

ITEM 11 - Information

June 18, 2003

Briefing on the June 4, 2003 Conference on “Value Pricing for Transportation

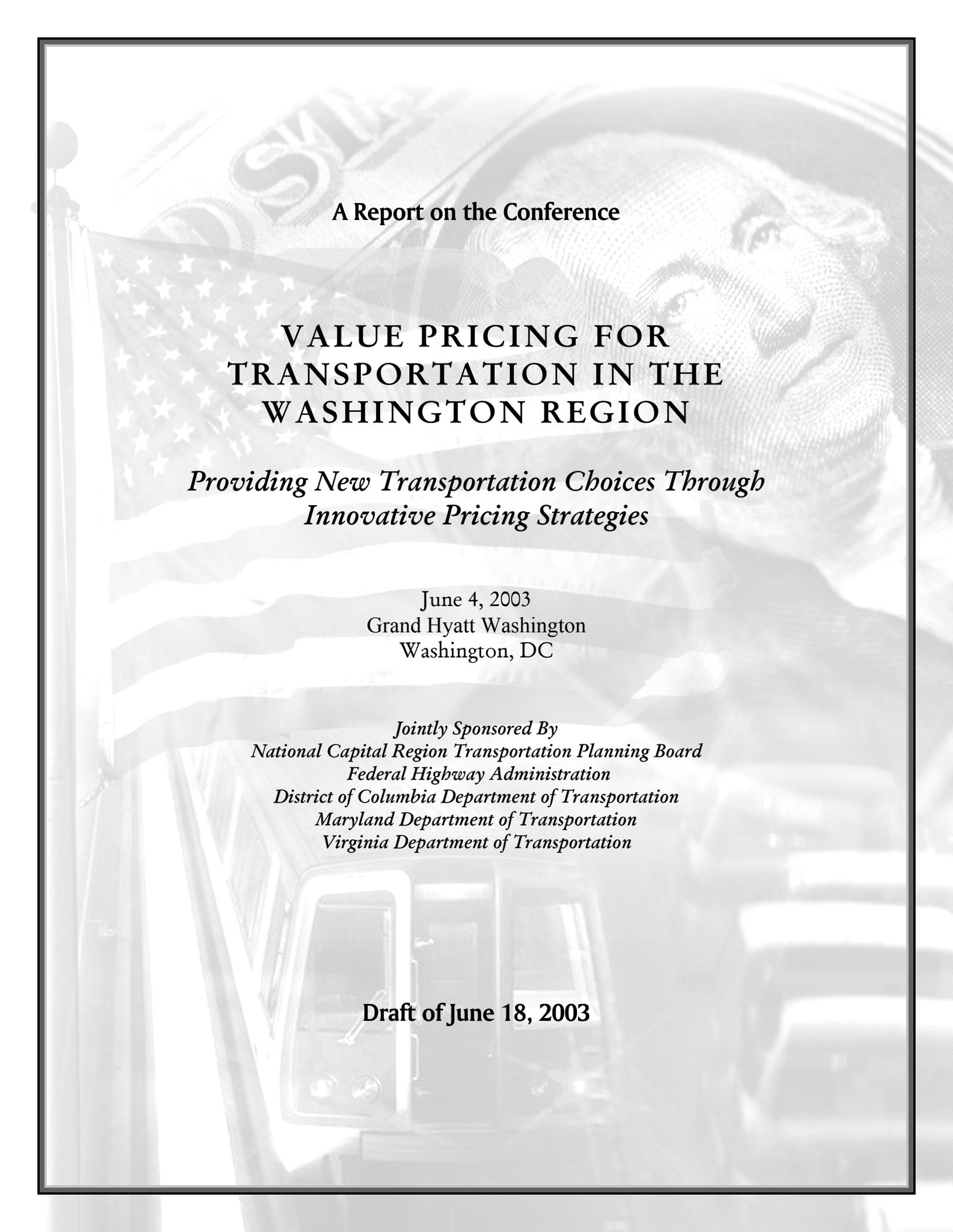
Staff

Recommendation: Receive briefing on the “Value Pricing for the Transportation” conference and consider establishing a task force at the July 16 meeting to examine how value pricing could benefit the Washington region.

Issues: None

Background: On June 4, 2003, a one-day conference on providing new transportation choices through innovative pricing strategies was held. The TPB, the Federal Highway Administration, the District of Columbia Department of Transportation, the Maryland Department of Transportation and the Virginia Department of Transportation jointly sponsored the conference. The conference examined pricing strategies being implemented in some U.S. locations and international locations. Potential implementation in the Washington region was also discussed.

The conference generated significant interest with over 185 people attending the conference. The attached report provides an overview of the conference and summarizes the major themes and issues that surfaced during the discussions.



A Report on the Conference

**VALUE PRICING FOR
TRANSPORTATION IN THE
WASHINGTON REGION**

*Providing New Transportation Choices Through
Innovative Pricing Strategies*

June 4, 2003
Grand Hyatt Washington
Washington, DC

*Jointly Sponsored By
National Capital Region Transportation Planning Board
Federal Highway Administration
District of Columbia Department of Transportation
Maryland Department of Transportation
Virginia Department of Transportation*

Draft of June 18, 2003

Report on the Value Pricing for Transportation Conference Held on June 4, 2003 at the Grand Hyatt Washington

Overview

On June 4, 2003, the TPB along with the Federal Highway Administration, the District of Columbia Department of Transportation, the Maryland Department of Transportation, and the Virginia Department of Transportation jointly sponsored a one-day conference on value pricing for transportation in the Washington region.

Over 185 people attended the conference, including local elected officials, business leaders, community leaders, and transportation professionals and were a part of the region's first major public discussion regarding the need and opportunities for innovative transportation pricing strategies.

Several TPB members spoke at the conference: TPB Chair Peter Shapiro, TPB Vice Chair Phil Mendelson, Chris Zimmerman, and Michelle Pourciau. Other speakers included Martin Wachs, University of California - Berkeley; Emil Frankel, Assistant Secretary for Transportation Policy, USDOT; Lon Anderson, AAA; Michael Repogle, Environmental Defense; Robert Grow, Greater Washington Board of Trade; and Stewart Schwartz, Coalition for Smarter Growth. A conference agenda is provided in Attachment A on page 9.

The conference received considerable media attention. An article on the conference appeared on the front page of the Metro section in the Washington Post, "Toll Lanes' Concept Catching On: Conference Looks at Pricing." WTOP, WAMU, Metro Networks, and the Paul Berry Show also reported on the conference. News Channel 8 aired a story on the conference the evening of June 4. (Attachment B on page 10 includes the Washington Post article and the WTOP report).

What is Value Pricing?

Professor Martin Wachs in his overview at the conference defined value pricing as the "use of prices, charges and fees for traveling in order to produce needed revenue and simultaneously to influence travel behavior so that travelers make decisions that use highway and transit systems more efficiently and equitably."

Types of Value Pricing

- Successful applications of **HOT Lanes** in California and Texas allow single occupant drivers to pay a toll to use HOV lanes and obtain a congestion-free trip. Carpools continue to use the HOV lanes for free.

- In New York, higher peak period **bridge tolls** help to reduce peak hour back-ups by encouraging some traffic to shift into off-peak hours.
- **Parking cash-out** is an employer-funded program under which an employer offers their employees the cash equivalent of any parking subsidy. This strategy is revenue neutral for employers. Limited parking cash-out programs in the Twin Cities created an 11 percent mode shift from driving alone to alternative modes.
- A **cordon pricing scheme** recently implemented in central London requires most drivers to pre-pay to enter a certain zone. Photos of each vehicle entering the zone are taken, and if the driver has not paid the charge, significant fees are charged to the driver. Preliminary results show that traffic is down by 20 percent, traffic speeds have increased by 15 percent, bus speeds have increased in and outside the zone, and public transit use has increased. The revenue is less than what was projected because fewer people are driving within the zone than predicted.
- A “**pay as you go**” concept for fixed auto costs is under study. Fixed auto costs include registration fees, sales taxes, the cost of buying the vehicle, insurance and parking fees. The concept has yet to be tested as a real product.

Value Pricing Under Consideration in the Washington Region

One panel session explored new value pricing efforts underway in the Washington region, listed below.

- The **District of Columbia** Department of Transportation reported that various pricing options have been considered, including increasing meter rates in congested areas at peak times, eliminating free parking for non-residents on congested residential streets and a parking fee for employment-related parking spaces.
- The **Maryland** Department of Transportation, State Highway Administration, is taking another look at pricing after the proposed HOT Lane pilot project for US 50 was cancelled. The potential application of value pricing in the I-270 corridor is being explored and recommendations are expected by Fall.
- The **Virginia** Department of Transportation submitted a grant application proposal to the FHWA to study allowing drivers to buy into HOV lanes in Northern Virginia in such locations as the Dulles Toll Road and the Capital Beltway. The study is designed to produce a list of facilities that could successfully accommodate a value pricing project.

- The **Washington Metropolitan Area Transit Authority (WMATA)** currently charges higher fares in the peak period and has considered using peak of the peak pricing to shift demand to shoulders where excess capacity exists. Pricing has been considered as a way to influence the mode of access to Metrorail by changing feeder bus fares and parking fees. Smart card technology will allow for variable pricing on both the bus and rail system once implementation is complete.
- The **National Capital Region Transportation Planning Board** is evaluating a regional HOT lane network scenario within the Regional Mobility and Accessibility Study. The scenario will evaluate a regional system of HOV/HOT lanes around the Capital Beltway and in each major transportation corridor.

Conference Highlights

A great deal of information was presented at the conference by twenty-four speakers in panel sessions throughout the day. Seven themes or issue areas emerged from the panel discussions and presentations. These seven themes are used to organize the conference highlights.

1. Equity

A major issue associated with value pricing for transportation is equity considerations: Is it fair? Professor Martin Wachs challenged the conference audience to consider the fairness of pricing transportation in comparison to other finance mechanisms, such as taxes that are regressive.

In regards to the HOT Lane concept, the experience from California and Texas HOT lanes shows that the income and racial distribution of people who use the HOT lanes is similar to the general public. In San Diego, wide support for the value pricing concept has come from a variety of ethnic and racial groups and income levels. People of all backgrounds view the HOT lane concept as “buying time” for a premium level of service. Over 90 percent of San Diego carpool and transit users consider pricing fair. San Diego uses half of the revenue in the corridor for transit.

Similarly, in Orange County, operators of the SR91 HOT lane facility have found that the users of the toll lanes mirror the demographics of the regular lane users.

2. Pricing Options that Expand Choices are the Most Popular

Transportation pricing strategies that emphasize expanding travelers choices, rather than charging for an existing choice, are the most politically palatable and therefore,

the easiest to implement. HOT lanes do allow another choice—buying a more reliable travel time, which is not perceived as charging for a previously “free” public good.

Maintaining free flowing HOV lanes was stressed as a key ingredient to making HOT lanes work. In addition, converting existing HOV lanes to HOT lanes, or adding new capacity, was seen as the best way to create a HOT lane system, rather than converting existing general purpose lanes to HOV/HOT lanes.

In California, the existing HOT lanes on I-15 in San Diego (“Fastrack”) and SR91 in Orange County have strong support and are seen as a safe and effective way to save time by both users and non-users. A survey of SR91 express lane users in Orange County showed more than a 90 percent customer satisfaction rating, with time savings seen as the primary benefit, followed by safety and “peace of mind”. Fastrak and non-Fastrak customers in San Diego report an over 60 percent approval of the pricing program and over 70 percent strongly agree that it is a good idea to have time savings options on I-15.

Plans to expand the I-15 Fastrack facility in San Diego are underway, and a major component is adding high quality bus rapid transit (BRT) to the corridor. Direct access ramps and BRT stations are designed to ensure free flow conditions for the BRT. Revenues from the HOT lanes will be used to build the BRT system and help maintain it. A major advantage of the BRT mode is that it provides more flexibility in serving suburban land uses.

3. Transportation Revenue and Pricing

A critical issue for many regions is the lack of funding to maintain, operate and expand the transportation system. The reliance on fuel tax revenues to support growing infrastructure needs across the country has led to an alarming shortfall in transportation funding. Fuel taxes are not yielding the revenues they used to because of increased fuel efficiency and because fuel tax increases have not kept pace with inflation. The wisdom of relying on fuel taxes, specifically the gas tax, becomes even less clear when alternative fuels are on the horizon. Pricing strategies that create an incentive to use the system efficiently have become of interest in areas with high congestion and limited funding. A variable pricing scheme has an additional benefit in that the public generally perceives toll increases as tax increases whereas variable pricing is seen differently.

The revenues from pricing should be used in the same corridor in which they were raised for transit, operating costs, or debt service. The I-15 Fastrack facility in San Diego raises \$2.2 million annually. Half of the revenue is used for transit improvements in the corridor.

4. Technology

One of the major stumbling blocks to implementing transportation pricing has been the issue of how to collect the tolls or fees. Toll booths can be unpopular because of the break in traffic flow and the method of payment. User fees, such as tolls, were seen as the best way to fund transportation improvements years ago, but were rejected because the technology was not available to efficiently collect the tolls, and fuel taxes were relied on instead. The technological barriers to pricing, for all practical purposes, have been removed. Smart Card technology and overhead transponders allow for variable pricing and seamless payment. Variable message toll signs in San Diego clearly state the cost of a trip on FasTrak and are updated every six minutes. In Orange County, SR91 express lane users all have a prepaid account, overhead antennas “read” transponders and deduct toll from the customer account.

Technological advances also help with the enforcement issue related to HOT lanes. License plate images can be taken on the HOT facility and violators notified of their toll evasion. On the SR91 express lanes, the primary violators are existing customers who have forgotten their transponder or have a failing transponder. Better enforcement of the HOV lanes can be an additional benefit of a HOT lane system.

5. A Wide Range of Support: Common Ground for Expanded Choices

A significant finding from the conference was that both the environmental and business communities support the use of pricing in the region. A panel of environmental and business groups discussed the pros and cons of transportation pricing. AAA-Mid Atlantic and the Greater Washington Board of Trade were amenable to the concept of pricing. The Coalition for Smarter Growth and Environmental Defense support the use of pricing in the region. These organizations agreed that the revenue should be used in the corridor where it was raised.

Also noteworthy is that there are several initiatives from Congress and the Administration to permit states to toll interstates in the upcoming reauthorization of the surface transportation programs.

6. Public Education

Presenters with experience in implementing pricing projects stressed the need to be proactive in educating the public on the concept of value pricing to negate common misconceptions. One project developed a successful public communication plan and found that the importance of working with the media effectively “cannot be overstated”. Fears of the unknown associated with value pricing can be significantly reduced if people are more knowledgeable about the topic. One conference attendee made this comment via e-mail:

“What a fascinating meeting. I came in as a skeptic and walked out thinking HOT lanes really can work.”

Furthermore, the pricing program once in place indirectly educates the public on the cost of driving. In San Diego, awareness of the “value” of carpool lanes has resulted in higher carpool usage since HOT lanes were implemented. Variable pricing with higher tolls in peak periods for freight and the general public encourages shifts to less congested periods.

7. Political Support is Key to Success

The primary element common to all successful pricing programs is political support. Without Ken Livingstone, the Mayor of London, there would be no cordon pricing scheme. In San Diego, multi-agency cooperation between the MPO, highway department, and transit agencies presented a united front to the public that made the project more marketable. Political champions are a must in getting pricing in place. A survey conducted in London demonstrated that there is a misperception from public officials regarding the willingness of the public to accept pricing. Elected officials were asked how many citizens they thought would oppose tolling and the general public was surveyed about their willingness to accept tolls. The results showed that elected officials from the London area thought that 80 percent of the citizens would oppose tolls, but in fact only 30 percent of the citizens opposed tolls.

Attachment A: Conference Agenda

VALUE PRICING FOR TRANSPORTATION IN THE WASHINGTON REGION
A One-Day Conference on Providing New Transportation Choices Through Innovative Pricing Strategies

Wednesday, June 4
Grand Hyatt Washington
Independence Ballroom E
1000 H Street, NW
Washington, DC

Agenda

8:00am..... Registration and Continental Breakfast

8:30am..... Welcome
The Honorable Peter Shapiro, Chair, National Capital Region Transportation Planning Board and Chair, Prince George's County Council

8:40am..... Keynote Address
Emil Frankel, Assistant Secretary for Transportation Policy, U.S. Department of Transportation

9:00am..... Overview of the Role of Pricing in Achieving Mobility and Air Quality Goals
Martin Wachs, Professor, University of California, Berkeley

9:30am..... Break

9:45am..... Projects in Motion
Ronald F. Kirby, Director of Transportation Planning, National Capital Region Transportation Planning Board

- **How HOT Lanes Benefit Transit: San Diego, California I-15 Project**
David Schumacher, Metropolitan Transit Development Board
- **Keeping HOV Lanes Free Flowing with Pricing: Houston, Texas I-10 Katy Freeway**
Ed Regan, Wilbur Smith Associates
- **Paying for New Highway Lanes with Pricing: Orange County, California State Route 91 "Express Lanes"**
Greg Hulsizer, Cofiroute Global Mobility
- **Reducing Peak Period Congestion with Variable Tolling: Tolls on New York's Hudson River Crossings**
Mark Muriello, Port Authority of New York/New Jersey

11:45am..... Luncheon *The Honorable John Albion, Lee County Commissioner, Florida*

1:30pm..... Innovative Pricing Strategies
The Honorable Chris Zimmerman, Member, National Capital Region Transportation Planning Board and Member, Arlington County Board

- **Cordon Area Charges in London**
Gabriel Roth, Civil Engineer and Transport Economist
- **Parking Cash-Out in the Twin Cities**
Patty Carlson, Metropolitan Council
- **The Conversion of Fixed Auto Costs to Mileage-Based**
Jeff Buxbaum, Cambridge Systematics, Inc.

2:30pm..... If Congestion is the Problem, How Can Pricing Be Part of the Solution?

The Honorable Phil Mendelson, Second Vice Chair, National Capital Region Transportation Planning Board and Member, Council of the District of Columbia

- *Lon Anderson, American Automobile Association*
- *Michael Replogle, Environmental Defense*
- *Robert Grow, Greater Washington Board of Trade*
- *Stewart Schwartz, Coalition for Smarter Growth*

3:30pm..... Break

3:45 pm..... Overview of Federal Value Pricing Pilot Program and Pricing Efforts in the Washington Region
Sherri Alston, Director, Office of Transportation Policy Studies, Federal Highway Administration

- *Michelle Pourciau, Deputy Director District of Columbia Department of Transportation*
- *Richard Kuzmyak, Consultant Maryland Department of Transportation*
- *Robert Griffiths, Technical Services Director National Capital Region Transportation Planning Board*
- *Catherine McGhee, Research Scientist Virginia Department of Transportation*
- *Richard Stevens, Director of Business Planning and Project Development Washington Metropolitan Area Transit Authority*

4:45pm..... Adjourn

**Attachment B:
Washington Post Article and
WTOP Report**

Toll Lanes' Concept Catching On

Conference Looks at Pricing

By Katherine Shaver

Washington Post Staff Writer

Thursday, June 5, 2003; Page B01

Traffic planners and public officials said yesterday that they sense increasing political support for giving motorists the option of buying their way out of congestion by paying tolls to use free-flowing carpool lanes.

With money for new roads, buses and trains scarce and traffic growing steadily worse, the officials said, they have few other ways to raise money to ease the Washington region's legendary backups. The toll income could be used to fund new transit and road projects, while making more efficient use of existing road space, supporters said.

Yesterday, more than 200 state and local transportation planners, politicians, academics and engineers gathered for the region's first major conference to discuss ways of pricing lanes. Just a few years ago, organizers said, such a discussion would have drawn fewer than 10 people.

"I think people are recognizing that the [traffic] problem continues to get worse, and there's a willingness to try new things," said Ronald Kirby, transportation director for the Metropolitan Washington Council of Governments, which co-sponsored the conference with the Federal Highway Administration. "People are becoming more and more aware that there's a serious revenue problem . . . We have no other solutions on the horizon."

Pierce Homer, Virginia's deputy secretary of transportation, called the palpable level of enthusiasm in the Grand Hyatt meeting room "very significant."

"This is a serious question being asked in a lot of regions around the country: Are there market-based solutions to congestion?" Homer said.

In high-occupancy toll (HOT) lanes, lone motorists may pay a toll to use the faster-moving carpool lanes. The tolls are deducted from prepaid accounts via electronic transponders on vehicles, similar to the "Smart Tag" transponders that allow motorists to breeze through toll booths.

Toll prices change throughout the day, with the highest prices during the morning and afternoon rush. The lanes remain free for carpoolers. The toll is always high enough to ensure that the lanes don't bog down. HOT lanes don't necessarily reduce traffic congestion, supporters say, but they help transportation departments manage it better by filling unused space in carpool lanes and giving motorists an incentive to drive outside the peak periods.

Before this year, the effort to create HOT lanes in the Washington region appeared to have stalled. The only local study came to an abrupt, controversial end in 2001. Parris N. Glendening (D), who was then the governor of Maryland, canceled a HOT lane study for Route 50 through Prince George's County, saying such lanes would be unfair to lower-income drivers.

Maryland recently revived its study of HOT lanes, this time on Interstate 270 through Montgomery County. Virginia has asked for federal money to analyze HOT lanes on Northern Virginia highways.

A private company also has proposed using toll lanes to finance widening the Capital Beltway in Northern Virginia.

Adding to the momentum, supporters say, is the Bush administration's recent proposal to permit states to impose tolls on federal roads and interstate highways. The administration doesn't actively endorse the idea of HOT lanes but thinks they are "worth discussing" to better manage congestion and reduce air pollution, said Emil Frankel, assistant U.S. secretary for transportation policy.

"I think everyone acknowledges we have financial issues, and we need to think about all our options," Frankel said.

Many transportation planners have supported the idea of "value pricing" on highways for years, but hot lanes have been a tough political sell. Critics have dubbed them "Lexus Lanes," arguing that they favor the wealthy and are a double tax on roads that motorists already pay for through the gas tax.

Mid-Atlantic AAA spokesman Lon Anderson, the most vocal HOT lane critic, said he would support them only on new or wider highways and only if the toll revenue went primarily to expand road capacity.

"Shouldn't the goal be to move everyone at a more reasonable speed during rush hour than just those people who can pay?" Anderson said.

Conference organizers said they hoped the meeting would begin the public education that had helped overcome political opposition in some cities where HOT lanes now are in use.

Officials involved in HOT lane projects in Houston and in San Diego and Orange County in California told the conference that surveys showed similar income levels among drivers in the toll lanes and the regular lanes. Most drivers used them only when they were in a hurry, officials said.

Maryland Del. Carol S. Petzold (D-Montgomery) said HOT lanes could work on I-270 and on the intercounty connector proposed for Montgomery and Prince George's counties. The toll revenue could fund construction of the connector road, a transit link between Bethesda and New Carrollton and a rail line across the new Woodrow Wilson Bridge.

"The political reluctance is that you're charging money, which people think of as a tax," Petzold said.

"We need to change that attitude from HOT lanes being a tax increase to being a traffic management tool."

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WTOP Report

Would You Pay To Use HOV Lanes?

Updated: Thursday, Jun. 5, 2003 - 6:08 AM EDT.

(Washington-AP) -- Leaders in the Washington area were once cool to the idea, but the idea of HOT lanes is more popular these days. More than 200 traffic planners and public officials gathered Wednesday to discuss allowing single motorists to pay tolls to use carpool lanes.

They tell The Washington Post it's a way to raise money for new road construction and public transit in times when public money is scarce. Supporters say HOT lanes also give motorists an incentive to drive outside the peak periods because tolls would be lower then. Former Maryland Governor Parris Glendening halted the only local study on the idea in 2001. But Maryland is considering HOT lanes on Interstate 270 through Montgomery County. Virginia is asking for federal money to analyze HOT lanes on Northern Virginia highways. A private company also has proposed using toll lanes to finance widening the Capital Beltway in Northern Virginia.

WTOP 6/5/03