

Ed Regan
CDM Smith

Rebuilding Our Interstates

The Case for Tolling

January 2012

**CDM
Smith**

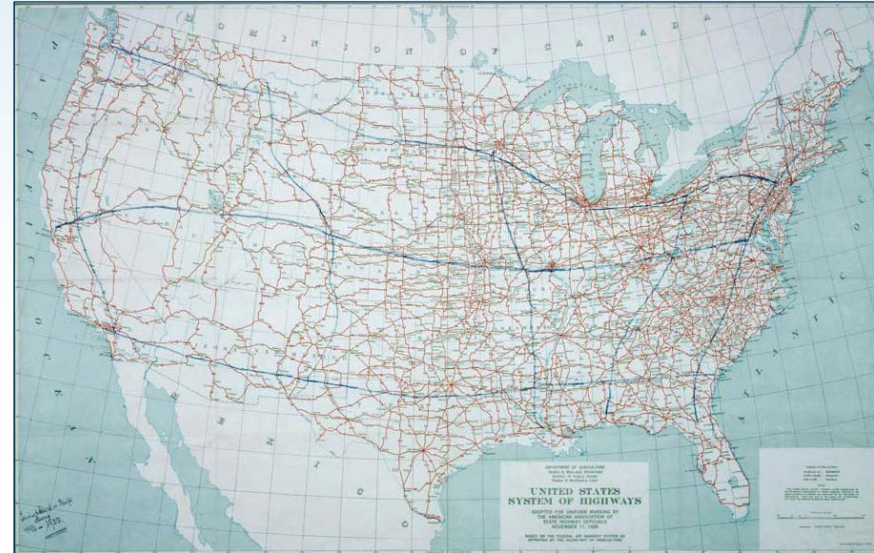
The US Interstate Highway System

- 48,000 miles of mobility, connectivity and economic vitality
- Most important Transport investment in US history
- Its more than 50 years old!!



The Original Plan: Tolls

- The Interstate system was originally conceived as a toll system
 - Franklin Roosevelt envisioned a system which would be “self liquidating” thru tolls and sale of property rights
 - Biggest concern was low traffic demand in some states
- About 3000 miles of the system had already been built (or financed) as toll roads thru the 1950’s



The 1956 Program: No Tolls

- Ultimately built without tolls; funded largely through the Federal gas tax
- Cost \$130 billion to build; \$119 billion in Federal funds
- The Federal government conceived it, largely funded it, but owns virtually none of it
 - The states are left holding the bag
- Key question: who pays for the next 50 years, and how do we fund the rebuilding of this great national asset?



Changing Federal Perspective on Tolling

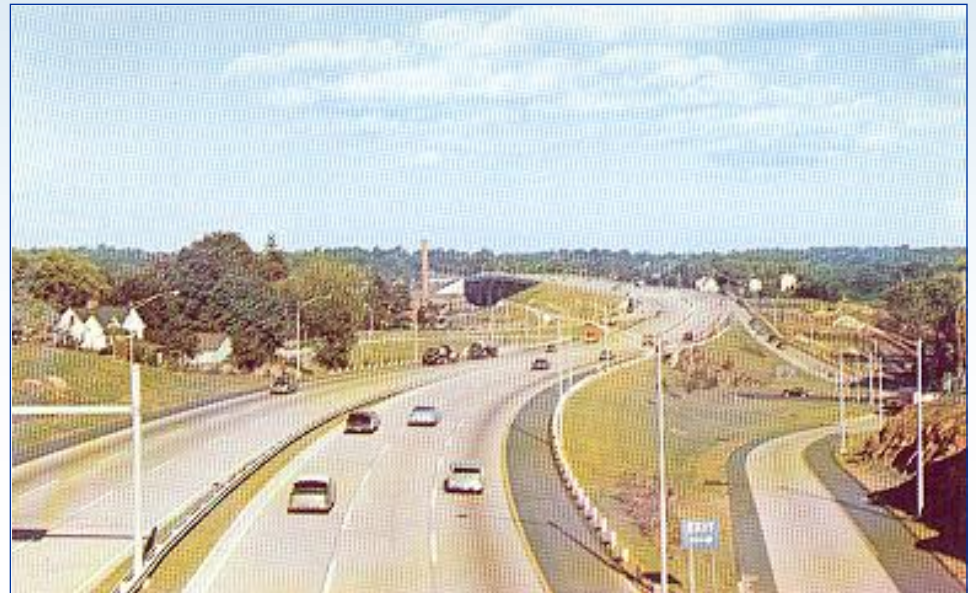
- Strong prohibitions of tolling through late 1980's
- Strong encouragement for use of tolls and pricing today
 - Congestion pricing program
 - Express toll lanes / HOT lanes programs
 - Several tolling pilot programs
 - UPA and Corridors of Future programs
- EXCEPT: The interstates... the last (and strongest) bastion of federal resistance
 - Congress has so far clung to the most critical of federal tolling restrictions
 - Two pilot programs would allow tolling of interstates—none yet used

Arguments Against Tolling the Interstates

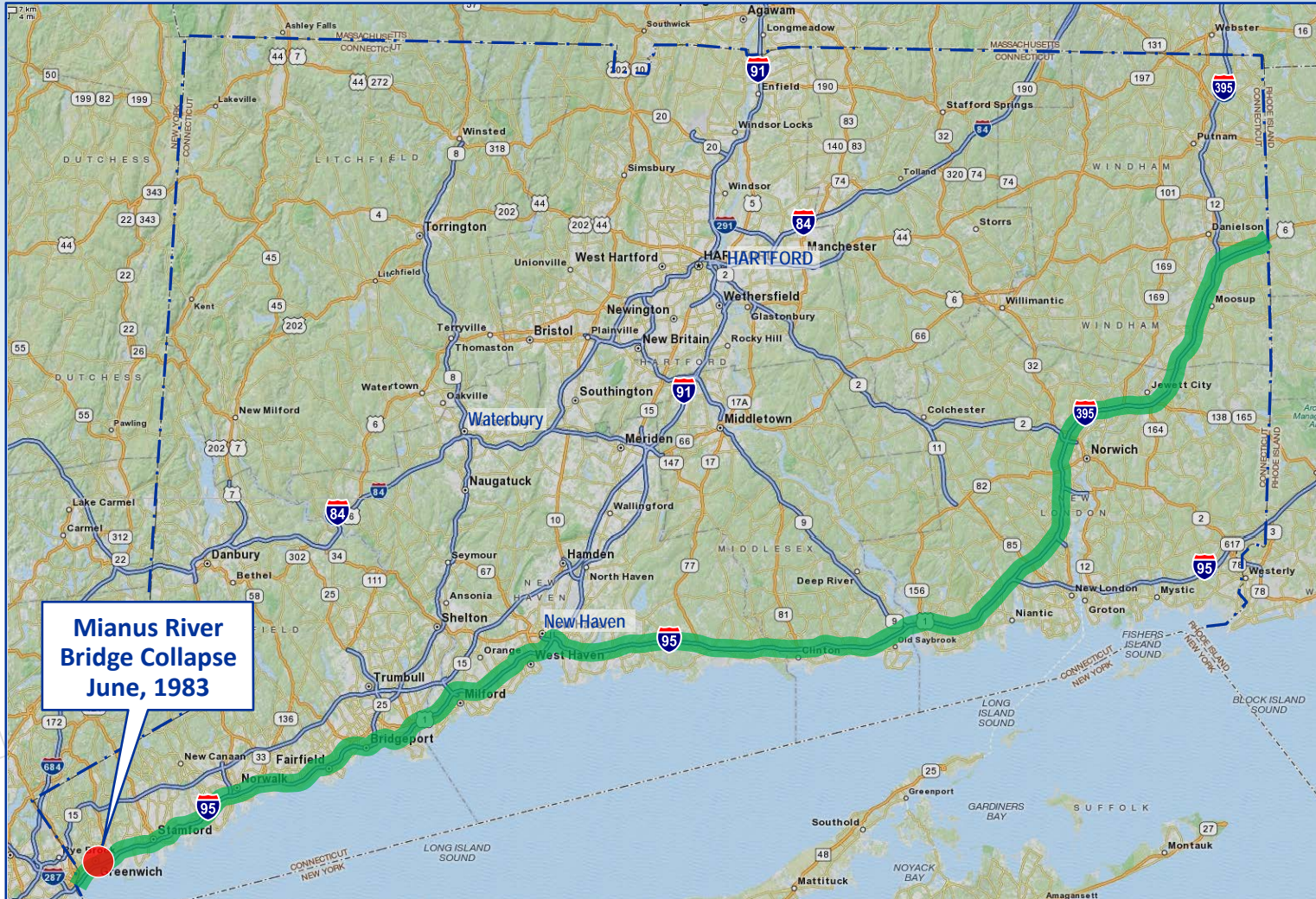
- The I-system is critical for interstate connectivity and commerce
 - We are talking about *tolling* the interstates, not *closing* them
- Tolls are unsafe, inefficient and cause congestion
 - Not in the age of “*all electronic tolling*”
- The Interstates are “already paid for”
 - Lets take a closer look at that one

Case Study: Connecticut Turnpike

- Built as a toll road, opened in 1958
- 129 miles through southern Connecticut
- Total cost: \$465 million
- Designated as part of I-95 soon after completion
- Tolls removed in 1985



Roads Don't Last Forever



New Haven Area Project

- 13 miles of improvements
 - Widening
 - Major bridge replacement
 - Interchange reconstruction

- Total cost: \$2.2 billion

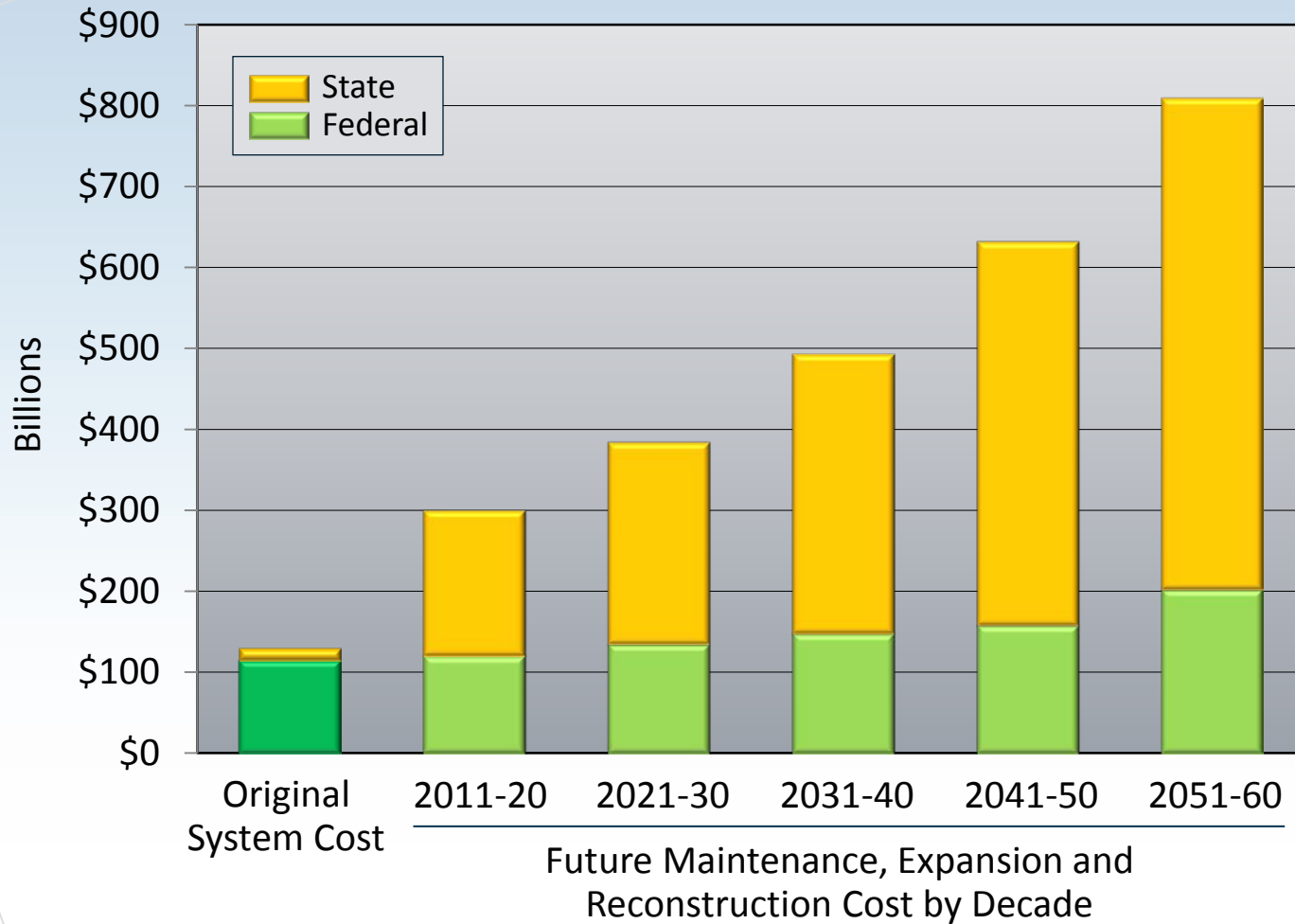
- Reconstruction of 10% of the Turnpike cost *almost five times* the original cost of the entire Turnpike



“They’re Already Paid For???”

- The Connecticut example shows:
 - Roads don’t last forever; and
 - It will cost 10-20 times more to rebuild the system than it did to build it in the first place
- More proof:
 - The states are spending over \$25 billion per year on Interstate system maintenance, expansion and reconstruction
 - That means we are spending more every five years than the original cost of the entire 48,000 mile system!
- What’s worse:
 - The Federal share of total interstate funding has declined to less than 45%
 - Given the state of the Highway Trust Fund , the Federal share will likely continue to decline even more

The Next 50 Years



Why Tolling May Be A Good Option

- Interstates are limited access and provide a premium level of service
 - Most appropriate for tolling
- Can be added today with minimal impact on traffic thru “all electronic tolling”
- Can provide a sustainable future new source of revenue to help pay for the ongoing cost of repair and expansion
- Introduces direct user charges to appropriately allocate cost of future improvements to those who directly benefit
 - And not to those who don't benefit



The “Thru Trip” Dilemma

- Many smaller states have significant problem with through traffic
 - Examples: I-10 in MS or I-95 in CT or RI
- Much of the traffic on Interstate routes passes through the state without purchasing fuel
 - Contribute to congestion and wear and tear
 - Don't contribute to the gas tax
 - Without user charging the burden falls to local motorists, many of whom do not even use the road

Providing A Foundation for Performance

- The new emphasis in US transportation policy is on performance and lifecycle sustainability
- Tolling supports this concept
 - Developing an ongoing, sustainable source of revenue
 - Creates foundation for long term investment and maintenance (possibly thru P3 concessions) to ensure interstate mobility over the next 50 years
 - Ensures that dollars go to projects with greatest need (which also generate the most revenue)

Big Challenge With Political and Public Support

- Big disconnect – political perceptions vs actual public opinion on tolling
 - Public tends to support user fees more than additional taxes –particularly on new capacity
- However – Public opposition to adding tolls to existing free roads is high
 - Most people believe the roads “are already paid for”
- Solution requires a realistic and credible assessment of what will need to be rebuilt over the next 50 years of the interstate system
 - Do we continue to pretend the system will last forever?
 - Do we wait for the system to collapse... one bridge at a time?
 - OR... do we decide its too important to neglect and develop a realistic framework for funding the next 50 years?

Flexibility - Not Mandates

- In view of the importance of our Interstate System, it is time to rethink the prohibition on tolling
 - The interstates are certainly not “already paid for”
 - The Federal funding role is declining
 - The states need options
- States need new options and flexibility to do tolling
 - Only if they choose to
 - Many states probably will not
- The bottom line: If the Federal government can no longer help solve the problem it should at least “get out of the way”
 - Remove outdated Federal restrictions on tolling
 - Give states the flexibility and new tools to solve the problem themselves

In Closing

- The possible tolling of our interstate system will have enormous implications on the size and character of the U.S. toll industry
- Today we have about 6,000 miles of toll roads in the US
- We have about 45,000 miles of currently toll-free interstate highways in the US
- If only half of the states ultimately decide to electronically toll their interstate highways, that could add 20-25,000 miles of toll roads to our national system
 - That's an increase of 4-5 fold over the size of our industry today
- Fasten your seat belt... exciting times ahead!!