# Private toll road, highway robbery

*As the first such road in two centuries opens in Virginia, L. Wolfe explains the thievery behind these "public-private partnerships."*

Loudoun County, Virginia, located some 35 miles west of the District of Columbia, where suburban sprawl is taking over formerly agricultural areas adjacent to the so-called Northern Virginia Hunt Country, earned the dubious distinction of being the site of the first privately developed and operated toll road in the nation in nearly 200 years, in late September.

"Nearly two centuries of history shattered in the mists of the Blue Ridge today as the first private toll road since 1816 opened," bragged a release from the Dulles Greenway, as the road is called. "The Greenway charts a new path for local officials anxious to build and improve bridges and highways without raising taxes."

The road, a 14-mile, four-lane divided highway between Leesburg and Dulles International Airport, connects with an existing state-run toll road that carries commuters east to the Washington metropolitan area bounded by the Beltway. It opened Sept. 29 with a ceremony featuring many of the celebrants of the Mont Pelerin Society-directed privatization craze, with speakers, including Virginia Gov. George Allen and U.S. Secretary of Transportation Federico Pena, heaping praise on the $326 million project and calling it a "new paradigm" for infrastructure development through "public-private partnerships."

"We've built more than a road here," said Gen. Charles Williams (ret.), the chief operating officer for the Greenway. "We've laid a foundation for a new approach to revitalizing our crumbling infrastructure here in Virginia as well as across the U.S., and for that matter, around the world."

The slickly promoted project, which has received national and international attention, is intended by the privatization clique to be the "poster child" to sell a wide array of schemes to loot hundreds of billions of dollars through privatization of infrastructure.

## For whom the road tolls

Greenway officials and others at the ceremony concocted a false history of the project to justify both its existence and the king's ransom in tolls that are to be charged for a one-way drive. When the road opened for business, it charged $1.75 for a one-way trip, $3.50 round trip; that will rise to $2 after Jan. 1, 1996 and keep rising, according to an agreed-upon schedule over the coming years. (To understand how outrageous this toll is, a comparable toll rate would charge more than $20 for a ride the length of the New Jersey Turnpike, rather than the approximately $4 it now charges).

The Greenway's sponsors and promoters, which are led by its chief investor, Middleburg, Virginia Hunt Country millionaire Magalen Ohrstrom Bryant, claim that the high tolls were necessary to secure the financing for the road; Mrs. Bryant, who is connected to the dirty intelligence networks of George Bush, and through business connections, to the London financial circles of the House of Windsor and Prince Philip's World Wide Fund for Nature, put up some $80 million of her family fortune. The corollary lie, repeated at the opening ceremonies, is that there were no funds for the Commonwealth of Virginia to build what was originally known as the Dulles Toll Road Extension.

However, the state was fully prepared to build the road back in 1987-88, with a projected completion date of 1991, with an approximate toll of 50¢. The estimated cost for the project was well below $200 million. In other words, the intervention by the privateers added at least four years, nearly doubled the cost, and quadrupled the tolls, despite the claims they continue to make that they could more efficiently build the road than the state could!

## A 'paradigmatic' scam

The ballooning costs of the Greenway and its increased costs to users over a public infrastructure project are indeed "paradigmatic" of this genre of privatization schemes.

The Greenway people must conceal the most elemental swindles of their scam beneath doublespeak about "public-private partnerships." What the privateers mean, is the use of government resources and public money to fund their private profits. How would it ever be possible that a private project would be cheaper than a state-developed one, if one adds to the private project the profit that must be ensured to investors and noteholders alike? In the case of Greenway, they are guaranteed a 30% return on their investment in the first years of the project: The toll monies are going to pay private investors—as they must go into similar pockets in all such privatized infrastructure projects.

The Greenway suckered both state and local government to deploy their resources in helping it secure the needed right-of-way, at far less than they would have paid for it on the

*Virginia Gov. George Allen (R), who backs privatizing every state responsibility from schools, to prisons, to infrastructure, addresses the inauguration of the Dulles Greenway, the first private toll road in the United States since 1816. While the highway's high tolls will be a gold mine for its financial backers, the privateers had to ask the local governments to "ante up" to pay for the lavish opening ceremonies.*

open market; in some cases, land was donated to the "cause" by local government. This in no way reduced the tolls; it merely increased potential profits.

## Contrary to American System

It is for such reasons that the Founding Fathers understood that private ownership of public infrastructure was a bad idea.

The profit derived from any infrastructure development must be understood in its relationship to the economy of a region or nation, taken as whole. Infrastructure enhances the efficiency of commerce, making all operations of an economy more efficient, and thus more profitable. It is the proper function of government to develop and operate infrastructure, in the most effective manner, at the lowest possible cost to a user; ideally, there should be no cost at all as a direct charge, and if there is a charge, to regulate usage, it should be kept to a minimum.

The costs of infrastructure development thus cannot be recuperated from user fees, especially over a short time; any effort to do so, undermines the effectiveness of infrastructure projects and is counterproductive, actually reducing the overall profit of an economy.

This is a cornerstone of what is known as the American System of economics, as practiced by Alexander Hamilton, and embodied within the Commerce clause of the U.S. Constitution. In part, this clause was intended to stop the proliferation of private toll roads during the period of the Articles of Confederation, which nearly choked off all commerce and destroyed the nation. As Hamilton, the nation's first treasury secretary, proposed, infrastructure projects should be built without recourse to private borrowing, financed with direct Treasury-generated, low-interest credits distributed through a national bank. These credits are distributed to private contractors, who actually build the infrastructure; however, the contractors are not to be allowed to own the infrastructure or to operate it for profit.

Thus, the American System concept of a "public-private partnership" involves the government financing of the private construction of infrastructure, which the government owns and whose operation it regulates, never running it to generate "profit" in the accountant's bookkeeping sense of the term.

Contrary to the popular myth fostered by high school and college economics texts, federal and state governments built most of the early American infrastructure, including the nation's early, extensive railroad system, in just this manner, and often projects were planned and directed by the Army Corps of Engineers. When British agents finally succeeded in destroying the Hamilton-inspired National Bank during the administration of Andrew Jackson, it opened up the door to a wave of "privatization," with British-linked financial interests, for example, taking control of most railroads, and looting them through financial swindles. There was resistance to this process, even past the Civil War period, mainly from a group of financial, scientific, and industrial interests centered in Philadelphia, who were followers of the American System economists Mathew and Henry Carey, but the failure to reestablish Hamiltonian national banking and credit policies severely hampered their efforts.

The scandalous "development" of the New York City

## The Bush connection

The Greenway, as a project, has its origins in the shady backwaters of the Reagan-Bush administration, under the Privatization Council, headed by George Bush's Japanese gangster-linked brother Prescott, who has praised the private toll road project. As Prescott Bush made clear in published remarks and addresses, the impetus for the drive to privatize billions of dollars' worth of public infrastructure, came directly from the British Mont Pelerin Society economics gurus who ran Margaret Thatcher's disastrous policies, including her privatization of services, which have reduced the British economy to a rubble heap.

One of the directors of this Privatization Council was the chief executive officer of the Toll Road Corporation of Virginia—the Greenway's predecessor—former Reagan-Bush Assistant Secretary of Transportation Ralph Stanley, who secured most of the local and state government approval for the project, and then was discarded as it entered the construction and implementation phase. Michael Crane, Magalen Ohrstrom Bryant's son and a Greenway executive, serves on the successor group to the Privatization Council—the National Council for Public-Private Partnerships. The group has also praised the Greenway project.

While the Greenway is a state project, the Bush crowd looks to grab federal projects, as well, weaving them into a privately run network of looting schemes.

In 1991, President Bush signed into law the Inter-Modal Rail Efficiency Act. It permitted, for the first time since 1816, private ownership of bridge, road, and tunnel toll projects. It authorized a federal subsidy of 50% or, in some cases, 80% for private investors building roads or tunnels, and allowed the subsidized investors to keep the tolls.

On April 30, 1992, President Bush released Executive Order 12803, called "Infrastructure Privatization." This set down a procedure to either: a) determine a "transfer price" that the Office of Management and Budget (OMB) would calculate for various federal infrastructure or government service assets; or b) establish a competitive bidding procedure whereby the selling price would be set by the process of different private financiers bidding on the government assets. The Executive Order also ordered the OMB to "review those procedures affecting the management and disposition of federally financed infrastructure assets owned by state and local governments and modify those procedures to encourage appropriate privatization of such assets consistent with this order."

subway system by Wall Street financial interests at the turn of this century is typical of the looting carried out by privatized infrastructure. That system was captalized by high-interest, long-term borrowings, handled at high premiums by Wall Street investment bankers such as E.H. Harriman. Despite its enormous ridership, the subway and bus system in the nation's largest city could not generate sufficient funds to pay its debt service. Eventually, the private operating companies effectively went bankrupt earlier this century; the City of New York assumed operation of the system, and responsibility for the debts the operators ran up. In a model of "bankers' arithmetic," the city's Metropolitan Transit Authority continues to pay off the century-old debt, even though its principal has been paid off several hundred times over; furthermore, New York pays usurious interest costs for newer borrowings obtained to help pay the previous debt. And the fares? They continue to rise, while the system barely maintains the old tunnels, elevated lines, and track that should have been totally rebuilt decades ago.

Even the more notable stories of successful infrastructure development, such as the 1930s Tennessee Valley Authority under the Franklin D. Roosevelt administration, are flawed by their resort to private market financing. Such methods inhibit expansion and redevelopment, and place a burden on rate schedules to pay for the usury.

The near-total abandonment of the American System principles in the most recent decades, in favor of infrastructure financed at huge costs in the private markets, has contributed to a national deficit of several trillions of dollars' worth of inputs into roads, public water, and sewer systems, urban rail lines, etc., in desperate need of replacement or additional capacity.

Physical economist and Democratic presidential pre-candidate Lyndon LaRouche has proposed to return to the American System to meet this deficit. He calls for hundreds of billions of dollars in public infrastructure development plans as a component of a national economic recovery program. These projects would be financed through Hamiltonian banking principles, using low-interest, directed credits issued by the U.S. Treasury. Private contractors would build the projects, which would, in general, be directly owned by federal, state and local governments. The only exception would be certain government-regulated authorities and public utilities, similar in structure to the TVA; however, such authorities would not operate the infrastructure for "profit" and would be closely regulated by government.

### The last frontier

Despite the undoing of American System, until now, what is effectively a constitutional mandate for government ownership and development the nation's highway and road system has held in place. Magalen Bryant and her crew have crossed into this last frontier, and have given the Mont Pelerin networks, which pushed the latest privatization wave, hope that they can use her success for a further breakout. The Greenway's privateers have not only been given a green light to build and operate a private road within what they hope will be a well-trafficked corridor for the profit of investors, they have mobilized the state and local government apparatus to help them obtain those profits. This is what is meant by their use of the buzzword "public-private partnership."

For example, in what was a legally dubious action, the Loudoun County government effectively threatened to use its powers of eminent domain against recalcitrant landowners who were negotiating with the Greenway; the threat was sufficient to force the landowners to capitulate, and thus ensure a greater potential profit for the private company.

Although the Greenway has benefitted from such government largesse, they have shown a reluctance to return the favor and share any of their potential profits in the government's interest. Greenway officials have already indicated that they might sell part of their right-of-way to a developer of a possible rail line some time in the future. When they make the sale, they plan to pocket the entire proceeds for their investors, even though the local government had helped them obtain the right-of-way in the first place. Even the lavish grand opening ceremony was financed partially with public monies, after the Greenway asked Loudoun County and the Town of Leesburg to come up with additional "contributions" to help defray the costs; both jurisdictions coughed up taxpayers' money for such "privileges" as a "welcome" banner hanging on the main toll plaza and the selected use of the Greenway's mascot, "Scooter the Commuter," for promotions.

However, the major claim by Magalen Bryant and her crew of a benefit for government is that the road was built "without taxpayers' money." A closer examination of that claim, shows it to be misleading. The road has been, in fact, *financed* with monies taken from the pockets of taxpayers in the form of users' fees, with a hefty investors' fee on top of those financing costs. Moreover, had the toll road been built with state financing, interest charges would have been far lower; the Greenway's bonds are rated BBB, a few notches above junk bonds, and that rating, according to sources in the investment community, is "generous"; Commonwealth of Virginia bonds are generally rated AAA, or the highest rating, and hence the lowest interest. Not only do the Greenway's bonds have a higher interest rate than state bonds, they are to be paid off over a longer term—26 to 30 years—making more profit for its bankers, and taking more money out of the pockets of taxpayers.

Under the scheme approved by the Virginia General Assembly and state agencies, the toll road's investors are allowed to take out an incredible 30% return on their investment in the first several years of the project; this means that it will operate at a deficit even under the best of circumstances, using

# Academy of the 100 elects Hecht, Tarpley

Dr. Wolter Manusajian, president of the Moscow-based Universal Ecological Academy, reports that at its Autumn 1995 General Assembly held on Sept. 28, Americans Laurence Hecht (right) and Webster Tarpley (left) were elected as expert consultants of the academy. Both are associates of the American economist and statesman Lyndon LaRouche, a full member of the Universal Ecological Academy. The organization is also known as the "Academy of the 100."

The 32 members present at the General Assembly voted unanimously to accord "expert" status to Hecht and Tarpley, after hearing a report from Dr. Manusajian that covered their scientific work, as well as Hecht's incarceration as a political prisoner in the state of Virginia.

A certificate issued after the meeting and signed by Manusajian and Academy of the 100 Secretary Boris Rastorguyev, reads: "This diploma is issued to Larry Hecht (U.S.A.), certifying his election, at the assembly of the Eurasian Section of the Universal Ecological Academy, as an expert consultant on questions of the ecology of science-intensive technologies in the area of *the structure of matter*, as recorded in the Minutes of this session of the General Assembly." Tarpley was designated an expert consultant on questions of "the ecology of science-intensive technologies in the area of *politics*."

Hecht is one of five LaRouche associates serving outrageous prison sentences in Virginia on bogus "securities violations" charges (his sentence is 33 years). An associate editor of *21st Century Science & Technology* magazine, he is the author of numerous articles on geometry and physical science. His most recent contribution to *EIR* was "Theory of Ice Ages, Not 'Global Warming,' Predicts Melting of Antarctic Ice Shelf" (May 19, 1995).

Tarpley's writings on history and cultural warfare are a regular feature of *EIR*. A recent example is "Britain's Pacific Plot Against the United States, and War Plan Red" (May 12, 1995).

additional borrowing capacity to make up the difference.

Currently, there are $258 million in high-interest notes due in 2022 and 2026, held by a consortium of 10 institutional investors led by operations of three giant insurance companies, all with links to the British financial interests: Prudential, CIGNA, and John Hancock.

As well, additional monies were borrowed, also at high interest rates, from a consortium of banks, led by the North American branch of the City of London's Barclays Bank; this group also handed Magalen Bryant a $40 million revolving line of credit for the project. This latter credit facility will come in handy to prevent a possible default, or worse, if motorists decide that it isn't worth it to pay the exorbitant tolls.

Should the project not default on its notes, and after all the loot has been extracted from the project, the Greenway would turn the road over to the state, for a nominal charge, in about 40 years.

With the Gingrich-Gramm crowd in control of Congress, and privatization fanatics, such as Gov. George Allen, in various state governor's mansions, the privateers are expecting additional help in their looting efforts. Recently, the Greenway crowd made an proposal to take over operation of a state-operated toll road, which currently operates at a profit. Not surprisingly, the Allen administration looks favorably upon this proposal.

Meanwhile, the Greenway people and their backers appear to be having trouble selling the road to local motorists. Following a brief "free ride" period, initial usage is well below what had been projected. If the trend continues, the private road could go bust. And although no one is talking about it, especially state officials, the state would have to come in and take the Greenway over. Whether they would be so stupid as to repeat the debacle of the New York City subway scam and assume the private debt, or even a major portion of it, remains to be seen.