

Campus Parking Privatization

Marc Bilodeau

Associate Professor of Economics

IUPUI

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The [Indiana Business Journal](#) and the [Chronicle for Higher Education](#) reported some time ago that Indiana University's trustees are seriously considering privatizing campus parking. More recently, it was announced that [Goldman Sachs had been awarded the contract to "advise" the university](#) on how to proceed. Privatization is being promoted under the banner of "parking monetization", the idea being that the university could collect much more money from its parking operations than it currently does. But "parking monetization" could be achieved with or without privatization. So the first question to investigate is whether parking monetization should be attempted at all. A separate but related question is whether or not there would be advantages from privatization. Let's consider each in turn.

Parking Monetization

Parking at IUPUI is currently managed by Campus Parking Authority, a non-profit entity whose mandate is to provide parking services to the campus community subject to breaking even, i.e., not requiring subsidies. It is not expected to contribute any income to the university. In principle, the IU trustees could vote any time to convert Campus Parking to a for-profit activity. This does not require outright privatization, just a decision by the trustees to begin using Campus Parking as a cash cow.

For-Profit Parking: Monopoly Pricing

Traditional economic theory can be useful to understand how the university could maximize the profit collected from parking services. There is very little parking space available in the area surrounding campus to provide meaningful competition, and there is no comprehensive mass transit system able to funnel passengers to campus from anywhere in the city. So (i) Campus Parking would enjoy monopoly power; and (ii) the demand for parking spaces will be highly inelastic since employees and students must come to campus to work and study and there are few close substitutes to driving and parking there. Economic theory is clear and precise about what the expected consequences would be: Parking rates would be raised much above the current rates.

Increase Price 'til It Hurts

How high would parking rates increase? Simply put, until it hurts... a lot. For example, if rates increased, say, 50% but only 5% of customers stopped buying parking permits, then

profits would be up by about 45%. The increase did not hurt enough to cause a large loss of customers, so a profit-maximizer would keep increasing rates more, more, and more, until the price was so high that further increases would be completely offset by the loss of customers who would stop parking on campus altogether. In the end, parking permits would be sold at rates likely much higher than downtown rates (since there is at least some competition among parking garages downtown). The only brakes on sky-high price increases are that the university would have to take into account that some students might respond to high parking rates not only by finding another way to come to campus, but also by not enrolling at IUPUI at all, costing the university not only parking permit sales but also tuition-paying students. High parking rates also could encroach on the university's ability to make money from tuition, or force the university to offer higher compensation to attract top-notch faculty.

Hitting Hardest Those Whose Income Is Lowest

While it remains to be seen how high parking rates would actually increase, parking monetization would necessarily result in a significant increase in the cost of studying at IUPUI and a reduction in the take-home pay of those who work at IUPUI. While it is true that the university would be collecting extra revenue, this would come at the expense of both students and employees and is unlikely to be returned to them in the form of lower tuition or higher wages. Parking monetization would be like a regressive tax, hitting hardest the students and employees whose income is lowest.

Better Parking for the Rich

Possibly the only benefit of parking monetization is that when enough people give up buying parking permits, we can expect available parking spots to be plentiful for those who can still afford them. So those rich enough to continue driving to campus will no longer have to fret about finding a parking spot. At the same time, available--and empty--parking spots will be forbidden to the less well heeled. Also, an additional way to increase profit would be to expand price discrimination, e.g., charging different rates for different lots, multiplying short term parking meters, etc... In a fully monetized parking system, the wealthy could buy up the right to park in the most convenient lots and the poor would trudge to their classes from the furthest corners of campus. The Beamers and Lexuses will no longer have to park next to the beaten up old clunkers.

Parking Privatization

The proposal to privatize parking would contract out campus parking operations to a for-profit corporation. The private buyer would be given the right to collect future parking revenue in exchange for an up-front payment to the university. The contract could also include some annual profit sharing with the university administration, and maybe some limits on price increases since parking rates could encroach on the university's ability to collect tuition.

Mortgaging the Future

Parking privatization promises that the university will collect money up front. Is this a benefit? I suppose if one thinks only of the immediate future: the university gets a chunk of money now for selling a valuable asset, so some income appears on the balance sheet, but the alienated asset must be subtracted from the other side. It's like selling or mortgaging one's house: you get some cash up front but you don't own the house anymore, and you're going to be stuck making rent or mortgage payments forever after, or until you buy it back or pay back the mortgage.

Relieving Campus Parking Authority's Debt

An argument advanced in favor of privatization has been that Campus Parking has a multimillion dollar accumulated debt and that some of the up-front income from privatization would be used to retire this debt, thus relieving the university from this burden. Indeed, Campus Parking has long been financing the construction of new parking garages by issuing bonds (e.g., 20 year bonds). These bonds are backed by its ability to collect a stream of parking revenue from users. The fallacy of this argument is that this debt is in no way a burden weighing down Campus Parking. It is just a reasonable way to spread the cost of these facilities over time to those who will use them, including people who are not currently employees or students but who in 15 years' time would use a parking garage built last year. The reality is that alienating the asset would also alienate the stream of revenue it generates. That would not be a gain for the university. People worried about debt should be much more worried about mortgaging the future by selling off assets than about the bonds issued to finance garage construction. Implying that the university needs to privatize parking to discharge this debt is ridiculous and dishonest.

Profits Flowing Away

The main consequence of privatizing Campus Parking is that profits would be flowing away from the university community. How do you think the Parking Corporation will generate million dollar salaries for its CEO? Every dollar of profit collected by the Corporation will be coming from one of three sources: (i) higher parking rates paid by employees and students; (ii) wage reductions for Campus Parking employees; and possibly (iii) the plastering of commercial billboards throughout campus parking lots if the contract allows it. Do we want to see staff being paid Wal-Mart level wages? Do we want to be reminded to buy, buy, buy every time we peek outside? That's always what privatization brings: since corporations are dedicated to funneling money to the top, that's exactly what the parking corporation would do. Privatization will result in a significant redistribution of wealth from university students and employees to the shareholders and managers of this corporation, and a diminution in the quality of life on campus.

Neoliberal Ideology

Privatization is one of the three main planks in the neoliberal agenda (along with deregulation and trade liberalization) that has been pushed vigorously throughout the world since Reagan and Thatcher. Neoliberalism is an ideological current that seeks to expand the range of activities dominated by for-profit corporations, and consequently to

reduce the range of activities under democratic control. As long as IUPUI, including Campus Parking is a public institution, its various stakeholders (students and employees in particular) can claim a voice in determining how it is managed. We would no longer have such opportunities once Campus Parking is in the hands of a for-profit corporation. Our options would be reduced to buying or not buying parking permits. All meaningful decisions will be made in corporate boardrooms by managers who could not care less about the well being of the university community.

Vaunted Private Enterprise Superiority

Neoliberal ideologues' trump card in any privatization debate is to claim superior private enterprise efficiency bringing untold benefits to consumers. Is Campus Parking Authority a hopelessly corrupt bureaucracy? If so, then maybe the trustees who let this happen or whoever else is in charge should be fired and replaced. What could privatization possibly accomplish to improve efficiency that cannot be done by a competent administrator? The only honest answer is: Nothing. If a better scheme for regulating the flow of traffic in and out of campus parking lots can be designed, who says for-profit CEOs are the only ones who can implement it? The entire argument about the so-called superiority of private enterprises is a myth. Unless of course efficiency is taken to mean union busting, lower wages for employees, higher prices for consumers and extravagant salaries for managers. In fact, for-profit corporations face the same or worse problems of internal motivation as other types of organizations: what employee will be highly motivated to work hard all day just to enrich his boss? At least workers in nonprofit organizations can find solace in thinking that they may be contributing to a nobler mission.

Improving Parking

There are 3 main and interrelated questions that need to be answered to manage an entity like Campus Parking efficiently: (i) how many parking spaces to have to adequately serve the university community; (ii) how many parking permits to offer for sale each year (since not everyone comes to campus at the same time it is possible to sell more permits than the number of spaces available, but if too many permits are sold then parking shortages would ensue); (iii) at what price to sell these permits (to avoid a race to snap up available permits as soon as they are issued if demand too far exceeds supply). Answering these questions correctly is particularly difficult because it is hard to get accurate information about the demand for parking. An ideal pricing scheme would be a "peak-load" pricing scheme, that would recognize that more cars come to campus during some periods than others and therefore offer lower priced (or even free) access at off-peak periods such as week-ends and overnight, and charge higher prices to park during peak periods. The idea is to ration parking spaces intelligently and try to divert as many users as possible to off-peak periods when there are many empty spots. Easier said than done, however, and the numbers need to be constantly fine-tuned to lessen the frequency of frustrating experiences such as when someone has bought a parking permit but is unable to find an available parking space on campus during some peak demand period. The point is that even though there is always some latent frustration with the state of campus parking, the solution to these frustrations is not in privatization, but in figuring out better answers to the 3 above questions.

Privatization is not inevitable

Privatization is not inevitable yet, at least if we react promptly enough and mobilize employees and students. There is no reason to take it lying down and begin negotiating privatization terms. Nothing good can come out of it. This should concern all of us. What the IU administrators call euphemistically “revenue enhancement” or “parking monetization” is purely and simply an attempt to extract large amounts of money from students and employees of the university and transfer it to corporate profiteers. It is no secret that Governor Daniels has been packing the IU board of trustees with his corporate acolytes, and they are intent on doing their share to expand the domain of activities under corporate control. Should this privatization pass, we can expect the cost of parking on campus to increase significantly, matching or likely even exceeding the rates paid to park downtown. I think only a strong chorus of protest could derail this project. I urge everyone to take any measure to express your opposition to this proposal.