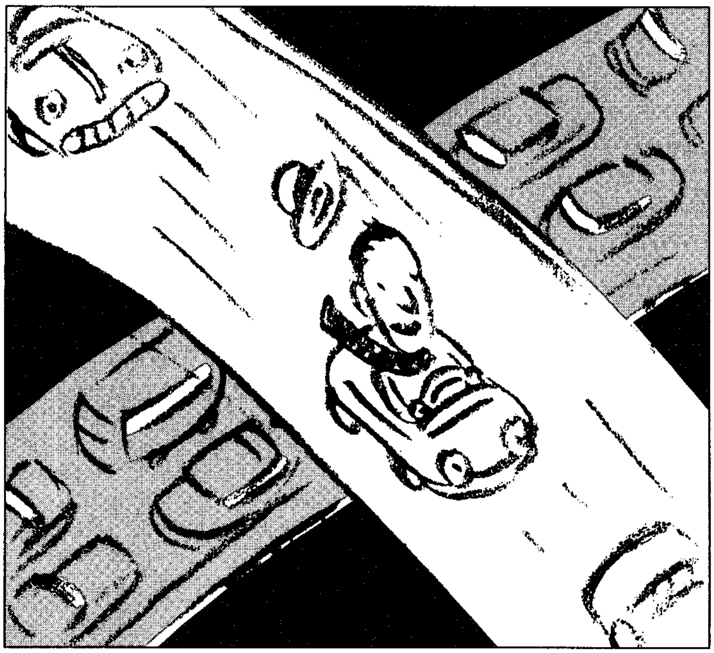
PRIVATE EXTENSION

BY PETER SAMUEL

For most of the last century, the road running from Washington, D.C., to Leesburg, Virginia, was privately owned and operated. It still bears the name Leesburg Pike, from the days when staves barred the traveler's way until the toll was paid. Now, more commonly known as Route 7, the state highway runs on the roadbed cut and filled by the Leesburg Turnpike Company in the 1780s.



Just south of Route 7, the first modern-day private toll road corporation plans to build another highway linking Washington to Leesburg. An extension of the government-run Dulles Toll Road, it is likely to be the first completely commercial thoroughfare to open since the demise of private turnpikes in the late 19th century.

At the center of the project is Ralph Stanley, the 37-year-old founder and director of the Toll Road Corporation of Virginia. Stanley, a Republican activist and former head of the Urban Mass Transit Administration, lobbied hard for legal permission to start his company. In 1988, the politicians in Richmond passed the Virginia Highway Corporation Act, establishing a legal framework for private road companies and repealing a 1950s ban on charging tolls for profit.

Stanley's company jumped its major administrative and political hurdle last July 20, when it received a permit from the Virginia Commonwealth Transportation Board for a Dulles Toll Road Extension connecting Dulles Airport to Leesburg, a little colonial town on the fringe of the expanding greater Washington area. The company must also file a detailed financial plan, including projected tolls and return on capital, with the State Corporations Commission, which regulates utility companies. Once the firm gets its certificate of authority for the project, all governmental obstacles will be behind it. Stanley hopes that by then he will have acquired the remaining land needed for the project and have capital in place to break ground in early 1990.

A former Reaganite privatizer, Ralph Stanley happens to believe in private transportation. Moreover, some of the Richmond politicians, especially Gov. Gerald T. Baliles, have advocated making use of the private sector to build public facilities. But necessity, not ideology, has been the mother of the private turnpike's reinvention.

The demand for road space on the outskirts of Washington cannot be satisfied by traditional state means. In the 1960s and '70s, road building was sadly neglected, and politicians are now under pressure to make up for the lost decades. The prospect of gridlock in suburbia has become the number-one political issue out here.

Another major factor in the success of Stanley's proposal for a private toll road is the existence nearby of the successful, albeit state-owned, Dulles Toll Road. Completed in 1985 by the Virginia Department of Transportation for some $55 million, this 12-mile expressway consists of lanes running parallel to the long-established Dulles Airport Access Road. The Dulles Toll Road has been such a success that the Virginia Department of Transportation is making a tidy profit and is planning to widen the road from four toll lanes to six.

The department is also considering a privately financed subway line in the median of what will shortly be a 10-lane road system. The government of Virginia, responsive to political pressures, is trying to look after today's voters. But beyond Dulles Airport, in the farmland that is sprouting its first housing estates, the consensus is that major new highways should be built by private enterprise.

Stanley's strategy has been to form a consortium of people with established track records. He has one of the East Coast's largest highway building contractors, Kiewit Eastern Company, as a shareholder and almost certain builder of the road; the well-known Parsons, Brinckerhoff, Quade and Douglas Inc. and Vollmer Associates as consulting engineers and traffic planners; and Goldman Sachs and Wheat First Securities Inc. as financial advisers and possible underwriters.

By setting up shop virtually on site, Stanley has been able to deal directly on a daily basis with two very important interest groups—landowners and environmentalists. There are 17 landowners in the 15-mile corridor over

DAVE BHANG

which the highway is to run. Most of these expect urbanization, so they are generally sympathetic to the road. Unlike the state highway agency, Stanley's company cannot rely on eminent domain to seize land; it must negotiate equitable terms with each landowner.

Stanley's aim has been to get property owners to donate most of the needed land in return for the accessibility provided by the highway. The corporation is basing its pitch to landowners on the speed with which it claims it can build the road—two years, compared to the four years or more it would take the state. This approach, Stanley says, can save $100 million that the Virginia Department of Transportation would have had to pay to acquire land for the road.

Stanley says his road is also environmentally superior. His staff says the highway has been planned to avoid wetlands and cross rivers at points where environmental disturbance will be minimal. Halfway along, the road line shifts several hundred feet south to avoid a school. The corporation obviously needs the good will of the locals, including the landowners. But Stanley says he is not allowing developers to invest in his corporation because he does not want his project written off as being dictated by developers.

Stanley says the corporation's traffic and financial projections show the road will lose money for five to seven years, but it will be funded as a 30-year project. Construction will cost $120 million; an additional $30 million will be raised at the start to cover financing costs and the anticipated early-year losses. Stanley wants to open the road by early 1992.

The Virginia Department of Transportation has reacted ambivalently to the private extension plan. It has never flatly opposed the project, but at Stanley's hearings before the state transportation board, the department put forward its own counterproposal, suggesting that the state build the extension after all, using a mix of government-guaranteed bonds and profits from the existing toll road. Transportation department spokesmen said the counterproposal, which was rejected, was intended to make the point that if the private-enterprise scheme collapses for some reason, the state will be prepared to fill the breach.

Stanley, for his part, says transportation officials are understandably skeptical about whether his little company can raise the money for the project. But he says the pressure on the state to build roads is so enormous that many officials welcome private construction.

Although no one has attacked Stanley's idea directly, opponents of private enterprise have tacked conditions onto approval of the extension project, treating his corporation like a monopoly utility. Under the law passed last year, the company is subject to detailed regulation of its tolls and conditions of service.

Stanley has accepted the regulatory regime, but he points out that his road will face competition. To the north, the old Leesburg Pike (Route 7) will provide an alternative route for motorists, and roads to the south and west could also take traffic away from the extension if the tolls are too high.

Stanley wants to charge close to 10 cents a mile, about the same charge (in 1992 dollars) as motorists face on the existing Dulles Toll Road. He says regular users of his road will not have to stop at tollgates. Instead, he intends to equip the regulars with vehicle identification devices that enable a machine embedded in the road to record their trips as they drive over; the drivers will then be billed monthly. Stanley says such a system can increase the capacity of a toll road by 20 to 30 percent.

He has to seize a fleeting opportunity. With the state road builders overstretched, developers and the public wanting his road, and investors willing to consider the project, he has to pull the whole thing together quickly. The arithmetic of interest on debt will not allow his project to stay on ice the way state highways do, buffeted for years by the vicissitudes of local politics. The Toll Road Corporation of Virginia has to build or die.

Contributing Editor Peter Samuel is a Washington journalist.

BACK IN THE USSR

BY DEROY MURDOCK

After discussing politics and human rights openly for four hours in a Moscow apartment, a group of American journalists and their Russian-dissident hosts strolled through Pushkin Park. As they crossed a small residential street, a Soviet militia vehicle slowed down and let the eight pedestrians go past. The police car rolled forward a bit, then stalled completely. As the Americans and their new friends walked to a restaurant for dinner, they could hear gears grinding loudly a block away as the Soviet cops tried to restart their engine.

Glasnost proceeds apace, with the scope of permissible public discourse and political activity expanding daily. However, *glasnost*'s reformist sibling, *perestroika*, seems stalled in the starting gate. Mikhail Gorbachev's campaign to restructure Soviet society and the Soviet economy has so far demonstrated few tangible results. As a contemporary Russian proverb says, the old dog's leash has been lengthened and it can bark as loudly as it wants, but its dinner dish has been moved farther away.

Beyond police cars with faulty transmissions, the USSR suffers from disrepair, poor hygiene, and a dearth of consumer goods. While there was a bit of good news to be found in Moscow, Leningrad, and Tallinn, Estonia, Gorbachev's experiment appears to have produced few tangible improvements in the Soviet economy.

Poor maintenance has left much of Moscow and Leningrad begging for scaffolding. Many buildings could use the skills of a team of plasterers and painters. The Cosmos Hotel, one of Moscow's best tourist establishments, boasts torn leather furniture in the lobby, peeling paneling in guest rooms, and threadbare carpeting throughout.

At the official Novosti Press Agency in central Moscow the men's bathroom just off the main lobby comes equipped with three commodes, all lacking toilet seats. None of the stalls has toilet paper. One of them does have torn-up newspaper and old office documents for the same purpose.

A common sight on busy Soviet streets are the *gazirovannya voda* machines. They are akin to American fountains but dispense mineral water for a few *kopecks* per customer. Each machine is equipped with one glass from which all patrons drink. The glasses are said to be changed nightly.

***Glasnost* proceeds apace, but its reformist sibling, *perestroika*, seems stalled.**

The lines in which Soviets stand day and night are a grim and ubiquitous reality of daily life in the USSR. Thirty people were lined up in Moscow waiting to buy coffee one morning. At the massive GUM Department Store, about 40 women queued up to buy purses and other goods at a leather shop. Just a block from Red Square, 88 Soviets lined up to buy single cones of vanilla ice cream. Interestingly enough, they left the small stand gleefully looking as if their scoops had been sprinkled with solid gold nuggets.

In a sense, the lines are not so bad. They at least indicate that something is available. Often, basic items vanish entirely. "In April there was no toothpaste," an Intourist guide announced at lunch. During the same meal, a curly-haired waitress came by and explained, "Excuse. No cream today." Coffee and tea would have to be consumed black.

It is popular in the USSR to give small presents when meeting people. These days, a gift of a small hotel-style bar of soap is highly appreciated. Like sugar, bath soap is now rationed in Leningrad.

Soviet grocery stores reflect this same level of scarcity. The *Gastronom* food store at 180 *Prospekt Mira* (or Peace Street) reeked of stale fish when I visited it one Saturday afternoon. The shelves contained about 100 identical containers of canned fish, seven huge wheels of cheese, some milk, about four dozen eggs, dried sardines, and a produce section that contained only cabbage, cauliflower, a few evaporated tomatoes, and a basket of small, dry apricots. Several display cases were entirely empty. The liquor section was well stocked but had few customers. The candy section had a wide variety and was swarmed, with about 20 people vying to have their orders filled.

For tourists, the Soviet Union offers very little in the way of souvenir spoils. The official *beriozka* stores sell vodka, caviar, lacquer boxes, and brightly colored dolls within dolls. On the streets, black marketeers sell lapel pins, military watches and T-shirts that say "Pepsi Cola" in Russian. But even the shirts are made in Peru.

Despite the dismal state of the Soviet economy, the growing cooperative movement provides a measure of encouragement. Gorbachev has permitted private businesses, or cooperatives, to function so long as they first register with the government. Entrepreneurs have established several private restaurants and retail establishments. And there has even been some talk of several cooperatives banding together to create a private bank, but apparently this initiative has encountered serious opposition from Soviet authorities.

Pizza Express, a cooperative res-