Reinventing the Future of the Highway Program

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Four challenges face the nation's surface transportation program as we approach another re-authorization cycle. In addition to the vital mission of preserving and enhancing performance of the existing highway system, the challenges involve: (1) eliminating congestion as an obstacle to metropolitan mobility, by offering travelers an option of congestion-free travel; (2) expanding the freight carrying capacity of the nation's highway system to accommodate continued growth and international competitiveness of the economy; (3) attracting new investment capital to help finance needed infrastructure and supplement the eroding value of the resources in the Highway Trust Fund; (4) and, importantly, developing a vision and a sense of a compelling new mission that would capture public imagination and mobilize political support for an expanded surface transportation program. The scenario outlined below is proposed as a means of accomplishing the above objectives.

Reshaping and Expanding the Nation's Highway Infrastructure

It is proposed that the United States Congress authorize a multi-year program (extending very likely over several re-authorization cycles) with the aim of accomplishing two bold and far-reaching missions:

(1) One mission would be to construct a series of urban express toll lane networks that would offer travelers in all major metropolitan areas the option of reliable, congestion-free travel at a fee. The toll lanes, built largely within existing highway rights-of-way, and employing dynamic pricing and electronic toll collection technology, would also serve as "virtual fixed guideways" for express buses (Bus Rapid Transit), offering transit riders dependable high-frequency, high-speed service throughout metropolitan areas.

(2) A second mission would be to create inter-regional systems of dedicated toll truckways and exclusive truck-only-toll (TOT) lanes that would link the nation's major gateways (seaports, airports, border crossings) with regional intermodal freight transfer centers. By providing premium-level service to shippers and freight carriers in freight-intensive corridors, the dedicated truckways would enhance trucking productivity, improve highway safety, decongest existing Interstates—and reaffirm the importance of a modern freight transportation system to the national economy and international competitiveness.

Financing

In traffic-intensive corridors, where tolls could be expected to generate a large, stable and predictable stream of revenue, toll facilities would be financed with private capital and built, operated and maintained as private concessions. State public authorities would retain control over toll rates and require the private concessionaires to maintain prescribed levels of maintenance and service— just as they do today with respect to investor-owned public utilities. However, the day-to-day management of the toll facilities would be in the hands of the private concessionaires and the facilities would be operated in a business-like manner, with the customer in mind.

In places where projected traffic was insufficient to attract private investment capital, toll facilities would be financed with a combination of state and federal funds. Urban express lane projects serving as "virtual fixed guideways" would be funded with a combination of Title 23 and Title 49 (Section 5309, New Starts) dollars. Portions of the regional truckway network that could not be financed with private capital would be funded with a new dedicated source of revenue supported by a combination of user fees, freight-related excise taxes and congressional appropriations.

Full Funding Grant Agreements (FFGA), modeled after those used in FTA's New Starts Program, would be negotiated with each jurisdiction applying for federal assistance. The grant agreements would define the project's scope, schedule and timetable for completion, and establish terms and conditions of federal financial participation, such as minimum level of service to be maintained in the toll lanes, toll rates, and disposition of any excess toll revenue. The federal commitment would be subject to annual congressional appropriations.

What would eventually emerge is a two-tiered system of roads. Supplementing existing toll-free federal-aid highways would be networks of premium service toll facilities offering congestion-free travel for a fee. As toll-free highways became saturated with traffic, motorists, shippers and truck-fleet operators would switch to the free-flowing premium service facilities in sufficient numbers to ensure their political acceptability and financial viability. This is not a far-fetched vision. Already today, commuters in Northern Virginia's Dulles Corridor are offered two parallel routes into Washington — one, a toll-free state route (Route 7), the other, a privately-financed and operated toll road, the Dulles Greenway. Tens of thousands of commuters opt to pay a daily fee of $10.80 on the free-flowing Greenway in order to avoid the stop-and-go traffic on the state route. The Dulles Greenway is paying its own way.

Implications for the State-Federal Relationship

With toll revenue and private capital becoming a major source of financing new highway capacity, current pressures on the Highway Trust Fund would be relieved and the federal tax dollars could be devoted to the vital mission of preserving and reconstructing existing federal-aid highway assets, notably the Interstates. State transportation tax funds and borrowing needs would likewise come under less pressure, much for the same reason. States would use tolls, private capital and public-private partnerships to finance build and operate much of their new highway infrastructure.

What we currently see happening in the states of Texas, Virginia and Indiana may be a harbinger of such a transition. All three states view privately financed toll facilities as a means of expanding road capacity without public borrowing or a tax increase. In Texas, long-term private toll concessions will help fund the Trans-Texas Corridor and other highway needs. In Northern Virginia, express toll lanes, paid for largely by the private sector, are being added to expand the capacity of the Capital Beltway and I-95. And, in Indiana, Gov. Mitch Daniels has announced the state’s intention to build, operate and maintain a 75-mile circumferential toll road around Indianapolis utilizing a public-private partnership without, in his words, " a penny of borrowing or a tax increase." In all three cases, the state will retain control over toll rate increases and require the private concessionaire to maintain prescribed levels of maintenance and service.

A New Philosophy of Infrastructure Funding

Underlying the above scenario is the notion that the nation’s surface transportation program should no longer continue relying exclusively on the traditional sources of transportation financing— fuel taxes and borrowing. Rather, the nation should begin a transition to a more market-oriented approach—an approach where tolls, demand-based variable pricing, private capital and public-private partnerships are allowed to play an integral role. That is not to say that we should (or could) dispense with the Highway Trust Fund. Its resources will continue to be vitally necessary to preserve and enhance the existing federal-aid highway system, and notably the Interstates.

The proposed approach to financing the expansion of the Nation's highway infrastructure would represent, in my view, a true "21^{st} century solution to 21^{st} century problems."

Respectfully submitted,

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