

Dear Honorable Senator Johnson:

Tomorrow, June 7, you will be discussing HB 2017 which purports to address the Committee's charge to preserve and modernize Oregon's transportation system. The proposed amendments that I have seen to HB 2017 are inadequate and its approach out of date.

The principles of transportation finance and investment are simple:

1. Users of transportation services should pay a fee equal to the specific costs they impose.
2. In turn, the fee revenues collected should be used to maintain and improve the the specific facilities or corridors from which the fees are collected. This is the practice in the private air transport and rail freight transport sectors and explains the efficiency and responsiveness of the use and development of their services.

This is not, however, how Oregon prices and finances highways or transit services. Instead:

1. Oregon uses broad-base taxation via fuel or payroll taxes. Only the weight/mile tax paid by heavy trucks comes close to following the principles stated above.
2. This leads to inefficient utilization of existing facilities and wasteful and unresponsive investment decisions.
3. As a consequence, Oregon is unable to allocate funds or make improvements equitably according to use patterns.

To better serve the charge of your committee, the following steps should be taken:

1. The motor fuel tax as a primary mechanism of finance should be abandoned and replace with available, low cost technology for levying use- and cost-based fees.
2. Transit finance should rely to a much greater extent on cost based user fees and fares. The use of the payroll tax should be minimized or better targeted at those who benefit from transit services.
3. It is also time to allow private developers and operators of roads and transit services to participate in providing services and, when necessary, developing infrastructure.

Oregon's first roads were privately built toll roads, but operators had limited technological abilities to collect fees from users without evasion. Those days are long gone. Technology now allows inexpensive pricing of highway use by type of vehicle, location, and time of day. These fees can be applied to all Oregon streets and highways as conditions justify. This is not Buck Rogers stuff; my car insurance company already charges me for insurance by the mile using an inexpensive device the size of a matchbook inserted in my car's data port. It gives me a way, in a secure manner, to review my travel pattern, speeds and travel times in great detail for every trip I make. It would be trivial to expand this technology to charge by traffic conditions, as well

as the weight or other characteristics of my vehicle.

Oregon is woefully behind the times on such developments. As a consulting economist, I have been involved in over 60 road pricing projects. (None of them in Oregon, of course.)

The proposed bill gives only lip-service to such notions instead of boldly embracing them and moving ahead. It also continues and expands the unjustifiable use of payroll taxes on everyone to pay for transit services that provide service to only a small minority of trips.

With these changes Oregonians can cost-effectively enjoy improved performance of their existing highway and transit systems and responsive preservation and modernization of their transportation infrastructure.

Respectfully yours,

Randall Pozdena, PhD CFA

The views expressed here in this email are my personal, professional views alone and should not be attributed to others.