



Matthew Moroun Speaks out Against a New Bridge: Leave Crossings to the Private Sector, Son of Ambassador Bridge Owner Urges

By Mike Turner
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Ask Matthew Moroun, whose family owns the Ambassador Bridge, about the controversy surrounding plans for a second, government-funded span linking Detroit to Windsor, and he'll pause several seconds before answering.

But when he does reply, he doesn't mince words, dismissing the financial case made by Canadian and Michigan officials for the proposed \$2.1 billion New International Trade Crossing (NITC) as "political math."

"It doesn't work," he says. "No real businessperson or private sector business could ever live on math like this. You need to have a taxpayer treasury to be able to make this kind of stuff work."

Canadian lawmakers and many Michigan officials — most notably Gov. Rick Snyder — are pushing for the second Detroit-Windsor crossing, which would compete with the Ambassador Bridge, to improve the flow of commercial and passenger traffic. Snyder announced his support for the span during his first State of the State address in January, saying "every farmer and manufacturer in the state can tell you why it's important to have international trade."

That sparked a public relations blitz from the Moroun family, who have owned the Ambassador Bridge since the late 1970s — it was the world's longest suspension bridge when it was built in the 1920s. Although family patriarch Manuel "Matty" Moroun is famously shy of publicity, son Matthew, 38, vice chairman of the family's Detroit International Bridge Co., has been granting a slew of interviews to state the case for maintaining private sector control of the border-crossing business in Detroit. He also testified in June before the Michigan Senate's Economic Development Committee about legislation that would pave the way for the government-funded span. Testimony is still under way in the Senate committee.

[SYSTEM-AD-LEFT]"The best outcome is to continue with the success that we as a region have had with southeastern Michigan border crossings for the last 80 years, especially with the Ambassador Bridge, where no taxpayer resources or government resources have been used whatsoever — not to construct, not to operate, not to maintain what is one of the most important and the most efficiently run border crossings on our nation's border," he told Corp! during an early August interview at the company's headquarters in Warren, where the family's Central Transport trucking business is also based. "So the best outcome is to keep government out of what the private sector has handled by itself, and quite successfully."

The New International Trade Crossing, proposed to extend from the Delray neighborhood downriver from the Ambassador Bridge in southwest Detroit, would be jointly owned by Canadian and Michigan governmental



Matthew Moroun, vice chairman of his family's Detroit International Bridge Co., is fighting efforts for a new bridge in southwest Detroit.
Photo by Rosh Sillars

units, but would be privately built and operated.

Moroun contends that traffic projections by “highway bureaucrats” showing the need for another crossing are wildly optimistic. The government-owned crossing not only would compete with the existing bridge but also a second, \$1 billion span that they plan to build alongside it.

[SYSTEM-AD-RIGHT]“They’d be right next to each other and they’d both feed into the exact same plazas that have already been expanded,” Moroun says. “They’d both have the same roadway connections. We’ve laid all the foundation that we need in order to build a second span. We haven’t given up on that and we’re going to end up doing that sometime in the future. But we have a reason for doing that that’s different from the politicians that favor a government-owned crossing. And that reason is our bridge is 83 years old. While we spend tons of money every year to maintain it, we can take a lot of money we use to maintain it and invest it in a new facility.”

Once the new bridge goes into operation, the old span would undergo renovations before reopening to traffic. “You wouldn’t throw it away,” Moroun says. “It’s too good and we’ve put too much money into it. But one of the things about that is that economics-wise, it’s very expensive to repair the bridge and rehabilitate the bridge when it’s under traffic load.”

Moroun says repairing a bridge that is free of traffic is four times less expensive than working on it when it’s in operation. “It’s like telling the mechanic to change your oil as you drive down I-75,” he says. “He’d charge you a lot more for that. You have limited work areas, and you have to do a lot of work at night. We never shut down more than one lane at a time. So it’s a four-lane bridge and we never go down to two lanes.”

One roadblock standing in the way of an Ambassador Bridge expansion is approval of an environmental impact statement by the Canadian government. Canadian authorities say the documentation submitted for the second bridge in 2007 was lacking in detail, a claim Moroun dismisses. He also suggests that his company is not receiving a fair hearing from Canadian officials.

“The same folks, the same bureaucrats in many instances, that have fathered the dream of a government-sponsored bridge to take our traffic are the exact same people that we have to go to for our environmental approvals for our bridge,” he says. “That doesn’t mean that we can’t get it from them. It just means that they’re a real pain in the neck to work with. There’s a little bit of the element of fighting city hall. They haven’t made that easy.

“Imagine you already have an existing bridge where the connections work on both sides of the bridge, the plazas are there, and that guy turns in all the paperwork to build a new bridge right alongside it. Another guy turns in environmental paperwork six blocks away for a brand-new bridge in an area that doesn’t exist and has no connections. That guy gets his environmental approvals before the other one? Step back from it. That doesn’t make any sense. The only reason why that happened is because you’re playing the referee. Your opponent is the referee. They aren’t wearing team colors. They’re wearing black and white stripes and calling penalties on you when you move the ball too far down the field.”

[SYSTEM-AD-RIGHT]The Gateway Project

Moroun says similar dynamics are involved in Detroit International Bridge’s dispute with the Michigan Department of Transportation over the Gateway Project, a joint effort by MDOT and Moroun’s company to connect the Ambassador Bridge to I-75 and I-96 through a series of ramps. The company and MDOT partnered on the project several years ago, but the relationship soured when the state aligned itself with Canada on the government-owned bridge proposal, Moroun says. The two sides have wound up in Wayne County Circuit Court, where a judge has consistently sided with MDOT.

“It’s unfortunate that such a great project turned into such a bitter divorce,” Moroun says. “It’s tough to build

a \$100 million-plus project when you're fighting with your partner.”

Moroun contends that Detroit International Bridge initially had to woo MDOT to form the partnership. “In the late '80s and early '90s, we couldn't get a curb cut or a pothole fixed on the highways or the connections to the Ambassador Bridge,” he maintains. “We had to cajole and pressure and shame MDOT into agreeing that the highway connections between I-75 and 96 and 94 needed to be improved. Meanwhile, they're spending hundreds of millions of dollars in Port Huron to connect to what just happens to be the bridge that they own (the Blue Water). Finally we get agreement with them on that. In the same agreement, they agree that all these connections will accommodate a second span of the Ambassador Bridge. We agree on it. We help them get federal funding for their portion of the project that's built on their property, and we agree to invest over \$100 million and donate property to them for our portion of the project.

“In the middle of that marriage, MDOT meets somebody else, and her name is Canada,” Moroun continues. “It starts turning into a fight, and we go to court. MDOT unfortunately so far has been pretty successful in convincing the judge that we're the bad spouse and they're the good one, even though they're clearly cheating on us. We've taken our lumps.”

In court, MDOT has argued — and Judge Prentis Edwards has agreed — that Detroit International Bridge strayed from the originally agreed-upon design. Edwards has ordered the company to rebuild its portion of the project, including possibly removing part of a potentially lucrative duty-free store and fuel facility Detroit International Bridge erected. Edwards has given the company until Jan. 12, 2012 to complete the project, a deadline Moroun vows will be met.

“I'm confident about us doing our part,” he says. “Right now, MDOT's position is they're not so much interested in actually completing the Gateway anymore. They're more interested in watching the judge punish us for not completing the Gateway. So it's very difficult to move them in a positive direction because they garner more utility in watching the judge punish us than in completing the project. Because they figure the more the judge punishes us, the more they increase the odds of success with their government bridge proposal because it makes us look bad.”

Moroun also maintains that Detroit International Bridge has followed at least the spirit of its original agreement with MDOT.

“When we first started planning it, there were all kinds of contingencies built in,” he says. “For instance, say someone owns a bait shop in the middle of the project. So when you first design the plan, you have to build a ramp over the guy's bait shop so that he can still have his bait shop there. Over the course of a 10- or 15-year period of time, you acquire the bait shop so now you don't have to build the ramp. So if you're getting along with your partner, they'd say, ‘Oh, cool, we can make the project even better now.’ If you're not and they're trying to do you in, they say, ‘We don't care that you acquired the property. We still want you to build the ramp.’ And you go nuts trying to convince them and the court and everybody that these contingencies have gone by the wayside through the passage of time and acquisitions and so on. They're unnecessary now, and they try to hold you to them.



The math and traffic numbers behind the New International Trade Crossing don't add up, Matthew Moroun says. Photo by Rosh Sillars

“We thought in good faith that we could do that and our partner could work with us,” Moroun says. “Instead,

they don't want to see us derive any benefit from the elimination of those contingencies. They're trying to make us build it exactly the way we designed it 10 years ago instead of a better design that takes into account some of the benefits that we picked up along the way. Part of the court case was about some of the things we just did. We made the improvement anyway because it made sense. And now they're trying to make us pay for supposedly changing the design."

While Detroit International Bridge is losing the legal battle over the Gateway project, Moroun is hopeful of winning in the court of public opinion regarding the need for — and financial feasibility of — the government-owned span between Detroit and Windsor.

[SYSTEM-AD-LEFT]Bridge Traffic Numbers

He says that recent traffic patterns "show how untimely" the addition of a second span would be. "The Ambassador Bridge's peak traffic year was 1999 — almost 12.4 million vehicles," he says. "In 2010, 7.2 million vehicles crossed. So we assume with a 3 percent compound annual growth rate, how many years will it take just to achieve our former peak? At the Ambassador Bridge, it would take 19 years.

"This is not a picture that warrants an additional border crossing in this market. Anyone who can count would realize that," he says. "So it really boils down to ideology. Are you willing to use billions of dollars of taxpayer money to fulfill your ideological dream of not having a private sector-owned bridge?"

Moroun also contends that other numbers regarding the proposed span don't add up. Here's how he spelled out the financial case against the new bridge:

"Let's say that you spend \$2 billion building a bridge ... and let's say that even though it's a brand-new greenfield project, that you'll be the special one that gets a AA bond rating. It's not going to happen, but let's just pretend. So let's put a 4 percent interest rate on \$2 billion. That's \$80 million a year in interest.

[SYSTEM-AD-RIGHT]"Now set that off to the side. Let's take the Ambassador Bridge. Currently, our total revenue is in the \$60 million range. Before operating expenses, before our own interest and principal payments, our operating expenses exceed our revenue by more than half. Let's say only half. I'm not telling you what our P&L (profit and loss) is, but I'm giving you a cursory view. So that would be \$30 million. That's before reinvestment of capital and repairs to the bridge, which run over \$10 million a year. That's before taxes, everything, and before our own interest. But let's say that we really made \$30 million in profit a year, and that's with 100 percent of our existing traffic. There are some things we can't get out of, no matter how little or how much traffic we have. We still have to pay toll collectors. Detroit Edison's going to charge us the same thing. It costs us the same to plow the bridge, independent of how many vehicles cross. The bridge business is a really big fixed-cost operation. There's not a lot of variable cost in it.

"So if you've got \$30 million of profit and you got an \$80 million interest payment — and that doesn't include principal — it just doesn't work," Moroun says. "You're \$40-50 million short on the annual interest alone. They keep playing these games by saying Canada's going to give Michigan \$550 million for its share and they'll pay that back with tolls. And then they're going to bring in a private sector company that will lease the bridge and operate it for 40 or 80 years or whatever. How are they going to get their money? Through tolls. Well, at the end of the day, Wall Street can structure it or the government can structure it, but it doesn't matter. You cut through all the weeds, and it's volume of traffic, toll rate, operating expenses and principal interest to cover the building and construction of the bridge. In addition to the math not working for them, we had a study done that found that if they really built it, even on their numbers, it would cost Michigan for their half of the bridge \$100 million a year.

"Why should a new guy be able to come in and build a \$2 billion bridge using taxpayer money, but the existing guys couldn't even dream of it because they'd lose their you-know-what? They say Canada's going to give us a \$500 million loan or gift or whatever it is. That's fine, but it's not enough. Half of 2 billion is a

billion. Then Canada also says in the same breath we'll charge you a very low interest rate and you'll pay us back. Are they not going to compound the interest over the 50 years it takes to pay off the first chunk, if they ever do? How does that work? It's foreign to the private sector."

Actually, Moroun maintains, the finances are largely irrelevant to the Canadians pushing the bridge proposal.

"They don't have any financial motives, really — it's more nationalistic," he says. "Some folks, not all, have a problem with paying an American-owned business every time they want to cross into our country. And that really doesn't have anything to do with the merits of a border crossing, nothing to do with efficiency or traffic or anything. I don't think that's the view of a majority of Canadians, but clearly there are some politicians who have a hang-up with that."

[SYSTEM-AD-RIGHT]NITC Support

Proponents of the bridge have pegged the total cost as high as \$3.8 billion, including construction on both sides of the river. The U.S. Federal Highway Administration would allow Michigan to designate the \$550 million from Canada as matching funds for federal road projects in the state, Gov. Snyder has said.

Michigan government press releases state the project would create "no new debt for the state and no new taxes for Michigan taxpayers." Construction and associated work for the project could bring 10,000 jobs to the Detroit-Windsor area, according to reports.

Support for the NITC in Michigan is widespread and includes the state's auto industry, large corporations such as Kellogg Co., Meijer Inc., Steelcase Inc. and Amway, and former Govs. Jennifer Granholm, John Engler, James Blanchard and William Milliken.

NAFTA, Casino Windsor Spiked Traffic

Moroun says the arguments for building a government-built span have changed over the years, but it all began with the passage of the North American Free Trade Agreement and the construction of Casino Windsor in the early 1990s, which boosted both commercial and passenger traffic on the bridge.

"So now you've got two extraordinary developments: the advent of casino business in our region and the advent of free tariffs and duties on all imported goods between the United States and Canada," Moroun says. "If you look at our traffic growth from the late '80s to 1999, it looked like a rocket ship. It was dramatic. So the highway bureaucrats in both Canada and Michigan say to themselves, 'Wow, if things keep going like they're going, we're going to need some more border crossings.'"

When traffic plummeted after the Sept. 11, 2001, terrorist attacks, the argument for a second span changed, Moroun says. "After 9/11, traffic started going down, but by that time they were married to their idea of having another crossing independent of the premise of why they got interested in it to begin with, which was fast-growing traffic. The motivating reason was gone, but now conveniently their new reason was security." Moroun dismisses the security argument on the grounds that other critical pieces of infrastructure, such as most nuclear reactors, are also privately held.

Moroun says traffic continued to steadily slide throughout the 2000s until 2010, when there were more crossings than in 2009. So far this year, traffic is down 3 percent from 2010, Moroun says.

Moroun also bristles when he hears the Ambassador Bridge described as a monopoly.

[SYSTEM-AD-RIGHT]"That's an aspersion that's cast against us as an excuse to persuade people to spend taxpayer money to build another bridge when there's not a legitimate reason," he says. "First of all, a monopoly is someone that's allowed to discriminate for higher profits. We're not allowed to discriminate. Whether you cross the bridge in your car or anyone else crosses the bridge in their car, we can't say no to you

and we can only charge you the exact same as we charge everyone else. There's no discrimination, so that part doesn't equal monopoly.

"The other part also doesn't equal monopoly," he continues. "For every single car that crosses the border, we compete fiercely with the Detroit Windsor Tunnel. We're only like two miles away as the crow flies. If you're driving from any part of Detroit to any part of Canada, it's less than a two- or three-minute difference mileage wise whether you take the tunnel or the bridge in a car. We also compete with the Blue Water Bridge for car traffic. If you're in Chicago and you're going to Toronto, it's practically the exact same miles whether you take the Ambassador Bridge or the Blue Water Bridge. We compete fiercely with them. It's the same thing with the Blue Water for trucks. They're trying to steal our trucks all the time, and we're trying to steal theirs. They'll go see the truckers and try to convince them that crossing the Blue Water Bridge is more efficient than crossing the Ambassador Bridge."

Moroun calls Snyder's stance on the bridge "a huge juxtaposition," given the first-year governor's pro-business leanings. "It's completely inconsistent," Moroun says. "It's the opposite of true blue. In the same State of the State speech that he said we've got to have economic gardening and help existing Michigan businesses do better, he says we're going to have the government jump in a for-profit, for-loss enterprise that they've never been in before and isn't warranted economically and that ideologically isn't the right thing to do.

"What people should expect to see happen is to allow the market forces to take hold again in the bridge business in southeastern Michigan and keep the government out of it," Moroun continues. "If the market forces prevailed, the new bridge would get built when traffic and economics warranted it. If governmental forces prevail, then market forces be darned, and taxpayers will bear the brunt of an ill-timed \$2 billion expenditure."

Michigan Central Train Depot

The bridge isn't the only holding creating controversy for the Moroun family. Matty Moroun has been criticized for the condition of the vacant Michigan Central Train Depot in Detroit, which he bought in 1996. The 98-year-old, 18-story-tall building last saw train traffic in 1988. The AFL-CIO organized a rally in June at which protesters called on Moroun to either tear down or renovate the structure, either of which would create jobs.

Matthew Moroun said that, while there are no definitive plans for the building, the family is taking steps to preserve it until a use is found.

"We're not going to tear it down," he says. "We're getting all the asbestos out of it right now and securing it better and protecting it from water damage by putting in windows and new roofs. And then we'll keep going from there.

"The idea is if we can do the hardcore things to the building to improve it and protect it and preserve the historical state of it, then we're going to let that best fit happen naturally," Moroun says. "We figure as we go, those visions will be easier and easier for folks to achieve. It's a huge bill. But you kind of have to protect it from water damage. People say, wouldn't it be easier to take it down? Well, it probably would be, but it's one of the most impressive buildings in the entire city from an architectural standpoint. We decided that not only would it be the wrong thing to take it down, but we'd be architectural villains forever to do that. We're going to need help from others. Maybe financial, maybe not — maybe mostly support and assistance from the city and the community and other planners and so on. But everyone should want to help, because if the depot can get turned around, if that symbol can be turned around, then it really says we can do anything in Detroit. Then the sky's the limit."