P3s Tax the Public to Profit Govco
Representative C. Robert Brawley

As an American and lifelong Republican, I am all for free markets and business success. What I do not stand for is propping up industries or companies that cannot survive and prosper on their own merits. If you succeed by building a better widget or offering a better service than your competitor, hats off to you. However, if your business model is based on deceit, spreading propaganda and riding on the coattails of American taxpayers, shame on you. Unfortunately for millions of Americans, legislators are selling-out America's prime infrastructure assets to corporations and private entities looking to capitalize off of the public and America's infrastructure that was purchased, built and maintained with taxpayer funds. Whether it is roads, water systems or utilities, corporations and private entities are pervasively colluding with politicians to garner the acceptance of Private Public Partnerships (P3s).

An article published in the November/December 2012 issue of *Dollars & Sense* magazine by Darwin Bond-Graham highlights many of the problems with P3s. The concerns quoted below have been raised by concerned citizens on both sides of the aisle. Corporate management of people and public services is an unsavory idea regardless of your political affiliation.

> *In 1995, California granted a private company the right to construct express toll lanes along the State Route 91 freeway in Orange County, a region inhabited by millions, with some of the heaviest traffic flows in the nation. This was the first modern privatized highway in the United States. The California Private Transportation Company (CPTC), a partnership of three corporations—Level 3 Communications, Granite Construction, Inc., and the French toll operator Cofiroute SA—completed the project with $130 million in mostly privately sourced money. To recoup this expense, and to make a profit, CPTC was given a 35-year concession to operate the toll route. State leaders promised that the private company would provide greater efficiency and savings, and that the public would benefit from clear and safe roads, even during a time of government budget constraints.*
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> *It did not take long for things to unravel. The SR-91 toll lanes did not unclog what local traffic reporters referred to as the "Corona Crawl," so state and local officials sought to expand nearby highways to ease worsening congestion and improve safety. When transportation offices announced the improvement plans, CPTC unexpectedly filed a lawsuit, citing a non-compete clause in their contract to build and operate the toll lanes. The people of California were legally blocked from improving their highways because it could reduce private profits. In 2003, the Orange County Transportation Authority was forced to purchase the SR-91 toll lanes for $208 million to put an end to the fiasco.*
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> *In 2004, California's state legislature halted the experiment in privatizing highways. But that did not stop other states from pushing forward with privatization. In Virginia and Texas, several major privatized freeways were built in the 2000s. Then, in 2009, things came full circle. California once again authorized so-called public-private partnerships to procure highways and other public goods. Although privatization of transportation projects has a tarnished record, owing much to California's costly experiments over a decade ago, all across the United States major highway and other infrastructure upgrades are once again being handed over to private investors, now under the moniker of "public-private partnerships," or [P3s].*
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> *[A P3] is a rebranding of privatization. The phrase purposefully evokes a win-win scenario involving equal "partners" working toward a common goal. Government leaders have been sold this new kind of privatization*

as a solution to declining tax revenues and borrowing capacity, while private companies claim to be offering their expertise and capital in a spirit of public service.

Let's be honest. Private companies do not exist to give away goods or services. Their goal is to earn a profit and return substantial gains to their investors. That is a worthwhile goal from a business standpoint; however, it is a conflict of interest when companies are tasked with supplying essential public services. In contrast, government services are designed to serve the public – not profit from the public. You cannot serve the public's basic infrastructure needs in an equitable fashion if your goal is to make a profit.

[A P3] is the result of a long ideological campaign against public-sector unions and "big government," which conservative think tanks, pundits, and politicians blame for growing deficits and crumbling infrastructure. This worldview, meanwhile, hails private companies and the private profit motive as the bearers of efficiency and fiscal discipline.

P3s do not reduce "big government", they only increase it with the insertion of "big business". Private companies can be just as inefficient as the public sector, and are no less prone to project overruns or management mistakes. Whether it's a government project or a corporation, you still have human beings at the helm. Greed, human error and mismanagement exist in both the private and public sectors – just ask Enron or Lehman Brothers.

Finally, [a P3] is obviously a money-making opportunity. It is propelled by an infrastructure-industrial complex composed of global construction corporations, investment banks, private-equity firms, and elite law firms organized as vertically integrated consortiums. Allied through their own trade associations, they are actively pressing for new laws to expand the types of public infrastructure from which they can extract profits, and in recent years they have been quietly succeeding.

The American public depends on the equitable accessibility to basic needs, such as water, roads and emergency services. Seeking ways to profit from the public for services that they cannot pick and choose from (such as the airport they use, the interstate they drive on, or the water they drink) is essentially forcing the public to buy your product – that is not a free market practice.

The main source of project financing, however, comes from investment banks that lend to the consortium partners. P3 proponents claim that this private financing source is a solution to the budgetary constraints of governments that face huge backlogs of deferred infrastructure investment. A recent Congressional Budget Office (CBO) report, however, shows the flaw in this argument: "The case is sometimes made that using funds from private capital markets to finance roads can increase the resources available to build, operate and maintain roads," the report notes. "But the sources of revenues available to pay for the cost of a highway project —whether it uses the traditional financing approach or a public-private partnership—are the same: specifically, tolls paid by users or taxes collected by either the federal government or by state and local governments."

Whether it's through tolls or taxes, the source of revenues are still people. P3s create fertile ground for monopolistic and corporate cronyism practices. Government that is *By the People* and *For the People* should steer clear of partnerships that increase the gains of the private sector at the expense of the public. Socialist and non-democratic countries do P3s very well, which is another example why they are an un-American practice.

I ask my fellow legislators and the public to speak up against plans to implement P3s for our roads and other public infrastructure assets that are essential to a free society.