

# VA Gubernatorial Privatization Schemes

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Last time we were discussing pending Virginia Port Privatization proposals, a concept which some say the McDonnell administration favors because of the potential opportunity to obtain substantial cash up front to use for other purposes. In fairness, we do not yet know where the Governor will ultimately come down on the matter.

Some earlier Virginia governors -- or at least their offices -- have not exactly distinguished themselves with certain of their transportation policy decisions involving the private sector. Two resulting transactions come immediately to mind. Remember, in the early 1990's, when Governor L. Douglas Wilder was hot to acquire RF&P real estate and build a Redskins Stadium at Potomac Yard, in Alexandria, to accommodate his friend, the late Jack Kent Cooke. RF&P real estate turned out to be the very last thing that Virginia needed, but Wilder operatives fell in love with the real property, and wound up paying too much for it, while ignoring, and undervaluing, the State's interest in the unique, and strategically-important, rail corridor linking Richmond and DC, an asset of far greater long-term value to the Commonwealth. Without question, CSX was and is the logical operator of rail freight service over the former RF&P, but time has shown that the State of Virginia let slip from its hands the more valuable component of RF&P, the underlying railroad which, in the long run, will likely have greater utility for movement of people than freight. CSX, which did nothing wrong, could not believe its good fortune, dealing with Wilder's misguided agents. CSX got a bargain!

Then there is the case of *Pocahontas Parkway*, or Route 895, which deal apparently was struck during the administration of Governor George Allen. This is said to have been the first transaction by the State of Virginia under the provisions of the 1995 Public Private Transportation Act ("PPTA"). Those who drive I-95 south of Richmond are familiar with the theme-park-thrill-ride-type interchange which was constructed to link 895 with I-95 at Falling Creek. The road was constructed years ahead of travel demand by a consortium of opportunistic contractors, represented by effective local lobbyists, who were obviously happy to build an unnecessarily-expensive piece of infrastructure. Drivers have since shunned the road. Tolls are now double what was originally advertised. Traffic counts are low. A significant portion of the \$350+ million cost of the original 8.8 -mile toll road (\*), was the high-rise bridge over the adjacent James River, part of the complex I-95 interchange, all designed to accommodate 150+foot tall ocean-going ships. Few have passed under thus far, and none are likely to do so in the future. Had more practical value-engineering prevailed, millions of dollars could have been saved. The so-called *Parkway* (\*since extended\*) is now in the hands of a second operator, *Transurban*, which recently wrote off \$138 million of its investment.

Does all this mean that Virginia should ignore the merits of transportation infrastructure and service transactions with private corporations? “No”, absolutely not! But it does raise questions about the way business is sometimes done for, and on behalf of, the citizens of this Commonwealth. We just need to be smart about it! # # # #