## PPP/P3 CP

## 1NCs

### 1NC - Generic

#### CP Text: The United States Congress should give states flexibility to pursue alternative financing sources—public-private partnerships (PPPs), tolling and user fees, and low-cost borrowing through innovative credit and bond programs for purposes of …………… (INSERT THE PLAN)

#### The CP is critical to enhance state revenue streams

Gorton and Sabo 12 - Slade Gorton is a former senator from Washington. Martin Sabo is a former representative from Minnesota. They served as co-chairmen of the Bipartisan Policy Center’s National Transportation Policy Project. Politico, 3-7, http://www.politico.com/news/stories/0312/73714.html

The Obama administration and Congress appear unwilling to increase transportation investment by either higher federal motor fuels taxes or new forms of federal surface transportation user fees. So Congress needs to give states and metropolitan regions greater flexibility to increase user-related revenue — and then use these new funding streams to leverage greater investment from both public and private resources. With scarce federal resources, states and localities should not be constrained in their ability to fund vital transportation improvements through reasonable user fees. For example, we can remove, or at least substantially reduce, federal barriers to tolling and pricing by states and metropolitan regions. It could be done by ending the current federal prohibition on tolling interstate highways. This could also be attained by extending the Federal Highway Administration’s tolling and highway user pilot programs and expanding the number of participants in these programs. A bipartisan amendment supporting this has been offered to the Senate surface transportation bill by Sens. Tom Carper (D-Del.), Mark Kirk (R-Ill.) and Mark Warner (D-Va.). We urge senators of both parties to back it. By allowing more states and regional authorities to participate, Congress could provide them with the ability to create innovative and flexible programs to finance their transportation needs, though federal funding may fall. Even as Congress opens these tolling and user-charge pilot programs to more participants, it should require the Transportation Department to set criteria that protects the users of these facilities and networks. Users should not face toll charges that impede interstate commerce or burden parallel nontolled facilities. Moreover, DOT should ensure that surplus, or net, revenue from new toll facilities are used only for transportation improvements in the same corridor. The ability to establish enhanced revenue streams at the state and local levels is crucial to the success of Congress’s plans to expand public-private partnerships and federal credit and credit enhancement programs, like the Transportation Infrastructure Finance and Innovation Act, in the restoration of major transportation facilities. Fiscal constraints today highlight the need for states and metropolitan regions to be more self-reliant in raising and investing resources. The bill that the Senate is considering offers significant steps toward improving transportation infrastructure.

#### Giving states freedom to finance jumpstarts public-private partnerships which are more effective at improving the economy and ensuring improving infrastructure

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

A big step toward devolving infrastructure financing would be to cut or eliminate the federal gasoline tax and allow the states to replace the funds with their own financing sources. President Reagan tried to partly devolve highway funding to the states, and more recent legislation by Rep. Scott Garrett (R-NJ) and Rep. Jeff Flake (R-AZ) would move in that direction.15 Reforms to decentralize highway funding would give states more freedom to innovate with the financing, construction, and management of their systems.16 One option for the states is to move more of their infrastructure financing to the private sector through the use of public-private partnerships (PPP) and privatization. The OECD has issued a new report that takes a favorable view on the global trend towards infrastructure PPPs, and notes the "widespread recognition" of "the need for greater recourse to private sector finance" in infrastructure.17 The value of PPP infrastructure projects has soared over the past 15 years in major industrial countries.18 PPPs differ from traditional government projects by shifting activities such as financing, maintenance, management, and project risks to the private sector. There are different types of PPP projects, each fitting somewhere between traditional government contracting and full privatization. In my view, full privatization is the preferred reform option for infrastructure that can be supported by user fees and other revenue sources in the marketplace. Transportation is the largest area of PPP investment. A number of projects in Virginia illustrate the options: Midtown Tunnel. Skanska and Macquarie will be building a three-mile tolled tunnel under the Elizabeth River between Norfolk and Portsmouth. Private debt and equity will pay $1.5 billion of the project's $1.9 billion cost.19 Capital Beltway. Transurban and Fluor will be building, operating, and maintaining new toll lanes on the I-495. The firms are financing $1.4 billion of the project's $1.9 billion cost.20 Dulles Greenway. The Greenway is a privately-owned toll highway in Northern Virginia completed with $350 million of private debt and equity in mid-1990s.21 Jordan Bridge. FIGG Engineering Group is constructing, financing, and will own a $100 million toll bridge over the Elizabeth River between Chesapeake and Portsmouth, which is to be completed in 2012.22 About $900 billion of state-owned assets have been sold in OECD countries since 1990, and about 63 percent of the total has been infrastructure assets.23 The OECD notes that "public provision of infrastructure has sometimes failed to deliver efficient investment with misallocation across sectors, regions or time often due to political considerations. Constraints on public finance and recognized limitations on the public sector's effectiveness in managing projects have led to a reconsideration of the role of the state in infrastructure provision."24 There has been a large increase in privatization and infrastructure PPPs in many countries, but the OECD notes that the United States "has lagged behind Australia and Europe in privatization of infrastructure such as roads, bridges and tunnels."25 More than one-fifth of infrastructure spending in Britain and Portugal is now through the PPP process, so this is becoming a normal way of doing business in some countries.26 The industry reference guide for infrastructure PPP and privatization is Public Works Financing.27 According to this source, only 2 of the top 40 companies doing transportation PPP and privatization around the world are American. Of 733 transportation projects currently listed by PWF, only 20 are in the United States. Canada — a country with one-tenth of our population — has more PPP deals than we do. In Canada, PPPs account for 10 to 20 percent of all public infrastructure spending.28 One of the fuels for infrastructure PPP has been growing investment by pension funds.29 In Canada, Australia, and other countries, there is larger pension fund investment in infrastructure than in the United States. In some countries, such as Australia, the growth in pension assets has been driven by the privatization of government retirement programs.30 Thus, there is a virtuous cycle in place — the privatization of savings in some countries has created growing pools of capital available to invest in privatized infrastructure. 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.

## 2NC: Solvency

### General Solvency

#### States solve – removing restrictions TIFIA and allowing for user-based revenue streams ensure funding

The Hill, 7/19 [“Congress has unfinished business on the transportation front” | <http://thehill.com/blogs/congress-blog/economy-a-budget/239037-congress-has-unfinished-business-on-the-transportation-front>]

We applaud certain provisions of MAP-21, including the consolidation and simplification of major highway programs, the use of federal funds more effectively to leverage other public and private sources of investment capital through a significant expansion of the TIFIA credit program, the statement of national goals for transportation policy, and the development of performance measures to evaluate investment decisions.

However, in significant ways the reforms in MAP-21 fall short. A great deal depends upon on whether the Congress and the Administration that take office in 2013 build upon these foundational steps. Greater emphasis needs to be placed on the preservation and restoration of existing transportation assets. Moreover, while substantially increased funding will be available through the TIFIA program to leverage additional public and private investment in transportation, MAP-21 fails to allow states sufficiently broad or adequate discretion to establish new revenue streams through tolling or the imposition of user charges on existing, as well as on new, facilities. These user-based revenue streams could provide states with some of the greatest potential sources of new capital for investment in transportation infrastructure, and they should not be denied the capacity to tap them.

#### P3’s are more efficient – motivation for profit proves

International Transport Forum 08 [International Transport Forum, an intergovernmental organization and a strategic think tank for transport policy | *Transport Infrastructure Investment:* *Options for Efficiency,* International Transport Forum, 2008, pg. 9 | http://www.fhwa.dot.gov/ipd/pdfs/infrastructure\_report\_070625.pdf]

Public-private partnerships (PPPs) allow for a project to be managed taking into account its full life-cycle costs, transferring responsibilities for both upstream activities – such as design and building – and downstream activities – such as operations and maintenance – to a private company. The PPP model means that the firm is motivated to reduce overall costs – i.e. enhance productive efficiency – in order to increase profits, meaning that the profit motive is put to social use. Cost reductions must not, however, be achieved by compromising quality. Strict quality guidelines are thus required, establishing availability, physical, safety, environmental and other standards. Performance contracting can also be employed, rewarding above standard, and penalizing below-standard delivery. This means that PPPs involve shifting the procurer’s focus from how a project is to be built to its ultimate performance. Competition is a key element in lowering production costs. Procurement processes must be carefully designed to attract a reasonable number of highly qualified bidders, and award contracts on a consistent basis to realistic bids that represent value for money.

### Inland Waterways

#### P3s solve – end user funding ensures investment while allowing for flexibility

USACE 2008 [ US Army Corps of Engineers, Institute for Water Resources | “Budget Constraints and the Corps Consideration of Public-Private Partnerships: Where Is the Money Going to Come From?” *Water Resources Outlook* December 2008]

The inland navigation system is funded through appropriations from two sources: the¶ General Fund, and the Inland Waterways Trust Fund. This fund is meant to collect¶ money from users based on fuel consumption. Half of the costs of inland waterway¶ construction are from this source and the other half of construction funding are from the¶ General Fund. However, the Inland Waterways Fund (see Figure 8) is facing insolvency and General Funds are constrained. This makes new investments problematic. In April 2008, the Bush Administration proposed a new fee collection system which could increase the amount of money available. It would replace the current fuel fees with a lock user fee. However, the future of this tax is still speculative.

Corps Operations and Maintenance Appropriations come from the General Fund. Aging infrastructure is expensive. It is difficult to adequately maintain locks, dams, and other facilities within current appropriations. The consequences are seen in Figure 6; there is an increase in lock closures due to maintenance requirements. Inadequate maintenance¶ increases risks to the transportation industry, affordable goods, and safety.

The current government funding is not sufficient to keep up with navigational needs. Public-private partnering may be an alternative for maintaining and improving the inland waterways.

The government could engage a private organization to solve this problem. The organization would collect user fees at locks and channels that cover the inland waterway system costs in return for investing, maintaining, and operating the system. Government oversight would ensure safety, water levels, environmental compliance, etc. Alternately, a PPP could be set up with a cooperative. All inland waterway system users could jointly fund or set fees, maintain, and operate the lock system in partnership with the Corps. The users could decide together how to best run the system to reduce costs and improve efficiency. This could be more acceptable than utilizing a profit-seeking company¶ because profit margins would not be an objective. Additionally, stakeholders may be most knowledgeable of potential efficiencies. This partnership would help bring stakeholders into a joint solution rather than top-down approach.

### HSR

#### Neither the government nor private companies can build HSR-P3s can.

Arena ’12 (Richard Arena is President at Association for Public Transportation Board of Directors at National Corridors Initiative Advisory Board at US High Speed Rail Association Managing Director at ARC Systems International, LLC “Funding High-Speed Transportation in America with Public-Private Partnerships” http://www.masstransitmag.com/article/10714851/funding-high-speed-transportation-in-america-with-public-private-partnerships,May 30, 2012)

This leads to the third way of funding public infrastructure. That approach would be implementation of e\public-private-partnerships, PPP or P3s as they are often called. The underlying assumption with P3s is that (1) there is a role for both government and private industry in building out this infrastructure, (2) neither the government nor private industry has the financial wherewithal to do so on its own, and (3) by both parties doing what they do best, the construction can be expedited and results realized more quickly. Many now believe that P3s can be the answer to building HSR in America. The task at hand is devising a formula for P3s that would work and be palatable to government, private corporations, unions and management, as well as citizen taxpayers, fare payers and toll payers. Several actions are needed: There needs to be enabling legislation to facilitate P3s in areas like Joint Power Authorities for governance, and regulations that will expedite permitting, zoning and environmental regulations. House Transportation & Infrastructure Chair John Mica (R-Fla.) has already called for this to upgrade the NEC. Also, legislation is required to expedite land acquisition for HSR right of way and areas around HSR train stations for transit-oriented development (TOD). Another critical legislative initiative will be requisite to facilitate the value capture of project revenues from existing properties in the proposed HSR station areas. Developers must be allowed to assume that when calculating the return on investment (ROI) for the HSR project that they could include not only revenues from HSR fares, but also from rent and lease payments flowing from commercial and residential properties at the TOD sites. Government entities would procure the HSR right of way as well as the TOD-related properties. The government would be responsible for all zoning, permitting and environmental (NEPA) work, so as to minimize the red-tape risk to the private firms. These TOD properties and ROW’s would be leased, at very favorable terms, to the private contractor or syndicate for 35 to 50 or more years. For existing properties, the private entity would be contractually obligated to return these properties to the governmental authority at the end of the lease in as good or better condition than when first received. For to-be-built properties, there would be a strict construction schedule, with severe penalties to the contractor for non-performance. Lastly, importantly, and perhaps most controversially, is the requirement to prime the pump with a steady, predictable cash inflow of, on average, $10 billion per year and an initial government-backed bond offering of $100 billion. The bond offering would be secured by the yearly cash flow, thereby providing the financial liquidity that would enable the governmental entities to purchase and prepare the acquired land for development.

State Competition with P3s increases development time while being politically popular

Arena ’12 [Arena President at Association for Public Transportation Board of Directors at National Corridors Initiative Advisory Board at US High Speed Rail Association Managing Director at ARC Systems International, LLC “Funding High-Speed Transportation in America with Public-Private Partnerships” http://www.masstransitmag.com/article/10714851/funding-high-speed-transportation-in-america-with-public-private-partnerships,May 30, 2012]

The HSPT fund is the key. With this fund, the government and private sector can work together in P3s. The additional revenue streams from the commercial and residential TOD construction, along with the anticipated rail fares, will result in HSR operators turning a profit, covering not only operating and maintenance costs, but also capital costs. The added benefit is that the HSPT Fund is a user fee and will not require allocations from strained general federal tax revenues. Neither the federal government nor private industry has the wherewithal to construct HSR alone. The total cost of development along the 11 key FRA corridors will be in the vicinity of $500 billion to three quarters of a trillion dollars, or $25 to $30 billion a year for 25-plus years. The benefits accruing from the HSPT Fund are numerous. The country benefits because there is now another time-competitive, cost-effective way to transport the additional 100 million Americans that are projected to be here by 2050. The airlines benefit because they will have a new ATC system that will make their operations far more efficient. Take-offs and landings will be more predictable and planes will not waste expensive jet fuel as they circle airports or queue on taxiways. Aircraft utilization will increase and the return on these expensive assets will be improved as the planes spend more time in the air on revenue service. Another benefit to the airlines is that this proposal will reimburse them for the cost of retrofitting their planes with the NextGen ATC hardware, a price tag estimated in the $20 billion range. For convenience sake, many Americans will choose to travel by rail between key city pairs 200 to 600 miles apart, and airlines will be able to concentrate on more profitable, longer-haul flights. Americans benefit because they will have a viable, cost-effective, time-competitive alternative to airline travel. Say goodbye to long lines at airport security checkpoints and intrusive, annoying TSA searches. Even travelers who cannot use HSR benefit because a viable HSR system translates into less congestion at airports, and better on-time performance when they have to fly. HSR Deployment Another part of this proposal would impact the politics of HSR funding. Instead of the 11 HSR corridors proposed by the FRA, keep it simple. Picture four mega-corridors Eastern: Portland, Maine to Miami, Fla.; Central: Minneapolis, Minn., to Chicago, Ill., to Houston, Texas; Western: Vancouver, B.C. to San Diego, Calif.; Mid-American: Washington, D.C. to Chicago, Ill. These 1,000- to 2,000-mile corridors will have multiple 200- to 600-mile corridor segments between key city pairs where HSR will be more than competitive with air travel. But, by having the long corridors, it will be feasible to take political advantage of the additional senators, congressmen and governors that will represent states included in an HSR corridor. This is a strategy that Amtrak has used successfully for more than 40 years, and by having competition amongst the various states, the execution of the P3 can be even further expedited by more aggressive states pushing to complete their sections earlier. And by keeping key Amtrak routes in the picture as HSR feeders, that vocal political constituency’s concerns are addressed.

#### P3s key to distribute cost – empirically proven

Dutzik et al 2011 [Tony, senior policy analyst with Frontier Group. His research has focused on climate and energy policy, transportation, privatization of government services, and state-based approaches to public policy challenges; Jordan Schneider, analyst in the Frontier Group Santa Barbara office; Phineas Baxandall Senior Policy Analyst for Tax and Budget issues for U.S. PIRG. “High-Speed Rail:Public, Private or Both?” Summer 2011 <http://cdn.publicinterestnetwork.org/assets/85a40b6572e20834e07b0da3e66e98bf/HSR-PPP-USPIRG-July-19-2011.pdf>]

Private sector companies are likely to play a major role in the construction of high-speed rail lines in the United States. Even as California nears construction of the nation’s first high-speed rail line, however, it remains unclear just how the private sector will participate in building out the nation’s high-speed rail Network .Public-private partnerships—or “PPPs”—have come to play an important role in the construction of high-speed rail lines around the world. In a PPP, the public and private sectors are supposed to share the risks, responsibilities and rewards of infrastructure development. The experience with high-speed rail PPPs around the world, however, has been mixed. While PPP arrangements have brought private capital and expertise to the task of building high-speed rail, PPPs have also resulted in cost overruns, government bailouts, and other serious problems forth public. America must learn from these experiences and pursue PPPs only in situations in which they make sense—and do so in keeping with a series of key principles designed to protect the public interest. Public-private partnerships will likely be part of the development of high-speed rail in the United States. High-speed rail systems require billions of dollars in financial capital, which cash-strapped state and federal governments are likely to seek through partnerships with the private sector. California is moving forward with the creation of the nation’s first true high speed rail system, and it is required by ballot initiative to obtain private investment in the project. Amtrak is seeking to involve private investors in its plan to bring true high-speed rail service to the busy Northeast Corridor. The U.S. Department of Transportation has signaled that private investment will play a key role in achieving President Obama’s goal of linking80 percent of the U.S. population via high-speed rail by 2035. Partnerships require substantial public investment. No modern high-speed rail line has ever been built with only private capital. In several recent and current European high-speed rail PPPs, the public sector has been responsible for more than half the capital cost of the high-speed rail line.

#### Federal spending is inefficient – no feedback on success

Lincicome 11 Scott, International trade attorney, How Government "Investment" and National "Competitiveness" Quickly Turn Into Protectionism, 1-29, http://lincicome.blogspot.com/2011/01/how-government-investment-and-national.html

Second, I have always been struck by how politicians refer to spending programs that almost inevitably turn into special interest bonanzas as “investments.” President Obama exalted the teaching profession, but let’s not be naïve: teachers’ unions are some of the biggest spenders in politics, almost all of their money goes to Democrats, and they fight educational innovations like vouchers and charter schools at almost every turn. More fundamentally, governments don’t get the kind of feedback on the success or failure of their “investments” that private firms get. Private firms can tell from their profits and losses whether they are creating value. A firm that earns a profit is using resources to produce something that people value more highly than anything else that could be done with those resources. A firm that earns a loss is using resources to produce something that people value less than at least one other thing that could be done with those resources. Governments respond to political incentives rather than market incentives, and perhaps most importantly, they can’t go out of business. A government can acquire resources. A government can spend money. There is no way to know whether that spending really qualifies as “investment” or not. Consider biofuels, high-speed rail, and other “green economy” initiatives. I was excited when the President mentioned getting rid of oil subsidies, but my excitement turned to disappointment when he said he wanted to spend more to subsidize things like biofuels and high-speed rail.... I’m extremely skeptical of the government’s ability to make these kinds of “investments” without turning them into massive giveaways to powerful special interests. As Steven Horwitz wrote recently on the prospect of a Libertarian-Progressive alliance, the tendency for government to serve powerful interests is a feature of politics rather than a bug. When we give people the power to rule others, we shouldn’t be surprised that people use that power to benefit themselves and their friends.

###  PORTS

#### P3s key to adoption – division between development and commercial interests drives up costs

Haveman & Schatz 2006 [Jon D. research fellow Public Policy Institute of California. Ph.D in Economics-University of Michigan, Howard J. senior economist at RAND corporation. “Protecting the¶ Nation’s Seaports:¶ Balancing Security¶ and Cost” <http://www.ppic.org/content/pubs/report/r_606jhr.pdf>]

Tracking technology presents a key opportunity for dual-use investment by the public and private sectors. Attention will need to be paid to the points at which security demands exceed the performance needs (and thus the investment justification) of commercial shippers.¶ Too much reliance on security-driven investment might lead to the¶ development of technology that is more specialized and expensive than commercial shippers, carriers, or port operators will be willing to install. (Willing, or perhaps able—it has been estimated that the security community’s dream of outfitting key points, such as border crossings, along the transportation route supply chain with gamma ray sensors might cost as much as $10 billion.) So this is a technology area where the distance between security and commercial needs for development and deployment will have to be carefully calibrated and the mix of public-private investment arranged accordingly.

#### P3s overcome conflicting objectives up security and private interests

Haveman & Schatz 2006 [Jon D. research fellow Public Policy Institute of California. Ph.D in Economics-University of Michigan, Howard J. senior economist at RAND corporation. “Protecting the¶ Nation’s Seaports:¶ Balancing Security¶ and Cost” <http://www.ppic.org/content/pubs/report/r_606jhr.pdf>]

There are areas where security and commercial objectives conflict. It¶ is essential to exploit opportunities for public-private collaboration to¶ leverage emerging technologies for multiple uses (that is, both¶ commercial and security applications). It is essential, as well, that such collaboration be structured in such a way that market signals (and the trajectory of technological development) are not unduly distorted by desires from security officials for expensive bells and whistles that really¶ are not essential for improving security. The effect on supply chain¶ security may be negligible, but the effect on supply chain efficiency may¶ be quite damaging if overspecialized security demands render some of¶ this new technology too complex and expensive for commercial use.

#### The most effective seaports in the world are privatized

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

That is certainly true, and I think transportation privatization is part of the answer to improve America's competitiveness in global markets. For example, nearly all airports and seaports in this country are owned by governments, but many airports and seaports abroad have been partly or fully privatized. The World Economic Forum rates America's seaports only 23rd in the world, but the first- and third-best seaports in the world, according to the WEF, are private — Singapore and Hong Kong.38 The federal government cannot afford to expand its infrastructure spending because of today's massive deficits.

#### Spending on port improvement impede production, causing greater imports

Sledge 12 - Matt, Reporter for the Huffington Post based in New York. A graduate of Brown University, he was previously the Rhode Island director for FairVote. HUFFINGTON POST, 2-2

Many eastern cities up and down the Atlantic seaboard, for instance, are in the midst of dredging their ports and improving harbor facilities, but Mandel said we should be looking elsewhere. “Right now,” he said, “if you spend a lot on ports, you'll wind up producing less because imports are cheaper.” Tunnels and bridges between places in the United States, by contrast, would allow goods produced here to get to market more easily.

### Port deepening/Modernization

#### P3s solve port deepening and modernization – raises revenue and innovation

Feigenbaum 2012 [Baruch transportation policy analyst with Reason Foundation |“New Deepening Option Vital for Port of Savannah: Improving Vital Infrastructure Without Burdening Taxpayers” ATLANTA JOURNAL-CONSTITUTION April 6th 2012 | <http://reason.org/news/show/new-deepening-option-vital>]

The Port of Savannah needs hundreds of millions of dollars to deepen its harbor and take advantage of the Panama Canal expansion. That expansion is expected to double its capacity and accommodate ships carrying three times as much cargo. Bigger cargo ships will help businesses move goods more quickly, especially from China, and could lower the prices that consumers pay. But with the federal debt and deficit soaring, there is little taxpayer money available for harbor deepening at American ports.¶ Deepening the Port of Savannah is expected to cost $650 million. The state is contributing $252 million and hopes the federal government will pay the rest. But Georgia’s leaders need to be realistic about the funding shortfalls.¶ The port netted just $600,000 in President Barack Obama’s budget last year, $2.5 million in supplemental 2012 funds, and the president just proposed giving $2.8 million to the port in his 2013 budget. At this rate, it will take decades to finish the deepening project.¶ Georgia needs another way to permanently deepen harbors. One solution is public-private partnerships, which deliver needed infrastructure including ports, raise new sources of capital for modernization, shift risks away from taxpayers and onto investors, and encourage innovation.¶ The Port of Savannah could team with a private company, which would pay for and perform the initial deepening and future maintenance of the channel. To recoup this investment, the company would manage the port and generate revenue from the shipping companies that use it. Three possible rental-lease types include a fixed annual payment to the state, a variable payment or a partial lease.¶ Maryland is showing how successful these partnerships can be. In 2010, the state signed a 50-year lease with Ports America to operate the Port of Baltimore. The company, Ports America, will invest $500 million in the project and provide another $140 million to fund highway, bridge and tunnel improvement projects near the port. The state received a $105 million payment upfront and gets annual lease payments of $3.2 million. Maryland also can cancel the agreement if certain performance metrics related to the construction and management of the port aren’t met.

### Mass Transit/Transit Apartheid

#### P3s can solve mass transit – Houston and the Bay area prove

Schneider & Davis 2006 [ Michael, partner and co-founder of InfraConsult, a Hawaii-based transportation management firm; Jonathan Acting Administrator, Rail & Transit Division Massachusetts Department of Transportation “PUBLIC-PRIVATE PARTNERSHIPS IN PUBLIC TRANSPORTATION: POLICIES AND PRINCIPLES FOR THE TRANSIT INDUSTRY” American Public Transportation Association

Task Force on Public-Private Partnerships]

Within the transit industry, the Task Force broadened the definition of PPPs to include aspects of “contracting out,” or other similar arrangements between a governmental transit provider and a private contractor, including the management and operation of services or facilities in which the contractor undertakes a measurable risk with respect to issues within its control in providing such services. Transit agencies have increasingly utilized these types of arrangements in order to procure new and expanded services. PPPs may be project specific, in the instance of developing a new type of service or constructing a rail line, or systemwide, in the instance of procuring new buses or bidding out all or defined portions of operations and maintenance.3 Regardless of the precise definition, transit-related public-private partnerships all have in common one basic attribute: The contractual arrangement underlying a PPP transfers certain risks and confers certain financial opportunities to the private partner, in exchange for which the public partner realizes a defined blend of lowered cost for prescribed services, improved service quality, efficient deployment of new technologies, innovative or cost-effective business practices, reduction of financial risk, and increased management expertise and depth. What Have Public Transit Authorities Done to Utilize Private Partnerships? There have been a number of public-private partnerships in transit development and operation that provide a variety of instructive examples of cooperative arrangements. These partnerships fall into three broad categories: (1) project development with direct financial contribution from private sector participants; (2) project delivery and operation with shared risk among public and private participants; and (3) private investment in transit-supportive development. In North America, there have been relatively few transit development programs that have utilized direct private financial contribution and/or asset ownership. In contrast, there are many locations throughout Europe, Asia, Australia and South America in which this model has been utilized extensively to bring new sources of capital and/or transfer public sector risk to private investors, developers and operators. The projects that have recently been named as demonstration programs under the U.S. Federal Transit Administration’s Public-Private Partnerships Pilot Program (“Penta-P”) represent the most innovative forms of private risk capital investment in current U.S. practice. These include Houston, where Metro has pursued private ownership of public transportation assets, and has entered into long-term lease agreements with private entities to build and operate rail and busway facilities; the Bay Area Rapid Transit District in California, which has invited participation and investment by the private sector into its new connection between Oakland Airport and the BART Coliseum Station; and in Denver, where the Regional Transportation District has determined that private investment in three new rail corridors will be undertaken using a design-build-operate maintain (“DBOM”) model including private investment.

### AIRPORTS

#### FAA management is horrible - Privatization is superior

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

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

## NB

### NB: POLITICS

#### P3s more popular in Congress than federal investment

Sledge 12 - Matt, Reporter for the Huffington Post based in New York. A graduate of Brown University, he was previously the Rhode Island director for FairVote. HUFFINGTON POST, 2-2

Congress is divided, however, on how to fix America's roads, bridges, dams and waterways. After Obama's proposal was defeated last year, both the House and Senate pressed forward on writing their own long-term bills for surface transportation -- the most important component of federal infrastructure spending. But surface transportation bills double down on the same errors that got the country into its hole in the first place, according to JayEtta Hacker, who was formerly the director of transportation issues at the General Accounting Office. All of these bills, she said, are tied to a woefully inadequate system for monitoring how effectively the federal, state and local governments spend tax dollars on infrastructure. "There are no goals," she said. "There are no outcomes. And there's no data or information or evidence of what kind of returns we get from the federal investment dollar." Instead, the federal government simply doles money out to states on a ratio that's based on how much their drivers spent on federal gas taxes. The states, in turn, spend the money they receive on items in their federally required state transportation plan, which, Hacker said, consists of "stapled pet projects and plans for different parts of the state." This model, created during the vast expansion of the interstate highway system in the middle of the 20th century, is now running out of gas, quite literally: the 18.4 cents per gallon federal gas tax has not been changed since 1993. Newer fuel-efficient car models and inflation mean that the money raised off that tax, about $32 billion a year, is getting scarcer and scarcer. The federal highway system is supposed to pay for itself with the tax, but over the last three years $34.5 billion in transfers from general tax revenues have been needed to fill the widening gas tax gap. The Congressional Budget Office just released a report showing that the Highway Trust Fund, the major source of money for surface transportation, will go bankrupt in 2014 because of declining gas tax revenues. Neither Democrats nor Republicans in Congress have a plan to fix that. The fact that we haven't raised the gas tax in so long, said Hacker, is "unconscionable." But it's not surprising: some 77 percent of Americans, including majorities of both major parties, are against a hike. Some experts would like to see a new tax instituted on the number of miles people actually drive. Fears of GPS tracking devices on every car, however, have made that a political non-starter for now. Instead, both Democrats and Republicans are taking a look at paying for roads and bridges with tolls, and with a financing device that often accompanies them: public-private partnerships, or "PPPs." A MARRIAGE OF CONVENIENCE In recent years PPPs, in which public funds are matched with funding raised by banks and on Wall Street, have become an increasingly popular way for states to get financial booster shots and to get around limits on bond obligations. Investment banks, ratings agencies and law firms all have an interest in PPPs, and they have also attracted bipartisan political support as a possible cure to what ails the country's infrastructure.

#### P3s popular in House and Senate.

 Reinhardt and Utt ’12 (William G. Reinhardt is a business journalist with 40 years of experience reporting on the development of transportation, energy, and environmental infrastructure projects worldwide. Ronald D. Utt, Ph.D. is Senior Research Fellow for the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation where he conducts research on housing, transportation, federal budgetary matters and privatization issues. “Can Public–Private Partnerships Fill the Transportation Funding Gap?” Heritage Foundation, January 12, 2012 <http://www.heritage.org/research/reports/2012/01/can-public-private-partnerships-fill-the-transportation-funding-gap>)

To date, all of these projects have been developed and initiated by states, private investors, or a combination of the two, often with federal support, such as TIFIA grants and permission to build on the interstate right-of-way. With federal transportation

funding limited by macroeconomic budget concerns, many in Congress are looking to be more proactive. Both the House and Senate reauthorization draft proposals welcome and encourage greater private-sector involvement in transportation investment.

**Taxation for maintenance is unpopular – P3s circumvent this**

**AECOM 7**, AECOM is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. “Case Studies of Transportation Public-Private Partnerships in the United States” July 7, 2007 (<https://dl-web.dropbox.com/get/The%20Sophomoric%20Selection/3.%20Articles%20to%20Read/Finished%20Articles/PPPs2.pdf?w=f66941e9>)

The rationale for partnerships between government agencies and private firms for the delivery of public services such as transportation (as well as water and sanitation) is strong. Especially in recent times, public investment budgets have flattened or been reduced, while at the same time the needs for both new investment and maintenance of older infrastructure have continued to grow. Increased taxation is politically unpopular, yet the public also demands continued improvements in the capacity, safety, and efficiency of its public services. Although they are not a panacea, public-private partnerships (PPPs) offer one to approach to solving this dilemma. The advantages of PPP project delivery methods include: · Access to new private capital to supplement public funds. · More rapid development of infrastructure assets under a PPP project structure. · Higher quality and customer satisfaction due to focus on performance standards and enhanced quality control. · Improved efficiency in construction, operation, and maintenance of the infrastructure should arise from innovations in service delivery, incentives in the PPP contract, and better institutional integration throughout the life of the project. · Public agencies focus on their strengths of long-term service planning and management, having turned over financing and/or day-to-day operating responsibility to their private partners

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### NB: AVOIDS PORK BARREL PROJECTS

#### P3s are better at avoiding poorly spent government funding

Sledge 12 - Matt, Reporter for the Huffington Post based in New York. A graduate of Brown University, he was previously the Rhode Island director for FairVote. HUFFINGTON POST, 2-2

Still, if PPPs can't replace the infrastructure funding apparatus wholesale, they still might be a valuable way of stemming the amount of public money that gets wasted on pork-barrel projects, which buttress a politician's local standing but don't generally qualify as authentically valuable infrastructure spending. If a senator's pet project doesn't make sense, the logic goes, then private funds won't rush to support it, offering a market signal against the viability of potential "bridges to nowhere."

#### Federal spending will be channeled to low-value activities

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

There are calls today for more federal spending on infrastructure, but advocates seem to overlook the downsides of past federal efforts. Certainly, there have been federal infrastructure successes, but there has also been a history of pork barrel politics and bureaucratic bungling in federal investment spending. A substantial portion of federal infrastructure spending has gone to low-value and dubious activities. I've examined spending by the two oldest federal infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation.7 While both of those agencies constructed some impressive projects, they have also been known for proceeding with uneconomic boondoggles, fudging the analyses of proposed projects, and spending on activities that serve private interests rather than the general public interest. (I am referring to the Civil Works part of the Corps here).

**Weve been using P3s on roads forever – no reason why P3s would be bad now**

**AECOM 7**, AECOM is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. “Case Studies of Transportation Public-Private Partnerships in the United States” July 7, 2007 (<https://dl-web.dropbox.com/get/The%20Sophomoric%20Selection/3.%20Articles%20to%20Read/Finished%20Articles/PPPs2.pdf?w=f66941e9>)

Private sector involvement in the provision of transportation infrastructure and services is not new to the United States. The first roadways were developed by the private sector in the late eighteenth century in the form of toll roads and turnpikes that opened passageways from the eastern seaboard to the virgin territories further inland. The private sector dominated the provision of roadway development until the twentieth century, when federal and state governments increased their involvement in funding road networks as the needs of a growing economy and population required improved accessibility and mobility beyond what the railroads could deliver on their fixed-rail systems. Until the establishment of a dedicated Highway Trust Fund and the initiation of the Interstate Highway System, the private sector played a major role in the development of the nation¶s first major highways as tolled facilities, principally in the Northeast quadrant but also in other parts of the country like Florida, Oklahoma, and Kansas

### NB: Federalism

#### P3s invigorate federalism – flexibility and coordination between multiple levels

Michaels 2004 [Jon, Associate, Wilmer, Cutler & Pickering; Law Clerk designate, the Honorable Guido Calabresi, United States Court of Appeals for the Second Circuit | “Deforming Welfare: How the Dominant Narratives of Devolution and Privatization Subverted Federal Welfare Reform” *Seton Hall Law Review* 34 Seton Hall L. Rev. 573, lexis]

Finally, in Part VI, I propose an alternative architectural framework that might better meet the dual goals of effective and decentralized welfare reform. I thus attempt to reconcile the currently discordant narratives (and the inconsistencies between means and ends) by positing a vision of a reconceptualized welfare agenda that acknowledges the imperatives for more local and flexible authority but respects the substantive aims of federal welfare reform. By forging multiple socioeconomic development partnerships centering on federal-state, federal-municipality, and federal-private cooperatives, welfare reform presents an opportunity not only to promote the day-to-day needs of America's poor, but also to harness the forces of federalism constructively to design the intergovernmental and public-private partnerships that are necessary to tackle the massive responsibility of combating poverty. It is these partnerships that could both reaffirm the federal government's relevance and dynamism with respect to solving socio-economic ills and re-connect Washington with local governments and community organizations, breeding greater civic consciousness and public engagement.

#### P3s balance federal power

Malloy 1987 [Robin, Assistant Professor of Law, Indiana University School of Law | “The Political Economy of Co-Financing America's Urban Renaissance” *Vanderbilt Law Review*, 40 Vand. L. Rev. 67, lexis]

For American cities, the current economic and political climate [\*70] for revitalization presents special challenges for financing desired development projects. n10 In the current era of Gramm-Rudman and New Federalism, cities are finding little help from the former New Deal programs of a more activist and financially sound federal bureaucracy. n11 As a result, cities have had to be more resourceful and have been forced to implement local incentive programs in order to accomplish their desired objectives. The most significant current incentive programs involve "public private partnerships" that encourage pooling the efforts and resources of government and private enterprise for the mutual attainment of particular developmental objectives. Because most of these programs really involve sharing the cost of the desired project, they can fall under the general rubric of "co-financing."

## Permutation

#### The CP is the opposite of FEDERAL investment

Inhofe 10 - James M. Hearing: Full Committee hearing entitled, "Innovative Project Finance." 9-28

One of the most frequently discussed ways to leverage non-federal investment is through public-private partnerships, or PPPs. With PPPs, state or local governments enter into an agreement to raise private capital and transfer risks to the private sector, making challenging and unaffordable projects possible. This is a way to unleash an enormous amount of private investments in public infrastructure. This financing source is as important to helping us address our infrastructure crisis as a robust federal highway bill.

#### The perm’s addition of multiple levels of government kills transparency, producing higher costs

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

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

#### Federal spending creates a model of failed projects – magnifying our net benefits, increasing long-term local costs

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

Perhaps the biggest problem with federal involvement in infrastructure is that when Washington makes mistakes it replicates those mistakes across the nation. Federal efforts to build massive public housing projects in dozens of cities during the 20th century had very negative economic and social effects. Or consider the distortions caused by current federal subsidies for urban light-rail systems. These subsidies bias cities across the country to opt for light rail, yet rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road.10 When the federal government subsidizes certain types of infrastructure, the states want to grab a share of the funding and they often don't worry about long-term efficiency. High-speed rail is a rare example where some states are rejecting the "free" dollars from Washington because the economics of high-speed rail seem to be so poor.11 The Obama administration is trying to impose its rail vision on the nation, but the escalating costs of California's system will hopefully warn other states not to go down that path.12 Even if federal officials were expert at choosing the best types of infrastructure to fund, politics usually intrudes on the efficient allocation of dollars. Passenger rail investment through Amtrak, for example, gets spread around to low-population areas where passenger rail makes no economic sense. Indeed, most of Amtrak's financial loses come from long-distance routes through rural areas that account for only a small fraction of all riders.13 Every lawmaker wants an Amtrak route through their state, and the result is that investment gets misallocated away from where it is really needed, such as the Northeast corridor. Another problem is that federal infrastructure spending comes with piles of regulations. Davis-Bacon rules and other federal regulations raise the cost of building infrastructure. Regulations also impose one-size-fits-all solutions on the states, even though the states have diverse needs. The former 55-mph speed limit, which used to be tied to federal highway funds, is a good example. Today, federal highway funds come with requirements for the states to spend money on activities such as bicycle paths, which state policymakers may think are extraneous.14

#### OUR EV IS COMPARITIVE, P3s are better in ensuring the aff actually gets done

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

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. Conclusions In its report on the state of U.S. infrastructure, the American Society of Civil Engineers gives America a grade of "D."37 However, the ASCE report mainly focuses on infrastructure provided by governments, so if you believe that this low grade is correct, then it is mainly due to government failures. The ASCE lobbies for more federal spending, but OECD data shows that public-sector spending on infrastructure is about the same in this country as in other high-income nations. Some of the infrastructure shortcomings in the United States stem from mismanagement and misallocation by the federal government, rather than a lack of taxpayer support. So part of the solution is to decentralize infrastructure financing, management, and ownership as much as possible. State and local governments and the private sector are more likely to make sound investment decisions without the federal subsidies and regulations that distort their decisionmaking.

## A2s

### A2: PERM

#### Perm links to politics because it still has to go through congress and take the vote, decreasing Obama’s political capital

**The perm’s addition of multiple levels of government kills transparency, producing higher costs**

**Edwards 11** - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

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

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### A2: STATES WILL FAIL

#### State mistakes are better than federal mistakes because other states can learn from previous failures

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

The U.S. economy needs infrastructure, but state and local governments and the private sector are generally the best places to fund and manage it. The states should be the "laboratories of democracy" for infrastructure, and they should be able to innovate freely with new ways of financing and managing their roads, bridges, airports, seaports, and other facilities. It is true that — like the federal government — the states can make infrastructure mistakes. But at least state-level mistakes aren't automatically repeated across the country. If we ended federal involvement in high-speed rail, for example, California could continue to move ahead with its own system. Other states could wait and see how California's system was performing before putting their own taxpayers on the hook.

#### States have a stronger incentive to ensure that funding is actually successful

Poole 10, Robert, Searle Freedom Trust Transportation Fellow and Director of Transportation Policy Reason Foundation, Out of Control Policy Blog, 8-3, http://reason.org/blog/show/interstate-highway-modernize-gas-ta

Urban transit is clearly a local/regional responsibility, not federal, and should be funded at those levels. But it’s almost certain that Congress will continue making grants for this purpose, so our study argues that such funds should no longer be taken from highway users but should instead come from federal general funds, like the government’s other community development programs. That’s especially the case now that the Obama administration and Congress seem to want to focus on goals such as “livability” rather than congestion-reduction. Under our proposal, with the federal role and funding limited to the Interstates, the states would be freed from federal regulations on all other highways. A previous Reason Foundation study estimated that due to all the costly federal regulations, a federal-aid highway dollar buys only about 70% as much as a state highway dollars, so the states’ resources would go a lot further under our proposal. States would also have a stronger incentive to set funding priorities (e.g., requiring projects to pass a serious benefit/cost threshold in order to be funded), rather than trying to fund everything on politicians’ wish lists.

#### Federal funds won’t cover transit agencies need to pay operations expenses

Freemark 10 - Yonah, independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University, Transport Politic, 6-11, http://www.thetransportpolitic.com/2010/06/11/reversing-roles-should-washington-cover-operations-costs/

Since 1998, Congress has banned the use of federal funds to pay for public transportation operations in communities of more than 200,000 people, effectively requiring transit agencies to pay for all of their salary, electricity, and fuel costs using local or state revenues. Meanwhile, the U.S. government has continued to sponsor a majority of costs for capital expenses, including the construction of expensive new fixed-guideway bus and rail lines. This split in funding has resulted in a number of particularities in the American transportation system — during the recent recession, transit agencies actually received more money to pay for new construction programs from the federal government’s stimulus and steady transportation allocations, but less to sponsor services from fluctuating state and local revenue sources. This has produced a situation in which many cities are actively building new rail lines even as they’re cutting offerings on their bus operations. Should Washington be asked to help find a way out? Since last year, when the full effects of the recession were making themselves clear, some agencies have been clamoring for the federal government to take a bigger role in operations funding; they’ve argued that the stimulus would have little effect if they’re forced to fire drivers and technicians.

#### Federal funds won’t even make it to those who need it. They have no accountability

Berezowsky 12, Taras, Metal Miner, 2-14, Obama’s Budget: Enough Infrastructure Investment? http://agmetalminer.com/2012/02/14/obamas-budget-enough-infrastructure-investment/

In another interview with Jennifer Diggins of Nucor (who will be speaking at our conference, Commodity EDGE), Diggins stressed that legislative steps must be taken to remedy the US’ crumbling road, bridge, air and water infrastructure to secure the competitive advantage of domestic manufacturing. However, in context of Buy America, implementing federal funding is a different story: “We’re continuing to run into issues where federal dollars are going through different federal agencies other than the DOT, and once it hits the state level, (we’re unsure) what they actually do with it,” she said.

#### P3s can handle a wide range of infrastructure projects

**AECOM 7**, AECOM is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. “Case Studies of Transportation Public-Private Partnerships in the United States” July 7, 2007 (<https://dl-web.dropbox.com/get/The%20Sophomoric%20Selection/3.%20Articles%20to%20Read/Finished%20Articles/PPPs2.pdf?w=f66941e9>)

Public-Private Partnerships (PPPs) represent a wide variety of project financing and delivery approaches whose common element is that the public sector sponsor of infrastructure projects engages the private sector to varying degrees in the performance of certain functions previously handled by the public sector. This can range from contracted services like maintenance to full financing, development, operations, and preservation over a long term. The variety of PPP approaches continues to evolve and offer increasing choices to state and local transportation agencies to fulfill their missions. Though not appropriate for all projects, PPPs are likely to benefit a number of projects, particularly large-scale projects, which would not otherwise be to move forward for many yeas or even decades under traditional financing and delivery approaches. The public sector¶s interest in PPPs has been stimulated by the widening gap between the needs for improving and expanding our aging transportation systems and the available public funding to address these needs. Facing increasing congestion, declining accessibility, unreliable freight delivery, and obsolete facilities, the public sector has begun to realize it cannot address these needs by relying solely on traditional financing, delivery, and operating practices. PPPs enable public sponsors of transportation projects the potential to expedite their transportation infrastructure programs and leverage their scarce public resources by accessing private sector best practices, new technology, and capital markets more quickly to deliver and operate transportation facilities in a more timely and cost-effective manner.

### A2: STATES CAN’T AFFORD IT

#### States are already looking for new forms of financing. Eliminating federal regulations will free the states

Thomasson 12, -- Scott, President, NewBuild Strategies LLC, Publisher Council on Foreign Relations Press, Encouraging U.S. Infrastructure Investment, Policy Innovation Memorandum No. 17, April

States are already looking at new ways to finance infrastructure as federal funding becomes uncertain and their own budgets are strained. More states rely on PPPs to share the costs and risks of new projects, and they are finding new sources of nontax revenues to fund investments, like tolling and higher utility rates. But at the same time, federal regulations and tax laws often prevent states from taking advantage of creative methods to finance projects. Federal programs designed to facilitate innovative state financing are underfunded, backlogged, or saddled with dysfunctional application processes. Many of these obstacles can be removed by adjusting regulations and tax rules to empower states to use the tools already available to them, and by better managing federal credit programs that have become so popular with states and private investors.

#### The CP unlocks billions of dollars of new financing

Thomasson 12, -- Scott, President, NewBuild Strategies LLC, Publisher Council on Foreign Relations Press, Encouraging U.S. Infrastructure Investment, Policy Innovation Memorandum No. 17, April

Congress can unlock state and private investment by reducing state borrowing costs and allowing flexibility for alternative revenue sources and private capital for financing solutions. Specifically, federal policymakers should: Give states the flexibility to use alternative capital and revenue sources. Billions of dollars to finance new infrastructure could be raised every year from private-sector capital and untapped revenue sources like tolls and user fees. Neither is a free lunch, but they are potential alternatives to a federal tax increase or deficit spending. New tolls are banned on interstates, except for a federal pilot program that allows only three states to use tolling to replace worn-out roads.

**P3s are essential to funding for the plan – fed can’t cover it all**

**AECOM 7**, AECOM is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. “Case Studies of Transportation Public-Private Partnerships in the United States” July 7, 2007 (<https://dl-web.dropbox.com/get/The%20Sophomoric%20Selection/3.%20Articles%20to%20Read/Finished%20Articles/PPPs2.pdf?w=f66941e9>)

Highway transportation agencies across the United States are facing a fiscal challenge caused by the growing gap between the costs of providing and preserving the highway infrastructure and available highway program funding. The inability of motor fuel taxes to provide adequate funding has prompted transportation policymakers to consider alternative ways to finance and deliver needed transportation infrastructure. Public-Private Partnerships (PPPs) represent a wide variety of project financing and delivery approaches which offer the potential to expedite project delivery, operations, and maintenance in a more cost-effective manner, enabling transportation agencies to effectively ³do more with less.´ The common element of a PPP is that the public sector sponsor of infrastructure projects engages the private sector to a greater degree in the performance of certain functions previously handled by the public sector. This can range from contracted maintenance services to full financing, development, operations, and preservation

### A2: Unconstitutional for HSR

#### P3s for HSR would be constitutional

Poole 2011 [Robert Searle Freedom Trust Transportation Fellow and Director of Transportation Policy Reason Foundation | “Surface Transportation Innovations # 93: Performance-based transportation program, mileage-based user fees for trucks, privatizing Amtrak's Northeast Corridor, leasing toll roads” Reason Foundation July 26, 2011, http://reason.org/news/show/surface-transportation-innovation-9]

Not surprisingly, Amtrak’s various constituencies are up in arms over the proposal. One of their most interesting arguments is that “privatizing” Amtrak is unconstitutional, based on a report from the Congressional Research Service. CRS first argues that having the DOT take back the NEC would violate the “takings” clause, because Amtrak is nominally a private corporation. But in making its second argument, that the bill’s proposed Northeast Corridor Committee is unconstitutional, CRS says that Amtrak is enough of a federal government entity to require that appointments to such a body must be made by the President, with the advice and consent of the Senate. You can’t really have it both ways.

Interestingly, just as all this was being debated, on June 22 the U.S. District Court in Cincinnati dismissed a lawsuit against Amtrak by the corporate descendant of the Penn Central Railroad, the largest holder of (worthless) Amtrak common stock. The court dismissed the suit, under which the company had no case to demand a positive payment from Amtrak for worthless shares. Thus, unless that ruling is overturned, the CRS argument about “takings” would appear to be without merit.

### A2: Agent CPs Theory

C/I: Agent Cps with a solvency advocate in the lit this solves back for any unpredictability. This also means we don’t steal the majority of their ground because they could run solvency deficits.

GROUND: Aff still generates offense based off agent because debates about the best actor to do the plan are common so it’s in the literature for the aff to find. Key to neg ground because the USFG part of resl. It’s the Negs job to test every part of the resolution. Agents CPs are best for neg strategies because they allow us to gain the most effective ground.

EDUCATION: More real world key to learn about details about implementation. In politics the most important discussion is how it will be done and which is the best way. Key to civics education agent debates are as important to debate as debates over the topic because it will affect us more in out education. If you take away the Negs ability to test the USFG you sever out of part of the education we can gain from the resolution.

LIMITS: Overlimits the negative, the best ground in a civic topic like now are agent CPS. LIT CHECKS qualified authors aren’t going to write about random people, who couldn’t actually implement the plan, makes us predictable.

NOT A VI reject the argument not the team

### A2: Condo

COUNTER INTERPRETATION: Neg gets 1 K and 1 CP. This is uniquely better because in the real world critical thinkers and Policy makers often don’t work together. The only place you can see and test the interconnectivity is through debate, if we can’t do that we lose the most effective education in debate.

GROUND: A. The neg needs the flexibility of multiple conditional advocacies to offset the advantages of the aff having infinite prep time and them having the first and last speech.

B. A conditional advocacy is no different than any other argument so there’s no reason why multiple CPs and Ks would be abusive but DAs aren’t

C. there’s no reason why going for something they undercovered

Education: A. Breadth is better than depth because then you get variety and learn more about how different advocacies interact with the plan. If you only know about one, then education is lessened and the affirmative isn’t able to function as well.

B. it’s more real world, policy makers always change their mind about the best course of action and they never just submit one plan to congress, they have a docket full and often changes are made, proposed, and debated.

C. Even in school they don’t think you should only have one specialty, they make you take a variety of classes such as speech and math and history

LIMITS: A. The plan should be able to defend against anything the negative puts at it, not to mention the affirmative should know their aff well enough that they could easily combat any arguments made by the negative with a combination of 1AC research and new cards, don’t destroy our strategic needs because of their ineffictiveness

B. We’re not infinitely regressive because of our CI we set rules too,

C. Time is finite, there is always going to be some trade-off between focusing more on the DA vs the case arguments, not a reason to vote us down

#### This is not a voting issue because we provide better information and show no abuse to the affirmative plan. We don’t take away offense

## NB updating

### Federalism - Uniqueness

#### Recent SCOTUS ruling reinvigorates federalism

Adler & Stewart 7/30 [ Jonathan, NRO contributing editor, Johan Verheij Memorial Professor and director of the Center for Business Law and Regulation at the Case Western Reserve University School of Law; Stewart attorney and a co-author of the Heritage Foundation's legal memo "Why the Personal Mandate to Buy Health Insurance Is Unprecedented and Unconstitutional." | “The Line That Held - Why the Commerce Clause ruling matters” The National Review 7/30/2012, lexis]

More significant than Roberts's resort to the tax power was the Court's embrace of justiciable limits on Congress's so-called spending power -- that is, its ability to impose conditions on the receipt of federal funds. In striking down Congress's attempt to coerce states to accept a dramatic expansion of Medicaid, the Court restrained the spending power for the first time in over 60 years. In South Dakota v. Dole (1987), the Court had articulated limits on the conditions Congress could place on a state's receipt of federal funds, but then failed to enforce them, and only one federal appellate court had ever found these limits meaningful. In NFIB v. Sebelius, however, seven justices rejected the notion that Congress has free rein to impose conditions on federal funds. Given how often Congress seeks to use the spending power, the Court's decision may open a new front in the war to reinvigorate constitutional federalism, and occasion a reexamination of statutes from No Child Left Behind to the Clean Air Act.

#### Federalism in the SQ even with Medicaid – recovery act proves

Harkness, 12 [Peter Harkness, Peter Harkness, founder and publisher emeritus of GOVERNING, now serves as a co-writer of the Potomac Chronicle column, former editor and deputy publisher of the Congressional Quarterly news service, “What Brand of Federalism Is Next?” Governing, January 2012, <http://www.governing.com/columns/potomac-chronicle/gov-col-what-brand-of-federalism-is-next.html>]

But there was a difference: Collaboration and sensitivity to state prerogatives was built into the mix. In an analysis in the publication *Publius* by political scientists Paul Posner and Tim Conlan of George Mason University, the authors noted that “the most significant feature of Obama’s approach to intergovernmental relations thus far may be his hybrid model of federal policy innovation and leadership, which mixes money, mandates and flexibility in new and distinctive ways.” Under this “nuanced federalism,” plenty of carrots are mixed in with the sticks. Even with the health-care reform plan, they noted, progressive states were allowed to exceed minimum federal standards and conservative ones could avoid participating in almost any facet of the system, using the feds as a backstop.

By most accounts, both from the federal officials who ran it and the state and local officials they worked with, the massive Recovery Act stimulus effort was an extraordinarily successful collaboration between all three levels of government. States enjoyed unusual flexibility in how they spent much of the billions in funding the act provided, and Washington was able to rely on a state and local infrastructure to get the cash out the door fast.

### Federalism – Non-Unique

#### FCC reversing federalism now

State News 7/24 [“ATTORNEY GENERAL SAM OLENS JOINS BI-PARTISAN GROUP OF ATTORNEYS GENERAL IN OPPOSING REGULATORY OVERREACH BY THE FCC”]

The following information was released by the office of the Georgia Attorney General:

On Monday, July 23, 2012, Attorney General Sam Olens and a bi-partisan group of state attorneys general filed an amicus brief opposing a recent order by the Federal Communications Commission (FCC), which vastly oversteps the commission's statutory authority. The brief was filed in support of the plaintiffs in the lawsuit Verizon V. Federal Communications Commission before the U.S. Court of Appeals for the D.C. Circuit.

This latest order by the FCC is just another example of the federal government governing by executive fiat, said Attorney General Sam Olens. If this order stands, it will set the precedent that the FCC does not need statutory authority from Congress to impose any regulation it chooses. I reject this one-size-fits-all approach from Washington and stand with my fellow attorneys general in support of federalism.

#### No federalism in SQ – Medicaid prove centralized

Posner, 7/18 [Paul L. Posner, director of the public administration program at George Mason University, is a former federal official, a former president of the American Society for Public Administration, and author of "The Politics of Unfunded Mandates," “The Supreme Court and the Remaking of Federalism,” Governing, 7/18/2012, http://www.governing.com/columns/mgmt-insights/col-supreme-court-health-care-ruling-coercion-states-federalism.html]

One of the strengths of our existing intergovernmental system is that the federal government joins a partnership with 50 states and numerous local governments and nonprofits to deliver programs in ways that are adapted to the diverse conditions and values throughout our system. The premise of the court's ruling on the health-care law is that the decentralized promises of cooperative federalism have withered as the federal system has become more centralized and coercive. It would be ironic indeed if the ultimate outcome of the court's new federalism were to be a replacement of cooperative federalism with a more centralized system of direct federal management of complex national problems.

##  AFF Answers

### General Solvency Deficits

#### P3s fails – lack of planning prevents implementation

International Transportation Forum 08 [International Transport Forum, an intergovernmental organization and a strategic think tank for transport policy, *Transport Infrastructure Investment:* *Options for Efficiency,* International Transport Forum, 2008, pg. 56 | http://www.fhwa.dot.gov/ipd/pdfs/infrastructure\_report\_070625.pdf]

It is well known that there have been some spectacular and costly PPP failures. These have often involved poor conceptualization and planning of the project, particularly failures in project realism and preparation, in the provision of the necessary regulatory and legal framework, insufficient bidder expertise, and, sometimes, the strength of local financial markets. Areas where planning has particularly failed on various occasions include in the assessment of demand, and of the public’s willingness to pay tolls, both of which are closely related (KPMG, 2005). One recurrent aspect of these contracts is the high incidence of renegotiation. Often, this has been triggered by opportunistic motives, *i.e.* that one party has used aspects of the contract design to its own advantage.

P3s raise legal costs and increase risk to the public sector

Dutzik et al 2011 [Tony, senior policy analyst with Frontier Group. His research has focused on climate and energy policy, transportation, privatization of government services, and state-based approaches to public policy challenges; Jordan Schneider, analyst in the Frontier Group Santa Barbara office; Phineas Baxandall Senior Policy Analyst for Tax and Budget issues for U.S. PIRG. “High-Speed Rail:Public, Private or Both?” Summer 2011 <http://cdn.publicinterestnetwork.org/assets/85a40b6572e20834e07b0da3e66e98bf/HSR-PPP-USPIRG-July-19-2011.pdf>]

Public-private rail partnerships have the potential to unlock access to private capital, expertise, technology and economies of scale, and can also help mitigate the risk of high-speed rail projects to taxpayers. However, PPPs also come with a number of risks and costs, including: Higher costs for capital, as well as costs related to the profits paid to private shareholders. Heightened risk for the public once a project has begun, due to the ability of private-sector actors to hold projects hostage and demand increased subsidies or other concessions from government. The costs of hiring and retaining the lawyers, financial experts and engineers needed to protect the public interest in the negotiation of PPP agreements and to enforce those agreements over time. Loss of control over the operation of the high-speed rail line, which can result in important transportation assets being operated primarily to boost private profit rather than best advance public needs

#### PPP’s overestimate revenue – can’t fund the plan

Geddes et al 10 [R. Richard Geddes, associate professor at Cornell University in the Department of Policy Analysis and Management and David Czerwinski, assistant professor at San Jose University in the Department of Marketing and Decision Services, “Policy issues in U.S. Transportation Public-Private Partnerships: lessons from Australia,” Mineta Transportation Institute, July 2010, <http://transweb.sjsu.edu/mtiportal/research/publications/documents/2807_09-15.pdf>]

First consider some of the main risks associated with a transportation project.81 There is agreement among analysts that some basic PPP risks include, but are not limited to:82

Traffic or Revenue Risk. Traffic, revenue, or demand risk may be the most important economic risk associated with the design and construction of a new transportation facility, that is, with a greenfield PPP. This is the risk that actual or realized traffic volume, and thus revenues, will be less than projected at the time the facility was planned and constructed. This risk is important because it could impact the private partner’s financial viability, and thus its ability to repay its debt. In many PPP agreements, the private partner receives its compensation through collection of facility toll revenue. The private partner thus assumes demand risk. This is consistent with basic principals of efficient risk allocation, since private investors are usually highly diversified, assume demand risk voluntarily, and are compensated for this type of risk assumption. Although it is rarely viewed as such, the risk of competing facility construction (normally addressed in the United States through non-compete clauses, as discussed below), is a subset of traffic or revenue risk, since a competing free facility may reduce traffic and thus revenues on the facility in question. cost overrun risk. This is the risk that the actual cost of a transportation project will exceed its expected cost. There are a variety of risks associated with completing a transport facility that may cause costs to rise, such as unexpected geological conditions, problems in design, and increases in the cost of materials. Cost overrun risk is more relevant for greenfields than for brownfields, although major existing facility expansion and refurbishment may also suffer from cost overruns. As in many countries, cost overruns have been a significant risk in Australian transportation projects, particularly under traditional procurement methods.83

### Solvency deficit – Inland Waterways

#### CP can’t solve – P3s need federal oversight

USACE 2012 [US Army Corps of Engineers, Institute for Water Resources | “U.S. Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels” 20 June 2012]

The creation of Public-Private Partnerships (PPPs) has been proposed as a solution to supporting infrastructure modernization in a number of different venues. The success in forming such partnerships varies, but there are successes that can be pointed to for what has been termed "fixed guideway" infrastructure. However, a basic requirement for private participation in a PPP is assurance that there will be adequate revenues to allow the private entity to recover its costs and earn a return on investment from joining the partnership. Therefore, for a PPP to work in ¶ the inland waterway context it would require a commitment on behalf of the federal government to honor payment commitments made in the PPP contracts. A PPP contract would define the sharing of risk from sources outside the control of either party (e.g., unexpected technical difficulties in executing the project) and the retention of other risks by the public entity (e.g., changes in regulatory rules or regulatory decisions that affect costs or ¶ technical feasibility). Therefore, for a PPP to work in the inland waterway context would require contracts that address the sharing and assignment of these risks. Option 3 addresses the problem of inadequate access to financial resources for making immediate improvements and for critical O&M on an aging infrastructure. USACE would divide inland waterways into segments (for current planning USACE recognizes 27 independent segments), recognizing the interconnectedness of certain those segments. The priorities for ¶ work on the segments would be defined principally by an assessment of the need for new ¶ investment and by the historic operation and maintenance costs per ton-mile traffic movement. One preliminary illustration of how this might be done is offered by the "Inland Waterways Capital Development Plan" that was prepared and submitted to Congress at the direction of the ¶ Inland Waterways Users Board in 2010. For priority segments, USACE would then issue requests for proposals for improvements and/or ¶ maintenance and repair over a fixed-term contract (say 30 years). In those requests for ¶ proposals USACE would specify what services were expected to be provided by the private ¶ partner, when the services would be realized, and would request a repayment schedule for the ¶ provision of those services. The private partner could be asked to design and/or build and/or operate and maintain channels and navigation locks and dams in return for an annual payment. USACE would provide support to and oversight over the private partner, assuring that the terms of the contract with respect to lock operations and channel maintenance were honored. The private entity would secure all the necessary financing for waterway improvement or O&M. The Federal government would agree to compensate a private partner for expenses incurred in segment improvements and ¶ maintenance. Revenues needed to honor the contracts could be derived from any or a ¶ combination of the following: general appropriations, raising the fuel tax, lock passage fees, lock ¶ congestion fees, or segment passage fees. A segment passage fee would be relatively simple ¶ to administer with current technology. GPS tracking is now standard practice for all tows. It ¶ would be possible to determine when a tow has utilized the capacity of a particular segment. ¶ The charge for use of that segment would be in relation to the cost of operating, maintaining ¶ and repairing infrastructure for that segment and could be based upon a fixed ton-mile charge, ¶ perhaps adjusted for the value of the cargo.

### Solvency deficit – HSR

#### Can’t solve HSR - Other countries prove.

Dutzik et al. 2011[Tony, senior policy analyst with Frontier Group. His research has focused on climate and energy policy, transportation, privatization of government services, and state-based approaches to public policy challenges; Jordan Schneider, analyst in the Frontier Group Santa Barbara office; Phineas Baxandall Senior Policy Analyst for Tax and Budget issues for U.S. PIRG. “High-Speed Rail:Public, Private or Both?” Summer 2011 <http://cdn.publicinterestnetwork.org/assets/85a40b6572e20834e07b0da3e66e98bf/HSR-PPP-USPIRG-July-19-2011.pdf>]

High-speed rail PPPs and efforts toward rail privatization abroad have a mixed track record.

In Taiwan, the government’s efforts to pursue a fully private-sector built and financed high-speed rail line fell apart—despite rising ridership—as the private company responsible for building the line faced a financial crisis caused by its reliance on high cost debt. The Taiwan government ultimately stepped forward to bail out the company and refinance its debt. In the Netherlands, a series of problems led to massive cost overruns in the construction of a high-speed rail line, most of which became the responsibility of the government. The PPP process was characterized by illegal collusion among bidders for the construction contracts, poor coordination among the various contracts, and unexpected delays that required the government to provide emergency bailouts.In Great Britain, an effort to privatize the operation of the nation’s rail infrastructure led to a decline in the system’s safety. Excessive use of contracting, coupled with poorly designed incentives, caused delays in the response to known safety problems and a massive backlog of critical maintenance projects—problems that contributed to a deadly train accident Executive Summary in 2000. In the wake of that accident, the formerly private infrastructure provider was reorganized as a government-regulated non-profit.

### A2: Flexibility

#### Contracts restrict flexibility

Alexanderson et al 07 [Gunnar Alexanderson, Staffan Hulten, Senior Economics Adviser at Community of European Railway Companies and Infrastructure Managers, “PROSPECTS AND PITFALLS OF PUBLIC-PRIVATE PARTNERSHIPS IN THE TRANSPORTATION SECTOR – Theoretical Issues And Empirical Experience,”The University of Sydney, 2007, <http://www.thredbo.itls.usyd.edu.au/downloads/thredbo10-papers/thredbo10-themeC-Alexandersson-Hulten.pdf>]

PPP projects are typically complicated projects. One major reason for this is the fact that the projects generally have to deal with long-term investments that are divided into two phases – the construction phase and the operational/maintenance phase – being very different in character and implying different demands. Empirically, problems and failures have generated more discussions than the advantages of PPPs. As we will see, there are also additional lessons to be learned from the empirical cases presented later in the article. However, the disadvantages of PPPs, as listed in the theoretical literature, are generally fewer but are important to consider in order to reducing the risks of running into problems that are avoidable. We can broadly identify three types of problems. The first depends on the fact that the state, during normal economic circumstances, can borrow money at a lower cost than private firms, and the second and third types of problems – hold-up and lock-in – arise because of the difficulties in writing complete contracts. The outcome of this can be that the advantages of increased private involvement in infrastructure projects may be constrained by badly designed contracts that may either include way too high or way too low compensation to the private actors in comparison to their efforts and bearing of risk.

#### CP causes lock-ins that reduced flexibility

Alexanderson et al 07 [Gunnar Alexanderson, Staffan Hulten, Senior Economics Adviser at Community of European Railway Companies and Infrastructure Managers, “PROSPECTS AND PITFALLS OF PUBLIC-PRIVATE PARTNERSHIPS IN THE TRANSPORTATION SECTOR – Theoretical Issues And Empirical Experience,”The University of Sydney, 2007, <http://www.thredbo.itls.usyd.edu.au/downloads/thredbo10-papers/thredbo10-themeC-Alexandersson-Hulten.pdf>]

Many PPP projects presume long-term commitment from all parties, which may create lock- ins and reduced flexibility. Lock-ins may sometimes be exploited strategically, as in the case of hostage taking. This refers to when one party has made a sunk investment in a second party, an investment that presumes that the relationship continues. The second party may use this sunk cost as a hostage to hold up the first party, ensuring that a sequence of transactions takes place or seeking renegotiations in its favour (Williamson ,1983; Hoff, 1994).

In case a project is profit-making the actor in control of costs and revenues can continue to manage the project as long as it wants. However, if the project is loss-making the actor in control can either demand a renegotiation – see the discussion above – or dissociate itself from the project by accepting any sunk costs. This means that the public partner is in a potentially disadvantageous position. All profitable projects will continue without renegotiations and all loss-making projects stand the risk of being renegotiated or terminated.

Public-private partnerships (PPPs) work well for surface transportation infrastructure projects, but not so well for government real estate development, according to a new study from the Washington-based Competitive Enterprise Institute (CEI). In transportation projects, PPPs improve efficiency, but in real estate development they can increase the risk for taxpayers and are more beneficial to the private developers, the report contends.

### P3’s Neoliberal

#### P3s can’t solve the aff - they embody the same logic of risk speculation underlying the 2008 financial crisis

Sanger & Crawley ’09 [Toby, CCPA research associate and senior economist with the Canadian Union of Public Employees; Corina, Senior Research Officer at the National Office of the Canadian Union of Public Employees | “The Problem with Public-Private Partnerships” Canadian Center for Policy Analysis http://www.policyalternatives.ca/publications/monitor/problem-public-private-partnerships April 1, 2009]

If there is one thing that the current financial and economic crisis has shown, it is that the neoconservative economic model of deregulation, privatization, tax cuts, free trade and unequal growth is bankrupt. And yet, incredibly, Canadian governments and corporations are using the economic crisis to push more of the same policies: tax cuts, the sale of public assets, and, especially, more privatization through public-private partnerships (P3s). The shifting rationales of P3s has always been highly dubious. P3s had been used by politicians as a form of off-book accounting to make it appear as if public spending and deficits were lower than they actually were — but then public auditors forced governments to include these obligations on their books. P3 proponents then claimed that their projects could be less expensive, more innovative, speedier, and more accountable than public service delivery — but a string of failures, delays, little transparency, and secretive deals proved these claims wrong. Most recently, P3 advocates have acknowledged that they cost more, but they try to justify these deals by claiming that P3s transfer massive amounts of “risk” from the public sector to the private sector. By using highly questionable “value for money” accounting, they claim that the higher costs of P3s, particularly on the financing side, are offset by transferring colossal amounts of risk to the private sector. While independent experts have criticized these deceptive rationales and faulty accounting for years, the details can be complicated. The misleading accounting practices remain, but the financial crisis has exposed the false economics of P3s in a number of different ways: • The economic and financial crisis was caused by the same policies behind the push for public-private partnerships. • Private financing is more costly and risky than public financing. • The private sector is worse at managing risk than the public sector. • Risks can never be completely transferred through P3s. • Additional and complicated P3 requirements lengthen the process and add to delays. This economic and financial crisis has a number of deep roots, but what propelled both the later stages of the boom and the consequent crisis was a systemic cover-up of losses, mispricing, and mismanagement of risk in the private sector. Sub-prime mortgages were only a small part of this. On top of these and other debts, the financial industry built a web of speculation and highly leveraged securitized assets that were sold to unsuspecting buyers as solid investments. This helped to provide easy credit for a number of years, but it was only a matter of time before the financial house of cards came tumbling down. Despite trillions of dollars provided by the taxpayers in public bailouts (and much more in accommodative actions by central banks), financial institutions around the world, including many of those behind P3 projects, continue to teeter on the brink of insolvency. It was only effective public nationalization of major banks and financial institutions in a number of countries that managed to save the world’s financial system from collapsing around the world. In a thoroughly perverse twist, these free market economic policies led to the largest public bailouts in history and what Nobel-Prize winning economist Joseph Stiglitz has described as a "new form of public-private partnership, one in which the public shoulders all the risk, and the private sector gets all the profit." Public-private partnerships have fundamentally been about giving private investors and financiers high returns with low risks, at the long-term expense of taxpayers and the public. The financial backers of P3s were able to borrow capital at lower rates of interest, thanks in large part to unregulated and often fraudulent activities in financial markets. This narrowed the interest rate spread between private and public sector borrowing rates, allowing P3s to appear more financially attractive than otherwise. They were still a bad deal for taxpayers, but low private sector costs of borrowing meant that faulty accounting didn’t have to cover up as much. These low borrowing rates for the private sector were not based on economic fundamentals or realistic calculations of risk in the private sector. Private financial institutions engaged in systemic cover-ups, miscalculations, and passing on of undisclosed risks to unsuspecting investors. The unregulated financial markets allowed financial speculation to flourish, siphoning funds away from productive investments in the real economy. As a result, the paper economy grew, but real economy stagnated. Then the whole house of cards came crashing down. As a result, private financing costs for P3s have increased and will continue to stay relatively high, while costs of public borrowing have tumbled. This will continue to make P3s both more costly and more risky for the public. The spread (difference between public and private sector interest rates) for short-term borrowing rates in Canada is now about 100 basis points higher than it was during the five years of easy credit. According to a recent industry report, the spreads for P3 financing have doubled, on average, compared to last year. On a typical project, this increased spread of 100 basis points would increase the cost of financing by about 10% to 15%, or by upwards of $20 million for $100 million over 30 years.

### P3 Links to Obama Good

#### CP links to elections - P3s unpopular with public

Papajohn et al. 2011 [ Dean, Civil Engineering Manager, Pima County Department of Transportation; Qingbin Cui, Assistant Professor of Civil and Environmental Engineering at the University of Maryland; Mehmet Emre Bayraktar Assistant Professor for the Department of Construction Management at Florida International University | “Public-Private Partnerships in U.S. Transportation: Research Overview and a Path Forward” JOURNAL OF MANAGEMENT IN ENGINEERING July 2011]

Although the executive branch of the federal government has shown strong support for PPPs, support from the legislative branch, state governments, professional organizations, and the public has been mixed. Public concern has been raised in New Jersey, Pennsylvania, and Texas where PPPs have been put on hold (Layton and Hsu 2008). Many citizens are not persuaded that private firms will adequately watch over the public interest. Some fear that tolls or other revenues will make private firms wealthy instead of being reinvested into transportation infrastructure. Also, the danger exists that PPPs will be developed for the most favorable financial transportation projects, leaving unfavorable but needed projects without adequate resources (Buxbaum and Ortiz 2007). The public hears different messages about PPPs from political leaders and industry. Public concern is raised when an agency like the Government Accountability Office indicates that private tolls tend to be higher than public tolls. Unfamiliarity with tolls in some states or reluctance to see toll rates raised are cause for some public concern. The future of tolling may be related to the gas tax. Without an increase in the gas tax, the national Highway Trust Fund will dwindle, and without the assistance of federal funding, states may be forced to transition to toll roads (Layton and Hsu 2008).

### P3 links to PTX

#### CP links to politics - P3s divisive in congress

Papajohn et al. 2011 [Dean, Civil Engineering Manager of the Pima County Department of Transportation; Qingbin Cui, Assistant Professor of Civil and Environmental Engineering at the University of Maryland; Mehmet Emre Bayraktar, Assistant Professor for the Department of Construction Management at Florida International University | “Public-Private Partnerships in U.S. Transportation: Research Overview and a Path Forward” JOURNAL OF MANAGEMENT IN ENGINEERING, July 2011]

The U.S. House of Representatives Committee on Transportation and Infrastructure sent a letter to governors, state legislators, and state transportation officials regarding PPPs. In contrast to the Executive Branch’s support of PPPs, the purpose of the committee’s letter was to “strongly discourage you from entering into pubic-private partnership (PPP) agreements that are not in the long-term public interest in a safe integrated national transportation system that can meet the needs of the 21st century.” Although acknowledging the need for increased funding of transportation infrastructure, the committee expresses concern regarding the use of PPPs and the intent to undo PPPs that compromise national transportation interests. One of the committee’s concerns is over the foreign and domestic management of highways, which they believe is in contrast to the way the national highway system began in 1956 based on federal-state partnerships. They caution against PPPs that “may favor parochial and private interests” at the expense of the national transportation network. The committee cites additional concerns such as concessions containing noncompete clauses that limit improvements to reduce congestion on adjacent highways andstreets; long-term leases that may favor private investors over public benefit; and sustainable financing. To counter the “model legislation” provided by the U.S. DOT to the states (USDOT 2008), the committee promised to provide a discussion paper outlining critical aspects to consider before moving forward with PPP legislation (Oberstar and DeFazio 2007; Berard 2007).