

Spanish firm to build and run new PFI toll road in Texas

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Grupo Ferrovial, Spain's construction, infrastructure and services giant, had a busy summer acquiring airports in the UK and Peru. Now it has a concession to build and operate a Texas superhighway.

Construction of the new toll road project, designed to develop an alternative route to Interstate 35 as part of the planned Trans-Texas Corridor is due to start early next year.

This has been agreed by the Texas Department of Transport under a comprehensive development deal with the Spanish company Cintra - Concesiones de Infraestructuras de Transporte, a member of the Ferrovial group.

Cintra's partner for the five-year road building programme is the San Antonio-based contractor Zachry Construction Corp, but Ferrovial's construction company Agroman is getting a share in the business.

Zachry joined with Cintra in a scheme to provide private investment worth \$6 billion. The assignment is to design, build and operate a four-lane toll road covering the 500 km distance between Dallas and San Antonio, bypassing the State capital at Austin.

For this concession Cintra is paying the State of Texas \$1.2 billion. It gives them the right to build and operate this initial segment of the intended Trans-Texas Corridor.

This would be part of the 'super-highway' spanning the United States from the Mexican border at Laredo, making its way through Texas, Kansas and Oklahoma and connecting with the Canadian highway system north of Duluth, Minnesota.

Because it would provide a connection all the way between Canada and Mexico, the project is also described as the North American Free Trade Area (NAFTA) super highway.

The project as conceived by Cintra and its partners and endorsed by the Texas transport department is certainly ambitious. They have talked about developing a corridor providing two lanes for high speed trucks and three for passenger vehicles in each direction, plus high speed and freight railway lines, possibly also telecommunication cables and oil, gas and water pipelines in an adjacent utilities corridor.

But a corridor of this overall width – maybe as much as 360 m - has alarmed people who stand forced to surrender property in land and buildings to the

project. This concern has been sharpened by the disclosure that, citing a recent U.S. Supreme Court ruling, the developers intend to exercise the principle of 'eminent domain' in land acquisition proceedings on the grounds that they are acting as agents of a public authority.

The developers apparently believe that such rights, once established in Texas, could then be applied across the entire 6,500 km length of the NAFTA highway. Whether that proves to be so depends on the outcome of any challenge that might be launched against such a claim.

The Cintra-Zachry partnership is however in a strong position because they have already secured an agreement granting them the right to develop the new highway in Texas. They have also put money down for the privilege.

The first concession within the Trans-Texas Corridor has already been awarded to Cintra. According to a statement by parent company Ferrovial, construction is expected to start early in 2007 once environmental and other permits have been obtained.

These initial contracts, to build two segments of the new toll road 64 km between Austin and Seguin will be performed 50 per cent each by Ferrovial's construction subsidiary Agroman and Zachry, which has won around \$180 million worth of road contracts already this year from the Texas Department of Transport.

Total construction investment in the new contracts is said to be \$1.3 billion.

"The new highway", the statement explained, "will offer an alternative to I-35 between San Antonio and north Austin, making it possible to avoid the highly congested area of central Austin on medium and long-distance journeys.

"The new high capacity road will absorb growth in long-distance truck traffic expected as a result of trade agreements between the United States, Mexico and Canada."

Cintra has also recently taken over management of the Indiana Toll Road (ITR) after paying \$3.8 billion to the State's finance authority for the transfer of the asset. In a 50:50 consortium with the Australian bank Macquarie, Cintra now has charge of this 250 km highway which links Chicago with the eastern seaboard of the United States.

The concession will run over 75 years.

The company commented: "The project reinforces Cintra's presence in the U.S., a strategic market for the company: it has a 99-year concession to operate the Chicago Skyway (\$1.83 billion) which links with the Indiana Toll Road, and it is a strategic partner of the State of Texas for 50 years to develop the Trans-Texas Corridor, one of the most ambitious infrastructure projects ever undertaken in the United States."