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

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What does tolling do best?

- Mobilize large sums of money up-front 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.
2nd, 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.
3rd, 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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