

# Public-private alliances: The good, the bad, and the old

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Lately, the topic of public-private alliances has been a continued source of controversy. Would the Puerto Rican government be giving up too much for the use of private capital? Would this alliance unduly enrich those with "contacts" or "friends" within the governmental decision making apparatus? Will it affect the jobs of current government employees? And finally, will it achieve the desired results?

## Commentary

It is interesting to note that this is not the first time the Puerto Rican government has entered into a similar agreement with the private sector, as the sweet deal offered to the developer of the Teodoro Moscoso Bridge attests. The first public-private alliance was created for an urban train -not the one we currently use- but the actual first 19th century urban train, which substituted horse travel for mechanical locomotion.

With the advent of the Industrial Revolution, the locomotive started to replace horses and oxen as the primary means of transportation. In Cuba, the Royal Havana Local Board approved the amount of 2,000,000 silver pesos for the construction of a railway, which opened on November 19, 1837. As a result, cheaper transport of sugar to the ports promoted the establishment of plantations in areas remote from the coast. Spain, showing its technological backwardness compared to Cuba, launched its first line eleven years later.

Puerto Rico had a different scheme of economic and social challenges than Cuba or Spain. This difference caused a delay in bringing modern transportation to the island. Yet, the need for this type of transportation was urgent, since according to an inspection of public works made in 1872, transportation routes were so damaged that only 80 miles could be called roads.

The budget of the Colonial government of Puerto Rico in 1873 under Governor Don Rafael Primo, was 18,000,000 silver pesos, of which only 4% were allocated for school construction, roads and hospitals. On the other hand, 50% of the budget was allocated to the Department of War. With these budgetary limitations, it was impossible to mobilize projects requiring large capital, such as railways. The Spanish government then decided, starting in 1875, to use private capital for such projects, granting private investors monopolistic concessions for a stipulated period of time. During this period, the Spanish investors would be free to manage their business as they saw fit, and this included setting prices.

The shortage of effective means of transportation and the need to promote economic and social projects prompted the



Puerto Rico road map dated December 8, 1860

Spanish government to grant franchises for railroads in Puerto Rico. The first franchise was awarded to José A. González, a rich businessman from Mayagüez, in 1875. This franchise granted the right to operate a railway driven by horses from the center of Mayagüez to the city's beach. Shortly after being granted the concession, González transferred his franchise to a trading company.

On February 18, 1878, a second franchise was granted to Pablo Ubarri Capetillo. Under the terms of this franchise, Ubarri would have the right to operate an urban train, or *tranvía*, from San Juan to Río Piedras for a term of sixty years. In return for this concession, Ubarri would have to invest 180,000 silver pesos for the development of this project.

Ubarri came to Puerto Rico in 1839. By the time he married Aurelia Iramategui in 1856, he had already accumulated a capital valued at 100,000 silver pesos. Ubarri was also owner of numerous businesses, including a funeral home, livestock, and a meat supply company. He was considered the most influential man in Puerto Rico, with more influence than even the Governor of Puerto Rico.

Following the approval of Ubarri's franchise, the colonial government of Puerto Rico approved two more. In 1880, Bosch and Puig were awarded the franchise for a railway which would circumvent the island (*el ferrocarril de circunvalación*) for a period of ninety-nine years. The primary purpose of the railroad was to integrate the interior of the island with major cities and ports by transporting products, local passengers, and cargo. The train consisted of four lines: San Juan to Mayagüez, Río Piedras to Humacao, Ponce to Mayagüez, and Ponce to Humacao. These lines totaled 463 kilometers of railways, much more than ten kilometers of Ubarri's *tranvía*. Under the terms of this concession, the Spanish government assured its investor a return of 8% of their invested capital. As the investment of this project was approximately 10,000,000 silver pesos, the Spanish government was thereby guaranteeing its investors 800,000 pesos a year, guarantees Ubarri never obtained. The company was later sold to the Railroad Company of Puerto Rico (*Compañía de Ferrocarriles de Puerto Rico*).

In 1883, Ramón Valdez's request to build a passenger railway line from Cataño to Bayamón was approved. The line was built

and put into service that year.

Were these investments successful? Both Ubarri and the railway competed for the clientele that wished to travel from San Juan to Río Piedras, so the rate charged by these companies tended to be competitive, at least in this part of the island. In this regard, it served its ridership well. In any case, the local government would have been unable to furnish the population with a train system, so if this arrangement did not materialize, horses would have been the preferred mode of transportation for the first few decades of the 20th century. It is interesting to note that all of the above mentioned contracts were negotiated with local entrepreneurs, something to note in our 21st century negotiations. Also, the entrepreneurs put up all the necessary capital and took all of the risks. In return, they received a long term commitment. Due partly to technological and demographical changes, none of these agreements lasted their agreed upon life.

Our 21st century negotiations to implement private public alliances aren't so new after all! By studying our history, we might obtain useful insights which could assist in solving our current stalemate.

## It depends on what the meaning of "absolute" is

For Nina Fotze- "Absolute" as in "absolute" right to bail: not limited, not restricted, unconditional (Webster's New World Dictionary)

My point was that I found the furor over the alleged absolute right to bail of the Puerto Rico Constitution strange when it is not really an absolute right to begin with, and it is not. Ms. Fotze adds another argument along the same

lines in noting that it is hardly a "right" when the accused can't afford the bail set. Even if this right were absolute, I find it strange that people would not support repealing it for cases when no amount of bail could assure the accused would stand trial. Even stranger is defense of bail in the case of someone who is likely to intimidate or even kill witnesses or commit another violent crime while free on bail.

By the way, I submitted my letter with two alternate endings, giving the Voices editor a choice to meet space requirements. When both were printed, it may have seemed long and rambling.

William Leffingwell,  
Cayey

## Confusing prose and contradictory thinking

To William Leffingwell:  
You're a hard read, might you not organize your thoughts somewhat? Nevertheless you sound like you oppose the

absolute right to bail.

How do you reconcile "preventive incarceration," this term you've made up, with presumption of innocence? Bail compels a defendant to attend trial. But how can you tell someone he'd still innocent and lock him up?

Mimi Arjona,  
Isla Verde

## Not signaling turns triggers road carnage

How can you avert traffic accidents when you don't know what those driving around you intend to do? How come nobody signals turns? Not even cop cars. Last years there were some 500 traffic fatalities here. Dumb.

Jackson Winters,  
Isla Verde

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