ATFI ALLIANCE FOR TOLL-FREE INTERSTATES

INDIANA TOLL ROAD

In 2006, the State of Indiana agreed to lease the Indiana Toll Road to the Macquarie-Cintra private sector consortium. In exchange for a $3.85 billion concession fee, the firms can collect the toll revenue and agree to operate, maintain and improve the highway. Under the agreement, toll rates for a 5-axle truck have increased incrementally from $14.55 in 2006 to $37.40 in 2013 and the owner can continue to raise rates each year for the duration of the contract (all figures assume the truck traverses the entire length of the highway). Toll rates on cars paying cash went up from $4.65 to $9.40. However, the State of Indiana has been paying Macquarie-Cintra to delay toll rate increases on passenger vehicles with electronic toll tags, so the actual cost of the contract to the public is hidden and understated.

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Toll rate increases of these magnitudes will inevitably result in diversion of traffic. The experience from toll rate increases on the Ohio Turnpike during the 1990s is instructive. When the Ohio Turnpike increased its truck toll rate to 17.6 cents/mile for 5-axle trucks, the result was massive diversion to alternate routes. The Ohio Department of Transportation found that a decade after the increase, growth in truck traffic on the turnpike was static, while truck traffic on parallel roads tripled. ODOT determined that these parallel routes had much higher accident rates. For example, U.S. 20, which saw a 267 percent increase in truck traffic, had a fatal accident rate that was 17 times higher than the Turnpike's rate. By 2010, the truck toll rate on the Indiana Toll Road is likely to be approximately 25 cents per mile, 42 percent higher than the Ohio Turnpike's toll rate at its peak. The two highways are essentially the same route, and have similar alternatives. Therefore, it is reasonable to expect a level of diversion on the Indiana Toll Road that is at least as great as was experienced in Ohio.

There is a significant difference between the states that allows one to address these challenges effectively and forces the other to suffer the consequences. Because the Ohio Turnpike Commission is a public authority, the Governor and Secretary of Transportation were able to make changes – including lowering truck toll rates and increasing speed limits – which attracted a substantial amount of truck traffic back to the turnpike. Since control of the Indiana Toll Road has shifted from public to private hands, addressing these types of issues will not be quite as easy, and the lessees will base all changes in their operations on the potential impacts on their profitability, and not on the impacts on the public welfare.

It has been suggested that massive toll rate escalations are unrealistic because, as has been demonstrated on other facilities, including the Ohio Turnpike, raising the toll rate too high forces significant traffic off the highway. However, the lessee will set a toll rate to a level that maximizes profitability, not traffic. In fact, when the Ohio Turnpike lowered its toll rates, the highway experienced an income loss, despite significant traffic increases. Private sector operators have little or no interest in and no responsibility for what happens off the toll road. In fact, if Indiana wants to upgrade alternative routes to Interstate Highway quality standards to address traffic problems caused by diverted toll road traffic, the state will have to compensate the toll road operators for loss of revenue. This creates a perfect scenario for the lessee: a portion of the revenue lost due to diversion of traffic as a result of high tolls will simply come back as compensation from the state and the lessee profits additionally by avoiding maintenance and expansion costs that it would otherwise have borne had that traffic not diverted. The combination of construction costs and compensation to the lessee could, over the course of a 75 year lease, easily exceed the state's concession fee plus earned interest.

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Finally, the projected toll rates far exceed what is necessary to raise sufficient money for the operation, maintenance and improvement of the Indiana Toll Road. This means that toll road users will be forced to subsidize other state functions and enrich toll road investors, with little benefit to them.