

The Logic of Toll Roads

May 6, 2014

Representative Paul Stam

"Good tax policy decrees that wherever possible a fee for a service should be assessed against those who directly benefit from that service."

Ronald Reagan

Radio Address to the Nation on Proposed Legislation for a Highway and Bridge Repair Program

November 27, 1982 (The President spoke at 9:06 a.m. from Rancho del Cielo, his ranch near Santa Barbara, Calif.)

The Toll Road program is an important tool to be included in the measures for building public infrastructure.

Use of Toll Roads can greatly accelerate the implementation of crucial projects. In the case of 540 in western Wake County it has been estimated that this project was able to be constructed some 20-25 years earlier than it would have been if it followed traditional funding/construction processes.

With the 540 Toll Road in place existing motorists have been provided with an excellent alternative for reaching the RTP, Durham, RDU Airport and eastern NC in far less time and with much greater ease. Future residents will also be able to enjoy the benefits of this facility immediately upon their arrival.

Traditionally roads have been provided or improved on the basis of existing traffic volumes following the axiom of "Once we have a clear need through severely over loaded facilities we will either widen existing facilities or construct new ones."

In the 1940's Governor Kerr Scott implemented his "farm to market" road improvement program to get farmers out of the mud with paved roads allowing them to move their products to market more quickly and safely. North Carolina quickly became a national leader in paved roads networking across the state. As a result North Carolina became nationally known as "The Good Roads State."

Toll Roads give us the flexibility of following a new axiom which is " Since we can clearly project the unquestionable need for improvements let's go ahead and get it in place so it is there before we have a catastrophic failure of the existing , limited, facilities."

Along with improving mobility (the ability to move safely and efficiently from point A to Point B and back again) having alternative routes in place also helps to meet our requirements to reduce air pollution from vehicle emissions.

Our region has long been under an air quality improvement mandate from the EPA. Air quality monitoring stations were installed by the federal /and or state agencies at some of the longest standing, highly congested intersections or stretches of roadway, in the region (Crabtree Valley to name one). At these locations during rush hours or heavy shopping times, motorists would sit with the engines idling as they inched their way through multiple cycles of signals to eventually clear the intersection or congested stretch of roadway. With all of these idling engines and no viable alternative routes for those who were simply trying to get through the area to some other destination, air quality would drop drastically as the localized air mass became saturated with engine exhaust. Even with the addition of buses to reduce the number of idling vehicles there was no significant improvement as few people chose to use the bus. Further, the region's steady population growth added new drivers to the mix at a rate that far outstripped any advantage gained by the limited number of people who chose the transit option.

The only reliable fallback that we could take has been to expand and add new roadway facilities to provide much needed alternatives and keep vehicles moving so that no single area would be subjected to the long periods of inching vehicles with idling engines that would severely impair the air quality at that given location. Given limited state and federal funding that might provide for a few improvements over a 7 to 10 year time period, local governments have been confronted with having to build new roads completely on their own. This has required approval of bonds by the voters within the respective community, or a tax increase, or both. Even so, our communities still find themselves with the need to improve or construct even more roads.

Even with paying the tolls, most motorists' save both money and time. For example, prior to the connection of 540 from the NC 55 Holly Springs By-pass to NC 55 at Research Triangle Park (RTP) residents in the Holly Springs, Fuquay Varina, Southwesternmost Wake County and from neighboring areas like Angier or Lillington had the choice of either following NC 55 Bypass and NC 55 through downtown Apex and continuing on NC 55 to reach RTP at NC 55; or, working their way through back roads (Holly Springs New Hill Road to New Hill Olive Chapel Road) out of Holly Springs to reach NC 751 then O'Kelly Chapel Road and eventually NC 55 at the RTP.

Their first choice through downtown Apex could require usually at least 30 minutes, and sometimes an hour, just to negotiate the roughly 4 miles from the intersection of the NC 55 By-pass and old NC 55 north of Holly Springs to the intersection of NC 55 and US 64 north of Apex. From there they still needed to negotiate another 6.5 miles and 9 traffic signals at a maximum speed limit of 50 miles per hour (mph) to reach the intersection of NC 55 and 540 at the RTP. It could take 15 minutes or more to negotiate this last 6.5 miles. Following this route one could have a total commuting time of anywhere from 45 minutes to an hour and 15 minutes!!

Now, by getting on 540 at the interchange with the NC 55 By-pass in Holly Springs one can reach the same location at RTP on NC 55 (540 NC 55 intersection) by travelling 13 miles at 70 mph in about 12

minutes. There is a huge fuel savings by negotiating essentially the same distance with the engine running time reduced by anywhere from 30 minutes to an hour or more!!

The back road route is over 24 miles in length (one way) and in the best of times it would require at least 35 minutes. In rush hour traffic it would take between 45 minutes and an hour. People who used this route said they knew it was significantly longer but they seemed to continuously move (a big psychological plus) and they reached their ultimate destination often in the same, or less, time than it would take to follow NC 55 back through downtown Apex.

If the logic of the 540 toll road saving both time and money even with the payment of the tolls is proven, then the facility is not punitive to those who use it. If the logic is proven that the toll road saves money by reducing fuel costs even after the tolls are accounted for then the facility cannot be discriminatory as the benefit is there for all. Further, if one's personal time were valued at \$10 an hour a reduction in commute time by at least 15 minutes each way is a \$5 benefit. If the commute is reduced by 30 minutes each way there is a \$10 realization in time. That is much more than the toll.

Responses to Specific Points

Recently Raised by

North Carolina Citizens Against Toll Roads

(NCCATR)

Are Toll roads punitive;

At 18.4 cents per gallon, the federal gas tax was last raised in 1993. Since then, it has lost nearly 40 percent of its purchasing power. The gas tax would need to be raised to nearly 30 cents per gallon to give it the purchasing power it had in 1993.

Similarly, while the North Carolina state gas tax is a combination of a flat rate plus a variable rate based on wholesale prices (capped since 2012), North Carolina has seen the power of its highway construction dollars decline 52% between 2002-2013. This reduction of purchasing power at both the federal and state levels creates challenges to funding our infrastructure systems now and in the future.

The use of tolls is a central component to this nation's transportation funding system. Tolls establish a direct connection between the use of the road and payment for that use. For too long, motorists have falsely believed our roads are free. Our highways are not free nor have they ever been. However, it's easy to see why that misperception persists. There is no direct link between paying the fuel tax and using the roads it funds. Tolling re-establishes that connection.

There are no free roads. There are only toll roads and tax supported roads. A toll is a user fee, not a tax. You only pay for a toll road when you use it. Every road needs maintenance and reconstruction, and that costs money. No road is ever fully paid for. A road, just like a home, requires ongoing upkeep and maintenance. Tolls provide a sustainable source of revenue for ongoing road maintenance and improvement.

It is a common misconception that the Interstates are "already paid for." Infrastructure of all kinds needs routine maintenance, upgrading and eventual replacement. Though it cost \$129 billion to construct, it will cost nearly \$2.5 trillion over the next 50 years to rebuild the interstate system, largely at state expense. States are looking for new, sustainable revenue streams to support their highways, especially the Interstate highways. A growing number of states are exploring (or revisiting) the benefits of tolling as part of the options for renovating and upgrading their roadways.

Tolls are voluntary user fees. Drivers can choose to pay tolls or take alternative routes, whereas taxes are mandatory and charged to everyone. Yes, customers of toll facilities also pay taxes, but the taxes are used to fund non-toll roads. Since toll roads are primarily self-financed and do not rely on taxes, the customer is not paying twice for the facility. In fact, without tolls, taxes would be higher.

Do Toll roads discriminate;

Tolls are a fair and precise way to pay for transportation facilities because there is a clear and direct link between use of the facility and payment for that use.

A toll is a user fee, not a tax. If you don't use the facility, you don't pay for it. You only pay a toll when you choose to drive on a toll road for a higher level of convenience, reliability or safety.

Many surveys have shown that drivers of all income levels use tolled facilities and support having the option to use high-quality toll roads. A well-designed pricing plan can be less burdensome to low-income citizens than systems that are based on regressive taxes, such as car registration fees, sales taxes and the gasoline tax.

Do Toll roads alleviate traffic congestion;

Tolls provide money today for projects that can be built in the near future and meet demand for decades to come.

Tolls provide a dedicated and predictable revenue stream that allows toll operators to program capacity improvements as they are needed.

Today, most toll roads, bridges, and tunnels collect tolls electronically, which eliminates the need to stop and pay tolls at a traditional toll plaza.

Toll roads are generally safer than non-tolled roads due to better maintenance, pavement, and technology. Toll operators employ state-of-the-art technology to monitor road conditions and have a financial incentive to keep their roads running as safely and smoothly as possible.

Toll roads tend to be less congested than tax-funded roads, where unrestricted access often leads to congestion. Toll roads also lead to time savings and congestion relief on nearby roadways by increasing the total road capacity available. Moreover, most toll operators are eliminating toll plazas and expanding their high-speed, automated tolling options. Most new facilities are being built as cashless systems, with no stopping or slowing down to pay a toll.

Do Toll roads cost \$1.9 million more per mile to build;

Capital costs for the Triangle Expressway included:

- Roadside Toll Collection System (RTCS) – \$11.98M
- Electronic Toll Collection System (ETCS) - \$2.77M
- Initial Transponder Purchase - \$3.59M
- Intelligent Transportation System (ITS) - \$6.05M
- Back Office System (BOS) - \$3.57M
- Consultants - \$7.61M

Including only the RTCS, ETCS, and 60% of the Consultant Labor (\$19.32M) which accounts for roadside toll equipment costs specific to the Triangle Expressway (18.8 miles), the roadside toll technology cost is \$1.03M/Mile. These project costs were included in the overall project cost and plan of finance.

As of March 31, 2014, the Triangle Expressway has delivered \$24,180,503.56 in actual revenue. This is 22% above projections, project to date