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Road Pricing Should Be Central To UK Infrastructure Reform

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To the unaccustomed ear, it can seem almost alien. But heading outside of London over Christmas, a carless city-dweller like me was struck by how often people talk about driving. From planning journeys to bemoaning traffic, raging about potholes to regaling tales of accidents, Britain's roads occupy a central place in most families' lives and conversation.

Chancellor Sajid Javid believes better transport infrastructure can be economically transformative. For most Britons, roads are the day-to-day transport infrastructure they experience.

Political debates might be dominated by High Speed 2, calls for metro schemes in cities, and demands for bus subsidies in towns. In reality, cars so vastly outweigh public transport use that any economically meaningful infrastructure push must put the capacity and efficiency of the road network at its heart.

Cars account for almost two-thirds of all transport journeys in England and 78pc by distance, vastly exceeding rail (3pc and 11pc) and buses (5pc and 4pc). To put it more starkly, the average UK household spends £81 per week on transport, of which over three-quarters goes toward purchasing or running costs of personal vehicles. Rail, bus, and coach fares account for an average weekly sum of £5.80.

Despite this, our politicians regularly prioritise public transport investment over roads, even when the case for doing so is not economically sound. In the 2010 Comprehensive Spending Review, the coalition government cancelled, deferred, or placed under strategic review road projects with benefit-cost ratios (BCR) of 3.2, 4.2, and 6.8, respectively. At the same time, they ploughed on with HS2 with its BCR of 1.2, while local public transport schemes tend to have BCRs of just 1.8.

Motorists' raw deal can be seen again by looking at net exchequer contributions. For 2018/19, rail enjoyed a net subsidy of £7.1bn. Spending on roads was larger at £10.2bn, but a massive £34.4bn of revenue was collected from fuel and vehicle excise duties.

Yes, fuel duty is supposed to account for the negative broader consequences of driving – not least carbon emissions, localised air pollution, and noise. But fuel duty rates are much higher than can be justified by these externalities. Drivers get whacked.

Anti-car zealots usually bring up unaccounted-for social costs of driving arising from congestion, which are real and do impose large costs on other drivers and businesses (often raising consumer prices due to higher freight costs too). But congestion is a consequence of government failures to deliver responsive capacity and efficient pricing.

Government statistics show that between 2017 and 2018, there was an increase in average delay time on 71pc of the near 7,000 key areas of the strategic road network. If the economics doesn't convince the Chancellor of the need to put roads as his number one transport priority, perhaps politics will.

The worst regions outside London for average delay times on roads are the North West, West Midlands, and Yorkshire and Humber, areas where the Conservatives gained 30 seats in the 2019 election.

The policy lesson here is not to unthinkingly plough more money into road building. What the data shows is that, economically, getting road infrastructure right is vastly more important in improving the UK's productivity performance and quality of life than other transport modes.

We all know what we want from the road network: well-maintained roads, reduced congestion, and fewer bottlenecks, with policy neutral between forms of transport. Yet today, anti-economic investment decisions and an inefficient use of road capacity holds Britain back.

What can be done? Targeted investments can undo serious blockages and pothole filling can reduce damage to cars. If the Government is to finance transport infrastructure, then delivering it to obtain the biggest economic bang-for-the-buck at least seeks to mimic market signals. As Sajid Javid's infrastructure war-chest opens next month, we can pore over projects selected and funds allocated, assessing the opportunity cost of his choices.

But getting the road network right is about more than public spending. We also need the structural changes needed to make efficient use of any given road network. That requires grappling with the congestion challenge.

Rather than imposing high taxes on cars, we now have the technology for dynamic road pricing, varying by time and location. Such a regime would charge near zero when traffic is free-flowing, but high prices at rush hour. When combined in future with driverless cars that automatically adjust routes in real time, the potential efficiency gains are huge.

But the benefits aren't just immediate. Road pricing also helps improve investment decisions. First, because the smoothing of traffic flows would negate the need to build expensive new capacity to meet rush hour needs that would otherwise prove wasteful outside peak times. Second, because the price signals themselves would prove an invaluable guide to informing where new investment really is needed.

A Government-run system of road pricing is no panacea. Political incentives for "vote buying" through prestige infrastructure projects or even, now, politically-motivated pricing, would remain. Ideally, to mitigate such problems, we'd privatise certain routes or parts of the network, allowing private tolling or city-wide congestion pricing, which goes a long to delivering the same results but one step divorced from political control.

As a first step, though, "unleashing Britain's potential" via better transport infrastructure requires recognition that our road network is of primary importance. A sign of success for this

Government’s aims would be if we could reach a state where driving didn’t induce so many angst-filled conversations.

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