

Abridgment

Interest-Free Vanpool Program: Experience in Connecticut

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ABSTRACT

The Connecticut Department of Transportation has made a substantial commitment to vanpooling as part of its service development responsibility. There have been a number of programs, including a State Employee Ridesharing Program, a Vanpool Assistance Program, a Van Lease Program, and successful efforts to obtain legislation favorable to vanpooling, such as tax breaks and exemption from governmental regulations. In this paper is described a Connecticut Department of Transportation program to provide an alternative to existing, costly, third-party van-leasing arrangements. The program was developed and implemented with the cooperation of the Federal Highway Administration and the Rideshare Company. The state provides interest-free financing and mass acquisition of vehicles, and the Rideshare Company, an areawide nonprofit rideshare brokerage based in Hartford, markets, promotes, administers, and supervises the operational vans. This unique approach to providing vanpool vehicles to individuals and employers has resulted in the opportunity to acquire vans at the lowest possible cost. The program was implemented January 13, 1983. During the first 11 months, 27 vanpools were put into operation with 17 vans being run by individuals and 10 run by Connecticut employers. Participants who receive vans have to repay 100 percent of the vehicle cost during the van's projected life and pay all operating costs. The mechanics of the program are described and its transportation impacts are analyzed. This information should be useful to persons responsible for commuter transportation or new approaches to transportation financing.

Vanpooling in Connecticut had its beginning in 1976 when two state employers purchased several vans equipped to accommodate 12 passengers and made them available to their employees. During the past 10 years there has been substantial growth in ridesharing, especially vanpooling, in Connecticut (1-3).

Today there are more than 1,300 vanpools operating in the state saving each of the 14,300 commuters approximately \$750 per year in commuting costs. This is perhaps the largest number of registered vanpools per capita of any state in the country. The operation of these vanpools directly or indirectly affects all segments of the state population through reduced consumption of energy, reduced traffic and congestion on roadways, reduced employer parking demands, reduced air pollution emissions, and reduced vehicle miles of travel on state highways.

In 1977, to demonstrate the benefits and the commitment of the state to ridesharing, the Department of Transportation developed two vanpool programs. One, the State Employee Vanpool Program, put its first van into operation in September 1978. At its peak there were 92 vanpools in operation; currently there are 72. The second, the Vanpool Assistance Program to Major Employers, became operational in April 1979. There were 29 vanpool vehicles distributed to Connecticut employers under the Vanpool Assistance Program. Many of the program's employers and other nonprogram employers have continued and expanded their vanpool programs on their own.

The Department of Transportation, together with

private-sector employers, supported the development and implementation of two regional nonprofit ridesharing corporations in 1980. However, the third-party vanpool program administered by the brokerages experienced difficulties in starting vanpools in the first years. The main reason for this was high interest rates that were being included as part of the lease cost to the vanpool group.

To counteract the high monthly van-leasing rates created by the high interest charges, the ridesharing brokerage contacted the Department of Transportation for assistance in finding an alternative way to finance the purchase of vans. Finally, the decision was made to investigate the development of a van purchase program that would use federal funds and thereby avoid the high interest rates. The Federal Highway Administration had expressed willingness to use federal funds for the project pursuant to the Rural Secondary Funding-Federal Aid Highway Act of 1976 and the Surface Transportation Assistance Act of 1982. After review and coordination, the department's Office of Project Planning prepared and submitted a recommendation for the consideration of an interest-free van acquisition program. The Mass Transit Policy Committee of the Department of Transportation acted on the recommendation and requested the commissioner's approval to initiate a project including the expenditure of \$750,000 to provide interest-free loans for the purchase of vanpool vehicles. At that time, the program cost, on a monthly basis for a van making a 40-mi round trip, was estimated to be \$400 compared with \$600 for the third-party van-leasing program.

Preliminary program activities were developed by the department with input from the ridesharing brokerages and resulted in the project being recommended to start in April 1981. The project was also required to be included in the Transportation Improve-

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ment Plan and A-95 Clearinghouse Certification process. Federal fund authorizations were received in October 1981, and the project was initiated the following month.

PURPOSE

The Interest-Free Vanpool Program was for the most part developed and implemented to increase ridesharing opportunities in the state. Vanpooling is highly cost-effective and yields many benefits. These benefits include reduced vehicle miles traveled, increased vehicle occupancy, reduction in the amount of air pollution emissions and gasoline consumption, as well as reduced traffic congestion and parking demands.

The program was cooperatively developed by FHWA, ConnDOT, and the Rideshare Company in order to provide an alternative to existing, more costly, third-party van-leasing arrangements. Several major companies have large carpooling and vanpooling programs, most of which have been in place since at least the mid-1970s. The Rideshare Co., Metropool Inc., and Rideworks Inc., are existing areawide non-profit ridesharing brokerages that work with ConnDOT to promote ridesharing. These companies act as transportation brokers by matching local transportation suppliers with the local demand, actual and latent, for transportation. This allows the community to make effective use of available transportation services by fitting these services to meet the transportation needs of various population and socio-economic groups.

Under the Interest-Free Vanpool Program, the state provides interest-free financing and mass purchasing of vehicles and maintains vehicle ownership throughout the van's program life (36 to 48 months), and the ridesharing brokerages market, promote, administer, and monitor the operational vans. By using state bidding procedures and exemptions from property tax and registration fees, vanpool vehicles could be made available for employee transportation for 20 to 40 percent less than under third-party operations.

DESCRIPTION OF PROGRAM

Approximately 90 12- and 15-passenger vanpool vehicles will ultimately be purchased by the state of Connecticut and made available for use in the program. The department pays 100 percent of the van's purchase cost on delivery of the van from the dealer. Twenty-five percent of the vehicle cost must be borne by the vehicle user and remitted to the Department of Transportation before or when possession is taken of the van. The remaining 75 percent of the vehicle cost must be paid to the department on a monthly basis over a 36- to 48-month period depending on the commuting mileage. Any Connecticut resident is eligible to receive one vanpool vehicle, and a Connecticut-based employer is eligible for a maximum of five vanpool vehicles.

The vehicle must be used in a vanpooling arrangement for the work trip. The vanpool group must consist of a minimum of eight passengers not including the driver. Seventy-five percent of the vehicle's monthly mileage must be for work trips. Personal use of the van is allowed at the expense of the driver or program participant at a nominal operating cost for gas, oil, and so forth. Failure to meet any of these criteria could result in termination of the operating agreement. Vehicle usage is monitored by

the ridesharing brokerage via monthly vehicle usage reports.

All participants are required to provide insurance coverage for their vehicles in at least the amounts prescribed in the operating agreement. The participant is responsible for making certain that normal vehicle maintenance and other necessary repairs are carried out. Monthly fares are determined by the participant with assistance from the ridesharing brokerage.

Program participants can terminate their operating agreement before 100 percent payback and return the van in good condition to the ridesharing brokerage on 30 days written notice.

After the participant's obligation has been met under the operating agreement and the vehicle acquisition cost has been repaid to the department, the vehicle title is transferred to the participant. Registration fees and any applicable taxes are then passed on to the participant and all responsibility on the part of the ridesharing brokerage and the state is terminated.

PROGRAM ACCOMPLISHMENTS

On January 11, 1984, 27 interest-free vanpools were in operation. Thirty-six new vehicles were ordered for May 1984 delivery. These additional vans were later put into service. At present the program fleet consists of 63 vans. Eleven Connecticut employers are participating in the program. These employers have made 34 program vehicles available to their employees. In addition, 29 state residents, each utilizing one van, are also participating in the program.

BENEFITS

The various program benefits were estimated from the reports provided by the Rideshare Company and Metropool, Inc., two of the ridesharing organizations under contract with the department to administer and monitor the program. The following table gives the benefits derived from the program:

<u>Benefit</u>	<u>Measure of Effectiveness</u>
Vehicles removed from state highways	441 vehicles/day
Vehicle miles traveled reduction	6,615,000 mi/year
Air pollution reduction	1,000 tons/year
Energy use reduction	388,900 gal/year
Number of passengers carried	705 persons/day
Commuter cost reduction	\$524,800 all riders/year
Parking demand reduction	441 spaces/day
Commuting trip cost per person	3.5 cents/mile
Commuter cost reduction	\$744 each rider/year

CONCLUSIONS

The success of the program and the achieved results show the program to be beneficial to the state and the participants. The goals and objectives of the program are being met. The original objective of putting 27 vanpool groups in operation during the first year has been fulfilled. The anticipated resulting benefits of the vanpools are being demonstrated and the cost to the participants is lower than under third-party operations. The third-party

vanpooler in a full 1984 van now pays \$50.50 per month for a 67-mi round trip whereas the interest-free vanpooler pays \$34.00 per month, approximately 32.5 percent less.

The concerns expressed about the possibility of a mass switching of people from the third-party program to the interest-free program did not materialize. It appears that the purchase option of the interest-free program appeals to a different group than does the lease option.

The second year of operation has shown that there is a vast untapped potential group of individual vanpool owner-operators. Twenty-nine of the 63 vans are being used by individuals. It is therefore anticipated that interest in owner-operator vanpooling in Connecticut will continue to grow.

FUTURE OF THE PROGRAM

With the additional vans put on the road during this year, the program currently supports 63 vanpools. With increased marketing and promotion of the program by the Rideshare Company, Metropool, Inc., and the Ride Works of Greater New Haven, the objective of 90 vanpools should be achieved by the end of next year.

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