Chicago mayor's infrastructure privatization scheme marked by secrecy

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Last week, Democratic Mayor Rahm Emanuel secured passage of an "Infrastructure Trust" bill, which brings private finance fully into the rebuilding of Chicago's infrastructure. City aldermen voted 41-7 to pass the bill, despite public concern that the proposal, lacking detail and transparency, will be an invitation to more corruption and result in higher costs for city residents.

Critics of the bill have related similarities to the widely despised sale of Chicago's parking meter system four years ago by then-Mayor Richard Daley, also a Democrat. In that case, the city received a one-time payment for the system—which quickly disappeared as partial payment for a crisis-level budget deficit—and handed revenues from the meters over to a private company for the next 75 years. Parking meter prices soon skyrocketed, without a penny of the increase returning as public funding for city needs.

The new infrastructure bill, as presented, is remarkably vague. It will set up a non-profit agency with five board members appointed by the mayor. These board members will have oversight on obtaining private funding, the progress of projects, and securing repayment for financing.

Prior to the vote on the bill, there was no presentation of what specific infrastructure problems in the city need to be addressed, or how. Nevertheless, JPMorgan Asset Management, Citibank, Citi Infrastructure Investors, Macquarie Infrastructure, Infrastructure Investment Group, and Ullico (a union-backed insurer) offered nearly identical letters in support of the fund, pledging $1.7 billion in financing.

Emanuel has told the press that the trust will raise $7 billion in total funding. Between the $7 billion goal, and the $1.7 billion in pledged private financing, only one project has been presented—a $200 million program to make city buildings more energy efficient.

If all of this funding were obtained, it would only begin to address the huge need for rebuilding of schools, streets, housing, power and transportation. Transit projects alone already demand several billion simply to rebuild current routes, without even addressing the serious need for new routes demanded by changing travel patterns.

Such social priorities are not on the minds of those in the Emanuel administration, which is closely tied to the interests of finance and industry. Emanuel, the former chief of staff for President Obama, became a multimillionaire after working for two-and-a half years at an investment bank. His administration is led by figures from a similar background. The first reported member of the Infrastructure Trust Fund Board is the retiring Chief Financial Officer of Boeing, Inc.

The argument put forward for the trust is that the city, faced with falling revenues and relying on federal assistance, in addition to an increasing debt load, cannot sell bonds, as Chicago and other cities have done for decades.

Instead, the city budget crisis is openly being acknowledged as an excuse for privatization, which Emanuel couched in pseudo-populist language: "If you want no taxes, and you don't want crumbling infrastructure, you have to have an idea," he said. "We are taking some of the pressure off of the taxpayers."

Never has it been proposed that taxes be raised on the area's more than 200,000 millionaires, last counted in 2011, whose numbers include numerous local Democratic party operatives, like Jesse Jackson and top Obama adviser David Axelrod.

Why the rapacious finance industry has flocked to the proposal has been left unstated, although a reason can perhaps be gleaned from the lack of information about which parties—the financial institutions or city residents—will bear the risk in these ventures.

Emanuel has presented the claim that a city unable to afford bonds can pay off private loans—which will deliver handsome profits to financial interests as well as untold millions in compensation to the staff selected to run the trust. With a straight face, Emanuel promises that the city will avoid taxes and user fees on the public.

This will no doubt prove to be a lie, since the task of the Infrastructure Trust is in part to ensure that private finance reaps its returns, and in no place has improving aged infrastructure proven to be profitable. Each firm that has pledged funding has worked elsewhere to privatize public infrastructure, while Chicago's two other major privatizations of public assets, the parking meter system and Chicago Skyway toll road—and here we avoid detailing the public cost of privatized public education services—have resulted in steep hikes in user fees.

The Infrastructure Trust, dominated by private finance, will also have its operations well guarded against public political input, since the mayor selects the board controlling all of the projects. Before the city council passed the bill, a few aldermen presented amendments for increased transparency, and a procedure that would have the city council vote to approve every project.

Emanuel stated after the passage that "now, everyone has had a chance, everyone has had changes made along the way. Every one of those changes, we talked about greater transparency. Talked about accountability. Checks and balances."

Indeed they were "talked about," and then overwhelmingly rejected by the city council.

The secrecy and stunning lack of detail that marks the passage of the Chicago Infrastructure Trust is a response to the public hostility to the privatization of public services. Emanuel has presented the proposal as a positive change from Daley's privatizations, as nothing will actually be sold outright. Yet the demands for profits from private financiers mean that the public, in one way or another, will pay for the renovations, plus interest.