

Public Works Financing

Published monthly since 1988
by William G. Reinhardt, editor
Westfield, NJ

PWFinance.net
PWFinance@aol.com

Reprinted from January 2009

Transportation Policy Review

Time to Consider Tolling the Interstates

By Robert W. Poole Jr., Director of Transportation Studies, Reason Foundation

The prospect of a long recession, along with the continuing financial crisis, creates a problem for the many interest groups that were hoping for a large increase in fuel taxes as part of the 2009 surface transportation bill. State DOTs are even more strapped for funds than usual. At the same time, the need to rebuild and modernize our 50-year-old long-distance Interstate highway system becomes more acute with each passing year. Yet hitting taxpayers with any significant tax increase in a serious recession seems like a non-starter—and conflicts with the widespread desire to transition from petroleum as the basis for highway funding..

It's in this context that I want to suggest removing federal barriers to tolling (and privatizing) these critical commerce corridors. All three major infrastructure reports—from the Policy & Revenue Commission, from DOT Secretary Mary Peters and company last summer (“Refocus, Reform, Renew”), and now from the Infrastructure Finance Commission—call for removing the ban on tolling urban Interstates so as to allow congestion pricing of existing capacity. But all three would permit tolling only new capacity on the long-distance Interstates.

I will address the urban congestion pricing issue on another occasion. For now, let's focus on the case for removing the ban on tolling long-haul Interstates. Assuming it were politically feasible, this approach has a number of merits. First, it would provide a large new source of funding for large-scale reconstruction, modernization, and widening (where needed) of these vital freight corridors. Second, existing federal and state highway revenues could then be used for a serious assault on the deferred maintenance and bridge repairs so badly needed on non-Interstate roads and highways. And of course, if privatization (via long-term build-operate-transfer concessions) were allowed, states could tap into the more than \$100 billion that's sitting in infrastructure equity funds, waiting for good projects.

Those are the obvious advantages, but let's consider a few more. The main political obstacle to

such a proposal in recent years has been the trucking industry's view that removing the federal ban on tolling would open a Pandora's box of "erecting toll booths on the Interstate." That wording reflects the genuine fear that if all restraints on tolling were lifted, states might simply start charging monopolistic tolls on existing, unimproved Interstates, giving truckers (and shippers) all pain and no gain. But if an integral part of tolling for reconstruction were to create separate truck-only lanes designed for up to 150,000 lb. gross vehicle weight (vs. the current federal limit of 80,000 lbs.) and long "turnpike double" rigs, truckers and shippers would be getting very real value-added for their tolls. And if all the lanes were tolled, there would be less resistance by truckers to being restricted to truck-only lanes, with the obvious safety benefits that would flow from that policy.

Phased-in tolling of long-haul Interstates would also be a major step toward phasing out fuel taxes and phasing in highway charges based on vehicle miles traveled (VMT), one of the strongest recommendations of the Infrastructure Finance Commission.

To win the support of truckers and other highway users, there would need to be strong federal conditions on such state-by-state conversions. It would need to be certain that tolling (and privatization, if a state opts to go that route) would be implemented only in connection with a major reconstruction and modernization of an Interstate corridor. And the toll revenues would have to be dedicated to the costs of rebuilding, operating, and maintaining that Interstate (including a reasonable return on investment), with any surplus revenues devoted 100% to other transportation (preferably highway) projects. And fuel tax monies—federal and state—freed up by no longer being needed to repair and maintain the tolled Interstate would need to remain dedicated to much-needed other highway and bridge projects in that state.

To avoid concerns over the "Balkanization" of the Interstate system, there would still need to be uniform federal standards for lane widths, overhead clearance heights, etc. And it would also be appropriate for the U.S. DOT to be charged with ensuring nationwide electronic tolling interoperability (both technically and financially) by a date certain, perhaps the end of the next reauthorization period.

A good starting point for this measure would be to expand the existing Interstate System Reconstruction and Rehabilitation Pilot Program, enacted in TEA-21 and continued in SAFETEA-LU. Critics may carp that since no such reconstruction project has actually gone forward under this pilot program, it has failed and should be either repealed or retained in its current form that permits only three projects. To which I respond that the confluence of circumstances set forth in the preceding paragraphs has not occurred until now, and that Congress should give states powerful self-help tools for modernizing the most critical portions of our infrastructure.

Nearly all the groups weighing in on reauthorization have identified goods movement as one of the most important federal transportation infrastructure priorities. And no matter how "green" one may be, and no matter how many incentives the feds may concoct to shift freight from truck to rail, the large majority (by value) of freight will continue to move by truck in coming decades: for structural, logistics, and demographic reasons. Moreover, moving more tons of freight per BTU of energy will be facilitated by shifting long-haul truck freight into larger and heavier rigs, as

acknowledged by EPA's SmartWay program.

Thus, the sooner we commence reconstructing and modernizing long-distance Interstates—especially with heavy-duty truck lanes—the better. This year's reauthorization is the appropriate place to start.