Portion of TransTexas Corridor in Financial Trouble

For much of the last decade, informed Texans mobilized opposition to the Trans Texas Corridor (TTC). Readers of *The New American* (TNA) will remember fierce resistance to the project was launched once residents of the Lone Star State realized what was really afoot — backroom financial deals, unconstitutional eminent domain takings, and rogue actions by the Texas Department of Transportation that resulted in what has been called the biggest boondoggle in Texas history, and the worst policy departing Governor Rick Perry ever came up with. Most disturbing about the "NAFTA Superhighway" was its role in the integration of Mexico, Canada, and the United States into a North American Union (NAU), but the Public Private Partnership (PPP) with which it was to be funded was reason enough to raise hackles. A largely overlooked 2014 report shows evidence that the only completed segment of the project has experienced ongoing financial trouble in 2014, with no sign of a let-up.

On June 19, 2014, the *Texas Tribune* reported, in an article entitled "SH 130 Toll Road Company in Danger of Default", that a segment of the TTC is "dangerously close to defaulting on its debt." According to the *Tribune*, the "company's projections for traffic and toll revenue were overly optimistic. In October 2013, Moody's downgraded $1.1 billion of debt tied to the project by five notches, from B1 to Caa3, considered junk status. The financial situation has not markedly improved, according to the rating agency's latest report."

TNA and other opponents of the road scheme warned against such potential problems. The project was funded through a PPP — a popular funding mechanism benefitting private corporations at the expense of taxpayers. These partnerships privatize the profits, but publicize the losses of any public project so funded. Such an agreement was reached between the Texas Department of Transportation (TxDOT) and Cintra, a Spanish company with worldwide construction projects.

The SH 130 Concession Company (formed by Cintra to finance, construct, manage, and operate roadway systems) is the private consortium behind the project and "had signed a first-of-its-kind-in-Texas deal to build and operate the toll road for 50 years in exchange for a portion of the toll revenue," but the 2014 report noted that the company owed "more than $1 billion and lacked the funding to pay off an upcoming debt."

SH 130 is a toll road, and the first completed segment of the TTC. Plans were well underway before opposition got enough traction to polarize the state against the project. Its introduction was the first inkling many Texans had that the big sky was getting smaller. The gargantuan network of toll roads, connectors, rail and information lines, etc. that was to form the multi-modal TTC encountered so much opposition that the project was eventually forced to adopt a much lower profile — with the exception of SH 130. Running parallel to IH-35 for 91 miles, the toll road now sports the highest speed limit in the country, 85 mph — Cintra operates the most southern segment of 41 miles. The high speed limit, coupled with a ploy lowering speed limits on parallel IH-35, was one idea was to divert traffic to the toll road, therefore depositing more doubloons in Cintra's treasure chest.

But it hasn't proved popular with drivers. Traffic projections had been overestimated, reducing toll revenue that would have been used for debt reduction. The *Tribune* noted that TxDOT had offered a subsidy to trucks in the form of discounted tolls. When the discount ended, truck traffic held for a while, but TxDOT is considering reinstating it to attract more trucks. But, alarmingly, the report revealed that commercial traffic use of SH 130 had held because of Mexico's strengthening credit profile, indicating more commercial traffic from Mexico is expected.

As predicted by TTC opponents, toll rates were increased in November to make up for the shortfall while state officials now express hope that "someday" the road will relieve congestion on IH-35. In the meantime, taxpayers are on the hook, waiting to learn if the December 2014 payment was met, along with the portion of the June payment in default.

Sadly, property owners who fell victim to runaway "eminent domain" takings, having had their properties seized by TxDOT for the road have no recourse. In April 2007, TNA reported that Sam Harrell, owner of a unique organic beef ranch near Austin, had his property seized and destroyed in the name of infrastructure. Now, where once stood his ancient barn and organic pasture is a new Valero gas station/convenience store, ostensibly serving the stampede of ghost traffic on SH130.

This year's troubles aren't the first. In 2011, TNA reported that the TTC developer was in danger of default. Governor Perry's pet project was to have delivered the congestion-relieving network of toll roads in order to improve Texas infrastructure, or so they say. But in the future Texans are likely to hear more about financial default than fuss-free driving.

It's well worth noting that the Indiana Toll Road, an older Cintra project, also funded with a PPP, declared bankruptcy in the last quarter of 2014.

The John Birch Society has for decades presciently recognized the dangers of the TTC and the NAU it would have served, and led the way in educating interested folks along the way. For those not fortunate enough to call Texas home, prudence still dictates attention to the roles of NAFTA Superhighways, PPP's and the NAU.

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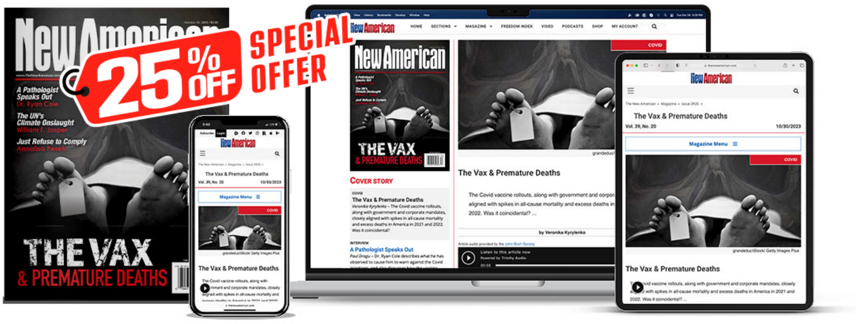

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