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David Stokes is a policy analyst at the Show-Me Institute, which promotes market solutions for Missouri Public Policy.

TESTIMONY

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SHOULD MISSOURI TOLL INTERSTATE 70?

By David Stokes

Testimony Before the Missouri Legislature's Joint Committee on Transportation Oversight

To the Honorable Members of the Committee,

My name is David Stokes and I am a policy analyst for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own. This testimony is intended to summarize research and analysis that the Show-Me Institute has released concerning the benefits of toll roads and public-private partnerships, and how that research is relevant to a plan to reconstruct Interstate 70. This testimony should not be viewed as specific support for, or opposition to, any particular plan that the Missouri Department of Transportation (MoDOT) has put forth beyond MoDOT's general proposal that tolling, public-private partnerships (PPPs), and private financing should be used in rebuilding I-70.

The Show-Me Institute has released two policy studies relating to toll roads and

public-private partnerships, including a study by one of America's leading transportation and infrastructure economists¹. This testimony is generated from the detailed analysis within those studies, and I hope this committee will find those studies helpful. Copies of those studies and other Show-Me Institute work on toll roads are included with this testimony.

Think, if you will, about the difference in the taxes that property owners pay to fund local parks and the entrance fee your family pays to visit Yellowstone National Park. That is the appropriate framework to begin discussing toll roads. Everyone in the community can access local parks so general taxes support their existence. A much smaller percentage of people visit Yellowstone each year, and those people support it with an admission fee. Interstate highways are like Yellowstone – admission fees (tolls) are the preferred means of funding.²

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Let us make the assumption that MoDOT's proposed reconstruction of I-70 is genuinely necessary (which I believe it is). With that assumption set, the focus simply becomes: Is tolling I-70 via a public-private partnership a good public policy decision? I believe it is.

As many members of this committee likely know, Missouri has less history with tolling than other states. Most toll bridges across rivers in Missouri were converted to free facilities decades ago. Two bridges operated with tolls until recently — one just north of downtown Saint Louis and one connecting Missouri and Iowa. The only toll facility now in use in Missouri is the Lake Ozark Community Bridge, which opened in the 1990s. Unlike neighboring states Illinois, Kansas, Kentucky, and Oklahoma, Missouri has never tolled its highways.³ In recent years, Illinois and Indiana have been among the leaders in demonstrating how private companies can successfully operate toll roads via public-private partnerships.⁴

The economic literature on the use of public-private partnerships and toll roads (the two are almost always related) to provide highways is clearly positive. This includes economic analyses that do not support the use of PPPs in many other public services, such as health care or education. Simply put, the use of public-private partnerships to fund and operate transportation infrastructure has been studied and found to be an effective method of meeting the public interest.⁵

The economic literature offers guidance in many ways. For instance, if there is no competing, free road along the bulk of I-70, it will be necessary for state government to regulate the toll rate that is charged.⁶ It will also be necessary for the government and the private contractor to have a full

understanding of MoDOT's rights to construct potentially competitive, non-tolled roads going forward. Finally, whoever the private operator ultimately may be, it is imperative that they face a level of financial risk with the project. It is exactly that risk that will drive the efficiency gains that mark the primary advantage of private participation.⁷

MoDOT's basic plan is to have a private contractor reconstruct and toll the part of the highway between Saint Louis and Kansas City, but leave the parts within the urban centers toll-free. Without tolls, MoDOT officials have estimated that Missouri would have to increase the gas tax 15 cents per gallon to fund this project. This would almost double Missouri's current tax of 17 cents per gallon. The future toll rate (or rates, if they are adjustable, as they should be) may be unknown, but the rate should be high enough to fund the highway and discourage congestion,⁸ but low enough to discourage long-distance travelers from taking alternate routes, leading to below capacity level on I-70 and congestion on alternate routes.

A Missouri driver, using baseline assumptions of driving 20,000 miles per year in a car getting 25 miles per gallon, would pay \$120 more per year in gas taxes after a 15-cent increase. That would equal eight trips on I-70 if we estimate a \$15 toll to cross the state. However, all Missouri motorists and anyone else buying gas in Missouri would pay that tax increase, whether they use I-70 or not. Truckers and frequent highway travelers would likely have to pay more with a toll than with a gas tax increase. There is nothing unfair about that because they are the people choosing to use the asset and drive the road.

Heavy trucks, in particular, do significantly more damage to the highway than automobiles. One frequently-cited federal government study in the 1970s found that a single 18-wheeler loaded to the maximum allowable weight (80,000 pounds) did as much damage to a highway as 9,600 automobiles.⁹ Regular and diesel gas taxes in Missouri are the same, so toll roads are the best option to deal with the exponential differences in costs that trucks impose, more than cars, on the highways. None of this is meant to say that a toll should be set to discourage truckers from driving in Missouri. I am merely stating that differentiated truck tolls are one way to recover a small portion of the difference in highway maintenance costs that heavy trucks cause.

How should one pay for public goods and services, through taxes or user fees? Good public policy often comes down to the economic questions of rivalry and excludability. Pure public goods are non-rivalrous (meaning that your consumption of it does not limit my consumption) and non-excludable (meaning that it is difficult to prevent someone from using a particular good). Sound public policy suggests that general taxes pay for those types of public goods. A local road system is not excludable (there is no means of keeping someone from leaving their driveway and driving on the street)¹⁰ and non-rivalrous (your use does not impede my use, although congestion makes any road rivalrous in certain conditions). Taxes, such as a general gasoline tax, are preferred for these systems.

Inter-city highways and many bridges do not meet those standards for public goods. It is easy to exclude a driver from a major bridge or highway, and they are more rivalrous than

local roads because there are fewer alternative routes. Smart policy is to pay for those services via fees — in this case, tolls.

Finally, during this debate about tolling, it is imperative to note the amazing technological improvements to toll facilities over the past decade. Modern technology has drastically reduced, and for some people eliminated, the need for long toll lines and waits at regular toll plazas. The majority of the new toll transactions will occur electronically and, for many drivers, there will be no need to stop with any new system implemented in Missouri. This technology can also be used to ensure that the imposition of a toll would not disproportionately harm Missourians who live along I-70.¹¹

In conclusion, tolls provide the necessary funds to build and maintain the road assets that benefit certain users, such as truckers, more than others. They provide a reliable source of funds to maintain the road in the future. With the recent technological improvements to tolling, fees can be efficiently collected without the long lines at toll plazas that some people may remember. Every state should consider moving in the direction of lower general taxes for roads and more tolls where appropriate. Interstate 70 in Missouri is one road where it is appropriate.

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NOTES

¹Small, Kenneth A., Ph.D. "Private Provision of Highways: Economic Issues." Show-Me Institute Policy Study No. 17, November 2008.

²The total number or percent of people who use a good is less important than the efficiency of charging admissions and eliminating freeriders. It would be expensive and ineffective to try to collect a fee from everyone who walks into a neighborhood park or drives a local road, no matter how few people may do so. It is comparatively easy and efficient to collect a fee for attending Yellowstone or driving an interstate highway, no matter how many people may do so.

³Kentucky has historically made heavy use of tolls, but currently does not have any tolls. In my opinion, it is likely the state will return to tolling in the future as new highway projects are needed.

⁴More specifically, the city of Chicago has led the way in this regard, more than the state of Illinois.

⁵Stokes, David C., Leonard Gilroy, and Samuel Staley, Ph.D., "Missouri's Changing Transportation Paradigm," Show-Me Institute Policy Study No. 14, February 2007, pages 17-19.

⁶Small, p. 17.

⁷Stokes, pages 19-20.

⁸Using toll pricing to discourage congestion is more of an issue in urban areas than for this proposed plan.

⁹Comptroller General's Report to the Congress: "Excessive Truck Weight: An Expensive Burden We Can No Longer Support." CED-79-94, p. 23.

¹⁰At least no means of doing so that would be cost-effective and not raise significant privacy concerns.

¹¹Missourians who live along I-70 and use it for routine daily travel could receive discounted toll rates, a credit on gas taxes paid, or other creative solutions that may be in the public interest.



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