

# Washington State Road Usage Charge Steering Committee

## Meeting #2

Meeting Notes | October 30, 2012

### Attendees

#### **Steering Committee Members**

Tom Cowan, Chair, WSTC Commissioner  
Kurt Beckett, Port of Seattle  
Scott Creek, Washington Trucking Association  
Representative Andy Billig  
Rod Brown Jr., Cascadia Law Group PLLC  
Pete Capell, Clark County Public Works  
Sharon Nelson, Board of Records  
Senator Tracey Eide  
Don Gerend, City of Sammamish Councilmember  
Anne Haley, WSTC Commissioner  
Paula Hammond, WSDOT Secretary  
Tom Hingson, Everett Transit  
Ted Trepanier, INRIX (listening on behalf of Kush Parikh)  
Janet Ray, AAA Washington  
Senator Ann Rivers  
Neil Strege, Washington Roundtable  
Curt Augustine, Alliance of Automobile Manufacturers  
**Washington State Transportation Commission Staff**  
Reema Griffith  
Paul Parker

#### **Consultants**

Jeff Buxbaum, Cambridge Systematics  
Jack Opiola, D'Artagnan Consulting  
Matthew Dorfman, D'Artagnan Consulting  
Steve Morello, D'Artagnan Consulting  
Travis Dunn, D'Artagnan Consulting  
Allegra Calder, BERK  
Gary Simonson, BERK  
Natalie Quick, Quick Consulting

#### **Other Attendees**

Clare Gallagher, Port of Seattle  
Jeff Finn, Volt  
Mary Fleckenstein, Joint Transportation Committee  
Michael Groesch, Michael Groesch Public Affairs  
Alison Hellberg, House Transportation Committee  
Jackson Maynard, Republican Caucus  
Mark Matteson, House Transportation Committee  
Larry Pursley, Washington Trucking Association  
Carl See, Department of Licensing  
Sandi Swarthout, Alliance of Automobile Manufacturers

NOTE: As presentation materials are available on the Washington State Road Usage Charge website (<https://waroadusagecharge.wordpress.com/meetings/>), this meeting summary focuses on the discussion and not the presentation content.

## Agenda Overview and Introductions

Tom Cowan, Steering Committee Chair, welcomed the group and provided an overview of the agenda. Steering Committee members, project staff and consultants, and other attendees introduced themselves.

Tom Cowan noted that at the end of meeting the group would be asked to come to a consensus on whether a road usage charge is feasible in Washington State.

## Public Comment

Tom Cowan provided an opportunity for public comment. There were no public comments.

## Recap of Key Takeaways from September Meeting

Jeff Buxbaum presented a summary of key takeaways from the September meeting (see presentation):

- No decisions have been reached
- There have been many studies on road usage charges and various forms of it exist in New Zealand and Europe
- The purpose is to determine whether road usage charging is feasible in Washington, and to provide recommendations on next steps for consideration by the legislature during the 2013 session.
- Work products will include recommendations on whether a road usage charge is feasible in Washington State and a proposed work plan and budget for the 2013-2015 fiscal biennium

## Discussion

- Q: Would a pilot study be part of determining feasibility?
  - A pilot could be considered as part of an implementation plan, and could influence the decision to move forward. We have seen pilots as part of worldwide best practice. No matter what you tell people, it is difficult to convince them of the benefits of a charge until they see how it could work. One of the benefits of having a pilot is to see if the benefits are realized.
- Q: Have we determined the purpose of the funds collected from a charge? Will we use it to make up revenue from gas tax or will it go to the general fund?
  - There is an expectation that it will be for roadway purposes since it is conceived as a replacement for the gas tax.
  - However, this needs to be the topic of extensive future discussion and does not need to be decided today – it is important but will not affect the feasibility decision.
- The Supreme Court recently ruled that the legislature can use the hazardous substances tax for purposes other than highway purposes. This ruling may result in less certainty in voters' minds on how funds will be used.

# Oregon's Road Usage Charge Pilot Project

Steve Morello provided an overview on Oregon's Road Usage Charge Pilot Project. He noted that they would like participation from a small group of people in Washington and that Jeff Doyle will follow up with some Steering Committee members to discuss participation. Steve Morello explained that two key purposes of the pilot project are to attempt to address questions expressed by the Road User Fee Task Force, and to allow selected participants to experience how a road usage charge could work in practice.

## Discussion

- Q: Did Oregon conduct a feasibility study?
  - Yes, a few years ago, but Oregon only recently decided to move forward with a pre-implementation program. It is worth noting the draft legislation for road usage charging is merely being proposed at the next biennial legislative session in February 2013. The passage of a bill should not be assumed at this point.
- Q: What technology is Oregon using?
  - The concept of user choice is being promoted, so a range of technologies are available. There could be a flat fee with no technology needed. Alternatively, users could pre-buy miles in blocks and then check against the odometer. Another option would use a device provided by a third-party such as an OBD-II device (with or without a smart phone application) or a range of aftermarket devices equipped with location determining capabilities to count miles driven.
- Q: Could we link this to Washington's *Good-To-Go!* passes?
  - Washington's *Good-to-Go!* is electronic, but is similar to a barcode since there is no built-in intelligence in the tag. So using a *Good-to-Go!* tag as an identifier for a road usage charge is unlikely. However, it is possible to link *Good-to-Go!* and any road usage charge device to the same account for billing and accounting. More than likely, a *Good-to-Go!* tag and a road usage charging system could interoperate in the back office for accounting and simplicity in payment.
- Q: Who is being recruited for the Oregon pilot project?
  - Oregon is recruiting thought leaders, legislators, Department of Transportation employees, and transportation stakeholders. It is a very small pilot of about 50 drivers from Oregon. There are participants from Washington State and Nevada as well.

## Policy Priorities

Jeff Buxbaum discussed the policy priorities generated at the September Steering Committee meeting and presented the results from the Steering Committee survey measuring their relative importance (see presentation). There was strongest agreement on the following priorities:

- Addressing erosion of gas tax revenues and creating a sustainable revenue stream; and,
- Resolving equity issues surrounding who pays and who benefits from (or uses) the system.

Steering Committee respondents have mixed views on the importance of using the road usage charge to address other social objectives and the issue of whether to replace or supplement the gas tax remains an open question.

## Discussion

### *Replacing/Supplementing the Gas Tax*

- Replacing the gas tax may have more voter appeal than a supplement. However, if Oregon does not replace their gas tax, some people might cross the border because of gas prices, which could significantly increase traffic problems and distort gas tax revenue streams.
  - This is also an issue for British Columbia because a lot of drivers buy gas in Washington. This issue will have to be addressed since Washington borders Oregon, Idaho and British Columbia.
- There is a middle ground where we could repeal a portion of the gas tax and use the road usage charge as a supplement.
  - Oregon is currently looking at a transitional phase. For example, vehicles paying gas tax (vehicles with lower fuel efficiency) would be exempt from the road usage charge initially. A transition phase should help with public acceptance.
- If the road usage charge is to address erosion of the gas tax, it may need to be indexed to some measure of inflation.
- At the September meeting we discussed the psyche of switching to something new, and how people may be more willing to accept change if there is a smooth transition and a logical transfer. To be successful, we need to think about how we will make that transfer and public response.
  - It will be critical to test concepts and messaging with the public.
- British Columbia imposed a “revenue neutral” carbon tax on the whole economy. It will be interesting to track measures like these because the West Coast Governors are interested in being aligned on transportation and energy policy.
- Fuel efficiency is a key factor in buyers’ vehicle purchasing decisions. This addresses energy policy objectives but reduces gas tax revenue.

### *Equity*

- One option that is missing is something that considers whether people have a reasonable alternative. If someone does not have the ability to pay road usage charges, are there public transportation options?
- In rural areas, there is no alternative to driving, so that presents an urban vs. rural equity issue.
- There is also the impact to the transportation infrastructure, so we need to consider the types of vehicles that cause the most damage.
- We should not penalize drivers of fuel-efficient vehicles thereby creating a disincentive for people to choose efficient vehicles.
  - It is an equity issue because the people buying fuel-efficient vehicles tend to be upper-middle class, while the lower-middle class buys less efficient, used cars.
  - While the cost to purchase new high mpg vehicles (35 mpg and above) may prove to be a barrier to lower-income people, that same group could nonetheless achieve meaningful fuel cost savings if they improve their vehicle mpg by moving from a 15 mpg older car to a newer but modestly-priced car that gets 24 mpg, for example. The current hybrids and electric vehicles will eventually filter down to the pool of used cars.

- For transit agencies that rely on sales and use tax, the more expensive the vehicle purchased, the better. So if we penalize higher priced vehicles, it could actually hurt entities that rely on that money.
  - One study concluded that the movement to more fuel-efficient vehicles is good because the money not spent on fuel gets spent in the local economy.
- Currently, less than 1 percent of the population owns an electric vehicle; should we really make this a priority?
  - That is primarily why Oregon backed off singling out Plug-in Hybrid and Electric vehicles.
- It is worth noting that in Washington there is an annual \$100 fee for electric vehicles.
  - It is a good idea, but it's only a start. Time-based fees can only go so far—a stop-gap measure.

### *Social Objectives*

- Washington State's energy policy prioritizes reducing greenhouse gas emissions through transportation policy. Therefore, reducing emissions should be an important policy objective of a road usage charge.
- A road usage charge would align with the objective of increasing transit usage.
- This will be a multi-year discussion, so let's keep all social objectives on the table.
- As we build a communications message, we should try for simple and straightforward. We need to move quickly and not be bogged down trying to convey complex social policy objectives.
- Some people would be willing to pay a lot for access to a High Occupancy Toll (HOT) lane at certain times of the day. We want to align market forces with policy objectives. If people really dislike the traffic congestion and would pay more to avoid it, that could be beneficial. There may some pricing structures that could raise revenue from certain classes of road users.
  - The problem with HOT lanes is that people dodge in and out of them causing problems for trucks because they can't stop immediately, which can lead to accidents. The trucking industry encourages a freight corridor concept where lanes are restricted to trucks.

## **Feasibility Criteria**

Jeff Buxbaum discussed the feasibility criteria generated at the September meeting and presented the results from the Steering Committee survey (see presentation). There was strong agreement that most of the feasibility priorities were important. Convenience and implementability were ranked most important, while out-of-state travel and collecting revenue from out-of-state travelers were seen as least important (although still viewed as important). Jeff Buxbaum noted that collecting revenue from out-of-state drivers is one of the greatest challenges of developing a road usage system, so in many ways it is positive that it is not viewed as the most important feasibility criterion.

### **Discussion**

- How are we thinking about the integration of road usage charging with other fee collection techniques (e.g. tolling) and how does that affect feasibility?
  - This is related to interoperability and is covered later in the presentation.

- What about a charge upon entering the state to collect from out-of-state drivers? It would be better if out-of-state users paid.
  - In many European countries users purchase a permit (sticker or vignette) to use the roads in that country for a given period. It is justified as a tax because vehicles damage the road, contribute to congestion, and pollute the environment.
- Do we know how much revenue we would forgo by not charging out-of-state drivers?
  - We do not know, but we can add it to the work plan.
- There are potential legal issues related to inter-state commerce if we charge out-of-state drivers differently than in-state drivers.
- There is a trade-off between privacy and convenience. An example from the utility industry: with the smart electric meter, people are wary of showering too long because they worry about being investigated for growing marijuana. However, if the system is convenient and transparent, privacy concerns diminish. It really needs to be explained properly.
- Trucks coming in from out-of-state are paying pro-rated fuel taxes through the International Fuel Tax Agreement (IFTA). IFTA illustrates that revenue sharing across states and countries is possible.
  - However, this places a burden on the trucking company. It takes work, as trucking companies have to keep logs and mileage reports.

## Potential Road Usage Charge Concepts

Jack Opiola introduced the core elements of a road usage charge: principal (responsible party), vehicle(s), road network, usage, charge rates, charging policy, and road usage charge administration (see presentation). Jack Opiola also presented a simple road usage charge example, looking at alternatives for determining rates (based on vehicle classification and other factors) and measuring usage.

Matthew Dorfman provided an overview of the framework for operational concepts and discussed the various technologies involved. He then walked through each of the eight concepts, describing how they might work along with potential benefits and drawbacks.

### Discussion

- Q: Is there any distinction between discretionary and non-discretionary travel?
  - No, because it is too difficult to determine using today's modeling techniques and stated preference surveys.
- Q: If we charge for engine run time and congestion, isn't that double charging?
  - Yes. That is one of the issues with time-based charging.
- Engine run time charging is also a disincentive to clear congestion, because in that case the State receives more revenue when there is more congestion.
  - Correct, and the public could suspect that we are creating congestion to get additional revenue. In Europe, there have been cases where toll road operators (often private) do not re-direct people to other roads because they don't want to lose revenue.

- Q: Another policy question for Washington is open access – who owns the information from the vehicle? This is one of the pieces that could make or break the usage charge.
  - Correct, and keep in mind that there are likely to be future technologies that will improve access issues.
- Q: The odometer is a good method, but what about when people travel out-of-state?
  - If someone chooses the simple method because of privacy concerns, they do not get credit for out-of-state driving. User choice allows people to decide between preserving privacy and using simple technology like an odometer reading or using a more intrusive technology that allows for more precision in charging.
  - Also recall that location-based options such as smart phones and in-vehicle telematics devices may allow for switching the use of location data on and off—the user may choose to share location data only when he or she is driving out of state (and thus earning a discount). When he or she is driving in state or on trip out of state that he or she wishes to keep private, location data can be switched off.
  - Another option is to apply a standard formula (e.g. 10 percent allowance to all users for out-of-state driving—much like a standard deduction on income taxes).
- Q: Can we consider the fixed capital costs of the transportation system? The examples shown seem to focus on the marginal costs.
  - Registration fees might be construed to cover some portion of fixed costs.
- Q: A time permit is simple and easy to understand, but we have tremendous domestic and international tourism and we will lose revenue if we cannot charge that population.
  - A road usage charge might not apply to out-of-state drivers immediately—it could be phased in for out of state drivers as the system matures.
  - There are lessons learned and practices from other countries with road usage charges that can be applied. For example, vignettes/stickers (time permit) could be sold at convenience stores or at state borders. Overall, a time permit will be the easiest method to apply to non-residents because its use is well-established worldwide, and enforcement practices are well-established for time permits.
- Concept #2 (Engine Run Time Charge) has a lot of complicating factors like newer engines that stop when the vehicle is stopped (stop-start technology). Are there equity issues for those living in a city with stoplights? The automotive industry is moving towards stop-start technology, which could complicate things.
- Q: Would the engine run time method cause people to speed?
  - It is unlikely since it would not actually save that much money (estimated rates are around 1 cent per minute) and we have existing enforcement methods.
  - Secondly, there is a mature enforcement regime in place against speeding that exists today.
- Q: If a technology is built into a car's system it's probably more reliable. If people use smartphones or mobile devices, can they be trusted to actually use them for road usage charging? Are the mobile devices being used anywhere?
  - OBDII dongles are not currently being used for road usage charging, but some insurance companies use the devices (e.g., Progressive's Snapshot). The devices need to be removed when a mechanic works on a vehicle to read the trouble codes. There are ways to monitor that the devices are not removed for an extended period.

- A smartphone would not be used exclusively for road usage charging for this reason among others; a smartphone would be used for road usage charging in conjunction with the OBD-II dongle or other device.
- Q: Can the dongles be used with GPS?
  - Yes, but GPS devices that are not mounted with an outside antenna are less reliable.
- Concept #8 (Automated Mileage & Specific Location Measurement): precise GPS technology, charging by road type does not seem feasible given the state of technology. We would not recommend this to the legislature anytime soon.
  - Yes, it's likely that today this would be a challenge. Technology changes quickly, however, and may eventually be able to support this option as satellite based technology for location precision is increasing with Galileo, the EU system, and GLONASS (the Russian system) which puts approximately 100 satellites in orbit. With these new systems coming on-line, location precision will improve.
- Concept #7 (Automated Mileage & General Location Measurement) is currently used by trucks in several European countries. The technology exists and there are companies refining it.
- Q: What about installation costs?
  - For Concept #7 installation is fairly simple and takes only a few minutes by the driver. With Concept #8 installation costs could be relatively high.
- Concepts #7 and #8 have significant privacy issues that could be a barrier to public acceptance.
  - That is why it is useful to provide user choice, so that any invasive technology would not be mandated and users could choose among several options. The main reason for offering Concepts #7 and #8 is the ability to refund for out-of-state driving (assuming the other state has no road usage charge system).
- We need to weigh whether it's worth it to create a huge system and invest in technology if it turns out to be a relatively small amount of money.
- For trucking it would be a lot of money to implement these systems and we have a good system currently. The concept of bringing something else in would be controversial.

## Administrative Concepts

Travis Dunn discussed the functions and processes that could be used to administer a road usage charge program (see presentation). He outlined both a government-centric and a market-centric delivery model.

### Discussion

- Q: Is there an estimate of how much these functions would cost?
  - Such an estimate would be part of the work plan.
  - All state governments already have these functions, so there could be efficiencies to be gained by adding the road usage charge to existing functions (instead of creating new ones).
- Q: Who are the enforcers in other places?
  - It depends on where. In New Zealand the police enforce, but they interface with the transportation agency.

- Q: For every dollar collected how much will go to administrative functions and how much will go towards transportation projects?
  - This is something to investigate in the work plan. In other places, we have seen different percentages depending on the structure and the government's role. In some cases, private sector participation has lowered costs.
  - There are economies of scale to be had by leveraging existing systems. It would be interesting to quantify what it costs us to collect the gas tax and tolls. These should be compared when we make a recommendation.
  - Washington State's Department of Revenue has studies assessing the cost of collecting certain specialized taxes (some are high value, some are low value).
  - The private sector is interested in investing in road usage charging. While it may be a loss leader, downstream they expect to have access to a much larger market.
- Q: What would the private sector companies get out of it?
  - They sell value-added services, which can be very profitable.
  - The prospects of many states (and provinces) transitioning to road user charges is an attractive business opportunity once the number of possible accounts is in the hundreds of thousands or millions, or even tens of millions. It depends on how far forward each individual company is willing to look. Based on the responses to the Request for Information in Oregon, there are many companies interested in this market.
- Q: How many service providers are there in New Zealand? Is it limited?
  - There are currently two, but it is not limited. The service providers have to be certified by the government.
- Q: Are they happy with two?
  - They would have preferred three, but two works. Note that Washington can always transition from a government-centric model to a market-centric model as the market evolves and other states transition.
- When Ireland opened up tolling to different private operators they had problems with interoperability. The government stepped in as a coordinating agency to make them interoperable.
- Q: In Ireland does the government have a brand presence?
  - The problem in Ireland was that there was already an established brand, so it was hard to change that even once others stepped in, but eventually it happened.
- Q: Has any company that successfully implemented charges integrated them into one brand, and then poisoned that brand because of the taxes and fees in the users' minds?
  - I don't know. In Portugal the brand survived but in a different condition. In Australia, it was never poisoned, but the brand was muted.

## Feasibility Assessment

Jeff Buxbaum presented a feasibility assessment for each concept. The assessment provided a rating (using a 0-4 scale) for each concept on six different criteria: convenience, privacy, fairness, flexibility, out-of-state travel, and out-of-state travelers and provided a list of advantages and disadvantages for each concept. (see presentation).

### Discussion

- Q: In the out-of-state column, in the last 3 you mentioned “mitigated if deployed within neighboring states”, does that mean you just split the charge with the other state?
  - There would have to be some standards on the geo-location database to make sure the boundaries were aligned.
  - You could start with a vignette-type system where you collect only on time or distance, and make the GPS feature one people could opt into. Although then you would have to deal with vendors, which adds a new challenge.

## Potential Road Usage Charge Combinations for Washington

Travis Dunn presented guiding principles for combining concepts, and then discussed several options for how operational concepts could be combined.

### Discussion

- Q: What if I get sick and want to switch systems but I have already purchased an annual pass? Can you be on two systems at once?
  - Typically not, but there are policy choices that need to be made to address these types of issues.
- Q: Could you transfer your permit or your charges?
  - This is a policy issue that needs to be addressed. Specifically, when a vehicle is sold, do the charges stay with it (like a lien) or remain with the principal who incurred the charges?
- Q: Do other places with road usage charging explain what the money is going towards? Is there transparency so that the public knows what their money is paying for?
  - The vignettes in Europe note that the rate has been set and you are buying time to use the infrastructure.
- Those of us who would enact this as policy need to make sure it is as transparent as possible. We can describe if charges will pay for road network upkeep or a specific project. In Washington, the public will want to know.
- Q: What if someone drives to Oregon for work every day?
  - It is possible to allow users to prove they travelled out-of-state (e.g., by submitting receipts). However, that would increase administrative costs, so it may or may not be worth it.
- Q: Are we trying to come up with a definitive combination? It feels like we are down in the weeds.
  - It is helpful to get in the weeds a little and make sure everyone is on the same page. We just want to give the Steering Committee an idea of what is possible.

## Other Important Considerations

Jeff Buxbaum described other important considerations that may be resolved by December, but ultimately remain an important policy discussion related to implementing a road usage charge. Considerations include:

- Toll Interoperability
- Data Standards
- Rate Setting
- Legal Issues
- How to Spend Revenue
- Burden of Proof of Out of State Travel
- Types of Vehicles Subject to Charge
- Transition Process.

### Discussion

- Q: Is there work going on at the Federal government?
  - The Federal government has funded some research, but overall not much is happening. Ray LaHood (U.S. Secretary of Transportation) mentioned vehicle miles travelled fees early in his tenure and it was a non-starter.
  - Three or four years ago, most observers assumed that the Federal government would lead. Clearly they're not, so now states are moving forward.
  - Most transportation dollars are state dollars so it really is a state problem.

## Final Report Outline

Jeff Buxbaum briefly described the final report outline and asked the Committee for direction on whether they believe a road usage charge is feasible in Washington State.

### Feasibility Determination

There was extended discussion regarding what "feasible" means, and after discussion between the consultants and the Committee, it was determined that feasibility addresses the following questions:

- Is it feasible to move forward with further study, and to move to the next step?
- Is there anything you heard today that you think could work? If so, it is feasible.

### Discussion

Allegra Calder facilitated a discussion asking people to state whether they think a road usage charge is feasible and to note any other comments or considerations. All Committee members present (see Attendee list on page 1) stated that they think a road usage charge is feasible. Senator Rivers and Rod Brown had to leave the meeting early, but concurred in this decision. The following additional comments were provided:

- The report will find the right ways to describe the various combinations and we can channel energy into the areas we think are feasible. For example, the engine running concept is probably not feasible.
- Doing nothing is infeasible.
- I'm especially struck by the value-added concepts. Add to the parking lot to study cost allocation model and rate setting policy choices.
- Knowing how poor the road conditions are and the importance of maintenance funds makes it an easy choice. With a phased-in approach I think it will get buy-in from the public.

- I've learned a lot from these meetings.
- Leave it all on the table.
- A rate-setting body should be institutionalized ASAP – what would it look like? This will be very complex.
- I know language is important, and I think a new Authority would be a problem. Make sure it lives in existing State government.
- I think public acceptance will be the biggest challenge because people do not understand the transportation funding crisis.
- Appreciate the quality of discussion and conversation. Working with other states and the federal government should be on our minds and in the report.
- I want to protect the trucking interest, and I think it could be challenging given how much we're already being taxed.
- The devil is in the details. There are a lot of options.

Tom Cowan, Committee Chair, agreed that there was consensus to move forward with a report that recommends to the legislature that road usage charging is feasible.

## Summary of Next Steps

Jeff Buxbaum outlined next steps, including completion of a draft report (with a work plan and budget) by the December 4<sup>th</sup> meeting and a final report by the January 11<sup>th</sup> meeting.