

How to Solve the Infrastructure Dilemma?

The “dilemma”...a crumbling road and bridge infrastructure that services local, state, and federal entities – but no one either wants to fund improvements or has the funds to do so. So what are the major options? 1) Privatize toll roads, 2) Increase tolls, 3) Increase fuel taxes.

- 1) Privatize toll roads. Although this option seems to be quite popular as states seek to downsize government and reduce costs, privatization has seldom proven to be the answer. The lack of success of privatization in actually improving roads/bridges and NOT increasing tolls is well documented.

- 2) Increase tolls. At first glance, this option appears to be the most logical. Those who actually use the toll roads should be the ones bearing the brunt of the cost. However, this logic does not consider the spillover impact of toll increases. When tolls become too expensive for a significant percentage of commuters and/or truckers, what happens? Those commuters and truckers ultimately are forced to seek alternative routes to bypass exceedingly expensive tolls; thus creating greater congestion in secondary roads and communities. This additional off-toll road congestion arguably creates greater opportunity for accidents, negatively impacts local businesses, places more burden on local authorities and enforcement agencies, and can cause delays to freight/goods movement. From a trucking perspective, as tolls increase in such high traffic areas as NJ and PA, that already have some of the highest tolls in the nation, truckers will have to make decisions. From a CSA, Safety, and Productivity perspective taking toll roads whenever en-route makes good sense. However, since toll charges are usually not “directly recoverable” in the form of accessorial, truckers are seldom able to be compensated for these costs. Truckers must then make a decision to further erode already thin margins by paying high tolls or bypass toll roads to lower costs at greater risk to safety and productivity.

- 3) Increase fuel taxes. When considering the spillover impact (as referenced in #2 above), increasing fuel taxes may actually make the most sense. Arguably, all drivers (private and commercial) benefit (safety & congestion) when more passenger and commercial vehicles utilize toll roads. Traffic is safer, less congestion overflow to secondary roads and communities, and more productivity for truckers. By increasing fuel taxes, the cost of these benefits are spread across a much larger population of vehicles; thereby decreasing the overall cost per total vehicle.

Having felt the impact of ever increasing toll charges to the bottom line, carriers are closely monitoring those areas serviced by toll roads. Especially on watch are Pennsylvania and New Jersey as toll costs continue to skyrocket in those states. Ultimately, carriers will have to recover these costs in order to continue to service these areas.



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Are tolls the answer to our crumbling infrastructure?

All That's Trucking Blog by Deborah Lockridge, Editor in Chief

Two stories hit my desk last week that highlight the place of tolls and public-private partnerships in the debate on infrastructure funding.

First, there was this [Reason-Rupe opinion poll](#) finding that 77% of those polled oppose increasing the federal fuel tax, while 58% thought new roads and highways should be funded by tolls, and 55% favored using public-private partnerships to build critical infrastructure projects.

This followed [a recent town hall meeting](#) where presidential hopeful Mitt Romney said he doesn't like borrowing, but is willing to do it if there's a specific revenue stream to pay it back -- and specifically used tolls as an example.

It's not the first survey to put numbers to Americans' reluctance to pay higher fuel taxes, even though most agree that something needs to be done about our infrastructure. In a study done almost a year ago by the Rockefeller Foundation, only 27% said that raising the federal gasoline tax would be an "acceptable" way to provide more highway funding. Instead, most survey respondents supported more private investment as an acceptable option for raising more transportation money.

Yet [as this story illustrates](#), public-private partnerships aren't a slam-dunk.

In 2003, southern California officials got a \$140 million loan through the Transportation Infrastructure Finance and Innovation Act, or TIFIA, for the [South Bay Expressway](#) in San Diego County. It was the first

tollroad to get a TIFIA loan, according to published reports. TIFIA is today being touted as a partial solution for the country's infrastructure funding crisis.

Then-Transportation Secretary Norman Mineta called the loan "a TIFIA success story, demonstrating how innovative federal financing tools can attract private investment to critical transportation projects."

Officially owned by the California Department of Transportation, the toll road would be leased to a group of private backers until 2042. Those private backers expected that with the rapid suburban growth near San Diego, they would get a handsome return on their investment.

But this public-private partnership didn't work out so well, thanks to the housing bust. As [Tollroads News](#) pointed out in reporting on the bankruptcy filing, "The tollroad is located in the west coast's 'Subprime Central' zone or mortgage walkaway country on the eastern fringe of suburban development. A boom area for a couple of decades everything stopped just as the road opened."

The road also was hit by a drop-off in U.S.-Mexico trade when Mexico hit the U.S. with punitive tariffs for not opening the border to cross-border trucking as agreed to under NAFTA.

The South Bay Expressway company filed for Chapter 11 bankruptcy reorganization in March of 2010. After emerging from it in April, the 10-mile toll road was sold to the San Diego Association of Governments last month. Well, actually they didn't buy the road, since the government already owned it. What they bought was the operating lease to operate the road and collect tolls for the balance of the contract -- about 31 years.

Macquarie, a big Australian infrastructure investment company that was one of the backers, wrote the road off as a loss. Interestingly, however, the federal government says it will at least break even on its loan.

As the writer of this article points out, "The road's tortured history, and especially its journey through bankruptcy court, are enough to convince critics of PPPs that this is one bet the feds never should have made."

50% toll hikes provoke hot arguments in Jersey ANALYSIS/COMMENTARY

Posted on Thu, 2011-12-29 02:14 of [Tollroads News](#)

Steve Lonigan of the local branch of Americans for Prosperity sees it as his job to speak up for the people of his state who are facing higher and higher expenses supporting various government agencies. So **when the New Jersey Turnpike raises tolls by 50% Lonigan is into it. And he's being quoted as saying the people of the state "will now face the highest tolls in the country."**

CBS TV news today had NJ commuters "bracing" for the shock of toll increases that viewers were told is "going into affect (TV-english?) on New Year's day at exactly 6:30am."

The "bracing" metaphor is much beloved by the general media for describing the public's anticipation of toll increases.

We hear reports of "bracing" motorists also in Pennsylvania, Virginia, Maryland and

Colorado where there are also toll hikes New Year's Day.

For the complete article, click on the link below.

<http://www.tollroadsnews.com/node/4664>

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