

Donald Cohen: The Worst Privatization Deal in U.S. History Just Got Even Worse

It appears that every public service or function is up for sale. A few years ago, OSU sold parking rights to a company. That led to higher charges and other raw deals for those who need to park at OSU.

Donald Cohen, the author of the book, Privatization of Everything and Executive Director of In the Public Interest, writes about another raw deal for taxpayers and citizens.

The worst privatization deal in U.S. history just got even worse

New numbers are out on Chicago's privatized parking meters, and they aren't good.

Donald Cohen | June 9, 2022

A story I've been telling over and over again while on the road for my book "The Privatization of Everything" is the notorious and disastrous Chicago parking meters privatization deal from 2008. Somehow, it just got even worse.

New numbers are out, and this past year Chicago lost another \$136.2 million in potential revenue. That's how much in parking fees went to the group of global investors who operate the meters.

As you recall, Chicago (like all cities) was struggling financially because of the Great Recession. Out of desperation, the city rushed to take a \$1.15 billion offer from private investors—including some from as far away as Abu Dhabi—in exchange for control of 36,000 parking meters for 75 years.

Once the ink was dry, the deal's finer details came into focus. The city's inspector general concluded that the meters had been sold off \$1 billion dollars under their value. And because the investors demanded a healthy return on their investment, parking rates shot up to some of the nation's highest.

Since, the investors have made out like bandits. By 2019, they had made back their initial investment plus \$500 million in profit on top.

Combined with two other privatization deals made around the same time—four parking garages and the Chicago Skyway bridge—the parking meters have sucked billions from Chicago's budget.

"Chicago today would have between 3 and 4 billion dollars more than it has from these three deals together," Clint Krislov, director of IIT Chicago-Kent's Center for Open Government Law Clinic, told the Chicago Sun-Times. (Krislov has also said that the parking meters contract "pales by comparison" to the horrendous Skyway deal.)

As I told Paul Rosenberg for Salon earlier this year, it was an "incredibly stupid way" to borrow money on the city's future revenues.

But what I really try to get across when I tell the story is the extra, extra, extra stupid (and anti-democratic) part.

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Get this: The contract is written to make it harder (and much more expensive) for the city to introduce transit alternatives, like bus or bike lanes. The city essentially has to “buy back” parking spots to cover revenue that could have been generated over the life of the (75 year!) contract.

According to the new numbers, in the 12 years since the contract was signed, Chicago has “bought back” parking spots from the investors to the tune of \$78.8 million.

And who knows many times city planners have wanted to remove parking meters? A few years after the deal was signed, Chicago-area transportation planners told sociologist Stephanie Farmer that contract is tying their hands in efforts to build environmentally sustainable modes of transportation. Climate change has only sped up since.

This is the main reason why privatization is so dangerous. It erodes democracy, the principle that each and every one of us has an equal voice in our community. It gives too much power to banks, investors, and corporations, who have fundamentally different goals than public institutions. They exist to make a profit, not to promote equity, maintain a democratic society, or limit carbon emissions.

That’s why the things we all rely on and should be available to everyone, like water or K-12 education or how we get around (roads, bridges, buses, trains), are public goods and must stay that way.

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