Road pricing

Driven to radicalism

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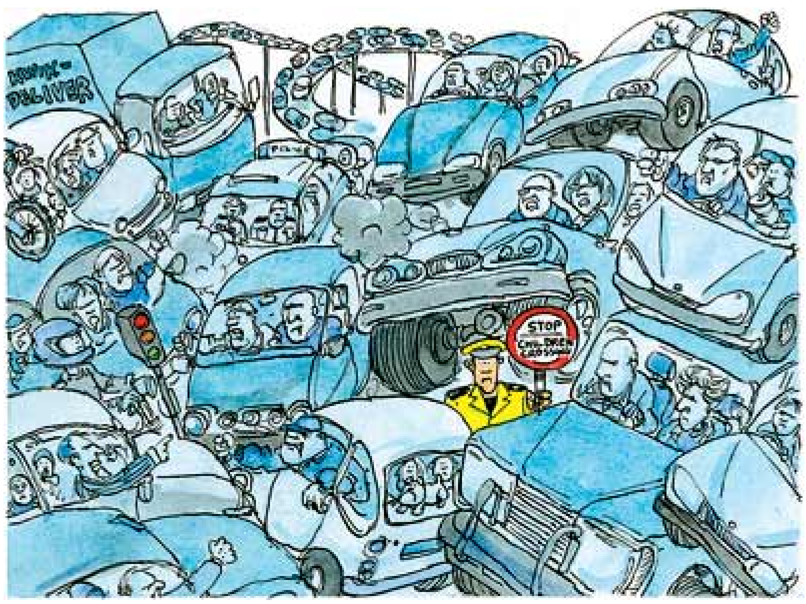

A national road-pricing scheme is looking less like a fantasy and more like reality

TRANSPORT and politics do not mix. Road and rail policy operates on time-spans of a decade or more, offering little electoral advantage to ministers, who are never more than five years away from losing their jobs. So it was nice to see Alistair Darling, the transport secretary, taking the long view last week by restarting the debate on using pricing to reduce congestion on Britain's worsening roads.

Everyone agrees that big changes are needed. The problem is not a lack of capacity (most roads are empty most of the time) but the lack of an efficient system for allocating it. Cars impose big costs on society mainly in the form of congestion, but also through pollution, wear and tear, and road accidents. In the absence of a market, road space is allocated by queuing, putting Britain at the top of the European congestion league (see chart 2). The current tax system (under which drivers pay an annual charge on their cars and high taxes on fuel) is good at encouraging fuel efficiency, but bad at reducing congestion, which concentrates around a few urban areas and trunk roads. As a result, rural drivers pay too much and urban ones too little. A system that charged individual drivers for the costs of increased traffic density, vehicle emissions and damage to the roads would encourage more efficient use of a scarce resource and be fairer to boot.

Road pricing is easy to do. Many European countries have toll roads. Sweden already runs a paper permit-based system for lorries. Singapore used permits to control access to the city centre from 1975 until 1998, when it switched to a network of electronic sensors. The British government is toying with something fancier: a system based on satellite positioning. At the moment, the technology is too inaccurate to use in cities or forests. But while a low-tech system could be built at once, the government has set a tentative date of 2014 for any British system—by which time better satellites will be available.

Whether it is politically feasible is another question. Economics suggests that pricing the roads properly would make everybody better off through faster journeys, cleaner air or cheaper travel. Yet convincing the voters will be hard.

Fuel and car taxes are unpopular because the government earns far more from them than it spends on roads. In 2000, a surge in fuel prices led to blockades outside refineries that succeeded in choking off the nation's petrol supplies. That was one of only two times in Tony Blair's premiership that Labour's approval ratings have fallen below those of the opposition Tories. Mr Blair has not forgotten, and fuel taxes have not risen since in real terms.

Still, the evidence suggests it can be done. When Ken Livingstone, the mayor of London, introduced the capital's congestion-charging scheme in 2003, he sold the policy to a wary public by promising to corral the (fairly modest) revenues and spend them on better public transport. The government has indicated that it is thinking of sugar-coating its scheme by cutting fuel and car taxes so that, overall, motorists would pay no more to the Treasury than they do now—about £26.5 billion ($48 billion) a year in 2002-03. Pricing the roads according to public opinion rather than the true cost of motoring sounds like a compromise. But, interestingly, what sounds like a political trade-off between efficiency and acceptability may be the right outcome. Stephen Glaister, a professor at Imperial College, says that, assuming that various environmental costs lie roughly in the middle of their likely ranges, an efficient system could generate about as much revenue as today's taxes. Only the distribution would change, with the heaviest users of the roads paying more.

Motorists might be mollified by assurances that they won't have to pay more, but it would leave ministers unable to repeat the bargain made by Mr Livingstone. A revenue-neutral system would mean no extra cash to spend on improvements to public transport or better roads. The busiest railways and bus routes tend to run alongside the busiest roads, and without more capacity, the risk is that congestion would merely be shunted from cars on to already-crowded trains and buses. Rod Eddington, British Airways' chief executive—who has been hired by the government to think big thoughts about the future of transport—has said that he favours lots of investment in new infrastructure. A revenue-neutral scheme would mean the money for that would have to come from unpopular tax hikes elsewhere.

In the long run, though, road pricing could make transport decisions easier. Mr Glaister points out that road charging would remove one of the main justifications for the subsidies paid to the railways and buses, as well as highlighting the financial pressures they face. Heavily subsidised rural lines, which already spend most of their time transporting fresh air, would become even less viable as passengers switched to cheap motoring. Crowded urban routes would be even more packed with refugees from the roads, making a good case for extra investment. Diverting capacity to where it will do the most good is a sensible policy, but, again, there will be political problems. The countryside lobby, for instance, will oppose cuts to rural bus and train services.

Of course, 2014 is a long way off. Road pricing has been suggested before, first in 1964 and again in 1971. Both times the government lost its nerve. But with traffic expected to rise inexorably over the next 20 years, doing nothing is getting harder. Mr Darling has called for a decision before the next election. Both the main opposition parties support the idea in principle. Making it happen in practice will be difficult, but the worse the traffic gets, the more appealing any solution begins to look.