



LOWDOWN

Edited by Jim Hightower and Phillip Frazer ♦ Vol. 9 No. 7 ♦ July 2007

"I at times tell my colleagues that I kind of feel like a missionary—out trying to sell the religion."

— MARK FLORIAN, a top Goldman Sachs official, on his mission to privatize America's infrastructure

Based on the lie that companies do everything better than governments do **Politicians are selling our bridges rather than building them**

WILL ROGERS SOMETIMES TUCKED little moral messages into his one-liners. For example: "I'd rather be the man who bought the Brooklyn Bridge than the one who sold it."

The gullibility of anyone who thinks it's possible to buy the Brooklyn Bridge is an old punch line, but today the joke is on us. In these weird times of privatization fever, buying bridges is no longer considered preposterous, and old Will would be appalled by the crass morals of both the sellers and the buyers in these increasingly common transactions.

The Brooklyn span has yet to be sold off, but similar public assets all across the country have been, and many more are up for grabs—an estimated \$100 billion worth of highways, bridges, airports, and other public properties could be transferred into corporate hands in just the next two years.

Among those already gone or actively being considered for privatization are Chicago's Skyway commuter route, the city's entire downtown parking system, and Midway Airport; in Indiana, three major throughways (a 157-mile toll road across the state, a new Illiana Expressway, and a section of the I-69 NAFTA highway) and the state lottery; Virginia's Pocahontas Parkway and Dulles Greenway; the 537-mile Pennsylvania Turnpike and Philadelphia International Airport; New York's Tappan Zee Bridge; a vast 4,000-mile network of toll roads across Texas; Colorado's Northwest Parkway; Alabama's Foley Beach Expressway bridge; the Detroit-Windsor Tunnel; and, in New Jersey, the NJ Turnpike, Garden State Parkway, and Atlantic City Expressway.

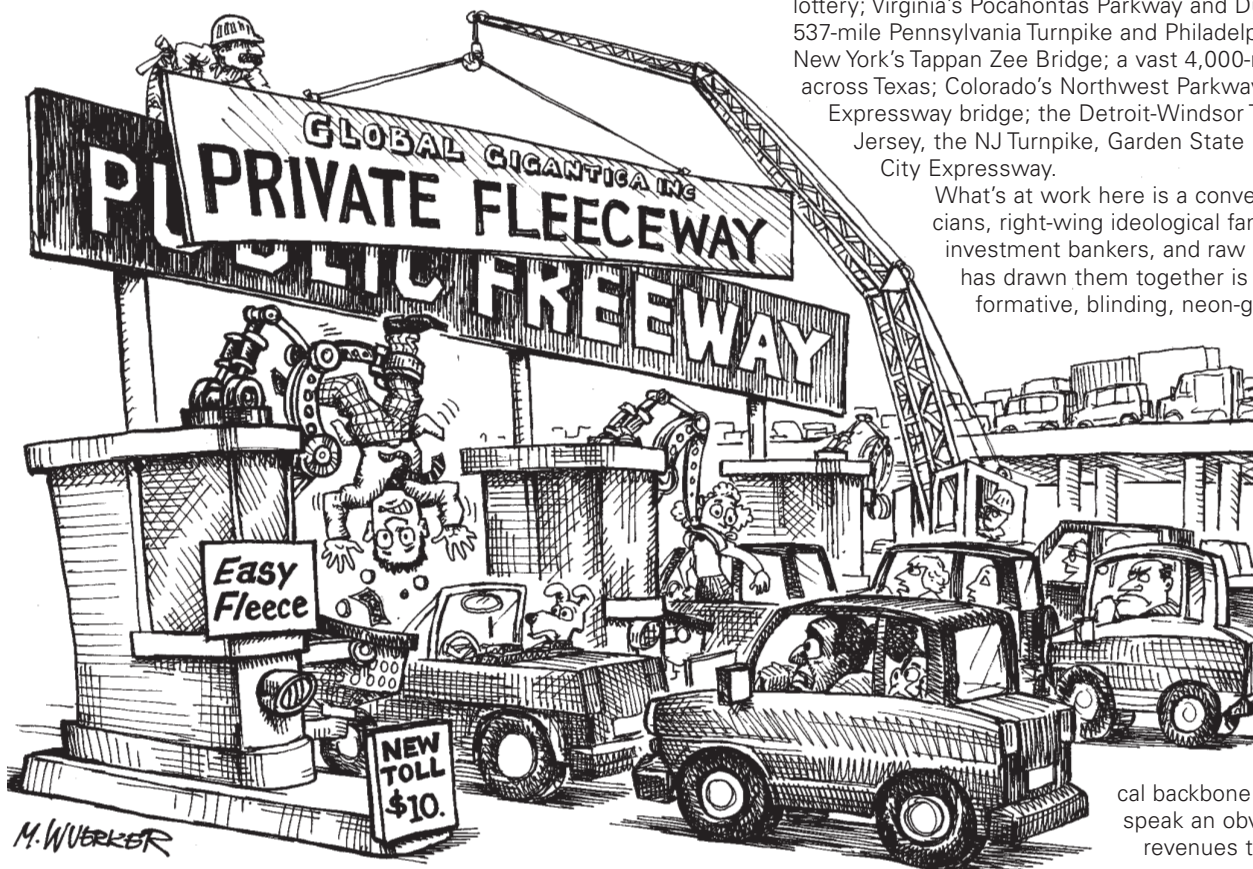
What's at work here is a convergence of gutless politicians, right-wing ideological fantasizers, conniving investment bankers, and raw corporate greed. What has drawn them together is the incandescent, transformative, blinding, neon-green force that rules

American society:
MONEY.

A deliberate defunding

Let's start with the lack of money. Since the 1980s, national, state, and local politicos of both parties have abjectly failed to meet their responsibility to maintain our country's essential transportation infrastructure.

They've had the political backbone of slugs, unwilling to speak an obvious truth: It takes tax revenues to have a first class public



Here in Austin, Texas, a TV station fired its own news director and put the news director of its Tampa, Florida, station in charge of our "local" news coverage. Rumor has it that the Tampa guy had once visited our fair city, so apparently that qualified him to be the long-distance arbiter of Austin news.

Can journalism sink any lower? Of course it can!

Blazing a new path to the journalistic bottom, the editor/publisher of a web journal that covers city politics and government in Pasadena, California, flung his job net all the way to India to find low-cost journalists to report on the happenings in Pasadena.

James Macpherson, boss of Pasadena Now website, says that since city council meetings can be watched on the internet, a reporter from anywhere can cover what's happening. Excuse me, but even if you were sitting right in front of most city council meetings, you still would not know what the heck was happening, because the real deals are cut in the back rooms.

Macpherson, 51, who used to sell clothes made in Vietnam and India, says, "whether you're at a desk in Pasadena or a desk in Mumbai, you're still just a phone call or email away from the interview." Yes, but—hello!—it helps if the interviewer has some clue about the cultural nuances and community dynamics at work.

Macpherson has hired not one but two Indian reporters for a combined salary of about \$20,000. I'm sure these two are smart and capable, but surely journalists need to know more about their beat than having seen the Rose Bowl Parade on TV.

system. But forget first-class—our roads, bridges, airports, and other systems have been allowed to deteriorate even as traffic has steadily increased, so American transportation isn't even second class. In this same time span, our "leaders" have squandered trillions of dollars from our public treasury on special tax breaks for corporations and the rich, as well as on senseless wars and boondoggles, while letting the basics of government service slide.

Now we're at a crisis point. The federal highway system (established by that wild-eyed, tax-and-spend liberal, Dwight Eisenhower, in 1956), is the chief national source of money for building and repairing roads, bridges, and mass-transit systems. It is financed by an excise tax that has stood at 18.4 cents on a gallon of gasoline since 1993. Today, that's only about 6% of what it costs for a gallon of regular gasoline—down from the 10% rate of taxation that Ike and Congress established when the fund was created.

In 2005, when Congress was about to replenish the dwindling trust fund with an increase of 4 cents per gallon, George W killed the hike with a veto threat. As a result, a fund with a \$23 billion surplus when Bush came into office will be broke when he leaves, running a deficit of nearly \$2 billion in 2009 and \$8 billion the next year.

If you're an antigovernment, privatization zealot (like Bush and his top Transportation Department appointees), those are joyous numbers, for they mean that state and local officials are more vulnerable

Stuck in traffic

Not only do corporate operators control the toll roads, but they often write non-compete clauses into their contracts to ban improving any nearby roads in a way that might draw customers from the corporate thoroughfare.

In a 1995 privatization project, a corporate consortium paid \$130 million to put four toll lanes along a 10-mile stretch of State Road 91 in Orange County, California. By 2002, these lanes were badly congested, so the local transportation authority proposed to expand another highway in the area to relieve the traffic. No go. The consortium had a provision in its contract against increasing the capacity of any other roads within a mile and half of SR 91, so the private interests were able to nix the expansion of the public's road.

The driving public was literally stuck—and mad. The impasse was resolved only after the county paid \$207 million in 2003 to buy out the consortium's contract.

than ever to your pitch that public assets are better placed in corporate hands. For years, such corporate-funded, right-wing think tanks as the Reason Foundation have dreamed of the moment when they could impose their ideology on the public—and here it is.

"Trust us," they're cooing into the ears of governors, mayors, and other officials who are looking at massive transportation needs, yet are too shackled to money interests even to mouth the words "tax increase." These sirens of corporatization sing softly, "We have the perfect, painless solution. All you have to do is to turn over that toll road (either by sale or long-term lease) to GlobalGigantica, Inc., which will pay a pretty penny for it. You'll get money for your public treasury, you'll lose your migraine headache, the magic of free enterprise will deliver greater efficiency and lower costs, and an adoring public will shower you with rose petals, hosannas, and votes."

Such rosy nonsense is now offi-

cial U.S. policy. Last year, the Department of Transportation produced a plan known as the National Strategy to Reduce Congestion, which really should be called the Strategy to Induce Corporatization. Under this scheme, DOT officials are actively working as proselytizers of privatization, aggressively pushing states to pass laws that help corporations take over chunks of their public transportation infrastructure. To move this ideological surge along, DOT has drafted sample legislation for states to rubber-stamp, and more than 20 states have passed such laws.

Washington is also throwing public money behind this push. The 2005 highway bill conveniently changed the law so that corporations—not just governments—can now raise tax-exempt funds and get special subsidies for privatized projects. As a congressional staffer confided to reporters for *Mother Jones* magazine, "It's a very, very sweet deal."

The corporate players

Public infrastructure—long considered the stodgiest of investments—suddenly has a financial allure surpassing anything since the California Gold Rush, with corporate powers from all over the globe hustling to get pieces of the action. Consider the transactions of June 29, 2006. On this single day:

■ **A CONSORTIUM** of two international corporations—the Spanish construction giant Concesiones de Infraestructuras de Transporte (Cintra) and the Australian conglomerate Macquarie Infrastructure Group (MIG)—inked a \$3.8-billion deal to run the Indiana Toll Road for the next 75 years.

■ **A PARTNERSHIP BETWEEN** Spain's Cintra and a Texas-based conglomerate, Zachry Construction,

DoSomething!

■ "The Highwaymen"

Mother Jones, January/February 2007,
www.motherjones.com/news/feature/2007/01/highwaymen.html

Ask The Candidates. To find out where the Democratic candidates for the 2008 presidential nomination stand on privatization and to ask why they're not pushing this issue, contact them:

■ Joe Biden

Luis Navarro, Campaign Manager
302-574-2008 www.JoeBiden.com

■ Hillary Clinton

Patti Solis Doyle, Campaign Manager
703-469-2008 www.hillaryclinton.com

■ Chris Dodd

Cheryl Cohen, Campaign Manager
860-244-2008, 202-737-3633
www.chrisdodd.com

■ John Edwards

David Bonior, Campaign Manager
919-636-3131 www.johnedwards.com

Two recent magazine articles provide interesting overviews and information about the privatization rush:

■ "Roads to Riches"

Business Week, May 7, 2007,
www.businessweek.com/magazine/content/07_19/b4033001.htm?chan=top+news_top+news+index_companies

■ Mike Gravel

Kelly Phong, Senior Staff Member
703-652-4698 www.gravel2008.us

■ Dennis Kucinich

David Bright, Campaign Manager
877-413-3664 <http://kucinich.us/>

■ Barack Obama

David Plouffe, Campaign Manager
866-675-2008 www.barackobama.com

■ Bill Richardson

Dave Contarino, Campaign Manager
505-828-2455
www.richardsonforpresident.com

got state approval on a \$1.3-billion deal giving it a 50-year lease to build and operate a 40-mile toll road running south from Austin.

■ **AUSTRALIAN TOLL-ROAD** operator Transurban signed a \$611-million deal to gain control of the Pocahontas Parkway in Richmond, Virginia's capital city.

Why are corporations laying down such sums to run toll roads? Because these are high-fat sugar bombs with whipped cream dollops and sprinkles on top.

First, the corporate owners get monopolistic control of prime routes of travel. This provides a steady (and steadily increasing) flow of tens of thousands of captive customers every day. The corporations have a guaranteed cash flow that's literally driven to them!

Second—and this is the biggest factor of all—private owners get to raise toll rates. Elected officials are wary of hiking tolls because of the political backlash they can suffer, and the better pols actually give a damn about keeping costs affordable for regular people. But corporations are not subject to the electorate and thus have no qualms about stiffing the public (think of Big Oil's price gouging, ever-rising bank and credit-card fees, cereal companies that charge more for less, Enron's manipulation of energy markets, etc.).

When the hucksters tout the advantages of privatization, it's this political immunity that they highlight. Corporations, they exult, are able to amass private investment funds to build or repair roads because they are free to raise tolls. Robert Poole, a privatizing zealot at the Reason Foundation, even tries to turn such monopoly profiteering into a virtue, gushing that corpora-

tions "depoliticize the tolling decision." I'll say—We the People are conveniently removed from any decision-making role!

In 2005, when Cintra-MIG paid \$1.8 billion for a 99-year lease to run the Chicago Skyway, the \$2 toll to drive the 8-mile road immediately jumped by 25% and is scheduled to be \$5 within a decade. That's \$10 a day for just one short stretch of your commute. Similarly, last year's Cintra-MIG deal to take over the Indiana Toll Road came with a neat doubling of the tolls, plus allowing the consortium to raise rates every year after 2010 by 2% or the rate of inflation—whichever is higher.

When corporations and their political enablers first push a privatization scheme on a state or city, they invariably claim that it will be in the public interest because "everyone knows" that corporations are more efficient than government. Ah, yes, we've seen the "efficiencies" of the Halliburtons, the big HMOs, and that ilk.

The reality is that the corporate operator not only has to cover the fixed costs of operating a road system, but it also must satisfy its shareholders with ever-expanding profits, cover the exorbitant pay levels of its top executives, and add in the enormous overhead of its own bureaucracy, including its marble headquarters, advertising budget, lobbyists, and so forth. What's "efficient" about these deals is that corporate operators can freely raise our tolls to cover their inherent inefficiencies.

Third, if a free-wheeling ability to jack up tolls is not enough to fatten the investors' bottom line, corporations receive two other advantages that the privatizers don't like to mention. The new operators

receive hundreds of millions of dollars in tax breaks, and instead of staffing the system with full-time public employees getting decent wages and benefits, these private operators shift to low-wage, part-time workers with no benefits. So taxpayers subsidize the conversion to "free enterprise," and the reward to the community is worse jobs than it had before. What a deal!

Fourth, the profits are astronomical. As a Wisconsin transportation official reminds us, "The private sector's legal responsibility to its shareholders is to make money—profit is their purpose. [Privatization] is all about money." And lots of it. *Business Week* magazine notes that Cintra-MIG's investment in the Indiana Toll Road "could break even in year 15 of the 75-year lease, on the way to reaping as much as \$21 billion in profits." In sum, the state of Indiana got \$3.8 billion in exchange for inflicting much higher tolls on its citizens, thus producing \$21 billion in profits that will benefit a handful of foreign investors rather than the Indiana people.

Banks always get theirs

The big investment banks and capital funds have sniffed the fecund possibilities of enormous fees and profits to be had in this game, and they are pushing their way into it with the exuberance of bank robbers tunneling into an unguarded vault. Goldman Sachs, Morgan Stanley, Citigroup, the Carlyle Group, and others are not only raking in fees as financial advisors to both the sellers and buyers of these assets, but also piling up cash from wealthy investors to put into infrastructure deals.

Wait. Doesn't the dual role of advisor and investor pose conflicts

BUSH'S CORPORATE COURT

George W has struck another blow against America's working stiff—this time through his Supreme Court appointees John Roberts and Sam Alito, who just endorsed pay discrimination against women.

Lilly Ledbetter had worked at Goodyear Tire for 20 years. Late in her career, she learned that men doing the same work she did had been getting far higher pay raises over the years, leaving her salary some 40 percent lower than theirs.

Her 1998 lawsuit was backed by the government's antidiscrimination agency...until Bush came along. Last year, when Ledbetter's case finally reached the Supremes, the Bushites disavowed the agency and filed a brief on the side of the corporate discriminator.

The result? Bush's two corporate-biased judges pushed a 5-4 opinion that the discrimination was irrelevant because employees must file a pay complaint within 180 days of having their salaries set. This bit of judicial activism overturns decades of federal policy and precedent.

More importantly, it's a sham. The corporate workplace is shrouded in secrecy and is hostile to anyone asking questions, so no one's going to know within 180 days of new salaries being put in place that discrimination is afoot. What Bush's judges have done—on behalf of powerful corporations—is effectively to negate the federal law prohibiting workplace discrimination.

This is why it is essential that we evaluate judicial appointees not just on social issues, but also on how they'll treat workers, consumers, the environment, and others abused by corporate power.

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For some years now, corporations have outsourced most of America's call-center jobs to India. Well, you said, you're more skilled than that, so you won't worry about it. Then you saw accounting jobs, legal research, and architectural drafting going to India, too—but, hey, you do sophisticated stuff, so you can't sweat those losses.

Next, our country's high-tech computer jobs started being shipped to India—and, uh-oh, that's getting close to what you do. Still, you said, I'm a professional, by gollies, so I'm okay.

Maybe not. Such outfits as Citigroup, Boeing, and Eli Lilly are now moving out the work of white-collar elites—including investment banking, aircraft design, and the clinical testing of drugs. "High-end outsourcing" is the new wave, and it's pulling away the professional work of well-educated Americans who've been enjoying six-figure salaries, nice homes, and the good life.

Economist Alan Binder, a former top official at the Federal Reserve, says, "We have, so far, barely seen the tip of the offshoring iceberg, the eventual dimensions of which may be staggering." How staggering? Binder says that up to 42 million American workers—about one-third of us—are looking at a rude awakening.

What's next? Binder says America needs to increase jobs that have to be done in person so they can't be outsourced—jobs like doctor and police officer. Yeah, well, I'm thinking we'll need lots of police work to employ everyone who can't be a doctor! And...how, exactly, are the rest of us to pay for seeing the doctor?

of interest? Of course! *Mother Jones* reports that while Goldman Sachs was advising Indiana officials on selling rights to the state's toll road, it didn't mention that it was also putting together a private infrastructure investment fund to get part of the action, meaning Goldman had a financial interest in getting Indiana to sell the roads as cheaply as possible. You see, in deals this big, the first thing that bankers do is to drag ethical considerations into a back room and strangle them.

A Morgan Stanley banker estimates that around the world, some 30 special funds are now amassing a total of \$500 billion in capital to buy U.S. public assets. At the same time, bankers are roaming from statehouse to statehouse to persuade officials to sell. Mark Florian, a Goldman Sachs executive who has become Wall Street's happy huckster of privatization deals, says he has personally visited top officials in more than 35 states to "help spur the market."

Laissez-faire ideologues are not bothered either by conflicts of interest or by any concerns about the public interest. They view our roads, airports, and such strictly as commodities that should be put on the market for the enrichment of wealthy investors. As Florian puts it, "There's a lot of value trapped in these assets."

A raw deal

For those of us without the wealth to profit from privatization, this is a mighty rocky road to

The privatization of America

The "piratizers" (as the privatizing lobby has come to be called) are out not merely to grab roads, bridges, and other pieces of the public infrastructure, but also to put corporations in charge of practically all government services. What we have here is essentially an effort to displace government—removing the public from control of basic aspects of our lives. Among the targets that already are experiencing corporate takeovers:

- | | | |
|------------------|-----------------------------|----------------------------|
| ■ Public schools | ■ Police | ■ Tax collection |
| ■ Hospitals | ■ Military forces | ■ Courts/juries |
| ■ Postal service | ■ Welfare services | ■ Environmental protection |
| ■ Pensions | ■ Child support enforcement | |
| ■ Parks | | |

travel. Instead of providing universal public service, our prime transportation routes will be priced at what the market will bear. Working stiff, small businesses (from truckers to maid services), and others—the majority—will be economically burdened or forced onto clogged side roads.

We'll also be giving up any semblance of democratic control, ceding decision making over fundamentally public matters to self-interested private executives cloistered inside board rooms. With long-term leases, decisions about major repairs or expansion 10, 20, or 30 years from now will rest not on public need, but on what will make the most profit for the shareholders. The corporation can refuse to add lanes, can raise tolls to do so, or can even sell its lease to another party that might choose to cover its cost of purchase by lowering the quality of service.

What we're losing here is the whole idea of public purpose. This is our commonly shared infrastructure we're talking about, and it's more valuable than money. For

example, privatizers estimate that the magnificent Golden Gate Bridge is worth \$3.4 billion to investors. But that's its price—NOT its value. That bridge embodies community identity, history, aesthetics, unity, service, and purpose.

These are the people's assets—belonging not just to all of us here today, but to those who went before and to all those yet to come. Politicians need to know that these are not "theirs" to sell, that no

one can "own" our public assets as their private property.

By politicians, I mean Democrats as well as Bushites. It's Democrats who're running the fire sales in Chicago, it was a Democrat—Rep. Chaka Fattah—who ran for mayor of Philadelphia on a plan to privatize the city's airport (he lost), and it's Democratic Governor Jon Corzine (a former CEO of Goldman Sachs) who has pushed the sale of New Jersey's major highways.

This abandonment of the public trust and the common good is a leadership issue of Rooseveltian proportions, yet no one running for president has made a peep about it. If they did, they'd tap into a rich reserve of public resentment against the rip-off deals, the profiteering, and the very principle of selling what is ours. Where are the Rooseveltian Democrats who'll stand up to the profiteers and rally the people to reclaim and reinvest in our public infrastructure? We can't wait on the pols to come to us. Check our **Do Something** box in this issue...and go to them.

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BUILDING THEM**

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