

Alliance for Toll-Free Interstates' Rebuttal to "Value-Added Tolling"

1. Electronic Tolling is an inefficient means of collecting revenue

Although electronic tolling can mitigate some challenges traditionally associated with tolling facilities, it creates a bureaucracy with its own set of inefficiencies that makes it a poor option for collecting revenue. Third-party data shows electronic tolling can consume up to 20% of revenue collected for administration, operation, and enforcement costs¹.

Administration costs - Under electronic tolling, the billing process for non-transponder owners and those who do not voluntarily sign-up for "pay-by-plate" requires creating paper bills that are sent through the mail. Instances throughout the country have been reported of electronic toll systems over-billing², sending bills to the incorrect person³, and simply not sending bills to users at all⁴. The system may save time on the road, but it wastes time and resources away from the road through increased bureaucracy.

Enforcement costs – Toll avoidance can significantly increase under electronic tolling. In the year since New York State converted to cashless tolls on the Henry Hudson Bridge, the amount of uncollected tolls jumped 785%⁵. According to the North Texas Tollway Authority (NTTA), in 2012, revenue from over 7% of the total users of NTTA toll roads was never recovered due to evasion and other collection problems⁶. In New Orleans, the cost of an amnesty plan to collect past due tolls exceeded the amount collected by \$225,000⁷.

2. The trucking industry is not the only business community opposed to tolls

A wide range of businesses and industries have expressed opposition to placing tolls on existing federal interstate capacity. Individual companies such as McDonald's, Dunkin' Donuts, FedEx, UPS, and Volvo Group North America are fighting tolls. Industry organizations including the International Franchise Association, the National Council of Chain Restaurants, and the National Motorists Association have joined the fight as well. They argue that shipping would become more expensive with tolls on existing federal interstate capacity and these increased costs would ultimately be passed down to the consumer. The Federal Interstate Highway System revolutionized commerce by providing for the efficient and cost

¹ Washington State Department of Transportation, 2007, Comparative Analysis of Toll Facility Operational Costs: p7

² "Lawsuit Alleges overcharging by Florida SunPass," *Landline Magazine*. March 20, 2014. Accessed April 8, 2014 http://www.landlinemag.com/Story.aspx?StoryID=26719#_U0QifPldXwi

³ "Driver billed for someone else's car tolls, until Miami-Dade Expressway Authority drops charges," *NBC South Florida Channel 6*. November 27, 2013. Accessed April 8, 2014 <http://www.nbcmiami.com/news/local/Driver-Billed-for-Someone-Elser-Car-Tolls-Until-Miami-Dade-Expressway-Authority-Drops-Charges-233565721.html>

⁴ "Auditor: State fails to send bills for nearly 300,000 toll violations," *New Orleans Advocate*. November 27, 2013. Accessed April 8, 2014 <http://theadvocate.com/home/7681085-125/auditor-state-fails-to-send>

⁵ "1 in 3 never pay cashless tolls; leaders push to go after evaders," *The Journal News*. March 29, 2014. Accessed April 8, 2014 <http://www.lohud.com/story/news/traffic/2014/03/29/never-pay-cashless-tolls-leaders-push-go-evaders/7069783/>

⁶ "Some holes in North Texas toll collecting hard to close," *Dallas Morning News*. October 20, 2013. Accessed April 8, 2014.

http://www.dallasnews.com/news/transportation/20131020-some-holes-in-north-texas-toll-collecting-hard-to-close.ece?nclick_check=1

⁷ "Audit: Amnesty program for CCC tolls cost state \$225,000," *New Orleans Advocate*. April 8, 2014. Accessed April 8, 2014 <http://www.theneworleansadvocate.com/news/8844163-171/audit-amnesty-program-for-ccc>

effective movement of goods and people throughout the country. Tolls act as a barrier to this movement, pushing interstate traffic to alternative routes that take longer and require more fuel, and are not designed to handle the increased traffic.

3. The policies of “Value-Added Tolling” are based on flawed assumptions

Policy #1 assumes a continued reliance on overly optimistic revenue and traffic projections used to issue bonds in order to finance toll roads. These estimates often fail to materialize once a toll road is reconstructed or maintenance is completed. Examples of revenue projections and traffic estimates far exceeding actual outcomes include SH130 in Texas⁸, 495 HOT Lanes in Virginia⁹, and the Intercounty Connector in Maryland¹⁰.

Policy #3 & #5 assumes the use of tolls as the sole funding source for all interstate construction and maintenance, while simultaneously relying on a universal Vehicle Miles Tax (VMT) to fund construction and maintenance for all other roads. Not a single state has successfully placed tolls on existing interstate capacity to date and VMT pilot programs are in their infancy at best. These assumptions are completely unrealistic for the foreseeable future.

Policy #3 also relies on an increased dependence on the costly bureaucracies created by electronic tolling. The administrative, operational, and enforcement resources expended to maintain electronic tolling systems are significant¹¹. Value-Added Tolling increases this by including a gas tax rebate system that requires users to pay twice up-front, at the pump and through a toll, and then file the appropriate paperwork to receive a rebate.

4. The Federal Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRP) has failed

Expanding the failed ISRRP program is poor public policy. In the fifteen years since the creation of the program no state has placed tolls on existing federal interstates. The purpose of the program was to give states the flexibility to try tolling existing interstate capacity as a funding mechanism while providing the federal government with case studies to determine success. At least eight states have submitted applications to the program. Three of these states are currently approved to place tolls on existing interstate capacity, but none have moved forward. Using the Reason Foundation’s terminology, these are the “pathfinder states” that show the program should be eliminated rather than expanded. During application process, the states wasted significant time and taxpayer dollars. Fifteen years is more than enough time to analyze the effectiveness of a program and it is clear that this program has failed.

5. The “Value-Added Tolling” policies fail to address traffic diversion

⁸ “SH130 toll traffic plunges, are taxpayer bailouts ahead?,” *Examiner.com*. February 4, 2014. Accessed April 8, 2014 <http://www.examiner.com/article/sh-130-toll-traffic-plunges-are-taxpayer-bailouts-ahead>

⁹ “Not so fast: Use of 495 Express Lanes in Virginia far behind estimates,” *Washington Times*. November 17, 2013. Accessed April 8, 2014 <http://www.washingtontimes.com/news/2013/nov/17/not-so-fast-use-of-495-express-lanes-in-virginia-f/?page=all>

¹⁰ “Intercounty Connector toll revenue falls short of early forecasts,” November 30, 2013. Accessed April 8, 2014 http://www.washingtonpost.com/local/trafficandcommuting/marylands-intercounty-connector-toll-revenue-falls-short-of-early-forecasts/2013/11/30/05e67f54-4638-11e3-a196-3544a03c2351_story.html

¹¹ Washington State Department of Transportation, 2007, Comparative Analysis of Toll Facility Operational Costs: p7

“Value-Added Tolling” fails to address the serious issue of traffic diversion. Communities in and around toll facilities, whether electronic or cash tolling, will suffer as interstate travelers will attempt to avoid paying the toll by exiting the interstate. This traffic will divert onto local roads, making them less safe due to increased congestion, hurting first responder emergency response time, and hastening deterioration of the roads. A 2013 Economic Assessment of I-95 in North Carolina estimated that between 2014 and 2050 diversion from tolls on I-95 would cost approximately \$1.1 billion dollars in revenue to businesses within a mile of the I-95 corridor in North Carolina¹².

¹² Cambridge Systematics, Inc. for North Carolina Department of Transportation, 2013. *North Carolina I-95 Economic Assessment*: p3.47. Accessed November 4, 2013 http://www.driving95.com/assets/pdfs/North_Carolina_I-95_Economic_Assessment.pdf