

ANOTHER PUBLIC-PRIVATE PARTNERSHIP DISASTER

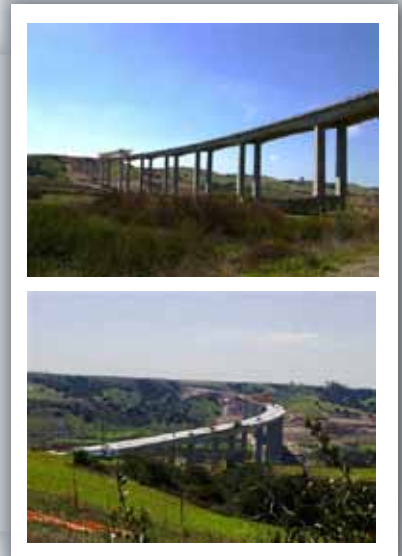
California: State Route 125 - South Bay Expressway

The San Diego State Route 125 Toll Road is a P3 disaster from right here in California. Because they are so profitable, it is not a surprise that multi-national companies and Wall Street investment houses want to bring more such P3s to the “lucrative” California market.

What the experts say:

Because of excessive design-build construction costs and lower than projected revenues, the private owners of San Diego’s P3 State Route 125 toll road filed for BANKRUPTCY PROTECTION in 2010.¹ Among those who lost hundreds of millions of dollars – the Federal Government’s TIFIA loan program.²

The SR 125 tollway was supposed to cost \$360 million and be completed in 2006.³ Instead, the costs ballooned to \$843 million and the project did not open until November 2007.⁴ Legislation in 2006 extended the toll for an additional 10 years to pay for cost overruns, requiring the public to pay the private owners “hundreds of millions of dollars in additional tolls,” according to the California Department of Finance. The Department of Finance opposed the legislation because “it is premature to extend the lease period ... simply to ensure the franchise a larger return on their investment.”⁵



The Public Interest Alternative

- Require competitive bidding.
- Require public oversight, design and inspection to ensure public safety and cost controls.
- Tolls should be reinvested in our transportation and other public infrastructure.
- Prohibit non-compete clauses and cash payments that prevent improvements to competing public roads, increasing congestion.

¹San Diego Union Tribune, “Toll Operator Files for Chapter 11,” March 23, 2011

²San Diego Union Tribune, “Lessons From Bankruptcy of South Bay Expressway,” May 27, 2011

³Washington Group Press Release, “Washington Group-led Joint Venture Wins \$270 Million Design-Build Contract for San Diego Toll Road,” May 28, 2003

⁴San Diego Union Tribune, “First Pay Highway Opens in County,” November 20, 2007

⁵California Senate Rules Committee Analysis, August 31, 2006