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New State Panel to Study Privatizing Public Assets

By [DANNY HAKIM](#)

ALBANY — Facing a recession, Gov. [David A. Paterson](#)'s administration said on Tuesday that it would set up a commission to explore ways to privatize public assets, including the lottery system and bridges like the Tappan Zee.

Administration officials said that the governor was not seeking to plug holes in the budget by selling off the state's assets. Still, any money raised could be used to make capital investments that the state otherwise would be unable to make in a financial downturn, they said.

The commission's chairwoman is to be one of the governor's aides, Charlotte Hitchcock, deputy secretary for labor and financial regulation, making it somewhat less independent than many other study commissions in New York. Of the 11 members, 6 will be appointed by the governor, 4 will be recommended by the leaders of the Assembly and Senate, the attorney general and the state comptroller, and one will come from organized labor.

"Public-private partnerships are not the only answer, but we need to honestly assess whether they can be part of the solution," the governor said in a statement.

Sean Patrick Maloney, a top aide to Mr. Paterson, said the governor "is not interested in a quick fix for the budget deficit," adding, "He does want to understand what is the best way to partner, if any, with the private sector."

Investment banks have long advocated privatization deals to state governments. Typically, they are structured as long-term leases, like the deal Chicago struck in 2005 to lease a toll road, the Skyway, to a foreign consortium for the next century in exchange for \$1.8 billion.

Such ideas have been met with skepticism by the New York Legislature, which rejected an effort earlier this year by [Eliot Spitzer](#), the governor at the time, to privatize the state's lottery system. The Paterson administration said last week that it would consider some kind of private partnership in a multibillion-dollar project to replace the Tappan Zee Bridge.

"There's never anything wrong with looking at an idea, but it's got to be balanced and not predetermined," said Assemblyman [Richard L. Brodsky](#), a Westchester Democrat who is the chairman of the Assembly committee that oversees the public authorities that manage much of the state's infrastructure. "It's a very hard week to extol the virtues of private financing deals and a very hard week to rely on Wall Street's advice."

Stephen J. Acquario, executive director of the [New York State](#) Association of Counties, said, “At this time of fiscal distress and uncertainty, all available options should be explored by the state.”

Ms. Hitchcock has a legal background. Before joining the Paterson administration in May, she served as deputy counsel to Assembly Speaker [Sheldon Silver](#), and for 15 years before that was a senior staff lawyer with the [Legal Aid Society](#) in Manhattan.

Asked about her expertise in examining privatizations of major public assets, she pointed to her close ties to organized labor and her role as one of the officials involved in the state’s recent move to allow the American International Group access to \$20 billion of capital from its subsidiaries, a day before the embattled insurer received a federal bailout.

Elizabeth Lynam, a deputy research director at the [Citizens Budget Commission](#), called the Hitchcock selection “an interesting choice.”

“Part of the idea of these is that the private sector can extract better value than the government can, and some of that has to do with labor costs,” she said, suggesting that since Ms. Hitchcock’s role as the administration’s top labor adviser could undercut cost-cutting efforts.

But Ms. Lynam added that the recent turmoil on Wall Street suggested that even “titans of industry are not necessarily the best people to talk to about leveraging capital.”

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