IBTTA

International Bridge, Tunnel and Turnpike Association

DRIVING CHANGE SINCE 1932

TESTIMONY BEFORE THE

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

MARCH 30, 2011

"Improving and Reforming the Nation's Surface Transportation Programs"

FRANK MCCARTNEY

PRESIDENT

INTERNATIONAL BRIDGE, TUNNEL & TURNPIKE ASSOCIATION

IBTTA is the worldwide association for the owners and operators of toll facilities and the businesses that support tolling. Our mission is to advance toll financed transportation. Each year the association engages thousands of transportation professionals from toll agencies, concessionaires, and allied businesses through educational meetings, knowledge sharing, and advocacy. Founded in 1932, IBTTA has members in more than 20 countries on six continents.

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Introduction

Chairman Duncan and members of the subcommittee, good morning. My name is Frank McCartney. I am the president of the International Bridge, Tunnel and Turnpike Association. Thank you for giving us the opportunity to present our views on the very important subject of reforming and improving our nation's surface transportation programs.

IBTTA is the worldwide association for owners and operators of toll facilities and service providers to the toll industry. Our mission is to advance toll-financed transportation. Each year the association engages thousands of transportation professionals from toll agencies, concessionaires and allied businesses through educational meetings, knowledge sharing and advocacy. Founded in 1932, IBTTA has more than 60 toll agency members in the United States and hundreds more in 20 countries on six continents.

In addition to my role with IBTTA, I am the executive director of the Delaware River Joint Toll Bridge Commission in New Hope, Pa., where I have served since May 1999. As executive director, I manage a $47 million annual operating budget and oversee a staff of 350 full-time employees. I also direct the commission's $1.2 billion comprehensive capital improvement program to preserve and better manage our agency's 20 bridges.

I am also a member of the executive management committee of the E-ZPass Group, which oversees the largest region of electronic tolling interoperability in North America. E-ZPass includes 24 toll agencies in 14 states. The group has more than 20 million transponders in circulation. It handles more than 2 billion toll transactions and collects $7.3 billion in tolls each year with proven reciprocity for toll operators and full interoperability for motorists.

Tolling is a piece of the puzzle

No doubt, identifying bold new methods for funding and financing our nation's surface transportation programs will be difficult. My goal is make your job a bit easier by presenting tolling as one solution that will help solve this challenge.

What can tolling bring to the table? In short, a proven and increasingly popular method for funding major surface transportation infrastructure. Consider: Most of the more than 60 U.S. toll agency members of IBTTA receive no federal or state funds to support their day-to-day

operations – yet, in one year, they generate $10 billion in tolls. That is equal to one-third of the federal gas tax revenues generated annually. If the tide is receding on the fuel tax – and, indeed, it is or we wouldn't be here today, then that statistic is reason enough to consider tolling and pricing as alternative funding solutions.

Today's toll agencies are extremely productive, self-sufficient and efficient in terms of their ability to generate revenues to support their operations and investment needs, while also creating value for customers through high service levels, reliability and mobility options.

Tolling is not the only solution to funding transportation, but it is a very important solution.

The IBTTA has tried to be very clear that we are not suggesting tolls and pricing are appropriate for all transportation projects. Certainly, there are systems and roadways with too little traffic or demand to support a pricing mechanism that could effectively recover the cost of operation.

Tolling is central to transportation infrastructure because it establishes a direct connection between the use of the road and payment for that use. For too long, motorists have falsely believed our roads are free. Our highways are not free nor have they ever been. However, it's easy to see why that misperception persists. There is no direct link between paying the fuel tax and using the roads it funds. Tolling re-establishes that connection.

We should never forget that tolled turnpikes, such as those in Pennsylvania and other states, were America's first "superhighways" built without federal support long before the interstate era. The pages of modern U.S. toll history are full of major capital projects whose capital outlays and risks stretched beyond states' means. Pennsylvania, New Jersey, New York, and Maine all developed major cross-state roadways, bridges and tunnels in the first half of the 20th century.

They built these facilities by creating quasi-governmental authorities, which could issue bonds and finance the projects outside of the normal legislative and budgetary cycles. These entities acted less like governments and more like businesses, dispersing among bondholders the risk of any given project. Until recently, the interstate highway system and the evolution of significant federal funding for highways eliminated much of the impetus for toll road development. Now, tolling is enjoying a tremendous comeback.

In the past decade, we have seen a resurgence in toll financing to support new construction projects sponsored by state, county and local governments – including the formation of 19 new toll agencies nationwide. The vast majority of those projects are outside of the federal-aid system, due largely to restrictions under current law, as well as a traditional bias against tolling existing interstate highways. Because of the erosion in proceeds from the fuel tax and reductions in federal and state funding for transportation, city, county, state, and regional governments are stepping up to fill the void, by once again, going to investor-based financing models to pay for the projects their constituents need now and in the future.

Advances in toll technology are driving adoption and acceptance

All over the world – even in the United States – tolling is becoming much more popular. Why? Technological advances are making it infinitely more convenient. With open road tolling,

motorists pay their tolls at highway speeds unhindered by toll plaza congestion. In addition, toll agencies can regulate congestion with variable pricing. As rush-hour traffic increases, tolls increase to manage volume and ensure smooth, reliable trip times. As rush-hour traffic tapers off, tolls decrease to encourage use of the facility.

In California, customers traveling on the S.R. 91 Express Lanes enjoy a free-flowing alternative to the adjacent, congested general-purpose lanes. An analysis of the S.R. 91 project shows the variably priced express lanes have reduced congestion, and, over time, an increasing number of drivers – from all income levels – use the lanes. Although roughly one-quarter of the motorists in the toll lanes at any given time are in the top income bracket, data show the majority are low and middle-income motorists. [1]

Advances in tolling technology allow us to manage our highway systems more efficiently by squeezing more capacity from our existing assets and raising large amounts of new money.

Not just a hammer, but a toolbox

Just as you can't build a house using only a hammer, you can't build and maintain a transportation system using only a fuel tax. One of my rally cries as IBTTA president has been *e pluribus unum*: Out of many, one. I believe it is appropriate for today's testimony, as well. Out of many solutions, we can preserve and build upon the world's greatest transportation system.

Ladies and gentlemen, you will hear many solutions for improving and reforming our transportation system today. I hope it makes your job a little easier to know that you don't have to pick just one. Funding today's transportation system requires many solutions. The more, the better. Transportation authorities need a toolbox of funding options, and the flexibility to craft those options to address local needs – and out of many solutions will come one efficient transportation system. I am here on behalf of IBTTA to urge this Committee and Congress to adopt the following five solutions for reforming and improving U.S. surface transportation:

1. Remove barriers to tolling and pricing.

Last December, the IBTTA endorsed a joint statement of the members of the National Surface Transportation Infrastructure Financing Commission and the National Transportation Policy Project of the Bipartisan Policy Center. The critical role of direct user fees is a central tenet of the joint statement.

Granting states the ability to consider tolling is even more critical now when federal and state revenues are so constrained and nationally significant highway, bridge and tunnel infrastructure is in need of repair. However, current federal policies seriously restrict the ability of tolling agencies to participate in the federal-aid program. A handful of modifications, implemented over time, allow a limited number of existing interstate bridges or tunnels to be tolled facilities. Limited demonstration programs have allowed conversion of a handful of existing interstate highways or construction of missing interstate links to be tolled facilities. And, "pricing" programs allow the application of high-occupancy toll (HOT) concepts as a congestion management tool. But, despite these pilot programs, there still remain far too many obstacles to tolling.

The original interstate mileage incorporated several thousands of miles of tolled highways. In addition, tolling seriously was considered as the primary financing mechanism before the determination was made to rely on the fuel tax. I suggest it is time to revisit what is still an "innovative" though not "new" financing method.

The IBTTA strongly supports the provision that "Congress should remove barriers to tolling and pricing," as advocated by the members of the National Surface Transportation Infrastructure Financing Commission and the Bipartisan Policy Center. In addition, the IBTTA believes relaxing federal-aid constraints should be a priority in any further program extensions or authorizations. Removing the barriers to tolling would encourage states to begin the massive effort to reinvest in failing highways and build new ones. That investment, in turn, will create jobs and help turn around the economy.

As former Pennsylvania Gov. Ed Rendell said at a recent IBTTA conference, "Infrastructure is one of the sexiest words around. When you invest in infrastructure, you grow the economy and create jobs. It's as simple as that."

2. Significantly expand TIFIA resources.

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a federal credit program for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation may provide three forms of credit assistance: secured (direct) loans, loan guarantees and standby lines of credit. The program's fundamental goal is to leverage federal funds by attracting substantial private and other non-federal, coinvestment in critical improvements to the nation's surface transportation system.

Let me give you just one example of how effective – and pivotal – the TIFIA financing mechanism can be. Two years ago, the North Carolina Turnpike Authority closed on a $1.01 billion financing package for the new 18.8-mile Triangle Expressway that included $270 million in toll revenue bonds, $353 million in state appropriation bonds and a $387 million federal TIFIA loan.

Out of many sources will come one great piece of transportation infrastructure. The Triangle Expressway will be North Carolina's first toll road and is expected to save the average commuter about 80 hours of travel time per year.

Here's the kicker: The project had been on the state's long-range transportation plan for years, and it looked as if it were going to remain there, as the North Carolina Department of Transportation would not have the necessary funding for another 20 years. By tolling the Expressway, the state will deliver the billion-dollar project decades sooner than otherwise possible. [2]

TIFIA can be an enormously helpful tool in advancing new projects, such as the Triangle Expressway. Many projects have been submitted for consideration, including ones that rely on both toll revenues and federal credit assistance to bring projects to life. TIFIA helps states get that last bit of funding to achieve a project they could not otherwise achieve. However, the

program has been tremendously oversubscribed. The demand is evident. The need, great. For those reasons, the IBTTA encourages the Committee to continue the TIFIA program and expand TIFIA credit assistance to between $5 billion and $10 billion.

IBTTA supports and endorses Geoffrey S. Yarema's testimony before the Committee on Transportation and Infrastructure at the Central Florida Field Hearing on March 14, 2011, specifically related to the funding and financing of highways.

3. Leave decisions about tolling "interoperability" in the hands of the toll industry.
"Interoperability" allows a driver to use an electronic tolling account and transponder issued in one locality or region on toll facilities in other localities or regions – just as you would buy your cell phone in one city but use it almost anywhere in the United States. The concept of interoperability involves technology, as well as business rules and agreements between the respective toll agencies across the nation.

Although we appreciate the interest of the Committee in this issue, the IBTTA and its members are concerned that specific guidelines or other prescriptive federal efforts actually may impede the industry's movement to broad-scale interoperability. The toll industry has been a leader in moving interoperability forward. It has been achieved, through agency cooperation, where it has been economically feasible and provided true value to customers.

Virtually every toll agency in the country has established electronic toll collection (ETC) to expedite traffic on their facilities. Most toll agencies serve a largely local population on a daily basis and have to weigh the costs associated with becoming interoperable against the value accruing to a relatively small, infrequent and transient population.

These toll agencies first generate buy in of ETC among their core users. By allowing a voluntary customer-driven demand for ETC, the market itself has created the need for interoperability with neighboring toll agencies. This has been the case with E-ZPass in the Northeast and with similar regions of interoperability in Florida, Texas and California.

The technology to accommodate multiple protocols of electronic tolling in roadside equipment and in-vehicle devices is just becoming commercially available. Toll operators and other transportation interest groups are looking hard at how to build the business rules and agreements required to harness these advances toward broader interoperable tolling.

IBTTA is integrating activities of its operating and service provider members in a specially focused interoperability agenda. We are also working cooperatively with other industry interests (e.g. the Alliance for Toll Interoperability, the I-95 Corridor Coalition, the E-ZPass Group, Florida's SunPass agencies, among others) to forge a common interoperability agenda.

IBTTA intends to work cooperatively with both Congress and the U.S. Department of Transportation to guide the advancement of interoperability. We also believe toll agencies are best suited to implement interoperability because they have the closest and clearest knowledge of the business rules and technical know-how to achieve it. We encourage you to leave the legwork of interoperability to us.

4. Give states, localities and agencies maximum flexibility to choose the financing tools that best align with local needs.

As noted earlier, we have seen a resurgence of interest in toll financing to support new construction projects, sponsored by state, county and local governments. We also have observed a new crop of investors, who see transportation facilities as an investment opportunity that will produce long-term, reliable returns.

With current federal and state budget constraints, it is clear we will be unable to address our infrastructure funding needs with government resources alone. Public-private partnerships are a proven, "we-know-this-works" method for delivering and operating successful projects in transportation and many other sectors of the economy. Also, concession projects – in which a private party obtains the right to operate an infrastructure project or facility on behalf of a government entity for a specific time – also are a practical way to provide mobility.

We encourage you to make these flexible, innovative financing tools available as part of the overall financing toolbox of state, county and local governments.

5. Begin the transition to mileage-based user fees.

While the fuel tax is the major source of funding for highways today, it clearly is not a sustainable source of funding for the future. The federal fuel tax, as we know, has lost more than one-third of its purchasing power since 1993, reinforcing the argument for a mileage-based user fee system. Indeed, a recent Transportation Research Board study titled, "The Fuel Tax and Alternatives for Transportation Funding," urges the federal government to embrace tolling and move toward a vehicle miles traveled (VMT) charge to pay for highways.

IBTTA applauds the joint statement of the members of the National Surface Transportation Infrastructure Financing Commission and the National Transportation Policy Project of the Bipartisan Policy Center that "reliance on user funding should be restored and strengthened" and "we must begin to transition to a more direct user fee based on vehicle miles traveled (VMT)."

As we rely more and more on renewable energy and less and less on petroleum-based fuels, we must develop a transportation funding mechanism that matches our usage patterns. Tolling is the original VMT fee in America. Now, with nearly universal acceptance of electronic tolling and the rapid conversion of toll roads to all-electronic toll collection (AET), the toll industry is blazing a path toward the adoption of a VMT fee to pay for highway transportation.

A new $14-million, five-year study for the federal government by the University of Iowa shows a VMT fee likely would be accepted by motorists. The study, to be released soon, provided 2,500 motorists in 12 areas of the United States with a system that used GPS, a small data recorder and a cellular data link to track and transmit their mileage to the research team. The motorists were sent monthly statements indicating what their tax bills would have been.

Initially, only about 20 percent of study participants were in favor of a VMT fee, with 80 percent opposed. By the end of the study, 70 percent were okay with a VMT fee, and only 9 percent were strongly opposed. [3]

Planting the seeds of change

Just as you would prepare soil before planting new seeds, we must prepare the public for the seeds of significant change that are inevitable in surface transportation funding. True with other forms of innovative pricing, such as the S.R. 91 Express Lanes I referenced earlier, the Iowa University study shows public acceptance levels rise with education.

The changes discussed here today will require engaging and winning broad public support for the effort. We need to do a much better job of educating the public about the costs and dangers we face if changes aren't made. Americans need to understand our roads aren't "free" and never have been. And, those who do understand still are surprised to learn how little in federal fuel taxes they do pay – $160 per person per year. That is a message we must communicate better than we are now – and one we must connect to a result. We need to trumpet our successes, providing clear evidence that change brings improvements in faster travel times, money saved, a stronger economy and a better quality of life.

Call on us

The IBTTA is keenly aware of the struggles at the federal, state and local levels to manage new traffic demands while continuing to maintain and rehabilitate existing infrastructure. The expiration and repeated extensions of the current federal surface transportation program, SAFETEA-LU, exacerbates these problems by creating uncertainty among transportation providers and policymakers. It also inspires urgency.

The IBTTA stands ready to help. Our members in the United States and abroad are rich in knowledge and expertise and eager to help create a new vision for our surface transportation system – a vision that provides a funding mechanism to fix our deteriorating infrastructure, reduces growing congestion and greenhouse emissions, and provides a sustainable national transportation system.

Chairman Duncan and members of the subcommittee, let the IBTTA help you shoulder the burden of reforming and improving transportation policy. Tolling is a viable, proven solution, and it needs to be given its rightful place in funding and financing America's surface transportation infrastructure. Give us the tools we need to expand the use of tolling in the United States and preserve one of our most precious assets, our mobility.

Thank you for the opportunity to present the views of IBTTA members and the tolling community.

1. FHWA, A Guide to HOT Lane Development, March 2003
2. HNTB *Designer* magazine, No. 92, 2010
3. Posted March 17, 2011, 11:33 a.m. by Dave DeWitte/SourceMedia Group News

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name: Frank G. McCartney

(2) Other than yourself, name of entity you are representing:
International Bridge, Tunnel and Turnpike Association;
Delaware River Joint Toll Bridge Commission

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES **If yes, please provide the information requested below and attach your curriculum vitae.** (Frank McCartney's CV is attached.)

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

No grants or contracts received during the current fiscal year or either of the two previous fiscal years.

Signature

March 23, 2011
Date

BOARDS AND COMMISSIONS

2007 – Present **International Bridge, Tunnel, and Turnpike Association (IBTTA)**
President, 2011; Member, Board of Directors, 2007 - Present

Elected September 2010 to lead worldwide alliance of toll operators and associated industries to promote and enhance toll-financed transportation services. IBTTA includes 250 members in 23 countries on six continents.

2001 – Present **E-ZPass Inter-Agency Group (IAG) Executive Management Committee**
Chairman, 2010; Member, 2001 – Present.

Serve as chairman of the selection committee for the next generation election toll collection system to be selected in 2011 and implemented at the IAG's 24 member agencies in 14 states.

2007 - Present **University of Scranton Alumni Society, Board of Governors Member**

Responsible, along with fellow board members, for setting the goals for alumni activities and establishing policies of the Alumni Society.

1995 - 2011 **Southeastern Pennsylvania Transportation Authority (SEPTA)**
Board Member, House Majority Leader Appointment

- Chair, Government Relations Committee, 2005 – 2011
- Chair, Audit Committee, 2007 – 2011

1985 - 1986 **Delaware River Port Authority**
Commissioner — Treasurer's designee

PUBLICATIONS

McCartney, Frank, (2006). "Confronting Aging Infrastructure: The Successful Restructuring of a Midsize Transportation Operator," *Tollways: The Journal of the International Bridge, Tunnel, and Turnpike Association*, Winter 2006.

EDUCATION

1974 M.B.A., Finance
University of Scranton

1969 B.A., Economics
University of Scranton

MILITARY EXPERIENCE

1969— 1972 U.S. Army, 3~ Armored Calvary
Chief of Survey and Fire Direction
Honorable Discharge