

# Toll roads - COVID-19 Emergency Toolkit

## Key considerations for toll road operators during the global crisis

Road traffic has dropped sharply in response to the COVID-19 crisis, as a result of strict restrictions on movement. While travel requirements fall, toll road operators must determine how they can best use this period of low demand to prepare the businesses for a stronger comeback in the post-crisis environment. Teneo has developed a list of key considerations and potential strategic options to assist operators during this time.

### Initial lockdown phase

#### Situation

Road traffic initially spiked after the COVID outbreak as people first shifted away from public transport believing cars were safer. However, traffic is now materially lower since most of the Western population, excluding essential workers, are confined to their homes. The impact of low road usage is amplified on toll motorways as a lack of congestion removes the need to pay for a faster journey. Moreover, toll operators may face challenges with staff availability in this time.

#### Key considerations

Throughout the period of low toll road usage, operators should consider temporarily altering their approach. Key factors influencing the optimal strategy for a specific toll road include: whether there is an alternative route, robustness of demand based on geography, customer profiles, and HGV vs. LCV vs. car usage as demand from the former is likely to be more stable.

#### Opportunity

The crisis presents an opportunity for toll road operators to strengthen their position for the return to BAU activity after recovery. One potentially valuable strategy for some toll operators would be to temporarily remove all toll charges. This could have several benefits:



#### Staffing

Protect employees and alleviate staffing pressure by removing the need to staff toll roads for the crisis period



#### Reputation

Build loyalty and trust among existing customers, and win new users who try the road for free during the crisis



#### Social

Show public support for key workers and delivery businesses as these are the only people still on the road



#### Tech

Take the time to re-evaluate the cost profile, evaluating how technology (e.g. cashless payment) can support the post-crisis rebound



### Road to recovery



#### Growing customer base

#### Expectation

There is likely to be an initial spike in demand as driving returns to daily life more quickly than other modes of transport due to hygiene concerns. This may be followed by a prolonged period of high demand as people see family and go on domestic holidays before the return of international travel

#### Opportunity

Making toll services free throughout the crisis could allow operators to capitalise on the initial post-crisis uptick. This will help improve public perceptions to allow operators to attract new customers and retain existing clients. Stimulating domestic leisure travel is likely to then become key to retain high demand and encourage road usage



#### Matching price and demand

#### Expectation

Post-crisis demand and customer behaviour is likely to be different. For example:

- Changing vehicle mix
- Less disposable income
- Less car sharing
- Slower business recovery
- Less anchored price expectations

#### Opportunity

Fare structures must appropriately match changing demand profiles. Operators should consider adjusting price to capture increased demand from a larger pool of customers, appreciating that this could include different customer segments and less affluent drivers



#### Tech developments

#### Expectation

There are expected to be longer term fundamental changes in customer behaviour and travel expectations as a result of the COVID crisis

#### Opportunity

Mandating cashless payment could have material efficiency gains, reducing leaking and improving data collection, while helping generate customer trust and addressing hygiene concerns



#### Re-financing

#### Expectation

An extended period of low travel and road use could materially impact operator finances and cash positions

#### Opportunity

Toll operators could evaluate refinancing options and opportunities to extend concession periods to secure long term sustainability

## How Teneo can help

- Teneo's global transport practice comprises recognised industry experts who understand the strategic, commercial, and operational principles relevant to toll operators, and can provide support to a network of CEOs on understanding and responding to the crisis
- Our consulting division has unique expertise working with public transport bodies and toll road operators, providing us with insight on all stakeholders to deliver impactful CEO-level support during crises and service recovery
- Our team has worked with major road operators in both the US and the UK including M6Toll, ORR and Highways England, as well as Government and Regulatory bodies such as the Department of Transport, Network Rail, and multiple local / state authorities
- We have a highly developed and relevant skillset, with extensive experience in demand and revenue modelling, pricing optimisation, strategic communications, and tech business casing, all of which will be vital to navigating the current crisis and forthcoming recovery



#### Matt Lovering

Global Transport Lead  
Matt.Lovering@teneo.com  
+44 (0) 7977 931157



#### Jenny Brand

Senior Manager (UK)  
Jenny.Brand@teneo.com  
+44 (0) 7791 295324



#### Jeff Gallart

Senior Vice President (US)  
Jeff.Gallart@teneo.com  
+1 (202) 558-3182 Teneo 1