

Oliver Marc Hartwich explains why, although it's not a new concept, road pricing could help address the ongoing problem of the UK's crowded transport network

CONGESTION CHALLENGE

BRITAIN'S TRANSPORT INFRASTRUCTURE IS, quite simply, not fit for purpose. Heathrow, as the nation's most important air travel hub, can only be described as inadequate. While all other major European airports have increased their capacity, it took more than two decades just to plan the new Terminal five and a third runway is nowhere in sight.

Ground transport on Britain's roads and rails is equally substandard. In no other European country can one find fewer roads per person. On average, for every Briton there are six metres of road. Even in the much more densely populated Netherlands, and in Japan, they have seven and nine metres per person respectively.

Britain is number one in one international league table: congestion. Statistics show that on every kilometre of Britain's road network more than 1.6m passenger kilometres are travelled every year – more than twice the European average.

Britain's rail network fares no better. British railway tracks are among the least electrified in Europe, and while high-speed rail networks have been in operation in countries such as Japan and Germany for decades, the UK has only just introduced such trains. And, when it comes to its public transport infrastructure, Britain is no match for its international rivals. The London Underground is notoriously unreliable and overcrowded on many of its lines. Yet, season tickets are the most expensive of any capital city.

Clearly the UK's transport network is unable to meet the needs of a modern country. In fact, it has become one of the bottlenecks of the economy. The government-commissioned Eddington Report came to the conclusion that 13% of traffic would be subject to start-stop conditions by 2025 if the transport system was left unchecked. The Economist Intelligence Unit also warned that the UK risked slipping down the global business

environment rankings if its transport infrastructure does not improve.

But there's an obvious problem with infrastructure upgrades: they cost a lot of money. And with public budgets being stretched already, it is unlikely that such massive expenditure could be undertaken by the public sector alone.

The introduction of road pricing is one answer, and the economic advantages have been known for some time. Concerns about traffic levels and congestion are not new. In the early 1960s, the government commissioned a report on this issue, which was written by Reuben Smeed, an employee of the government's Road Research Laboratory. His findings were published in 1964 and concluded that road pricing might be a restraint from over-using the roads and could thus be an effective way to reduce congestion. The basic argument of the Smeed Report is still valid: in order to make the best possible use of resources such as the road network, it is necessary to attach a price tag to them.

Efficient use of scarce resources

In this way, the price mechanism can signal which roads are congested and should be used less, and it could also show where there is still spare capacity. Road pricing could also redirect traffic to other routes and other times. In essence, road pricing is a means of making the most efficient use of a scarce resource: our roads.

What road pricing does is, in effect, not dissimilar to the use of pricing in other areas. Whether it is food or furniture, resources are rarely unlimited, and experience shows that market prices are a good way to deal with consumer demands. In other words, the idea behind road pricing is hardly revolutionary. Yet, four decades since Smeed wrote his report, road pricing has not been introduced in Britain. So what has stopped governments from applying

these ideas? Public resistance and a perception that road pricing would be unfair if it were simply to be introduced on top of existing motoring taxes are likely answers. In one sense, this public perception is understandable.

Gap between taxes and spending

Over the past decades, public spending on transport has been significantly below public revenue received through transport taxes. Currently, the gap between road taxes and transport spending is around £11bn per year. The most visible element of transport taxation is fuel duty. The UK has among the highest tax rates on petrol and diesel in Europe. With some justification, therefore, road users could argue that most of the existing roads were built a very long time ago and should have been paid for out of their taxes several times already. Charging for these roads would be asking the drivers to pay for them a second – or maybe even a third – time.

To make matters worse, if the receipts from road pricing went straight to the Treasury, it would be seen as just another tax and as such would be resented, and quite understandably so. It is this kind of thinking that explains why campaigners found it so easy to mobilise more than 1.8m people to sign a petition against road pricing on the number 10 website.

But transferring all receipts from road pricing is in fact not the only option, and the alternatives actually promise a much greater public acceptance of charging schemes. In a recent opinion poll, only 7% supported road pricing if the money went to the Treasury, but support rose to 55% if it was used to improve public transport. It is very much a question of what kind of deal the population is being offered. The fact is that UK motorists have long been paying tolls to drive on bridges, in tunnels and along the M6 toll road. >>



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The difference between these and other roads lies in people's perceptions; certain bridges and tunnels are sufficiently unique forms of road; and the M6 toll has a free alternative, so people will tolerate being charged. Simply adding general road-user fees to the existing tax burden will not do.

So, we need to improve our transport system; the positive economic effects of road-user charging are beyond dispute; and the public would support road pricing schemes if the money was used to deliver better infrastructure. The obvious policy recommendation is to solve our transport crisis by using the revenue generated from charging road users. Such a proposal is likely to gain wide public support.

Yet, there is one problem with this idea. Planning and delivering transport infrastructure upgrades can be an extremely lengthy process. If one were to start charging road users now in order to finance improvements in public transport, railway connections or motorways that would materialise only 20 years later, this would clearly jeopardise public support. People could still think they were being charged for something that offered them nothing in return. The prospect of disappearing traffic jams in the very distant future is not very attractive to people who are asked to pay for the privilege of being stuck in a traffic jam today.

Actually, it should be looked at the other way around: only when improvements to the transport infrastructure have been made, will the charging begin. This would



make it far easier to explain to road users why they are being charged and what the benefits are to them and the wider public. The link need not be totally direct. A better public transport system, for example, would also reduce road congestion by turning car drivers into bus users.

This time sequence, of first delivering infrastructure and then starting to charge road users, raises an important issue: how to bridge the financial gap. Such bridging constructions are already operational in other areas where they are known as the Private Finance Initiative (PFI). In the past, PFI has been deployed in a large number of UK transport schemes, in both the construction of roads and public transport infrastructure. They are generally regarded as flexible tools when it comes to the transport sector, and private capital has helped to fund a variety of large and small schemes. When it comes to the massive upgrades needed for Britain's transport infrastructure, these previous experiences could help to design a scheme linking the upgrades to a future road pricing system.

Obviously, there are numerous problems

to be considered when it comes to the introduction of an integrated approach to transport infrastructure and road pricing, and in our report 'Towards Better Transport' (Richard Wellings and Briar Lipson, Policy Exchange, 2007) we discuss them in detail. For example, any link between the PFI and road pricing has to consider the technical and political risks, while also coming up with robust forecasts for road pricing revenue. The technology to be used for future charging schemes will also have to be carefully chosen.

Fortunately, a lot can be learned from other European countries that have already introduced nationwide charging schemes. In Switzerland, lorries have been tracked and charged since 2001. Germany and Austria have also introduced lorry-road user charges, and in the Netherlands a general road pricing scheme is starting soon.

It's time to tackle our infrastructure crisis. Our quality of life and our economic prospects depend to a large degree on our willingness to get Britain moving again.

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VIEW POINT IS ROAD PRICING SUSTAINABLE?

Pay-as-you-go motoring sounds pretty positive as a way of reducing the environmental impacts of driving. If it reduces congestion, then that must mean fewer cars at a standstill, belching out CO2. And some people will surely be discouraged from driving and adopt other modes - better still, since emissions from cars are generally worse than from trains, buses and motorbikes, and terrible compared to walking and cycling.

However, before we get too carried away, there are other arguments to consider. If road

pricing merely shifts traffic away from congested times to other parts of the day or bits of the network, the net effect in terms of emissions may not be all that significant. And what happens to the money? If it disappears into the Treasury it might be put to various carbon-dubious uses.

For road pricing to deliver on sustainability, the proceeds should be invested in transport infrastructure with lower emissions, or schemes to enable people to travel less.

Design is vital. A recent study commissioned by lobby group

Transport 2000, using the government's own freight model, demonstrated how including lorries in a road pricing scheme could improve the efficiency of road freight, double rail freight, boost the use of coastal shipping to northern ports, and generate nearly £7bn in tax revenue each year, but would have very little impact on overall road freight levels or CO2 emissions. "A nationwide road pricing scheme ... will need to be complemented by planning

polices to encourage sustainable distribution, investment in rail

freight capacity, rail terminals and rail-connected distribution parks, to accommodate modal shift and technological advances to reduce emissions from road vehicles," the report concludes.

Road pricing must not encourage drivers to do more miles on cheaper roads. Reducing carbon emissions must be the principal objective, with the social and economic benefits of reducing congestion creating the business case.

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BORDER CONTROL

Effective border control is central to worldwide security and is a challenge that all countries face - from the US to Israel to the Netherlands



ISRAEL | GERALD M STEINBERG

ISRAEL'S VERY SMALL TERRITORY, exposed borders and the constant threat of terror since independence in 1948 have made border security a central element in defence policy. The emphasis on border control can be seen in the suppression of the Palestinian terror campaign between 2002 and 2005, which included suicide bombers, car bombs and drive-by shootings. During this period, Israeli casualties dropped from hundreds of deaths annually to almost zero.

The strategy - developed and applied systematically - consists of three core dimensions: physical separation, consisting of separation barriers, check points and patrol roads; detailed real-time intelligence, based on integrated technology and human sources, on both sides of the divide; and territorial control to limit or, where possible, prevent the import of weapons to Palestinian areas. As a result, the weapons, explosives and access available to terrorists in the West Bank have largely dried up.

In Gaza, effective control of the perimeter has halted all infiltration into Israel, but the porous Egyptian border with Gaza has allowed Palestinians to bring in rockets and related technology. The impact of these attacks is limited by real-time intelligence and rapid IDF (Israel Defence Forces) response, targeting the Palestinians firing rockets.

Looking to the future, and the threat of increased attacks from terror groups based in Iraq, Lebanon and elsewhere, as well as attacks supported by Iran, Israel will expand the three-tiered border security strategy to include co-operation with Jordan and Egypt.

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USA | DEBORAH W MEYERS

IN THE POST 9/11 ERA, there is a far deeper understanding that border security has to be about more than simply preventing illegal immigration across the southern border of the United States. The problem is that it's slow to make

that adjustment. Although there is a growing focus on security at legal points of entry, and there's been a greater emphasis since 9/11 on visa policy, the bulk of resources in the US continues to be directed towards the border with Mexico, which is principally a mechanism for illegal workers to cross.

Unlike in Europe, the threat of terrorism in the US tends to come from those who are foreign born. Securing legal points of entry, visa policy information sharing and intelligence - those are the areas that are newer, where greater work is needed.

In the long run, the US, Canada and Mexico will co-operate to protect the security of North America. The borders will increasingly be pushed out overseas, to points of departure. We will check people when they apply for their visa, before they get on the plane - after all, if they're planning to blow up a plane, the landing check doesn't matter.

Developed countries around the world are all facing similar issues and the same challenges. At the moment the US is talking about copying an Australian system whereby a person can't even get a reservation from a travel agent unless they are found to be clean.

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NETHERLANDS | MONIQUE VAN OPSTAL

AS A MEMBER OF THE 1985 Schengen Agreement, border control in the Netherlands is based on harmonised EU rules. The Netherlands has external borders - seaside and airside - and the government wants to simplify border passage. Due to a growing number of passengers at the major airports, and with limited possibilities to extend the size of these airports, government authorities, airlines and those managing the airports are being forced to improve facilities in a smarter way.

In 2001, the Netherlands started a fee-based registered traveller programme, called Privium, for business travellers and other frequent users. By using biometric technology, borders are made more secure and there is also a reduction in passenger queues. A registered

traveller programme also enables the government to use resources and staff more efficiently. In addition, a new pilot scheme has started recently.

To save time, travel documents are scanned and EU passenger databases are searched while passengers are waiting at border control.

Apart from assisting bona fide travellers by using registered traveller programmes, the Netherlands will be focusing on the general use of biometrics at borders, a more efficient practice of checks and procedures for vulnerable groups of travellers, the use of pre-arrival passenger information, and a possible joint border operation centre. Many challenges lie ahead of us.

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