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SYMPOSIUM ON MILEAGE-BASED USER FEES

Recap of the Mileage Based User Fee Symposium
Closing Luncheon on April 15, 2009
Presented by David Ungemah, Texas Transportation Institute

Certainly this is going to be an interesting challenge because the conversation circles that we just came out of did a very good job in wrapping up all of the salient issues that have been discussed already over the past few days. I would like to start off by saying that I personally thought this was one of the best conferences that I ever attended in anything due to the concentrated conversations that we had, the level of detail that was provided by both the presenters as well as participants and so it's a credit to those that were on the planning committee that put this together. Hopefully you got the same amount out of it as I did. So as a recap for the past two days I did find a couple of themes. I should also note that I have never done a recap before so bear with me if it doesn't seem to be going right. I also have the hard task of following Adrian Moore who provided yesterday's very entertaining, very thought-provoking conversation during lunch so with apologies to Adrian.

As I listened to presenters and conversations at this symposium and my thought processes going into it was a series of conversations which appeared online last week. It wasn't in particular about transportation but certainly affected the issues we have heard over the past few days. As some of you may have heard of it – and specifically those in Rochester New York, Greensboro North Carolina, Austin or San Antonio – and that is Time Warner Cable's decision to start charging by the gigabit for internet access, as opposed to what is typically an unlimited rate of internet access as it is today. They are not the only one: Comcast and AT&T set limits on their services, but Time Warner Cable is one of the first to set a use rate for internet services. As you follow the conversation, you see a lot of people extremely mad at this idea. There is this expectation that we get unlimited access from our utilities and that also translates to our transportation. We expect unlimited (or at least to the extent that our vehicle provides unlimited use of our facilities) without any additional cost, without any additional penalty. What we have been talking about for the past two days is the exact equivalent of Time Warner Cable's decision to move to a per gigabit bandwidth charging rate system. What we are talking about here is for a mileage basis – same thing. What we can expect is that people will likewise be very, very mad and be very mad at this idea of what they have come to know as the status quo will change. That is the thing that is really coming out of the conversations that we have had these last two days.

To those in this room and to a small group beyond this room, the case for mileage-based user fees is fairly apparent, but to most people mileage-based user fees the case is very opaque decision at best.

The case for it is not necessarily all that clear. As we have talked over the past few days our view certainly seems to be such.

<u>The Case for Mileage-based User Fees</u>

Jim March and Joe Cantalupo have stated specifically that we cannot adequately plan from a regionally transportation planning context for a system where our revenue base is uncertain, unknown and unstable. That revenue base needs to somewhat stable so that we can plan into the future. Projects take more than a year or two to implementation. It takes many, many years to bring through the process, and as a result having stability and certainty to that transportation revenue base is necessary for it.

Jack Basso and Adrian Moore have also stated that there is a lack adequate revenue not only in the short term but into the long term as well and that the decision basis to go to a mileage-based user fee system may be different respectively from that short and long term system. Ed Regan hit a point that I think is true and seems to be ironic and that is that we are basing our transportation financing system upon a commodity that we much would rather do away with all things being equal. If we could find a way to do away with the negative externalities that come along with the consumption of oil, climate change, specifically once the elements that Michael Replogle has mentioned earlier then why would we base our entire transportation funding system upon that one commodity that we would rather do away with.

Certainly this is a long term issue but as Matt Kitchen has illustrated for us that having a 'looming problem' on the horizon is not necessarily the proper nexus to compel change in the way that we do things. As Trey Baker had also stated, there is a change in public opinion certainly once we start monkeying around with the status quo. That monkeying around, again like Time Warner Cable has done, despite the reason for or against to do such, causes a great amount of concern that disrupts the process of getting that public acceptance.

The problem with only looking at it from the 'looming' problem versus concrete problem perspective is we not setting ourselves up in much the same way as we did with our housing bubble. There was commentary over the past few years that the causes that we have with our financing system for helping was unstable and unsustainable, and certainly it didn’t come as any surprise when bubble burst but for some reason it still took the bubble to bursting for action to occur. Are we looking perhaps to a 'fuel tax bubble' on the horizon? Is there going to be a point whereby our system of financing really does come to a crisis and only action occurs then? If that is the case, this group and those who are associated with us better be ready to provide a solution immediately when that occurs.

Adrian Moore had another point as well that rang true with me and that is that mileage-based user fees certainly exist as 'the solution with the least regrets'. Or as Winston Churchill might have said that it is the absolute worst policy change that we can make except for all the other ones. The utilization of mileage-based user fees and the context of a solution for the future is one that we should remember comes with great challenges and those challenges may or may not be overcome with solutions that we can provide to deal with it. So, the two principle challenges that I got out of the symposium were 1) public and political resistance to this type of change in the transportation financing system. And 2) is the transition of mileage-based user fees into the long term proper fuel taxation system. I'd like to highlight what I heard from both of those two principal challenges.

The First Challenge: Public / Political Resistance

Ginger Goodin set up the first - the public and political resistance with highlighting issues such as: privacy, fairness, equity, and other issues with oppositions to latch upon. Trey Baker also highlighted the issue of the fear of loss that only comes to a head after changing the status quo. Individuals will fear that the solution that is being proposed will make worse off than they are today so if they feel that they are worse off than they are today they are going to oppose such a change whether or not it is a reality or not. Jim Whitty identified this succinctly when he quoted one of his citizens who stated, "I hate this [mileage-based user fees] because I don't know how much I'll have to pay". Knowing how much you are going to pay is very important for the comfort level associated with accepting a mileage-based user fee system. As Adrian Moore, Trey Baker, and Matt Kitchen all stated is that public opinion is not static, but in order to change that opinion we must have built up layers of trust and transparency over time. And that trust and transparency will only come about as we understand the individual implications of what a mileage-based user fee system would have for individuals. From that point on, the work can be generated potentially for support of this type of system. Not in the reverse. You don't get support first and then trust and transparency.

Ken Buckeye stated that…first off, I have credit Ken for this symposium. Thank you. This symposium, as Ginger stated yesterday, came largely as Ken's idea so thank you for having that idea and bringing it forward. This was a great opportunity. Secondly, Ken sparked many ideas for me. The one that hit the truest to me is the idea of being honest with the public. Being honest about what we are trying to accomplish with the mileage-based user fee system. If that is going to be revenue generation, revenue sustainability, whatever the context, being honest with the public is the most important basis of foundation to move any conversation forward in the policy context. And that honesty builds upon the desire to positively affect quality of life. At the end of the day, that is what we are trying to do; we are trying to improve our mobility, we are trying to improve our quality of life. How we can demonstrate that through the policy planning process for this type of concept is intrinsic to that support. Finally, I want to highlight a topic that emerged from the discussion circles is linking the raising of the new revenue with how we spend the new revenue. If we don't affect the system of distribution of transportation revenue we may not be able to move the barometer of public trust and transparency.

The Second Challenge: Transition to Mileage-based User Fees

Ginger Goodin provided the framework in the beginning for the transition challenges: interoperability, integration, and the collection and distribution of revenue funds. Jim Whitty illustrated it best when he said that the goal of the system in Oregon was to incorporate the very best elements of the fuel tax system, and move from that point forward. The principle that stands out was that whatever system that we come up with from the mileage-based user fee system will be easy to comply with that there isn't an extra layer of complexity to make it even more challenging. Jon Kuhl stated that we need robustness of the system - robustness because we have a very significant amount of dollars on the table - around $80B and upwards/year. If the system is not robust enough, we may not be able to have the reliance on the revenue as it comes to the various agencies in this country. Jim March had cautioned that we should not "let the perfect be the enemy of the good." This fits in with Adrian Moore's concept that we are looking at mileage-based user fees as potentially one of the least bad solutions. When we think of it in that context, maybe as Adrian said as we were going into lunch, "if we could just get to good and we would be thrilled with the achievement of that success." Glenn Deitiker also stated that technology is not the limiting factor in implementation. So if technology is not the primary issue, what is the issue in this transition? I would pose it that what need to do is define what we are trying to accomplish. What is the key objective at the end of this process of transition that we as a society endeavor to see.

I think Linda Harper-Brown tossed up one of those ideas as an objective for the future that potentially should be part of the conversation for a mileage-based user fee system and I'll conclude on that. What I heard from her was very intriguing. It was a paradigm shift. She highlighted something I have never really thought of before. We have a fairly well defined idea as to what our needs are for our transportation system and we have a fairly well defined idea as to what transportation revenue we generate from the fuel taxation system. And then we spend and build projects that match not the needs but the revenue base we've generated from the fuel tax. There is a disconnect between the needs base and the revenue base, and that disconnect she called a drought in many ways because she was making an analogy to water as you might recall. I think a drought is really a good idea. As you know with water and drought and we are certainly in one in Central Texas, you don't get one rainfall and suddenly have your aquifers replenished. It takes a lot of effort to put back into the system from nature in order to regenerate your aquifers and the water resources that are necessary to feed the agricultural and population needs. Much the same way with our transportation system - we know there is that 'looming' crisis because we have been in a "transportation drought." A one time stimulus - some additional toll revenue from new capacity - may help along the lines just as an occasional rainfall may help along the lines of a drought, but we are already behind the curve and it will take a lot more to catch back up to that curve. Linda Harper-Brown has suggested potentially if I heard correctly, perhaps a new paradigm as we move this concept forward, which is linking what we charge for transportation to what the needs for transportation are. When we talk about mileage-based user fees, do we accept the principle of the past of just generating a stable base that is disconnected with needs or do we move the conversation forward to associate a new system of financing with what the needs base is, and have that will be in direct relationship to one another. I would offer a suggestion that maybe that direct relationship between needs and what we charge for transportation can help achieve that very trust and transparency that we all seem to agree is necessary in order to have acceptance of a mileage-based user fee system. That is what I heard. I hope you heard different things as well and that we can all take it for what it is and do some good.