

Editor
The Waller Times
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The Real Truth about the Trans Texas Corridor

This is in response to the recent editorial on October 9th, “*Truth about Trans Texas Corridor*”, by Joe Krier, *(an avid Governor Perry supporter, president of the Greater San Antonio Chamber of Commerce, and recently appointed to the Texas Transportation Financing Commission by none other than Gov. Perry. Mr. Krier has added another chapter of disinformation about the Trans Texas Corridors. He accused his opponents of using scare tactics when he has gone to great length to distort and bend the facts to fit his and the current administration’s interpretation of the transportation needs for Texans. His attempt to reach out to our local citizens through an editorial page bears witness to the fact that our tactics of informing the people objectively are beginning to cause great concern in Austin. Citizens for a Better Waller County goes to great lengths to encourage our neighbors and all county residents to hear both sides of the story in order for them to make intelligent, independent decisions that affect the livelihood of their families and fellow citizens. He and the rest of the proponents of the Trans Texas Corridor should try a little objectivity themselves. However, he has taken the position to simply parrot the mantra of what is being told by the current governor and those he has appointed.*

Simply put, we are not against better roads and rail infrastructure. What we are against is government without representation of the people, by the people, and for the people. We have not tried to stealthily conceal information from the public that has taken the Texas Attorney General months of litigation to obtain. We have not presented legislation in the 11th hour or craftily orchestrated language in amendments to disguise their intent. We have not threatened our citizens with the forcible taking of private lands through eminent domain. Most important, we were not the one who invited foreign interests into our country to operate our infrastructure at the expense of our citizens. Our disclosures of these facts are not scare tactics, but a wake up call to a threat to our democratic process. A democratic process that has made this country great.

We have openly expressed our guarded concern about the recent push of incorporating public private partnerships (PPPs) such as the Trans Texas Corridor into our public transportation systems as presented by Governor Rick Perry. Though our concerns have fallen on deaf ears we continue to press for answers. However, it has been through our own efforts that we are now beginning to understand the magnitude and nature of these PPPs. We are beginning to see through the veil of secrecy by what has occurred elsewhere to citizens around the world and in our own country. And we have chosen to convey those concerns through an organized grass-roots effort.

Our concerns started building due to the flood of information coming from credible sources from all around the world about questionable relationships between public officials and consortiums such as Cintra Concessioneros de Infraestructuras de transporte, AKA, Cintra and

Macquarie Infrastructure Group, AKA MIG. Our friends from “down under” have learned a hard lesson recently with the development of such projects as the Cross City Tunnel and the Love Tunnel toll projects in Sidney, Australia from the PPP consortium MIG. A former head of the Department of Main Roads, Brude Loder was recently quoted in the Sidney Morning Herald at saying that, “The authority’s financial involvement in the tunnel has twisted its relationship with motorists”. When the operators failed to meet the financial projections, they altered the routes to funnel drivers onto the toll facilities in which the public had no control or authority to dispute the changes. The public outcry of anger and the reluctance of motorists to pay the toll caught the operators by surprise. Loder also stated, “It’s not just the road changes that have enraged motorists, but the secrecy which swirls around the project.” The Premier, Morris Iemma, and the tunnel consortium refused to release the contract claiming it was “commercial in confidence” or what Gov. Perry would call “its proprietary information”. Is this not starting to sound a little too familiar?

Just last summer, John Sutton, National Secretary of the Construction, Forestry Mining, and Energy Union was quoted in the Melbourne, Australia newspaper, *The AGE*, stating that, “PPPs produce excessive profits for merchant banks....But they have often robbed taxpayers and consumers of value for money because of higher borrowing costs for private financiers”. He went on to say that private toll road companies **charge vehicles close to twice what they would have been charged had the projects been funded from government borrowings**. Senior Columnist, Kenneth Davidson of *The AGE*, did further investigation into the matter of PPPs and found that project bonds issued in association with PPPs are generally 40 to 75 basis points higher than government issued bonds and that this adds about 20 percent to the cost of the project. Merchant banks that create the financial vehicles for PPPs are looking for a 25 to 100 percent return on their equity. He further surmised that once a government is committed to a PPP, the public alternative is excluded and that the bargaining power lies with the bidder, not the government. It’s no wonder there is such a push from Wall Street to get into the Toll Road Business and financiers such as Goldman Sachs and Macquarie are wasting no time in getting to the bargaining tables.

Unfortunately for Australia, they woke up a little too late in the game and are now paying a heavy price. Toronto Canada has also begun to realize what they bought into was not what was delivered as evident in recent litigation between MIG and the Minister of Transportation regarding substantial rate increases for Toronto’s 407 Toll Road.

These consortiums are now invading the transportation infrastructure of the USA with total disregard for the public good. Indiana recently leased the Indiana Toll Road to Australia’s MIG and Spain’s Cintra, who have agreed to operate the toll road under a 75 year lease agreement in exchange for \$3.8 billion. The Virginia Department of Transportation recently agreed to a concession deal in which Transurban, another Australian-based toll road operator will pay about \$525 million in exchange for taking over the Pocahontas Parkway for 99 years. Mark Florian, Chief Operating Officer of Goldman Sachs & Co. municipal finance and infrastructure group was quoted by the *Bond Buyer Today* in May 2006 as saying that, “Whether there will be more leaders like [Virginia and Indiana] that will drive this forward is still an open question”.

The opposition, however, to Indiana's lease arrangements has been intense. The *Washington Post* staff writer, Amy Goldstein, reported in June that, "Three months after the legislation squeaked through, feelings remain raw. 'The whole thing stinks said state Rep. B. Patrick Bauer, the House Democratic leader. The two companies', he said, 'got a heck of an unbelievable deal. We got a bad deal'."

FleetOwner, a National Trucking Magazine, reported that tolls would increase in Indiana by 115% over the next three years by contractual agreement with the consortium. Needless to say, the governor's approval ratings have gone from 50 % to 37% since the first of the year. Unfortunately for him he does not have the luxury that Texas Governor Rick Perry has with a multitude of opponents.

Things are beginning to take an interesting twist for Goldman Sachs as well. In an article from *The Journal Gazette*, Ft. Wayne, Indiana in July 2006, "Bloomberg News reported this week that Goldman Sachs Group, Inc. lost the chance to serve as financial adviser to the Chicago's sale of Midway Airport after city officials learned the securities firm was planning to buy a European airport company that was a potential Midway buyer. The blatant conflict of interest drew criticism not only from Chicago's chief financial officer, but also from Charles Schalliol, Indiana budget director." *The Journal Gazette* went on to say that the budget director was on top of the situation. "When he found out that Goldman Sachs was preparing to invest in toll highways and other infrastructure, he called the Goldman Sachs banker who oversaw the Toll Road million dollar deal last month. The State of Indiana paid the securities firm \$20 million for drawing up and executing the public-private concession agreement. 'I told Mark Florian, after the transaction was done, it would have been a significant area of conversation,' Schalliol told Bloomberg News. 'I would not go so far as to say it's unacceptable to have a fund. I would say it creates some serious questions for the engagement'."

These "serious questions for the engagement", now need to be addressed in our own backyard by our governor and his Transportation Commission Chairman, Ric Williamson, as well as Mr. Krier himself: Goldman Sachs was hired in October 2005 by TXDOT as a "concession advisor". The fox is now in the henhouse which has become increasing apparent with the recent volleys directed at the Harris County Toll Road Authority.

Back in May 2006, TXDOT hit the Harris County Toll Road Authority (HCTRA) with a proposed bill of \$1 billion for permission to build three planned toll roads in areas under HCTRA's jurisdiction. The Houston Chronicle reported that, "County Infrastructure Director, Art Story, who had been negotiating with TXDOT, called the amount, 'surprising and outrageous'." The Chronicle went on to say that, "Besides the fee, TXDOT District Engineer, Gary Trietsch said in an April letter to Story that the project would likely cost the county toll road authority \$2.1 billion to build." Trietsch went on to say TXDOT was entitled to half the income as the proposed routes and existing routes were on state highways or state-owned right of way. "By authorizing the county to build and operate them, he said, TXDOT would forgo the opportunity to do so itself, or to contract with a private developer." And I wonder who that private developer would be?

Fortunately for the citizens of Harris County, neither County Judge Bob Eckels nor Commissioner Steve Radack County Commissioner buckled under the threat. Instead they called upon the services of their own Office of Management Services and their financial advisor, First Southwest Company to evaluate the proposals by doing something that no one in Australia, Canada, Indiana, or any other state in the USA had considered at that time: They invited a number of investment firms, including Goldman to present three levels of interest. The first was an outright sale; the second was a long term lease; the third was for HCTRA to hold and develop the toll roads themselves. The result was that JP Morgan and Popular Securities projected that the system was worth \$20 billion on an outright sale. Goldman Sachs and Loop Securities determined that a lease would be worth \$7.5 billion to \$13 billion depending on the length of the lease. Citigroup and Seibert Bradford Shank & Co. recommended that HCTRA keep the system and study other alternatives. With the assistance of First Southwest Company, the County and HCTRA were able to determine that it was in their best interest and the citizens of Harris County to keep the system and develop it themselves. The HCTRA subsequently challenged TXDOT who then backed off and negotiations are now on hold.

It is apparent that either our elected officials are way behind the learning curve when dealing with the PPPs or they are intentionally trying to sell us out. They have been out lawyer'ed, outnegotiated, and outmaneuvered by trained professionals. Those who realize the limitations of their understanding should choose a path of disclosure and open dialog under the supervision of those who are not only well trained, but have no vested interested in the project. Additionally, TXDOT needs to distance itself from those that will destroy the pride and moral of its workforce. The opposition and anger TXDOT employees were exposed to during the Environmental Assessment Hearings for the I-35 Corridor is an indication that they have been thrown into a lions den by elected and/or appointed officials who have lost touch with the people they are supposed to represent. Let TXDOT get back to what it does best; building highways that the people want and need. Those are the facts Mr. Krier, not scare tactics.

Sincerely yours,

Don M. Garrett

Note to Editor:

Don Garrett is a resident of Waller County. He is an active real estate investor and consultant who also owns and operates Harvester Farms with his wife Brenda. He is also a board member and acting president of Citizens for a Better Waller County, Inc., a grass roots organization that addresses issues affecting the quality of life of Waller County residents. For more information, please visit CBWC's website at www.wallercountycitizens.org