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Toll Road Offers New Jersey a Fiscal Test Drive

By [KEN BELSON](#)

Correction Appended

HAMMOND, Ind. — The 157-mile-long toll road that slices through northern [Indiana](#) and connects Ohio to Illinois is as unremarkable as they come. On the western end, commuters speed past idled steel mills to get to and from Chicago, while in the east a stream of tractor-trailers plows past an equally undistinguished rural landscape.

But when a private Australian-Spanish consortium took control of the Indiana East-West Toll Road in 2006 after leasing the adjoining Chicago Skyway the previous year, the move touched off a fierce debate in Indianapolis that is reverberating in Trenton, Harrisburg and other statehouses across the country, where the struggle to finance soaring transportation costs goes on.

“I go to these governors’ meetings and 49 of them are wringing their hands,” Gov. [Mitch Daniels](#) of Indiana said in an interview. “It’s not very complicated. Most of them can see it and are astonished at how great a deal Indiana got.”

Gov. [Jon S. Corzine](#) has been pushing to privatize [New Jersey](#)’s toll roads, much as Governor Daniels did in Indiana when he leased the road for 75 years and received a \$3.8 billion lump sum, which he earmarked for transportation projects. But events and public opinion have conspired against Mr. Corzine.

Not long after the Indiana deal, he began raising the possibility of selling or leasing the state’s toll roads, but opposition had already started building, not only among voters, who were surprisingly sentimental about dealing away the New Jersey Turnpike and the Garden State Parkway, but among state legislators as well.

Not long afterward, Mr. Corzine was involved in an automobile crash that almost cost him his life and took much of the steam out of many initiatives he had been pursuing.

By the time Mr. Corzine unveiled his plan in January, which also included cutting spending and limiting the amount of new bonds, opponents in New Jersey eagerly pointed to Chicago and Indiana to show what could go wrong with privatizing public assets. Wary of private operators, they contended that Indiana sold too low, and that tolls there would eventually rise too high. They also questioned whether Mr. Corzine would use the windfall wisely.

Mr. Corzine tried to allay those fears by proposing that the turnpike and the parkway be leased to a public corporation under state oversight. But his opponents focused less on who would operate the road and more on the toll increases — of as much as 800 percent by 2022 — that were critical to his plan. The plan has

gathered little support from state lawmakers despite Mr. Corzine's original goal of winning passage by the end of March.

Others critics were alarmed that some of the \$38 billion in bonds Mr. Corzine hoped to issue would be used for projects unrelated to transportation.

"Early on, there was excitement about the big checks that came in," Jonathan R. Peters, a finance professor at the [City University of New York](#) and an expert on toll roads, said of the arrangements in Indiana and Chicago. "But now academics and departments of transportation are starting to see that you can give away too much."

In the aftermath of the agreements in Chicago and Indiana, lawmakers in California, Texas and other states have struggled to muster support for their own lease deals. In Pennsylvania, Gov. [Edward G. Rendell](#)'s plan to lease the state's turnpike has been delayed by a counterproposal to collect tolls on Interstate 80. As these other states try to devise a plan acceptable to their residents, drivers who use the Chicago Skyway and Indiana East-West Toll Road seem to be adjusting to the new operators from Macquarie-Cintra, the Australian-Spanish consortium.

But Mr. Peters and other specialists who study toll road deals cautioned that the lease in Indiana was structured so that tolls would remain relatively stable for the first decade, then could rise quickly for the remainder of the lease — after many of the politicians who signed the original lease have left office. That may explain why drivers on the Skyway and Toll Road, while still suspicious of privatization, are largely pleased with conditions on the roads.

They say they like the additional tollbooths and the introduction of electronic tolls. And while truckers and those using cash saw tolls rise this month in Indiana, drivers of passenger cars with E-ZPass or the local alternatives, known as iPass and iZoom, are still paying tolls that have not been raised in more than two decades.

"The positive thing is they put in iZoom and the roads are well maintained," said Roy Platz, 60, of Naperville, Ill., who for years has used the Skyway and Toll Road to get to his job at a steel company in East Chicago, Ind.

"I don't care who they sell it to," Mr. Platz said between bites of a double cheeseburger at a McDonald's near the Skyway. "If the Spanish want to give us \$4 billion, fine. But government being government, the money could be frittered away."

On the contrary, Governor Daniels, a former budget director under President Bush, said Indiana had been prudent with its money — which has all been dedicated to infrastructure improvements.

In addition, Indiana earned \$287 million in interest from the \$3.8 billion the state received last year. Mr. Daniels has also distributed \$150 million in highway funds to his state's 92 counties since the lease began.

On top of that, he said that, to the best of his knowledge, Indiana is the only state with a fully financed 10-year transportation plan.

"This isn't dogma," he said, "this is solving a problem."

Nonetheless, Mr. Daniels, who is running for a second term this year, has taken a lot of heat from opponents in Indiana, who have insisted that he back away from proposals to privatize other highways. Critics like Roger Skurski, a retired professor of economics at the [University of Notre Dame](#), in South Bend, contend that if “reasonable changes” had been made in the way tolls were collected, the state could have made more money by not leasing the toll road.

“It didn’t appear they were making the case that an outside company could do a better job,” Mr. Skurski said. “They were assuming it.”

“The selling point for the governor,” he added, “was that he could get the money up front.”

But Mr. Daniels said the changes Mr. Skurski was referring to would never have been made because local politicians always balked at raising tolls.

The new operators have been quick to make changes to boost efficiency. They bought coin and bill counting machines so that toll collectors no longer had to spend 45 minutes a day stuffing hundreds of dollars in nickels, dimes and quarters into rolls. Freed from rigid government contracts, the consortium has negotiated lower prices for new snowplows and roadway de-icing liquid. In addition, there is a new incentive program in place that rewards employees with an extra month’s pay for good customer relations, attendance and initiative. And televisions have been removed from the tollbooths to force collectors to focus on their jobs.

“People were upset about the TVs, but patrons need your full attention,” said Linda Wilson, the supervisor of the WestPoint toll plaza here.

For those who regularly use the Skyway and Toll Road, the improvements have helped soften their stance on privatization — as long as tolls do not rise too fast.

“I thought it was crazy to sell the road to someone outside the U.S.,” said Chad Deanecelli, 28, a cook at a rest stop in Portage, Ind., who drives 40 miles to Chicago twice a week to visit his grandmother. “It’s pretty expensive, about \$12 a round trip. But if the money is used for transportation, it’s good.”

This article has been revised to reflect the following correction:

Correction: April 22, 2008

A picture caption on April 13 with an article about lessons that the privatization of the Indiana East-West Toll Road might hold for New Jersey — whose governor, Jon S. Corzine, wants to lease his state’s toll roads — misidentified the toll plaza shown. It was the eastern entrance to the Chicago Skyway, not the western end of the Indiana toll road.

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