

VALUE PRICING



NOTES *Summer 2002*

Office of Transportation Policy Studies, Highway Pricing & System Analysis Team

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HEADLINE NEWS

APPROVED PROJECTS UNDER THE 2002 VALUE PRICING PILOT PROGRAM

Nine states across the country will soon be offering their drivers new commuting choices as these states test the potential of pricing on their major roads. Twelve pricing projects were approved for FY2002 under the Value Pricing Pilot Program. Of these twelve projects, seven were approved in states with existing projects, and two states are newcomers to the program. Value pricing funds totaling \$8,831,176 were awarded to these states for the following projects:

California: This unique project will be the first to fully study the potential for implementing the FAIR lanes concept. FAIR lanes will be considered on Interstates 580 and 680. As with most new road pricing, complementary measures to increase public acceptability need to be deployed. In this case, California DOT will also test dynamic (i.e., single-trip) ridesharing in the study corridor in conjunction with priority parking for ridesharing users at participating Bay Area Rapid Transit (BART) stations.

Colorado: This project will manage and partially alleviate severe congestion during peak periods, as well as yield greater

utilization of the I-25 HOV lanes. The plan will convert the downtown express HOV into a HOT lane facility.

Florida: Florida DOT is implementing three pricing projects. The first includes a pre-implementation study of variable tolls at the north and south approaches to the island town of Ft. Meyers Beach. This study will lead to the first implementation of cordon pricing in the United States. The second project includes a feasibility study that will evaluate the potential for implementing value pricing with open road tolling (ORT) along the SawGrass Expressway in Broward County, FL. The third project supports the Florida DOT in sponsoring an international technology-sharing symposium. This symposium will set the stage for the wider implementation of innovative pricing strategies to meet congestion relief objectives.

North Carolina: The NCDOT will contract with North Carolina A&T University to conduct a feasibility study of a HOT lane addition on I-40 in the Piedmont/Research Triangle area.

Oregon: Two pricing projects will take place in Oregon. METRO in Portland will evaluate the potential of HOT lanes on Highway 217. In addition, ODOT will begin Phase II of their process of identifying alternatives to the fuel

tax. ODOT was awarded funds in 2001 for Phase I of this project and has been using those funds to study and evaluate the alternatives. Phase II includes pilot implementation of alternatives identified during Phase I.

Pennsylvania: This project implements variable pricing strategies on the Pennsylvania Turnpike.

Texas: The North Central Texas Council of Governments in Dallas will conduct a regional feasibility study to evaluate the potential for implementing region-wide value pricing.

Washington: The Washington DOT will initiate a GPS-based pricing project designed to field test a system level application of variable direct user charge policies. It will create a differential trip-based pricing regimen.

GETTING THE WORD OUT

E-Forum for the Pricing Community

Pricers love partners! With that in mind, Urban Trans Consultants and the University of Minnesota's Humphrey Institute of Public Affairs have teamed together to create a vehicle for the pricing community's outreach efforts. The website provides an active forum to share ideas, activities, and resources (such as documents and presentations) for outreach purposes, and will serve to coordinate efforts to reach out to each transportation-related organization. Though the website is still in its developmental stage, project partners and members of the TRB Joint Subcommittee on Pricing can access it at www.valuepricingoutreach.org.

FHWA Develops Pricing Education Kit

The FHWA Value Pricing Team is developing a general information, media kit to educate partners, interest groups, and the general public about pricing. The kit includes an overview, description of strategies, success stories, and articles from prominent newspapers. Project partners and members of the TRB Joint Subcommittee on Pricing can download the kit at www.valuepricingoutreach.org. The team welcomes comments and has included a link

on the website that allows project partners and joint subcommittee members to post their feedback directly on the site. Or, they can fax comments to Rosalynn Whitehead 202.366.7696. All feedback is due by August 1, 2002.

VALUE-ABLE NOTES

The Long-Term Value of Pricing

The summer issue of Transportation Quarterly includes a lively discussion about value pricing. The discussion begins with an article by Patrick DeCorla-Souza, who manages the FHWA Value Pricing Pilot Program. DeCorla-Souza's article, "The Long-Term Value of Value Pricing in Metropolitan Areas," inspired a response from C. Kenneth Orski, editor and publisher of Innovations Briefs, a newsletter reporting on developments and policy issues in the transportation field. In his article, DeCorla-Souza points out that pricing has proven to be politically acceptable in the U.S. when combined with highway capacity expansion. The article reveals how the pursuit of pricing strategies can provide significant long-term economic benefits. Citizens could save as much as \$50 billion if pricing is introduced in conjunction with capacity expansion on the nation's 2,780 miles of severely congested urban freeways. Orski responds in a companion article, in which he focuses on the confusion caused by what he considers a "lack of accepted standard terminology" in discussions about road charging. The discussion between DeCorla-Souza and Orski concludes with DeCorla-Souza's brief explanation of the origin and intent of USDOT's and Congress's use of pricing terms.

Road Tax Analysis Report Supports the Need for Nationwide Pricing Strategies

Researchers Barry Ryan and Thomas Stinson of the University of Minnesota's Department of Applied Economics report that funds generated to pay for road improvements are, for the most part, coming from sources unrelated to transportation. The report describes how the country's current tax

system uses both fixed-fee transportation-related mechanisms, such as the vehicle registration tax, as well as taxes that vary with system use, such as the motor fuels tax, to fund state and local roads. However, other important sources of road revenues, including property, income and sales taxes, are hidden from the traveler's perspective. Of these revenue sources, 71 percent are from fixed or hidden taxes and are unrelated to travel behavior. Ryan and Thomas conclude that current tax policies tend to penalize households that travel less and households with lower incomes. Their report justifies their support for variable road user charges, pointing out that: "Because variable tax mechanisms send road users a clearer price signal about the true costs of their travel, alternative road taxes, like a vehicle mileage tax or congestion fee, could lead to better travel decisions by factoring weight, distance, or time into the tax price." The researchers add that while many factors influence housing location decisions, road tax policy can affect development at the urban/rural fringe. Under proper conditions, more reliance on variable pricing tax policy may slow conversion of the region's farmland to non-farm use. You can view a full copy of the report at www.cts.umn.edu/trg.

MEETINGS AND WORKSHOPS

Project Partners Forum

Project managers, FHWA staff, novices, and experts met on July 9th and 10th in Providence, Rhode Island, to discuss various aspects of developing and implementing pricing projects. The forum was sponsored by the University of Minnesota's Humphrey Institute and the Federal Highway Administration and included four sessions. Former Minnesota State Senator, Carol Flynn, moderated the first session, *Communicating Value Pricing*. The session focused on the successes and challenges partners have had in getting the word out about pricing to the general public and politicians. Panelists included Mark Muriello, Assistant Director of Tunnels and Bridges, New York/New Jersey Port Authority; Kris Cella, CEO, Cella and Associates, Lee

County, Florida; Joe Loveland, Communications Consultant, Humphrey Institute of Public Affairs; and Rosalynn Whitehead, Transportation Specialist, Value Pricing Pilot Program Team, Federal Highway Administration.

The second session, *Innovative Pricing Approaches*, was moderated by Patrick DeCorla-Souza, manager of the FHWA Value Pricing Pilot Program. Panelists shared information about the creative ways in which they have used pricing. Quentin Krueel from the Georgia Institute of Technology discussed their simulation pilot involving usage-based automotive insurance and the FAIR lanes concept. Peter Samuel, editor of Tolls Roads newsletter, talked about the design and benefit of truck-only toll road networks. Kathy Koss, a King County Metro Transit Manager, updated the audience on their project designed to encourage high-rise building managers and downtown employers in Seattle to offer parking cash-out and other financial incentives and amenities to alternative mode commuters. Allen Greenberg, who spoke on behalf of Ken Buckeye of the Minnesota Department of Transportation (MnDOT), presented information about MnDOT's recently launched project involving mileage-based vehicle lease pricing.

The session, *HOT Lanes and Managed Lanes: What's the Latest?*, included two panels. Kim Kawada of the San Diego Association of Governments (SANDAG) presented the results of SANDAG's recent feasibility study on an extension of the I-15 Fastrak project. Gary Phillips, Senior Engineer, URS Corp., spoke about the results of the Florida Turnpike's recently completed study; and Greg Ofield, Project Manager, TxDOT, shared the results from the reconstruction project on the Katy Freeway in Texas. Greg Hulsizer, President, California Private Transportation Company, updated everyone on the SR 91 project, while Bill Hayden of Arizona DOT caught everyone up on Arizona's regional value pricing study. Ben Perez, Senior Professional Consultant,

Parsons Brinckerhoff, Inc. presented [A Guide for HOT Lane Development](#).

Aside from numerous poster displays, participants were able to join in several chat room discussions on a wide range of pricing-related topics from individual pricing strategies to generating support for pricing.

The forum concluded with a two-part panel on TEA-21 reauthorization and its implications for value pricing. Martha Broad of the Conservation Law Foundation moderated the first panel. Panelists included Jeff Squires, Senior Policy Advisor, U. S. Senate Environment and Public Works (EPW) Committee; David Burwell, President and CEO of Surface Transportation Policy Project (STPP), and Tony Kane, Engineering and Technical Services Director of the American Association of State Highway and Transportation Officials (AASHTO). Squires discussed a range of issues important to EPW Chairman Jeffords that pricing could potentially address, including climate change and the natural environment, metropolitan mobility, freight movement, and transportation financing. Burwell emphasized the ability of pricing to add capacity without new infrastructure, to improve reliability, and to end city-dwellers' seemingly endless search for a parking space. Kane reiterated AASHTO's support of value pricing and tolling to raise revenue.

The second panel on reauthorization also had cheers for pricing. This panel included Alex Taft, the Executive Director of the Association of Metropolitan Planning Organization (AMPO), Mike Martin from the American Road and Transportation Builders Association (ARTBA), and Patrick Jones, Executive Director of the International Bridge, Tunnel, and Turnpike Association (IBTTA). Many of these same panelists appeared the following day at the TRB Value Pricing Outreach Subcommittee meeting to engage the audience in a discussion on reauthorization.

TRB Joint Subcommittee on Pricing

The Transportation Research Board's Joint Subcommittee on Pricing's Mid-Year meeting began the day after the Project Partners meeting in Providence. Subcommittee Chairperson Patrick DeCorla-Souza briefly described the FHWA staff's efforts to conduct outreach among a list of 66 organizations identified as stakeholders of U.S. DOT. Staff's outreach successes include educational meetings with organization representatives and the inclusion of articles about pricing in organization newsletters and other periodicals. David Ungemah of Urban Trans Consultants, Inc., explained the objectives of the new value pricing outreach website (see *Getting the Word Out: E-Forum for the Pricing Community*), and Todd Anderson of the Humphrey Institute explained the new information on the general value pricing website, www.valuepricing.org. Participants agreed to hold a meeting during the annual TRB meeting to discuss the status of the proposal to become a full TRB Committee. A discussion forum about this subject will be established on the outreach website. Lastly, subcommittee member David Forkenbrock provided an update on his research entitled, "A New Approach to Road User Charges."

Value Pricing Outreach Subcommittee Meeting

This meeting immediately followed the Joint Subcommittee meeting and was moderated by Lee Munnich, Director of the Humphrey Institute. A panel of speakers discussed their views on the topic, "Paying the Price: Is There a Better Way to Fund Transportation and Manage Congestion?" Representatives of transportation policy and advocacy groups discussed strategies for addressing future surface transportation challenges and the implications for reauthorization of TEA-21. Speakers included David Burwell (STPP), Tony Kane (AASHTO), G. Alexander Taft (AMPO), Mike Martin (ARTBA), and Patrick Jones (IBTTA). David Ungemah made a presentation on organizational outreach, followed by a discussion regarding how to communicate the importance of the value

pricing program during the reauthorization process.

PRICING ABROAD

Scotland Considers Pricing's Potential

Edinburgh's transport chiefs have announced their consideration of a pricing plan aimed at reducing the city's congestion chaos. Under this plan, drivers would have to book ahead and register if they intended to enter the city or pay a fee for a one-time visit once inside the city's boundaries. Violators would be caught on camera, and would be fined 60 pounds for their crime of resisting the two pounds toll. At least two potential obstacles must be overcome before the pricing strategy can be implemented. First, the public must support the pricing strategy. Second, according to David Begg, Edinburgh's government transport advisor, effective public transportation must be in place prior to implementation. The transport chiefs are reaching out to the Scottish Executive for their support in overcoming these obstacles.

Value Pricing Notes provides updates on the FHWA Value Pricing Pilot Program and summarizes recent news of interest to the value pricing community. If you have suggestions for **Value Pricing Notes**, contact:

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If you would like information about the Value Pricing Pilot Program, check out our website at www.valuepricing.org or e-mail: