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## Politicization Now

### Politics Kills Investment

#### Politics is the main problem in our current lack of investment in infrastructure.

**Bosworth and Milusheva 11**

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On balance, there is significant evidence of inadequate levels of infrastructure in the United States, but the studies have also demonstrated that much of the problem lies with the process by which the United States makes decisions on funding and system management: its failures to use cost-benefit analysis to assign funds to those projects with the highest returns, a bias against funding of maintenance for existing systems, a political process that spreads the expenditures across jurisdictions regardless of needs, and an unwillingness to charge users in line with the benefits that they receive (Winston, 2010). The condition of the transportation system has deteriorated somewhat, but the most costly aspects are linked with increased congestion; and repeated experience has shown that those problems cannot be resolved by spending more money. Changes should be made in the management of the systems–specifically in the setting of prices 6 for use of the infrastructure and the allocation of investment funds–that would increase the benefits of the current system with little added overall spending. In addition, despite their professed support for improvements in the infrastructure, American voters and their representatives stand out for their unwillingness to pay and the constant efforts to shift the costs to others. Given these evident inefficiencies, it is difficult to favor large increases without reforms to the funding process.

## Fed Funding Bad

### Corruption

#### Federal investment promotes corruption which creates inefficiencies that wastes money and creates fewer jobs

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President Obama will not use the word "stimulus" in apparent recognition that his previous policies have failed. Instead, he will use the word "investment," which is a complete misnomer. An expenditure can only be called an investment if there exists the possibility of a profit. Infrastructure spending by the federal government promotes corruption because the work goes to the most politically well-connected contractors. At the state level where the money is spent, it is often "pay to play." Since decisions about infrastructure spending often result from a brokered process (witness Congressional earmarks), there is often a disconnect between the spending and where it is needed most. Politicians collude with unions to increase the costs of construction through what are called Project Labor Agreements. These pacts are supposed to guarantee labor peace, but what they actually do is pad the costs of labor to the benefit of politically well-connected unions. Federal "prevailing wage" requirements (Davis Bacon) ensure that infrastructure spending costs more than the market would dictate. The result is inefficiencies in spending and the creation of fewer jobs. We suffer from an overhang of debt. Adding to the burden by spending billions more on public works projects does not solve the problem. It makes it worse. "Stimulus" spending, or whatever you want to call it, is modern-day alchemy. A society does not become richer by taxing away resources from productive citizens to be spent by government officials intent on enforcing the inefficiencies inherent in public works spending.

#### Government involvement leads to political misallocation and mismanagement

Chris Edwards 10, top expert on federal and state tax and budget issues, June 2010, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation, Publisher: CATO Institute, “Proposed Spending Cuts”, http://www.downsizinggovernment.org/transportation/spending-cuts/, SA

Most Department of Transportation activities are properly the responsibility of state and local governments and the private sector. There are few advantages in funding infrastructure such as highways and airports from Washington, but there are many disadvantages. Federal involvement results in political misallocation of resources, bureaucratic mismanagement, and costly one-size-fits-all regulations imposed on the states.

### Earmarking/Special Interests

#### Fed funding gives funds to projects that help special interest groups

Gabriel Roth, transportation economist, 2010, civil engineer and transportation economist and CATO Institute writer, Publisher: CATO Institute, “Federal Highway Funding”, http://www.downsizinggovernment.org/transportation/highway-funding/#top, SA

1. Funds Used Inefficiently and Diverted to Lower-Priority Projects Federal aid typically covers between 75 and 90 percent of the costs of federally supported highway projects. Because states spend only a small fraction of their own resources on these projects, state officials have less incentive to use funds efficiently and to fund only high-priority investments. Boston's Central Artery and Tunnel project (the "Big Dig"), for example, suffered from poor management and huge cost overruns.21 Federal taxpayers paid for more than half of the project's total costs, which soared from about $3 billion to about $15 billion.22 Federal politicians often direct funds to projects in their states that are low priorities for the nation as a whole. The Speaker of the House of Representatives in the 1980s, "Tip" O'Neill, represented a Boston district and led the push for federal funding of the Big Dig. More recently, Representative Don Young of Alaska led the drive to finance that state's infamous "Bridge to Nowhere," discussed below. The inefficient political allocation of federal dollars can be seen in the rise of "earmarking" in transportation bills. This practice involves members of Congress slipping in funding for particular projects requested by special interest groups in their districts. In 1982, the prohibition on earmarks in highway bills in effect since 1914 was broken by the funding of 10 earmarks costing $362 million. In 1987, President Ronald Reagan vetoed a highway bill partly because it contained 121 earmarks, and Congress overrode his veto.23 Since then, transportation earmarking has grown by leaps and bounds. The 1991 transportation authorization bill (ISTEA) had 538 highway earmarks, the 1998 bill (TEA-21) had 1,850 highway earmarks, and the 2005 bill (SAFETEA-LU) had 5,634 highway earmarks.24 The earmarked projects in the 2005 bill cost $22 billion, thus indicating that earmarks are consuming a substantial portion of federal highway funding. The problem with earmarks was driven home by an Alaska bridge project in 2005. Rep. Don Young of Alaska slipped a $223 million earmark into a spending bill for a bridge from Ketchikan—with a population of 8,900—to the Island of Gravina—with a population of 50. The project was dubbed the "Bridge to Nowhere" and created an uproar because it was clearly a low priority project that made no economic sense.

### Increases Costs

#### Federal involvement massively increases costs

Gabriel Roth, transportation economist, 2010, civil engineer and transportation economist and CATO Institute writer, Publisher: CATO Institute, “Federal Highway Funding”, http://www.downsizinggovernment.org/transportation/highway-funding/#top, SA

3. Federal Intervention Increases Highway Costs The flow of federal funding to the states for highways comes part-in-parcel with top-down regulations. The growing mass of federal regulations makes highway building more expensive in numerous ways. First, federal specifications for road construction standards can be more demanding than state standards. But one-size-fits-all federal rules may ignore unique features of the states and not allow state officials to make efficient trade-offs on highway design. A second problem is that federal grants usually come with an array of extraneous federal regulations that increase costs. Highway grants, for example, come with Davis-Bacon rules and Buy America provisions, which raise highway costs substantially. Davis-Bacon rules require that workers on federally funded projects be paid "prevailing wages" in an area, which typically means higher union wages. Davis-Bacon rules increase the costs of federally funded projects by an average of about 10 percent, which wastes billions of dollars per year.27 Ralph Stanley, the entrepreneur who created the private Dulles Greenway toll highway in Virginia, estimated that federal regulations increase highway construction costs by about 20 percent.28 Robert Farris, who was commissioner of the Tennessee Department of Transportation and also head of the Federal Highway Administration, suggested that federal regulations increase costs by 30 percent.29 Finally, federal intervention adds substantial administrative costs to highway building. Planning for federally financed highways requires the detailed involvement of both federal and state governments. By dividing responsibility for projects, this split system encourages waste at both levels of government. Total federal, state, and local expenditures on highway "administration and research" when the highway trust fund was established in 1956 were 6.8 percent of construction costs. By 2002, these costs had risen to 17 percent of expenditures.30 The rise in federal intervention appears to have pushed up these expenditures substantially.

### Project Selection Inefficient

#### Current investment processes are inefficient

Brookings Institute 2010, June 2010, “Economic Growth and Institutional Innovation: Outlines of a Reform Agenda”, http://www.brookings.edu/research/papers/2010/06/01-innovation-galston, SA

The investment deficit has a public face as well. Since the early 19th century, government has financed and helped build major infrastructure projects—roads, bridges, ports and canals, among others, have spurred economic growth and opened new domestic and international markets. Recently, however, public infrastructure investment has fallen well short of national needs, and often has been poorly targeted. Americans travelling and working abroad are noticing that U.S. infrastructure is falling behind not only advanced countries’ but rapidly developing countries’ as well. A study by Emilia Istrate and Robert Puentes of Brookings’s Metropolitan Policy Program, presented in a December 2009 report entitled “Investing for Success,” documents three key shortcomings of federal infrastructure investment: it lacks long-term planning, fails to provide adequately for maintenance costs, and suffers from a flawed project selection process as benefits are not weighed rigorously against costs. Istrate and Puentes explore several strategies for correcting these deficiencies. One of the most promising is a National Infrastructure Bank (NIB), to require benefit-cost analyses of proposed projects, break down financial barriers between related types of investment (facilitating inter-modal transportation, for example), and improve coordination across jurisdictional lines. The NIB could be funded through a modest initial infusion of federal capital designed to attract private capital. Projects receiving loans from the NIB would have to provide for depreciation and document the sources of funds to repay the face amount of each loan, plus interest. In short, the NIB would be more than a conduit for the flow of federal funds; it would function as a real bank, imposing market discipline on projects and making infrastructure investments attractive to private capital, partly by providing flexible subordinated debt. Istrate and Puentes identify diverse problems that designers of an NIB would confront. Insulating the selection process from political interference would pose serious difficulties, as would providing federal seed capital without increasing the federal deficit and debt. Requiring the repayment of loans could skew project awards away from projects that cannot easily charge user fees—wastewater and environmental infrastructure projects, for example. Despite these challenges, a properly designed bank could increase the quantity of infrastructure investment while improving its effectiveness, reducing bottlenecks and promoting economic efficiency. The potential benefits for long-term growth would be considerable.

#### Fed gov fights over transportation: Privatization solves

Primack, 11- Senior Editor (Dan, “Why Obama can't save infrastructure”, CNN Money, 2/17, <http://finance.fortune.cnn.com/2011/02/17/why-obama-cant-save-infrastructure/>)//

In other words, America's infrastructure needs are stuck in a holding pattern. That may be sustainable for a while longer, but at some point we need to land this plane or it's going to crash. Luckily, there is a solution**: State and municipal governments should get off their collective butts, and** begin to seriously move toward **partial** privatization of **their** infrastructure assets**.** Remember, the federal government doesn't actually own America's roads, bridges or airports (well, save for Reagan National). Instead, it's basically a piggy-bank for local governments and their quasi-independent transportation authorities. Washington is expected to provide strategic vision -- like Eisenhower's Interstate Highway System or Obama's high-speed rail initiative -- but actual implementation and maintenance decisions are made much further down the food chain. Almost every state and municipal government will tell you that it doesn't have enough money to adequately maintain its existing infrastructure, let alone build new infrastructure. And, in many cases, existing projects are over-leveraged from years of bond sales. At the same time, private investment firms are clamoring to fill the void. Nearly $80 billion has been raised by U.S.-based private equity infrastructure funds since 2003, and another $30 billion currently is being raised to focus on North American projects, according to market research firm Preqin. Each of one those dollars would be leveraged with bank debt, and none of that includes the billions more available from public pension systems and foreign infrastructure companies. For example, Highstar Capital last year signed a 50-year lease and concession agreement to operate the Port of Baltimore's Seagirt Marine Terminal. The prior year, private equity firm The Carlyle Group signed a 35-year lease to redevelop, operate and maintain Connecticut's 23 highway service areas. And in 2005, an Australian and Spanish company teamed up to lease The Chicago Skyway for $1.83 billion. That same tandem later acquired rights to the Indiana toll road. But those are exceptions to the America's transportation infrastructure rule, which says that everything should be government-owned and operated. It's a rule grounded in fears that private investors will put profits over safety, plus a hefty dose of inertia. Well, it's time for us to get over it. First, we've already established that our current system isn't working. Again, $2.2 trillion in infrastructure needs. And if you haven't seen a crumbling or rusted out bridge somewhere, then you haven't been looking. Second, it's counter-intuitive to think that a private investment firm wouldn't do everything in its power to make its transportation assets safe and efficient. Toll roads, airports and the like are volume businesses. One giant accident, and the return on investment could be irreparably harmed. This isn't to say that all of these projects will be successful -- there have been fiascos, like with Chicago's parking system -- but this is no longer a choice between private and public funding. It's a choice between private funding and woefully insufficient funding. Third, local governments have the ability to structure these leases any way they see fit. For example, the Chicago Skyway deal includes an annual engineering checkup, and the private owners are obligated to make any recommended repairs. This also goes for pricing. In a failed privatization deal for the Pennsylvania Turnpike, prospective buyers agreed to certain parameters on future toll increases. Most importantly, infrastructure privatization provides a solution to the current standoff between Obama and House Republicans -- by providing for investment to repair and maintain existing infrastructure, without requiring tax increases or enabling parochial pork.

### Discourages Private Sector

#### Discourages involvement of the Private Sector

Gabriel Roth, transportation economist, 2010, civil engineer and transportation economist and CATO Institute writer, Publisher: CATO Institute, “Federal Highway Funding”, http://www.downsizinggovernment.org/transportation/highway-funding/#top, SA

5. Private Solutions Are Discouraged By subsidizing the states to provide seemingly "free" highways, federal financing discourages the construction and operation of privately financed highways. A key problem is that users of private highways are forced to pay both the tolls for those private facilities and the fuel taxes that support the government highways. Another problem is that private highway companies have to pay taxes, including property taxes and income taxes, while government agencies do not. Furthermore, private highways face higher borrowing costs because they must issue taxable bonds, whereas public agencies can issue tax-exempt bonds. The Dulles Greenway is a privately financed and operated highway in Northern Virginia, which cost investors about $350 million to build.37 The Greenway must compete against nearby "free" state highways. It has been tough going, but the Greenway has survived for 15 years. Typical users of the Greenway pay 36 cents in federal and state gasoline taxes per gallon to support the government highways, plus they pay Greenway tolls, which range from $2.25 to $4.15 per trip for automobiles using electronic tolling.38 If the Greenway and other private highways were credited the amounts paid into state and federal highway funds, their tolls could be lowered and more traffic would be attracted to them. That would make better use of private capacity as it could develop in coming years and relieve congestion on other roads. Unfortunately, the proposed version of new highway legislation by the chairman of the House Committee on Transportation and Infrastructure would add new federal regulatory barriers to toll roads in the states.39 Section 1204 of the bill would create a federal "Office of Public Benefit" to ensure "protection of the public interest in relation to highway toll projects and public-private partnership agreements on federal-aid highways." This new office would be tasked with reviewing and approving or disapproving proposed toll rate increases on these projects, among other interventionist activities. This would completely flip around the idea of road tolling as a decentralized market-based mechanism and turn it into a central planning mechanism.

### Discourages Innovation

#### Federal investment discourages innovative ways to improve transportation

Gabriel Roth, transportation economist, 2010, civil engineer and transportation economist and CATO Institute writer, Publisher: CATO Institute, “Federal Highway Funding”, http://www.downsizinggovernment.org/transportation/highway-funding/#top, SA

6. Innovation Is Discouraged One of the promising advances to relieving urban congestion is High-Occupancy or Toll (HOT) highways. Networks of HOT lanes can be structured for use by vehicles with payment of variable tolls combined with buses at no charge. The tolls are collected electronically and set at levels high enough to ensure acceptable traffic conditions at all times. A current obstacle to expanding HOT lane programs is that it is difficult to add tolls to roads constructed with federal funds. The first HOT lanes in the United States were introduced in 1995 on California's State Route 91 near Anaheim. The California Private Transportation Company conceived, designed, financed, constructed, and opened two pairs of "express lanes" in the median of a 10-mile stretch of the highway.40 Express lane users pay tolls by means of identifiers, similar to those used by EZPass systems, with the payments debited electronically from accounts opened with the company. Following the lead of the private sector, California's public sector implemented a similar project on Route I-15 north of San Diego. It has also proven popular. The rates charged on the I-15 lanes are varied automatically in real time to respond to traffic conditions. HOT lanes have also been implemented in Denver and Minneapolis, and are planned for the Washington, D.C., area. Payments for the use of roads can now be made as easily as payments for the use of telephones, without vehicles having to stop. Such changes in payment methods can have profound effects on the management and financing of roads. If the federal government removed itself from highway financing, direct payments for road use could be made directly to state governments through tolls. These sorts of tolls are already in place in New York and New Jersey. An even better solution would be payment of tolls for road use directly to private highway companies, which would cut out government financing completely. This is now technically feasible. Following the success of the HOT lanes in Southern California, many other projects are being pursued across the country. One project is in Northern Virginia. Fluor-Transurban is building and providing most of the funding for HOT lanes on a 14-mile stretch of the Capital Beltway. Drivers will pay to use the lanes with electronic tolling, which will recoup the company's roughly $1 billion investment. HOT lane projects are attractive to governments because they can make use of existing capacity and because the tolls can pay for all or most of the costs.41 Such networks offer congestion-free expressways for those wanting to pay a premium price, in addition to reducing congestion on other roads and creating faster bus services. There are many exciting technological developments in highways, and ending federal intervention would make state governments more likely to seek innovative solutions. Technological advances—such as electronic tolling—have made paying for road services as simple as paying for other sorts of goods. In a world where a fuel tax that is levied on gasoline is an imperfect measure of the wear-and-tear each driver puts on roads, it is vital to explore better ways to finance highways.

### Funding Insufficient

#### Current federal and state funds are insufficient to fund transportation infrastructure now

[Puentes](http://www.brookings.edu/experts/puentesr) 11

(Robert, Senior Fellow Metropolitan Policy Program “Transformative Infrastructure to Boost Exports and Manufacturing”, Brookings Institute, <http://www.brookings.edu/research/testimony/2011/11/16-infrastructure-puentes#note10>)

Since the recession began, financial markets have contracted and all actors are feeling the strain of insufficient funds and constrained credit supplies. On the public side federal resources are strained, especially for transportation projects which generally make up the largest share of federal domestic discretionary spending. The Congressional Budget Office estimates that the highway trust fund will be unable to meet obligations sometime next summer, if not sooner. And while money from the American Recovery and Reinvestment Act provided roughly $335 billion to support the physical drivers of prosperity—innovation, human capital, infrastructure, and quality places—those funds are largely spent with little prospect for additional dollars anytime soon.[[3]](http://www.brookings.edu/research/testimony/2011/11/16-infrastructure-puentes%22%20%5Cl%20%22note3) State funding sources are also shrinking. Twenty-one states saw transportation program cuts in fiscal year 2010 and 14 are already proposing transportation program cuts in fiscal year 2012.[[4]](http://www.brookings.edu/research/testimony/2011/11/16-infrastructure-puentes%22%20%5Cl%20%22note4) Other state and local sources—such as revenue from sales taxes—that are earmarked for infrastructure projects are also in decline due to the slow recovery. These financial barriers affect our ability to pursue a diverse set of new projects. The I-11 Corridor for the Intermountain West is initially proposed to extend from Phoenix to Las Vegas but will ultimately be a critical link in global trade networks linking ports from Mexico to Canada and Alaska. The Intermodal Cargo Hub is a project intended to "re-internationalize" the St. Louis metro by utilizing the excess freight capacity that currently exists in dormant parts of the urban core. The U.S. Route 460 Corridor Improvement Project in south central Virginia is designed to promote the growth of an inland logistics center by enhancing intermodal connectivity to the Port of Virginia. That port is currently the third busiest on the east coast, making it critical to the nation.

### Budgets Overburdened

**State budgets are overburdened and the private sector is underutilized**

**Likosky et al. 11** Michael Likosky is senior fellow at NYU’s Institute for Public Knowledge and also directs the Center on Law & Public Finance at the Social Science Research Council, Josh Ishimatsu, senior fellow at the Center on Law & Public Finance, is also principal of mz consulting, a consulting ﬁrm specializing in community development. Joyce L. Miller is senior fellow at the Center on Law & Public Finance, a board member of the New York State Empire State Development Corporation, and the founder and CEO of Tier One Public Strategies, a consulting ﬁrm that provides in-depth public policy analysis in the areas of infrastructure ﬁnance, real estate, and energy policy. (Michael Likosky, Joyce Miller, Josh Ishimatsu, “RETHINKING 21ST - CENTURY GOVERNMENT: PUBLIC-PRIVATE PARTNERSHIPS AND THE NATIONAL INFRASTRUCTURE BANK”, The Social Science Research Council, June 2011, http://www.ibtta.org/files/PDFs/Rethinking%2021st%20Century%20Government-%20Public%20Private%20Partnerships%20and%20the%20National%20Infrastructure%20Bank.pdf)

In an era of severe budgetary constraints, how can the federal government ensure that America is investing in what is needed to promote economic competitiveness, broad-based opportunity, and energy security? Increasingly, public-private partnerships enjoy broad support as the answer to this question, across party lines and political divisions. Partnership-driven projects are pursued today in wide-ranging areas, including education, transportation, technology, oil and gas, clean energy, mineral extraction, and manufacturing. Well-considered partnerships compliment, strengthen, and reinforce those existing meritorious approaches carried out through traditional means. They represent a fundamentally distinct way for government to address complex challenges, with federal agencies playing a catalytic role rather than a directive one. A National Infrastructure Bank can provide the requisite capacity to implement public-private partnerships. RETHINKING THE FUNCTION OF GOVERNMENT America is at a standstill. Federal, state, and local governments are facing overburdened public balance sheets while enormous sums sit in limbo in pension funds and in the accounts of what the McKinsey Global Institute has called the new global power brokers: Asian sovereign funds, petrodollar accounts, private equity funds, and hedge funds. 1 It is why President Obama posed this question to his Economic Recovery Advisory Board in 2009: Obviously we’re entering into an era of greater ﬁscal restraint as we move out of deep recession into a recovery. And the question I’ve had is people still got a lot of capital on the sidelines there that are looking for a good return. Is there a way to channel that private capital into partnering with the public sector to get some of this infrastructure built? 2 Unless we can shepherd this money into our productive economy, the country will have to forego much-needed projects for lack of ﬁnancing. Public-private partnerships involve federal agencies coinvesting alongside state and local governments, private ﬁrms, and nonproﬁts. Having partnerships within a government’s toolbox not only brings a sizable new source of capital into the market, it also allows public ofﬁcials to match assets with the most appropriate and cost-effective means of ﬁnancing. If a class of existing and new projects can be ﬁnanced from private sources, then we can begin to decrease our debt burden while also investing and growing our economy. Scarce public funds are then freed up to be spent on essential services and those projects best ﬁnanced through traditional means. Because the success of partnerships depends upon collaborations between government and private ﬁrms that may under other circumstances be viewed as raising conﬂicts of interest, a rethinking of the function of government is essential. In a recent opinion piece in the Wall Street Journal, the president announced an executive order, Improving Regulation and Regulatory Review, 3 which “requires that federal agencies ensure that regulations protect our safety, health and environment while promoting economic growth.” 4 The piece, entitled “Toward a 21st-Century Regulatory System,” “ Federal, state, and local governments are facing overburdened public balance sheets while enormous sums sit in limbo. ”5 was accompanied by an evocative drawing of a regulator wielding an oversized pair of scissors busily cutting through a sea of red tape. While widely viewed as an effort to curry favor with American businesses, this presidential outreach can also be read as an indication that the federal government will support—and encourage—divergent groups working together to cut through outmoded, counterproductive, or unnecessarily burdensome regulation. Public-private partnerships are especially suited to fulﬁlling the order’s directives and can serve as amodel for our twenty-ﬁrst-century federal agencies. If coming together as a team—public and private, Republican and Democrat, progressive and Tea Party—is a precondition not only to winning the future but also to solving today’s seemingly intractable problems, then we must take the task at hand seriously. Diverse groups must appreciate the unique and valuable resources and perspectives that those who are their combatants in other contexts bring to the team. Government agencies, more accustomed to acting as referee—setting down basic rules of the game and constraining behavior deemed contrary to the public interest—must ﬁnd ways of coaching this unruly bunch, not from the sidelines but as a vital player.

## Generic Solvency

#### Government ownership of transportation infrastructure has been a disaster. The private sector is the solution

Randal O’Toole 10, Senior Fellow of CATO Institute on public policy and transportation issues, 11/10/10, “Fixing Transit: The Case for Privatization”, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, SA

America’s experiment with government ownership of urban transit systems has proven to be a disaster. Since Congress began giving states and cities incentives to take over private transit systems in 1964, worker productivity—the number of transit riders carried per worker—has declined by more than 50 percent; the amount of energy required to carry one bus rider one mile has increased by more than 75 percent; the inflation adjusted cost per transit trip has nearly tripled, even as fares per trip slightly declined; and, despite hundreds of billions of dollars of subsidies, the number of transit trips per urban resident declined from more than 60 trips per year in 1964 to 45 in 2008. Largely because of government ownership, the transit industry today is beset by a series of interminable crises. Recent declines in the tax revenues used to support transit have forced major cuts in transit services in the vast majority of urban areas. Transit infrastructure—especially rail infrastructure—is steadily deteriorating, and the money transit agencies spend on maintenance is not even enough to keep it in its current state of poor repair. And transit agencies have agreed to employee pension and health care plans that impose billions of dollars of unfunded liabilities on taxpayers. Transit advocates propose to solve these problems with even more subsidies. A better solution is to privatize transit. Private transit providers will provide efficient transit services that go where people want to go. In order for privatization to take place, Congress and the states must stop giving transit agencies incentives to waste money on high-cost transit technologies.

## Specific Solvency

### Highways

#### Hand over the highways to the state or private sectorR

Chris Edwards 10, top expert on federal and state tax and budget issues, June 2010, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation, Publisher: CATO Institute, “Proposed Spending Cuts”, http://www.downsizinggovernment.org/transportation/spending-cuts/, SA

The Federal Highway Administration should be eliminated. Taxpayers and highway users would be better off if federal highway spending and gasoline taxes were ended. State governments could more efficiently plan their highway systems without federal intervention. The states should look to the private sector for help in funding and operating highways, and they ought to move forward with innovations such as expressways with electronic tolling. The Federal Transit Administration should be eliminated. Federal transit subsidies have caused local governments to make inefficient transportation choices. Federal aid favors rail systems, which are more expensive and less flexible than bus systems. The removal of federal subsidies and related regulations would spur local governments to discover more cost-effective transportation solutions, such as opening transit markets to private operators.

#### Six major private highways have been created in the last 20 years. The CP is feasible.

GAO 04 (US General Accounting Office, “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 in the United States to fund, construct, and operate major highway and transit projects. We identified six major projects—five toll road projects and one transit project—where this occurred during the last 15 years. To accomplish these projects, the states in which these projects are located enacted or utilized existing legislation enabling private sector participation and awarded a franchise to a private consortium to build the project and to own and operate it for a limited time. Three of these consortia were private, for-profit companies that invested equity and issued debt to finance the project, while the other three were nonprofit corporations formed by the public and private sectors, which issued tax exempt bonds to fund the projects.

#### Privatizing highways has already happened in Virginia. It can be done elsewhere.

Peters 96 (Eric Peters, automotive columnist at American Spectator and Mises Institute,Private Roads, February 1996, Volume 14, Number 2, http://mises.org/freemarket\_detail.aspx?control=202)

But what if people need to get around and government doesn't have the money to build the road? This is the scenario that is appearing more and more often, and private entrepreneurs are begging for a chance to give road enterprise a try. Take Virginia's just-completed "Dulles Greenway" toll road. Privately conceived, funded, and operated, this 14-mile extension of an existing limited access highway connects Northern Virginia suburbs with the Main Washington-D.C. area transportation arteries. It is the first modern highway in America underwritten solely by private venture capital--and the first private toll road built in Virginia since 1816. The impetus behind the construction was an exploding number of people who need to get from here to there. Travel demands and low-price road access have made the public roads a headache. A 15-mile trek in these suburbs can take up to 90 minutes. Ordinarily, the state would built more roads, but the money couldn't be raised, thanks to the political priority of welfare demands. Moreover, three fourths of Virginia's road money already goes toward maintaining the existing ones. Virginia could have raised taxes. But that option is increasingly untenable given the already confiscatory rates faced by the state's fed-up citizenry. Seeing an opportunity, Cigna Corp., Prudential Power Funding, and John Hancock Mutual Life Insurance stepped in, formed a new corporation called TRIP, and made an offer. TRIP would build the road if it could reap the profits. Virginia agreed, and despite enormous bureaucratic obstacles and (still) potentially ruinous government barriers, the road has at last been completed.

#### Private control of highways would be safer then the squo.

Block 09 (Eric Block, Endowed Chair in Economics at Loyola University, Mises Institute, April 16, 2009, “A Future of Private Roads and Highways”, http://mises.org/daily/3416)

This is so far off the radar of public-policy analysis and apart from the concerns of politicians, pundits, and commentators that few people will take it seriously. Do not be one of them. Your very life may be at stake. For over 40,000 people die on the nation's roadways every year, and you or a loved one might one day join this horrid list. Do not be misled by the oft-made contention that the actual cause of highway fatalities is speed, drunkenness, vehicle malfunction, driver error, etc. These are only proximate causes. The ultimate cause of our dying like flies in traffic accidents is that those who own and manage these assets supposedly in the name of the public — the various roads bureaucrats — cannot manage their way out of the proverbial paper bag. It is they and they alone who are responsible for this carnage. This does not mean that, were thoroughfares placed in private hands, the death toll would be zero. It would not. But, at least, every time the life of someone was tragically snuffed out, someone in a position to ameliorate these dangerous conditions would lose money, and this tends, wonderfully, to focus the minds of the owners. This is why we do not have similar problems with bananas, baskets, and bicycles, or the myriad other goods and services supplied to us by a (relatively) free-enterprise system. If the highways were now commercial ventures, as once in our history they were, and upward of 40,000 people were killed on them annually, you can bet your bottom dollar that Ted Kennedy and his ilk would be holding Senate hearings on the matter. Blamed would be "capitalism," "markets," "greed," i.e., the usual suspects. But it is the public authorities who are responsible for this slaughter of the innocents.

### HSR

#### The private sector could do the plan cheaper and more efficiently.

Grbenick 12 (MARA GRBENICK, MEDILL NEWS SERVICE, United Press International, May 22, 2012 “High-speed rail still a dream in U.S.”, http://www.upi.com/Business\_News/Energy-Resources/2012/05/22/High-speed-rail-still-a-dream-in-US/UPI-19121337682600/#ixzz21SekZaFp)

Although comparisons between passenger railroads and the federal highway system are frequently made, there is no official federal program for passenger rail with taxes or other mechanisms to fund it. It's a harder sell to taxpayers since not as many people would benefit from a high-speed or even passenger rail network as have benefitted from the highway system. Opening more opportunities for the private sector to compete with Amtrak could be a more feasible goal than a full government program, a House Transportation and Infrastructure Committee representative said. Though some of the advantages of rail are clear, more competition might lead to greater efficiency and lower costs, and that could help to build more citizen good will around rail investments. The California High-Speed Rail Authority has received over 1,000 responses from private investors and vendors in response to their Request for Expressions of Interest, which closed on March 16th. A wide variety of businesses, including entrepreneurs, construction firms, and multinational corporations submitted, in writing, their desire to help develop California’s high-speed rail project. The responses covered design, construction, and operation of the proposed Central Valley line, as well as the large scale system that would run from L.A. to the Bay Area. Those interested in helping fund the project include, unsurprisingly, Amtrak, as well as Alstom Transportation, the construction company Skanska, and Virgin Rail. image via EuroStar The California High Speed Rail Authority started in 2008, and since then has released several business reports about the viability of the state’s aspirations. The ultimate goal of the organization is build an 800 mile train system that stretches from the Bay Area through Fresno and Los Angeles to San Diego.

#### 55 countries have already successfully divested their national rail systems. The US should do the same.

DeHaven 10 (Tad DeHaven is a budget analyst on federal and state budget issues for the Cato Institute, June 2010, “Privatizing Amtrak”, http://www.downsizinggovernment.org/transportation/amtrak/subsidies/

The solution is to end federal subsidies, privatize Amtrak, and open up the passenger rail business to new entrants. Routes like the Northeast Corridor, which has the population density to support passenger rail, could probably be run profitably by a private firm. Money-losing routes, such as numerous rural routes, would likely disappear. But far more cost-effective modes of transportation, particularly bus systems, already exist to support those areas. If Amtrak is privatized, passenger rail will be in a much better position to compete with resurgent intercity bus services. The rapid growth in bus services in recent years illustrates how private markets can solve our mobility needs if left reasonably unregulated and unsubsidized. A Washington Post reporter detailed her experiences with today's low-cost intercity buses: "This new species offers curbside pickup and drop-offs, cheap fares, clean restrooms, express service, online reservations, free WiFi and loyalty programs . . . The bus fares undercut Amtrak and, depending on the number of passengers, personal vehicles."55 Let's privatize and deregulate passenger rail to see if it can compete with bus services and other modes of transportation. After all, dozens of countries around the globe have enlisted the private sector in the operation of their national rail systems in the last couple of decades. Joseph Vranich counted 55 nations that had either turned to the private sector or devolved their rail systems to their regional governments.56 Rail systems that utilize the private sector have generally provided better passenger service, increased ridership, and more efficient operations.57 There have been reform missteps, such as in Britain, but U.S. policymakers can learn from those mistakes to chart a smoother course.58 The United States has its own positive experience with rail privatization—the privatization of freight railroads in the 1980s. When the Penn Central Railroad collapsed in 1970, it was the largest business failure in American history.59 Six other railroads soon followed. In 1973 Congress established the Consolidated Rail Corporation (Conrail) to replace the seven private freight railroads. Conrail, which consumed $8 billion of federal subsidies, floundered until Congress finally provided regulatory relief in the early 1980s.60 Deregulation allowed Conrail to become profitable and the company was sold to private shareholders in 1987 for $1.6 billion, which at the time was the largest initial public stock offering in U.S. history.61 Over the last two decades, U.S. freight railroads—operating in a deregulated environment—have been a dramatic success. Rail's share of total U.S. freight has increased substantially.62 Passenger rail might also succeed if Congress ever lays aside its parochial concerns and puts America's passenger rail system back into the private sector.

### Freight

#### Freight rail is doing fine on it’s own, it doesn’t need government help.

AAR 08 (Association of American Railroads, May 2008, “Overview of America’s Freight Railroads”,

http://www.aar.org/PubCommon/Documents/AboutTheIndustry/Overview.pdf)

The overwhelming majority of U.S. freight railroad, including each Class I railroad and all but one regional railroad, are privately owned and operated. Major U.S. freight railroads receive relatively little government funding. By contrast, U.S. passenger Railroads, and both passenger and Freight railroads in nearly every other country, are heavily subsidized. The vast Majority of the tracks over which U.S. freight railroads operate are owned, built, and maintained by the railroads themselves. Each year, railroads invest billions of dollars to construct and maintain their tracks and other infrastructure, and play hundreds of millions of dollars in property taxes on it. By contrast, railroads’ primary competitors – trucks and barges – operate on publicly –provided highways and waterways, and enjoy huge subsidies from the government and other highway and waterway users.

### Air Traffic Control

#### Privatize air traffic control- Canada did it

Chris Edwards 10, top expert on federal and state tax and budget issues, June 2010, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation, Publisher: CATO Institute, “Proposed Spending Cuts”, http://www.downsizinggovernment.org/transportation/spending-cuts/, SA

Air traffic control should be removed from the federal budget, and the ATC system should be set up as a stand-alone and self-funded agency or private company. Many nations have moved towards such a commercialized ATC structure, and the results have been very positive with regard to efficiency and safety. Canada's reform in the 1990s to create a private nonprofit ATC corporation is a good model for the United States to follow. U.S. ATC is currently overseen by the Federal Aviation Administration, which has serious funding problems and a poor record on implementing new technologies. Moving to a Canadian-style ATC system would help solve these problems and allow our aviation infrastructure to meet rising aviation demand.

#### Fed backing of ATC is inefficient- privatization is the solution

Chris Edwards 11, top expert on federal and state tax and budget issues, 11/16/11 “Federal Infrastructure Investment”, CATO Institute, http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment

There are many advantages of infrastructure PPP and privatization. One advantage is that we are more likely to get funding allocated to high-return investments when private-sector profits are on the line. Of course, businesses can make investment mistakes just as governments do. But unlike governments, businesses have a systematic way of choosing investments to maximize the net returns. And when investment returns are maximized, it stimulates the largest gains to the broader economy. One reason that privatized infrastructure is efficient is that private companies can freely tap debt and equity markets to build capacity and meet market demands. By contrast, government investment suffers from the politics and uncertainties of the federal budget process. You can see the problems with our air traffic control system, which needs long-term investment but the Federal Aviation Administration can't count on a stable funding stream. For its part, the FAA's management of ATC investment has been poor. The agency has a history of delays and cost overruns on its technology upgrade projects. The solution is to privatize our air traffic control system, as Canada has done with very favorable results.31 A recent Brookings Institution study describes some of the advantages of PPPs. It notes that the usual process for government infrastructure investment decouples the initial construction from the later management, which results in contractors having few incentives to build projects that will minimize operation and maintenance costs.32 PPP solves this problem because the same company will both build and operate projects. "Many advantages of PPP stem from the fact that they bundle construction, operations, and maintenance in a single contract. This provides incentives to minimize life-cycle costs which are typically not present when the project is publicly provided," notes the Brookings' study.33 There are other advantages of infrastructure PPP and privatization. One advantage is the greater efficiency of construction. Extensive British experience shows that PPP projects are more likely to be completed on time than traditional government projects.34 Another advantage is the greater efficiency of operations. Private firms have incentives to reduce excessive operational costs, as illustrated by the labor cost savings from the leasing of the Chicago Skyway.35 Finally, private operators of infrastructure such as toll roads are more likely to charge efficient market rates to users, as illustrated by the leasing of the Indiana Toll Road.36 The Brookings' paper raises some important concerns with PPP, which I share. One is that state officials may lease assets such as toll roads simply to paper over short-term budget deficits. Another concern is that policymakers write poor contracts that assign profits to private parties but risks and possible losses to taxpayers. The Brookings' authors propose approaches to structuring contracts and competitive bidding to ensure efficiency. For new infrastructure investments, well-structured PPP or full privatization appears to be a winning approach for taxpayers, governments, and the broader economy. Taxpayers win because subsidies to infrastructure users are minimized. Governments win because they get new facilities built. And the economy wins because private investment is more likely to be cost-efficient and well-targeted than traditional government investments.

#### There is no reason for air traffic control to be a government service.

Rothbard 85 (Murray Rothbard, World Renowned economist from Columbia University “Making Economic Sense”, January 1985, http://mises.org/econsense/ch52.asp)

There is also another important area to be privatized. Air-traffic control services are a compulsory monopoly of the federal government, under the aegis of the FAA. Even though the FAA promised to be back to pre-strike air-traffic control capacity by 1983, it still employs 19% fewer air-traffic controllers than before the strike, all trying to handle 6% greater traffic. Once again, the genuine solution is to privatize air-traffic control. There is no real reason why pilots, aircraft companies, and all other aspects of the airline industry can be private, but that somehow air control must always remain a nationalized service. Upon the privatization of air control, it will be possible to send the FAA to join the CAB in the forgotten scrap heap of history.

### Airport Security

#### Private airport security would be safer and more efficient then the TSA.

Thorton 01 (Mark Thornton is a senior resident fellow at the Ludwig von Mises Institute, October 16, 2001, Mises Institute, “Airport Privatization”, http://mises.org/daily/806)

Every federal bureaucracy and $2-plus trillion in taxes each year failed us on September 11: The world's only "superpower" couldn't even defend its own command center. Why in the world would anyone think that another layer of bureaucracy would in any way help the situation? Only with private airports and completely unregulated security can terrorists be presented with an efficient, unknown, and ever-changing security challenge. Every airport would be different. Every airline would be different. Security measures could be changed regularly (and irregularly, for that matter). Terrorists could not make plans, because they would not know what they faced. Passengers would not be harassed by security girls; they would be courted with efficient, noninvasive, and courteous security. They might also be discriminated against or "profiled," but everyone would be much safer. Of course, we must also realize that even if we did completely privatize and deregulate air travel, terrorist could still succeed, either in the air or through other means. The only method of truly preventing terrorism is to take away their motive.

#### Privatizing airport security forces airports to market safety which would make security cheaper and make flying more secure.

Johnson 06 (Abby Johnson, Fellow at Mises Institute, February 08, 2006, Mises Institute, “Can the Free Market Secure Airlines?”, http://mises.org/daily/2011/)

Considering the negative effects of government monopoly, privatization makes sense. Privatization opens the doors for innovation. Airports compete with other airports and other means of transportation to attract passengers. The better security and check-in an airport can provide, the more likely it is to survive and make a profit. Ideas for better security abound, and with the pressure created by competition in the free market, airports would be forced to consider innovations to improve security. If airports decided what security measures to implement, security could be individualized for each airport. Each airport could decide what is necessary for its security based on factors like its size and location. Smaller airports do not need the strenuous regulations and enforcement that may be necessary at larger airports. Tailoring security to individual airports is more cost-efficient. As private companies consider security, they weigh the risks against the costs. The incentive to make a profit discourages airports from wasting money on ineffective security measures. Opponents offer many arguments against privatizing airport security. One is that government enforcement of security in airports boosts public confidence. Proponents of government control argue that the public needs to know there is a guaranteed level of security and the government is generally believed to be the most reliable provider of that standard. Nevertheless, even if a show of force does boost public confidence, the private sector is better equipped to evaluate the costs of visible security. The airlines' very survival necessitates pleasing their passengers. Airlines must realistically evaluate the costs and benefits of a show of security. If no one would fly without bag screening and security personnel on every plane, airlines would screen bags and hire security personnel for every plane. Private companies have a stronger incentive than the government to ensure consumer confidence. Another argument supporting government involvement is that the airline industry represents an important national interest. Airlines are an important part of American infrastructure, but national importance does not necessitate government regulation. Airlines are no more vital to America than electricity, waste disposal, water plants, or food. National interests are the same as government interests only in the view of those who believe the government is the economy's keeper. However, even those who believe that must recognize that government security of all important American industries is impossible. Even the subway system, known to be a terrorist target, does not merit federal screeners. An extension of this argument claims the airline industry is particularly vulnerable as a terrorist target and represents a risk so large that the government must intervene. Planes are big. They carry large amounts of fuel, and because of their speed and size, they can produce tremendous damage. The attacks on September 11, 2001 are the "proof" trumpeted by those who say we need Uncle Sam to keep our airports safe. The risk is undeniable, but remember the weeks after 9/11. Speculations about the next terrorist target ranged from reservoirs to football stadiums. These other industries are also vulnerable, yet football fans are not subject to federal screening and wand-waving before entering the stadium. One hundred percent security is impossible. Risk is always present because it is impossible to take every available measure to prevent attack. Private companies have an incentive to gamble wisely, because their own livelihood depends on their passengers. Security failures never lack attention, but success is largely ignored. There was a failure on 9/11 — whether the government failed in its intelligence or immigration agencies or whether the airports failed in their security measures is still a matter of debate. It would be naïve to attribute the lack of subsequent attacks to government security measures in airports. The passengers on 9/11 did not expect a suicidal hijacking — most hijackings end with a landing on the runway. Now passenger awareness acts as a deterrent because terrorists know that passengers themselves will fight back. The airline industry feels the pressure of terrorist threats. They do not want to risk an attack because of lax security. Federal screeners may wave wands in airports, but they aren't magic. Despite stepped-up government regulations and enforcement of security measures, curious journalists and investigators have proved smuggling weapons is possible in America's airports. The show of government force against security is anything but consistent across the country, yet the American public clamors for more government intervention, and policymakers continue to oblige. Despite the need for security, there is no guarantee that the government is the best one to provide it. On the contrary, the risk merits the best security, which is provided by the free market. The government cannot stop all terrorists from smuggling weapons onto a plane, but because they have a monopoly on security, there is no competition to force them to innovate. As a result, airlines pay more and passengers are less safe than ever. Another argument against privatization is that without a uniform standard of security, airports cannot trust the security of incoming flights. Securing airports in the free market would require cooperation, but airports would have economic incentives to cooperate. If an airport questioned the security of incoming flights, it could restrict those flights. In some cases it would be more economically feasible to screen incoming passengers and luggage rather than ban the flights. Liability for security failure would also motivate individual airports to maintain a high standard of security. Each airport's desire for security would pressure other airports to raise their standards to achieve higher levels of security. Because security is a marketable service, these companies have an economic incentive to provide and maintain a high level of security. The same desire for security that makes Disney World a safe place for the whole family motivates the airline industry to make America's flights as safe as possible. The government's desire for passenger safety is no greater than the desire of the managers in the airline industry. In fact, in the private market scenario, the industry would have the added incentives of competition and profits. Just because the industry doesn't want to waste money does not mean the government must intervene; market forces merely motivate the industry to find the best way to provide good security. Privatization would result in airline security that would be more convenient, more cost-efficient, and ultimately more secure.

#### One of the 30 busiest airports in the world has already begun to use private security in place of TSA screeners.

Watson 12 (Paul Joseph Watson, writer for infowars.com, Infowars.com, “Major US Airport To Evict TSA Screeners”, Wednesday, March 14, 2012, http://www.infowars.com/major-us-airport-to-evict-tsa-screeners/ )

One of America’s busiest airports, Orlando Sanford International, has announced it will opt out of using TSA workers to screen passengers, a move which threatens the highly unpopular federal agency’s role in other airports across the nation. “The president of the airport said Tuesday that he would apply again to use private operators to screen passengers, using federal standards and oversight,” reports the Miami Herald. With Sanford International having originally been prevented by the TSA from opting out back in November 2010 when the federal agency froze the ability for airports to use their own private screeners, a law passed by the Senate last month forces the TSA to reconsider applications. Larry Dale hinted that the move was motivated by the innumerable horror stories passengers have told of their encounters with the TSA, noting that the change was designed to provide a more “customer friendly” operation. The agency has been slow to reissue the guidelines on the the rule change, prompting Republican Representatives John Mica of Florida, Darrell Issa of California and Jason Chaffetz of Utah to press TSA head John Pistole to implement the mandate. Appearing at Orlando Sanford International yesterday, Mica said he had written to 200 airports advising them of the opportunity to op out of using TSA screeners. Orlando Sanford is in the top 30 busiest airports in the world, with large numbers of takeoffs and landings. The TSA has been keen to downplay the opportunity for airports to dispense with their screeners, fearing a mass exodus that could undermine the justification for the agency’s continued existence, especially given the fact that its reputation has been repeatedly savaged by a number of scandals.

### Port Security

#### Private Companies are already starting to secure their ports. Proves they can step it up.

DeGaspari 11 (John DeGaspari, Free lance journalist on issues of Security “Port security falls to private sector”, 10/08/2011, http://www.johndegaspari.com/Port\_Security\_Falls\_to\_Private\_Sector.html)

Clearly worried, private sector port operators and shipping companies are stepping up to the plate. Hutchison, which at some point in the shipping supply chain handles almost half of the containers that arrive at U.S. ports, recently installed a radiation detector at Felixstowe, which handles about 45% of the cargo volume going in and out of the U.K. The company has already deployed imaging and radiation equipment at a number of ports where it operates, including Hong Kong, Freeport in the Bahamas, and Rotterdam. The big shipping companies are also now active. In September, two partnerships between technology firms and shipping logistics companies were unveiled, both of which highlight the commercial benefits of their security products and services. The newest entrants into cargo monitoring for global supply chains are IBM Corp. and Maersk Logistics International A/S of Copenhagen, a unit of the giant shipper A.P. Moller-Maersk A/S. The companies' so-called Intelligent Trade Lane initiative brings together embedded computers, sensors and communications networks. IBM claims its system provides continuous real-time tracking from the time the container is sealed until it reaches its destination. Its centerpiece is a tamper-resistant embedded controller that is placed inside the shipping container at the loading dock. A full-fledged computer, this controller can be programmed with shipping details, receive data while in transit and report location. It communicates with sensors inside the shipping container, recording data such as internal temperature, humidity or sensory readings to detect intrusion. Information that is gathered by the computer is communicated to a so-called Container Information System that is compatible with various logistics databases and analysis tools, according to IBM. Data can be communicated via commercially available means — satellite, cellular bands and Zigbee, a set of wireless communications protocols for low-power devices. IBM claims the data can be used by shippers for planning and forecasting and integrated with data on sales, inventory, forecasts and production. IBM and Maersk plan initial tests of the new system in late 2005, followed by a trial run in March. Mogens Roedbro, partner and vice president of IBM Business Consulting Services, says that Intelligent Trade Lanes will help to reduce the information technology administration burden for ocean carriers that now have to integrate separately with many customers to share shipment information. He acknowledges that the system could not guarantee that a weapon is not slipped into a container at the point of stuffing, but he says it could help enhance security by certifying that an authorized person has closed and sealed the box. The other private sector port security initiative is Savi Networks LLC, a joint venture between Savi Technology Inc. of Sunnyvale, Calif., and Hutchison Port Holdings. The JV recently teamed up with Mitsui & Co. (U.S.A.) Inc. of New York for the operational launch of its so-called SaviTrak information network. The network consists of radio-frequency identification tags attached to containers loaded with consumer goods trucked, say, from a factory in Guangdong, China, to the Port of Yantian on the South China Sea. There the containers would be loaded on a vessel headed for Long Beach, Calif., and transported to a distribution center. Lani Fritts, chief operating officer of Savi Networks, says SaviTrak would result in better efficiency as well as security benefits. Savi is also supplying several types of active radio-frequency tags, including one that clamps on the container door and communicates the container's contents, location, security status and interior environmental conditions to the network. IBM and Savi, however, were not the first tech companies to supply port security needs to ports and shippers. In September 2004, General Electric Co. acquired shipping-container security company All Set Marine Security AB of Stockholm, which GE renamed GE CommerceGuard AB. Its container security device can be retrofitted on existing containers or permanently integrated into the container door. The device is mounted on the internal door post of an intermodal shipping container, and it has sensors to detect light and unauthorized entry. As the container passes within range of a wireless reader, the device tells logistics and customs officials the container's location, arrival time and whether an unauthorized person opened the container while it was en route. According to a GE spokeperson, Starbucks Corp. has completed a three month trial of GE CommerceGuuard's new security device and is now evaluating it. GE itself uses the device to secure shipping containers in it own supply chain, and Mitsubishi Corp., an investor in GECommerceGuard, plans to use it in its own supply chain and to distribute the dedvice in Japan. Earlier this year, GE's security business also completed a field test of its so-called Tamper Evident Secure Container, a secure freight container GE developed jointly with China International Marine Containers (Group) Co. Ltd., a manufacturer of marine shipping containers in Shenzhen, China. The container integrated a CSD controller that arms the container with an encrypted code after it is stuffed and sealed with a traditional bolt seal. Physical improvements to the container include tamper-resistant hinges, improved door locking mechanisms and improved placement of the door seal.

### Infrastructure Bank

#### Private sector solves better than the Bank

Clifford Winston 10, 9/29/10, Winston focuses on microeconomic policy and government performance. He has written extensively on regulation and transportation, “The Private Sector Can Improve Infrastructure with Privatization not a Bank”, Brookings Institute, http://www.brookings.edu/research/opinions/2010/09/29-infrastructure-privatization-winston

An infrastructure bank would do nothing to address those inefficiencies. And if an infrastructure bank is going to be funded by outside institutional investors, why not allow the private sector to have a greater stake in infrastructure performance by selling them ownership? 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.

#### Privatization is the true solution, not the bank

Clifford Winston 10, 9/29/10, Winston focuses on microeconomic policy and government performance. He has written extensively on regulation and transportation, “The Private Sector Can Improve Infrastructure with Privatization not a Bank”, Brookings Institute, http://www.brookings.edu/research/opinions/2010/09/29-infrastructure-privatization-winston

The major and legitimate concern with privatization is that private firms would be able to set excessive prices and drastically cut service because they face little competition or that they might experience serious financial difficulties. Thus, experiments are needed to provide evidence on the intensity of various potential sources of competition, firms’ financial performance, and the evolution of capital markets to fund a privatized system. Congressional legislation for airports and highways has included funding and tax breaks to explore privatization, so the idea of experiments is not new (nor is the idea of private infrastructure in most parts of the world). 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.

## Privatization Comparatively Better

### It’s Just Better

#### Privatization is comparatively better than public ownership of transportation projects

Randal O’Toole 10, Senior Fellow of CATO Institute on public policy and transportation issues, 11/10/10, “Fixing Transit: The Case for Privatization”, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, SA

Public ownership of transit is one of the least defensible government programs in the United States. It has led to a huge decline in transit productivity, a large increase in costs, and only minor increases in outputs. In addition, a powerful lobby of groups now feel entitled to government support—groups that do not include transit riders, for the most part, but instead are mainly rail construction companies and railcar manufacturers, transit contractors, transit employee unions, and the transit agencies themselves. Privatization will make transit responsive to users, not politicians, and will actually lead to better services for many transit users.

### Solves Politicization

#### Privatization is more efficient- politicization is killing our infrastructure

Chris Edwards 11, top expert on federal and state tax and budget issues, 11/16/11 “Federal Infrastructure Investment”, CATO Institute, http://www.cato.org/publications/congressional-testimony/federal-infrastructure-investment

There are many advantages of infrastructure PPP and privatization. One advantage is that we are more likely to get funding allocated to high-return investments when private-sector profits are on the line. Of course, businesses can make investment mistakes just as governments do. But unlike governments, businesses have a systematic way of choosing investments to maximize the net returns. And when investment returns are maximized, it stimulates the largest gains to the broader economy. One reason that privatized infrastructure is efficient is that private companies can freely tap debt and equity markets to build capacity and meet market demands. By contrast, government investment suffers from the politics and uncertainties of the federal budget process. You can see the problems with our air traffic control system, which needs long-term investment but the Federal Aviation Administration can't count on a stable funding stream. For its part, the FAA's management of ATC investment has been poor. The agency has a history of delays and cost overruns on its technology upgrade projects. The solution is to privatize our air traffic control system, as Canada has done with very favorable results.31 A recent Brookings Institution study describes some of the advantages of PPPs. It notes that the usual process for government infrastructure investment decouples the initial construction from the later management, which results in contractors having few incentives to build projects that will minimize operation and maintenance costs.32 PPP solves this problem because the same company will both build and operate projects. "Many advantages of PPP stem from the fact that they bundle construction, operations, and maintenance in a single contract. This provides incentives to minimize life-cycle costs which are typically not present when the project is publicly provided," notes the Brookings' study.33 There are other advantages of infrastructure PPP and privatization. One advantage is the greater efficiency of construction. Extensive British experience shows that PPP projects are more likely to be completed on time than traditional government projects.34 Another advantage is the greater efficiency of operations. Private firms have incentives to reduce excessive operational costs, as illustrated by the labor cost savings from the leasing of the Chicago Skyway.35 Finally, private operators of infrastructure such as toll roads are more likely to charge efficient market rates to users, as illustrated by the leasing of the Indiana Toll Road.36 The Brookings' paper raises some important concerns with PPP, which I share. One is that state officials may lease assets such as toll roads simply to paper over short-term budget deficits. Another concern is that policymakers write poor contracts that assign profits to private parties but risks and possible losses to taxpayers. The Brookings' authors propose approaches to structuring contracts and competitive bidding to ensure efficiency. For new infrastructure investments, well-structured PPP or full privatization appears to be a winning approach for taxpayers, governments, and the broader economy. Taxpayers win because subsidies to infrastructure users are minimized. Governments win because they get new facilities built. And the economy wins because private investment is more likely to be cost-efficient and well-targeted than traditional government investments.

### Prevents Wasteful Spending

#### Government transportation projects increase debt, reduce productivity and waste money- privatizing transit solves

Randal O’Toole 10, Senior Fellow of CATO Institute on public policy and transportation issues, 11/10/10, “Fixing Transit: The Case for Privatization”, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, SA

All the problems identified in this report are a direct result of public ownership of transit systems: • Transit productivity has declined because transit managers are no longer obligated to ensure that revenues cover costs. In fact, in the world of government, agency managers are respected for having larger budgets, which leads transit managers to use tools and techniques that actually reduce productivity. • Transit’s tax traumas during the recession are typical of government agencies that create new programs during boom periods that are not financially sustainable in the long run. Private businesses do the same thing, but are able to slough off marginal operations during recessions. Public agencies have a difficult time doing so because each program and each transit line has a built-in political constituency demanding continued subsidies. • Public agencies are also more likely to run up debt because political time horizons are so short: what an agency provides today is much more important than what that service will cost tomorrow. This is especially true when it comes to pensions and other worker benefits whose true costs can be postponed to the politically distant future. • The tendency to build expensive infrastructure whose maintenance cannot be supported by available revenues is a particular government trait. As one official at the U.S. Department of Transportation says, politicians “like ribbons, not brooms.” In other words, they like funding highly visible capital projects, but they gain little from funding the maintenance of those projects. • The failure to innovate and the tendency to turn to social engineering when people will not behave the way planners want are inconsistent with the values of a free society. Ironically, the real problem with public transit is that it has too much money. The addition of tax dollars to transit operations led transit agencies to buy buses and other equipment that are bigger than they need, to build rail lines and other high-cost forms of transit when lower-cost systems would work as well, to extend service to remote areas where there is little demand for transit, and to offer overly generous contracts to politically powerful unions. Privatizing transit would solve these problems. Private transit operators would have powerful incentives to increase productivity, maintain transit equipment, and avoid transit systems that require expensive infrastructure and heavy debts. While private transit systems would not be immune to recessions, they would respond to recessions by cutting the least-necessary expenses. In contrast, public agencies often employ the “Washington Monument Syndrome” strategy: they threaten to cut highly visible programs as a tactic to persuade legislators to increase appropriations or dedicate more taxes to the agency, such as New York MTA’s proposal to eliminate discounted fares for students.

### Reduces Costs

#### Private Investors would reduce costs and solve current deficiencies

Randal O’Toole 10, Senior Fellow of CATO Institute on public policy and transportation issues, 11/10/10, “Fixing Transit: The Case for Privatization”, http://www.cato.org/publications/policy-analysis/fixing-transit-case-privatization, SA

Private transit providers will focus on reducing costs and focusing scheduled transit services on high-demand areas where they can fill a high percentage of seats. To reduce costs, they would employ transit technologies that have minimal infrastructure requirements, use the appropriate size of vehicle for each area served, and economize on labor. Privatization would probably improve transit service in the inner cities, where most transit patrons live, while it would reduce service in many suburbs, where most people have access to cars. Privatization would also greatly alter the nature of transit services in many cities. Private investors would be unlikely to expand or upgrade high-cost forms of transit such as light rail, streetcars, and automated guideways. Private operators might continue to run existing rail lines until the existing infrastructure is worn out, which tends to be after about 30 years of service. Rather than rebuild the lines, private operators would probably then replace the railways with lowcost, flexible bus service. Private operators might find it worthwhile to maintain a few heavy-rail (subways and elevateds) and commuter-rail lines in the long run. Fares cover more than 60 percent of the operating costs of subways/elevateds in New York, San Francisco, and Washington; more than half the operating costs of commuter trains in Boston, Los Angeles, New Jersey, New York, and Philadelphia; and more than half the operating costs of subways/elevateds in Boston and Philadelphia. It is possible that private operation could save enough money to cover operating costs, with enough left over to keep infrastructure in a state of good repair in many of these cities. Most other rail lines, including virtually all of the ones being planned or built today, would not pass a market test, mainly because buses can attract as many riders at a far lower cost. Bus services would change as well under private operation. In heavily used corridors, private transit services would offer both local bus services (that stop several times per mile) as well as bus rapid transit services that connect major urban centers and rarely stop between those centers. In low-demand areas, private operators would likely substitute 13- to 20-passenger vans for the 40-seat buses currently used by most public agencies. In even lower-demand areas, private companies may elect to focus on SuperShuttle-like demandresponsive services that pick anyone—not just disabled passengers—up at their doors and drop them off at their destinations.

### Solves Fed Funding

#### Federal funding of infrastructure strains the budget at all levels (state/fed/municipal) privatization is an easy solution

Asieh Mansour and Hope Nadji 06, Managing Director of Research at RREEF- RREEF is the sector of the Deutsche Bank assessment group that deals with infrastructure, Hope is Director of Research at RREEF, September 2006, “US Infrastructure Privatization and Public Policy Issues”, RREEF, pdf

Two significant trends are driving the movement towards privatization. First, governments at all levels are strained for financial resources. Privatization is a means for providing needed and popular infrastructure without further straining the public budget. Second, the private markets are capital rich, seeking to invest increasing quantities of capital at attractive risk-adjusted yields. Investment in privatized infrastructure can offer attractive opportunities. The federal government traditionally has heavily funded much of the infrastructure currently targeted for privatization. During the past few decades, efforts to reign in the federal budget have resulted in declining resources for roads, bridges, airports, seaports, and water systems. These budget reductions have impacted both capital and maintenance costs. As a result, these burdens have shifted to state and municipal budgets. Increasing revenue at the state and local levels, however, is politically very difficult. Thus, privatization is viewed as a mechanism for providing infrastructure without negatively impacting a state or municipal government’s fiscal position. Over the past decade, it has been the regional governments in the US that faced severe fiscal pressures that have predominantly privatized. This issue impacts both capital costs of developing new infrastructure and maintenance costs for older infrastructure. Infrastructure investment needs in the US fall into two basic categories. The first involves growth areas, including booming new suburbs and areas of regional growth, such as the southern and western portions of the nation. The needs in these areas are for capital to develop infrastructure to support this growth. With federal funds more limited, states and municipalities need to be more creative in financing these needs. Privatization of the new infrastructure is an obvious solution. The second category involves curing deferred maintenance of older infrastructure. Older communities, particularly in the Northeast and Midwest, are served by old infrastructure. Typically, these regions suffered from under-investment in the maintenance of this infrastructure. With slow economic growth, little fiscal capacity exists to fund what is often substantial deferred maintenance. Once again, privatization offers a potential solution.

## Link Differential

### Politics- GOP Prefers Privatization

#### GOP likes privatization

Keith Lain 11, 6/15/11, Keith Laing is a national political journalist who works for The Hill newspaper in Washington , “GOP unveils plan to privatize Amtrak”, The Hill, http://thehill.com/blogs/transportation-report/railroads/166601-gop-unveils-plan-to-privatize-rail-service-provided-by-amtrak

House Republicans said private companies could provide high-speed rail faster and more cheaply than Amtrak as they rolled out their plan to privatize rail service in the Northeast on Tuesday. House Transportation and Infrastructure Committee Chairman John Mica (R-Fla.) told reporters that the bill, which he said would be introduced next Tuesday, could achieve high-speed rail in the Northeast in 10 years. Amtrak currently has a 30-year plan. Mica said the GOP privatization plan would cost less than Amtrak's $117 billion plan, which he said was important given the political climate in Washington. Mica also said he doesn't think the Amtrak trains would be truly high-speed. "People are going to turn blue waiting for Congress to provide that money," he said. "They're also going to turn blue waiting for a high-speed train [from Amtrak]." The high-speed rail envisioned by Mica would provide faster service for passengers traveling to locations between Washington and Boston than the Acela line operated by Amtrak. The proposal would remove Amtrak from control of the federally-designated northeast rail corridor and transfer it to the Department of Transportation. A newly-created Northeast Corridor Executive Committee would oversee bidding process for rail projects in the northeast. Democrats on Mica's panel strongly disagreed with his assessment that private companies could better deliver rail service than Amtrak, rushing to the agency's defense Wednesday as Mica was speaking at the Capitol. "Taking a play out of President Bush’s book, Republicans are dusting off a chronically unpopular proposal that will cripple Main Street by auctioning off Amtrak’s assets to Wall Street,” the ranking Democrat on the Transportation and Infrastructure Committee, Rep. Nick J. Rahall (D-W.Va.), said in a statement released Wednesday morning.

#### The CPs popular with politicians and the public.

Mansour and Nadji 6- Chief Economist and Strategist at RREEF and Director at RREEF( Asieh and Hope, “US Infrastructure Privatization and Public Policy Issues ”, RREEF,September, <http://www.irei.com/uploads/marketresearch/69/marketResearchFile/Infr_Priv_Pub_Policy_Issues.pdf>)//

Of the above-mentioned factors, the ability to provide infrastructure without sizeable public funding and the ability to generate cash through a sale of an asset are the most appealing to government officials and politicians. Because voters are highly resistant to increased taxes and higher public debt at all levels of government, opportunities to shift costs from the public to the private sector are appealing. Canada has been at the forefront of this movement toward privatization in North America, with infrastructure becoming a mainstream asset class that attracts investor capital. Longduration infrastructure investments are especially appealing to pension funds, which have long-dated liabilities.

### Elections- Privatization Popular

#### Privatization of TI popular: public wants cut in spending.

Lord 10financial journalist, commentator and analyst (Nick, “Privatization: The road to wiping out the US deficit,” April 2012, http://go.galegroup.com.proxy.lib.umich.edu/ps/i.do?action=interpret&id=GALE%7CA225551392&v=2.1&u=lom\_umichanna&it=r&p=ITOF&sw=w&authCount=1)//

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

#### **Voters don’t like fed gov involvement**

Kennedy 01 (Joseph V., “A Better Way to Regulate,” Hoover Institute, Policy Review N.109, <http://www.hoover.org/publications/policy-review/article/7073>//Mkoo)

AT LEAST SINCE RONALD REAGAN’S election in 1980, voters have expressed dissatisfaction with the traditional, 60 year-old model of government involvement in both the economy and society**.** Yet this dissatisfaction has resulted in relatively little in the way of comprehensive government reform**.** There is a reason for the relative unresponsiveness: the fact that regulation is allowed, and sometimes mandated, by federal statutes that poorly reflect market conditions. To significantly improve government performance, statutory reform must precede regulatory reform and must be carefully tailored to the specific market imperfections that government involvement is designed to correct. Instead, the outdated structure of government statutes often impedes the economy from adapting to new conditions. Regulation has always been important to economic and social prosperity. But it often imposes unnecessary social costs, reducing competitiveness and economic growth. Over the past few years, the broader public has begun to demand improved government efficiency. In the early 1990s, a book by David Osborne and Ted Gaebler, Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector, From Schoolhouse to State House (Addison Wesley, 1992), remained on the national bestseller list for over a year. The Clinton administration engaged in a well-publicized attempt to reinvent government led by Vice President Gore’s National Performance Review. Within Congress efforts have focused primarily on regulatory reform, one of the 10 items in the House Republicans’ 1994 “Contract with America.” Although opposition has frustrated reform, congressional Republicans continue to push for key changes in regulatory procedures. These include increased use of cost/benefit analysis, compensation to property owners for the loss in value of private property due to regulation, risk analysis, peer review of agency scientific findings, and broader legal powers to challenge agency determinations in court.

#### **Privatization more popular**

Cassidy 11managing editor of the Journal of Commerce (William, “Survey Reveals Strong Support for Infrastructure Deal,” *Journal of Commerce*,2/14/11)//

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

### Spending- Government spends more

#### CP avoids the spending link because the outlay of money is much lower – the government pays 10% as much as it would with the plan

Reinhardt, 2011 – 23-year P3 observer, publisher and editor of “Public Works Financing” newsletter William, May. “The Role of Private Investment in Meeting U.S. Transportation Infrastructure Needs.” <http://www.artba.org/mediafiles/transportationp3whitepaper.pdf>, p. 39.

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

### Unions- Unions Like Privatization

#### **Unions like privatization**

Lord 10financial journalist, commentator and analyst (Nick, “Privatization: The road to wiping out the US deficit,” April 2012, http://go.galegroup.com.proxy.lib.umich.edu/ps/i.do?action=interpret&id=GALE%7CA225551392&v=2.1&u=lom\_umichanna&it=r&p=ITOF&sw=w&authCount=1)//

The change in public perception will underpin the development of the market. However, interest groups still need persuading. And the most vociferous interest group that has opposed privatized infrastructure is the unions. Unions have traditionally relied on state and local provision of infrastructure as a way to secure jobs and contracts for their members. And this cosy relationship between politicians and unions has stymied many infrastructure deals in the past. Yet even the unions are now showing signs of coming around to the idea of privatized infrastructure. The unions not only control jobs and contracts but also large amounts of capital through their investment pools. This money has increasingly been finding its way into infrastructure funds: while the unions might complain about jobs losses, they still want to benefit financially from privatized infrastructure. Nick Butcher at Macquarie says that a quarter of the assets of the $4 billion, North American-focused Macquarie Infrastructure Partners Fund has come from union pension funds. The unions are even co-investing directly in infrastructure deals in a way that would have been unthinkable three years ago. In November 2009, Carlyle closed a $178 million deal to buy and then develop 23 highway service stations in Connecticut in a transaction in which it co-invested with the Service Employees International Union (SEIU). The support of the union, logistically and financially, was crucial to its success. "We are proud to be part of this important project, which will benefit our state and create good jobs for our members," said Kurt Westby, the SEIU's regional chairman, at the time of the deal. This deal is small but has been seen by the market as a new model for winning over sceptical unions in a way that can be replicated in future deals. Along with these co-investment opportunities, new investment vehicles are being developed that specifically target union investment.

# AFF Answers

## Privatization Kills Jobs

#### Privatization kills jobs and increases user fees

Asieh Mansour and Hope Nadji 06, Managing Director of Research at RREEF- RREEF is the sector of the Deutsche Bank assessment group that deals with infrastructure, Hope is Director of Research at RREEF, September 2006, “US Infrastructure Privatization and Public Policy Issues”, RREEF, pdf

Privatization has some vocal critics as well. Essentially, any change in public policy has winners and losers, and this is particularly true of privatizations. Some critics argue that the result of a public to private transfer of a public monopoly results in price increases with no perceived or real improvement to service. The following are the most recently cited concerns: • Loss of public control when a public asset is transferred to the public sector. This fear is particularly pronounced if the private entity is foreign. • Loss of jobs, or reduced pay, benefits and civil service protections. Labor advocates argue that privatization is merely a means of cutting government jobs and slashing wages. • Higher prices or user fees charged by the provider to generate a return on investment. Why pay more to fund a profit for a private firm? Interestingly, infrastructure privatization in the US is not a particularly partisan issue. For example, the Democratic mayor of Chicago has privatized a portion of the region’s transport infrastructure (the Chicago Skyway), while the Republican Governor of Indiana has privatized the Indiana Toll Road.

#### CP doesn’t access short term jobs I/L to econ- privatization kills employment

Asieh Mansour and Hope Nadji 06, Managing Director of Research at RREEF- RREEF is the sector of the Deutsche Bank assessment group that deals with infrastructure, Hope is Director of Research at RREEF, September 2006, “US Infrastructure Privatization and Public Policy Issues”, RREEF, pdf

Privatization is a sensitive issue, especially regarding its distributional effects. It is clear that privatization often lead to changes in employment, wages and benefits. Protected jobs can result in over-staffed public enterprises, and employees are generally provided good wages and benefits. Productive employees are often under-compensated and tend to move on to more lucrative jobs, while less productive employees tend to stay. In addition, civil service rules often protect these workers. A private enterprise will want to add efficiencies by reducing the staff and adjusting pay and benefits to private sector standards. Incentives will likely be added to retain the best employees. Thus, the argument that privatization is likely to reduce employment is probably true in the short term.

## CP Links

### Politics

#### CP links to politics- politicians don’t want to risk it with privatization- Indiana proves

Jenny Anderson 08, 8/26/08, writer for New York Times, “Cities Debate Privatizing Public Infrastructure”, NYT, http://www.nytimes.com/2008/08/27/business/27fund.html?pagewanted=all

The pace of recent work is encouraging, says Robert Poole, director of transportation studies at the Reason Foundation, pointing to projects like the high-occupancy toll, or HOT, lanes outside Washington. “The fact that the private sector raised $1.4 billion for the Beltway project shows that even projects like HOT lanes that are considered high risk can be developed and financed privately and that has huge implications for other large metro areas,” he said . Yet if the flow of money is fast, the return on these investments can be a waiting game. Washington’s HOT lanes project took six years to build after [Fluor](http://topics.nytimes.com/top/news/business/companies/fluor_corporation/index.html?inline=nyt-org) Enterprises, one of the two private companies financing part of the project, made an unsolicited bid in 2002. The privatization of Chicago’s Midway Airport was part of a pilot program adopted by the Federal Aviation Administration in 1996 to allow five domestic airports to be privatized. Twelve years later only one airport has met that goal — Stewart International Airport in Newburgh, N.Y. — and it was sold back to the Port Authority of New York and New Jersey. For many politicians, privatization also remains a painful process. Mitch Daniels, the governor of Indiana, faced a severe backlash when he collected $3.8 billion for a 75- year lease of the Indiana Toll Road. A popular bumper sticker in Indiana reads “Keep the toll road, lease Mitch.”

### Elections

#### Privatization links to Elections- increase tolls which the public hates

Elle Dannin 11, Law Researcher, “Crumbling Infrastructure, Crumbling Democracy:

Infrastructure Privatization Contracts and Their

Effects on State and Local Governance”, Penn State Library, http://elibrary.law.psu.edu/cgi/viewcontent.cgi?article=1009&context=fac\_works

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 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 P3s are a critical trend here."