Congress Debates: Public or Private Transport Network

by Mary Jane Freeman

Chicago-area motorists collectively spend an average of 3,000 hours a day waiting for trains to pass at rail grade crossings. Los Angeles drivers speak of their "parking lot freeways." Severe congestion occurred during 40% of peak travel periods in 2003, quadruple the rate of 20 years ago, at a cost to motorists in 85 of the nation's largest urban areas of $63.1 billion in wasted time and fuel—roughly $794 per person. Air travelers sit and wait, as capacity and routes have shrunk. Freight movement at ports and on waterways, rails, and roads is plagued by gridlock, as needed investment in aging infrastructure has failed to keep pace with demand. Our once nationally integrated transport system is broken.

How is it that the nation that built the first transcontinental railroad network and a premier interstate highway system, and put a man on the Moon, is now at a standstill? Our axioms were changed.

In the 1970s, America began adopting the "Green Revolution' agenda to halt industrial development and reject the use of advances in science to improve the nation's infrastructure. Priorities changed, environmentalist groups' lawsuits halted progress, and investments needed by state and local governments to maintain and improve basic transport infrastructure were deferred. Nuclear power plant construction was stopped. By the 1980s, deregulation of trucking, rail, and air traffic had been embraced as government policy, leaving the core of the nation's transport network to the mercy of the free market.

Aging locks and dams on our rivers, many built at the turn of the 20th Century have become obsolete. The 1950s Eisenhower interstate highway program—first proposed by President Franklin D. Roosevelt—has reached the end of its 50-year design life. Failing to invest and innovate with advanced technologies, and scared off by the anti-scientific environmentalist boogeyman, has left the nation's infrastructure in shambles. The cost now, not merely to fix the system, but to improve it for the next generation, is in the trillions of dollars.

How do you solve this 30-year-plus infrastructure deficit? At a Senate Commerce, Science and Transportation hearing Feb. 27, Pennsylvania Governor Ed Rendell put it succinctly: "Adopt a Federal capital budget"—an echo of economist Lyndon LaRouche's admonition to the 110th Congress, "What the Congress Needs to Learn: The Lost Art of The Capital Budget." (See *EIR,* Jan. 12, 2007.)

But the Bush Administration, neo-conservative ideologues, many transportation think-tanks, and the same oligarchical bankers behind the Green Revolution insist that "privatization" is the solution—that is, eliminate Federal government spending for infrastructure projects. Just as we've seen the privatization of the U.S. military (under the direction of Vice President Dick Cheney and former Defense Secretary Donald Rumsfeld, and benefitting the Halliburtons of this world) undermine our readiness, so too has the Bush/Cheney Department of Transportation promoted model privatization legislation for the states to adopt public-private-partnerships (so-called P3s) funding for infrastructure projects. Another proponent leading this drive to privatize is the ersatz-Democrat, banker Felix Rohatyn, in league with his former bank, Lazard Frères, and others like Goldman Sachs and Morgan Stanley. (See *EIR* July 21, 2006.)

The debate over how to fix our transport networks, what the next 25, 30, 50 years' policy needs to be, and how to pay for it—whether with American system physical economic methods or British free-trade privatization—has begun in some congressional hearings. In the first month of the new Congress, the House Transportation and Infrastructure Committee, chaired by Rep. James Oberstar (D-Minn.), held 16 hearings and heard from 68 witnesses on a range of transport and water infrastructure problems facing the nation. But except for the Feb. 27 hearing on rail passenger policy, noted above, the U.S. Senate has yet to take up these questions that are so critical for the nation's economic well-being.

Roosevelt, Lincoln, and Lucius Clay

The Jan. 24 hearing of the Highways and Transit Subcommittee of House Transportation and Infrastructure Committee was opened by its chairman, Rep. Peter DeFazio (D-Ore.), saying, "We need a new vision for what will be needed in the next 50 years to reduce congestion, increase mobility, and support our nation's economy." Figuring out how to fund that vision will be key, he said. Rep. John Mica (R-Fla.) followed DeFazio by putting Bush's Transportation Undersecretary for Policy, Jeffrey Shane, on the spot: "We don't have a strategic national plan. . . . We need one. I'm disappointed with my own administration. . . . We are in the dark ages compared with Europe," as to rail transport networks.

Committee chairman Oberstar focussed on what FDR and Eisenhower had done: "It was in 1944 when President Franklin Roosevelt could see the end of the war was near, that he asked for a study on the post-war transportation needs of the country. That study recommended building nearly 44 million miles of highways" to accommodate the transformed U.S. economy resulting from FDR's New Deal and war mobilization, but it wasn't implemented. "To President Eisenhower's credit, he resurrected the plan and appointed General Lucius

Clay" to head the project, Oberstar said.

Shane tried to shift the discussion from those precedents, by touting "new models" which will tap the "private sector's enormous pools" of cash, de facto promoting privatization. But Rep. Brian Higgins (D-N.Y.) disagreed sharply, saying: "The Federal role is clear. It goes back to Abraham Lincoln who had projects for bridges, roadways, rail. This is not pork or earmarks." These are the policies which built the nation, he said. Higgins noted that his area—Buffalo—once was the eighth largest economy in the country, but today it is measured by "population and job loss."

Privatization Not for Public Benefit

Two weeks later, on Feb. 13, DeFazio convened a hearing on "Public-Private Partnerships: Innovative Financing and Protecting the Public Interest." While six of the seven witnesses extolled the wonders of public-private partnerships financing, they quickly met with skepticism from Democrats and Republicans alike. The seventh witness said that P3s are "not a panacea."

To the lead witness, Tyler Duvall, who is Assistant Secretary for Transportation Policy at the Department of Transportation, DeFazio demanded, "What has the DOT done to encourage Federal investment?" Duvall dodged the question. DeFazio shot back, "What else besides public-private partnerships?" (Duvall had come to the hearing with model legislation to promote states' use of P3s.) DeFazio said that there is bipartisan agreement that funds are scarce, but P3s have "pitfalls" which the DOT has failed to alert states to, because of its tunnel vision promoting P3s. Duvall evaded again, and DeFazio reminded him, "You are charged with the public trust." Pointing to the recent Chicago Skyway P3 sell-off as epitomizing the dangers, he quipped, "There go our profit centers for 99 years." The ranking committee member, Rep. John Duncan (R-Tenn.), followed up, telling Duvall that he had better look to this risk problem.

DeFazio then turned to the only opponent to P3s who was called to testify, Wisconsin DOT Secretary Frank Busalacchi, who cut to the chase, saying of the Chicago Skyway, "It's all about money." DeFazio asked, "You mean future governors can't revisit it?" Busalacchi replied, "The revenue is gone. P3s are not a panacea. Wisconsin has no tolls and we don't want them." With P3s "the amount of money raised is not enough to meet the needs of the country. Its a diversion." Busalacchi called the country's transportation infrastructure needs "astronomical," and insisted that the country "must have a debate," rather than forcing this policy on the public.

Oberstar called P3 financing a "contentious issue." "Public-private partnerships are a siren song; a quick fix," he said. We would sacrifice having a "coherent integrated national surface transportation system." "Political will and consensus" to solve a problem are lacking today, he said. The Bush Administration avoids increasing fuel taxes in keeping with the "no new taxes" mantra, choosing instead to push P3s. "I do not support such a radical approach."

Other tough questioning came from Rep. Brian Baird (D-Wash.) who put Duvall on the spot: "Should [P3s] be exempt from Buy America Act requirements?" "It depends," Duvall said. If there are Federal funds in a project, then "no." Baird had boxed him in, because Baird then described how a P3 project in his district was circumventing the Buy America law for which Federal funds were issued. Baird then ridiculed the Macquarie Infrastructure Group's role in buying up America's public infrastructure assets with Australian pensioners' savings.

Privatization was promoted in a big way by the misnamed Reason Foundation, a Mt. Pelerin Society-linked think-tank. By 1987, at the end of the Reagan Administration, this foundation played a key role in organizing a White House seminar on privatization that led to a President's Commission on Privatization, which issued a final report in 1988. Later, in the mid-1990s, former Vice President Al Gore's National Performance Review pressed forward with privatization of Federal assets, for example, the Naval Petroleum Reserve, and a failed takeover of the nation's air traffic control system.

Funding Passenger Rail with Capital Budgeting

In the one Senate hearing to date to take up the future of the nation's transport needs, the only solution to meeting the astronomical needs was forcefully put forward by Governor Rendell. The Feb. 27 hearing of the Senate Commerce, Science, and Transportation Committee took testimony on the Lautenberg-Lott bill, S. 294, "The Passenger Rail Investment and Improvement Act of 2007." Rendell emphatically supported the bill: "This bill has the right approach with its capital funding and bonding provisions. You cannot pay for major infrastructure projects out of operating budgets. *We will never, never get the backlog" of our nation's infrastructure needs met "until the Federal government adopts a Federal Capital Budget."* The nation has "capital needs everywhere," Rendell said.

Key aspects of the rail bill, reintroduced by Sens. Frank Lautenberg (D-N.J.) and Trent Lott (R-Miss.) in the 110th Congress, would authorize $19 billion to fully fund Amtrak's operation, capital improvements, and debt retirement programs over six years; establish a state grant program for state passenger rail corridor projects; authorize funds to bring the Northeast Corridor up to a state of good repair; and authorize funds to improve rail security nationwide.

Embedded in LaRouche's concept is that a capital budget is designed on "profoundly scientific" principles, "rather than ordinary expressions of financial accounting." Application of scientific principles to promote economic development is precisely what was abandoned 30 years ago as the oligarchy's deindustrialization and greening of America was imposed on the Baby Boomer generation. The time to reverse it is now.