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Governments consider controversial building deals

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NEW YORK (AP) — New York City and New Jersey need a new bridge, but money is tight. So officials are doing something they've never done before: They're getting a private company to build one, then buying it a little at a time.

Such public-private partnerships are becoming more attractive as cash-strapped governments search for ways to overhaul aging roads and bridges. But they are also fueling a debate over the role of government in providing roads, bridges and other major transportation projects.

Proponents say the deals can help take the place of the nation's dwindling highway trust fund. Skeptics insist they drive up costs, and that deals allowing companies to charge tolls are chipping away at the American tradition of free roads built by and for the people.

"There is a movement away from the idea that everybody is entitled to use any road without fee," said Jonathan Peters, a professor of finance at the College of Staten Island.

In many projects, private companies make money by collecting tolls. In others, like New York's Goethals Bridge, the government will pay companies back over decades using a mix of toll money and other revenue. Motorists already pay \$8 per car to cross the existing bridge into New York City.

Public-private partnerships are being considered for dozens of new projects: a new bridge in Detroit, an approach to the Golden Gate Bridge in San Francisco, a road to the Jackson, Miss., airport, a traffic loop around Baton Rouge, La., and railroad projects in Virginia, West Virginia and Ohio. The governors of Virginia and Connecticut have both pointed to such partnerships as a way to meet their states' transportation needs.

"The problem is that if the public agency could come up with the capital to do the project themselves, even if they had to pay it back over time, the public could probably get a better deal out of it," said Greg Cohen, president of the American Highway Users Alliance, a Washington-based advocacy group.

In New York, officials hope a public-private partnership will help them replace the Goethals, an 83-year-old toll bridge that connects New Jersey to the New York City borough of Staten Island.

A new bridge could cost \$700 million to \$1.3 billion. But the agency that owns the bridge, the Port Authority of New York and New Jersey, is short on cash.

The Port Authority's airports and docks aren't bringing in the money they used to because of the global slump in trade. The agency has already slashed its 10-year construction plan from \$29 billion to \$24 billion because of plummeting revenue.

In better times, the Port Authority would borrow money by issuing bonds, then hire engineers and construction firms to build a new bridge.

But the agency has committed \$8 billion to rebuilding the World Trade Center complex in Lower Manhattan and is worried about overextending itself, said Christopher Ward, the Port Authority's executive director.

"The Port Authority is not the robust agency that otherwise would be able to do a Goethals Bridge project on our own," Ward said. "You just can't do this project and everything else from our traditional financing mechanism."

Eight private developers have said they are interested in the project, the first time the Port Authority has tried it, Ward said.

The developer would have to put up at least 10 percent of the bridge's cost. Another 33 percent could come from loans from the federal government. The rest would likely be borrowed from banks or investors.

The bottom line: The new Goethals Bridge could cost the Port Authority \$30 million to \$100 million more than if it financed the project itself, Ward said.

Opponents say that kind of money would be better spent on other projects. They fear the added costs may be passed on to the public through higher tolls, airport fees and shipping costs.

"In the end, it is much cheaper and a lot better to do it the traditional way" rather than through a public-private partnership, said Darrin Roth, director of highway operations for the American Trucking Association.

New York's comptroller, Thomas DiNapoli, is also wary of the deals. In January, he issued a report warning policymakers to be on the lookout for "unfavorable pricing, unrealistic expectations and budget gimmickry" in public-private partnerships.

Deputy Comptroller Thomas Nitido said the comptroller's office had not examined the details of the Goethals bridge project.

Proponents say while privately financed projects can be more expensive, they can also usually be done more quickly.

"The financial situation for state and local governments doesn't look very good for the next couple of years, and how long can you postpone these things?" Richard Norment, executive director of



Photo 1 of 4



The Goethals Bridge is seen from New York, Tuesday, March 1, 2011. The Port Authority of New York and New Jersey wants to replace the 83-year old structure with a new bridge and is considering partnering with a private company to build it for them. (AP Photo/Seth Wenig)



Map



the Arlington, Va.-based National Council for Public-Private Partnerships.

With private financing, he said, "You get the best of both worlds."

In the case of the Goethals Bridge, Ward said the Port Authority would save on the annual costs of maintaining the old bridge. He said the Port Authority had not started negotiating with a developer yet and would not sign any deal that does not benefit the public.

Private investment also makes projects less dependent on the U.S. government's shrinking highway trust fund, said Richard Ridings, a former president of the American Public Works Association. The gasoline tax that goes into the fund has been pegged at 18.4 cents per gallon since 1993, and Congress has been reluctant to raise it despite rising highway construction costs.

Some states have embraced public-private partnerships. Texas has built five new toll roads under such arrangements in recent years. Florida has given the go-ahead for a tunnel to the Port of Miami and toll lanes along the I-595 freeway in Broward County.

Other states have had second thoughts. The Missouri Department of Transportation says it saved more than \$500 million in 2008 when it opted for traditional financing instead of a 25-year, privately financed installment plan to replace hundreds of bridges in that state.

Other plans have run into legal obstacles. This month, Virginia officials abandoned plans to build a toll lane along a six-mile stretch of highway near Washington because of a lawsuit by Arlington County, which said the plan undermined government efforts to encourage car-pooling. The project is going ahead on other stretches of highway around Washington.

Trucking companies worry the push toward public-private partnerships will result in a wave of new toll roads in the United States, Roth said.

But Ridings said drivers have been spoiled by toll-free roads and low gasoline taxes dating back to the beginning of the Interstate Highway System in the late 1950s.

"We've spread candy for 52 years up and down the highways," Ridings said. "It's time to recognize that candy never was free."

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