

## **Privatization of parking services: Bad for The Ohio State University and the state of Ohio**

Parking facilities at The Ohio State University serve a diverse clientele: students, staff, faculty, and visitors, including prospective students, their parents, and alumni. Parking service is a non-profit operation that collects money from its customers to cover day-to-day expenses that include the campus bus service, the repayment of loans used for parking structures, and the salaries and benefits of Ohio workers and a significant number of OSU students.

OSU administration says that the university needs a large cash infusion to foster the development of core academic activities in the future. Among other initiatives to raise cash quickly, OSU administration has proposed to privatize parking operations for the next 50 years through a lease to a private operator, on the grounds that parking services are not part of the core mission of the university. We strongly disagree with this interpretation, because parking services are essential for student access to classes, faculty access to students, and staff access to work. But even if we agreed, we believe this proposal is not in the best interest of OSU for several reasons.

Under the administration's proposal, the private operator would provide a large, one-time up-front payment in exchange for the right to operate parking on campus and keep all the revenues paid by those who park on campus for the next 50 years. This deal is equivalent to a loan to OSU, repaid for the next 50 years with the foregone revenue that OSU would have received if it retained control of parking. Instead, that money would go to the private operator, in addition to whatever additional amount the operator could raise from higher prices or greater volume. This loan would be repaid by a captive market of students, their parents, staff, faculty, and alumni, at fee levels that the parking operator would be permitted to raise well above the average increases of the recent past.

Under the plan, the private operator would be responsible for maintaining, not improving, current service levels. Meanwhile, OSU would retain responsibility for many of the expenses now paid for with parking revenues. It would also acquire unknown new compliance monitoring and, possibly, litigation costs. When this revenue source now obtained by OSU for parking disappears, how would the administration cover these costs? They would need to divert money from elsewhere, or raise other fees from students, staff, and faculty.

The university has proposed that an up-front payment of \$400 million, for example, could be invested long term to fund core mission activities on campus (i.e., scholarships, faculty hiring, etc.) "in perpetuity" (<http://oncampus.osu.edu/2012/02/getting-down-to-basics/>). However, a financial analysis shows that unless the private operator were willing to lend OSU far more than \$400 million, there would be much less money available than the administration has claimed to invest in the academic core — if any. (For more detail see <http://cse.osu.edu/~weide/parking/>.)

This up-front payment of \$400 million would buy the operator a monopoly of parking at OSU. As has been the case in prior experiments of this sort (e.g., in Chicago and Indianapolis), the preeminent concern of the private operator is profit for itself and a group of financial investors, and not necessarily good services priced in a fair manner. In April 2012, for example, Chicago was threatened with a lawsuit for \$200 million because it allowed a private company to construct a new garage arguably in violation of the original contract, which said the city could not allow

the opening of any new parking facilities that would compete with the private operator under the deal signed in 2006 (<http://www.suntimes.com/news/watchdogs/11840471-452/chicago-faces-200-million-claim-over-privatized-parking-garage.html>). Privatization of parking has failed at other universities. In 2011, after 25 years of management by a private operator, Vanderbilt University Medical Center brought the entire operation back in-house because they thought they could provide much better customer service, be more sensitive to campus culture, and keep the revenues.

Another issue is that the investor groups controlling parking at OSU would not be based in Ohio. The *Wall Street Journal* (4/1/12) reports that two of the bidders for the OSU parking revenues are the Carlyle Group and Macquarie Group Ltd., the former based in New York City and the latter in Australia; the other two qualified bidders are also based in Australia. Thus, revenues paid for parking by OSU workers and students would likely flow out of Ohio instead of staying here at home.

The scheme proposed to monetize parking services is bad for OSU. The faculty have overwhelmingly suggested that OSU administration not privatize parking. (A recent faculty-run survey found 84% are opposed!) Privatization of parking would result in profits for private investors at the expense of all who need to park on campus in return for limited or even no new resources for the university. It also raises very important questions about the legal and social implications of privatizing public infrastructure. There must be other, more beneficial, and more innovative ways to deal with funding for the University, and we encourage OSU's leaders to pursue them.

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Signed by:

- 1) Anderson, Greg (History)
- 2) Aman, Michael (Psychology)
- 3) Arnold, L. Eugene (Psychiatry)
- 4) Aubrecht, Gordon (Physics)
- 5) Basta, Nicholas (School of Environment and Natural Resources)
- 6) Beazley<sup>2</sup>, Mary Beth (Law)
- 7) Beck<sup>1</sup>, Paul (Political Science)
- 8) Belkin, Misha (Computer Science and Engineering)
- 9) Berman, Nina (Comparative Studies)
- 10) Birckbichler, Diane (French and Italian)
- 11) Bonello<sup>1</sup>, Pierluigi (Plant Pathology)
- 12) Brodsky, Sergey (Pathology)
- 13) Brosnan<sup>2</sup>, Patti (Mathematics Education)
- 14) Brown, Lawrence (Geography)
- 15) Brown, Phillip (History)
- 16) Buckley, Timothy (Environmental Health Sciences)
- 17) Burack, Cynthia (Women's, Gender and Sexuality Studies)
- 18) Caldeira, Gregory (Political Science)
- 19) Cash, Scottye (Social Work)

- 20) Cohen, Jeffrey (Anthropology)
- 21) Conlisk<sup>1</sup>, Terrence (Mechanical and Aerospace Engineering)
- 22) Cooksey, Elisabeth (Sociology)
- 23) Crawfis<sup>2</sup>, Roger (Computer Science and Engineering)
- 24) Crenshaw, Edward (Sociology)
- 25) Dabelko-Schoeny, Holly (Social Work)
- 26) Dapino, Marcelo (Mechanical and Aerospace Engineering)
- 27) Davis, Ian (Veterinary Biosciences)
- 28) Del Sarto<sup>1</sup>, Ana (Spanish and Portuguese)
- 29) Ellis, Michael (Plant Pathology)
- 30) Ettliger, Nancy (Geography)
- 31) Fristad, Mary (Psychology)
- 32) Galloway<sup>2</sup>, Gloria (Neurology)
- 33) Givens<sup>1</sup>, Ben (Psychology)
- 34) Goel, Prem (Statistics)
- 35) Graff, Harvey (English)
- 36) Hadley, Susan (Dance)
- 37) Hammermeister, Kai (Germanic Languages and Literatures)
- 38) Harrison<sup>1</sup>, Kent (Horticulture and Crop Science)
- 39) Hartmann, Susan (History)
- 40) Hawkins, Tom (Classics)
- 41) Heinz<sup>1</sup>, Ulrich (Physics)
- 42) Herms, Daniel (Entomology)
- 43) Hodson, Randy (Social and Behavioral Sciences)
- 44) Huber, Joan (Sociology)
- 45) Hughes, John (Molecular Virology, Immunology, and Medical Genetics)
- 46) Jacobs<sup>2</sup>, David (Sociology)
- 47) Jani, Pranav (English)
- 48) Jones, Susan (Entomology)
- 49) Joshua<sup>1</sup>, Roy (Mathematics)
- 50) Kim, Rebecca (Social Work)
- 51) Lehman<sup>1</sup>, Barbara (Teaching and Learning)
- 52) Lekies, Kristi (School of Environment and Natural Resources)
- 53) Lemberger<sup>1</sup>, Tom (Physics)
- 54) Lisa<sup>1</sup>, Michael (Physics)
- 55) Lobao<sup>1</sup>, Linda (Rural Sociology, Sociology, and Geography)
- 56) Lopez, Steven (Sociology)
- 57) MacBeth<sup>2</sup>, Doug (School of Policy and Leadership)
- 58) Mackey<sup>2</sup>, David (Horticulture and Crop Science)
- 59) Mansfield, Becky (Geography)
- 60) Martin, Jay (Food, Agricultural and Biological Engineering)
- 61) McConaghy<sup>2</sup>, John (Family Medicine)
- 62) McCorrison<sup>2</sup>, Joy (Anthropology)
- 63) McNiven, Timothy (History of Art)
- 64) McSpadden Gardener, Brian (Plant Pathology)
- 65) McSweeney<sup>1</sup>, Kendra (Geography)

- 66) Mendelsohn, Daniel (Mechanical and Aerospace Engineering)
- 67) Metzger, Jim (Horticulture and Crop Science)
- 68) Miller, David (Germanic Languages and Literatures)
- 69) Miller, Sally (Plant Pathology)
- 70) Mills, Margaret (Near East Languages and Cultures)
- 71) Mulick<sup>2</sup>, James (Pediatrics and Psychology)
- 72) Munroe, Darla (Geography)
- 73) Murphy, Jane (Architecture)
- 74) Mutti<sup>2</sup>, Don (Optometry)
- 75) Nespor, Jan (Educational Policy and Leadership)
- 76) Niblack, Terry (Plant Pathology)
- 77) Noyes, Dorothy (The Center for Folklore Studies)
- 78) Ogle<sup>2</sup>, Crichton (Mathematics)
- 79) Olson, Lynne (Veterinary Biosciences)
- 80) Partridge, Mark (Agricultural, Environmental and Development Economics)
- 81) Pearl, Dennis (Statistics)
- 82) Preston, Cynthia (OSU Libraries)
- 83) Raby, Stuart (Physics)
- 84) Rakowski, Cathy (Women's, Gender and Sexuality Studies)
- 85) Ramnath<sup>1</sup>, Rajiv (Computer Science and Engineering)
- 86) Rhoades, Melinda (Teaching and Learning)
- 87) Robb, Jenny (Billy Ireland Cartoon Library & Museum)
- 88) Roblin, Patrick (Electrical & Computer Engineering)
- 89) Rosenstein, Nathan (History)
- 90) Roth, Randy (History)
- 91) Scheer, Scott (Human and Community Resource Development)
- 92) Shaw, James (Molecular Virology, Immunology, and Medical Genetics)
- 93) Shi, Tao (Statistics)
- 94) Siegel, Jennifer (History)
- 95) Slaughter, Todd (Art)
- 96) Soundarajan, Neelam (Computer Science and Engineering)
- 97) Strunk, Daniel (Psychology)
- 98) Tanenbaum<sup>1</sup>, Sandra (Public Health)
- 99) Tanner, Heather (History, Mansfield Campus)
- 100) Torrance, Richard (East Asian Languages and Literature)
- 101) Trigo, Abril (Spanish and Portuguese)
- 102) Van Zandt<sup>1</sup>, Trish (Social and Behavioral Sciences)
- 103) Walter, Mark (Mechanical and Aerospace Engineering)
- 104) Wang, DeLiang (Computer Science and Engineering)
- 105) Webber<sup>2</sup>, Sabra (Comparative Studies)
- 106) Weide<sup>1</sup>, Bruce (Computer Science and Engineering)
- 107) Williams, Joseph (Evolution, Ecology and Organismal Biology)
- 108) Williams, Kristi (Sociology)
- 109) Wolfe, Andrea (Evolution, Ecology and Organismal Biology)
- 110) Zhuang, Mei (Mechanical and Aerospace Engineering)

Notes:

<sup>1</sup> OSU Faculty Senator

<sup>2</sup> OSU Faculty Senator Alternate