# Privatization CP

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## 1NC Shell

#### Text: The United States federal government should commission <object of the plan> by establishing a competitive bidding process for <object of the plan>

#### Privatized infrastructure would be massively cheaper than public investment- competitiveness.

Plumer 4/01 (Brad Plumer, former associate editor at The New Republic, now reporter for Washing Post More states privatizing their infrastructure. Are they making a mistake? Washington Post 04/01/2012 http://www.washingtonpost.com/blogs/ezra-klein/post/more-states-privatizing-their-infrastructure-are-they-making-a-mistake/2012/03/31/gIQARtAhnS\_blog.html)

The other way to privatize infrastructure is to have a private firm take charge of building a road, bridge, or transit system from the start. From a global perspective, this isn’t a radical idea. Countries like France, Spain, and Australia have long harnessed these public-private partnerships to build their highways and rail lines. “Compared to other countries, we’re way behind on this,” says Schank. (Indeed, that’s why the large firms that handle these public-private contracts are often European — foreign companies have all the expertise.) Here’s how this setup would work. Say a state wants to build or upgrade a highway. Various private companies will bid for the project, and the winning bidder has to raise enough money from outside investors to design, operate, build, and maintain the highway for a fixed number of years. The firm is allowed to recoup its costs through tolls and the like over that span. Because the private company is on the hook for the whole thing, it has an incentive to keep costs as low as possible and finish the road on time. “The idea here,” says Robert Poole of the Reason Foundation, “is that the government is only commissioning projects where the private sector is willing to put its skin in the game.” There’s some evidence that privately operated infrastructure projects can get built more quickly — and for less money — than projects wholly overseen by the government. One 2007 [study](http://www.irfnet.ch/files-upload/knowledges/IPA_Performance%20of%20PPPs_2007.pdf) (pdf) from Allen Consulting and the University of Melbourne looked at 54 large infrastructure projects in Australia and found that the privately financed ones had smaller cost overruns and were more likely to be finished on schedule than those financed through traditional public-sector methods.

#### And Privatization would have multiple positive effects cost minimalization, innovation and incentives

Winston 10, (Clifford Winston, senior fellow in the economic studies program at the Brookings Institution and author of Last Exit: Privatization and Deregulation of the U.S. Transportation System “THE PRIVATE SECTOR CAN IMPROVE INFRASTRUCTURE WITH PRIVATIZATION NOT A BANK” E21: Economic Policies for the 21st Century 09/29/2010 http://www.economics21.org/commentary/private-sector-can-improve-infrastructure-privatization-not-bank)

Privatization of the system would have at least three positive effects. First, private operators would have the incentive to minimize the costs of providing transportation service and can begin the long process of ridding the system of the inefficiencies that have developed from decades of misguided policies. Second, private operators would introduce services and make investments that are responsive to travelers’ preferences. Third, private operators would develop new innovations and expedite implementation of current advances in technology, including on-board computers that can improve highway travel by giving drivers real-time road conditions, satellite-provided information to better inform transit riders and drivers of traffic conditions, and a satellite-based air traffic control system to reduce air travel time and carrier operating costs and improve safety. The technology is there. But it hasn’t been deployed in a timely fashion because government operators have no incentive to do so. The private sector does.

## General Solvency/AT: Common Arguments

### Generic

#### Private sector investment is limited now but could expand.

GAO 04 (United States General Accounting Office “Report to Congressional Requesters: HIGHWAYS AND TRANSIT Private Sector Sponsorship of and Investment in Major Projects Has Been Limited” March 2004 <http://www.gao.gov/new.items/d04419.pdf>)

 Active private sector sponsorship and investment has been used to a limited extent to build and finance major highway and transit projects; thus the nation has had little experience with such sponsorship. We identified six such major projects—five toll road projects and one transit project. Three projects were for-profit ventures financed with equity and debt while three were non-profit ventures financed with tax-exempt debt. Private sector sponsorship and investment in major projects has resulted in advantages from the perspective of state and local governments—such as completing projects more quickly—and trade-offs—such as the political costs of relinquishing control over toll rates and the contractual constraints to improving competing publicly owned roadways. On one project, State Route 91 in California, this latter constraint motivated the county government to purchase the road from the private consortium. The private sector encounters many challenges to becoming more actively involved in highway and transit projects because of limited opportunities and barriers to financial success. Currently 23 states permit private participation while 20 of these allow it for highways. Where state and local governments have elicited such participation, it has occurred on mostly lower priority projects, such as toll roads built in anticipation of future development. State and local governments traditionally build and finance highway projects through their capital improvement programs including using federal funds that reimburse about 80 percent of the costs. While these governments could open higher priority projects to private sector partners, they might be wary of doing so since political costs such as the limited ability to improve competing publicly owned roads would likely be greater. While legislative proposals could encourage greater private participation, private sponsorship seem best able to advance a small number of projects—but seems unlikely to stimulate significant increases in funding for highways and transit.

#### US should privatize its infrastructure.

POOLE 97, (ROBERT W. Poole, JR. B.S. and M.S. in engineering from MIT graduate work in operations research and management science at New York University. worked for a major aerospace firm

and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

California departments of transportation. “Privatization: A New Transportation Paradigm” The ANNALS of the American Academy of Political and Social Science Sept 1 1997 553: 94 DOI: 10.1177/0002716297553001009

<http://ann.sagepub.com/content/553/1/94.full.pdf>)

These structural problems will have a familiar ring to those in formed about the infrastructure problems of developing countries. Indeed, the World Bank's World Development Report 1994 describes the same set of problems as typical of public sector infrastructure, especially (1) conflicting or noncommercial objectives, (2) lack of competitive pressures (due to monopoly organization), and (3) pricing that does not reflect (or recover) underlying costs.3 The World Bank's report sets forth a five-part prescription for improving infrastructure performance: — manage infrastructure like a business; — introduce competition wherever possible; — ensure stakeholder representation; — make use of public-private partnerships; and — shift government's role from provider to regulator. The report suggests four institutional alternatives for implementing these provisions. The first is a government corporation, but the World Bank finds very few successful examples of these, due to political pressures to violate the foregoing guide lines. Second is government owner ship with privately contracted management and operation. Third is private ownership and operation, either via divestiture of government enterprises or by permitting entry of private firms alongside government ones. Fourth is user cooperatives. Thus the World Bank has endorsed, via the second and third options, privatization for major infra structure, and for reasons that apply to the United States as well as to developing countries.

#### We should allow the private sector to increase their investment.

Edwards and DeHaven 10 (Chris Edwards director of tax policy studies at Cato and editor of www.DownsizingGovernment.org. Former senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation author of Downsizing the Federal Government and co-author of Global Tax Revolution. Member of the Fiscal Future Commission of the National Academy of Sciences; and Tad DeHaven budget analyst on federal and state budget issues for the Cato Institute. former deputy director of the Indiana Office of Management and Budget and budget policy advisor to Senators Jeff Sessions and Tom Coburn named to Florida Governor Rick Scott's Economic Advisory Council. “Privatize Transportation Spending” Appeared in The Washington Times on June 17, 2010. CATO Institute. <http://www.cato.org/publications/commentary/privatize-transportation-spending>)

If the president ever gets serious about eliminating programs, the $91 billion Department of Transportation would be a good place to start. The DOT should be radically chopped. America's mobile citizens would be better off for it. Rising federal control over transportation has resulted in the political misallocation of funds, bureaucratic mismanagement and costly one-size-fits-all regulations of the states. The solution is to devolve most of DOT's activities back to state governments and the private sector. We should follow the lead of other nations that have turned to the private sector to fund their highways, airports, air traffic control and other infrastructure.

#### The US is behind- other countries are reaping the benefits of privatization now.

POOLE 97, (ROBERT W. Poole, JR. B.S. and M.S. in engineering from MIT graduate work in operations research and management science at New York University. worked for a major aerospace firm

and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

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On a global basis, the United States is—as with airport privatization—a relative latecomer to the use of the private sector as developer and operator of highways. France and Italy pioneered the BOT tollway approach in the 1950s and 1960s, subsequently joined by Spain.16 But during the past decade, the idea has spread to every continent, with major toll bridges, tunnels, and express ways privately financed and built in such places as Australia, China, Hong Kong, Hungary, Malaysia, Mexico, and the United Kingdom, among others. A late-1995 tally of privately franchised toll projects worldwide identified 381 projects in 52 countries, of which 124 (valued at over $69 billion) had been financed and put under construction.17 Governments at home and abroad are turning to the private sector regarding highways for the same reasons they are doing so regarding air ports. They seek to tap private capital, including both debt and equity. (Australia has pioneered stock market offerings to raise equity capital for private tollway projects, an idea that is now spreading to China.) They seek to transfer both development risk and revenue risk to private investors—and thereby encourage wiser investment decisions. They hope to benefit from getting needed highway improvements in place faster and from the strong incentives to keep a toll highway properly maintained (so as not to reduce its asset value or debt-servicing ability).

### Say Yes

#### The private sector have incentives to fund transportation projects.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

Indeed, according to the GAO: “A number of alternative financing mechanisms—such as enhanced private-sector participation, bonds, loans, and credit assistance—can be used to help state and local governments finance surface transportation. These financing mechanisms, where appropriate, could help meet growing and costly transportation demands.” 84 In fact, although highway privatization receives a great deal of attention, public money continues to be far more important in providing transportation infrastructure. A 2009 study found that only ten percent of the $126.6 billion spent on transportation infrastructure in 2007 was provided by private funding. 85 In recent years, however, the federal government promoted highway privatization by creating new financial instruments and creating tax breaks to private contractors to make privatization attractive. The two primary financial subsidies allow contractors to issue tax-free bonds and take highly accelerated depreciation and amortization of costs.

#### Private companies are willing and able

Gilroy and Kenny 12 Gilroy is the director of government reform and Harris Kenny is a policy analyst at [Reason Foundation](http://www.reason.org/) (Leonard and Harris, “States and Cities Going Private With Infrastructure Investment”, Reason Foundation, 5/17, [http://www.realclearmarkets.com/articles/2012/05/17/states\_and\_cities\_going\_private\_with\_infrastructure\_investment\_99671.html)//](http://www.realclearmarkets.com/articles/2012/05/17/states_and_cities_going_private_with_infrastructure_investment_99671.html%29//)

Enter the private sector, where investors are demonstrating a willingness and capability to partner with governments to modernize and expand infrastructure, according to Reason Foundation's recent Annual Privatization Report 2011. The report finds that the amount of capital available in private infrastructure equity investment funds reached a new all-time high last year. And since 2006, the 30 largest global infrastructure investment funds have raised a total of $183.1 billion dedicated to financing infrastructure projects; the bulk coming from U.S., Australian and Canadian inventors. In fact, eight major privately financed transportation projects were under construction in the U.S. in 2011 totaling over $13 billion.¶ For a preview of the future, just look to Puerto Rico, where innovative infrastructure financing has been a priority of Governor Luis Fortuño's administration. Prior to his tenure, massive budget deficits and weak credit ratings left the territory with a limited ability to finance infrastructure. In fact, public infrastructure investment (as a share of GDP) had been on a steep decline in Puerto Rico since 2000.

### Fed Funding Fails

#### Federal subsidizing fails to solve the root cause of inadequate funding.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2)

Putting our national transportation infrastructure in good repair would require spending $2.2 trillion over the next five years. 16 Unfortunately, that level of funding is simply not available. According to the Government Accountability Office (GAO): The problem is simple: revenues from motor fuels taxes and truck-related taxes to support the HTF [Highway Trust Fund]—the primary source of funds for highway and transit—are not keeping pace with authorized spending levels. This problem was made dramatically apparent last summer when the Highway Account within the trust fund was nearly depleted. Despite an $8 billion infusion from the General Fund of the Treasury in September 2008 to replenish the account, we find ourselves in the same predicament a year later. 17 Using other funds from the federal budget to subsidize the Highway Trust Fund does not solve the problem of inadequate funds. Rather, it merely postpones our finance and infrastructure problems.

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#### Federal funding through gas taxes is failing now.

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School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

The federal gas tax, which funds our transportation infrastructure, suffers from similar problems. It no longer meets our needs because (1) the increased use of fuel efficient vehicles has driven down fuel tax revenues per mile driven; (2) the tax, long stuck at 18.4 cents per gallon, is not indexed for inflation and has not been raised for over a decade; 239 and (3) there is no political will to take the obvious step of setting the fuel tax at a level sufficient to maintain and build our country’s infrastructure. Instead, the federal government has met the revenue shortfall by taking money from other funds. 240 Thus, “what drivers may not see or understand is that even though higher fuel prices mean that they are paying a higher price for driving that does not mean that they contribute more towards the cost of roads.” 241 These funding problems and other challenges have kept surface transportation programs on the GAO’s High-Risk list. 242

### Low Costs

#### Private sectors operate more efficiently- Reduce expenses, free of government rules and innovate.

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In recent years there has been considerable discussion in the United States about Public Private Partnerships (P3s), defined as "contractual agreements formed between a public agency and private sector entity that allow for greater private sector participation in the delivery of transportation projects."5 Proponents of increased privatization believe that private sector entities, with specialized expertise, can operate more efficiently than government entities. Therefore private participation should be maximized in order to and increase efficiency, reduce operating expenses, and improve financial performance. Sander (2007) cites privatization as an "opportunity to review operations and change what doesn't work, while maximizing what does. Privatization offers the opportunity for new management to review and realign airport staffing free of the constraints of often restrictive government staffing and employment rules." The Reason Foundation (2007) argues that a private business, which is accountable to shareholders, has the "willingness to think outside the box to get things done." Such innovative thinking would be useful in finding creative solutions to difficult problems, such as financing and acquiring land and facilities to expand an existing airport.

#### Best option reduction in costs, adaptation to market demand, and increased efficiency.

Omid M. Rouhani 09 (Omid M. Rouhani “ROAD PRIVATIZATION AND SUSTAINABILITY”; SUSTAINABLE TRANSPORTATION AN INTERNATIONAL PERSPECTIVE PROJECTIONS volume 9 MIT JOURNAL OF PLANNING 7/31/09) <http://web.mit.edu/dusp/dusp_extension_unsec/projections/issue_9/issue_9_rouhani.pdf>)

From the road owners’ perspective, interestingly, private benefits instead of private costs (costs of driving) will be the goal. But this can be dangerous for the transportation service. Social welfare is the goal, not making more profits. Regulations are essential to direct the investment to the more socially superior projects (Sperling, 2001). On the other hand, the private sector’s objective to minimize costs can address internal costs (cost of construction and maintenance), and by maximizing benefits, the private sector can provide better and more efficient service to attract demand. An indisputable strength of the private market for roads is that market levers would increase supply, constructing new roads or increasing capacity when there is a shortage and would decrease it, closing some roads or decreasing capacity, when demand is lower than its equilibrium level. In this new environment, public roads’ existence can be dangerous. Many users might shift to these roads, due to the absence of fee charges, and the congestion might become much higher than plausible levels (DeCorla-Souza 2008). As a result, it seems essential to think about the privatization of most of the roads unless worse congestion and poorer service is acceptable to some groups of people. A regime including main public roads may not be efficient, but it can provide different goods (roads) with different prices so that different classes of users can use them. After privatization, a road network becomes a collection of substitute and complement goods. In this new environment, substitute roads compete for attracting demand while complements probably cooperate to improve their service. Generally, substitute roads are the roads on alternative routes and complement roads are the roads on the same route. This creates a competition between road owners to determine the optimized price for their roads. Interestingly, some road segments will be complements for some routes and substitutes for others. This makes prediction of the result harder. However, it seems that cooperation between road owners can help the efficiency of the network (Zhang et al, 2006). After privatization, the junctions’ performance can also pose a problem unless road owners and public officials cooperate.

#### Infrastructure privatization produces benefits for both the private sector and governments.

Omid M. Rouhani 09 (Omid M. Rouhani “ROAD PRIVATIZATION AND SUSTAINABILITY”; SUSTAINABLE TRANSPORTATION AN INTERNATIONAL PERSPECTIVE PROJECTIONS volume 9 MIT JOURNAL OF PLANNING 7/31/09) <http://web.mit.edu/dusp/dusp_extension_unsec/projections/issue_9/issue_9_rouhani.pdf>)

Road owners try to maximize their benefits from roads. Their income depends both on the quantity of demand and prices charged. Roads owners are responsive to the demand, trying to price their roads to increase not only their profits (by charging effective tolls) but also the demand (by providing a better service). Both of these two objectives are neglected in the centralized-public structure. 4. A gigantic industry will be formed. Long term and stable revenue streams encourage the private sector to invest in this industry. A significant part of the industry would be formed just by leasing the existing roads. Consequently, government can make profits from an industry that is in a near breakdown condition now. 5. Some companies will substantially suffer from privatization because transportation costs account for a high proportion of their costs, and introducing this policy will increase their costs by great amounts. They may be compensated by being offered shares of the private firms running tolled roads or travel credits. 6. Landlords will benefit from their property appreciation when a new road is constructed. They can participate in the construction by purchasing bonds, or they can be taxed to maintain equity (Engel et al, 2005).

#### Privately owned infrastructure has lower operating costs

Rodrigue 09 - Ph.D. in Transport Geography from the Université de Montréal( Jean-Paul, “The Geography of Transport Systems”, Chapter 7, Hofstra University, [http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html)//](http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html%29//)

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.¶

#### Privatization avoids the equalization process

Rodrigue 09 - Ph.D. in Transport Geography from the Université de Montréal( Jean-Paul, “The Geography of Transport Systems”, Chapter 7, Hofstra University, [http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html)//](http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html%29//)

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.

### Competitive Bidding

#### Competitive bidding process solves

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and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

California departments of transportation. “Privatization: A New Transportation Paradigm” The ANNALS of the American Academy of Political and Social Science Sept 1 1997 553: 94 DOI: 10.1177/0002716297553001009

<http://ann.sagepub.com/content/553/1/94.full.pdf>)

In the United States, contracting out, or outsourcing, is the most common mode of privatization. A large variety of public facilities are being operated by private firms under relatively short-term contracts (typically with a duration of five years or less). Among these are airports, convention centers, data-processing centers, golf courses, jails, sports arenas, toll col lection systems, and water and wastewater plants or systems. Governments use the competitive process to stimulate greater efficiency in the operation of these facilities, since a firm must rethink the way it does business in order to be competitive in winning an operating contract. Typically, in a facility management contract, the operating budget is proposed by the contractor and approved by the government agency. Funds needed for budgeted items are appropriated by the government and passed through to the contractor. The contractor receives a management fee, which may be based in part on the contractor's performance. The facility's employees and managers generally work for the contractor, not the government.

#### Competition in the private sector results in efficiency and lower prices

Hakim et al 96 (Simon Hakim, Paul Seidenstat, & Gary W. Bowman; Greenwood Publishing Group, an educational and academic publisher; Privatizing Transportation Systems, pg. 5; 1996, accessed 7/18/12)

There are several lessons to be drawn from privatization efforts. First, the more firms compete, either through bidding or through the delivery of the service, the more likely it is that prices will closely approach the long-run marginal cost. Competition further prevents restricted supply by providers and often makes government regulation obsolete. Economists have long recognized the fact that it is not necessarily actual competition but rather the threat of competition in the industry that keeps monopolistic prices down. In every country in England, enough bus routes were invaded by private companies to threaten public transit authorities and thus prevent prices from rising. Second, if efficiency gains by the private sector are large, then public concerns about equity or environmental effects will be diminished. It is important to note that the only consideration in deciding whether to privatize is whether privatization provides net efficiency gains. Inequitable consequences can be corrected through transfer payments. Competition passes savings from the monopolist or from inefficient or overpaid resources (e.g., in some cases, unionized public employees) to the consumers of the service. Third, implementation is easier when excessive redistribution or transfer payments are not required of the private provider. Last implementation is easier when the revenues generated are equal to the costs. The need to subsidize the private provider extends political involvement to deciding the amount of subsidy. Placing a ceiling on private provider fares that are controlled by the government and are below cost results in inadequate and/or poor service. On the other hand, high prices which result in above-normal profits generate discomfort for the consumers of the service, who can justifiably accuse the provider of extracting monopolistic profits.

### Solves Funding/Coercion Net Benefit

#### Privatizion provides a viable alternative to raising taxes.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

Public officials may say that there are no alternatives because of public resistance to taxes. They see privatization as providing improved infrastructure while not raising taxes and as allowing the blame for unpopular decisions, such as imposing or raising tolls or fees, to be shifted to a private contractor. Chicago officials, for example, contended that “it would have been impossible for the City to have both kept the parking-meter system and raised the rates to the same extent as the lease, because there was not sufficient political will to do so . . . .” 121 The Chicago Inspector General found these claims to be untrue in the case of privatizing Chicago’s parking meters; 122 however, a study of Kansas policymakers concluded that the public is unlikely to support tolls to the extent it sees tolls as taxes. 123¶73 Although opinion on the issue of the public’s acceptance of raising taxes is mixed, the public has loudly opposed increased tolls and fees. That opposition does not mean the public approves of public subsidies to privatize infrastructure. Rather, that acceptance is more likely the result of the public’s lack of information. In any case, fear of citizen resistance to and retaliation for raising taxes is an important factor in decisions to privatize infrastructure. 124 “Given that the option of raising taxes to fund an increasing number of transportation projects remains politically radioactive, policymakers continue to pursue a range of alternate funding mechanisms and P3s are a critical trend here.”

#### Private investment is beneficial to state and local governments debt relief and alternate funding.

Omid M. Rouhani 09 (Omid M. Rouhani “ROAD PRIVATIZATION AND SUSTAINABILITY”; SUSTAINABLE TRANSPORTATION AN INTERNATIONAL PERSPECTIVE PROJECTIONS volume 9 MIT JOURNAL OF PLANNING 7/31/09) <http://web.mit.edu/dusp/dusp_extension_unsec/projections/issue_9/issue_9_rouhani.pdf>)

Private sector sponsorship and investment in major projects has resulted in advantages from the perspective of state and local governments—such as completing projects more quickly without using traditional funding sources—as well as some trade-offs, including political and financial costs. The privately sponsored toll road projects that we identified had all been on their respective federally required state transportation plans from 7 to 30 years and still had a fairly low priority for completion when the private sector undertook them. By eliciting private sector participation rather than using funding from their highway capital improvement programs as originally planned, state and local governments conserved their federal grants and state tax revenues for other projects. Moreover, the respective state governments were not responsible for the debt incurred by private consortia and thus did not expose the states to risks if toll revenues proved insufficient to meet debt service requirements.

#### Privatization relieves unsustainable deficit

Rodrigue 09- Ph.D. in Transport Geography from the Université de Montréal( Jean-Paul, “The Geography of Transport Systems”, Chapter 7, Hofstra University, [http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html)//](http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html%29//)

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.¶

#### Lowers taxes

Rodrigue 09 - Ph.D. in Transport Geography from the Université de Montréal( Jean-Paul, “The Geography of Transport Systems”, Chapter 7, Hofstra University, <http://people.hofstra.edu/geotrans/eng/ch7en/appl7en/ch7a2en.html>)

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.¶

## Sector Specific Solvency

### Congestion

#### Privatization solves GHG emissions and results in decrease in congestion

Omid M. Rouhani 09 (Omid M. Rouhani “ROAD PRIVATIZATION AND SUSTAINABILITY”; SUSTAINABLE TRANSPORTATION AN INTERNATIONAL PERSPECTIVE PROJECTIONS volume 9 MIT JOURNAL OF PLANNING 7/31/09) <http://web.mit.edu/dusp/dusp_extension_unsec/projections/issue_9/issue_9_rouhani.pdf>)

Not only can privatization decrease congestion, but it can also decrease emissions by shifting

speeds to more efficient parts and decreasing travel time. The speed of approximately 80

kilometers per hour represents both maximum flow and lowest emissions including GHGs (for

most of the vehicle models), which is the peak part of the model. The competitive outcome is

desirable from this aspect: the target of a competitive market would be providing the service

mostly at the peak point of the graph. As an example of increasing efficiency by charging, each

priced lane in the median of State Route 91 in Orange County, Cal carries twice as many vehicles

per hour as the adjacent toll-free lanes during peak-hours based only on a good balance of demand

and capacity (DeCorla-Souza, 2008).

### BOTs

#### Build Operate Transfer (BOT) agreements increase funding sources, do it fast and lower costs.

POOLE 97, (ROBERT W. Poole, JR. B.S. and M.S. in engineering from MIT graduate work in operations research and management science at New York University. worked for a major aerospace firm

and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

California departments of transportation. “Privatization: A New Transportation Paradigm” The ANNALS of the American Academy of Political and Social Science Sept 1 1997 553: 94 DOI: 10.1177/0002716297553001009

<http://ann.sagepub.com/content/553/1/94.full.pdf>)

Relatively new to the United States but quite common—and grow- ing rapidly—worldwide is the long- term franchise, under which a private firm or consortium is selected competitively to design, finance, build, and operate a new facility such as an airport or toll road. The most common form of these arrangements is called build-operate-transfer (BOT).4 The length of the franchise is established to be long enough— anywhere from 20 to 50 years in most cases—to permit the firm to recover its investment and a competitive rate of return (assuming its forecasts of future traffic are close to the mark). At the end of the franchise period, the facility is to be transferred to government in good condition, often at no charge. (In most countries, such long- term BOT-type agreements are referred to as "concessions.") The BOT approach taps into a different pool of capital from that which is normally available for public infra structure projects, thereby expanding the range of potential funding sources. Second, private consortia are often able to design and build large facilities in significantly less time than is possible via traditional government procurement methods. Third, both the up-front costs and the operating costs may be lower in a facility that is designed, built, and operated by a single team interested in long-term profitability. Fourth, BOT is a way of shifting many of the risks of project development from the public sector to the private sector, that is, from taxpayers to investors.

#### BOT arrangements incentivize low costs, fast building and reduce public risk.

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BOT arrangements tap into a new source of funding for airport capacity previously not available: private (taxable) debt and equity It is sometimes argued in the U.S. context that there is no shortage of municipal bond capacity, but that claim ignores the existence of volume caps that can limit the availability of such bond funding. Second, BOT provides strong incentives for commercial performance. In order to persuade investors that the project is financeable, traffic projections must be investment grade. A firm that will be owning and operating the same facility that it is designing has strong incentives to design it for customer friendly but low-cost operation and maintenance. It is also more likely to design the project in modular, expandable fashion, so that current users need finance only the amount of capacity required in the short to medium term. Third, transferring investment responsibility to the private sector also transfers a significant amount of risk—risk which would otherwise be borne by the taxpayers. The risk transferred includes both construction risk and traffic, or revenue, risk. Fourth, BOT generally means time savings. The private sector is likely to employ a technique called design-build, in which a single team works together to design and construct the facility, with construction beginning well before the completion of all of the detailed design work. Done well, this technique saves money as well as time, because capital is tied up for a shorter time before revenues begin to flow. Also, having the design and construction parties working as a team significantly reduces change orders during construction (which can be very costly). By contrast, government procurement rules typically require separate de- sign and construction phases, which precludes design-build, and may also include additional costly requirements about subcontractors.

#### Empirically Proven- BOTs are successful

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and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

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<http://ann.sagepub.com/content/553/1/94.full.pdf>)

The first BOT airport terminal in North America is Toronto's international Terminal 3, which opened in 1991. Transport Canada had estimated that developing the new terminal itself would take seven years and cost Can $l billion. Using BOT, the project took just 33 months at a cost of Can$700 million. Further- more, the terminal needs 25 percent fewer people than in Transport Canada's plans.

### Airports

#### Private airports solve congestion and prices

Hakim et al 96 (Simon Hakim, Paul Seidenstat, & Gary W. Bowman; Greenwood Publishing Group, an educational and academic publisher; Privatizing Transportation Systems, pg. 5; 1996, accessed 7/18/12)

One of the major achievements of private airports is the utilization of market-sensitive pricing. Airplane traffic congestion at peak hours is a major contributor to the need to expand facilities. However, landing and take-off fees charged to airlines should obey the laws of supply and demand. Realistic prices will eliminate congestion and direct less profitable flights to adjacent airports. An effective method is to auction scarce take-off and landing slots. Auctioning of scarce slots has been used at O'Hare Airport in Chicago, JFK and La Guardia in New York, and Washington National Airport in Washington, D.C.

#### Private sector is already involved with airport operations- next step is complete privatization

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

The private sector is also very much involved in the planning and financing of new ¶ capital development at airports. Airports hire architectural and engineering firms, ¶ planning firms, and construction contractors to plan, design, and build new facilities. ¶ Airports also hire financial consulting firms to plan the financing of facilities. When an ¶ airport is ready to finance new facilities, the most common method is to issue debt ¶ through the private capital markets, with the assistance of bond underwriters, bond ¶ counsel firms, bond rating agencies, and other professional firms with the appropriate ¶ expertise in debt financing. The success of such debt financing transactions rests with the ¶ private investors who are willing to purchase debt instruments offered by airport ¶ operators. Approximately 58 percent of U.S. airport capital investments from 2001 ¶ through 2004 were funded by bonds and other forms of debt. Approximately 30 percent ¶ of the bonds (which equates to 17.4 percent of total capital investment funding), were ¶ backed by Passenger Facility Charges (PFCs). The remaining 42 percent of the capital ¶ investment funding was obtained through Federal Aviation Administration (FAA) Air Transport Research Society, PFC “pay-as-you-go” funding ¶ (11%), and internally generated funds (10%) (Nichol, 2007).¶

#### Airports are attractive to investors, and privatization benefits the public.

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

Airports make an attractive investment to the private sector because: (1) they are an ¶ important piece of the U.S. transportation infrastructure; and (2) they have a monopoly ¶ or near monopoly on air service in their respective geographical areas. And cashstrapped local governments see airport privatization, through long-term leases or outright ¶ sale, as a way to generate significant cash infusion from private investors. Federal law, ¶ however, prohibits the diversion of airport revenue for non-airport uses at airports that ¶ have received Federal financial assistance. Many airports receive Federal funding, and ¶ proceeds from the sale or lease of an airport are considered airport revenue and therefore ¶ subject to the nondiversion rule. Otherwise the airport sponsor will be required to repay ¶ FAA grants, unless privatization is done under the U.S. Department of Transportation ¶ (DOT) airport privatization pilot program and the private operator/owner agrees to ¶ uphold the FAA grant assurances and comply with certain other conditions.¶ Another argument for airport privatization is that private firms are more responsive to the ¶ needs of the airport tenants and users, thereby resulting in enhanced customer ¶ satisfaction. Advani (1999) reports that, in a survey of 201 airports in 67 countries and ¶ territories, privatized airports are found to have a significantly higher level of passenger responsiveness than government-owned airports.

#### The private sector is more efficient and has more expertise.

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

Privatization proponents believe this operating model works well for most U.S. airports, ¶ citing the following benefits to the airport operators:¶ • Expertise – Airport managers are able to draw upon the extensive expertise in ¶ particular areas offered by private firms, so they can focus on the broader issues. ¶ For example, they can engage private firms specializing in terminal design and ¶ planning who possess a higher level of expertise in that area than airport staff ¶ members who deal with a broad array of design and planning issues at a general ¶ level.¶ • Efficiency – Private firms can provide services more efficiently, and at a lower ¶ cost, than the governmental entities that own airports, because private firms ¶ concentrate on particular areas of expertise. For example, landscaping companies ¶ can often provide gardening services at a lower cost because their operations are ¶ streamlined for and concentrated solely on providing gardening services.

#### Privatizing airports provide multiple benefits.

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

Karp (2007) cites the following advantages for the private development and operation of

airport facilities:

• Reduced investment requirement for the airport operator – The airport operator ¶ does not need to invest its own capital or issue debt instruments to finance the ¶ facility. This relieves pressure on the airport operator’s cash reserves and frees up ¶ the airport operator’s bonding capacity.¶ • More flexibility – JFK IAT reports that it has more flexibility in negotiating with ¶ the airlines because it is not bogged down by many of the “red tape” requirements ¶ that governmental entities face. The organization is not encumbered with political ¶ ties because it is a business, not a governmental entity.¶ • Division of responsibility – The private operation of a facility allows the airport ¶ operator to focus on other operational aspects of the airport because the airlines, ¶ or a consortium of airlines, are responsible for the operation of their own ¶ terminals. ¶ More “business-like” operation – Because JFK IAT has the private sector profit ¶ motive, it is able to focus on managing T4 in a more efficient manner.¶ • Increased efficiency – Because a single entity is responsible for the design, ¶ construction, and maintenance of a facility, certain economies of scale can be ¶ realized.

### Ports

#### Private sector competition in ports avoids government monopolies

Hakim et al 96 (Simon Hakim, Paul Seidenstat, & Gary W. Bowman; Greenwood Publishing Group, an educational and academic publisher; Privatizing Transportation Systems, pg. 5; 1996, accessed 7/18/12)

Water ports are similar in nature to airports where the infrastructure is very costly and therefore may require long-term government financing and ownership; however, ports can be operated by private enterprises. Privatization of operations is an efficient policy when sufficient competition exists so that private monopoly cannot simply replace government monopoly and enjoy monopolistic profits. The competitive environment dictates whether privatization of operations is feasible and what form the private involvement should take. Privatization of operations under government ownership of facilities is the most common framework. Direct competition exists when two or more terminals in the same port compete for the same service, such as the container trade. Clearly, where large ports that serve large markets exist, privatization is possible. It is usually believed that the port authority should not restrict its operators to specific types of cargo, such as containers, but should allow competition of noncontainerized cargo during periods of low demand for the basic service.

### Transportation Bank

#### Privatization solves better than a transportation bank.

Winston 10, (Clifford Winston, senior fellow in the economic studies program at the Brookings Institution and author of Last Exit: Privatization and Deregulation of the U.S. Transportation System “THE PRIVATE SECTOR CAN IMPROVE INFRASTRUCTURE WITH PRIVATIZATION NOT A BANK” E21: Economic Policies for the 21st Century 09/29/2010 http://www.economics21.org/commentary/private-sector-can-improve-infrastructure-privatization-not-bank)

Supporters of an infrastructure bank claim it would treat infrastructure like a long-term investment, not an expense. Yet, unlike privatization, a bank would do little to curb wasteful expenses. The case is not difficult to make: the country would clearly benefit from a policy that has great potential to spur innovation and growth and has the added bonus of budgetary relief. Privatization, instead of a bank, is the real long-term solution to the nation’s transportation infrastructure problems.

### Highways

#### Our highway system faces major problems- privatization solves.

POOLE 97, (ROBERT W. Poole, JR. B.S. and M.S. in engineering from MIT graduate work in operations research and management science at New York University. worked for a major aerospace firm

and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

California departments of transportation. “Privatization: A New Transportation Paradigm” The ANNALS of the American Academy of Political and Social Science Sept 1 1997 553: 94 DOI: 10.1177/0002716297553001009

<http://ann.sagepub.com/content/553/1/94.full.pdf>)

Thus the U.S. highway system is subject to a number of systemic problems: — the pork-barrel problem, in which political criteria are used instead of economic criteria to select a significant fraction of highway projects, thereby dis placing projects of greater inherent value; — the free-money problem, in which free grant money from a higher level of government induces lower levels of government to favor those activities that the grant program has targeted; — the nonpricing problem, in which explicit pricing is avoided in favor of indirect user taxes, thereby forgoing the economic benefits of direct pricing; — the ribbon-cutting problem, in which proper ongoing maintenance takes second place in re source-allocation decisions to new construction for which politicians can cut ribbons; and — the innovation problem, in which the risk-averse nature of highway agencies retards the introduction of innovations both technical and economic.11 As Roth argues, a highway system more analogous to the telephone system—with direct pricing and specific owners of each major portion of the system—would offer strikingly different incentives.12 Highway privatization initiatives seek to move in this direction.

#### We can legally privatize our highway system.

POOLE 97, (ROBERT W. Poole, JR. B.S. and M.S. in engineering from MIT graduate work in operations research and management science at New York University. worked for a major aerospace firm

and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and

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<http://ann.sagepub.com/content/553/1/94.full.pdf>)

In the United States, both the pub lic-private partnership provisions of the federal Intermodal Surface Transportation Efficiency Act and the provisions of several of the state private tollway measures allow for private projects that would take over and rebuild, modernize, or upgrade existing highways as toll roads— analogous to what Argentina, Brazil, and Chile are doing, To the extent that such projects would constitute a kind of temporary divestiture, the United States may well see this more dramatic form of privatization applied to the highway sector within the next few years.

## Politics Net Benefit

#### Plan avoids political controversy

RREEF 6, “US Infrastructure Privatization and Public Policy Issues”, RREEF is the brand name of the real estate and infrastructure division for the asset management activities of

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

With the federal government shifting much of the costs of infrastructure development and maintenance to state and local governments, these entities are increasingly challenged to keep up. In high growth markets, including popular new suburbs and in the fast growing regions of the southern and western US, funding new infrastructure out of tax revenue and debt capacity is difficult and politically unpopular. For older areas of the country, key infrastructure has become old and under-maintained. In some cases, this infrastructure is literally crumbling. With limited fiscal resources and competing priorities, these states and communities are experiencing extreme difficulty in raising capital for maintenance and reconstruction. While privatization is probably not a remedy for all infrastructure needs, it is certainly an attractive alternative for cash strapped governments. Considerable capital availability in the private sector means that numerous sources of capital are likely to pursue investments in privatizations.

# Aff

## Don’t Need Privatization

#### The US can still recover its infrastructure; private investment majorly could cost the government.

Schweitzer 11 (Lisa Schweitzer, associate professor in the School of Policy, Planning and Development at USC “For sale: U.S. infrastructure?” LA Times, [July 13, 2011](http://articles.latimes.com/2011/jul/13) <http://articles.latimes.com/2011/jul/13/opinion/la-oe-schweitzer-infrastructure-20110713>)

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.

#### We don’t need to resort to private funding- taxes and bonds solve.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

We seem to have forgotten that federal, state, and local governments have long

financed public works and other needs without turning to privatization. The two main

options for financing infrastructure have long been taxes and the issuance of bonds, and

that is still the case. As of 2008, more than 50,000 state and local entities had issued

municipal securities and more than 2 million separate bond issues were outstanding.

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## No Solvency

### Fails

#### Privatization is not in the public’s best interest- results in net loss.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

However, not everyone is sanguine about infrastructure privatization as a solution to these problems. While the public wants good transportation, people do not necessarily embrace infrastructure privatization. Look no further than Indiana, where Governor Daniels’s popularity ratings plunged in the wake of the sale of the toll road amid a hue and cry about foreign firms’ owning our roads. And as the self-styled populist Lou Dobbs asked, “What right do they have to sell something that belongs to the taxpayer?” 22 Macquarie, one of the international firms engaged in infrastructure privatization, has even been accused of running “an old-fashioned Ponzi scheme,” rather than inventing a new way to finance infrastructure. 23¶10 An August 2010 Bloomberg Businessweek report on the Chicago parking meter deal captures the many ways in which government and investors are affected by these deals. 24 According to Bloomberg, it is estimated that Chicago drivers will pay the private parking meter contractor more than $11.6 billion in parking fees over the next 75 years. 25 That is more than ten times the $1.15 billion the City of Chicago received for the concession in 2008. 26 The Morgan Stanley led partnership’s 2010 documents to support the sale of $500 million of notes say that they expect to earn a profit of $9.58 billion before interest, taxes, and depreciation. 27 That investment group is currently using aggressive parking-fee hikes to make a return of more than 80 cents per dollar of projected revenue, twenty times the 4.84 cents on a dollar earned by the concession owner at O’Hare and Midway airports in 2009. 28¶11 In 2007, Congressman Oberstar, Chair of the House Committee on Transportation and Infrastructure, and Congressman Peter DeFazio, Chair of the Subcommittee on Highways and Transit, wrote governors, state legislators, and state transportation officials that privatizing the nation’s transportation infrastructure was not in the public’s interest. 29 In 2008, Oberstar and DeFazio wrote then Secretary of Transportation Mary Peters, a proponent of privatization, that specific aspects of infrastructure privatization, including noncompete agreements, undermined the nation’s transportation system.

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#### Privatizing infrastructure hurts the public- multiple warrants. (no payoff, reduces public benefits, reduces econ growth, limit local govs, lose tax revs and impoverish the federal gov)

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

Concerns about economic efficiency are particularly acute for the federal tax preferences that help finance private-sector investment in infrastructure, because those preferences risk transferring resources from taxpayers to private investors without obtaining a commensurate payoff in terms of the value of the infrastructure services that would not have been provided without that subsidy. For example, the fact that those infrastructure facilities are in private hands indicates that owners can capture—through user fees and other charges—a sizable portion of the value of the services they provide. Hence, public benefits from those investments may be small relative to those of infrastructure owned and operated by government, and determining the appropriate degree of subsidy—or whether any is warranted—may be difficult. If the private sector investment would have taken place even without a subsidy, then the tax preference simply shifts resources from taxpayers to private investors. Because tax preferences for private-sector borrowers lower the cost of financing and hence the return needed to make an investment attractive, they can also reallocate capital from profitable projects to projects that otherwise would not have been undertaken, thereby potentially reducing economic growth. 92¶56 Noncompete agreements and tax subsidies to induce private investment in infrastructure concessions lead to the perverse result that state and local governments are limited for decades in their ability to provide for the public welfare. They are limited, first, in losing the ability to construct facilities to meet public needs if doing so violates the contract. Second, they lose taxes from investor revenues, which, but for tax deductions to induce investment in privatized infrastructure might have been invested in taxable funds. Third, providing highly accelerated depreciation of infrastructure investments impoverishes the federal government.

#### Privatization leads to job loss and weakens the economy

Rahamatulla 11 (Altaf Rahamatulla, former vice president of Merrill Lynch and advocate for children with disabilities; “Privatization leads to Job Loss in Ohio”; 8/25/11; <http://www.progressivestates.org/news/dispatch/privatization-leads-job-loss-in-ohio>; accessed 7/20/12)

Several right-wing lawmakers utilized the weak economy to pursue damaging and radical proposals in legislative sessions this year. Some of the more egregious measures have included efforts to privatize functions of state government, including libraries, youth shelters, group homes, ambulance services, and transit networks. The pursuit of privatization is often rooted in misleading ideology that mythologizes private sector efficiency rather than demonstrable results of savings or quality. In fact, several privatization schemes have compromised service delivery, increased costs and fees for taxpayers, and severely reduced public accountability.¶ In February, Ohio’s conservative Governor, John Kasich, signed a bill to replace the state’s Department of Development with a private nonprofit, questionably entitled, JobsOhio. The privatized entity would be funded by taxpayer dollars, but headed by private interests. One of its major functions would be to direct public resources and incentives to corporations in the name of economic development. JobsOhio would also not be subject to the state’s public records law. This past week, the Governor reported that over 200 state jobs will be eliminated as a result of the push for privatization.¶ With almost 9 percent unemployment and still suffering from the recession, the state can ill-afford the deleterious impacts and costs of privatization. Ohio state Rep. Matt Lundy further outlines some of the major problems with JobsOhio: “Now as the Governor has detailed how Ohio’s economic recovery will be left to a small group of unaccountable, private interests with the authority to award millions in tax dollars to whomever they see fit, I pause with great concern.”¶ These issues parallel the conclusions of a Good Jobs First report, Public-Private Power Grab: The Risks in Privatizing State Economic Development Agencies, which finds that “rather than making economic development activities more effective, privatization is often little more than a power grab by governors and politically connected business interests,” that can result in misuse of state funds, corruption, conflicts of interest, and lost accountability. For instance, Michigan, a state that has a semi-privatized commerce department, distributed $9.1 million in tax credits to a convicted embezzler last year.

#### The Private sector is purely motivated by self interest and protection. (Functions as cap link also.)

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

The democracy question, or more accurately what I would call the non-democracy question, is central to the creation of P3s. When infrastructure is privatized (or corporatized), the decisions about its size, shape and placement are driven by market demand. The private partners are interested in elements of infrastructure that can yield the longest and strongest streams of privately capturable revenue not the ones that yield the largest public benefits. . . . Because the interests of the private partners in the placement of infrastructure and their concerns about protecting their revenue streams come to dominate the local discourse the planning approach begins to shift from one in which a comprehensive view of the urban space is replaced by one that views the space as a collection of individual projects that each have to be nurtured separately in terms of the rates of investment return that are pledged to the private owners of the concession for however long the concession lasts.

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#### Privatization is not the cure-all inherently protectionist and based off greed.

Plumer 4/01 (Brad Plumer, former associate editor at The New Republic, now reporter for Washing Post More states privatizing their infrastructure. Are they making a mistake? Washington Post 04/01/2012 http://www.washingtonpost.com/blogs/ezra-klein/post/more-states-privatizing-their-infrastructure-are-they-making-a-mistake/2012/03/31/gIQARtAhnS\_blog.html)

Moreover, a road that’s privately owned for 75 years has the potential to conflict with other public-policy goals. For instance, as a recent GAO [report](http://www.gao.gov/new.items/d04419.pdf) (pdf) found, four of the five privately-funded toll road projects in the last 15 years included non-compete clauses that prevented the government from building nearby roads. As Tim Lee [notes](http://www.theatlantic.com/business/archive/2012/03/the-mirage-of-free-market-roads/255167/), “real-world privatization schemes are often explicitly protectionist.” So what if a state, say, later decides that it wants to build a rail network that competes with the private road? All sorts of complications could arise. Plus, privatization can’t work everywhere. “It’s not a universal tool,” says Jonathan Peters, a professor of finance at the College of State Island who has studied these partnerships. There are plenty of roads in states like Montana, for starters, that don’t pay for themselves and would be unappealing to private investors. There are ways around this — Madrid, for one, [built its subway system](http://www.city-journal.org/2010/20_2_snd-subway-lessons.html) by offering formula-based subsidies to private firms, which still bore the risk of a shortfall in rider demand — but it’s trickier. Few transportation experts think we can fill our [multi-trillion-dollar infrastructure shortfall](http://www.washingtonpost.com/local/study-2-trillion-needed-for-us-infrastructure/2011/05/16/AFyppB5G_story.html) with private money alone.

### Public Private Fails

#### The government will face a disadvantage in any privatization deal.

Schweitzer 11 (Lisa Schweitzer, associate professor in the School of Policy, Planning and Development at USC “For sale: U.S. infrastructure?” LA Times, [July 13, 2011](http://articles.latimes.com/2011/jul/13) <http://articles.latimes.com/2011/jul/13/opinion/la-oe-schweitzer-infrastructure-20110713>)

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. Without new revenue sources, the long-term problems for U.S. infrastructure finance are going to continue even if Congress manages a debt-ceiling deal. By contrast, if the U.S. defaults on its debt, our bond ratings will tumble. The higher costs of bond financing would then raise infrastructure costs through the roof. And those financing costs would put government negotiators at even more of a disadvantage in privatization deals. Averting default would give U.S. leaders wiggle room to find public-private partnerships that really do serve the public interest. To do so, they must choose to maintain both America's credibility and its existing assets.

#### Private investment leads to tradeoffs, lost revenue and possible added costs.

Omid M. Rouhani 09 (Omid M. Rouhani “ROAD PRIVATIZATION AND SUSTAINABILITY”; SUSTAINABLE TRANSPORTATION AN INTERNATIONAL PERSPECTIVE PROJECTIONS volume 9 MIT JOURNAL OF PLANNING 7/31/09) <http://web.mit.edu/dusp/dusp_extension_unsec/projections/issue_9/issue_9_rouhani.pdf>)

Active private sector sponsorship and investment involved trade-offs for these governments, however, as some states relinquished political control over their ability to set toll rates and to carry out infrastructure improvements on competing publicly owned roadways. On one of the five highway projects, SR 91 in California, this latter constraint proved to be too significant a trade-off to the county government, motivating it to purchase the road back from the private consortium. In addition, state and local governments have been responsible for some project-related costs on five of the six projects we identified, such as designing projects, acquiring rights of way, conducting environmental assessments, or establishing new public institutions or arrangements to accommodate the private consortia. Federal funding was used on three of the projects. In addition, the three projects financed with tax-exempt debt have resulted in foregone tax revenues to the federal government—and to a lesser extent the state governments. For example, we estimate that, in 2003, the federal government had foregone a total of between $25 million and $35 million in tax revenues. Finally, states can be liable for costs if private entities encounter financial difficulty, and might be liable for some or all of the cost of operating and maintaining the toll road if a consortium went out of business.

### Monopolies Turn

#### Privatization imposes 3 major risks – equity, monopolies, revenue loss

Omid M. Rouhani 09 (Omid M. Rouhani “ROAD PRIVATIZATION AND SUSTAINABILITY”; SUSTAINABLE TRANSPORTATION AN INTERNATIONAL PERSPECTIVE PROJECTIONS volume 9 MIT JOURNAL OF PLANNING 7/31/09) <http://web.mit.edu/dusp/dusp_extension_unsec/projections/issue_9/issue_9_rouhani.pdf>)

The first and most important risk of privatization is equity. New ownership of road infrastructure causes great losses and benefits to different groups of people. Companies or individuals who spend higher proportions of their income on transportation will lose money at least in the short run. For instance, trucking companies opposed the privatization trend based on this rationale (Graves, 2007). On the other hand, road owners possibly gain a huge profit. Generally, transportation costs changes in an unclear resource-efficient manner after privatization. Some of these companies should be losers and winners; present transportation costs are far from their reasonable level (Crowe Chizek, 2006). The possible gain of peripheral land owners is an equity issue for new road construction. But through auctioning the construction of a private road, landlords can participate and gain from their land’s appreciation after the construction. The participation can be beneficial to society. ROUHANI91 PROJECTIONS 9 SUSTAINABLE TRANSPORTATION Landlords can lower the price of construction or, as a substitute, lower the toll revenue, which simply leads to less expensive services (Engel et al, 2005). The possibility of a new monopoly (or oligopoly) formation is another important risk. The spatial restriction of road development and the possible barriers to enter the market may result in an imperfect competition. Alternative roads are restricted for any origin-destination pair, and a new competitive alternative is costly to construct and hard to allocate space for. This is accompanied by high levels of tolls (monopolistic behavior) and even over-investment in road networks. The risk of a new monopoly necessitates regulation. With regulation, a decentralized structure can outperform a centralized one by being more responsive to travel demand patterns if flexible prices are allowed (Zhang et al, 2006). Another argument against private roads is that their revenues (may) go to the private sector and shareholders rather than government. But government can charge the private companies for the externalities produced from the roads and raise revenue for other public expenses. Moreover, area residents can be the possible shareholders of private roads. Thus, the higher revenue can be justified. Road network ownership has a vague framework. Examination of all of its aspects is essential to prevent an unpleasant outcome. This examination should consider all the parties or institutions which are involved and the associated strategies (further explanation in the “Policy Analysis” section).

#### Noncompetition provisions eliminate the incentive to reduce cost.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

Destroying competition would seem to undermine the basic argument for private operation: being able to choose goods and services from among competitors in the free market spurs better performance and drives down costs. Indeed, it is choice and competition that provide accountability in the private sector. 60 Noncompetition provisions, however, forbid competition and do away with choice. As a result, they eliminate these important spurs to better performance and lower cost. Despite this, a 2004 U.S. Department of Transportation report said that the powers of a state’s lead agency responsible for promoting public-private partnerships “should include the power . . . to establish a geographic noncompete zone.” 61

### Government Still Involved

#### Public money is far more significant than private funding for Transportation infrastructure.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

Indeed, according to the GAO: “A number of alternative financing mechanisms—such as enhanced private-sector participation, bonds, loans, and credit assistance—can be used to help state and local governments finance surface transportation. These financing mechanisms, where appropriate, could help meet growing and costly transportation demands.” 84 In fact, although highway privatization receives a great deal of attention, public money continues to be far more important in providing transportation infrastructure. A 2009 study found that only ten percent of the $126.6 billion spent on transportation infrastructure in 2007 was provided by private funding. 85 In recent years, however, the federal government promoted highway privatization by creating new financial instruments and creating tax breaks to private contractors to make privatization attractive. The two primary financial subsidies allow contractors to issue tax-free bonds and take highly accelerated depreciation and amortization of costs.

#### Federal government pays significantly in most privatization deals

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

However, would the states’ residents approve if they knew how much the public invests in these deals? In the case of the Capitol Beltway, less than 20% of the upfront funds came directly from the private investors. The rest was provided from government funds or government subsidies, including low-interest loans, direct subsidies, tax deductions, and other public sources: Of the total $1.9 billion (and rising), Fluor-Transurban is contributing only $349 million in private equity. Meanwhile, the state is paying $409 million and the Federal Highway Administration is lending Fluor $585 million in low-interest loans and $586 million in subsidized bonds. Taxpayers are also on the hook every year for the next 40 years for the carpool fees charged to the state account.

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#### PPPs can’t fill budget gaps- they are only a financing tool.

Istrate and Puentes 11

(Emilia Istrate, senior research associate and associate fellow with the Metropolitan Policy Program at Brookings. Former economic researcher at the School of Public Policy, George Mason University. co-authored a United Nations Economic Commission for Europe report on promoting energy efficiency in transition countries. PhD in Public Policy from George Mason University, with specialization in regional economic development, and holds graduate degrees in international studies from the Diplomatic Academy of Vienna, Austria and the Johns Hopkins University School of Advanced International Studies (SAIS). and Robert Puentes a senior fellow with the Brookings Institution’s Metropolitan Policy Program, Director of the Program's Metropolitan Infrastructure Initiative. Former director of infrastructure programs at the Intelligent Transportation Society of America. Master’s degree from the University of Virginia where he served on the Alumni Advisory Board, and is an affiliated professor with Georgetown University's Public Policy Institute. Serves on the Northern Virginia Transportation Authority, the Tysons Corner Tomorrow Advisory Task Force, and the Falls Church, Virginia Planning Commission “Moving Forward on Public ¶ “Private Partnerships:¶ U.S. and International Experience ¶ with PPP Units” BROOKINGS-ROCKEFELLER Project on State and Metropolitan Innovation December 2011 http://www.brookings.edu/~/media/research/files/papers/2011/12/08%20transportation%20istrate%20puentes/1208\_transportation\_istrate\_puentes.pdf)

¶ However, it is important to note that PPPs are a financing tool, not a new source of funding. Project ¶ funding is still derived from the public entity or directly from the users of the facility, who will pay ¶ the private party for its services in the PPP project. It is true that PPPs often involve direct revenue ¶ streams (such as tolls), therefore helping to better match the benefits and costs of the use of a facility ¶ and shift the funding burden from the government to the users. In addition, if the public entity pays ¶ periodic disbursements to the private party for post-construction services (i.e. availability payments), ¶ the public organization gets a piece of infrastructure, while paying for it over time, relieving some of ¶ the pressure on the annual budget. Thus, PPPs should be a tool for better risk and cost allocation, and ¶ not merely a way to fill in budget gaps.

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### Airports

#### The Federal Airport Improvement Program eliminates private incentives

Poole 12 (Robert W. Poole, Jr. B.S. and M.S. in engineering from MIT graduate work in operations research and management science at New York University. worked for a major aerospace firm¶ and for several research firms that worked with state and local governments. Founder of the Reason Foundation, a nonprofit public policy research institute. He has served as an adviser to both the U.S. and¶ California departments of transportation Edited by Leonard Gilroy and Harris Kenny, “Annual Privatization Report 2011: Air Transportation” Reason Foundation, April 2012. http://reason.org/files/aviation\_annual\_privatization\_report\_2011.pdf)

The federal Airport Improvement Program imposes economic regulation on U.S. airports in ¶ exchange for annual grant funding. Those regulations preclude airport privatization, because they ¶ require all “airport revenues”—including proceeds from a lease or sale—to be reinvested in the ¶ airport (or airport system) that generates them. Hence, a city, county or state that wishes to lease or ¶ sell its airport would receive zero financial benefits from doing so. The regulations also prohibit ¶ any airport operator (including an investor-owned airport company) from taking any profits off the ¶ airport, which means such a company would have no incentive to acquire a U.S. airport..

#### Any further increase in privatization would have no benefit.

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

Opponents of airport privatization argue that, because U.S. airports already have ¶ significant private sector involvement, any increase in operating efficiencies from further ¶ privatization would be minimal. Any potential financial savings would be more than ¶ offset by the cost to the airport operator of the contract arrangement, as in the case of the ¶ 2006 privatization of Aeroports de Paris, which sold a 32.8 percent stake though an ¶ initial public offering (IPO). Airline executives protested the subsequent increases in¶ airline fees at Paris Charles de Gaulle Airport, which are reported to add up to five ¶ percent in the first year and 4.25 percent annually over the next four years (Buyck, 2007)

#### Privatization of airports would mean majorly increased consumer costs.

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

Opponents counter that the return on investment sought by private investors would ¶ require private sector owners/operators of airports to raise rates and charges assessed to ¶ airport tenants and users. Moreover, the Air Transport Association (ATA) (2010)¶ questions whether a privately-owned airport could operate profitably because it would ¶ not be eligible for tax-exempt debt financing, FAA grants, or Passenger Facility Charges ¶ (PFCs). ATA asserts that airport financing costs would rise significantly without access ¶ to these sources, which currently constitute the majority of capital funding at most ¶ airports.¶ Airlines have been generally opposed to complete airport privatization because they ¶ benefit from the existing system of developing and operating U.S. airports. According to ¶ Mew (1999), airlines benefit from the following: (1) the use of the “historic cost recovery ¶ method of charging landing fees” as opposed to using a market value-based ¶ methodology, which would result in higher landing fees, and (2) public subsidy of capital ¶ improvement projects at airports through the use of tax-exempt bonds, the collection of ¶ PFCs, and the receipt of FAA grants.

#### Airport Privatization would be a threat to public interests.

Arthus and Sarmiento 10 (Donald Arthur, Principal with Unison Consulting, Inc B.S. degree in Business ¶ Administration from California State University, Long Beach; M.B.A. in Finance from the ¶ University of California, Irvine. He is a Certified Public Accountant in the State of Illinois, U.S.A.¶ Sharon Sarmiento is a Principal with Unison Consulting, Inc. her B.S. degree in Business ¶ Economics from the University of the Philippines; M.A. in International and Development Economics from ¶ Yale University; M.A. in Mathematical Behavioral Sciences from the University of California, Irvine; and ¶ Ph.D. in Economics from the University of California, Irvine. “Privatization in U.S. Airports” Unison Consulting, Inc. <http://www.unison-ucg.com/docs/PRESENT.PrivUSAirportsPaperArthur-Sarmiento_053110.pdf>)

Opponents of airport privatization counter that increased airport privatization would ¶ result in reduced accountability to the public. Increased privatization could significantly ¶ reduce public control over airport facilities, which would not be in the best interests of ¶ the public. P3 arrangements are tantamount to turning public assets over to private firms ¶ for the private firms’ financial gain. The assumption is that public entities will guard the ¶ public interest much more closely than will private companies that are primarily ¶ interested in making a financial profit. Therefore activities involving a substantial public ¶ interest should not be completely delegated to the private sector. De Neufville (1999)¶ identifies these activities as those (1) central to the community’s welfare, and (2) ¶ potentially open to monopolistic exploitation of the public. In the case of airports, it is ¶ feared that a private owner/operator would be less sensitive to important public issues, ¶ such as noise and other environmental issues, or safety and security issues.

### Author Indict

#### Privatization authors are biased to ensure a deal is made.

Dannin 11 (Ellen Dannin, Fannie Weiss Distinguished Faculty Scholar and Professor of Law, Penn State Dickinson School of Law “Crumbling Infrastructure, Crumbling Democracy: Infrastructure Privatization Contracts and Their Effects on State and Local Governance”, 6 Nw. J. L. & Soc. Pol'y. 47 (2011), http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2

Entering into a multi-decade relationship, especially one that is expensive to exit ¶ and affects the public interest, requires being a pessimist. Infrastructure privatization ¶ deals are vetted by experts who are narrowly focused on making deals happen. People ¶ with that point of view—and especially those whose job and pay depend on getting a deal ¶ done—have an incentive to be optimistic and to reach a specific result. They lack the ¶ necessary pessimism and objectivity required to identify problems. Relationships created ¶ by infrastructure contracts involve parties whose interests are not fully aligned. They ¶ also have the potential to co-opt public officials. These and other negative outcomes and ¶ their effects must be identified and taken seriously while a deal is being considered. The ¶ contracts must be examined to ensure that, throughout the contract term, the parties do ¶ not undermine one another. The current recession has demonstrated the need to take into ¶ account the potential effects of severe economic downturns and disruption, rather than ¶ assuming normal to booming economic conditions.