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Turnpike in Transition: Public-Sector Motives and Private-Sector Methods

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To help meet the critical transportation needs of one of the country's fastest growing states, the leadership of Florida's turnpike system operates under the motto, "public-sector motives using private-sector methods." Florida's Turnpike Enterprise is a demonstration model and "laboratory for change and innovation" that serves as an excellent example of state government rising to the challenge of today's difficult issues.

In March 2002, the Florida Legislature passed HB 261, a historic piece of legislation that provides for revolutionary change in the way Florida's turnpike system is operated now and for decades to come—as a public agency empowered to pursue best business management practices to provide Florida residents and visitors with the best highway system possible. We have already begun to change nearly every aspect of our operations, with the ultimate goal of continuing to expand system capacity to meet growing demand while consistently increasing revenues and lowering operating costs.

Originally consisting of a single 110-mile stretch of highway running north from Miami to Fort Pierce along the state's east coast, Florida's state-operated turnpike system—constituted in 1953 and known today as Florida's Turnpike Enterprise—has grown to become the fourth-largest revenue-based transportation system in the United States. Expanded to meet consistently high population growth rates in the Sunshine State over the past 50 years, it now comprises 449 miles of roadway, more than 130 interchanges and eight service plazas.

The turnpike system was operated for two decades as a separate and independent turnpike authority, then as part of the Florida Department of Transportation, first as a self-contained office and later as one of eight FDOT districts. Today, the "experiment in governance" embodied by Florida's Turnpike Enterprise represents a clear vote in favor of user-financed transportation to meet current and future highway needs, relying

on entrepreneurial solutions to achieve previously unattainable levels of operating efficiency and user satisfaction.

Customer Comes First

Customer service, the first principle in the ongoing transformation of Florida's Turnpike Enterprise, is also the organization's bottom line. Our goal is to continue to develop a fully leveraged turnpike system capable of meeting the transportation needs of a state expected to grow another 25 percent in the next decade.

We have been chartered by Gov. Jeb Bush and the Florida Legislature to help keep Florida on the move through customer-oriented, environmentally sound, user-financed facilities. Just like any good business, we provide our customers premium value—in the form of safety, service and convenience—in return for their toll, in order to encourage continued and increased usage of our facilities.

The Way We Work

The passage of HB 261 brought additional highways and bridges under the Turnpike Enterprise umbrella, along with the Office of Toll Operations. The number of Turnpike Enterprise staff increased from 1,300 to 4,600. Nine out of every 10 staff are contract employees from the private sector. One of our first major challenges was to change the mindset of our public-/private-sector work force to be in alignment with the new Enterprise model.

With all employees serving at the discretion of the executive director, the organization was restructured from vertical functions

to a more horizontal model. The positions of chief operating officer and chief financial officer were created and filled. In addition, Troop K of the Florida Highway Patrol, the Turnpike Enterprise's "official and preferred" law enforcement agency, subsequently established its headquarters adjacent to those of the Turnpike Enterprise in Orlando.

Organizational transformation was encouraged by selecting 100 top managers to attend "Flight School," an intensive course in leadership development and a means by which the managers could be indoctrinated into the new organization. Additionally, all Turnpike Enterprise employees took a customer awareness and team training course.

Other initiatives in the Turnpike Enterprise transformation included establishing performance-based versus effort-based employee evaluation criteria, conducting a work force satisfaction survey, commissioning a recruitment and retention study, and establishing a corporate advisory board. Six very successful private-sector managers periodically meet with Turnpike management to learn how they would operate the Turnpike using private-sector methods.

Technology the Cornerstone

Florida's Turnpike Enterprise, like many toll agencies across the country, is rapidly moving toward electronic toll collection (ETC) as our preferred means of collecting revenue. We realized early on that we would not be successful in maintaining our high standards for customer service—much less maintaining operating efficiency—without significant growth in ETC.

ETC implementation greatly enhances the motorist's experience of toll road driving by reducing time delays at toll plazas. ETC also dramatically lowers our operating costs while increasing financial accountability. Ultimately, we believe that open-road tolling—a plaza-less system of electronic toll collection—will be the catalyst for attracting motorists and operating at maximum efficiency.

The SunPass® Challenge—our concerted program to increase ETC usage—thus began in earnest in 1999. The SunPass® Challenge is a multifaceted program that combines streamlined construction protocols to build more SunPass®-only lanes, automated toll-violation technology to protect our revenue stream, and a retail marketing program to put transponders into the hands of Turnpike users—conveniently.

The Turnpike Enterprise has transformed its project design and construction operations, dramatically revising our protocols for project delivery. We now use various combinations of design-build, multiple contracting, and performance bonus options, with specific projects monitored to evaluate protocol efficiency. The entire toll collection system also underwent a thorough reengineering, with new mechanisms put in place to enforce violations and more closely measure the variance between indicated and actual toll collections.

The first-ever statewide retail-sales program for ETC transponders by any government agency in the United States started in July 2003 and has already contributed to a more than 50-percent rise in the growth rate of transponder sales. A 25-percent rate hike in March 2004 for cash-only lanes on the Turnpike Enterprise system delivered another jump in the transponder sales rate, overwhelming SunPass® service centers, cleaning out store racks, and putting the agency well on its way toward a 2008 goal of a 75-percent user rate.

Aggressive Five-year Plan

The Turnpike Enterprise's 2003 Annual Performance Report put forth a five-year strategic plan based on 10 specific strategies and provided directly linked performance measures for the entire range of the Turnpike Enterprise's goals and objectives. The 2003–2008 strategic plan calls for the most aggressive expansion program in the system's

history, with more than \$4 billion in projects scheduled to extend, expand and improve Turnpike Enterprise roadways.

A 2003 legislative amendment raised the agency's bonding cap from \$3 billion to \$4.5 billion, providing added funding for future expansion, which currently calls for a total of 150 lane-miles of widening and 11 interchange improvements through FY 2012. In addition, the strategic plan targeted the construction of more than 100 SunPass®-only lanes by year-end 2004. We also plan to install a fiber-optic network to support system-wide operations and communication.

The five-year strategic plan targeted a five-year increase in non-toll revenue from \$80 million to \$175 million. Toward that goal, the Turnpike Enterprise formally announced the development of the first of several privately sponsored service plaza designs, and proposed a new strategy for responding to unsolicited business opportunities.

The most progressive element of the 2003–2008 strategic plan, however, includes the deployment of variably priced toll lanes along major congested urban interstates. Called Xpress Lanes in Florida, this solution is also being studied by several other metropolitan areas in the U.S. with severe congestion problems. New toll lanes adjacent to existing corridors will give motorists the opportunity to pay a toll to bypass traffic congestion, thereby lessening the burden on already choked roadways.

The 2003–2008 strategic plan also calls for the transformation of the Turnpike's Sawgrass Expressway, a 23-mile connector on the northwest outskirts of Fort Lauderdale, into a prototype for the state-of-the-art user-financed highway of the future, complete with open road tolling installation throughout, widened roadways and ramps, aesthetic upgrades, and the deployment of a variety of intelligent traffic system (ITS) components.

Financial Horsepower

In these days of contentious debates over project funding and budget cuts across many state agencies, the Turnpike Enterprise is in excellent financial condition, which we believe to be one of the most powerful testaments of our transformation. Revenue from FY 2002 to FY 2003 increased from \$419 million to \$458 million representing an approximate increase of 9 percent. Since the

deployment of SunPass® in 1999, the cost-per-transaction has decreased by approximately 12 percent.

Through careful financial management, precisely calculated revenue projections, and debt contributions averaging 40 percent of funding ratios, the Turnpike Enterprise continues to be held in high regard by the bond market, having received five rating upgrades and obtaining approximately \$2.5 billion in financing through 13 bond sales.

The majority of states continue to rely on motor fuel taxes supplemented by federal funding for their transportation infrastructure improvements. We at the Turnpike Enterprise are quick to point out that “there are no free roads.” Relying solely on gas-tax funding, the state of Florida would be facing a near \$50 billion shortfall in addressing critical highway improvements. By fully leveraging the state's toll road system as a primary capital asset managed with up-to-date private-sector methods, users will pay for the system's expansion while all Florida residents will benefit.

Florida's Turnpike Enterprise is an experimental work in progress. Turnpike management feels that it's pushing forward to demonstrate you can run a toll organization like a business from within the ranks of a state bureaucracy.

Bios

James L. Ely, D.P.A., is the first executive director and chief executive officer of Florida's Turnpike Enterprise. He was initially appointed director of Florida's Turnpike System in 1989 after having served as the system's inspector general. Florida's Turnpike Enterprise was the 2003 recipient of the President's Award for Innovation and Excellence from the International Bridge, Tunnel, and Turnpike Association, an organization for which Ely serves on the Board of Directors and will serve as president in 2007. He is also chairman of the Transportation and Expressway Authority Members of Florida. P.O. Box 613069, Ocoee, FL 34761. (407) 532-3999. jim.ely@dot.state.fl.us.

Christopher L. Warren, P.E., is chief operating officer of Florida's Turnpike Enterprise. He was appointed as the first deputy executive director and chief operating officer in 2003 for Florida's Turnpike Enterprise. Subsequent to this he served as the director of maintenance. Warren is responsible for all operational divisions within the Enterprise organization. Warren is also active in the International Bridge, Tunnel, and Turnpike Association as well as the Transportation and Expressway Authority Members of Florida. P.O. Box 613069, Ocoee, FL 34761. (407) 532-3999. christopher.warren@dot.state.fl.us.