Stealing the Highways: Rohatyn's Mussolini Infrastructure Program

by Marcia Merry Baker

The pattern of looting in the recent U.S. cases of the privatizing of government transportation assets described here "speaks for itself" on the real nature of Felix Rohatyn's campaign in the Democratic Party, and at large, for what he calls "innovative financing," which would, in fact, seize public works and subvert government sovereignty.

The transportation deals shown, promoted as the means to provide desperate states and localities with cash, are warmed-over versions of dictator Benito Mussolini's infrastructure schemes of the 1920s and 1930s. His hallmark projects were deals which gave his cronies 50-year rights to tolls, and guaranteed both government funding and expropriation of land for highways. In 1922, as soon as he was installed as Italy's Fascist Premier, Mussolini gave his friends the concession for the Milano-Laghi Autostrada, in northern Italy.

U.S. states traditionally were prohibited from allowing such looting of public assets. State laws, as well as the Constitution, prevented it. But over the past ten years, 24 states have lifted prohibitions. In 2006, Lyndon LaRouche denounced this process as going over to "Mussolini Laws," saying, if Mussolini is here, can Hitler be far behind?

Now, with the financial crash in full swing, Rohatyn et al. are making an all-out drive for fascist economics. The week of March 10, Rohatyn will personally testify to the Senate, and meet with House Democrats, on his infrastructure-grab plans. Besides outright looting, Rohatyn's intention is to end government sovereignty and responsibility for the public good. Instead, as he wrote in an article March 7, government funds should be "leveraged" to facilitate the involvement of private capital and control. Other cover-up jargon for privateer asset-grabs include, "investor concessions," or PBIs (Performance Based Infrastructure), a favorite of Governator Arnold Schwarzenegger. Well over 100 major new infrastructure sell-off projects are now before legislatures and local governments.

The two major highway routes targetted by the privateers are among the heaviest traffic corridors in the world for potential tolls: The 1,000-mile long east-west corridor, from Chicago to the Eastern Seaboard; and the transit routes through Texas, where all the north-south NAFTA traffic is channeled. In addition, California has many of the world's busiest lanes for potential tolls.

They've Got To Steal It

Major players in the takeovers are the Australia-headquartered Macquarie Infrastructure Group, and its related partner, the Spain-based Cintra Concesiones de Infraestructuras de Transporte, S.A., part of Ferrovial. Behind these firms are the financial circles of the global oligarchy, including Royal Dutch Shell, the Royal Bank of Scotland, Banco Santander, Lazard, Lehman, and others. In the scramble for fast loot, a few equity funds stand out: Goldman Sachs, Morgan Stanley, and the Carlyle Group.

These are the very circles—especially economic hitman George Shultz—behind the "Rebuilding America's Future," of Schwarzenegger (R), Pennsylvania Gov. Ed Rendell (D), and New York Mayor Michael Bloomberg (I), presenting themselves as a "bipartisan" option for national unity and a Bloomberg Mussolini candidacy. The trio wrote on Feb. 1 to *The New York Times*, "In the coming months, we will put a spotlight on the nation's infrastructure shortfalls. Our country needs a new, independent approach to infrastructure, one that provides sufficient financing. . . ."

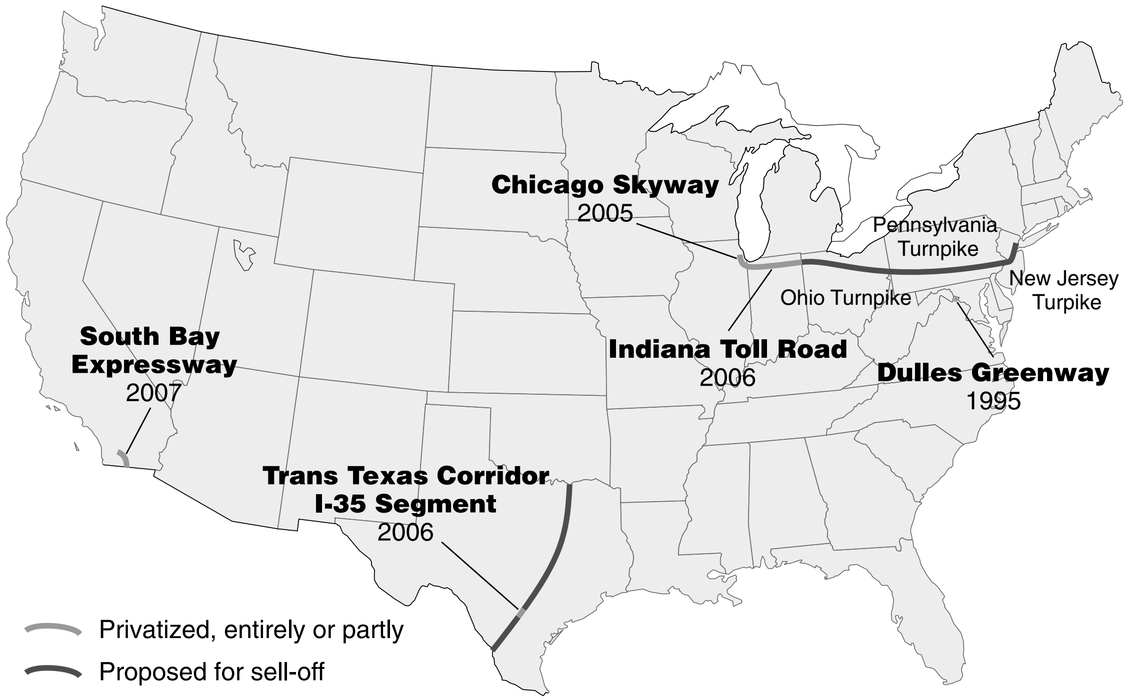
Within weeks of such proclamations, the financial blowout has reached the stage that this trio no longer has even a semblance of backing up its Mussolini pitch to save the day, and provide private funds. Rohatyn's fascist financier friends have got to *steal* the infrastructure from the American people who built it; they are not able to buy it now. That's the reason for Rohatyn's pushing a National Infrastructure Bank for $60 billion in public funds to "leverage" private capital investments—i.e., bail them out.

Here are snapshot views of the leading projects:

Chicago Skyway, 2005. The 7.8-mile Chicago Skyway, opened in 1958, was sold by the city for $1.82 billion for a 99-year lease in January 2005. The buyers were Macquarie Infrastructure Group (MIG) and Cintra Concesiones de Infraestructuras de Transporte, S.A., operating as one conglomerate called, "State Mobility Partners." With a cash-up-front deal, the city saw its bond ratings jump to their highest levels in about 25 years; just after the Skyway sell-off, Chicago's $5.5 billion of general obligations bonds hit double AA. Goldman Sachs advised on the sale, making a reported $9 million.

Cintra-Macquarie is to maintain the Skyway, for which they get the tolls. Within a short time, they cut the hourly wage of toll booth operators in half, from $20 per hour, down to

FIGURE 1
Privatized 'Public' Works—U.S. Mussolini Highways



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$10-$12, and began to raise tolls. In February this year, the latest hike raised tolls 7-9%.

Chicago continued to be strapped for revenue, and so in 2006, Mayor Richard Daley next sold off its city-owned parking system of 9,600 spaces—the largest such municipal garage asset in the nation—to Morgan Stanley for $563 million. Daley is also shopping out Midway Airport, one of the most heavily used municipal airports in the country, to potential buyers.

Mayor Daley was a prominent participant in Felix Rohatyn's 1999 U.S. Conference of Mayors meeting on "innovative global financing" for cities. In 2004, Wall Street banker Dana R. Levenson became Chicago's chief finance officer, and promoter of the Skyway sale—the first of its kind in the United States. By 2007, Levenson went on to become a managing director of the Royal Bank of Scotland, to engineer more infrastructure sell-offs.

Indiana East-West Toll Road, 2006. This 157-mile toll road connects Illinois and Ohio. Opened in 1956, it is part of the main highway corridor linking Chicago to the Eastern Seaboard. In June 2006, a 75-year lease was sold, for $3.85 billion up front, to the consortium called ITR Concession Co. LLC, which is made up of Macquarie Infrastructure Group (MIG) and Cintra. The sale was approved by only a one-vote margin in the state legislature earlier this year. Gov. Mitch Daniels, who forced it through, was a former Office of Management and Budget Director under George W. Bush.

Trans-Texas Corridor, State Highway (SH) 130 Highway Section, 2006. The 4,000-mile Trans-Texas Corridor (TTC) plan was unveiled in January 2002 by Gov. Rick Perry (R), to mandate a grid of highways, rail, and utility lines, based on state funding authority for the benefit of private concessionaires. Texas state law had to be changed to permit state indebtedness and financing for this public/private dealing. Cost estimates ranged from $30 billion to $175 billion over the decades of building.

In 2005, a contract was signed by TxDot (Texas Department of Transportation) and a consortium of Cintra and Texas-based Zachry for work on the giant TTC plan, involving five toll roads. In 2006, the concession was granted for the first task, Segments 5 and 6 of State Highway 130 (SH 130), of 40 miles between San Antonio and north Austin, for $1.3 billion from Cintra/Zachry, in exchange for 50 years of tolling rights. In the face of fierce public opposition, the legislature acted in April 2007, to put a two-year moratorium on any private equity toll projects in Texas.

Adding to the general scandal, Governor Perry's legislative director, Dan Shelley, had to leave office, when it was found that he was a consultant for Cintra beginning in December 2003, nine months before he became a top Perry aide, after which Cintra got the top contract.

Ohio Turnpike. The proposal to sell a long-term lease for the 241-mile system was a gubernatorial campaign issue in 2006, and was defeated along with its advocate, Ken Blackwell (R), by Gov. Ted Strickland (D). But now there is a renewed campaign to privatize the highway, which claims that a $6 billion windfall would go to the strapped state and county coffers. A group called Road-to-Work is lobbying for it, arguing that Ohio localities will suffer if Indiana, and soon Pennsylvania, use their Turnpike lease money to attract business.

Pennsylvania Turnpike. The push to sell-off all or part of this 537-mile system has been under way since at least the time Gov. Ed Rendell took office in 2002. Macquarie Infrastructure Group and others have been lobbying intensively in Harrisburg with the state legislature, using the familiar ploy that private leasing of the Turnpike will end the state's multibillion dollar shortfall for state transportation.

The Rendell Administration hired Morgan Stanley to estimate the benefits of monetizing the Turnpike, which reported that this will produce $19.8 billion for the state, if a 99-year private concession is granted. Goldman Sachs projects a $30 billion pot of gold for Pennsylvania.

New Jersey Turnpike. In the latest twist on the option to sell off long-term leases to New Jersey-owned highways, Gov. Jon Corzine (D) announced his intention to create a public benefit corporation that will use the toll-hikes on the 118-mile New Jersey Turnpike, plus two other state assets, the Garden State Parkway and the Atlantic City Expressway, to pay down debt and fund transportation projects.

South Bay Expressway, 2007. This 8.7-mile north-south tollway, which opened last November, links California State Route 905, adjacent to the Mexican border, with Bonita to the north, avoiding the current highway congestion in the San Diego area. This is Macquarie Infrastructure Group's first U.S. project. Another big player in California privatized tolling is the France-based Cofiroute.

Dulles Greenway, 1995. This view shows toll stations for the 14-mile Dulles Greenway Toll Road in 1995, the year it opened. It runs westward from Dulles International Airport, through the northern Virginia commuter belt. Greenway was built as a private toll road from scratch. It came about in 1988, when a syndicate of investors was granted a 40-year concession agreement to build a private extension of a highway past Dulles International Airport, instead of allowing the Virginia Department of Transportation to proceed on its already planned roadway extension.

The project was marked by delays and financial losses foisted on the state. Then came insolvency and a shuffling among shareholders—including by Kellogg, Brown & Root/Halliburton, and a sequence of three private operators. The state kicked in an additional 20-year toll concession, and in 2005, Macquarie Infrastructure Group acquired the roadway and the more than 51 years of remaining tolls. Despite all this, the Greenway is still called a "national model" for toll road PPPs. The charge is $3.20 for a one-way 14-mile trip.

The FDR Precedent

Constitution Invoked To Solve Bank Crisis

When President Franklin Delano Roosevelt took office March 3, 1933, more than 25% of the American workforce was officially unemployed, banks and businesses were falling like dominoes, and the nation was enmired in depression, both physically and in spirit. FDR moved instantly and vigorously to restore confidence in the U.S. banking system, and to set the basis for reviving the economy. Under his bold leadership, this was the most dense period of executive action in U.S. history, and represented the first steps to reviving the principle of the General Welfare in the U.S. government.

On March 5, FDR issued two Executive Orders. One called Congress into a special sesison on March 9; the second declared a National Banking Holiday, from March 6 to March 9, and gave special powers to the Secretary of the Treasury to prevent transactions in gold and foreign exchange. By the time the special session began, a draft Emergency Banking Act had been prepared for presentation.

The Banking Act set up three categories of banks: Sound banks could reopen without problems; troubled banks could be aided either by the Reconstruction Finance Corporation or the Federal Reserve. The RFC would now purchase capital (stock equity) and capital notes of troubled banks, thus capitalizing the troubled banks, without adding to their debts. The Act also authorized the district Federal Reserve banks to discount previously ineligible assets, and to issue new Federal Reserve notes against them, thereby increasing liquidity for the economy as a whole. And it instructed the Comptroller of the Currency to name receivers for the purpose of shutting down banks that were insolvent.

The Banking Act was passed and signed in record time, by 8:37 p.m. on Thursday, March 9. The banks were set to begin opening on Monday, March 13.

But before that occurred, President Roosevelt took an even more effective political action to restore the confidence of the nation: His first Fireside Chat, held Sunday night, March 12, drew an estimated audience of 60 million Americans.

On Monday, March 13, many banks did reopen, and by March 15, fully 70% of the nationally chartered banks were open for business, without needing aid from the RFC.

In this current period—where the breakdown of the financial system globally *dwarfs the crisis which the world faced in 1933—the U.S. does not have a President who is willing to use his Constitutional powers to defend the General Welfare, by*