

VALUE PRICING

NOTES Winter 2002

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



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HEADLINE NEWS

Interest is High for Fiscal Year 2003 Value Pricing Pilot Program Funds

Four new states, ten states total, requested funding under FHWA's FY2003 Value Pricing Pilot Program (VPPP). As we go to press, these ten states will add 13 new proposals to the VPPP. \$25 million worth of proposals will compete for only about \$10 million in VPPP funds expected to be available this fiscal year

Program applicants received reviewer comments on December 9, with an invitation to submit final proposals by January 3, 2003. Funding decisions should be made when Congress re-convenes in 2003 and an appropriations bill is enacted into law.

This year, the Program's last year under the Transportation Efficiency Act for the 21st Century (TEA-21), we received applications from four new states – Connecticut, Illinois, Ohio, and Virginia. Twelve states

previously received VPPP funds from FY1999 through FY2002. If all the new applicants receive funding, we will exceed the 15 state limit that FHWA can legally fund under the Program. Thus, the four new states will compete for three available "slots."

GETTING THE WORD OUT New Tool to Promote Value Pricing Available in January

The Value Pricing Information Kit is complete and online! FHWA staff created the kit to educate members of the public, elected officials, and the media about value pricing. It addresses the different pricing strategies, provides data from successful projects, and includes articles and editorials from major newspapers on the subject. Full kits will be available in January. Contact Shannon Ballard at: (202) 366-9227 or shannon.ballard@fhwa.dot.gov or get an online version at www.valuepricing.org by looking for "Information Kit" under "Learn About Pricing."

"Value pricing has resulted in improved traffic flow, and associated air pollution and fuel savings; better use of capacity on underutilized HOV lanes; funding for new capacity while keeping it from becoming congested; and new mobility options for travelers, including new transit services funded from toll revenues, and a congestion-free travel option..." FHWA Administrator Peters testimony before Congress, May 21, 2002

VALUE-ABLE NOTES

SMITE-ML Launched for Quick-Response Evaluation of Tolling Options

FHWA updated its Spreadsheet Model for Induced Traffic Estimation (SMITE) to address analysis of the traffic, economic, and financial impacts of managed lanes on freeways. Managed lanes include HOV lanes, High-Occupancy Toll (HOT) lanes, and Fast and Intertwined Regular (FAIR) lanes. The updated version of SMITE is called SMITE-ML.

Evaluation tools currently used in transportation decision-making processes are not well suited for evaluating toll alternatives against more traditional “free” highway alternatives. SMITE-ML provides a quick response analysis tool to perform such evaluations. An accompanying paper explains the model and demonstrates through a case study how impacts of toll options can be evaluated and compared to more traditional alternatives. To download SMITE-ML and the paper, go to: <http://www.fhwa.dot.gov/steam/smiteml.htm>.

The case study demonstrates that pricing alternatives can often accomplish the purpose of a major highway project more efficiently and more effectively than conventional alternatives that exclude pricing, while generating net revenues to support alternative modes, bonds for timely project construction, and other transportation priorities. The analysis results show that a pricing alternative would cost only about \$3 per hour of delay reduced, while conventional alternatives would cost about \$9 to \$13 per hour of delay reduced.

Mainstreaming Pricing Alternatives in the NEPA Project Development Process

As pricing becomes increasingly tested and proven in the real world, it is moving out of the laboratory and into the field. This indicates that the time is ripe for pricing to be more seriously considered during the NEPA (National Environmental Policy Act)

process, the forum for arriving at major transportation decisions. Given the variability of situations across the country, FHWA offers no specific guidance on how or when this consideration is most appropriate – as part of the 3C planning process that lays the foundation for the NEPA process, during NEPA scoping, or as part of the detailed consideration of alternatives under NEPA.

Nevertheless, in a paper prepared for the January 2003 TRB Annual Meeting, FHWA's Patrick DeCorla-Souza and Fred Skaer introduce analytical procedures that may be used to estimate the impacts of pricing alternatives and generate information for use by decision-makers. The paper (number 03-2941) will be available to meeting registrants on CD-ROM. Transportation agencies could use techniques such as those discussed in the paper to evaluate pricing alternatives and provide impact information to decision-makers. These tools will make it easier for transportation agencies to incorporate pricing alternatives into NEPA studies for major highway projects in metropolitan areas.

PRICING ABROAD

“Only new approaches will enable us to deal successfully with the growth in pollution and congestion caused by transport in cities.”
Loyola de Palacio, Vice-President of the European Commission (Commission press release July 2001)

Pricing Success in Rome!

On October 1, 2002, Rome initiated access control into its central business district using a flat fee. So far, data on Rome's access controlled roads show a 20 percent reduction in traffic flows and a six percent increase in public transit usage. The access control system comprises 24 electronic gates that identify and apply the applicable tariff for vehicle entrance into the restricted area.

UK Moves Ahead with Value Pricing

The United Kingdom's first city road toll scheme started in Durham in September 2002. Motorists are charged £2 (approx. US \$3.12) to use a stretch of road in the historic part of the city that is a congestion nightmare as it is only wide enough for a single car. Its original goal was to cut traffic by 50 percent and provide a better environment for the 17,000 pedestrians who enter the area each day. Early numbers indicate an 80-95 percent drop in traffic volume. The money raised from the £2 charge will go towards funding new bus service and new transit services for disabled people.

Starting in February 2003, drivers will pay £5 (approx. US \$7.80) per day to enter London's city center during peak times. Although there are critics, this city toll is expected to reduce congestion by 20-30 percent, which should make most city-goers very happy. A survey by the Institute of Directors found that 70 percent of business people would support traffic tolls if it were accompanied by investment in the roads. London will not utilize "smart cards," but will offer weekly, monthly, and yearly passes for regular commuters leaving occasional visitors to pay for each daily trip. Enforcement will be done using license plate recognition technology. Motorists who refuse to pay the toll will have their vehicles impounded. London's Transport Authority believes that this strict enforcement is the only way to catch evaders and ensure successful traffic mitigation. See www.cclondon.com for more information.

How Can We Get the Public On Board?

Public and political acceptance of transport pricing strategies can be a major roadblock to implementing pricing on our nation's highways. The Europeans held a conference last spring that resulted in several interesting presentations on factors influencing pricing acceptability. Please see <http://www.strafica.fi/mcicam/conferences-dresden.html> for more information.

WORKSHOPS AND FORUMS

Look for Value Pricing during January's TRB Annual Meeting

TRB's 2003 Annual Meeting will take place January 12 - 17 in Washington, D.C. View the program at: <http://gulliver.trb.org/am/ip/>.

Pricing papers will be presented during several sessions. In addition, other sessions will focus on pricing issues (see below.) The events will mainly be in the Hilton Hotel:

- Session 366 Monday, January 13, 7:30 - 9:30 PM, Hilton – *Managed Lanes: What Are the Key Issues and State of the Practice?*
- Session 467 Tuesday, January 14, 10:15 AM - 12:00 PM, Hilton – *Assessing Benefits and Costs of Value Pricing*
- Session 638 Wednesday, January 15, 9:00 AM - 12:00 PM, Hilton – *Poster Session on Pricing*
- Session 615 Wednesday, January 15, 8:00 - 9:45 AM, Shoreham – *Dedicated Truck Lanes, Part 1: Current Research and Project Proposals*
- Session 654 Wednesday, January 15, 10:15 AM - 12:00 PM, Shoreham – *Dedicated Truck Lanes, Part 2: Response from Private and Public Sector Stakeholders*
- Session 664 Wednesday, January 15, 10:15 AM – 12:00 PM, Hilton – *Framework for Decisions: Alternative Financing Strategies*
- Session 689 Wednesday, January 15, 2:30 - 4:00 PM, Hilton – *New Developments in Managed Lanes*

Pricing committee meetings also scheduled:

- Wednesday, January 15, 12:00 - 2:30 PM, Hilton – *A1A01(2)-Subcommittee on Pricing Outreach*
- Wednesday, January 15, 7:30 - 9:30 PM, Hilton – *AA1A01(1)-Joint Subcommittee on Pricing with A1A06(1) and A1C01(1)*

Sunny Florida to Host International Conference on Road Pricing

The Florida Department of Transportation, the Organization for Economic Cooperation and Development (OECD), and the Transportation Research Board (TRB), in collaboration with FHWA, will conduct an international symposium on road pricing in Florida in November 2003. The symposium's objective is to provide a synthesis of current practice to assist in implementing future pricing projects. More details can be found at <http://www4.nationalacademies.org/trb/calendar.nsf> as they become available.

A Joint Planning Committee will draw on commissioned papers, presentations, discussions, and international experience to evaluate the current state of pricing practice, and determine future directions, opportunities, and research and information needs. Joint Planning Committee members will also help shape conclusions and recommendations to be included in the formal proceedings. Recommendations may include policy and technical initiatives to facilitate pricing implementation and to identify needed research, including relating current practice to the conclusions and recommendations offered by TRB's 1994 publication: *Curbing Gridlock. Peak Period Fees to Relieve Traffic Congestion.*

Seattle Highlights Value Pricing

Over 250 participants attended the 11th TRB International HOV Conference held October 27-30 in Seattle, Washington. One of three tracks at the conference focused on managed lanes and value pricing. Participants were updated on recent domestic and international developments, including:

- San Diego's I-15 HOT lanes
- Orange County, CA's SR 91 pricing status
- Texas toll roads and HOT lanes
- Seattle's pricing demonstration
- Tel Aviv's HOT lanes

Several other presentations focused on planning projects, including planning for managed truck lanes. Proceedings are being prepared and will be available by March 2003 at <http://www.HOVworld.com>.

London's Congestion Charging Scheme: Learning from Other's Experience

On December 5, 2002, the Eno Transportation Foundation and the American Public Transportation Association (APTA) sponsored a half-day symposium to give U.S. transportation leaders an opportunity to gain a full, up-to-date understanding of London's congestion charging scheme (see *Pricing Abroad*). The seminar featured Mr. Derek Turner, Managing Director of Street Management at Transport for London, the agency in charge of the system. See www.cclondon.com for more information. The seminar allowed transportation leaders with diverse perspectives to consider U.S. implications in a constructive, informed setting. A follow-up seminar is planned, possibly in conjunction with the International Conference on Road Pricing in November 2003.

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 the VPPP website at www.valuepricing.org or e-mail Patrick.DeCorla-Souza@fhwa.dot.gov.