to land this plane or it's going to crash.

Luckily, there is a solution: State and municipal governments should get off their collective butts, and begin to seriously move toward partial privatization of their infrastructure assets.

Remember, the federal government doesn't actually own America's roads, bridges or airports (well, save for Reagan National). Instead, it's basically a piggy-bank for local governments and their quasi-independent transportation authorities. Washington is expected to provide strategic vision -- like Eisenhower's Interstate Highway System or Obama's high-speed rail initiative -- but actual implementation and maintenance decisions are made much further down the food chain.

Almost every state and municipal government will tell you that it doesn't have enough money to adequately maintain its existing infrastructure, let alone build new infrastructure. And, in many cases, existing projects are over-leveraged from years of bond sales.

At the same time, private investment firms are clamoring to fill the void.

Nearly $80 billion has been raised by U.S.-based private equity infrastructure funds since 2003, and another $30 billion currently is being raised to focus on North American projects, according to market research firm Preqin. Each of one those dollars would be leveraged with bank debt, and none of that includes the billions more available from public pension systems and foreign infrastructure companies.

For example, Highstar Capital last year signed a 50-year lease and concession agreement to operate the Port of Baltimore's Seagirt Marine Terminal. The prior year, private equity firm The Carlyle Group signed a 35-year lease to redevelop, operate and maintain Connecticut's 23 highway service areas. And in 2005, an Australian and Spanish company teamed up to lease The Chicago Skyway for $1.83 billion. That same tandem later acquired rights to the Indiana toll road.

But those are exceptions to the America's transportation infrastructure rule, which says that everything should be government-owned and operated. It's a rule grounded in fears that private investors will put profits over safety, plus a hefty dose of inertia.

Well, it's time for us to get over it.

First, we've already established that our current system isn't working. Again, $2.2 trillion in infrastructure needs. And if you haven't seen a crumbling or rusted out bridge somewhere, then you haven't been looking.

Second, it's counter-intuitive to think that a private investment firm wouldn't do everything in its power to make its transportation assets safe and efficient. Toll roads, airports and the like are volume businesses. One giant accident, and the return on investment could be irreparably harmed. This isn't to say that all of these projects will be successful -- there have been fiascos, like with Chicago's parking system -- but this is no longer a choice between private and public funding. It's a choice between private funding and woefully insufficient funding.

Third, local governments have the ability to structure these leases any way they see fit. For example, the Chicago Skyway deal includes an annual engineering checkup, and the private owners are obligated to make any recommended repairs. This also goes for pricing. In a failed privatization deal for the Pennsylvania Turnpike, prospective buyers agreed to certain parameters on future toll increases.

Most importantly, infrastructure privatization provides a solution to the current standoff between Obama and House Republicans -- by providing for investment to repair and maintain existing infrastructure, without requiring tax increases or enabling parochial pork.

But the benefits go far beyond the obvious. Privatization also may mean up-front payments that local governments can use to pay down existing project debt, while thoughtful leaders could set aside part of the proceeds to fund other infrastructure needs. Moreover, taxpayers no longer are on the hook for infrastructure-related risk (maintenance costs, liabilities, etc.).

I'm obviously not saying that any of this is easy. There are big barriers to privatization, including objections from those who currently run our toll roads, bridges, etc. (just ask those who lost the fight to lease out the Pennsylvania Turnpike in 2008).

But it's the best path forward for a nation that really could use more, and safer, paths.

#### PPPs needed for funding of federal projects – avoids the link to politics

**Reinhardt and Utt 12** (William Reinhardt and Richard Utt, Law attorney and Senior researcher for the Economic Policy Studies at the Heritage Foundation, “Can Public-Private Partnerships Fill the Transportation Funding Gap?”, Heritage Foundation, <http://www.heritage.org/research/reports/2012/01/can-public-private-partnerships-fill-the-transportation-funding-gap>)

To shrink the financial gap between wishes and reality, many have proposed that governments seek to negotiate public–private partnership contracts (P3s) with infrastructure investors and developers. These complex and carefully drafted agreements allow governments to leverage **scarce public funds** with private capital for major transportation projects. However, while P3s have demonstrated the ability to raise substantial sums of money for major infrastructure projects—especially those that add needed capacity in congested corridors—experience demonstrates that they can be complicated and time-consuming to create and that not every transportation project is amenable to the P3 approach.

For the most part, the quest for alternative financing sources is driven by public opposition to raising state and federal fuel taxes. The last time the federal fuel tax was increased was in 1993. The federal excise tax is currently 18.3 cents per gallon and is the major source of revenue for the highway trust fund. Much higher fuel efficiencies mean lower gas tax proceeds and a shrinking trust fund.

The disparity between transportation spending needs and wants as defined by congressional transportation committees, the Obama Administration, and the program’s stakeholders is growing as shrinking trust fund revenues limit future investment. Under the circumstances, a non-tax alternative procurement approach based on private-sector involvement using tolls and other types of user fees would fill part of the yawning gap.

#### **PPP’s have many benefits; save public sector a lot of money**

CRS REPORT 08

(CRS Report for Congress “Public-Private Partnerships in Highway and transit Infrastructure Provision, July 9, 2008. CL)

<http://cdm15025.contentdm.oclc.org/cdm/singleitem/collection/p266401coll4/id/3136/rec/19>)

As well as the potential for additional capital, PPPs may also generate new resources for transportation infrastructure in at least two other ways. First, PPPs may improve resource efficiency through improved management and innovation in construction, maintenance, and operation, in effect providing more infrastructure for the same price. PPP proponents argue that private companies are more able to examine the full life-cycle cost of investments, whereas

public agency decisions are often tied to short-term budget cycles. In the case of theHudson-Bergen Light Rail in New Jersey, procured under a DBOM contract, DOT estimates that the project saved 30% over the more traditional design-bid-build procurement method, a saving of about $345 million. Second, through PPPs the private sector may bear many of the financial risks that exist with building, maintaining, and operating infrastructure. Risks abound in the development and operation of infrastructure, including the risk that construction and maintenance will cost more and/or take longer than foreseen. Another risk with toll facilities is that once built there will be less demand than estimated. Transferring these risks to the private sector, according to proponents, will save public agencies significant amounts of money, particularly as cost and schedule overruns are common with transportation infrastructure projects.

#### Congress supports Privatization

Orski 2008 (C. Kenneth Orski editor and publisher of Innovation Briefs, “Private Investment, Tolls Will Play an Increasing Role in Funding Tomorrow's Transportation Infrastructure” <http://news.heartland.org/newspaper-article/2008/07/01/private-investment-tolls-will-play-increasing-role-funding-tomorrows-tr>, SN)

House Speaker Nancy Pelosi (D-CA) agrees. "Private investment is playing an increasingly larger role in public infrastructure," she observed in an address before a Regional Plan Association luncheon on April 18. "Innovative public-private partnerships are appearing around the country, bringing much-needed capital to the table. "It is important to ensure that the public interest is well-served in public-private partnerships, since they are here to stay and likely to grow in importance," Pelosi continued. "User fees will continue to play a major role in financing many types of infrastructure. Reliance on tolls for transportation funding is likely to continue and expand.." U.S. Secretary of Transportation Mary Peters also has been a longstanding advocate of public-private partnerships. "Unleashing the investment locked in the private sector by partnering with business is the most efficient path to the transportation future this country needs and deserves," she told an audience of Arizona contractors in February. It's a message she and her senior staff have conveyed many times before and since. Using the leverage of private capital to supplement public funding also lies behind the proposal by Senators Christopher Dodd (D-CT) and Chuck Hagel (R-NE) for a National Infrastructure Bank (S.1926) The proposal would establish "a unique and powerful public-private partnership," Dodd said in his opening statement at a March 11 hearing on the bill, held by the Senate Committee on Banking, Housing and Urban Affairs. "Using limited federal resources, it would leverage the significant resources and innovation of the private sector. It would tap the private sector's financial and intellectual power to meet our nation's critical structural needs."

## ppps popular – public

#### PPP’s are popular with the public

ITSP in 09 (International Technology Scanning Program, “Public-Private Partnerships for Highway Infrastructure: Capitalizing on International Experience” published March 2009)

Public concern over private sector profiteering was quite pronounced in some of the host nations at the onset of PPP programs. Public apprehension over the potential for unreasonable private sector profits was a real issue. With time, adjustments in policy and practice have reduced this apprehension. The more recent adoption of value-for- money principles for PPP projects and the public sector’s contractual regulation of private revenues or profits as well as sharing in the financial upside have helped minimize this concern. More specific practices are described in subsequent chapters.

#### The Public is highly supportive of privatization

Cassidy 11 (William B. Cassidy, one of the nation’s top trucking reporters, he has covered the evolution of the trucking industry since the 1980s, “Survey Reveals Strong Support for Infrastructure Deal”, The Journal of Commerce, 2-14-11, <http://www.joc.com/government-regulation/survey-reveals-strong-support-infrastructure-deal>, KG)

Big majority wants compromise on transportation funding, but not higher fuel taxes¶ 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.

## hsr aff – ppps link to spending

#### Major government funding for HSR inevitable in PPP– cp links to net benefit

Tony Dutzik and Jordan Schneider, Tony Dutzik is senior policy analyst with Frontier Group. His research has focused on climate and energy policy, transportation, privatization of government services, and state-based approaches to public policy challenges. His reports have received national media attention - gaining coverage in the New York Times, the Wall Street Journal, the Philadelphia Inquirer and other major newspapers - and have helped lay the groundwork for reforms such as state adoption of enhanced emission standards for cars. Jordan Schneider is an analyst in the Frontier Group Santa Barbara office., Summer 2011, The Frontier Group, High-Speed Rail:Public, Private or Both?, http://cdn.publicinterestnetwork.org/assets/85a40b6572e20834e07b0da3e66e98bf/HSR-PPP-USPIRG-July-19-2011.pdf

Governments should be prepared to¶ reduce the risk of cancellation of a¶ project mid-stream by providing fullfunding¶ grant agreements that provide¶ a multi-year commitment of government¶ funds.¶ Governments should acknowledge¶ that public investment is necessary¶ for the completion of a high-speed¶ rail project and understand that even¶ “private” rail proposals are likely to¶ impose public costs, particularly in¶ the event of a threatened private-sector¶ default.