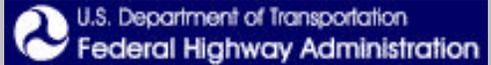


# VALUE PRICING NOTES

No. 7, Fall 2001



**V**alue Pricing Notes (VPNotes) is prepared by the Highway Pricing and System Analysis Team of the Federal Highway Administration's (FHWA) Office of Transportation Policy Studies. The objective of the newsletter is to provide periodic updates on the FHWA Value Pricing Pilot Program and summarize recent news of interest to the value pricing community. This issue of the newsletter features:

- A summary of Fiscal Year (FY) 2001 grant awards;
- A note on applications submitted for participation in the 2002 Value Pricing program;
- A section on various meetings and forums related to value pricing;
- Preliminary results of variable tolling on toll facilities in the Northeast; and,
- International pricing news.

For more information about any of the items published in this issue, or for general information about the Pilot Program, please see the Value and Congestion Pricing Homepage at:

[www.valuepricing.org](http://www.valuepricing.org), or contact the FHWA pricing team at:

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## **PRICING PROJECTS INITIATED IN 2001**

A number of value pricing projects were launched in FY2001, including projects involving HOT lanes, variable tolls on existing toll facilities, new "cordon" tolls, parking pricing, car sharing, pay-as-you-drive insurance, converting taxes and lease fees to variable charges, and a project focused on reducing vehicle ownership through the application of monetary incentives. Value pricing funds totaling \$8.1 million were awarded to projects in 10 states, greatly expanding the program's geographic coverage and providing the potential for addressing traffic congestion problems in new and innovative ways.

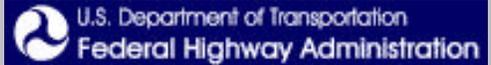
- In California, value pricing funds will be used to evaluate the second and third years of

operation of San Francisco's innovative car-sharing program. This program makes cars available to drivers on a per-use basis, thereby converting the fixed costs of auto ownership to variable costs and providing incentives for drivers to recognize the true cost of choosing to make a trip by auto.

- Awards were also made for a pre-implementation study of extending the I-15 HOT lanes in San Diego, California and for implementing variable tolling on the San Joaquin Hills Transportation Corridor.
- In Colorado, a pre-implementation study is assessing the design, operational and financial feasibility, and public acceptability of including HOT lanes in the potential widening of highway C-470 in the Denver area.
- Another 2001 award extends the value pricing program in Lee County, Florida to introduce variable pricing for heavy vehicles on two Lee County bridges. Under this program, a toll discount will be provided to eligible vehicles traveling during specified periods of the day and using electronic payment.
- Cordon pricing is also being investigated in Florida, where a value pricing project will study the potential impacts of placing toll facilities at the north and south approaches to the island town of Fort Myers Beach.
- In Georgia, value pricing funds will support a study of the effects of pay-as-you-drive insurance on driver behavior. By changing their driving patterns in response to variable insurance costs, drivers will be able to retain any premium savings attributable to reduced driving. The Georgia study will also include an evaluation of the FAIR lanes concept through a demonstration in the GA 400 corridor.
- Two FY 2001 projects are studies designed to monitor and evaluate the effects of variable pricing on major toll facilities in the Northeast. These studies will collect and analyze data describing the effects of recent variable pricing programs on the New Jersey Turnpike and the bridges and tunnels of the Port Authority of New York and New Jersey.

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- Evaluating the effects of converting the fixed cost of automobile insurance to a per-mile charge is the goal of a value pricing effort in Massachusetts. This demonstration will offer participating drivers refunds of part of their fixed insurance premiums based on mileage reductions, or reductions in driving during congested periods, reflecting reduced insurance claims risks. Driving patterns of participants will be monitored for six to nine months prior to the pricing treatment, and then for an additional two years after treatment.
- A value pricing study in Minnesota will simulate the replacement of some of the fixed costs of owning/leasing and operating a vehicle with variable per-mile charges. Local project partners in the Minneapolis-St. Paul metropolitan area will use intelligent transportation system and global positioning system technologies to implement and manage a program of variable pricing incentives offered to a representative group of drivers who participate on a voluntary basis.
- The Pennsylvania Turnpike will use a value pricing grant to study the potential effects of converting fixed toll charges to variable charges. The goals of the study are to examine the effects of variable tolls on congestion, commercial vehicle traffic, and commuter trips.
- "Infrastructure Financing through Value Pricing" is the focus of a study in Oregon. Supporting a state study of alternatives to motor fuel taxes, the value pricing study will focus on mileage-based fees and peak-period driving charges designed to reduce traffic during the most congested periods while at the same time raising revenue to support the state's transportation improvement programs.
- The State of Washington and King County Metro were awarded two value pricing grants in FY2001. The first will support implementation of a parking cash-out program in downtown Seattle. Under this program, employers would offer employees the option of taking cash in lieu of free or subsidized parking. The value pricing

program would offer incentives to building owners and employers to convert the vacated parking spaces to short-term or daily parking. It is hoped that the revenue potential of these spaces will convince building owners to continue the program without Federal support.

- The second grant to Washington and King County is supporting implementation of a "car cash-out" program in the Seattle area. The program would offer households incentives to sell their cars and switch to modes that would provide them with variable cost alternatives, such as transit, car-sharing, or taxis. The hypothesis of the program is that reductions in car ownership will lead to fewer automobile trips, less congestion and improved air quality.

## **ACTIVE INTEREST IN THE 2002 PROGRAM**

In response to FHWA's May 7 solicitation for participation in the FY 2002 value pricing program, 25 proposals were submitted by the October 1 deadline. The proposals, seeking a total of over \$50 million in value pricing funds, included eight highway facility pricing implementation projects, eight non-facility pricing projects, and nine pre-implementation studies of highway facility pricing projects. In addition, three agencies in the New York Metropolitan Area have indicated that they have proposals that have been delayed due to the tragic attack on the World Trade Center on September 11.

## **WORKSHOPS AND FORUMS**

### **Local Workshop held in Atlanta**

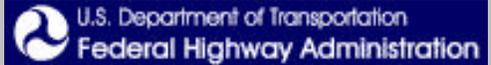
As this issue of VP Notes is being distributed, the October 29<sup>th</sup> Atlanta workshop is only days away. Participation by key decision-makers in the area should make this an exciting event. We'll follow up with details in the next issue.

### **Seattle the Site of Next Regional Workshop**

FHWA's series of regional workshops on value pricing will move to Seattle in 2002. Plans are underway for a workshop in April, with the Humphrey Institute again assisting FHWA in setting things up. As the date approaches, contact Marit Enerson of the Humphrey Institute for further

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information. She can be reached at (612) 625-8575 or menerson@hhh.umn.edu.

## **Project Partners Focus on Reauthorization**

Reauthorization of the Value Pricing program was a hot topic during the project partners' July meeting in Vail, Colorado. Using large group discussions and break-out sessions, State and local participants looked at a number of options for the next phase of the program, including eliminating the program, continuing in its current pilot program format, "mainstreaming" value pricing into regular transportation funding programs; or creating some "new legislative initiative" on pricing.

Under each of the options for extending the program, the group felt that several issues needed to be addressed, including funding levels, what organizations could enter into funding agreements with the Federal program (e.g., non-State governments, private entities), and how broadly pricing should be defined.

- A broad consensus was reached that some form of Federal support to value pricing should be continued, but that the program was not ready to be mainstreamed. Participants felt that technology is evolving rapidly, and new ideas need to be tested.
- However, it was suggested that some types of projects, such as HOT lanes, could become a regular part of state and local transportation programs if the Interstate toll exemption were available outside the value pricing program.
- It was suggested that possibilities be explored for allowing entities other than states to partner with the program, but that thought should be given to determining whether these new entities had the same objectives as the value pricing program.
- Participants felt that value pricing should be defined broadly. They felt that it is acceptable to fund more HOT lanes and facility pricing projects to have more success stories from new locations, but non-facility pricing projects and other non-traditional pricing ideas have great potential and should be funded.

- Participants also felt that equity needed to be addressed explicitly when projects were being developed.

Partners felt that value pricing should become a standard part of the discussion whenever capacity additions were being considered or congestion problems were being addressed. Project partners have experience with value pricing and they agreed that they needed to take on an increasing role in promoting pricing to other transportation professionals, members of Congress, interest groups, the general public and the media.

## **TRB Pricing Committee Meets in Vail**

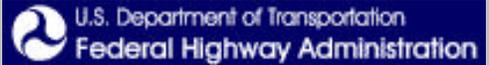
Vail, Colorado was also the site of the mid-year meeting of TRB's joint subcommittee on pricing. The committee heard reports on the results of task force efforts to develop a broad outreach and marketing strategy to support value pricing concepts. One of the suggestions coming out of these reports was to tailor a value pricing message to address the goals of various transportation associations and interest groups. Committee members agreed to make contacts with these organizations and report back during the TRB annual meeting in January.

Much discussion centered on addressing "equity" concerns of organizations such as the American Automobile Association (AAA). Some committee members suggested that AAA's stated concerns about the effects of value pricing on the poor were simply a cover to hide their real opposition to tolling in any form. It was suggested that public opinion research shows that the public prefers tolls to new general taxes and that this research should be summarized and be made more widely available. Other committee members recommended addressing equity concerns by emphasizing the expanded array of choices presented by value pricing. One committee member pointed out that two concerns need to be addressed, the perception that value pricing is unfair to lower income people and beneficial to the rich, and the idea that new tolls involve double taxation.

Committee members agreed that progress could only be made if pricing were looked upon as part of an overall transportation strategy and a potential solution to urban problems. It was also

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agreed that political champions for pricing were needed and that the pricing community needed to develop positive messages that could be used by elected officials.

## **Value Pricing at January's TRB Annual Meeting**

Pricing events at TRB's 2002 Annual Meeting are all scheduled on Wednesday, January 16 in the Hilton Hotel:

- ✓ Value Pricing Poster Session, "Innovations in Transportation Pricing," 9:00 a.m.-12:00 noon, Exhibit Hall
- ✓ Pricing Subcommittee on Outreach, 12:00 noon-2:00 p.m., Conservatory
- ✓ Political and Institutional Issues in Value Pricing, 1: What have we learned?, 2:30-4:00 p.m.
- ✓ Political and Institutional Issues in Value Pricing, 2: Addressing Challenges through Public Involvement, 4:30-6:00 p.m.
- ✓ Joint Subcommittee on Pricing, 7:30-9:30 p.m., Georgetown West

Note that a double session on value pricing is scheduled in the afternoon. One session will focus on the work of the Joint Subcommittee on Pricing's outreach task force, with papers on the meaning of value pricing, public perceptions of value pricing, the involvement of public officials in value pricing efforts, and organizational responses to value pricing. The second session will focus on addressing challenges to value pricing through public involvement. Included will be a discussion of the public participation process used in the planned expansion of value pricing in San Diego's I-15 corridor. Contact Lee Munnich of the Humphrey Institute for further information ([lmunnich@hhh.umn.edu](mailto:lmunnich@hhh.umn.edu)).

## **New York Forum Explores FAIR Lanes**

Transportation officials and interested stakeholders gathered in New York City on September 6 to investigate the potential for the innovative pricing strategy called FAIR lanes, or Fast and Intertwined Regular Lanes. As many readers of this newsletter know, FAIR lanes involve separating congested freeway lanes,

using plastic pylons and striping, into two sections: Fast lanes and Regular lanes.

- The Fast lanes would be electronically tolled, with tolls set in real time to ensure that traffic moves at the maximum allowable free-flow speed.
- Users of the Regular lanes would still face congested conditions, but would be eligible to receive credits if their vehicles had electronic toll tags. The credits would be a form of compensation for giving up the right to use the lanes that had been converted to Fast lanes.
- The credits could be used as toll payments on days when a traveler chooses to use the Fast lanes, or as payment for transit or para-transit services, which would be subsidized using toll revenues from the Fast lanes.

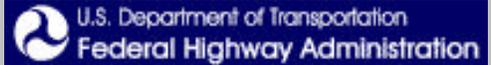
Forum participants recognized many positive attributes of the FAIR lanes concept.

- Increases in traffic throughput on the Fast lanes as well as improved conditions for transit service, would allow FAIR lanes to carry many more commuters on existing highways during rush hours, thus providing a means for accommodating economic growth in the area.
- Commuters would have an expanded array of transportation choices, and
- Transportation agencies would have a new source of revenue to support transit and para-transit services and ridesharing programs.

Seeing the potential for significant reductions in traffic delay, associated pollution and energy costs, forum participants suggested several opportunities for testing the concept on existing freeways and free bridges in the New York area. Adding to the feasibility of a FAIR lanes demonstration is the fact that many New York area vehicles are already equipped with electronic transponders. It was also suggested that, in the longer term, the region could use the concept to manage new capacity additions.

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Forum participants agreed that public resistance to new tolls would likely present a significant barrier to implementation of the concept. It was suggested that the keys to overcoming this barrier are to find a political champion for the concept and to form a task force that would make elected officials a key part of the decision-making process.

The FAIR lanes forum was co-sponsored by the Eno Transportation Foundation, the New York Metropolitan Transportation Council and the Federal Highway Administration. The Eno Foundation is preparing a report on the forum. For more information, contact Patrick DeCorla-Souza (Patrick.DeCorla-Souza@fhwa.dot.gov).

## **PRICING ON MAJOR TOLL FACILITIES IN NE**

The variable tolling strategy adopted by the New Jersey Turnpike Authority in the fall of 2000 provides for higher tolls during peak traffic hours and lower tolls during off-peak periods for users of the electronic toll collection system. During FHWA's September 6 FAIR lanes forum, Ed Gross, Executive Director of the New Jersey Turnpike, reported that early results show that value pricing is working to shift traffic out of the peak period and is enjoying support from the Turnpike's users.

- Mr. Gross reported that most of the recent growth in traffic on the Turnpike has been in the off-peak hours, with total traffic up by around 7 percent, but morning peak traffic up by 6 percent and afternoon peak traffic up by 4 percent.
- The proportion of daily traffic accounted for by the morning peak dropped from 14 percent to 13.8 percent, and the afternoon peak's share of traffic decreased from 14.7 percent to 14.3 percent.

Value pricing will continue to be a feature of the Turnpike's rate structure as future scheduled toll increases come into effect and as consideration is given to extending value pricing to truck traffic. In the words of Mr. Gross, "We have laid the foundation for meaningful future value pricing actions."

The Port Authority of New York and New Jersey are also reporting early returns on value pricing. Two months after the March 2001 initiation of peak-period pricing on its bridges and tunnels, preliminary statistics showed greater use of E-Zpass, increased use of timesaving PATH QuickCards, and some gains in travel during off-peak hours. Although Port Authority officials point out that it is too early to draw any definitive conclusions, some motorists may be shifting from congested rush hours to off-peak time periods.

- During a typical weekday in May 2001, 7 percent more motorists used Port Authority bridges and tunnels between midnight and 6a.m. compared to a similar day in May 2000. Nearly half of this increase was evident in the 5-6 a.m. hour.
- In addition, traffic reductions were seen in the morning (7 percent) and evening peak periods (4 percent). Overall, traffic remained relatively stable over the period.

## **INTERNATIONAL ROAD PRICING NEWS**

### **Congestion Charging in London**

As reported in the last issue of *VPNotes*, the Mayor of London has proposed an ambitious plan for congestion charging in central London. After lengthy public consultation, the Mayor's office is now examining the details of the plan and a final decision on whether to go ahead with the plan, modify it, or reject it is expected by the end of the year. If the scheme is confirmed, the earliest it could start would be January 2003.

If the pricing plan is confirmed, congestion charges would only apply in central London. Motorists would be charged £5 a day to drive within the central city zone between 7 a.m. and 7 p.m. on Mondays through Fridays. Drivers using a vehicle in the central zone would pay the charge, either in advance or on the day of travel. The registration numbers of these vehicles would be entered into a database. Drivers would be able to pay on a daily, weekly, monthly or annual basis by telephone, regular mail, internet, or at retail outlets.

A network of fixed or mobile cameras would observe the license plates of vehicles entering or

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moving within the central zone. There will be no toll booths, gantries or barriers. Drivers will not have to stop. The license plate numbers will be matched against vehicle registration numbers of those who have paid the charge. The registered "keeper" of any vehicle identified within the central zone without the congestion charge having been paid (unless exempt/discounted) will be liable to a penalty charge.

As part of the consultation process, many groups and individuals have argued that they should be exempt from the charging plan. A number of exemptions and discounts are provided, including a 90 percent residents discount. See [www.streetmanagement.org.uk/Initiatives/congest\\_charge/](http://www.streetmanagement.org.uk/Initiatives/congest_charge/) for details.

## **European Transport Pricing News**

The second issue of "Pricing Urban Transport," the European newsletter on road pricing has just been published. As noted in the *VPNotes*, No. 6, the newsletter provides updates on the PRoGRESS project and the associated CUPID project. CUPID stands for Co-ordinating Urban Pricing Integrated Demonstrations. PRoGRESS is the partnership of cities involved in the testing and demonstration of road pricing technologies and concepts. CUPID provides research, policy, and technical support to the cities involved.

The newsletter notes that the CUPID consortium has completed two important deliverables. First, a state-of-the-art review presented as a series of Frequently Asked Questions was published in 2000. Since the questions faced by European pricers are no different than questions faced in the U.S., this document should be an interesting read for project partners. As presented in the Cupid document, questions addressed are:

- Which kinds of charges can be implemented?
- How to set charges?
- How to achieve public opinion in favor of road pricing?
- What is the practical meaning of fair pricing?
- How to finance set-up costs?
- How to overcome legal and institutional barriers?
- Why charging should be considered?

- What is the impact of charging on traffic and the economy?
- How to use road capacity and revenues obtained by implementing road pricing?

Appendix A to the CUPID document provides a useful summary of the various European projects regarding transport pricing (CAPRI, EUROTOLL, PETS, QUITTS, CONCERT, TRANSPRICE, TRENEN II, AFFORD, PRIMA, and PATS) just in case you were confused. This document is available to the public at <http://www.transport-pricing.net/>

The second CUPID document, a general Evaluation Framework for urban transport pricing schemes, has been completed in draft form and will be issued on the website noted above once it has received European Community approval.

The newsletter also covers results of a variety of project meetings and workshops, presents overviews of the status of each PRoGRESS city's pricing efforts, and provides notice of upcoming pricing events in Europe. The newsletter is also available at [www.transport-pricing.net](http://www.transport-pricing.net).