

# *Where Is Tolling Most Urgently Needed? (and what should we do about it?)*

by

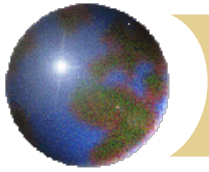
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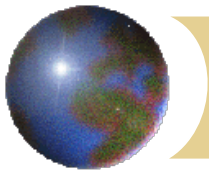
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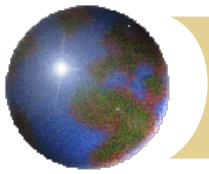
## *What does tolling do best?*

- ✚ Mobilize large sums of money upfront to finance major highway projects.
- ✚ Reduce traffic congestion sustainably (if serving as a variable price).



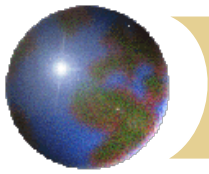
# *What are America's two greatest highway problems?*

- ✚ Rebuilding and widening the Interstate highway system nationwide, as it wears out. [Cost: about \$1 trillion]
- ✚ Reducing chronic freeway congestion [Direct cost to highway users: about \$120 billion per year]



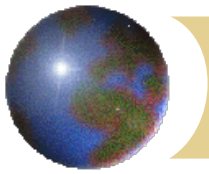
## *Part 1. The case for Interstate reconstruction and modernization*

- ✦ It's our premium highway infrastructure: 25% of VMT on 2.5% of lane-miles.
- ✦ Over 40,000 miles will need full reconstruction in the next two decades.
- ✦ About 200 major interchange bottlenecks need redesign and replacement.
- ✦ Estimated cost is at least \$1 trillion.
- ✦ Congress will not provide dedicated funding for that size project.



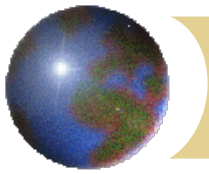
# *What's stopping toll-financed Interstate reconstruction?*

- ⊕ Federal law bans tolling “existing” lanes.
- ⊕ Tolling only “new” lanes won't pay for reconstruction.
- ⊕ Strong opposition from trucking industry; concerns from AAA, AHUA.
- ⊕ Congress is leery of major battle with truckers.



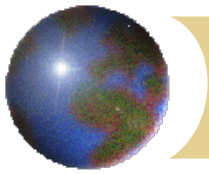
## *1st, let's rethink our terminology*

- ✦ What does “existing” mean, if an Interstate’s lanes are past their design life and need reconstruction?
- ✦ The reconstructed lanes are not “existing” capacity.
- ✦ They are **replacements** of worn-out lanes, just as a new bridge **replaces** an obsolete one.



## *2<sup>nd</sup>, reframe the request to Congress*

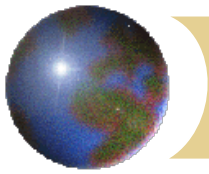
- ✦ Congress should not forbid states from replacing worn-out Interstates.
- ✦ Without a new federal program, the only practical alternative for states is toll finance.
- ✦ Therefore, the language in federal law needs to be changes, to permit tolling of new *and replacement* lanes.



## *3<sup>rd</sup>, we need we to win over highway users*

- ✚ Listen to highway users' concerns.
- ✚ Develop new, user-friendly tolling policies for toll-financed Interstate modernization.
- ✚ Reason's proposal: Value-Added Tolling

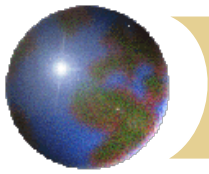




## *Major legitimate highway user concerns:*

- ✦ No value-added—charging tolls on “existing,” unchanged highways.
- ✦ Revenue diverted to other uses.
- ✦ Double taxation—paying tolls and fuel taxes on the same highway.
- ✦ Traffic diverted to parallel routes.

These need to be taken seriously.

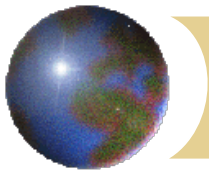


## *Diverting toll revenue to other uses*

Our report lists 9 high-profile cases of diversion to:

- ❑ Other highways in the state
- ❑ Urban mass transit
- ❑ Economic development
- ❑ Canals
- ❑ Public buildings (World Trade Center)

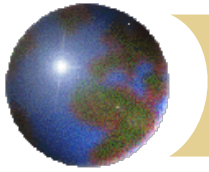
These are examples of what Maria Matesanz of Moody's calls "the cash cowification of toll roads."



## *“Double taxation”*

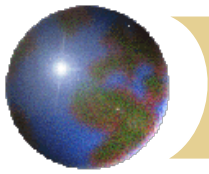
Paying tolls and fuel taxes on the same Interstate:

- ✚ Average motorist pays 2.2¢/mi. on non-tolled Interstate, but 6.5¢/mi (total) on tolled Interstate.
- ✚ It's understandable that highway users don't consider tolled Interstates to provide 3X as much value as non-tolled Interstates.



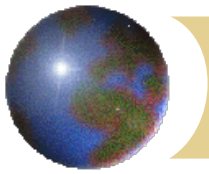
## *Traffic diversion to parallel routes:*

- ✚ We know it happens, and is assessed in toll road traffic & revenue studies.
- ✚ It does cause pavement impacts on the parallel routes.
- ✚ It does add noise and emissions on parallel routes.
- ✚ But the *lower* the toll rates, the *less* traffic diversion.



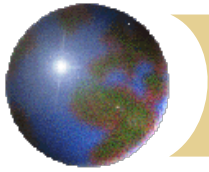
# *Value Added Tolling principles for non-tolled Interstates*

1. Limit the use of toll revenues to the tolled facilities;
2. Charge only enough to cover the full capital and operating costs;
3. Begin tolling only when construction or reconstruction of a corridor is finished;
4. Use tolls to replace, not supplement, existing fuel taxes.



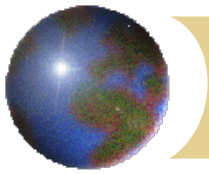
## *Reactions to V-A-Tolling*

- ✦ Positive public comments from senior AAA people at:
  - ✦ TRB Transportation Finance conference
  - ✦ IBTTA Annual Meeting
- ✦ Positive comments from AHUA CEO
- ✦ Promising discussions under way with several senior ATA people.



## *Recommendation for Congress*

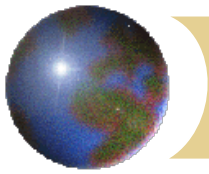
- ✚ Expand 3-state Interstate reconstruction pilot program to all 50 states and any number of Interstates.
- ✚ Strengthen user-friendly provisions based on Value-Added Tolling, to eliminate double taxation and make the new tolls pure Interstate user fees.



## *Part 2. Accelerating development of Managed Lane Networks*

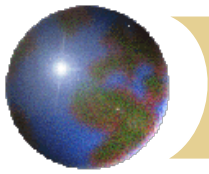
- ✦ In long-range transportation plans of nine major metro areas.
- ✦ At least seven others discussing this.
- ✦ But very high cost is one deterrent.
- ✦ So is concern over insufficient revenue.
- ✦ And transit agencies not yet on board.





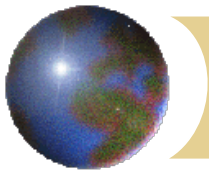
## *HOV conversion: a good starting point, BUT*

- ✦ Nearly all HOV lanes are HOV-2
- ✦ Many fail FHWA 45 mph, 90%-of-the-time performance standard.
- ✦ Conversion offers very limited volume of tolled vehicles.
- ✦ Result: low revenue, not much congestion relief.



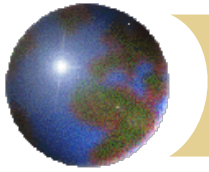
## *Revised HOV conversion policy*

- ✦ Require failed HOV lanes to increase occupancy to HOV-3.
- ✦ Gets local officials off the hook.
- ✦ In most cases, this makes conversion to HOT very viable.
- ✦ Result: high revenue, congestion fully controlled.



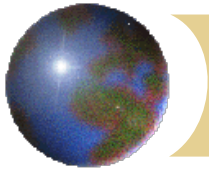
## *Transit and HOT lanes (1)*

- ❖ FTA counts HOV-to-HOT lane-miles as “fixed guideway miles” if used by transit buses.
- ❖ FTA will *not* count HOT lanes produced by new construction.
- ❖ Yet a ML Network will require many corridors of new construction.
- ❖ Transit agency will benefit from a large, seamless network.



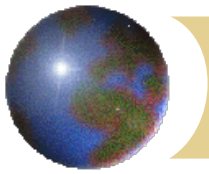
## *Transit and HOT lanes (2)*

- ❖ Bus Toll Lane concept sees transit and toll agencies jointly developing such lanes.
- ❖ Transit agency's equity contribution would be FTA New Starts grant; toll agency could also invest equity.
- ❖ After O&M and annual debt service, any net revenue shared proportionally.



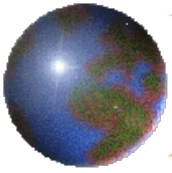
## *Needed federal policy changes*

- ✚ Require FHWA to enforce failing HOV lanes with occupancy increase rule.
- ✚ Require FTA to count all HOT lane miles as “fixed guideway miles” for formula funding purposes.
- ✚ Add Bus Toll Lanes as New Start and Small Start fixed guideway categories.



## *Final thoughts*

- ✦ These changes—toll-financed Interstate replacement and expanded Managed Lane networks—would address America’s two largest surface transportation problems.
- ✦ *Neither* change requires new federal spending, so should be easy for Congress.
- ✦ *Both* simply give states and metro areas new options for better transportation.



# *Questions?*

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<http://reason.org/transportation>

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