Transcript of Panel Discussion on Tolling
Washington Policy Center's 2011 Transportation Conference

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- Craig Stone, Director, Washington State Department of Transportation toll division
- Jim Tutton, Vice President, Washington Trucking Associations
- Hon. Kemper Freeman Jr., Kemper Development
- Bob Poole, Director of Transportation Policy, Reason Foundation
- Moderator: Allen Schauffler, KING 5

Allen Schauffler: "Good morning! It is my pleasure to be here today. Normally I spend a lot of my professional hours either pounding away at a keyboard, staring into a computer screen, or in a cramped live truck somewhere in Western Washington typing out a story that hopefully will get edited so I can be on the air in about 45 minutes from right now because we're on deadline! Or, sitting in a big empty bright room staring at a camera with a little red light on it, just speaking into the void. So, a chance to get out, see real people, listen to some policymakers and business folks talk about the real challenges that we face in this state is a real treat for me.

It should be a fun morning. We're going to introduce these gentlemen then take questions from the audience in a bit after we've heard them talk and have a little discussion up here. And get ready to toss your questions in the direction of the dais. We'll do that in just a little bit.

It is hard to overemphasize the importance of the subjects we're here to discuss today. The decisions that we make about how we move people and goods from place to place will of course help define what the state of Washington looks like physically, the level of our competitiveness in a variety of regions and national and international arenas, the shape of our neighborhoods, our urban centers, our major transit corridors, and our open space. It will also help define the quality of life and the environment in which we live far into the future. We have a couple big challenges ahead, and I think that's an understatement: building a new Columbia River crossing, digging or perhaps not digging a tunnel underneath downtown Seattle, expanding or perhaps not expanding light rail, commuter rail, repairing and growing our rail infrastructure, figuring out how to make a growing number of people and a growing number of cars pay for getting from here to there. And we have to figure out how to do all those things and much more in transportation without breaking what is essentially an already broken bank, and without breaking the various compacts that exist between individuals and their government.

So, couple of things to talk about today, as I say. And I want to thank the Washington Policy Center for inviting me to be part of this discussion. I look forward to it. The gentlemen on the dais, very quickly, on your left, or on your right rather, Craig Stone is the director of the State Transportation Department's toll division, providing oversight and direction for all tolling efforts state wide, that includes bridge tolling, HOT lane tolling, and other efforts to smarten up our highways and highway traffic. He's been in the transportation industry for more than 30 years.

Kemper Freeman of course owns and runs the Bellevue based Kemper Development Company. And responsible for, well, just about everything you see here, the chair you're sitting in, the roof above your head, etcetera. He's a former state legislator and served on more campaigns, commissions, committees, civic organization boards than there are single occupant vehicles driving I-405 at this very moment.

Robert Poole, known to some in the media as the toll road warrior, is the director of transportation policy at the Los Angeles based Reason Foundation. That's a think tank with the motto of which is 'free minds, and free markets.' He's advised many states and the federal government on transportation policy and for several decades has been a national leader in developing new ways to move traffic, improve traffic, track traffic, and toll traffic.

Jim Tutton is the vice president of the Washington Trucking Association, overseeing six major trucking groups within that 1000 member statewide organization. He has an extensive background in commercial trucking safety, and sits on the board of the North American Pre-Clearance and Safety Systems. Before joining the WTA he served a long military career focusing on getting families in and out of JBLM. Thank you for your service, Mr. Tutton.

We're going to start with statements from each of these gentlemen. We're just going to go from right to left, five to seven minutes, and you don't have to take all seven if you don't want to. You get to 7:30, we'll get the hook out, and after that we'll have some questions and take some questions from you. We'll start far right with Mr. Craig Stone."

Craig Stone: "Well good morning, it's a pleasure to be here, I'd like to start with a question, and the question goes like this: How many were around when Nixon announced the fifty billion dollar, ten year interstate program?

So you might think that this is perhaps a trick question, and some people think that was actually in the sixties but this was actually 1954. Because Eisenhower was unavailable, due to a death in the family, so Nixon got to present the statement that laid out the vision for the interstate program. I want to start with that and maybe to frame our comments today, start with that kind of context. I know that during the day we'll get into more details and questions and answers and specifics.

But effectively fifty-five years ago we started the interstate program here. And as the Eisenhower administration called it, it was the greatest public works program in the history of the world. Quite the statement. So then, what does that have to do with tolling? So before that time, and also through the interstate era, from the 1940's through the 1980's, Washington State funded and built 14 bridges with tolls, including those bridges that are now part of the Interstate-5 program as well as the Interstate-90 program that we have.

And also if you look around the nation, 7 percent of our mileage on our interstate system is actually tolled, that's out there. So when you think about the interstate system, you think about freeways. We all know there's no such thing as free roads. And that's really a key point here. The cost to construct, to operate, to maintain, must come from somewhere, and I think that's what frames up this policy discussion. That's the policy call; how do you want to pay for, how do you want to invest in transportation?

So looking back, we know the interstate program had a dramatic effect on the economy and our way of life. Some say it is the biggest single action that government has taken that changed the face of America. So we also know from history that investing in transportation supports our economy, supports jobs, and is extremely important right now during this recession that we're in. So, to compare and contrast, I look back, and I found it interesting that the U.S. had the longest interstate system, followed by the European Union. The question is, who has the longest one now? China. China just has moved forward and been investing heavily into their system and this year it will surpass the mileage of our U.S. interstate system. And you say, well how are they financing this massive construction program that just added 36,000 miles in the last 10 years?

Almost every road in that network is tolled. Efforts to impose a national gas tax have been fought throughout the levels of government in China. Interesting to compare and contrast.

So, again, what does that have to do with Washington State? We're in a transitional time. It's been a generation since we had tolling. Some of us remember ticket books, going across 520, things of that nature. There's a whole generation that has not seen tolls at all. In 2007, the State of Washington introduced tolls at the Tacoma Narrows Bridge. It's been very successful. $2.75 to go across the bridge with the Good to Go pass. In 2008, we introduced the 167 HOT lane pilot; basically $1 for 10 minutes of savings for that particular facility. This year, we're reintroducing tolls to 520, and I'll say very soon. And we will finance $1 billion of that improvement with tolls. And the legislature just passed House Bill 1382 for express toll lanes on the north half of 405, to open in 2014.

So the purpose of tolling really has two points. One, is it generates revenue. The other one is to manage demand – really to operate better. But in my position I hear lots of sometimes heated debates about tolling, and so the question I want to pose for this session is: What are the core debate issues? And I'd say its fairness, fairness, fairness. Is it fair for those who commute to pay a toll? Is it fair for low income populations? Is it fair for local communities worried about traffic diversions or local roadways? Is it fair to the trucking industry? Is it fair to transit? Is it fair to carpools? If I pay a gas tax, why am I paying a toll? Is it fair to have variable tolls that are higher during peak demands? And is a toll rate itself, fair?

So with that, I just wanted to review a couple national polls, again to help frame this. One regional poll that was done here for folks that are in this room: 55% supported tolls and user fees as a way to fund transportation. 45% said motor vehicle excise tax, 32% said gas tax, 27% said sales tax. Then you also had polls say 70% of folks support tolls on bridges, 52% said hot-lanes were ok. Last summer a national poll was released: 84% of Americans feel that tolls should be considered project by project, or primary source of revenue. Only 16% said tolls should never be used. And then, another point is four in ten Americans prefer new roads funded by tolls. Four in ten Americans said don't build any more highways. And 18% said build new roads with increased gas taxes. So, with that, in summary, tolls are a direct user fee. We know that free market based economists support tolls as we saw during the Bush administration. Tolls are now used in 35 states across the country and here in Washington State. So in closing, the policy question as it seems to me is not, "should we have tolls in Washington State?" The question is going to be, "how and where should they be used? Thank you."

Allen Schauffler: "Thanks very much. If you could spin your mic around for Mr. Tutton, Jim Tutton."

Jim Tutton: "Thank you, and good morning. It's my pleasure to be here this morning to participate on this panel on tolling. As the moderator pointed out, I work directly every day with the trucking industry here in the State of Washington; some 60 transportation trucking groups ranging from the typical freight haulers to household good movers to the container haulers that bring the goods from the ports to the warehouses. And one thing about trucking that needs to be identified is we're probably the single mode that serves every single community within the State of Washington. So it's rather a large daunting task for the industry.

So this morning I will be speaking from the commercial trucking industry's point of view on this particular panel. And what I want you to know is the trucking industry does recognize that tolling is in our future. Here in Washington it can be used as a mechanism to make substantial improvements to our aging highway infrastructure. Roadways, bridges, you name it, it needs some improvement. But as the policy makers begin to look at the selective pieces of the highway infrastructure to place tolls or allow for congestion pricing, we feel – from our industry perspective – that there are certain principles that need to be in place to ensure equality and certainly not adversely affect freight mobility.

I will go through these in quick fashion, but with a little explanation.

Number one: no tolls on existing highways or on existing highway lanes. Those lanes have already been paid for. And for the past few years highway projects under construction, you may have noticed, have signage along the way, nearby the construction projects that signify that the project has already been paid for by one fuel tax or another. The trucking industry has voluntarily and emphatically supported both of

the recent fuel tax increases, to include a substantial increase to the weight fees that the trucking industry is required to pay. One such was the nickel package, and then the subsequent 9 ½ cent fuel tax increase that was put in place. These fees were absorbed by the trucking industry. They were absorbed voluntarily; we supported them in the state legislature. But to place a toll on other projects – again this would be within the eyes of the industry – to explicitly generate funding for some other project…in other words, if you're going to put the tolls in place, they need to be for new lane miles, new infrastructure improvements, and new projects.

Number two: use of new toll lane miles must be voluntary. Tolling all lanes, not just for new lanes under revision or construction of a particular stretch of highway simply to reduce or direct traffic elsewhere should be avoided at all costs. Tolls used to pay for bridge or new lane miles should be used only for that intended purpose. And once the facility is paid for, tolls should then be eliminated. The intended purpose of the toll should remain the focus of reducing or eliminating the debt associated with that particular improvement project. If tolls are used on new highway lanes commercial trucks should receive rebates and or tax credits for traditional highway taxes such as the fuel tax, weight fees, etc., for miles operated on those facilities. Fuel taxes and fees paid by commercial trucking are intended for that particular purpose. Commercial motor truck carriers down south in Washington State presently pay more than $18,000 per truck annually in state and federal fees here in Washington.

In the event that congestion pricing is implemented, commercial trucking should not be required to pay these fees unless there is a measured improvement in transit times. Since congestion pricing fees are designed to change time of day driving habits, it would be unfair to apply these fees to an industry that must meet their customers' pick-up and delivery schedules, and consequently the commercial trucking industry is not a discretionary user of the highway infrastructure. Commercial trucking customers determine when freight trucks will be on the roadways. Individual users over the years have offered deep discounts for off-peak pick-up and delivery of goods. However the majority of shippers and receivers of freight are unable to take advantage of these discounts due to their hours of operation, their staffing, or other operational considerations. In other words, we'd love to be able to make the majority of our deliveries at night when all the rest of the folks are home enjoying their families, watching television, or doing other extracurricular events. We could be out there and using the highway in a proficient manner.

And finally, if tolling and congestion pricing are implemented, constitutional protection to the 18th amendment to Washington's constitution for fuel taxes should apply to ensure money is spent all or part on highway infrastructure improvements for which that was intended. We'll be pleased to take questions a little bit later, so I thank you for allowing me to present what our concerns are from the trucker's point of view this morning. So thank you."

Allen Schauffler: "Thank you, Jim. And let's move over to Bob Poole, and Bob spin that mic around there, there you go. The toll road warrior from L.A."

Bob Poole: "Thank you. I've informally called my opening remarks, 'why tolling, why now?' And I'm going to give three reasons why I think we really need to expand the use of tolling in the United States, including here in Washington State.

Number one is that the gas tax that we've used since 1919 in this country as the principle funding source is running out of steam. Over the last 25 years, we can now go twice as far on a gallon of gas, and the tax is per gallon consumed, not per mile driven. So, as our population and economy keep growing we need more highway capacity, we're actually getting less amount of revenue out of our gas tax. And it's only going to get worse. We have national policies on energy and environment that are going to increase the requirements on fuel economy, we're going to encourage a lot of uses of propulsion that are not based on petroleum fuels, so the highway system is going to be in really deep trouble unless we can figure out a way to supplement the declining real value of the gas tax money.

Number two, as Allen said in the introduction and as other speakers have said, we need a lot more investment in our highways. Washington State is going to continue to grow. Presumably your economy will keep attracting people and job creation and so forth. More capacity is needed in the highway system, here and in every other fast growing state. But it's not only new capacity.

As Craig points out, the interstate system was started 55 years ago. Highway lanes – highways wear out. Typically a design life is about 50 years. And so over the next two decades we are going to have to reconstruct the majority of the interstate system or its going to really fall apart, and not be delivering the quality it's supposed to. So reconstruction, we don't have really good estimates, but the ballpark estimates people are starting to come up with are several trillion dollars to reconstruct the interstate system. No possible way that gas taxes anything like what we have today are going to be up to that task.

Third, is that we have in this country about 200 major interchange bottlenecks, mostly on the interstate system in urban freeways that are huge obstacles to commercial trucking, to people commuting. Those designs are obsolete and they need – where 167 and 405 come together – is an obsolete interchange. That needs to be replaced with something new. Those are big ticket items.

The next reason, and this is the core of my case, is that tolling inherently is a much better user fee than the gas tax. Now, I will say that the one advantage the gas tax has in my view is that it's really cheap to collect it. But apart from that, let me just count the ways in which tolls are better. First of all, a toll can be tailored to the characteristics of the road. Urban expressways are really expensive to build, compared to city streets, compared to country two-lane roads and so forth. Yet a gas tax is implicitly charging everybody the same price for little cheap roads, as it is for great big very expensive roads like tunnels in downtown Seattle. So it is much more fair, as Craig would have pointed out, to charge based on the costs of the individual, different types of roads, which you can do with tolls. It's obviously fair in the sense that those who use toll facilities pay the tolls, those who don't use them don't pay. And it's more connected to use in a more direct way than fuel taxes are. If tolls are done as a true user fee as Jim pointed out, then it's really more – it's self limiting, because tolls are only used for specific projects that need to be financed and maintained that way.

Also when you see high demand, people are paying high toll rates to use a particular facility. To the point where it's over loaded - it's a more powerful signal than you get out of sheer congestion alone. And it carries with it the ability to generate more revenue to pay for that specific capacity improvement in the place where you can see that it's needed. Toll finance also ensures long term maintenance. The people who buy toll revenue bonds – actually in public-private partnerships – but equally into toll projects – they're not fools. They know that toll roads are voluntary. That toll roads have to offer better service than free roads in order for people to make the voluntary choice to pay the tolls. So what do you suppose they do? They write into the covenants that go with toll revenue bonds, they write into them legally enforceable that the very first use of the dollars that come off of the toll project go to properly maintain the road. To ensure that the quality of the road is such that it will continue to attract users.

The second use then is paying back the people who put up the money. First use is proper maintenance. And this is not true of any other roadways in the country other than toll roads. Maintenance budgets always have to fight in the legislature for whatever they can get each year. And that's why we have a huge problem in most states of big deferred maintenance.

Finally tolls can be a powerful tool to reduce congestion because a toll can be varied. We have 15 years experience now with variable toll rates in America showing that they're a powerful, sustainable long-term way of having congestion-free, you know, uncongested travel even during the busiest rush hours. So those are I think a very powerful set of reasons why we need more tolling in America.

Let me just add a footnote to this, that I'm talking here about 21st century tolling, not about 20th century tolling. Four key differences between 20th and 21st century: Number one, 21st century tolling is a

permanent funding source. It's not just to pay for the upfront first time capital costs. It's to guarantee operations and maintenance and reconstruction when the road starts to wear out.

Number two, 21st century tolling has no toll booths. We will never build another toll booth in the country again, I believe. I can't guarantee that, but there's no reason why we ever should. High speed electronic, all-electronic toll collection is the state of the art; it's the wave of the future. So get the toll booth idea out of your head all together.

Third is that 21st century tolls are variable, if they need to be, when and where they need to be, to manage traffic congestion and keep traffic flowing.

And finally, 21st century tolling represents a different conception – it's really the conception of highways as network utilities. Where the toll is like your utility bill, like your electric bill, your telephone bill, your water bill. It's a different conception than how 20th century was one time, to pay for the upfront capital costs only. And that's simply not what we're talking about here. We're talking about a whole new ball game. And so I'll leave it with that, I'll just say also, and we'll talk about this more if we have time. Federal policy over the last 20 years has been increasingly favorable to tolling, variable pricing, HOT lanes, and so forth. There's lots of encouragement and small help available from the federal government. And in the current reauthorization being debated in Congress we are likely to see even more flexibility granted to states to make use of tolling and variable pricing because of the track record that we've had. So, thank you very much."

Allen Schauffler: "Thank you Bob. Kemper Freeman."

Kemper Freeman: "Thank you Allen. Thank you all for coming to the Bellevue Collection today. You're part of a group of about 60,000 people who will come and go to the Bellevue Collection. I think about 15% of those people are employees. 60,000 is 50% more than Microsoft has employees in the Northwest. On a busy day, we see about 120,000 people here, which is 50% more than work for Boeing. So I'm very interested in mobility and people being able to get around in the Puget Sound and metropolitan Seattle.

I am not allergic to tolls. The major roads that we have on the East Side - both bridges would not be here if the East Side hadn't agreed to toll ourselves so that they could come. I'm not always politically correct. You may hear that from time to time. And one of those things that I do that's not correct is we don't charge for parking for customers here. And if you see Mayor Mike, please don't tell him that that's going on over here in Bellevue. He's my new best friend, with his highest rates in the country.

What I want to talk about today is there are two kinds of tolling. The ones that you are normally thinking of, I'd call that traditional tolling. I would say what's unique about those is they are for projects that basically meet demand. There's two new kinds of tolling you're going to hear about today. One is managed lanes, and one is HOT lanes. Those are what I'd call designed to manipulate demand. So 'meet demand' or 'manipulate demand.'

And I'll start with traditional tolling which is what I support. And according to King TV's latest poll and several others that I've seen, two out of three people agree with what I'm about to say. So let's talk about traditional tolling, like the original I-90 bridge which opened in 1940 with a 10 cent toll. It paid for itself, and when it was paid for, the toll went away. The 520 bridge opened in 1962 with a 19 cent toll. Hood Canal Bridge opened with a toll, before it sank, and the toll went away before it sank. And I forgot who paid for the new one, probably all of us.

Now, let's talk about the unique things that came with this traditional tolling that we all think of.

Number one, we used to plan projects to meet demand upon opening and for the next 20 years.

The second item is that all users pay the toll. It isn't that we decide you get to go free, you get to pay, you get to pay more. It was all pay a low toll.

Number 3, tolls pay for the capital cost of the project.

Number 4, the tolls stop when the debt is paid. This is what the public wants. And this is not what they're getting today. And I don't know how to say this strong enough: we are now being served up, by well-intended public servants, managed, manipulated demand projects. For instance, the managed lanes tolling, is one of the two concepts I'm going to talk about. It's a new concept for the Northwest. Examples are the 520 replacement bridge, where the tolls are expected to be someday $3.50 each way or $7.00 a day for a commuter. The other project that's used managed lanes tolling is the viaduct.

Ok, what are unique about these projects? These projects – neither one – are designed to meet trip demand today. There is no room for growth. Number two, some users pay tolls, some are free. Social engineering decides some get to have a different deal. The third item, tolls are high but do not cover debt service or operating costs. Tolls probably will never stop. So these tolls are permanent. Quite different from traditional tolling that we grew up with. Number 4, revenues may be used for other purposes. New concept. 18th amendment of the constitution of the State of Washington talks about keeping these revenues straight. And we are now starting to suggest that we should use revenue, should there ever be surpluses, for other purposes. The next item is tolls are used for the purpose of managing use of the project by lowering the use. The 520 bridge, the viaduct, neither one are expected to meet trip demand at opening, neither one provide anything for growth. They both are managed lanes. This is a new concept, not to be confused with what the public likes, and that is traditional tolling.

The second idea is also manipulated demand. It's called HOT lanes. HOT lanes have been used on 167 for two years. That experiment has been extended for another nine months. These are variable tolls, some people pay, some people don't. You don't have to pay, but if you want to get out of congestion, you have to pay. And these projects are not designed to meet demand; they're designed to manipulate demand. Some pay tolls, some don't. Tolls don't meet capital or operating costs. Tolls never stop. As demand increases, tolls increase.

Commercial traffic –which is commerce – they're stuck in the GP lanes. In fact, 9 out of 10 of us are stuck in the GP lanes, which get worse than ever. Let's look at 167. 167 is a two year experiment by the DOT, it has now been extended another 9 months. The DOT says this has been very successful. I've met with senior officials of DOT, and I say 'please tell me, you've got all day, what was the success?' There is no success. They finally came back and said, 'well, the people who use them like them.' I said, 'oh I see. Who did you interview?' They said 'those people who paid to get out of traffic.' 'Well what about the nine out of ten who don't, did you talk to them?' 'Oh no, we didn't talk to them.' So some pay tolls, some don't. Tolls don't pay capital. In this experiment, the HOV or 2+, motorcycles are free, the single occupied vehicles pay."

Allen Shauffler: "The hook is coming, Kemper."

Kemper Freeman: "Ok, I'm just wrapping up. The key point is that after two years, the toll has collected 36% of what it's taken to just collect the toll. Nothing has come to capital. Only the government, only the mother of this child could love this child. 405 is exactly the same thing."

Allen Shauffler: "Alright, we're going to leave it right there. We'll leave it on the applause, thank you very much. I'm going to start off questioning now. I noticed on the invitation to this event a statement that went like this: '…on the other hand, tolls reduce traffic congestion and create revenue for new infrastructure.' I want to break this into halves and first of all, maybe Mr. Stone and Mr. Poole can tackle the front half of this statement. Very simple, do tolls, does tolling generally reduce traffic congestion? Craig, you want to take a stab at that?"

Craig Stone: "I think absolutely. You look at them, like greenfield projects - we don't use that word here in this state but you use it other places in the country - you put a toll facility in and you'll get traffic that will go over to that facility, and the tolling will actually manage the demand. So if you ran it as a free facility you'll almost get twice as much demand on that particular facility as you would tolled. So the question is, 'is the value of that trip, are people making the choice to go forward with it?' So it definitely does have an effect. But everything that we do in society has a choice and a price and value in return for that. And I think what you need to think about is tolls effectively give you a choice to get value of your travel time. The challenge with congestion, I will say, is that you're paying with time. You're stuck in time. It's taken me an hour sometimes to get from Renton to Bellevue on 405. You're paying with time. So tolls is a different way of paying for a service."

Allen Schauffler: "Bob, I was on a highway in Southern California, you probably know it, this was last year, and somewhere between L.A. and San Diego. And, by accident I strayed onto a toll road, and it was fabulous, because I was the only one on the highway, and it was a beautiful highway."

Bob Poole: "I'm sure it wasn't rush hour."

Allen Schauffler: "So for me the congestion was absolutely a delight. Actually it was midday, as I recall. I felt like I was alone out there. Question again, does tolling generally reduce traffic congestion."

Bob Poole: "Well, if you compare a toll road to a non toll road as Craig said, not as many people will choose a toll road. So in general it will be less congested. The real bang for the buck is in variable tolling, where you can adjust the price essentially in real time, so that the higher the traffic demand the smaller the number of people who will drive at that particular time. It turns out, we all assume that during rush hour – which is now rush hour which is now three hours each in the morning, three hours in the afternoon – that most of the people are going to or from work.

Actually work trips are about a third of the rush hour traffic. So two thirds are other things. Some of them have to be made at that time, but when you look in more detail a lot of those trips could be made at an hour later or an hour earlier at other times of day. So there's a lot of potential there for people to make voluntary choices, if it's going to cost that much, to drive at 8 am. I'm going to wait until 9:30. So that kind of thing, it's not necessarily extinguishing trips, it's probably mostly time shifting trips."

Allen Shauffler: "So conceptually, yes, we can see a reduction of traffic density. Are we seeing that in fact? In places around the country?"

Bob Poole: "Well we're seeing it in places where good HOT lanes have been in operation for a number of years, like in Orange County, California, in Miami, where we now have over two years experience, in Houston and we will soon see in Dallas. So yes, we have a growing amount of evidence that these things actually are working."

Allen Shauffler: "Ok, the back half of that statement off the invitation to the event. 'Tolling will create new revenue for new infrastructure.' Mr. Freemen and Mr. Tutton, I'd like you to take a swing at this. Just how confident are you that new tolling revenue that we're certainly going to see in the State of Washington, will be used for new highway infrastructure in the State of Washington? I think Kemper's going to answer this one."

Kemper Freeman: "I wish I had confidence in this idea. I have almost none. And the experiment in the State of Washington, Highway 167, is dramatic. It's so far raised 36% of the cost of just collecting the toll. So instead of making money taxpayers have had to fund the other two thirds of that plus pay for the facility. And so far I'd say that's an utter failure."

Allen Shauffler: "Jim?"

Jim Tutton: "From the trucking industry's point of view, that's what we would hope would happen. That the tolling is put in place on the new infrastructure projects to do just that, to pay it. Congestion pricing, on the other hand, is very difficult for us to utilize. State Route 167 between Auburn and Renton, if I was on it this morning as a single passenger occupant driver coming to this particular conference I may have used it because I have a Good to Go pass on my automobile. My counterparts, driving down in the big wheels, the 18 wheelers, tractor-trailer combinations, it doesn't work. We have multiple deliveries, multiple exits that we have to use. And can you imagine, a large 18-wheeler that's out there with you, moving back and forth across Highway 167? It just causes some very serious safety concerns on behalf of the industry, so we're in the GP lanes, as it was pointed out earlier."

Allen Shauffler: "Weren't HOV lanes supposed to solve a lot of this? 20-25 years ago, they were the hot thing. Is this a concept that just got overwhelmed by numbers or was it a concept that proved to be oversold and bankrupt at this point?"

Bob Poole: "I've done a lot of work on that question. I actually serve on the Transportation Research Board's committee on HOV, HOT, and managed lanes. I think that most HOV lanes in the United States are failures. They either don't have enough traffic to make full use of the investment that we've made in them, and you have what's called the empty lane syndrome, and people understandably are upset. Or, in places with really high congestion they're overloaded, and failing to deliver the benefits they were supposed to deliver of a faster trip to reward people who go to the trouble of carpooling. In either case, I think we can do better than that. And I think there's a case for switching from HOV lanes to HOT lanes, and using variable pricing to make sure that if you're in those lanes you get an uncongested trip at rush hour, and we know how to do that."

Allen Shauffler: "Big issue here in this area. Express toll lanes on I-405; possibility of two of them each direction from here north to Lynnwood. Craig, how's it going to work? What effect is it going to have on Bill and Betty Finsky from Kent driving through the area?"

Craig Stone: "The thing about express toll lanes, as well as HOT lanes is they're a choice. And you look at HOV lanes right now, you're choice is to get someone else to go with you. But at that moment you do not have a choice to get in that lane. You're basically saying that lane is not available to me. With the express tolling and HOT lane, you have that choice at that moment, to get in, be able to decide. And we know it depends on the type of trip you make. Some trips are discretionary, some trips you don't really care how long it takes you. If I'm going to the airport, I want to make sure I'm there on time. You get reliability with the express toll lanes. From the standpoint of individuals that's really a real benefit to them to be able to move through that. The key here though, is you think about what we called the master plan of 405 – we did a great work for a three year period in the late 90s, early 2000. We said, ok we're going to add four general purpose lanes to 405. You know what? With that plan we would still have 11 hours of congestion in the year 2020. You'd have 5 ½ hours during the pm period on the whole corridor. You can't build enough lanes. There's not enough money coming into the system to build. So then the question becomes, 'how do you want to manage the lanes?' If you want to have the congestion, and you're going to have the delay, you're paying with time as I mentioned. With express toll lanes, you've got the option. That's a valuable trip to me. I can get there in reliable time. I can go through there. Effectively, you're looking at right now on the north half of 405, the average toll at opening will be $2.30, about 23 cents a mile. Is that a reasonable price? That's a judgment that every one of you can make because you get to evaluate your trip as you go forward."

Allen Shauffler: "Alright, let's take some questions from the audience. And hang on just a second we have people with microphones who will get to you, right down front here. And if you could identify yourself as well so we know who's talking, that would be great."

George Cressevich: "My name is George Cressevich, and 20 years ago when Tony Downs wrote his classic book *Stuck in Traffic* one of the solutions to congestion that he saw was tolling with congestion pricing. And he concluded the book by saying that was something the American public simply wouldn't

accept, and recommended that you commute in a very comfortable car with a good sound system and an attractive companion. And less than 20 years later we're now having a panel to discuss not only tolling, but how it should be instituted and the most effective ways. Why is it that in that 20 years the observation of Mr. Downs that this would never be acceptable is now changed and we're looking at it as inevitable?"

Bob Poole: "Well I'm not sure it's inevitable, if you don't mind my jumping in here."

Allen Shauffler: "Sure, go ahead."

Bob Poole: "But I think we have empirical evidence now, going back 15 years in Orange County, California as the pioneer, in San Diego, Denver, Salt Lake City, Minneapolis, Miami, Houston that these things do work. And that evidence is powerful. People can go, there are study tours that go to these cities and watch them and question the people, there are lots and lots of peer reviewed reports produced by transportation researchers. So it has changed the nature of the conversation. It's now considered a possible idea. Not an inevitable idea. And in fact, Tony Downs wrote an updated version of the book that came out about five years ago called *Still Stuck in Traffic*, in which he now acknowledges that congestion pricing to HOT lanes are possible. That it's not an easy sell, but that it's one of the tools that we now have. And he actually recommends that as the best of the available tools."

Allen Schauffler: "Alright Mr. Freeman, you wanted to comment."

Kemper Freeman: "If you have a choice to read one of those two books, read the first one. He was right. HOVs on 405 - let me give you just some of the manipulations that are going on. We have poured over DOT studies about how this manipulation is going to take place. Number one, they're planning on building with gas taxes, not toll revenue, two more lanes to go with the HOV lanes. One HOT lane and one buffer lane that we don't get to drive in. Number two, if you're already using HOV lanes in the 2+ you're going to get thrown out, and their studies, show that it's going to be 3+ only, which means that 80% of you are no longer going to be HOV for free, you're back in the GP lanes. LOS standards (level of service standards), which are today state-wide level of service D, which means continuous motion although it's slow, will drop two levels to F, which is continuous stop and go for the GP lanes. The high tolls don't cover operating costs, they don't cover management costs, they don't cover capital costs, and congestion automatically, dramatically increases. And the worst of all, if you look at their best example, doing all these things, fewer trips are moved on 405 than if we did nothing. Fewer trips, after all of this, than if we do nothing. Spend nothing, do nothing. Fewer trips. What are these guys thinking about?"

Allen Shauffler: "Another question from the audience and I can let you know that if your question becomes a speech, the hook will come out. Gentleman back here, right behind you. Can you introduce yourself, sir?"

Craig Williamson: "Yes, my name is Craig Williamson, and I have a really basic question. I'm confused about this managed demand. In its simplest form, what I'm hearing is that I'm going to pay more, but I don't see that I'm going to be getting anymore. I'm going to pay more to get pressure on how I use stuff. Usually if I pay more, I get more. I'm not following how this is a good thing."

Allen Shauffler: "Well I think if you pay more you get the opportunity to drive in a less congested lane. Mr. Stone, is that correct?"

Craig Stone: "Exactly. It's time. If you don't pay, you might be in a congested facility. Going across 520 right now you know how long it takes to get from Seattle to Bellevue in each direction. With variable tolling, you have a free flow trip going across there, so you're getting time. That's what you're getting from that toll."

Allen Shauffler: "What happens when many many people decide, you know what, it's $3.50, and it's worth it, I need to get to work? And that lane is a mess. Or those lanes are a mess. Isn't that one part of the formula?"

Craig Stone: "So obviously that's going to be a matter of - we have state of the art modeling that's looked at this in forecasting - it's going to be the actual, and monitoring is what's important, but what we're forecasting at this point is you're going to have basically a free flow trip 90% of the time on 520 going across. So, the challenge again is what's your value of time, what kind of trips do you want to have and from the standpoint of what are the other options, because remember, because we had a regional transportation investment vote here to add a billion dollars to 520 and it failed. So our choice is, don't replace the bridge or let's look at some other alternative funding."

Allen Shauffler: "More questions. Young lady back here."

Josephine Winslow: "Yes, hi. Thank you for recognizing young. Josephine Winslow, and I also represent U.S. Digital in Vancouver, WA. We work with notolls.com. We have a unique situation where a lot of your tolling options here does not work. We live on the border of Washington and Oregon. Clark County has one of the highest unemployed areas. Most of the employment is in Oregon. There's only two bridges that cross that river. One is an international bridge that connects Canada to California. And in my opinion the people there are being punished because they work in Oregon, pay taxes in Oregon, and they have to travel during peak hours to go to work. Now, where does tolling make sense for a place that's already full because Oregon has traffic problems? it's not going to solve any traffic problems and if it cuts down people from crossing then unemployment will be higher in that area."

Allen Shauffler: "How do we handle that, gentlemen? Is there a way of making variable tolling even more variable? Plugging in elements of work, commute requirements, income, type of vehicle, that kind of thing. Bob?"

Bob Poole: "Well, from a congestion control standpoint you really don't want to make a lot of exceptions because the more exceptions you make the higher the toll has to be on everybody else. And it just gets back to the same problems we have with HOV lanes. But in a situation where it is the situation you just described, going across a state boundary to get to a job you can only get across with one or the other bridge. I think employers might decide to reimburse employees for the toll in order to keep them employed. That's the only thing I can think of off the top of my head. You don't want to make a job-based exception to paying tolls, because you're just not going to deal with the congestion, or the financing need of the bridge."

Allen Shauffler: "You bring up and interesting point, and maybe Mr. Tutton, you can address this. Your trucks have to go across that bridge. Or those bridges: 205 or the interstate bridge, and the Portland-Vancouver crossing. You're going to have to use that road regardless. Do you see yourselves in the future as maybe being a target for revenue enhancement for various states?"

Jim Tutton: "That's going to remain with the policy makers to make that particular decision, but the thing to keep in mind from a freight mobility standpoint, and how we in the trucking industry view this. It is a matter of cost. And when that cost is absorbed by the trucking industry and the individual carriers, then that obviously gets passed along to you and I, the consumers. Even today, with the current toll lanes, which we can't use, obviously, for safety reasons, lots of our less than truck load carriers – a less than truck load carriers is a carrier that has a number of multiple small shipments making multiple shipments, making multiple stops and deliveries during the day. Those carriers are limited by federal regulations to drive time during the day to 10 hours, actually 11 hours at the moment. Now, what they've been doing, what our carriers have been doing to mitigate those particular problems, for example, a carrier based in the Auburn- Kent valley serving the greater Puget Sound area can't make it to Everett and the deliveries that are required and get back in time without violating their hours of service requirements. What a number of them have done to mitigate those particular problems is actually either lease or build another facility in the northern end of the Puget Sound area. Which is more staffing, more infrastructure costs for the individual carrier, again, costs passed on to you and I, the consumer, the grocery store, the retail establishment, whatever is being supported. UPS and FedEx which have a lot of multiple stop type shipments as you and I use those folks almost every day in some fashion actually put an additional

employee, pay an employee to get in the cab of the small delivery vehicle, the little brown truck so that they can use the current HOV lanes to get around and make those kind of deliveries. I mean, we're flexible, but it does come with a cost and you need to understand that."

Allen Shauffler: "More questions? Gentleman right here."

Paul Hussey: "Hi, I'm Paul Hussey, and my question is about the toll road concept. How come 167 recovered such a small percentage of its cost, because I understand some of the other ones, like the 91 express lanes were more successful? And what would be done in the future to make projects here recover their costs or perhaps generate revenue?"

Craig Stone: "I think one thing, and maybe I'll credit Bob Poole with this, there's first generation HOT lanes which take an existing HOV lane, say it's unutilized, move it over to a HOT lane, try it. We didn't change the hours of operation, we didn't change the 2+, we just said, ok here's some space, we'll sell it. We knew in those four years we'd start in the red, end in the black. In fact, we are now $60,000 a month in revenue coming out of that project. We started at $20,000. We're covering our costs, going forward. It's basically there to cover the operations.

And people were getting, you know 12% better speeds in volume in HOT lanes, and speeds on general purpose lanes have gone up 11%. So freight trucking up and down Green River Valley, they're getting the benefit because general purpose lanes are going better. And I can go into Miami as to exactly what they're doing too. The reason it works better in other places when you have dual express toll lanes like they do in California, Miami, Houston, is you've got one corridor and it has a lot more pressure on it. 405 is one of the worst. It is basically tied as one of the worst facilities we have in the state. So there's a lot of pressure on it. You can relieve that pressure with the two lanes, and you have passing opportunities. So you can get more volume with two lanes because you have passing opportunities rather than being stuck behind one person. So then the numbers come out and start saying, yeah you can actually get a revenue stream that you can reinvest back in 405 and then you can start building additional lanes and things on 405, because right now we're stymied. There's no more money coming to 405. This gives us an option, and that was part of the policy discussion about express toll lanes on 405."

Allen Shauffler: "Kemper, an opinion?"

Kemper Freeman: "Yeah, we've looked at all over the United States where HOT lanes have gone on, and starting right with 167, when Craig says that they're getting close to meeting their costs, that means just the costs of collecting the toll. Nothing to capital. And we can't find the projects in the country that are doing all of these things, and yet I find that various people from DOT have been running up and down 405 promising all the cities that there's going to be all kinds of surplus money coming from these tolls that can help build roads all around 405. We're not seeing that anywhere. That's a false promise. We don't think it's going to happen."

Allen Shauffler: "Wow, that surplus money would be cool, wouldn't it? Lady in the back?"

Chris Davy: "Hi, Chris Davy, and I'm just speaking from my own empirical evidence of living in the Chicago area and traveling and living in Wilmette which is a northern suburb of Chicago and flying out of O'Hare every week for a couple of years. I never had a taxi cab driver who took a toll-way in Chicago. Now the toll ways there have been in place for a long time, maybe you can speak to that. But I think, like a state income tax, people travel with their feet, or their wheels, and they don't take those toll roads. You know, and with the advent of GPS technology people can easily find another way around a toll road and get to their same destination."

Allen Shauffler: "What about that? Is the development of personal transit technology going to change the argument a little bit?"

Bob Poole: "It will provide at the margins additional ability to find slightly better routes. But I can tell you taxi drivers in Miami are using the I-95 express lanes which dramatically changed the access to Miami International Airport. That's how I got to the airport yesterday. I live in south Florida. I live near Fort Lauderdale and having the I-95 HOT lanes has just changed dramatically. I use the Miami International Airport now for most of my trips instead of the Fort Lauderdale Airport because now I can get to it. It was a complete crapshoot before because the congestion was so horrible on 95 but now it just flows – I went 70 miles an hour yesterday to get to the airport."

Allen Shauffler: "We're going to have to leave this discussion there. I know it could go on and on – fascinating stuff. And I want to thank our panelists today. We have about five or six minutes. There's water and coffee outside. We're going to come back and start the freight mobility panel at about 11:15. Thank you for your questions as well. So a couple minutes, and come on back."