the relative need of different areas lacking adequate facilities of various types for which assistance is available under this part, giving special consideration

(1) in case of projects for the construction of hospitals, to facilities serving areas with relatively small financial resources and, at the option of the State, rural communities;

(2) in the case of projects for the construction of rehabilitation facilities, to facilities operated in connection with a university teaching hospital which will provide an integrated program of medical, psychological, social, and vocational evaluation and services under competent supervision;

(3) in the case of projects for modernization of facilities, to facilities serving densely populated areas;

(4) in the case of projects for construction or modernization of outpatient facilities, to any outpatient facility that will be located in, and provide services for residents of, an area determined by the Secretary to be a rural or urban poverty area;

(5) to projects for facilities which, alone or in conjunction with other facilities, will provide comprehensive health care, including outpatient and preventive care as well as hospitalization;

(6) to facilities which will provide training in health or allied health professions; and

(7) to facilities which will provide to a significant extent, for the treatment of alcoholism;

(b) Standards of construction and equipment, general standards of construction and equipment for facilities of different classes and in different types of location, for which assistance is available under this part.

(c) Criteria for determining needs. Criteria for determining needs for general hospital and long-term care bed, and needs for hospitals and other facilities for which aid under this part is available, and for developing plans for the distribution of such beds and facilities;

(c) Modernization, criteria for determining the extent to which existing facilities, for which aid under this part is available, are in need of modernization; and

(e) State plan requirements. That the State plan shall provide for adequate hospitals, and other facilities for which aid under this part is available, for all persons residing in the State, and adequate hospitals (and such other facilities) to furnish needed services for persons unable to pay therefor. Such regulations may also require that before approval of an application for a project is recommended by a State agency to the Surgeon General for approval under this part assurance shall be received by the State from the applicant that (1) the facility or portion thereof to be constructed or modernized will be made available to all persons residing in the territorial area of the applicant; and (2) there will be made available in the facility or portion thereof to the constructed or modernized a reasonable volume of services to persons unable to pay therefor, but an exception shall be made if such requirement is not feasible from a financial viewpoint.

German Rail Derailed by Privatization

by Rainer Apel

The famous times when one could set one's clock by the trains in Germany, which used to run on schedule down to the precise second, are definitely over. The new summer train schedule, beginning at the end of May, will be one that very few German trains will be able to keep. Delays, cancellations, and accidents are becoming the daily norm for passengers—resembling the situation in Britain, where a train ride almost always is an adventure.

In Britain, the leading protagonists of rail privatization are those whose train service is the worst. Sir Richard Branson, for example, one of the closest personal friends of "New Labour" Prime Minister Tony Blair, owns Virgin Trains, which holds the dubious record of having the most delayed or cancelled high-speed trains in the entire nation.

"High-speed trains" in Britain operate at speeds of 120-140 kilometers per hour (kph), which is the technological standard that continental (state-owned) European railway companies had in the late 1970s. Branson would not invest in electrification of the outdated lines, to equip them for modern high-speed trains, that run at 240-280 kph, as they are now in use on the European continent. Branson wants to purchase Canadian trains powered by gas turbines, that operate at speeds of 160 kph.

Branson is but a small scoundrel to blame—the real culprits are those who decided, during Margaret Thatcher's reign, not to invest in the lines as such, nor to electrify them, nor to invest in rolling stock or signals technologies. When Thatcher took office in 1979, rail privatization became a top items on her agenda, and in the late 1990s, rail investments were reduced to one-third what continental European railways invested. Railtrack, the privatized company that runs the lines and signals infrastructure in Britain, published a memorandum that called for £52 billion (roughly $75 billion) to be invested over the next 12 years, which would bring the British system up to the levels of the continental European railways today.

Privatization comes to the continent

On the continent, the privatization drive has also hit the state-owned railway systems. All European Union (EU) member governments approved the European Commission's 1991 guideline 91/440, which had the ambitious target of decoupling the control of the lines from the control of the rolling stock, and, after ten years, fully privatizing the rail-

Construction of a tunnel for the ICE high-speed train in Niedenhausen, Germany.

ways, relieving the state of the "burden" and leaving rail travel to the mercy of the private capital markets. In 1995, that guideline was revised, so that its target would be met by 2005.

The German government, it seems, wants to be in the forefront of those that meet the EU guideline within the present time frame. Surprisingly, the radical ecologist "red-green" government of Social Democrats and Greens, that took power in October 1998, wants to outdo the former conservative-liberal government. The appointment of Helmut Mehdorn as chairman of the Deutsche Bundesbahn (DB) German railway in December 1999, was to ensure that the transformation of the state-owned railway company into a fully privatized operation, which could issue shares on the stock market, by the year 2005 at the latest, would be accelerated.

Mehdorn forged ahead with inflammatory statements, to the effect that in order to cut losses, he would have to fire one-third of the workforce, close down or sell off 25% of the lines, and cut Christmas and other benefits as well as shortening the work-week and cutting paid leave. By late March, this created a conflict with the three labor unions in the rail sector, which threatened to provoke the biggest rail strike since the end of World War II. That strike was called off at the last minute, with an agreement to work out a compromise formula over the next two months, and with Mehdorn's "concession," to eliminate only 36,000, instead of the originally planned 70,000 jobs.

But, Mehdorn would not discuss the substance of the privatization strategy, as he and the government had agreed. Thus, when the negotiating period expires in late May, the nation might again be faced with a rail strike, because it is not clear what compromise would be acceptable to the trade unions—not to mention the millions of German passengers who depend on a functioning rail structure.

The Bookkeeping Debt

One of the decisive catalysts for the government's decision to accelerate the rail privatization, has been the "need" to consolidate the railway debt. But only a minor portion of that debt originated from revenue losses caused by a decline in cargo volumes transported by DB; a major portion of the debt of 70 billion deutschemarks (a little more than $40 billion), is that which the government took over in 1994, at the beginning of phase one of the "railway reform," originally incurred by the East German state, before German reunification in 1990. That bookkeeping debt was turned into "real debt" by a conservative-liberal government under Chancellor Helmut Kohl, which subscribed to the neo-liberal ideology and viewed any cancellation of debt (real or unreal) as an assault on one of the "fundamentals" of the free market, supposedly the bedrock of the free Western world.

Consolidating that debt, implied lowering investments into the rail system, and selling off railway property wherever it was not immediately needed. This followed the privatization model of British Rail, and the policy was continued by the red-green government under Chancellor Gerhard Schröder, who replaced Kohl in the autumn of 1998. The new government increased the pressure on Deutsche Bundesbahn, with the introduction of an ecology tax in April 1999—which alone added an extra tax burden of DM 400 million on the company, for the nine months it was in effect last year. Losses in passenger revenue of another DM 170 million led Mehdorn to cancel investments in German high-speed train technology, and to announce, in early April, that beginning in the year 2010, all trains made in Germany would be replaced by those produced on the basis of the French high-speed train system TGV.

Already in January, Mehdorn and his management team at DB had announced that the original plans to build a maglev rail connection between Germany's two biggest cities, Hamburg and Berlin, would be dropped. Without DB's involvement, the government would not build the line; thus, the project was abruptly buried, with no alternative on the horizon. The future of Germany's rail system seems to be what many British passengers have already experienced: waiting for a train that never arrives.