



## Texas Corridor Developer In Danger of Default?

Texas woes regarding the Trans Texas Corridor (TTC) may be getting even worse. Ever since the State partnered with Madrid-based Cintra, to build the wildly unpopular mid-continent trade corridor, Texas has had nothing but trouble. Especially property owners who have become victims of eminent domain abuses, and residents subjected to unwanted toll roads, a tyrannical state Department of Transportation and downright bullying by Governor Rick Perry and the State Legislature. But now, according to the Fort Worth Star Telegram, Texas officials are worried about a possible default by Cintra that could affect the progress of the Texas corridor projects.

Cintra is involved in road construction projects all over the world, including the operation of the Indiana Toll Road. After the company was also awarded the contract to operate the Trans Texas Corridor for the next 50 years, Texans learned they were stuck with both Cintra and a huge corridor project they did not want. One feature of the Texas contract was that Cintra was guaranteed a buyback if the project proved unprofitable. It seems that very thing could happen with the company's operation of the Indiana Road. Because of lower traffic, therefore lower toll revenue than originally forecast, Cintra has used up most of its rainy day fund and is running out of money to pay its debt to Indiana. The revenue shortfall occurred after Cintra dramatically increased tolls on the Indiana road.

Cintra is the lead partner in the Texas 130 Toll project in central Texas the backbone of the hated Trans Texas Corridor, or NAFTA Superhighway, as well as the North Tarrant Express (Fort Worth, Texas) and the LBJ Express (Dallas). The Fort Worth and Dallas projects, while not part of the north-south corridor, are part of the network of roads that will service it, and are examples of the dangers, and illegality, of Public Private Partnerships (PPP).

The TTC served as a high-profile example of the use of [PPPs](#) in the construction and management of public projects such as infrastructure. The trendy new way of financing these projects is really just fascism under a less offensive name. In the end, the public fronts the money, and the private investor reaps the profits. But the Texas projects carry the practice to a new level. Those readers with good memories will remember that in 2008, Cintra secured a \$430 million loan from the U.S. government to fund its "private" investment in the Texas corridor. In this case, if Cintra defaults, not just Texans, but U.S. taxpayers are on the hook again.

The details of all this seem murky. Cintra's U.S. vice president for corporate affairs Patrick Rhode claims that there is no financial trouble in the Hoosier State. "The Indiana Toll Road is not in default, nor is default expected. The performance of one project, even in the unlikely case of a default in its debt obligations, has no influence whatsoever in the performance or ability to perform obligations of the same investors in other projects." But that doesn't stop Texas officials from worrying. In fact, the Fort



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Worth *Star-Telegram* reported:

While nothing indicates that the Texas projects are at risk, transportation officials are privately expressing concern about whether Cintra and other developers will complete the work, considered an indispensable part of Texas' plan to handle population and economic growth over the next half-century.

Bill Meadows, a Texas Transportation Commission member, has asked for an analysis of the state's 52-year contracts with Cintra and its partners - NTE Mobility Partners on the North Tarrant Express project - as it relates to default.

With a default, the project could return to the state, which means that taxpayers and motorists could be left with an unfinished road, according to a *Star-Telegram's* review of the state's contract with the North Tarrant Express developer. If no other developer could be found, public money would be needed to complete whatever portion of the 52-year project wasn't finished.

"It's a poignant reminder of the importance of the contract being constructed properly, because this is what can happen," said Meadows.

For the North Tarrant Express Project the contract says that once the road opens, the main protection against financial default is a \$40 million debt service reserve fund, which Cintra and its partners agreed to set up, the consortium's contract with the state shows. Cintra's partners in the North Tarrant Express project include Meridiam Infrastructure of Luxembourg and the Dallas Police and Fire Pension System. But the use of a public pension system to guarantee a loan seems to be a conflict of interest at best.

PPPs carry a huge risk. Robert Puentes, senior fellow at the Brookings Institution in Washington says States are under pressure because they need the money. It's probably the wrong reason to do one of those deals, but it's the reality. There just may be a crisis moment when they start doing this because they need to plug gaps in their budgets."

Whatever the reason or outcome of these mammoth projects with their convoluted contracts, it should serve as a loud signal of the danger of PPPs to fund public projects, and the need for vigilance on the part of voters to know what's going on in their states.



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