Public-Private Partnership Failures

South Bay Expressway

The South Bay Expressway (SBX), SR 125, is a 13-mile toll road east of San Diego that runs north-south beginning near the Mexican border. It was built as a public-private venture by Parsons Brinckerhoff and sold prior to completion to MacQuarie.

In 2010, 28 months after opening, the road's operator declared bankruptcy. Due to the housing crisis, recession and slowdown of truck traffic from Mexico, traffic and revenue fell more than 50% short of projections. In Dec. 2011 the San Diego Association of Governments (SANDAG) purchased SBX from the private operator for $341.5 million. In order to pay for the purchase and to encourage SBX usage, a planned expansion of the parallel I-805, which has level of service rating F (the worst possible rating) was canceled.

Rather than create operational and construction efficiencies, as was anticipated from the private sector, the road saw a series of problems that increased costs. The private operator was sued by construction contractors, and they countersued, for a total of 120 claims totaling $745 million. Legal fees alone were $40 million. In addition, the project took 5 years to get underway and construction took 41 months longer than anticipated.

Dulles Greenway

The Dulles Greenway (SR 267) is a toll road west of Washington, DC serving primarily people in the western suburbs commuting to the District and surrounding areas. The road is owned and operated by Macquarie. It has come under criticism for its escalating toll rates. When it opened in 1995 the toll for a car was $1.75. Today the rush hour rate is $5.55. Toll rates are flat, and while public officials have asked Macquarie to institute distance-based pricing, the company has refused due to the likelihood that it will lose revenue. While the state regulates the rates like a utility, the concession agreement gives the private operator significant leeway. As a result, despite a major public outcry, public officials are virtually powerless to prevent even higher rates from taking effect, let alone roll back the current exorbitant rates. As a result, a highway that was built for the purpose of relieving severe traffic congestion on parallel routes serves significantly less traffic than its capacity allows, while the parallel routes remain congested. Macquarie's goal of maximizing profitability is clearly, in this case, in conflict with the public policy goal of relieving congestion on the corridor.

SH 130

The SH130 toll road between Austin and San Antonio is currently under construction and is scheduled to open this fall. On August 30 it was announced that the road would have a speed limit of 85 mph, the highest of any stretch of highway in the country. It was also discovered that under the concession agreement with the toll road's private operator, the state would receive $100 million in return for the state agreeing to authorize an 85 mph speed limit. At the same time, the speed limit for a parallel, competing freeway was lowered from 65 to 55. TxDOT denies that this action was taken to encourage use of the toll road. The concession agreement also provides a financial incentive for a lower speed limit on the parallel I-35. This is just one example of financial need driving public policy to the detriment of drivers.

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