# Privatization CP

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### NIB Text

#### Text: The United States Federal Government should establish a private finance initiative for transportation infrastructure in the United States.

### HSR Text

#### Text: The United States Federal Government should establish a private finance initiative for the phased construction of a high-speed rail network in the United States.

### Transportation Racism Text

#### Text: The United States Federal Government should establish a private finance initiative to substantially increase investment for public transit infrastructure in metropolitan areas

### 1NC Solvency

#### Privatization key to Infrastructure--- Europe proves

Pinsent **Masons.** (International law firm. Government encourages banks to underwrite private sector investment risk in exchange for guarantees http://www.out-law.com/en/articles/2012/july/government-encourages-banks-to-underwrite-private-sector-investment-risk-in-exchange-for-guarantees-/) July 2, 20**12**

**The Government identified £250 billion worth of infrastructure investment opportunities as part of its National Infrastructure Plan (NIP)** last year; however it has acknowledged that **much of the money will need to come from the private sector.** The NIP set out alternative private sector funding approaches to the controversial private finance initiative (PFI) funding model, such as encouraging investment from pension and insurance funds. **However the Government has struggled to attract the necessary investment due to a lack of relevant knowledge from fund trustees and concerns about project risk.** A 'call for evidence' on a replacement to PFI that would "draw on private sector innovation but at a lower cost to the taxpayer" was announced by the Government last year. **In a PFI agreement the private sector pays the upfront cost of major public infrastructure projects such as roads, prisons and schools and is typically repaid by the taxpayer over a 30-year period.** A **Treasury spokesperson** told Out-Law.com that the Government was currently exploring **"a number of ways" to boost private sector investment in infrastructure, "including how guarantees can be used to help reduce the risk profile of projects and make them more attractive to potential investors".** However, he added that there was still no fixed timetable for when the result of the Government-commissioned review of the Private Finance Initiative (PFI) would be published. **Infrastructure law expert Barry Francis** of Pinsent Masons, the law firm behind Out-Law.com, said that while it was good to see the Treasury **"continue to explore new ideas to enable infrastructure projects to be financed", without more detail of how the potential 'guarantees' would work it was difficult to be enthusiastic.** **"We still face the problem that risk appetite with banks and others is low, and project finance teams are disbanding or reducing so expertise is dissipating and cannot be remobilised just like that,"** he said. "Serious investment in developing models requires confidence that the pipeline of projects is there and that the rules are stable. Recent experience in solar energy is not encouraging." **Jon Hart, infrastructure law expert** at Pinsent Masons, said that **more had to be done to encourage risk-averse private investors to take on 'greenfield', or brand new, projects as there were not enough post-construction 'brownfield' projects available to be of interest. "A possible solution for new projects, consistent with banks' reluctance to lend long term, would be for short-term debt to see through construction phase and into a steady state, post practical completion**," he said. "**Once in a steady state, funds would then come in and invest in the project. However, this may require a realignment of thinking from construction contractors who will be keen to disappear over the horizon once tests on completion are done."**

## 2NC

### Solvency

#### Private Actors needed for infrastructure

Ian **Flora** (reporter for Sunstar News. Private sectors’ role in development highlighted. http://www.sunstar.com.ph//local-news/2012/06/25/private-sectors-role-development-highlighted-228599) June 25, 20**12**

**Chamber of Commerce and Industry vice chairman Rene Romero highlighted** over the weekend **the important role of the private sector representatives** (PSR) in identifying **needed government development programs and providing a check and balance on government programs and decisions.** Romero, during the PSRs of the Regional Development Council (RDC) convention here, said the PSRs play the **crucial role** of identifying **needed government projects and clarify the procedure involved in determining priority projects of government. Romero added that the PSRs also provide a check and balance into government programs and provide alternative proposals in the implementation** of projects through public-private partnership (PPP) projects. “**An active PSR is a great tool in making government follow proper procedures and in ensuring that projects are accomplished within standards. The PSRs help in weeding out corruption in government projects to a certain level,”** Romero said. Romero also urged **government to prioritize more** PPPs **to fast-track development objectives in the regions.**

#### U.S. can’t sustain or rebuild infrastructure alone

**San Francisco Chronicle** (U.S. must fund transportation infrastructure: http://www.sfgate.com/opinion/openforum/article/U-S-must-fund-transportation-infrastructure-3653903.php) Jun 22, 20**12**

**The country that moves product to the market and people to work most efficiently wins the international geo-economic competition. That's never been more threateningly true than now, as the aging and incomplete U.S. transportation systems fall into decline with dwindling hope of recovery. Major sections of** President Dwight **Eisenhower's interstate highway system**, especially interchanges and lane widening, **are incomplete. The overall system is poorly maintained, including bridges and pavement, except for those supported** by our San Francisco Bay Area's **bridge tolls, which have been increased recently**. Our **mass transit systems are well planned but incomplete**. New, **more efficient and sustainable modes**, such as high-speed rail and automated guide-way transit **that already support the rest of the world's economies, are not available in the United States**. **The 18.4 cent-per-gallon federal gas tax, the traditional funding source for transportation, was increased last in 1993** and is woefully **inadequate to meet current and future needs. Remember, fuel prices are up drastically, which results in fewer miles being driven and stimulates the development of more efficient cars**. All of that leads to less fuel purchased. **The gas tax is per gallon - fewer miles and better economy equals fewer gallons consumed, which equals less fuel taxes collected for four out of the past five years. Yet our aging and obsolete infrastructure needs more funding, not less.** Congress has been unable to find the funding or the votes to reauthorize the essential national surface transportation act.

**Privatization offers a way forward in U.S.**

**NorthWestern** (Journal of Law and social Policy http://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1061&context=njlsp) Winter 20**11**

In the United States, **we are a long way from having a system akin to that which regulates infrastructure privatization in the United Kingdom. Making wise decisions on infrastructure require more than creating an expert decision-making body. Better decisions are most likely to emerge when the public has** at least basic **knowledge about the terms on which public infrastructure is provided and the effects of the options offered**. However, gaining access to information held by private companies, along with other accountability obligations imposed on private actors, present special challenges. **Accountability** obligations might be imposed **on private infrastructure contractors** by contract, as long as the contractors were willing to agree to those terms. Legislation might also be enacted to prohibit state and local governments from entering into any contract that does not include public accountability. That legislation could apply at least to components of our interstate highway system or even to all infrastructure built with federal money and that is part of our interstate transportation system. The specific policies for that legislation can be found in the formal name of our interstate system: the Dwight D. **Eisenhower National System of Interstate and Defense Highways. That name recognizes the relationship of our system of highways to the public interest.** We currently have a model for, at least, ensuring that important information, relevant to infrastructure privatization, is provided through language proposed in the 111th Congress’ House Committee on Transportation and Infrastructure’s bill, The Surface Transportation Authorization Act of 2009 and the Committee’s accompanying document, The **Surface Transportation Authorization Act of 2009**: A Blueprint for Investment and Reform. That bill **emphasizes disclosure, fair process, and attention to the public interest** in relation to PPP agreements, and the Blueprint succinctly explains the bill’s goals. In addition to new procedures and substantive obligations, the bill proposes creating a new public body charged with implementing new rights and thus potentially moving the United States closer to models found in Europe. The bill itself is infused with decades of experience under the Administrative Procedure Act. Thus, if enacted, these provisions should promote democratic values and build on experience with how complex decisions can be fairly, effectively, and wisely made. The bill recognizes the current **system’s benefits, such as generating revenues to support transportation projects that might otherwise not be financially viable and problems, such as imposing costs on those least able to pay.** It concludes that in order to **“protect the integrity of the nation’s surface transportation system and the public interest regarding trade and travel, the Federal surface transportation program requires strengthened public protections** regarding highway toll projects and PPP agreements.” The bill follows up on these findings by including both substantive and procedural protections and positive and negative obligations to deal with common problems that have arisen under current infrastructure privatization agreements, several of which are discussed in the next sections.

#### Congress increases aren’t enough

Allen **Farm** (Associated Press, <http://www.sfgate.com/news/article/Congress-passes-student-loans-highway-jobs-bill-3672466.php> ) June 29, 20**12**

"**We have a bill that will boost this economy. We have a bill that is supported by conservatives and liberals, progressives and moderates. I think it's a great day**," said **Sen.** Barbara **Boxer**, D-Calif., who led Senate **negotiations on the transportation portion of the package. Boxer estimated the bill would save about 1.8 million jobs by keeping aid for highway and transit construction flowing to states and create another 1 million jobs by using federal loan guarantees to leverage private sector investment in infrastructure projects.** Rep. John Mica, R-Fla., chairman of the Transportation and Infrastructure Committee, said: "Probably millions would have been put out of work if we hadn't acted." Not all lawmakers were happy. "At least it's not as bad as our Republican colleagues wanted," complained Rep. Earl Blumenauer, D-Ore., who has championed bike and pedestrian programs that the measure would squeeze. "But make no mistake, it is not a bill to be proud of." In the bargaining that led up to an agreement on the package earlier this week, House **Republicans** **gave up their demands that the bill require approval of the contentious Keystone XL oil pipeline and block federal regulation of toxic waste generated by coal-fired power plants. Democrats gave ground on environmental protections and biking, pedestrian and safety programs.** The bill consolidates various transportation programs and reduces the number of programs by two-thirds. States would have more flexibility on how they spend transportation aid. It also revamps rules on environmental studies of the potential impact of highway projects, with an aim toward cutting in half the time it takes to complete construction projects. And the measure contains an array of safety initiatives, including requirements that would make it more likely passengers would survive a tour bus crash. "It doesn't have everything," Mica said. But "we were able to do more with less and move transportation for the nation forward." The bill would spend about $100 billion on federal highway programs over two years, but puts off the politically tricky decision on how to pay for them after that. **The federal 18.4 cent-a-gallon gasoline tax and 24.4 cent-a-gallon diesel tax are no longer enough to pay for current spending on highway and transit programs**. And two commissions and an array of **private sector experts have said the U.S. should be spending about twice as much or more on its transportation infrastructure as it does now.**

### A2 Companies Won’t Invest

**American Companies will invest with the opportunity**

**IBM Press Release** (<http://finance.yahoo.com/news/veolia-transdev-ibm-collaborate-improve-123800909.html>) June 27, 20**12**

**Veolia Transdev and IBM** [IBM +2.11%](http://www.marketwatch.com/investing/stock/IBM?link=MW_story_quote)today **announced that together they are developing a smarter mobility solution designed to help cities alleviate road congestion, optimize transportation infrastructures and improve the urban traveler experience.** The first application of the **smarter mobility solution is being piloted in the City of Lyon, France, which is the second largest metropolitan area in France outside of Paris,** as part of the city's Optimod project. Optimod'Lyon will test and **validate new services to improve the mobility of people, passengers in the urban environment, optimizing and combining the use of transport infrastructure.** "**The smarter mobility solution developed by IBM and Veolia Transdev opens new opportunities to all urban mobility projects**," said Gerard **Collomb, Senator Mayor of Lyon. "This level of innovation is the reason why we engaged with IBM and Veolia Transdev - together with the other partners of the project - to contribute to the Optimod'Lyon partnership aiming at building sustainable mobility solutions for the future."**The smarter mobility solution brings together Veolia Transdev's expertise in the public transit industry and IBM's expertise in managing big data and advanced analytics. Cities will now have the ability to coordinate and connect services across all of its transportation networks, including subways, trams, buses, vehicular and bicycle traffic, and more.**The solution** leverages IBM's Intelligent Operations Center (IOC) designed **to give cities a holistic view of city operations - such as water, transportation and public safety** - through one central point of command, facilitating faster and **more efficient decision-making**. Combined with relies on Veolia Transdev's technology dedicated to **urban mobility**, the new solution helps a city predict traffic road speed and arrival times and **coordinate city responses** across the transportation network across multiples modes of transportation within a city, such as buses and trams. These advanced solutions also take into account unplanned events, such as rain storms or traffic accidents, which may cause delays or disruption in service. **Cities will be able to use the solution to build intelligence into its existing transport infrastructure to help anticipate and plan for future transit issues**. **This can help reduce pollution linked to road congestion, increase public transit revenue that can be invested in new projects to improve quality of life for citizens and reduce costs associated with the creation of new transport infrastructures by optimising usage of those already in existence.**

#### Private Sector investing now

**Wall Street Journal** (U.S. Water Partnership Launched to Address Global Water Challenges: Over 40 American public, private and civil society organizations are dedicating more than $500 million in financial and in-kind resources to address water problems around the globe

 <http://www.marketwatch.com/story/us-water-partnership-launched-to-address-global-water-challenges-2012-06-20>)June 20, 20**12**

Today, the **U.S. public and private sectors** announced that they **are dedicating over half a billion dollars to address key water challenges around the world through the newly formed U.S. Water Partnership** (USWP). U.S. Environmental Protection Agency (EPA) Administrator Lisa Jackson and former U.S. EPA Administrator William K. Reilly keynoted the global launch of the partnership, **one of six signature initiatives announced by the U.S. government at the UN Conference on Sustainable Development** (Rio + 20). **A joint effort of both public and private sectors in the U.S., the U.S. Water Partnership is supported by 41 members including government agencies, academic organizations, water coalitions, NGOs and the private sector**. The partnership was first announced on March 22, 2012 by **Secretary of State Hillary Rodham Clinton**. "**I am proud to announce that the American people are doing our part by coming together through the U.S. Water Partnership, a public-private partnership that is pooling resources and mobilizing American expertise, knowledge, and ingenuity to address water challenges around the globe, especially in developing countries where needs are the greatest**," said U.S. Secretary of State Hillary Rodham Clinton. -- The **Coca-Cola Company pledged $3.5 million** to support sustainable safe water access in five African countries as well as support for operations of the U.S. Water Partnership. -- **World Vision will dedicate $400 million** in project support toward the goals of the partnership, including best practices from Water, Sanitation and Hygiene interventions in Haiti, India and West Africa and support for the USWP. -- Overseas Private Investment Corporation **(OPIC) intends to invest at least $150 million** within the next one to two years in critical water issues including desalination and distribution infrastructure. -- National Aeronautics and Space Administration **(NASA) will invest $21 million** over the next five years on research and application activities that contribute to the understanding and improved management of our global water resources. -- The Nature Conservancy **(TNC) is investing $30 million** over the next five years to advance integrated water resource management, including Securing Water for People and Nature and the Great Rivers Partnership. -- The **Rockefeller Foundation** -- The Foundation will support a **$100,000** USWP signature initiative on "Multiple Use Services." -- **Skoll Global Threats Fund** is investing **$100,000** in a USWP signature initiative on water security in South Asia. -- U.S. Environmental Protection Agency (**EPA) will provide access to** its watershed management tools, its water **quality standards, and regulatory and policy support.** -- World Resources Institute **(WRI)** is offering access to Aqueduct -- a global information platform and **tool for helping private and public sector decision-makers** understand water-related risks. For a complete listing of members and their contributions, please visit <http://www.uswaterpartnership.org>

### NIB Solvency

**National Infrastructure Bank solves- United public and Private sector**

Michael **Moynihan** (NDN Fellow with association with Benard Shwartz. Investing in our common future: U.S. Infrastructure) November 17, 20**07**

**America will need to make trillions of dollars in new investments, among them: 􀂃 New environmental** technologies to address global warming and other critical issues of sustainability; 􀂃 **New energy technologies** to replace fossil fuels; 􀂃 **A new electrical transportation infrastructure** to charge electric vehicles; 􀂃 **Clean transport investments**, e.g. intracity rail; 􀂃 **Anti-congestion technologies** to reduce traffic and speed movement over crowded roads, perhaps through the expansion of rail, the development of new smart highways and the use of congestion pricing; 􀂃 **Expanded and upgraded airports** to process a rising volume of passengers; 􀂃 **Advanced communications** technologies such as Internet II and the universal extension of online access to low-income and rural Americans, particularly children; 􀂃 **Nanotechnology** and new health care technologies; and 􀂃 **Schools, hospitals and other essential services** to meet the needs of a population projected to double in the next half century. Fortunately, America’s wealth **and annual product are certain to grow as well. At a real growth rate of 2.5 percent annually,** our **G**ross **D**omestic **P**roduct will grow by close to **$4 trillion in current dollars over the next 10 years alone**. This increase is more than **enough to pay for needed** investments. However, it is important that the political case is made and that processes are put inplace to ensure that needed long-term investments are not sacrificed for short-term exigencies **Rebuilding America’s infrastructure will not be easy. But it is critical** not only **to public safety and security** but to **ensure continuing increases in our standard of living**. The following steps canhelp restore America’s ability and will to rebuild our infrastructure:*Carry Out Budgetary Reform and Create a National Infrastructure Bank* **Infrastructure faces a structural budget problem that will persist for the foreseeable future unless dramatic action is taken. It is vitally important, therefore, that Congress act to modernize the process for funding infrastructure so that it is not disadvantaged relative to competing budget priorities. A National Infrastructure Bank would give public authorities means to capitalize federal investment in new infrastructure projects**. It would also **create a new center of knowledge and expertise on infrastructure with the ability to intermediate between the public and investors**. On the other hand, concentrating responsibility for federal infrastructure finance. A bank or similar mechanism to create a special class of long term infrastructure bonds wouldhave **the effect of sequestering critical long-term capital investments from short-term budgetary pressures. As states and local municipalities have long recognized, long-term financing provides a way to match the costs of these investments with their benefits**

**Privatization helping now in conjunction with Government**

**ARI** (American River International News http://www.infowars.com/articles/us/toll\_roads\_privitization\_gain\_speed.htm) March 31, 20**05**

After **privatization of US infrastructure** slowed significantly in the 1990s, the concept **is rapidly gaining speed now that several international private-public toll road projects have proven successful, according to a project finance lawyer with White & Case.** "US states and municipalities are taking a look at many of the structuring and financing techniques and newer tolling technologies employed by overseas transportation projects to see if such techniques can be applied to US projects. Some of those techniques include shadow tolls, managed lanes, free-flow tolling technologies and innovative lease structures that combine public and private financing sources," said project finance lawyer Ned Neaher, who has advised on numerous toll road projects in Latin America and Europe. **"Public-private partnerships are now viewed by states and municipalities as an attractive method to obtain budgetary support while ensuring first-class transportation infrastructure is provided to their citizens."** Neaher says that **throughout the country, state governments and municipalities are making the decision to privatize toll roads, bridges and other vital infrastructure in an effort to combat state funding shortages and reduce procurement costs**. **California** Governor Arnold Schwarzenegger recently **unveiled a three-prong plan to reduce traffic congestion, including legislation that would allow private construction of toll roads. To offset its $100 billion transportation deficit**, Colorado's state legislature is considering privatized toll roads to pay for the construction and maintenance of its 953-mile highway system. And New Jersey's Acting Governor Richard Codey is studying the possibility of leasing one or more toll roads, including the 148-mile New Jersey Turnpike. **In fact, at least 19 states have enacted some kind of public-private partnership program for the transportation sector.** "Public**-private partnerships in toll road projects like the Chicago Skyway,** where the City of Chicago granted a 99-year lease to Cintra Concesiones de Infraestructuras de Transporte (Cintra) and Macquarie Infrastructure Group to operate, maintain, manage, rehabilitate and toll the Skyway, **infused $1.83 billion into that city's coffers,"** said Neaher, who represented Cintra and other developers and financiers in various toll road projects in Chile. "**Given the financial crunch that many local and state governments are facing, it's not surprising that US states and municipalities are giving privatization a serious look again."** White & Case has one of the foremost project finance and infrastructure practices in the world, with significant experience advising on toll road projects including the AKA M5 Motorway in Hungary (Europe, Middle East and Africa Infrastructure Deal of the Year by Project Finance International); Autopista del Maipo refinancing (Latin America Refinancing Deal of the Year, Project Finance Magazine); Mexico's Autopista de Nuevo Leon toll road (Americas Infrastructure Deal of the Year, Project Finance International) and Chile's Costanera Norte toll road financing in Chile (2003 Latin American Deal of the Year, Project Finance International).

### High-Speed Rail Solvency

**Privatization solves for High Speed Rail**

**Los Angeles Times** (U.S. Infrastructure for sale?: Like Greece, we may be forced to privatize large segments of our transportation system soon because of the debt crisis. http://articles.latimes.com/2011/jul/13/opinion/la-oe-schweitzer-infrastructure-20110713) July 13, 20**11**

**Greece is having a fire sale of its publicly-owned transportation system, with planes, trains and roads all being sold off as the country attempts to dig out of its debt crisis**. Americans should watch and learn: **We could** well **be privatizing large segments of our own transportation system soon because of the U.S. debt crisis**. Last week, Rep. John L. Mica (R-Fla.,), chairman of the House Transportation and Infrastructure Committee, introduced a bill that would slash transportation spending, limiting it to the amount brought in by federal gas tax revenues and other existing highway fees. That roughly translates into federal spending of $215 billion to $230 billion over six years for highway and transit projects — about half of what the Obama administration sought last year. The draconian spending proposal, dubbed "the Republican road to ruin" by critics, comes at a time when groups such as the American Society of Civil Engineers are saying that the **U.S. needs to invest an additional $1 trillion beyond current levels over the next decade just to maintain and repair existing infrastructure.** **We are facing a road infrastructure crisis**, and it is of our own making. The **federal gas tax** has been **unchanged, at 18 cents, since 1993, even as vehicles have gotten more fuel efficient.** **Adjusted** **for inflation, it amounts to a measly 12 cents today**. But Americans, according to surveys, don't want to raise the tax. For politicians like Mica, **this opens doors to privatization projects**. Last month, he introduced a bill that would put **private companies in charge of Amtrak's operations in the Northeast Corridor.** Taking that step, he contended, **would be the fastest way to get high-speed rail up and running in the U.S.** because it's clear that President Obama's federally sponsored rail plan has little support in Congress. Maybe Mica is right. But rushing to privatize state-owned assets can lead to terrible infrastructure deals that let private companies walk away with prime assets and leave taxpayers with no guarantee of better services or lower fees. **Unlike the Greeks, who must sell to receive bailout funds, we still have a say in our infrastructure future**. But the time for planning ahead and striking strong deals is dwindling, along with our infrastructure funds. Many European countries and cities have privatized infrastructure and city services. You want to use the highway — you pay. You want to stroll through a "public" garden — you pay. You can avoid higher taxes, but if you want the services, you pay the private company that holds the franchise. It is a system that works fine for those with cash to spend. Scaling down public ownership of transportation networks also means carefully selecting which parts of the system to sell or lease out. **Private companies usually desire assets associated with the most demand for services,** such as the Northeast Corridor. But if we sell off or lease these assets to get private companies to build a high-speed rail system there, we may also be giving up the only part of a high-speed rail network likely to generate enough cash in the long term to keep a national system running without taxpayer help. So far, privately run transportation projects show mixed outcomes. For every **successful privatization story of service improvement and mounting profits — Britain's airport privatization, say** — there's a disaster story of poor service and taxpayers left holding the bailout bag: think the Chunnel or Chicago's privatized parking woes. Privatized transportation projects carry risks for both sides. So long as Americans **refuse to even index gas taxes** to inflation, let alone raise the tax outright, we **won't be spending enough to maintain our transportation infrastructure, which means that its value will continue to fall.** That will **make it difficult to attract private investment or get a fair price for state-owned assets if the government opts to privatize its transportation assets**. **Too many more years of disinvestment and we will have to make gun-to-the-head decisions like Greece's**, shock ourselves with big tax increases later, or both.

### Econ Solvency

**Lack of infrastructure investment from both public and private actors** **causes inflation and hurts economy--- India proves**

**Wall Street Journal** (India's Srei plans $1B infrastructure equity fund. http://www.marketwatch.com/story/indias-srei-plans-1b-infrastructure-equity-fund-2012-07-02?reflink=MW\_news\_stmp) July 2, 20**12**

-- This to be **Srei's biggest equity fundraising** so far -- To hold roadshows soon in U.S., Europe, Japan, Australia, Middle East -- **Chairman says valuations low in India's infrastructure sector** -- **Expects 20%-25% growth in loan disbursal** this fiscal year NEW DELHI**--Srei Infrastructure Finance Ltd. plans to raise $1 billion to invest in India's infrastructure sector** and will soon hold roadshows in the U.S., Europe, Japan, Australia and the Middle East to market the equity fund, its chairman said. **The plan comes at a difficult time** to raise funds because of **global uncertainties and concerns over the health of** India's **economy.** But, Hemant Kanoria said he is confident that the company will succeed. "We are banking on our reputation and investor appetite for India's infrastructure sector to go out there and raise money," Mr. Kanoria said in a recent interview. But, he said it is tough to give a timeline for raising the fund. This will be Srei's biggest equity fundraising till date. The company, one **of India's largest private-sector infrastructure financiers,** funds roads, ports, power, industrial-parks and water projects. Funding in the infrastructure sector is stuck in India as **both the government and the private sector have reduced spending amid a slowdown in the economy. A steep fall in the value of the local currency has made borrowing overseas expensive, while the central bank's inflation-fighting steps have left local interest rates high.** This has hurt the stock prices of infrastructure companies, and according to Mr. Kanoria, made the sector attractive to invest now. "The downside to share prices would be at most 10%-15% as valuations have already fallen enough," he said. "On the other hand, the upside after such a long period of slide [in share prices] could be two to three times higher."In Srei's core business, lending to infrastructure projects, Mr. Kanoria expects a 20%-25% increase in loan disbursal in the current financial year that began April 1. "India is a large market. Even though things are bad in the infrastructure sector, there are still enough projects to fund," said Mr. Kanoria. But, there could be some **pressure on margins due to gloomier economic conditions,** he added. **Last year, it disbursed loans of about** 180 billion rupees **($3.2 billion).**Mr. Kanoria said the **falling rupee has made investing in the infrastructure tougher. "It's not wise for the government to let the currency depreciate at a time when we need more affordable capital for this sector,**" he said. He said the rupee falling beyond 45 to a dollar will make capital expensive and hurt the domestic economy. The rupee was last trading at 55.86 to a dollar. **"The government needs to address supply-side bottlenecks in agriculture, manufacturing and infrastructure to shore up the currency" as the scope for tweaking monetary policy is limited as inflation is still high,** he added.

**Federal government is looking now for ways to attract private sector help**

**U.S. House of Representatives 12** (http://republicans.transportation.house.gov/Media/file/112th/Highways/2012-01-31-Final\_Rollout.pdf)

**The American Energy & Infrastructure Jobs Act maximizes the buying power of infrastructure resources** in a number of ways, including better **leveraging existing federal funds and adopting policies that will attract private sector investment**. **Private sector interest in building infrastructure is considerable, and encouraging the private sector to responsibly partner with federal and state governments can significantly enhance the amount of available federal revenue.** While public-private partnerships cannot address all of our infrastructure needs, **significant changes in existing programs and policy will attract private sector investment.** The American Energy & Infrastructure Jobs Act builds upon and improves the successful Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program. **The measure** dedicates $1 billion per year to the TIFIA program resulting in $10 billion in low interest loans **to fund** **at least $20 billion per year in transportation projects**. Providing additional funding for TIFIA will **help meet demand for credit assistance for transportation projects and enable increased leveraging of Highway Trust Fund dollars with state, local and private-sector funding. The legislation does not create a new National Infrastructure Bank, but rather builds upon existing State Infrastructure Banks**. States will be encouraged to create and capitalize State Infrastructure Banks to provide loans for transportation projects at the state and local level. The percentage of federal highway funding that a state can dedicate to a State Infrastructure Bank will be increased from 10 percent to 15 percent and states will receive a specific amount of funding that can only be used to fund State Infrastructure Banks. This proposal also calls for **unlocking existing revenue sources that are not being fully utilized for their intended purpose.** Under this initiative, existing lanes on the Interstate Highway System remain toll-free, however states will have the ability to toll new capacity on the Interstate System**. States will also have greater flexibility** to toll non-Interstate highways. The Harbor Maintenance Trust Fund is supported by cargo fees and is critical for dredging and harbor channel improvements. Despite growing maritime infrastructure needs, these funds are not being fully utilized to maintain our ports. This measure improves the underutilized Rail Rehabilitation and Improvement Financing (RRIF) Program by creating a faster and more predictable application process and allowing more flexibility in loan terms. While RRIF was created to allow for loans and loan guarantees to help improve the nation’s rail infrastructure, **the slow process for approval and constricting terms have stunted its potential**. This **proposal ensures** the program is able to help address the nation’s growing rail infrastructure needs at a time when **the economy is continuing its recovery**. The American Energy & Infrastructure Jobs Act. will allow federal dollars to work more effectively and generate additional revenue for infrastructure improvements and job creation. **By more effectively leveraging available resources, we can achieve more infrastructure and employment benefits per dollar invested.**

**Privatization reaps many benefits that continue to give**

Dr. Jean-Paul **Rodrigue** (Jean-Paul Rodrigue received a Ph.D. in Transport Geography from the Université de Montréal (1994) and has been at the Department of Economics & Geography at Hofstra University since 1999. In 2008, he became part of the Department of Global Studies and Geography.) 20**12**

**Facing the growing inability of governments to manage and fund transport infrastructure, the last decades has seen deregulation and more active private participation.** Many factors have placed pressures on public officials to consider the privatization of transport infrastructure, including terminals: **Fiscal problems**. The level of **government expenses** in a variety **of social welfare practices is a growing burden on public finances, leaving limited options** but divesture. Current fiscal trends clearly underline that all levels of governments **have limited if any margin and that accumulated deficits have led to unsustainable debt levels.** The matter becomes how public entities default on their commitments. **Since transport infrastructures are assets of substantial value, they are commonly a target for privatization**. This is also known as “monetization” where a government seeks a large lump sum by selling or leasing an infrastructure **for budgetary relief**. **High operating costs**. Mainly due to managerial and labor costs issues, the **operating costs of public transport infrastructure, including maintenance, tend to be higher than their private counterparts.** **Private interests** tend to have a **better control of technical and financial risks,** are able to meet construction and operational guidelines as well as **providing a higher quality of services to users.** If publicly owned, any operating deficits must be covered by public funds, namely through cross-subsidies. Otherwise, users would be paying a higher cost than a privately managed system. This does not provide much incentives for publicly operated transport systems to improve their operating costs as inefficiencies are essentially subsidized by public funds. **High operating costs are** thus a significant **incentive to privatize**. **Cross-subsidies**. Several transport infrastructures are subsidized by revenues from other streams since their operating costs cannot be compensated by existing revenue. For instance**,public transport systems are subsidized** in part by revenues coming from fuel taxes or tolls. **Privatization can thus be a strategy to end cross-subsidizing by taping private capital markets instead of relying on public debt**. The subsidies can either be reallocated to fund other projects (or pay existing debt) or removed altogether, thus reducing taxation levels. **Equalization**. Since **public investments** are often a **political process facing pressures from different constituents** to receive their “fair share”, many investments come with “strings attached” in terms of budget allocation. An infrastructure investment in one region must often be compensated with a comparable investment in another region or project, even if this investment may not be necessary. **This tends to significantly increase the general cost of public infrastructure investments**, particularly if equalization creates non-revenue generating projects. Thus, **privatization removes the equalization process for capital allocation as private enterprises are less bound to such a forced and often wasteful redistribution**. One of the core goals of **privatization** concerns the derived efficiency gains compared to the transaction costs of the process. **Efficiency gains involve a higher output level with the same or fewer input units, implying a more productive use of the infrastructure**. Transaction costs are the costs related to the exchange (from public to private ownership) and could involve various buyouts, such as compensations for existing public workers. For public infrastructure, they tend to be very high and involve delays due to the regulatory changes of the transaction. **Private sectors want to be given easily accessible opportunities by the government** Patrick J. Natale, **P.E.** (P.E., Executive Director, American Society of Civil Engineers) October 30, 20**09 The business of infrastructure managemen**t is, and **needs to be, shared between both the public and private sector**. Neither the government nor private operators have monopoly on all the good (or bad) ideas. While some may argue that all infrastructure should be owned and managed by just one of these sides, what we should be arguing for is **using all methods and means available to make across the board condition improvements to protect the public’s health, safety and welfare. ASCE’s most recent Report Card for America’s Infrastructure graded all categories, including those traditionally operated by private interests, with low grades**. So the question shouldn’t be “who can do it better”, but “why can’t we all do better”? In the spirit of this week’s question, **each side needs** to take a hard look across the table AND in the mirror to **figure out what works well and what doesn’t. Then they need to compare notes and share strategies.** For example, for major capital improvement projects, private infrastructure owners, as well as many states, use a **capital budget** to amortize the cost of the project over multiple years. ASCE has long advocated for giving the federal government this budgeting method. Similarly, while private owners are generally **responsive to the needs of users**, they should conduct business where feasible in as transparent a manner as public owners must. And as always, **leadership and innovation** should be encouraged in both sectors; finger-pointing and adherence to ideology won’t get the job done. There is always a better or **more efficient way to do something, and both public and private owners of infrastructure should be striving to find it through a regular exchange of ideas.**

## Aff Answers

### 2AC

#### States need federal funding to do the plan

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**Local governments cannot bear the full burden of construction, replacement, and maintenance** costs. Currently, local governments in the United States have a higher degree of fiscal responsibility than local governments elsewhere in the world. According to the U.S. Census of Local Government, locally raised revenue accounts for 57 percent of local government expenditure (in 2002, the most recent year for which data are available). (See Figure 1.) State aid accounts for about 40 percent of local expenditure and federal aid for less than 3 percent. With rising real costs of local government services (19 percent over the last decade) and major reinvestment requirements in infrastructure, **an increased federal investment role is needed, but federal aid peaked in 1977 and has been dropping since that time.** 4 **Now is the time to reverse that trend. Local governments**, with their more limited array of revenue raising instruments (property tax, sales tax, and user fees) **do not have the wherewithal to raise the funds for the infrastructure investments required for the twenty-first century.**

**Private companies fail- multiple reasons**

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To understand better why local governments bring previously contracted work back in house, I conducted a series of interviews with local governments in 2001, and then worked with ICMA to add a question to their 2002 survey asking local governments why they reverse privatize. 14 **The primary reason for reversing the decision to privatize**—cited by nearly 73 percent of governments responding to the survey—**was problems with service quality**. The next most common reason was **lack of cost savings, cited by** 51 percent of responding governments**; almost 36 percent reported that internal government efficiency had improved. Problems with monitoring** were listed by just over 20 percent of governments, **and problems with contract specifications** were listed by slightly over 15 percent. These results suggest that it is **poor contractor performance, not politics, that leads to strong political support to bring service delivery back in-house.** (See Table 2, page 10.)

**Federal funding is a pre requisite**

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In this report, I have argued **that we need to focus on rebuilding public infrastructure,** using water and waste as my examples. **What is clear from this examination is that there is a need for increased federal investment, because private investment alone is not the answer. Private capital is too costly, and private delivery has not proven to be less costly**. Moreover, **the public is demanding more government capacity to deliver quality,** failsafe public services. To achieve this, **we must address not only the capital requirements but also look carefully at the implications for market regulation** and government staffing requirements.

**Feds key- international competition of infrastructure**

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An area of increasing importance for market regulation will be the international arena. The General Agreement on Trade in Services (GATS), which currently is under discussion, will make **a far wider array of local government services subject to international competition. The goal is to increase competition, broaden access to foreign capital for investment, and promote innovation. However, in order for local governments to make effective use of international investment, they must have clear authority to negotiate contracts, an open and public adjudication procedure to resolve disputes, and the ability to make legislation that reflects local preference.** The current free trade agreements articulate governance protocols that do not meet these criteria. 42 Modeled after the governance protocols in the North American Free Trade Agreement (NAFTA), **they** give more power to foreign investors than to local governments, substitute private tribunals for the public courts system, and **limit public legislative authority. S**ubsidies, local residency requirements, and other local controls on service delivery may be challenged as non-tariff barriers to trade.

### NIB Solves Privatization

**National Infrastructure Bank bridges the gap between Public and Private sectors, and hosts growth**

**Third Way Think Tank** (We believe there is a better way, a “third way”—one that discards the false choices presented by both sides. This third way philosophy is ideal for fostering the most effective and emergent approaches to major problems—ones that can attract the plurality of citizens who represent the political center and whose support is crucial to effective and credible governance. Initiative’s inaugural paper proposes a National Infrastructure Bank, citing impact on economic growth and job creation. http://www.thirdway.org/press\_releases/124) January 24, 20**11**

Washington, DC – Today, Third Way announced the establishment of the **Bernard L. Schwartz Initiative on American Economic Policy.** The initiative is **charged with developing and advancing a new agenda to foster conditions for strong, enduring, private sector growth, and will be a part of Third Way’s Economic Program. To achieve its mission, the initiative will produce reports and briefs on issue-specific proposals, publish opinion pieces, organize public forums featuring national political and thought leaders, host briefings for key decision makers, and actively promote a vision of sustained, job-creating growth as the guiding principle for our national economic policy**. Also released today is an Idea Brief proposing the establishment of a National Infrastructure Bank. **By reforming a politicized system, leveraging private capital, and enhancing funding discipline, a National Infrastructure Bank will support job creating investments that lay a foundation for enduring economic growth. The National Infrastructure Bank would accomplish its mission by using taxpayer funds to leverage private infrastructure investment through loans, guarantees, and other financial tools.** Projects would be selected by an independent board based on merit and demonstrated need as determined by criteria including economic benefit, job creation, and sustainability. **America’s level of investment in infrastructure and other growth catalysts is insufficient to meet our economic needs**. The **A**merican **S**ociety of **C**ivil **E**ngineers has **awarded the nation’s overall infrastructure a grade of D**, and there is significant concern that it cannot adequately support future growth. **Since 1990, demand for electricity has increased by about 25% but construction of new transmission has decreased by 30%.** Over about the last 25 years, the number of miles traveled by cars and trucks approximately doubled but America’s highway lane miles increased by only 4.4%. America’s broadband penetration rate ranks only 14th among OECD countries. **Increased public investment in infrastructure will have important benefits for near-term job creation and long-term competitiveness. Every $1 billion spent on highways supports 30,000 jobs, and every dollar spent on infrastructure creates $1.59 in economic activity. Upgrading our infrastructure** will ensure that **our economy keeps pace with** investments made by competitors like **China, India, and Brazil**. It will also allow American companies to be more competitive by lowering their logistics costs. **“For years, American workers have been fighting an uphill battle on jobs that has been brought to crisis levels by the Great Recession,” said Bernard L. Schwartz, Chairman Emeritus of Third Way’s Board of Trustees**. “We need bold new investments in infrastructure and innovation over the next several years to reverse this trend. **A National Infrastructure Bank will make smart investments that will pay huge dividends by putting people back to work, creating additional jobs through greater economic growth, and allowing America to maintain its role as the global economic leader**. With financing costs at historic lows, we have a once-in-a-lifetime opportunity to invest in building an infrastructure for America’s economic future. The **National Infrastructure Bank can capitalize on this pivotal moment**.” Current economic growth projections estimate a long-term average of about 2%, which is a full point below America’s post 1970’s rate. That rate of growth will not be enough to close the employment gap or to ensure America’s continued leadership and prosperity. **Moving toward a higher-growth future** will require new approaches and judicious **investments in infrastructure, education, worker retraining, and private sector innovation.** “There’s a clear **need for renewed action and investment in areas that will provide a basis for economic growth and create the next generation of middle-class jobs**,” said Third Way President Jonathan **Cowan.** “This initiative is a direct outgrowth of Bernard **Schwartz’s vision and leadership. For years, he has been on the cutting-edge of the movement to reinvest in America to drive growth and prosperity.** Whether testifying before Congress or advising presidents, Bernard has been a tireless advocate for an economic agenda that moves our nation forward and provides the middle class with the ability to succeed. Third Way is proud to be launching the Schwartz Initiative and is eager **to advance new solutions for job creation and economic growth.”**

#### National Infrastructure Bank helps Public and Private investors

**TDF** (Transportantion Development Foundation in association with: American Road and Transportation Builder association. The Role of Private Investment in Meeting U.S. Transportation Infrastructure Needs executive summary) May 20**11**

**Establishing a U.S. national infrastructure bank** (iBank) modeled on the TIFIA program but also including grants could **draw more capital into transportation infrastructure development, both public and private. The Obama Administration’s current plan is to establish the bank in the surface transportation reauthorization bill, which could come as early as this fall.** Two other iBank proposals are be considered in Congress. **The Administration’s fiscal** 20**12 budget includes this description: “This bank would leverage private and state and local capital to invest in projects that are most critical to our economic progress. This marks an important departure from the federal government’s traditional way of spending on infrastructure through earmarks and formula-based grants that are allocated more by geography and politics than demonstrated value. Instead, the Bank will base its investment decisions on clear analytical measures of performance, competing projects against each other to determine which will produce the greatest return for American taxpayers.**” The White **House budget** substantially increases TIFIA **funding and commits $405 million to direct loans in FY** 20**12**. At current leverage rates that **would mean about $12 billion worth of projects could be put under construction.** TIFIA’s small office would be absorbed into the **new National Infrastructure Bank in fiscal year 2013 and further expanded there. The Infrastructure Bank would obligate about $2.2 billion in grants in fiscal 2012 and commit $200 million to direct loans, according to the budget**, which calls for an iBank staff of about 100. There are considerable hurdles to the creation of a potentially powerful bank with grant-making power that takes decisions about project funding away from Congress. Which congressional committees would have jurisdiction is an issue. Whether the bank would be located in USDOT, some other executive agency or stand alone as a new government-sponsored enterprise is still under discussion. In addition, for the **Infrastructure Bank to attract co-lenders and function efficiently**, P3 procurements and contract structures may have to be made more uniform, removing some flexibility from locally negotiated arrangements. **Timing is the most important issue. The economic crisis has left governments needing innovative strategies for their capital plans right now. Incentives need to be put in place to bring new investors into the market.** While the proposed iBank is intended to address some of these needs, it won’t begin operations for a few years, if at all. For the P3 market to grow, more efficient funding options are needed now. (NOTE: Rep. Rosa L. DeLauro (D-CT.) has proposed modeling an iBank on the European Investment Bank (EIB), which manages a 325 billion Euros (U.S. $475 billion) portfolio and made Euro 79 billion (U.S. $115 billion) loans in 2009 with a staff of 2,000—including 600 loan officers and 250 engineers. Annual salaries for 100 or so top EIB officials range around 240,000 Euros (U.S. $350,000). After 53 years of operation, the average period from an EIB member country’s loan application to financial close for large projects is 2 1/2 to 3 years. Euro 43 billion in transport loans were made between 2005 and 2009 covering no more than 25 percent of the cost of high-speed rail, trans-European highways and other projects. **The Bank’s current policy priorities are clean energy, small and medium businesses and climate change. Water and sanitation, schools, hospitals and other public facilities are also financed.**