

Notes for Debate on

TOLL ROADS VERSUS FREE ROADS

November 3, 1947, Mayflower Hotel

Sponsored by

American Automobile Association

Participants:

Free Roads (H. S. Fairbank, Deputy Commissioner, Public Roads Administration
(C. L. Dearing

Toll Roads (Sen. Ralph A. Winter, Ohio
(T. J. Evans, Chairman, The Pennsylvania Turnpike Commission

TOLL ROADS VERSUS FREE ROADS

General Statement

by

Charles L. Dearing

The Brookings Institution

As in most controversies involving complex and technical issues, our discussion of this problem will prove fruitless unless we can agree on, or at least be clear about, what we are debating. Consequently I should like to take a moment to define what Mr. Fairbank and I mean by the term and concept "free roads."

The term has very limited usefulness in connection with this problem. Its only specific meaning relates to the legal and juridical aspects of highway access and use. In this sense, it serves to distinguish the features of our road and street system from other public service enterprises such as the railroads and airways.

From the standpoint of economic definition the term is mischievous. For it implies a false issue as between paying directly for a service or obtaining it for nothing.

The principle that motor vehicle users should defray the costs of major road and street facilities is so firmly established and generally accepted by all parties at interest as to be beyond the realm of serious debate at this juncture. Consequently it would seem that the issue at hand is simply this: Do toll roads afford a generally superior technique of highway administration and finance to that provided by the system of highway programming and user taxation that has been developed over the past quarter of a century? In my judgment the long-run problem must be faced squarely in terms of these alternatives.

Clearly no enterprise, whether publicly or privately owned, can operate simultaneously under two distinctive methods of programming,

(control, and pricing.)

control, and pricing. One or the other of the two methods must be applied consistently to the entire undertaking, or the enterprise must be broken up into major segments with specialized administrative and financial techniques applied to each.

Isolated examples of superior facilities financed by tolls are interesting but inconclusive. Everyone recognizes that under special circumstances toll facilities may serve a useful purpose. But this provides no standard for solution of the broader problem. For we must evaluate the toll road device as ^{an} all-out competitor of the system currently in use.

In order to do this, I believe we must find accurate answers for two questions:

1. Is the system of highway control and financing as now constituted adequate for the highway task that lies ahead? If not, what are the principal deficiencies?

2. Can the observed deficiencies be corrected more effectively by revision of the conventional system or by the substitution of some alternative method such as toll roads?

My conclusions on these questions may be summarized as follows:

1. Our current system of highway financing will prove inadequate for the formidable program of highway modernization which lies ahead unless certain deficiencies are removed.

In the financing of any governmental service, such as the provision of roads and streets, there is only one valid basis for defraying any portion of the costs by special charges rather than general taxation. It must be demonstrated that certain known individuals or groups receive benefits which

(are different in nature)

are different in nature and extent from those enjoyed by taxpayers as a whole.

This can, of course, be demonstrated with respect to major phases of highway use. Consequently the states have been on sound ground in transferring to users substantial portions of total highway costs. But the practice of special charging remains valid only so long as the proceeds are spent on facilities which most of the contributors want and use.

Since 1930 there has been a marked tendency to violate standards of equity in the expenditure of user funds. The responsibility of motor vehicle owners for the highway bill has been extended to the support of vast mileages of local roads whose existence, condition and use are a matter of indifference to most motorists.

This dissipation of user funds constitutes more than the violation of an abstract principle of equity. It has created serious practical problems. For example, much of the present unbalance in the development of our highways could have been avoided had user revenues been properly applied during the past 15 years. Since this was not done, very heavy expenditure will be required to correct accumulated deficiencies.

2. The epidemic of toll road proposals represents, in my estimation, an effort to avoid the consequences of unsound financial practices without striking at the root causes. Where dispersion of user funds has retarded orderly highway programming resort to toll roads may provide temporary correctives. But the long-run costs will be measured in terms of duplicating

(capital investment, and)

capital investment, and a progressive undermining of the entire structure of highway management.

First, the proliferation of toll road authorities will violate the first principle of sound administration: i.e., full authority and responsibility for the current administration and long-range programming of related portions of the road and street systems should be located in a single agency. This is the bedrock on which the structure has been founded. To the extent that it is undermined or unstabilized, dislocations throughout the entire system will inevitably follow.

Second, if tolls are extensively superimposed on the existing system of gasoline taxes and license fees, a two-phase vicious circle will be created. Motor vehicle owners will be required to pay in the form of user taxes for facilities in the use of which they have no primary interest. At the same time, they will be required to pay direct toll to obtain modernization of the roads and streets necessary to satisfy their primary demands for improved service.

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Opening Statement

by

Herbert S. Fairbank
Public Roads Administration

As Mr. Dearing has said in his opening statement, the issue we are debating here today is not whether highway users shall or shall not pay for the highways they use: We take it to be an accepted conclusion that any road that can be seriously considered for financing by the toll method must be paid for in full by its users whether the payment is made in the form of a toll for each use of the facility or whether it is made in the form of special highway user taxes.

The claim commonly advanced for all toll road proposals is that by the collection of tolls the investment in the road will be made self-liquidating. We say that any highway investment that can be liquidated by direct tolls will be more assuredly self-liquidated by user taxes scaled at rates per vehicle-mile much lower than the toll charges.

I cite the Pennsylvania Turnpike. The average toll paid for that highway by the vehicles using it this year will be at the rate of a cent and a half a vehicle-mile, perhaps a little more. That payment will not liquidate the entire investment in the highway. It is not intended to. Approximately \$30,000,000 of the construction cost of the Turnpike, amounting, I believe to about \$67,200,000,

including \$1,500,000 which early this year was yet to be spent, in other words about 45 percent of the construction cost was provided by a Federal grant. There is no obligation to repay that part of the cost; and the tolls now collected at the average rate of 1½ cents a vehicle-mile are not scaled to repay it.

I assert, with complete confidence, that the entire cost of building and maintaining the same highway, located exactly as it is now located, would be repaid in the same period by road-user taxes, levied at rates averaging little more than half of the cent and a half per vehicle-mile now collected in toll charges to repay part of the cost.

I will venture further, that a road of exactly the same standard as the Turnpike and of the same termini, but located in relation to intervening communities as a Free Road would have been located, would attract a traffic which would liquidate its cost at a rate of road-user tax payment less than half of the 1½-cent per vehicle-mile average rate now paid in tolls by the Turnpike traffic.

The explanation of the apparent paradox involved in these assertions lies in part in the fact that the Turnpike does not serve, and cannot attract more than half of the vehicle-mileage of traffic that would be attracted to, and served by a Free Road of the same standard and termini. The traffic available to the Free Road, which the Turnpike cannot attract, is composed in part of vehicles traveling in the direction of the Turnpike distances shorter than the distances between the access points, necessarily widely separated.

In part it is made up of vehicles, the owners of which are willing to accept the lesser facility afforded by an alternate Free Road rather than pay the extra charge for travel over the Turnpike .

In part the explanation lies in the greater costs inherent in any toll road operation; in the cost of providing and operating the toll-collecting stations, in the higher interest rates invariably associated with revenue-bond financing.

Spaulding

With the exception of a few short roads monopolizing the service of access to points of tourist attraction, the Pennsylvania Turnpike is the only highway now operated with any claim of financial support by toll collection. The Pennsylvania Turnpike is heavily subsidized. It possesses uncommon advantages of location and weakness of Free Road competition. This road, upheld as the example of beneficent results that may be expected of similar proposals elsewhere, actually exemplifies, I submit, the economic fallacy of all such proposals.