THE THOMAS JEFFERSON
INSTITUTE FOR PUBLIC POLICY

Relieving Traffic Congestion Using 21st Century Ideas

Frequently Asked Questions about:

Hot Lanes:

By: Leonard Gilroy and Amy Pelletier

Building New Roads through Public-Private Partnerships:

By: Leonard Gilroy, Robert W. Poole, Jr., Peter Samuel, and Geoffrey Segal

Leasing State Toll Roads:

By: Peter Samuel
Project Director: Robert W. Poole, Jr.

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Thomas Jefferson Institute for Public Policy

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Introduction

Transportation continues to be a "top priority" by our elected officials and is a major concern of those who live in the more congested areas of Virginia.

A great deal of "new money" is now in the pipeline for improving transportation here in our state and the issue in front of us now is whether those new dollars will be spent in an efficient and effective manner.

The three papers reprinted herein are important to all of those interested in how we can bring new ideas based on a market-oriented philosophy to relieving the nightmare of traffic congestion in our expanding economic regions and how new roads can be financed in a world where government simply does not have the financial resources to do what needs to be done.

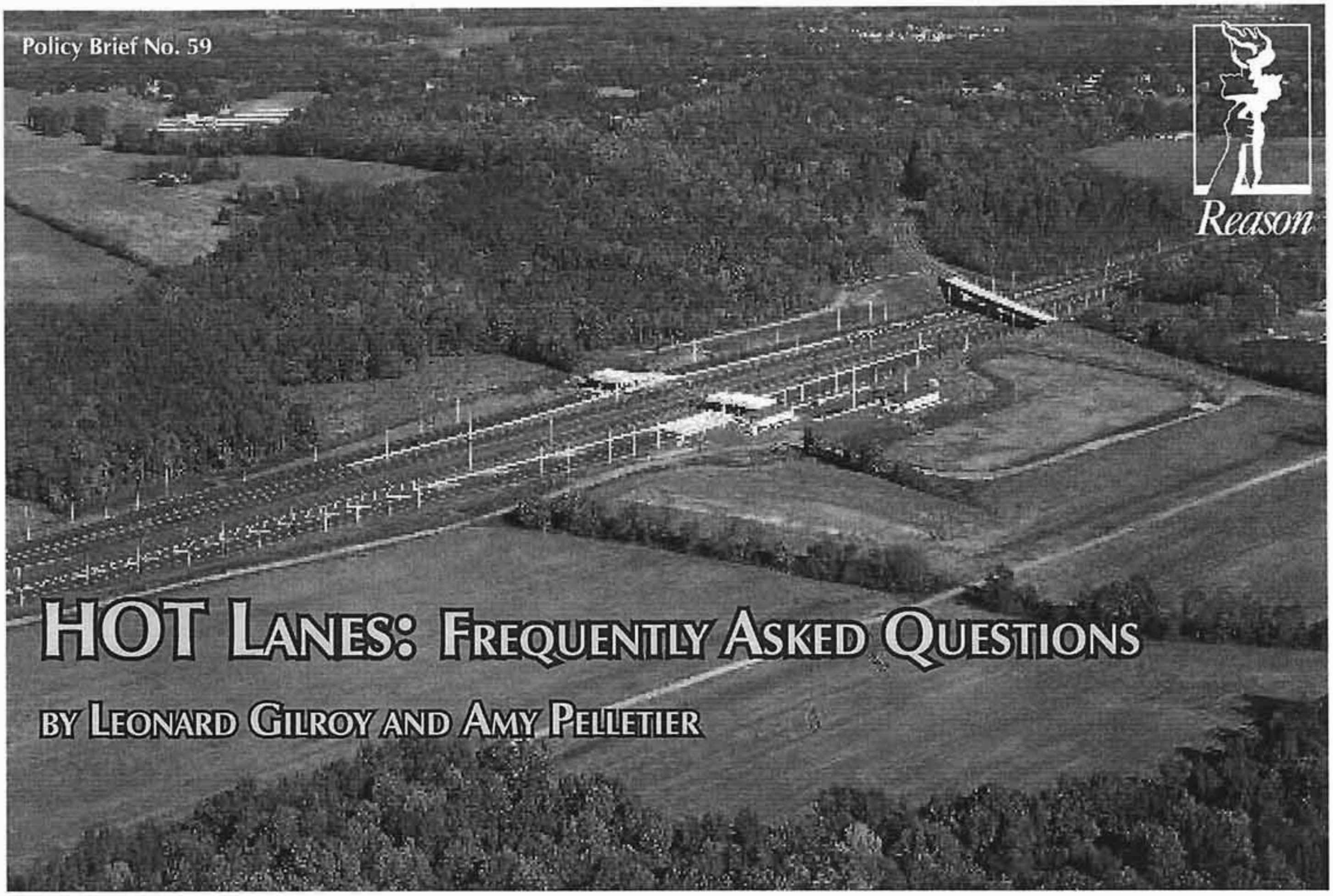
These reprinted papers bring fresh ideas and solid support for HOT lanes, public-private partnerships in building roads and for the idea of leasing toll roads in order to improve the overall transportation network.

As our elected leaders determine how to spend hundreds of millions of dollars that are now being generated each and every year for transportation, these ideas will help them spend those taxpayer dollars in a more effective, imaginative and efficient manner.

The ideas brought forward in these three papers do not necessarily reflect the views of the Thomas Jefferson Institute for Public Policy nor its Board of Directors. Nothing in these papers are intended to support or hinder pending legislation.

Michael W. Thompson, President
Thomas Jefferson Institute for Public Policy

Policy Brief No. 59



HOT Lanes: Frequently Asked Questions

by Leonard Gilroy and Amy Pelletier

What are HOT lanes?

High-Occupancy Toll (HOT) lanes are limited-access lanes reserved for buses and other high occupancy vehicles but open to single occupant vehicles upon payment of a toll. The number of cars using the reserved lanes can be controlled through variable pricing (via electronic toll collection) so as to maintain free-flowing traffic at all times, even during the height of rush hours. The occupancy rate for free or discounted passage varies by project—some allow High-Occupancy Vehicle (HOV)-2 or HOV-3 to ride free, while others are free only to super-high occupancy vehicles like vanpools and buses. The term and concept of HOT lanes was first set forth in a 1993 policy study by Reason Foundation[1] and subsequently endorsed by the Federal Highway Administration under its Value Pricing Pilot Program.

Where are HOT lanes being used?

There are currently HOT lanes in operation in Orange County, California, San Diego, Houston, Denver, Salt Lake City, and Minneapolis. More are planned in Miami, the Capital Beltway (Washington D.C. and Northern Virginia), Seattle, Maryland (on I-95), Austin, Dallas, Atlanta, the San Francisco Bay Area, Raleigh-Durham, and Portland, OR.

Why are so many governments turning to HOT lanes?

There is increasing dissatisfaction with HOV lanes. Although intended to reduce traffic by getting drivers to share rides, more than half of all "car pools" in many cities are actually "fam-pools," made up of family members who would travel together anyway. Violation rates are high in many cases. Lots of HOV lanes are poorly used, leading to resentment by drivers whose taxes paid for their creation but who cannot use them, since their trips aren't conducive to car pooling. And in highly congested cities, HOV lanes are filling up and losing their original time-saving advantage. Value pricing is the only known way to maintain uncongested traffic flow over the long term, thereby preserving the time-saving benefits of special lanes. Hence, many transportation experts have concluded that HOT lanes are a more useful and more sustainable form of special lane than HOV lanes.

How do HOT lanes work?

HOT lanes make use of variable pricing collected through electronic tolling. The price to use the lanes changes to keep traffic moving at the maximum speed limit, even during rush hours. As demand increases, the tolls rise to ensure the ideal number of cars are moving through the lanes. At off-peak times, the tolls drop.

What are the benefits to carpoolers, commuters and solo-drivers?

Free-flowing lanes give every motorist "congestion insurance"—an alternative to gridlocked freeways for those times when you really need it—to pick the kids up at daycare, make it to their soccer game, or catch a flight. Unlike traditional freeway lanes and many HOV lanes, HOT lanes will not become congested over time. Variable pricing allows roadway managers to change the price to ensure sustainable congestion-free travel over the long term.

By using a price to discourage some people from traveling in peak hours, HOT lanes actually provide more mobility. A free-flowing freeway lane has much higher throughput per hour than a congested freeway lane—about 50% more. Orange County's HOT Lanes represent just one-third of the highway's lanes but carry half of all traffic during rush hour

What are the benefits to emergency vehicles?

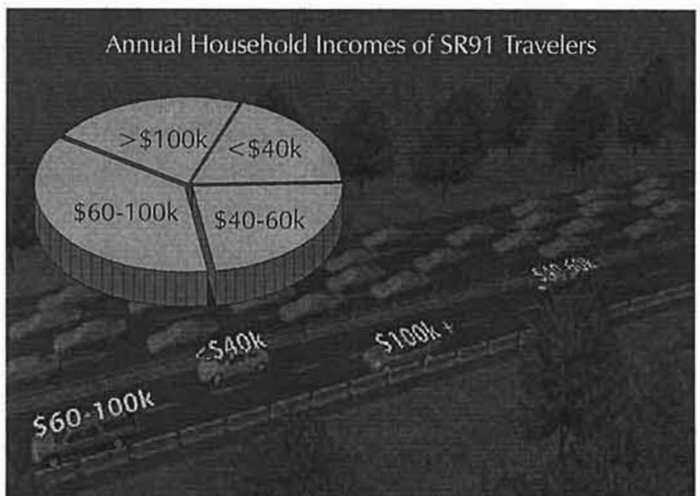
HOT lanes offer congestion-free routes for emergency vehicles to reach the scene of incidents and then the emergency room in significantly less time.

What are the benefits to taxpayers?

While the vast majority of transportation projects around the country continue to be funded from traditional sources—gas and vehicle taxes—these revenue sources do not even cover the costs of ongoing maintenance of roads, let alone raise enough money for needed expansions and new roads. As a result, a substantial percentage of the cost of building and maintaining roads comes from sources such as property and sales taxes, where payments are completely unrelated to how much one actually drives. Money raised by congestion tolls could be used to replace these non-transportation taxes.

What are the benefits for mass transit?

Because HOT lanes operate uncongested at high speeds, even during the busiest rush hours, they can provide a reliable, high-speed path for express bus service (sometimes known as Bus Rapid Transit). Transit agencies would ideally like to operate Bus Rapid Transit on exclusive busway lanes, but few can afford the cost of building new lanes just for buses. Value pricing keeps HOT lanes uncongested and free-flowing, making them the virtual equivalent of exclusive busways, from the transit agency's perspective. Both Houston and San Diego are planning expanded express bus service on HOT lanes.



SR 91 Express lane peak period, 1999. Source: Sullivan, Contination Study, p. 84.

"Tax roads are depreciating liabilities. They are like an old car. It costs more and more to maintain it and it is eventually worthless and in need of costly replacement. Toll roads are the appreciating asset of a business. It pays for itself and becomes more valuable over time. Like any profitable, revenue-generating business, it provides its owners (the public) with wealth and options for growth."
– Texas Representative Mike Krusee

What is a HOT Network?

A HOT Network is an interconnected network of HOT lanes on the freeway system of an urban area, allowing congestion-free travel throughout the region. There are currently no HOT networks in operation, but a number of metro areas (including San Diego and the San Francisco Bay area) include them in their long-term transportation plans.

Are HOT Lanes just "Lexus lanes"? Do they only benefit the wealthy?

In 2005, there were over 12 million trips on Orange County's HOT Lanes. Over a decade of data is available from the 91 Express Lanes in Orange County and the HOT lanes on I-15 in San Diego. It indicates that the vast majority of drivers—high and low income—use the HOT lanes only on occasion, instead of every day.

While studies of the 91 Express Lanes indicate that use increases slightly with income group, 19% of the users have an annual household income of less than $40,000, and another 23% have household incomes between $40,000 and $60,000.[2]

A 2001 telephone survey of San Diego I-15 Express Lane users revealed that 80% of the lowest income motorists (<$40,000 annual household income) in the corridor agreed that "People who drive alone should be able to use the I-15 Express Lanes for a fee." In fact, they were more likely to agree with that statement than the highest income users.[3]

Aren't tolls just another tax?

No. With HOT lanes, no one pays twice for something they've already bought. It's similar to the difference between free television and cable: HOT lanes provide a premium service that would not be there otherwise. Unlike taxation, no one is forced to pay; motorists would simply have a choice to pay to get premium service—an uncongested lane.

When an HOV lane is converted to a HOT lane, no one is required to pay a toll to use any lane that he is now using for free:

- Drivers in regular freeway lanes will still use those lanes at no charge.
- Carpoolers in what are now HOV lanes will still use them at no charge when they become HOT lanes.
- Solo drivers will have a new choice of staying in the regular lanes (no charge) or getting to use what are now HOT lanes (which they cannot use today) if they're willing to pay a toll.

Where brand-new HOT lanes are added to a freeway, the only ones who will pay tolls are those who choose to use the new HOT lanes.

How do you collect the tolls?

Tolling in HOT lanes is always all-electronic. Most tolls are charged using dashboard-mounted transponders to debit pre-paid toll accounts. Another option uses license plate recognition to identify users, and bills are paid through credit cards or other means. Old-fashioned toll booths or toll plazas are never used for HOT lanes.

How do you enforce toll collection on HOT lanes?

Enforcement is done through a combination of technology and visual checks for occupancy (as with HOV lanes). Electronic toll systems include video enforcement equipment, in which the license plate of a vehicle without a valid transponder is imaged so that follow-up action can be taken due to non-payment. Police can also use a handheld reader to ensure that the transponder on the vehicle is operating. Minneapolis has found a reduction in violations from the traditional HOV lanes, because frustrated solo drivers tempted to cheat and use the faster lane now are able to pay to do so, and the toll is cheaper than risking a ticket.

The HOV lanes in my city are already congested. Wouldn't converting them to HOT lanes just make congestion worse?

Most cities' HOV systems operate as HOV-2 systems, granting access to vehicles with as little as two occupants. As HOV-2 lanes become congested, they lose their value as a means to combat gridlock and increase vehicle occupancy, producing an unsustainable situation that will have to be addressed. This will most likely require upgrading them to HOV-3 lanes (open to vehicles with three or more occupants), as in Houston and Northern Virginia today. An HOV-2 to HOV-3 upgrade would open up excess capacity that can then be "sold" to single and double-occupancy vehicles and priced through variable rate tolling.

Will the public accept HOT lanes?

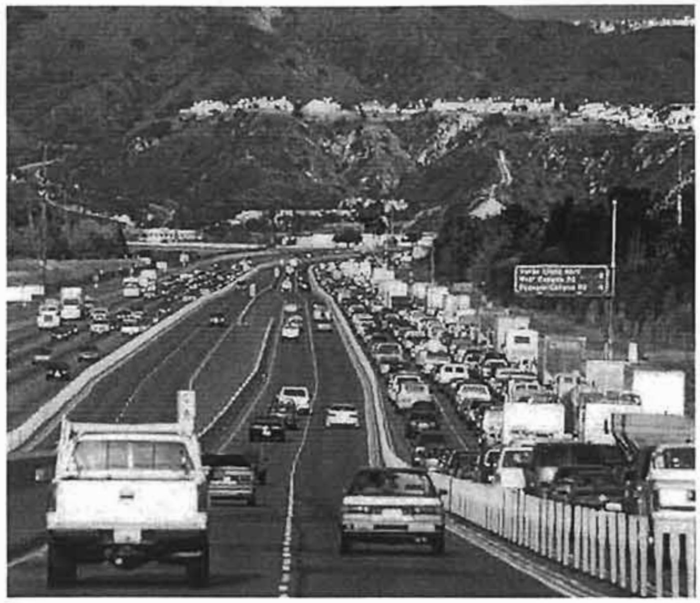
There were 12 million trips on Orange County's HOT lanes in 2005. In the Washington, DC area, where HOT lanes have recently been approved for construction, an *ABC News / Washington Post* survey found that 58% of residents approved of the lanes.[4]

In a 2001 survey of San Diego's I-15 Express Lanes users, 89% of customers surveyed supported extension of the HOT lanes, and 66% of non-users supported the HOT lanes.[5]

Surveys in several states including Washington, Minnesota, and Florida show that a majority of drivers in areas with high levels of congestion would be willing to pay to avoid it.[6]

Is there political support for HOT lanes?

Variable pricing has become widely accepted as sustainable congestion relief technology, and is supported by the political left and the right, from environmental groups like Environmental Defense, to local business associations.



Implementing variable pricing is a top priority of the U.S. Department of Transportation's National Congestion Initiative, and has been highlighted by the President in his annual budget blueprint unveiled on February 5, 2007. The U.S. DOT will be offering financial support to urban areas that implement new pricing projects.

ABOUT THE AUTHORS

Leonard C. Gilroy, AICP is a senior policy analyst at Reason Foundation, a nonprofit think tank advancing free minds and free markets. Gilroy, a certified urban planner (AICP), researches housing, urban growth, privatization, and government reform issues. He is the managing editor of the world's most respected newsletter on privatization, *Privatization Watch*, and is the editor of the widely-read *Annual Privatization Report*, which examines trends and chronicles the experiences of local, state, and federal governments in bringing competition to public services.

Amy Pelletier is the Outreach Director at Reason Foundation, a Los Angeles-based think tank that promotes individual liberty, government accountability, and market-based reform. She works with researchers, policy experts, and public officials to alleviate the effects of congestion on U.S. cities.

ENDNOTES

[1] Gordon J. Fielding and Daniel B. Klein, *High Occupancy/Toll Lanes: Phasing in Congestion Pricing a Lane at a Time*, Policy Study No. 170 (Los Angeles: Reason Foundation, November 1993).

[2] Edward Sullivan, *Continuation Study to Evaluate the Impacts of the SR 91 Value-Priced Express Lanes* (Final Report). Cal Poly State University, December 2000, p. 84. http://ceenve.calpoly.edu/sullivan/SR91/final_rpt/FinalRep2000.pdf

[3] Judith Norman, "San Diego Association of Governments I-15 Managed Lanes Value Pricing Project Planning Study, Community Outreach Program, Executive Summary," *Public Outreach* (San Diego: San Diego Association of Governments, February 2002), vol. 2, pp 25. http://www.sandag.org/services/fastrak/pdfs/2002_fastrak_public_outreach.pdf

[4] Steven Ginsburg, "New Tactics for Dealing with Traffic," *Washington Post*, February 21,2005.

[5] Norman, San Diego Association of Governments.

[6] Benjamin Perez and Gian-Claudia Sciara, *A Guide for HOT Lane Development*, (Washington DC: Federal Highway Administration) pp 30. http://www.itsdocs.fhwa.dot.gov/JPODOCS/REPTS_TE/13668_files/images/13668.pdf ■

"Virtually every major financial institution on Wall Street has created—or is in the process of creating—an infrastructure fund with transportation as a major component. They correctly recognize the enormous potential in American infrastructure. And it is imperative that future transportation decision-makers continue to foster this interest, not take steps to discourage it.

History may well reflect back on this as one of the defining public policy debates of our time—as consequential as the one that gave birth to the Interstate Highway System some 50 years ago. And the business community must be active participants.

Finding a way to tackle congestion more meaningfully and successfully is not a problem for some future generation. It is an urgent challenge for today's leaders." —Former U.S. Secretary of Transportation Norman Mineta, Farewell Remarks, U.S. Chamber of Commerce, July 6, 2006

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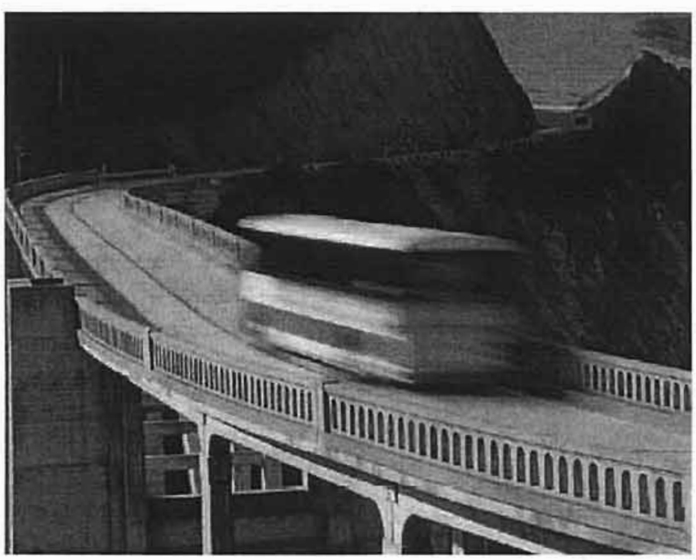

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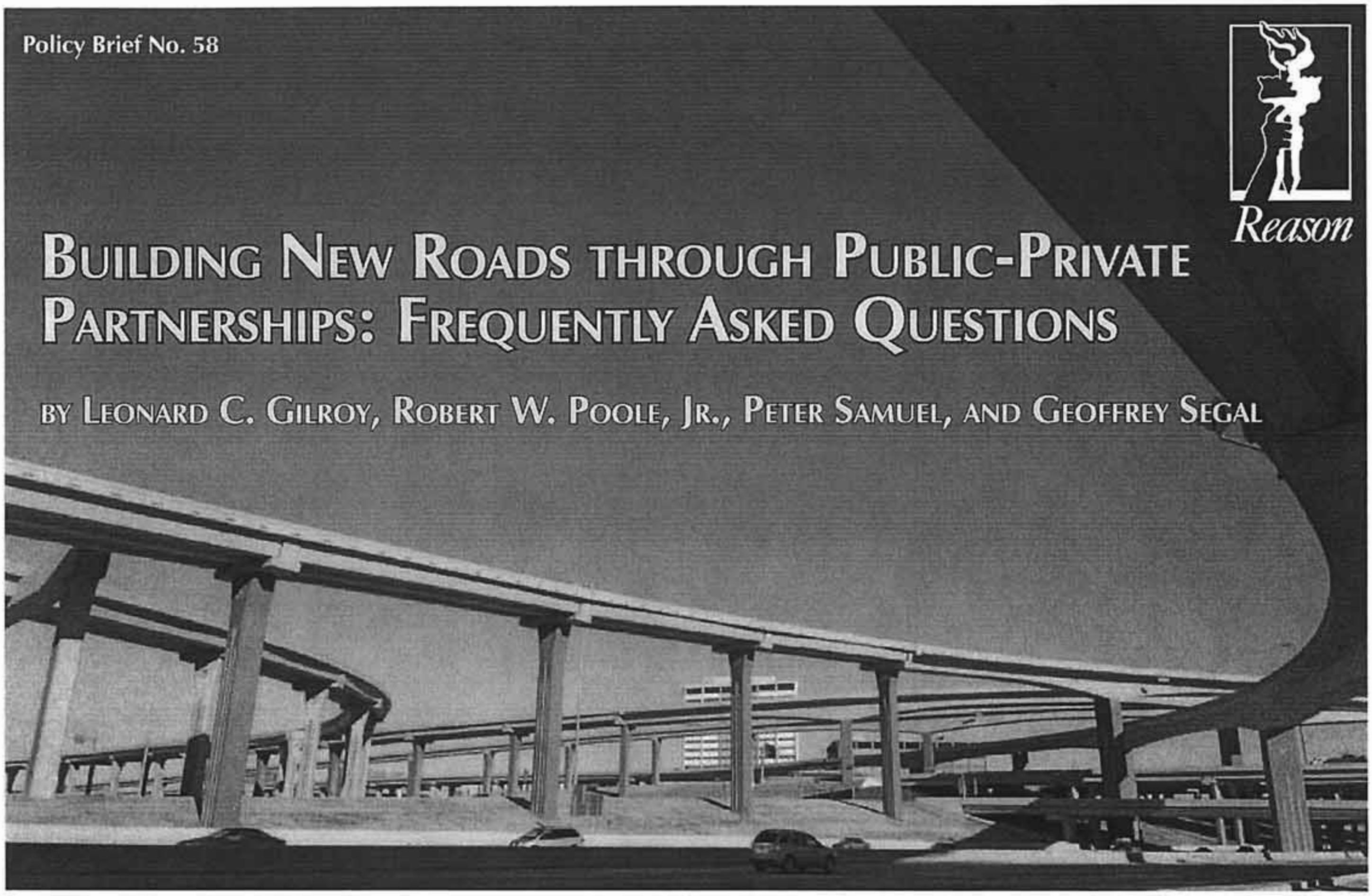
Policy Brief No. 58

Building New Roads through Public-Private Partnerships: Frequently Asked Questions

by Leonard C. Gilroy, Robert W. Poole, Jr., Peter Samuel, and Geoffrey Segal



What is a Public-Private Partnership?

Public-Private Partnerships (PPPs or P3s) are collaborations between governments and private companies that aim to improve public services and infrastructure in a manner which captures the benefits of private sector involvement (such as cost- and time-savings) while maintaining public accountability.

While PPPs can take a variety of forms, in transportation, long-term PPPs are increasingly being used for new road construction and modernizing existing roadways. These PPPs involve a private company investing risk capital to design, finance, construct, operate, and maintain a roadway for a specific term during which it collects toll revenues from the users. The public agency oversees all aspects of the agreement, from maintenance to setting toll rates. In some cases the private toll company pays the public agency an upfront fee for the contract, and in others the public and private partners share in the revenue generated by the road. When the contract expires, the government can negotiate a new arrangement or take over the facility at no cost.

What are the benefits to state governments?

PPPs are an effective way of financing, managing and operating roads while minimizing taxpayer costs and risks. Governments across the country and around the world are seeking ways to finance much-needed infrastructure projects and trying to deliver better services to taxpayers. Public-private partnerships maximize the strengths of both the public and private sectors, offering taxpayers more efficiency, accountability, and cost- and time-savings. PPPs can be used to build roads and highway projects that may have been delayed or shelved altogether due to fiscal constraints.

In fact, the major highway funding shortfall is a key reason governments are increasingly turning to long-term PPPs to deliver new transportation projects. A recent Federal Highway Administration report estimated that the annual capital investment in our highways totals $68 billion, which is $6 billion less than what's needed simply to properly maintain the condition of our highways and bridges. Moreover, an additional $51 billion per year would be needed to improve and expand the highway network just to keep up with the increasing demand for auto and truck travel.

The existing state and federal fuel tax and highway trust fund system is unable to meet these investment needs. Neither Congress nor most state legislatures have increased fuel taxes to levels that would even offset increases in fuel efficiency and inflation, let alone funding needed road maintenance and increased travel demand. So increasingly, states are turning to toll finance and PPPs to begin to fill the funding gap.

How common are public-private partnerships in the transportation world?

PPPs for complex, multi-billion dollar transportation projects have been used for decades in Europe, and more recently in Australia and Latin America. During the 1990s they began to be used in the United States and Canada as well. PPP toll projects are in operation in California, Texas, and Virginia, as well as several Canadian provinces. Large transportation PPPs in excess of $1 billion are in operation or under construction in Melbourne, Sydney, Paris, Israel, Santiago, and Toronto.

What is a long-term concession?

Concessions are essentially leases, and the term long-term concession is generally used to describe PPPs where the private toll road company designs, finances, constructs and operates a toll facility for anywhere from 30 to 99 years.

How does a long-term concession PPP work?

In exchange for a long-term lease arrangement, an investor-owned company will finance, design, build, operate, modernize, and maintain a highway project, financing its expenditures from the toll revenues it is allowed to charge. However, the state or local government still owns the roadway and protects the public interest through negotiating and enforcing the terms of the concession contract.

Essentially this model extends the investor-owned utility concept from network industries like electricity and telecommunications to highways. Just as those industries are vital to the public interest, so too are highways.

Are there other ways of involving private enterprise in toll roads without large upfront payments to governments and nothing for taxpayers beyond that?

The state (or county or city) has flexibility in how it negotiates the lease payments. Texas and Virginia have both negotiated long-term leases which provide for a smaller upfront payment but a 50/50 profit share beyond a set rate of return. In Europe, concession agreements have been crafted which provide annual payments with no upfront fee. In Australia, the bidding on one particular project was not based on the size of the concession fee but on the lowest toll rates.

For a state entering into a concession deal, there are two key trade-offs between upfront payment versus ongoing lease revenues over the life of the agreement: (1) current capital needs versus long-term needs, and (2) a "sure thing" (upfront payment) versus some risk as to what future revenues may be. There is no right answer; each state must weigh the trade-offs involved with each individual project.

Regardless of how the state is paid for the concession, when it involves the construction of a new roadway, the taxpayers gain a state-owned asset that can continue to provide mobility and generate revenue long after the lease term.

"Now, much of [our] vital infrastructure is showing its age [...] And at the very same time, our growing economy is placing increasing demands on every one of our systems, even while the funding sources we have relied on are less and less able to keep pace. If we are going to escape the forces of the perfect storm that are gathering before us, we must find fresh angles and creative ways to improve the performance of our transportation systems." —U.S. Secretary of Transportation Mary Peters, Swearing-in Ceremony, Oct. 17, 2006

What are the advantages of PPP toll roads?

1. Delivery of needed transportation infrastructure: PPPs offer governments and taxpayers a way to fund roads that otherwise would not be built. Many states are facing a "perfect storm" in transportation: growing transportation needs are outstripping available funding; the need for maintenance and renovation of existing systems is using up available resources; and congestion is getting worse by the day. In short, there's just not enough funding to adequately maintain the roads we already have, much less build all of the new roads needed to relieve traffic congestion.

With long-term PPPs, not only does the private sector take on much or all of the responsibility of financing new roads, but governments can use the funds generated through upfront concession fees or revenue sharing agreements to invest in the rest of their transportation infrastructure. For example, Indiana will be using the $3.8 billion payment it received for the Indiana Toll Road concession to cover a multi-billion dollar funding shortfall in the state's 10-year transportation plan; planned transportation investments statewide that were previously unfunded are now able to be undertaken.

Further, taxpayers and drivers enjoy a double benefit through PPPs: not only do they benefit from new roads that reduce congestion, but the willingness of the private sector to finance highway projects offers policymakers an attractive alternative to tax hikes as a means of funding new roads.

2. Ability to raise large, new sources of capital for toll projects: Rebuilding and modernizing our freeways and Interstates will be far more costly than most people realize. The long-term concession model can raise significant investment capital for new transportation infrastructure because it is attractive to many different types of investors, including equity investors and lenders. For example, highway infrastructure is increasingly appealing to institutional investors like pension funds that seek stable, low-risk investment opportunities.

There is also growing evidence that the long-term concession model can generate significantly more funding for a given toll project than the traditional government financing models. For a new toll road in Texas, for example, a toll traffic and revenue study estimated the state's ability to finance $600 million, less than half of the project's total $1.3 billion cost. Texas DOT turned to a long-term concession approach, in which the private sector will finance the entire $1.3 billion project, in exchange for a 50-year concession. Four factors seem to drive these differences:

1. The concession agreement adds certainty to future toll rates that are less predictable under public toll agencies.
2. The private sector is more aggressive in both attracting motorists and in reducing costs (e.g., by making full use of electronic toll collection).
3. The private sector can take depreciation as a tax write-off, like any other business, but toll agencies can't, since they pay no income taxes.
4. Infrastructure has become a fashionable asset class for a host of investors that do not normally invest in tax-exempt toll-agency bonds. Michael Wilkins of Standard & Poor's recently estimated that $100-150 billion in private capital was raised in 2006 alone to invest in infrastructure.

3. Shifting risk from taxpayers to investors: PPPs involve parceling out duties and risks to the party best able to handle them. The state is the party best able to handle rights-of-way and environmental permitting, so those roles remain with the state. The private sector in these deals nearly always takes the risks of construction cost overruns and possible traffic and revenue shortfalls. Given the difficulty of completing transportation mega-projects on time and within budget, being able to shift construction and traffic/revenue risk to investors is a major advantage.

4. More businesslike approach: Compared with government-run toll agencies, private toll road companies are less susceptible to pressure from narrow political interests

and are more customer service oriented, since it directly affects their economic viability. They are quick to adopt cost-saving and customer-service oriented technology and specialized products and services to meet customer needs.

5. Major innovations: One of the most important advantages of investor-owned toll road companies is their motivation to innovate in order to solve difficult problems or improve their service to customers. Today, we know that variable pricing (also known as value pricing) works very well to eliminate traffic congestion during peak periods, actually maximizing throughput while maintaining high speeds. It was a private toll company in California that took the initiative to introduce and perfect value pricing; no state toll agency was willing to take the risk of doing so.

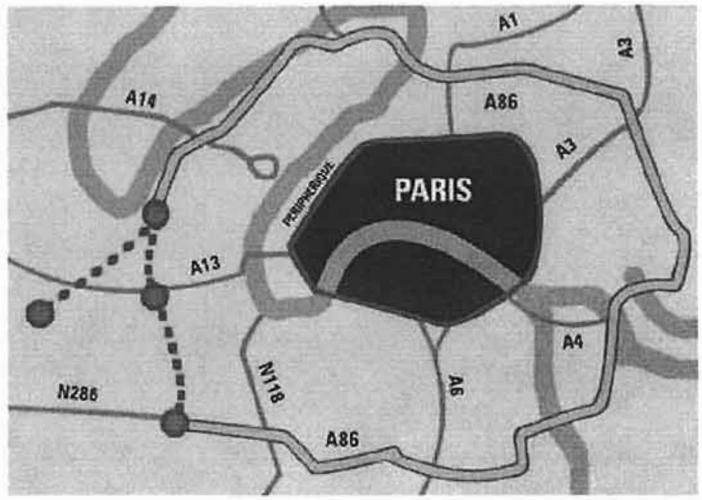
Toll road companies are also good at value engineering—thinking outside the box to dramatically reduce the costs of new capacity. A case in point is the forthcoming High-Occupancy Toll (HOT) lanes project on the Capital Beltway in northern Virginia. The Virginia DOT's plans to add two HOV lanes in each direction on that section of the Beltway would have cost taxpayers $3 billion—money that Virginia did not have. The private sector team's unsolicited proposal called for adding two HOT lanes in each direction—the same amount of physical capacity—for under $1 billion. The savings came from value engineering that reduced or eliminated many expensive bells and whistles held little real benefit.

Private toll road companies are motivated to think outside the box, to solve difficult design problems. In France, an unsolicited proposal from a private toll firm resolved a 30-year impasse over how to complete the missing link of the A86 Paris ring road, which would need to pass through historic Versailles. The company is building a deep-bore tunnel underneath—instead of through—Versailles, and is financing the $2 billion project with value-priced tolls.

How is the public interest protected in a PPP? Won't the state be losing control of the public highways?

Roads built using public-private partnerships belong to the state. When drafting the contract with the private sector, the government can—and should—completely protect taxpayers by demanding accountability.

Concession agreements are typically several hundred pages long and may incorporate other documents (e.g., detailed performance standards) by reference. No detail is too small; for instance, the Indiana Toll Road lease specifies

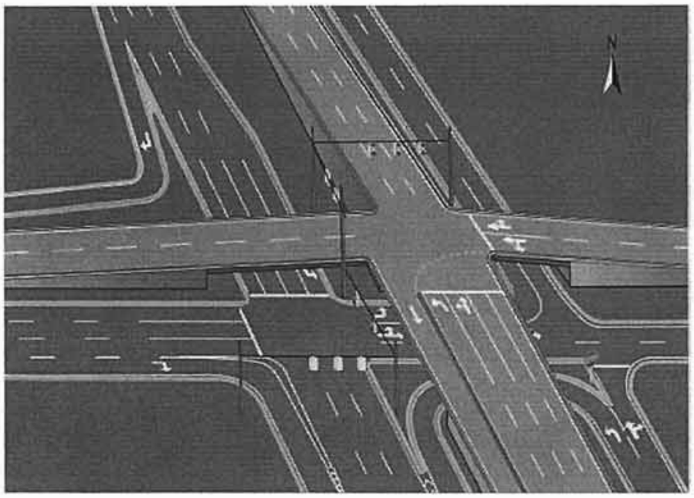


that the private company has to clear dead animals from the road within eight hours and fill potholes within 24 hours. The public interest is protected by incorporating enforceable, detailed provisions and requirements into the contract to cover such things as:

- Who pays for future expansions and rebuildings;
- How decisions on the scope and timing of those projects will be reached;
- What performance will be required of the toll road and the private toll company (i.e., safety, maintenance, plowing, and many other requirements);
- How the contract can be amended without unfairness to either party;
- How to deal with failures to comply with the agreement;
- Provisions for early termination of the agreement;
- What protections (if any) will be provided to the company from state-funded competing routes; and
- What limits on toll rates or rate of return there will be.

Isn't 50+ years far too long to lease valuable roads? State governments are committing future generations when they cannot predict what the needs will be.

It is entirely possible that changing circumstances will require revisions to the lease. That is why all concession agreements have detailed provisions to permit changes during their term. Concession agreements have detailed provisions for negotiating and arbitrating disputes, and employing independent parties to make fair financial estimates. The only limit to changes in the terms of the conces-



sion is normally that neither side should be disadvantaged financially by the changes.

State governments regularly make commitments that impact taxpayers for longer than 50 years. Bonding for infrastructure and changing pension benefits are two examples. Because the capital costs for major infrastructure projects are so high, it is necessary to finance them over long periods of time.

What happens if the private concessionaires go bankrupt after a new toll road is built?

If a concessionaire were to file for bankruptcy or close during a lease period, the contract would end and the state would take the toll road back without any obligation to repay concession fees. The state would essentially get the road for "free," and it could then re-concession the toll road or run it itself.

Where are PPPs being used to build new toll road projects?

There are more than $25 billion in PPP highway projects planned or already approved across the United States. The largest is the Trans Texas Corridor-35 (TTC-35) where a private consortium has been chosen by the Texas DOT to build 316 miles of new toll road. The company will spend about $7.2 billion—$6 billion on construction plus $1.2 billon in concession fees—in return for a 50-year concession agreement. This project will produce a completely new route between Dallas and San Antonio, providing an alternative to congested I-35. The new road will eventually be extended south to Mexico and north to the Oklahoma state line.

There are also several billion-dollar-plus proposals being negotiated in Virginia: new HOT lanes on the Capitol Beltway (I-495) and I-95/I-395 in northern Virginia, and a new Crossing complex in Hampton Roads. Colorado is also receiving private sector proposals, as are Florida and Georgia. In all, 21 states and one U.S. territory have passed legislation enabling the use of PPPs for highway projects.

Overseas, investor-built toll roads are far more common; in fact, they have become the conventional way to provide major new highway capacity in many countries. The private sector is financing, building, and operating most of the major new highways in countries as diverse as China, India, Canada, Britain, Ireland, France, Spain, Italy, Greece, Hungary, Poland, Pakistan, Turkey, Indonesia, Malaysia, Israel, South Africa, Australia, Philippines, Argentina, Brazil, Chile, and Jamaica. Most of the postwar toll motorway systems in France, Italy, Portugal, and Spain were also built using the concession model.

Though PPPs in transportation are relatively new to the U.S., over the past 15 years, the private sector has built several new toll roads under long-term franchise agreements with state governments, including the 91 Express Lanes in Orange County, California, the SR 125 in San Diego, the Dulles Greenway in Northern Virginia, and the Camino-Colombia Toll Road near Laredo, Texas.

"Texas is showing the rest of the country how to expand major parts of its highway system by leveraging private capital. That is why more states need to follow Texas' lead and pass legislation allowing the private sector a broader role in funding and operating transportation systems." – former U.S. Secretary of Transportation, Norman Mineta

Why are so many of the companies building toll roads foreign companies?

Until recently the United States had used only public-sector agencies to build and operate toll roads, so there has been no opportunity for the industry to grow in the U.S. Foreign countries have been using transportation PPPs for decades, so it makes sense that foreign firms would be the most experienced toll road providers. A responsible state government will take experience and track record into account when choosing a private firm to operate a roadway.

As the U.S. market matures, we are starting to see the emergence of domestic toll road companies. Already, joint ventures between U.S. and global companies are bidding on

PPP projects—Fluor/Transurban, Zachry/Cintra, Kiewit/Macquarie, to name several recent examples. Likewise, U.S. financial institutions have been creating multi-billion-dollar infrastructure investment funds, so these deals will soon be tapping U.S. capital in a major way.

It's important to remember that even deals which only involve foreign companies are very good for the U.S. economy. Attracting billions of dollars in global capital (and expertise) to modernize America's vital highway infrastructure and provide local employment in both operation and construction is a large net gain for this country. Further investment in our transportation infrastructure only makes the U.S. more competitive in the global marketplace as well.

Isn't it wrong to sell off a major government transportation asset to private or overseas interests?

Concessions are not the sale of an asset. Concessions are essentially a lease—only the right to do business under highly specified contractual conditions is being transferred to a private entity. The state retains full title and ownership of the asset itself.

In the post 9/11 world, wouldn't we be safer if the government or U.S. companies —as opposed to foreign companies—were managing U.S. infrastructure?

Fears regarding the foreign management of domestic infrastructure are based on the prevalent, but false, myth that there is a greater risk of a security breach when American infrastructure assets are managed by foreigners. Foreign-owned companies have successfully operated numerous critical infrastructure systems and assets in the United States—from airports to highways to water and wastewater plants—for many years. The country has remained safe under these arrangements because these companies have a strong interest in keeping their customers healthy and happy and maintaining their business. Further, foreign firms are subject to the same legal and regulatory security requirements as any domestic firm or public agency. Concession agreements usually provide for state police to do their policing on the road, as before. Security vetting of employees can be implemented, and improved surveillance systems made part of the concession agreement.

Won't private companies just try to make a profit by raising tolls or reducing service?

Lowering service would lose the toll company paying customers, which is the last thing a business wants to do. Higher tolls can also drive customers away if they aren't accompanied by reduced travel times and better service. While it is true that many drivers aren't able to be flexible about the route they take to work, there are always enough drivers with options to keep the toll company focused on service. Toll road companies have a strong incentive to increase profits by greater efficiency—by doing more with less. A more efficient toll road will benefit users.

But couldn't a private company double tolls and make just as much money with half the traffic?

The fear that PPPs will lead to uncontrolled, sky-high tolls is unjustified. Most concession agreements to date specify an annual cap on toll increases using various inflation indices. It is important to note that those caps are ceilings; the actual rates a company charges will depend on market conditions. Before entering into any toll road project, a company would develop detailed traffic and revenue forecasts to determine how many vehicles would use the toll road at what price; too high a toll rate means fewer choose to use the toll road, which generally means lower total revenue. So the toll road must select the rate that maximizes total revenue. Over time, a company may choose to set the toll rate lower than the caps provided in the concession agreement, especially in recession years, to attract more drivers.

By contrast, there are some types of PPP projects—such as HOT lanes or Express Toll Lanes—where tolling is used to manage traffic flow. Toll rates are allowed to vary throughout the day to keep these lanes flowing freely. In those cases, pre-defined limits on toll rates defeat the purpose. When such lanes are operated under a concession agreement, instead of limiting the toll rates, the agreement can limit the rate of return the company is allowed to make, with surplus revenues going into a state highway or transportation fund. This is how California's original pilot program for long-term concessions dealt with the issue, as have similar deals in Texas and Virginia.

"[O]ur economy depends on us having the most efficient, reliable transportation system in the world. If we want people working in America, we've got to make sure our highways and roads are modern. We've got to bring up this transportation system into the 21st century." —U.S. President George W. Bush, Safe, Accountable, Flexible, Efficient Transportation Equity Act Signing Ceremony, Aug. 10, 2005

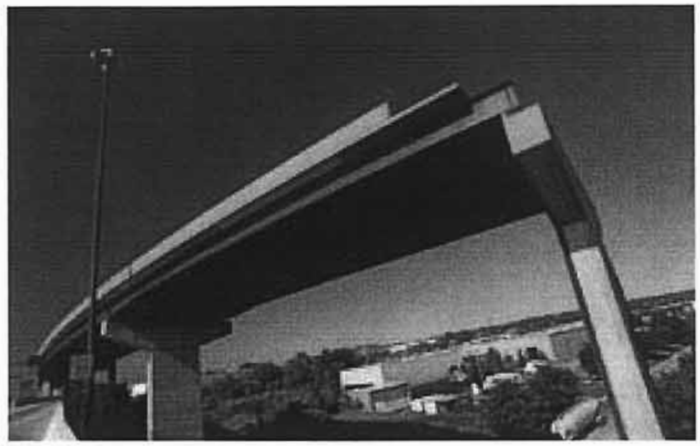
Isn't this just a ploy by the major investment banks on Wall Street to earn big commissions?

Toll roads have to be financed, whether government toll authorities sponsor them or toll road companies do. Both public and private financings involve big commissions to the financiers who put together these transactions. Private transactions sometimes require smaller financing commissions than do the public equivalent because part of the money is private equity, and there is less need for large reserve funds. These services are paid for by the toll companies, who have every incentive to shop around for the best service and the lowest commission.

Non-compete clauses in concession agreements prevent the construction or improvement of parallel roads, preventing competition. Isn't this bad?

Nearly all self-financing toll roads, whether government or privately owned, need some protection from tax-financed alternative roads. This is akin to the world trade rules that limit European governments subsidizing Airbus. Just as Boeing cannot be expected to sell in competition with a heavily subsidized Airbus, so toll roads cannot be financed if taxes are used in unrestricted fashion to provide equivalent parallel service free of charge.

Clauses designed to protect toll road operators from the construction of new, parallel "free" roads have evolved over the years. The earliest approach—an outright ban on alternative facilities—proved to be unnecessary as well as politically unpopular, giving rise to modern agreements that include a much wider definition of what the state may build: generally, everything in its current long-range



transportation plan. And for new roadways the state builds that are not in its existing plan and which do fall within a narrowly-defined competition zone, the current approach is to spell out a compensation formula. The idea is to achieve a balance between, on one hand, limiting the risk to toll road finance providers (of potentially unlimited competition from taxpayer-provided "free" roads) and, on the other hand, the public interest.

Two recent long-term lease transactions provide a useful illustration. For the Chicago Skyway concession, there were no protections for the private-sector lessee. For the Indiana Toll Road, the concession agreement set up a narrow competition zone alongside the toll road. The state may add short, limited-access parallel roads (e.g., local freeways), but if it builds a long-distance road within the competition zone, there's a formula for compensating the private sector for lost toll revenue.

Couldn't the public sector raise just as much money as the private concession leases?

Not likely. The single most important factor driving the higher valuation accorded to concession toll road deals is the certainty of being able to set toll rates over the life of the agreement to ensure a return on investment. No one has yet devised a way to bind future elected officials from interfering in the toll-setting decisions of state toll agencies—and the capital markets take that into account in judging what they will finance. But by allowing the state to enter into concession agreements—which are legally enforceable long-term contracts—a legislature can choose to limit its future ability to intervene in toll-setting decisions, thus creating certainty and stability, which are essential to encouraging investment.

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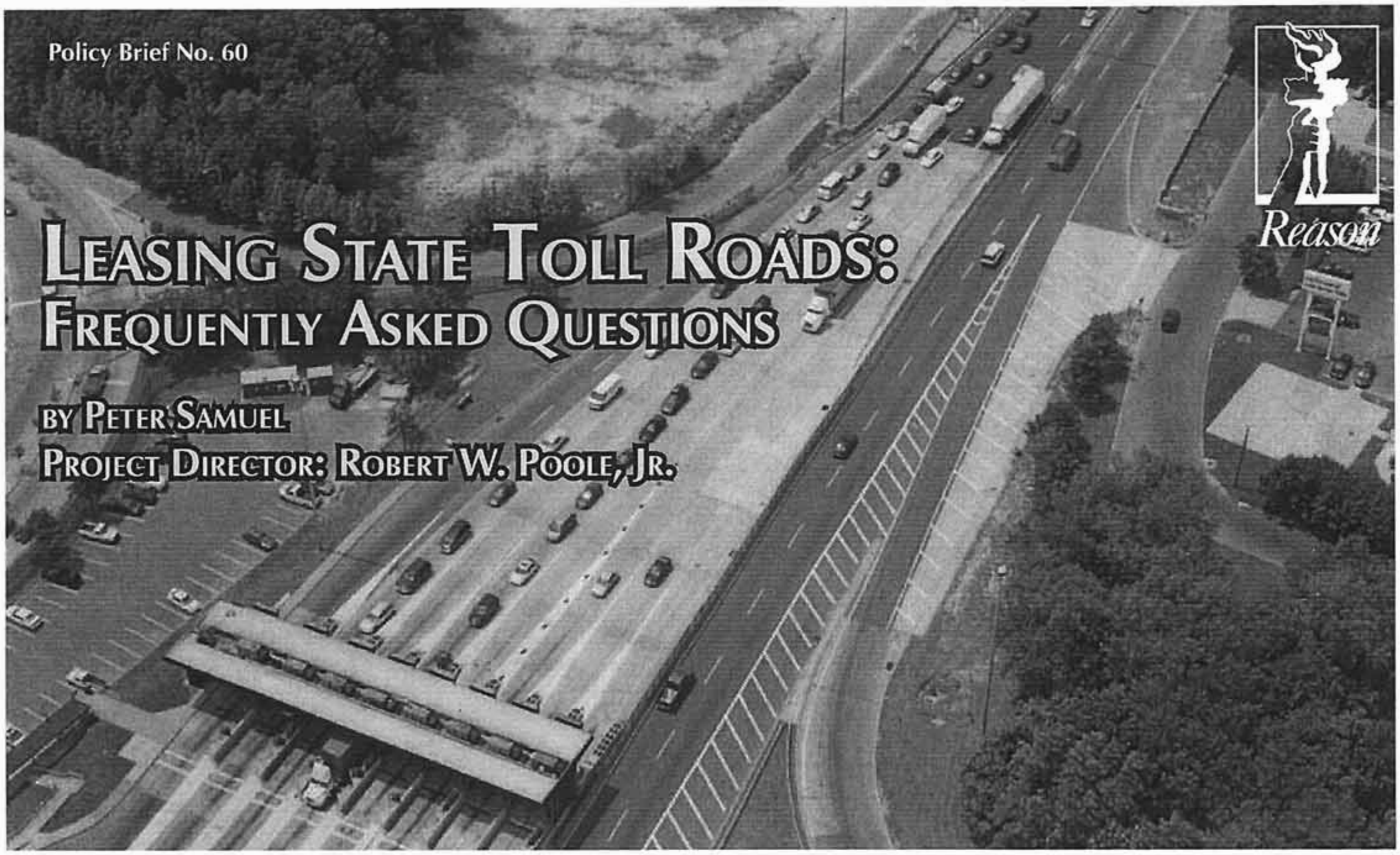


Policy Brief No. 60

Leasing State Toll Roads: Frequently Asked Questions

By Peter Samuel
Project Director: Robert W. Poole, Jr.

With many states leasing, or considering leasing, their major toll roads and turnpikes to private companies, concerned drivers are eager to learn more about the potential implications. This document is intended to answer some of the more common concerns and objections.

Why are states leasing their roads and turnpikes?

Long term leases—also known as monetization, privatization, toll concessions or public-private partnerships (PPPs)—help taxpayers unlock some of the inherent value in tollroads lost under government ownership. The extra value can be gained by state or local government owners through upfront concession fees or in profit-sharing arrangements written into the concession contracts. These leases are an effective way of financing, managing and operating roads while minimizing taxpayer costs and risks. Public-private partnerships maximize the strengths of both the public and private sectors, offering taxpayers more efficiency, accountability, and cost- and time-savings.

The major highway funding shortfall is a key reason governments are considering leasing their roads. A recent Federal Highway Administration report estimated that the annual capital investment in our highways totals $68 billion, which is $6 billion less than what's needed simply to properly maintain the condition of our highways and bridges. Moreover, an additional $51 billion per year would be needed to improve and expand the highway network just to keep up with the increasing demand for auto and truck travel.

The existing state and federal fuel tax and highway trust fund system is unable to meet these investment needs. Neither Congress nor most state legislatures have increased fuel taxes to levels that would even offset increases in fuel efficiency and inflation, let alone fund needed road maintenance and increased travel demand. So increasingly, states are turning to toll finance and PPPs to begin to fill the transportation funding gap.

Isn't it unwise for governments to cede control of roads to private interests?

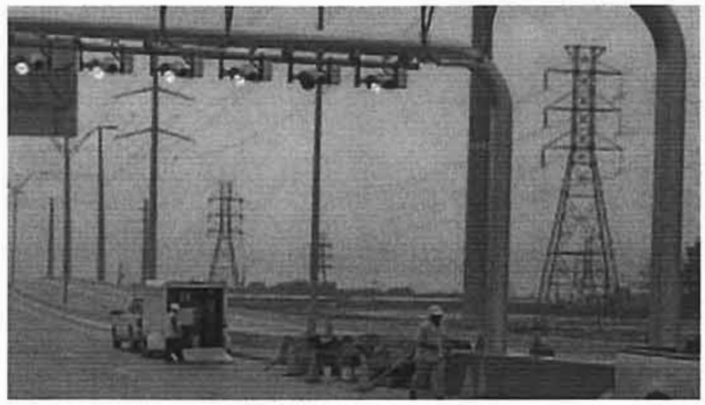
States always maintain ownership of the roads in these deals. They are never sold. Under these leases businesses are being selected according to their expertise and their bids to take over the business functioning of toll roads under conditions laid down in a concession contract designed to protect the public interest.

Concession agreements are often several hundred pages long and may incorporate other documents (e.g., detailed performance standards) by reference. The public interest is protected by incorporating enforceable, detailed provisions and requirements into the contract to cover such things as:

- Who pays for future expansions, repairs and maintenance;
- How decisions on the scope and timing of those projects will be reached;
- What performance will be required of the private toll company (i.e., safety, maintenance, plowing, and many other requirements);
- How the contract can be amended without unfairness to either party;
- How to deal with failures to comply with the agreement;
- Provisions for early termination of the agreement;
- What protections (if any) will be provided to the company from state-funded competing routes; and
- What limits on toll rates or rate of return there will be.

Aren't long-term leases just a quick fix?

Long-term leases are not just a quick fix; they offer the prospect of better service for the long as well as the short term. By putting the toll road in investor ownership, they bring the benefits of professional business management, greater operating efficiency, lower operating and maintenance costs, better customer service, less political patronage, access to



equity markets for capital, shareholders who will hold management accountable, opportunities for network economies by operating across state lines, and many other benefits.

It seems that valuable assets are being sold at fire sale prices and big business stands to make trillions. Isn't it just a license to print money?

Again, they aren't being sold. And in all recent cases governments have set minimum prices they are prepared to accept and have reserved the right to reject all proposals if none meets their expectation. The future profitability of these toll concessions remains to be seen. There are many people who think the toll road companies have paid too much. If the companies go broke, the concession is ended and the state gets the toll road back without any obligation to repay concession fees. It can then re-lease the toll road or run it itself. It is a win-win for the government.

In the case of the leases in Indiana and Chicago, the state was able to get a larger upfront payment from the private company leasing the road than they projected the road was worth under public management.

Haven't we already paid for these roads with our taxes? They belong to the public. Why we should have to pay for them over again to a private entity?

Most toll roads were financed with borrowings based on the prospective toll revenues and received little or no tax-based grant money. But in truth a road is never "paid for." It needs constant maintenance, periodic reconstruction, and occasional widening—and

many governments do not have the funds to meet these needs.

Isn't there a risk that long-term leasing of toll roads will lead to fragmentation of the national highway system and the Interstates?

It would be contrary to the interest of toll road companies to foster fragmentation. They need the best connections they can get to the rest of the highway system to get customers. The national highway system has always had diverse ownership and control. From the very beginning the Interstate highway system has been owned and operated by different state departments of transportation, cities, and independent state and bi-state and local toll road authorities and turnpikes. Private toll road operators have at least as much incentive as these public authorities to maintain connectivity and ease of use for drivers.

Won't toll road leasing mean higher tolls?

In some cases it may. Higher tolls aren't wrong if they reflect a higher level of service, if toll rates have previously been too low, or if there's inflation. Prices that are too low result in underinvestment and shortages. In some cases tolls have been set so low by government toll authorities in deference to a local constituency that they hardly cover the costs of toll collection. In the case of Indiana, the tolls on its toll road had not been increased for 20 years; thanks to inflation, the cost of collecting some of the tolls was greater than the amount of the toll payment.

Toll authorities owned by the government generally resist toll increases and commonly keep toll rates fixed for five to 15 years despite annual inflation of 3 or 4 percent each year. Then, when a financial crisis can no longer be avoided, governments often raise tolls by 30 or 40 percent in one shot. This is far more disruptive for customers than the commercial practice of raising tolls each year by a single digit percentage similar to the consumer price index. Most modern toll road leases place a cap or contractual limit on toll increases based on the CPI or growth in national productivity.

Won't private companies just try to make a profit by raising tolls or reducing service?

Lowering service would lose the toll company paying customers, which is the last thing a business wants to do. Higher tolls can also drive customers away if they aren't accompanied by reduced travel times and better service. While it is true that many drivers aren't able to be flexible about the route they take to work, there are always enough drivers with options to keep the toll company focused on service. Toll road companies have a strong incentive to increase profits by greater efficiency and enhanced service—by doing more with less. A more efficient toll road will benefit users.

But couldn't a private company double tolls and make just as much money with half the traffic?

The fear that public-private partnerships will lead to uncontrolled, sky-high tolls is unjustified. Most concession agreements to date specify an annual cap on toll increases using various inflation indices. It is important to note that those caps are ceilings; the actual rates a company charges will depend on market conditions. Before entering into any toll road project, a company would develop detailed traffic and revenue forecasts to determine how many vehicles would use the toll road at what price; too high a toll rate means fewer choose to use the toll road, which generally means lower total revenue. So the toll road must select the rate that maximizes total revenue. Over time, a company may choose to set the toll rate lower than

the caps provided in the concession agreement, especially at weekends, off-season or in recession years, to attract more drivers.

Why are these deals done behind closed-doors? Why have they been so rushed?

They haven't. Diligence and transparency are important in toll road leases. The city of Chicago and the state of Indiana went through an exhaustive process of assembling and publishing the financial history and obtaining forecasts, hiring financial and legal advisers, soliciting expressions of interest, vetting potential concessionaires, requesting bids from bidders they had qualified, obtaining competing proposals, selecting their proposed partners, negotiating a detailed contract, and gaining necessary legislative support. They published materials on open Web sites, issued press releases, and—where there was a demand—spoke at public forums. Texas, Virginia, Oregon and other states granting toll concessions for new projects have done the same.

Isn't it dangerous to give private companies the power of eminent domain to seize private property?

Toll road companies should not and have not been given the power to use eminent domain. In most places the law allows private developers of toll roads to request that the state use its existing eminent domain powers, if, when and where needed. In other cases the state acquires the land in the normal way it does for publicly operated roads and turns the right of way over to the concessionaire. Private developers tend to use eminent domain much less than state governments because they prefer settling by negotiation to going to court. In at least two cases—the Dulles Greenway in northern Virginia and the Camino Colombia Toll Road in Laredo, Texas—the toll road developer settled all land purchases without using eminent domain powers. Private toll road concessions can mean less use of eminent domain powers.

Isn't this some kind of Wall Street ploy by the major investment banks to earn big commissions?

Roads have to be financed, whether government toll authorities sponsor them or toll road companies do. Both public and private financings involve big commissions to the financiers who put together these transactions. Private transactions sometimes require smaller financing commissions than do the public equivalent because part of the money is private equity, and there is less need for large reserve funds. These services are paid for by the toll companies, who have every incentive to shop around for the best service and the lowest commission.

If there are ways to improve efficiency that a private business can see, why can't the state toll authority implement them itself and reap the profits?

Government toll authorities operate under different rules, and have different incentives from private business. They cannot compensate management for large increases in efficiency so they cannot attract the best managerial talent. Management is usually politically appointed and changes with the party in power. Top managers are expected to be responsive to the governor of the day and other top elected officials. Operations are usually confined to the boundaries of one state—for example, the New Jersey Turnpike Authority can only operate in New Jersey—limiting career paths and the scope for using internal talent and expertise. Professional toll business people in the private sector can apply lessons learned elsewhere and deploy their top talent for difficult startups or problems that arise.

Government budgetary practices may not reflect the basic business principle that you have to spend money to make money. Capital investment—for a new on-ramp or to install electronic toll collection—may generate new revenues, but government budget constraints may make it difficult to invest the needed sums in a timely fashion.

Has public opinion been ignored?

In the case of Indiana, there was a good deal of public opposition to the lease, but it certainly was not ignored. Gov. Mitch Daniels attended hundreds of meetings on the subject and made adjustments to the draft concession agreement in response to criticism. The enabling legislation was debated at length in the legislature, which voted—admittedly by a small margin—in favor. In Chicago, the Skyway lease was not controversial—and the public is happy with the private operator. Similarly in Virginia, with the Pocahontas Parkway lease, there was little criticism. In Pennsylvania there is bipartisan support for leasing the turnpike. There is vigorous debate now in Texas and New Jersey. In Texas, much of the debate or controversy has centered around Texas DOT's tolling of roads recently financed with tax dollars, questions of whether wide swathes are needed, and foreign ownership—not so much the issue of private sector involvement.

Are these leases being pushed by right-wing ideologues?

To the contrary, they are being promoted by practical public officials intent on finding new funding for transportation or coping with high levels of debt they inherited from their predecessors. Upfront concession fees can provide states with funds they can use to meet urgent transportation needs or pay off state debt, reducing future interest and repayment obligations. Mayor Richard Daley of Chicago, Gov. Edward Rendell of Pennsylvania, and Gov. Jon Corzine of New Jersey are all centrist Democrats. Other prominent Democratic supporters include former California Treasurer Kathleen Brown and former Congressman Dick Gephardt. Labor and centrist governments in Australia,

Canada, Britain, France and other countries have pursued long-term leasing or concessions.

Won't the politicians just squander the billions they get from the lease?

They'd better not. Given the intense spotlight being shone on toll road leasing, it is unlikely the proceeds will be squandered. In Chicago the proceeds were used to retire city debt and set up a rainy day fund, with a small amount going to fund social services. In Indiana all of it was used to fund a major 10-year highway investment program called "Major Moves." In Pennsylvania the proposal is to use the lease proceeds to fund urgent road and transit improvements. In New Jersey, draft enabling legislation provides for the proceeds to be used to reduce the state's enormous debts, the interest on which is a major drain on taxpayers.

Aren't there other ways of involving private enterprise in toll roads without large upfront payments to governments and nothing for taxpayers beyond that?

The state (or county or city) has flexibility in how it negotiates the lease payments. Texas and Virginia have both negotiated long-term leases which provide for a smaller upfront payment but a 50/50 profit share beyond a set rate of return. In Europe, concession agreements have been crafted which provide annual payments with no upfront fee. In Australia, the bidding on one particular project was not based on the size of the concession fee but on the lowest toll rates.

For a state entering into a concession deal, there are two key trade-offs between upfront payment versus ongoing lease revenues over the life of the agreement: (1) current capital needs versus long-term needs, and (2) a "sure thing" (upfront payment) versus some risk as to what future revenues may be. There is no right answer; each state must weigh the trade-offs involved with each individual project.

Isn't it a fatal flaw of toll road leases that the state loses control of the public highways?

The state still owns the roads and continues to exercise general control through the terms of the concession agreement: the requirements for service, negotiated provisions for widening and other improvements. Politicians do lose the ability to make politically motivated management appointments and to steer maintenance and construction contracts to favored firms. Many would say that is a benefit.

Isn't 50+ years far too long to lease valuable roads? State governments are committing future generations when they cannot predict what the needs will be.

Changing circumstances will probably require revisions to the leases. That is why all concession agreements have detailed provisions to permit changes during their term. Concession agreements lay down procedures for negotiating changes and arbitrating disputes, and employing independent parties to make fair financial estimates. The only limit to changes in the terms of the concession is normally that neither side—public nor private—should be disadvantaged financially by the changes.

State governments regularly make commitments that impact taxpayers for longer than 50 years. Bonding for infrastructure and changing pension benefits are two examples. Because the capital costs for major infrastructure projects are so high, it is necessary to finance them over long periods of time.

Non-compete clauses in concession agreements prevent the construction or improvement of parallel roads, preventing competition. Isn't this bad?

Nearly all self-financing toll roads, whether government or privately owned, need some protection from tax-financed alternative roads. This is akin to the world trade rules that limit European governments subsidizing Airbus. Just as Boeing cannot be expected to sell in competition with a heavily subsidized Airbus, so toll roads cannot be financed if taxes are used in unrestricted fashion to provide equivalent parallel service free of charge.

Clauses designed to protect toll road operators from the construction of new, parallel "free" roads have evolved over the years. The earliest approach—an outright ban on alternative facilities—proved to be flawed, unnecessary and unpopular, giving rise to modern agreements that include a much wider definition of what the state may build: generally, everything in its current long-range transportation plan. And for future roadways a state might build that are not in its existing plan and which do fall within a narrowly-defined competition zone, the current approach is to spell out a compensation formula for any damage done to toll revenues.

Two recent long-term lease transactions provide a useful illustration. For the Chicago Skyway concession, there were no protections from competition for the private-sector lessee. For the Indiana Toll Road, the concession agreement set up a narrow competition zone alongside the toll road (within 10 miles). The state may add short, limited-access parallel roads (e.g., local freeways), but if it builds a long-distance road within the competition zone, there's a formula for compensating the private sector for lost toll revenue.

Why are so many private toll road companies foreign companies?

Until recently the United States had used only public-sector agencies to build and operate toll roads, so there has been no opportunity for the industry to grow in the U.S. Foreign countries have been using transportation public-private partnerships for decades, so it makes sense that foreign firms would be the most experienced toll road providers. A respon-

sible state government will take experience and track record into account when choosing a private firm to operate a roadway.

As the U.S. market matures, we are starting to see the emergence of domestic toll road companies. Already, joint ventures between U.S. and global companies are bidding on public-private partnerhips projects—Fluor/Transurban, Zachry/Cintra, Kiewit/Macquarie, JP Morgan/Cintra to name several recent examples. Likewise, U.S. financial institutions have been creating multi-billion-dollar infrastructure investment funds, so these deals will soon be tapping U.S. capital in a major way.

It's important to remember that even deals which only involve foreign companies are very good for the U.S. economy. Attracting billions of dollars in global capital and expertise to modernize America's vital highway infrastructure is a large net gain for this country. Further investment in our transportation infrastructure makes the U.S. more competitive in the global marketplace.

In the post 9/11 world, wouldn't we be safer if the government or U.S. companies —as opposed to foreign companies—were managing U.S. infrastructure?

In an age of terrorism, fears of "foreign control" are often expressed. Wherever their shareholders reside, toll road companies have a strong self-interest in robust security and safety. Their financial viability depends heavily on the toll road remaining open and functioning without interruption. Further, foreign firms are subject to the same legal and regulatory security requirements as any domestic firm or public agency. Concession agreements usually provide for state police to do their policing on the road, as before. Security vetting of employees can be implemented, and improved surveillance systems made part of the concession agreement.

Aren't toll road leases more monopolization than privatization? The service plazas all go into the control of a single owner at the expense of many small businesses along the route.

Concession agreements can provide for the service plazas to be included, or they can be excluded. If they are included in the concession agreement, there can be provisions requiring competitive franchisees.

Aren't toll leases a disaster for workers who will be put out of work?

If workers are getting reasonable labor-market wages and working conditions, they are likely to be offered work by the private toll company, since they have valuable skills and local knowledge. On the Indiana Toll Road about 85 percent of state workers were offered jobs by the company. If workers are paid well above the going rate for labor due to featherbedding of labor unions, as was the case at the Chicago Skyway, then certainly it will be unlikely workers will keep their jobs at the inflated pay rates. They will have to settle for normal wages or find new jobs. Also, government toll authorities are steadily shedding staff themselves as electronic toll collection reduces or eliminates toll booths. The New Jersey privatization legislation provides generous—some think too generous—compensation for toll road workers.

Haven't the interests of the consumer been forgotten?

Toll road companies have to give top priority to serving the needs of customers in order to generate high usage of their toll roads. When the Spanish/Australian group took over the Chicago Skyway, they made an intense effort to improve management of toll lanes at peak times and to better match toll collector staffing to traffic. Then within several months, they implemented electronic toll collection, something the city had not been able to accomplish in years. As a result of these two actions, lines and delays at the toll plaza have been largely eliminated, and more traffic is being attracted to the tollway from competing free roads. The company is pushing ahead quickly on reconstruction of a large section of the 40-year-old elevated structure. Government toll authorities are often in the awkward position of having to balance delivering value to their customers with political pressures.

ABOUT THE AUTHOR

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—Thomas Jefferson, 1801

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