Privatized Toll Roads: Synthesizing the Evidence

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Three Questions

1. What gets privatized?
2. When is privatization a good idea?
3. How to protect the public?

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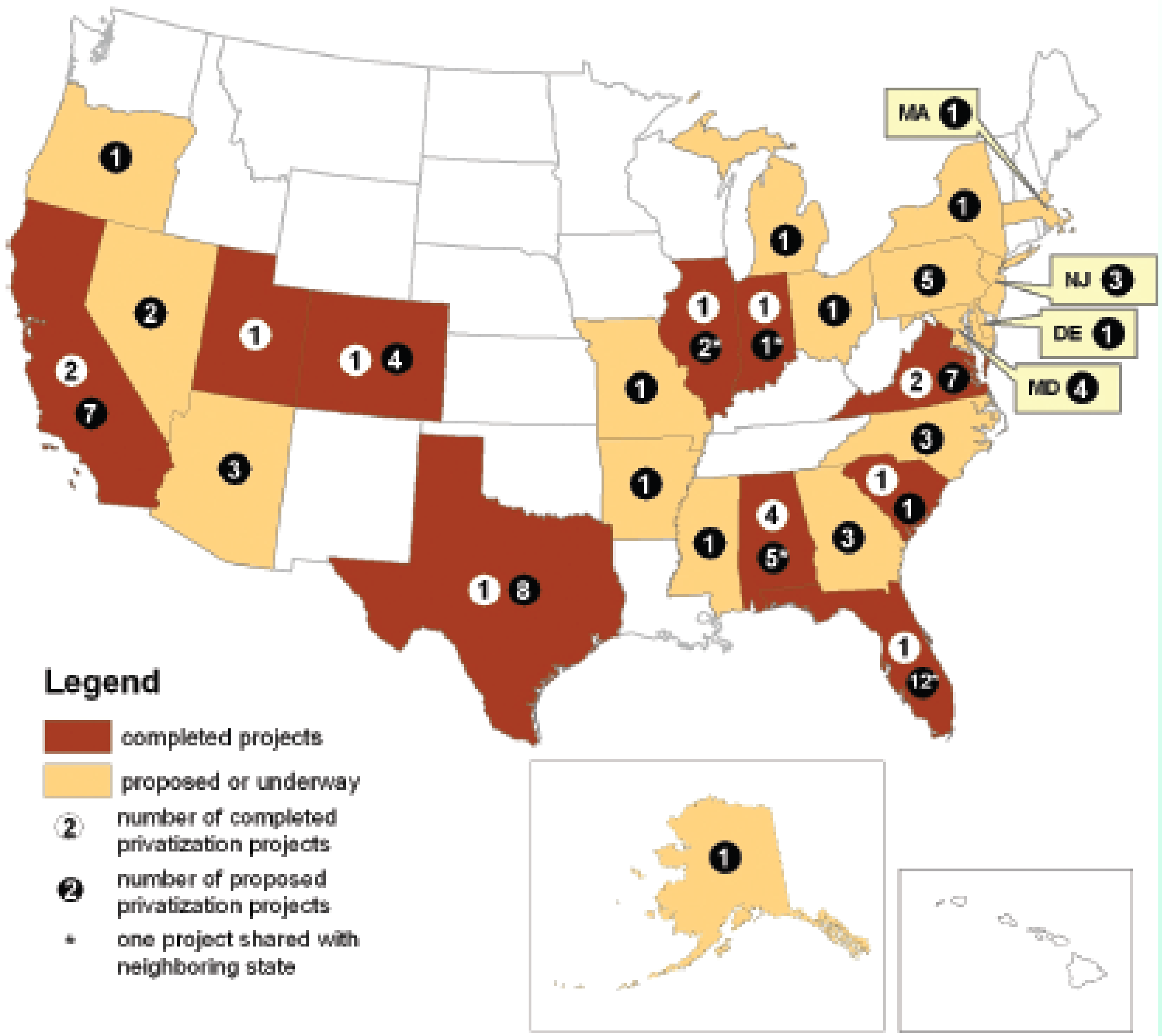
Completed, Underway and Proposed Privatization Projects



When Does Privatizing Public Functions Make Sense?

1. Ongoing market competition
2. Proven comparative advantage
3. Well-defined public needs and criteria for success

1. Not Ongoing Competition

Highways are natural monopolies

Contracts sometimes even guarantee monopoly status

Leases too long for market accountability

Companies aren’t striving for contract renewal in 2059

2. Outsources Tasks the Public Does Best

Raising long-term capital – Public sector does more cheaply

- Debt
- Equity
- Transaction costs and profit margins

Planning and policy – Integrated, contingent, and guided by public interest

3. Public Needs and Risks can not be Anticipated

- Contracts 50+ years
- Population, technology, society changes unpredictably
- Longer, more detailed contracts can't adequately protect the public

What Makes Sense?

- Financing
- Construction? – but already largely private
- Operations? – but few potential cost savings; little private interest
- Toll revenue

How to Protect the Public?

1. **Retain public control**: no non-competes or forced compensation
2. **Fair value**: at least match what public borrowing could generate with same tolls
3. **Shorter deals:** 30 years maximum
4. **State-of-the-art standards** for safety and maintenance, not just state average
5. **Complete transparency** and disclosure
6. **Legislature must approve** final deal, not just authorize deal making