Toll roads: A thin end of the wedge? – if only they were

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Nigel Keohane *argues that privatising roads could lead to new road construction that would create jobs and bring substantial economic gains from reduced congestion. A politically feasible scheme could also include shared ownership for road users through 'voucher mutualisation' of the Strategic Roads Network.*

Monday's papers report that the government is looking to boost investment in the road network, including the possibility of new capacity funded by tolls. The reason is clear: the existing network suffers from growing congestion problems but the state is in no position to finance new capacity to relieve it. New additions to the network will only be forthcoming if investors can claim a stream of revenue from tolls. This prospect has met with concerns from road user groups that this could be the thin 'end of the wedge' on the way to user charging for existing roads. If we're really to use our road network more efficiently, it should be.

If the prospect of tolling is to spur new road construction, then there are potentially two benefits to the economy and the public finances. First, in the short-term (or at least the medium term), these schemes would get spades in the ground, provide additional jobs and put stimulus into the economy.

Second, in the longer term, the extra capacity would bring economic gains as congestion reduces and commuters are able to devote more of their time to work and less to sitting frustrated in traffic. And, there is certainly major scope for economic gain here: Sir Rod Eddington's study of 2006 warned that without effective action the costs of congestion would rise by an additional £22bn per annum by 2015. More recent research suggests that a total of two and half billion hours per year are lost to congestion on the road network.

However, it is very unlikely that these benefits will flow as hoped from what we heard today. Tolls can work well to fund routes over which drivers have no alternative. Take the Dartford crossing or the bridges over the Severn: few think it worthwhile to avoid the charge by driving halfway round Gloucestershire or the east of London to avoid those charges.

But, where drivers have other comparable but free alternative routes, many will simply avoid the toll. The Birmingham toll road provides a salutary lesson. The number of users over time has dropped dramatically over time: at its height there were approximately 50,000 daily users; recent estimates suggest the number stands now at below 35,000. Ultimately, the time saving is insufficient and the charges too high to persuade many drivers to avoid alternative free routes – people would prefer simply to sit on the M6 a bit longer to avoid the charge. While usage has declined, the charges have gone up, as the provider has sought to finance the initial investment and maintenance costs.

This leaves the government in a dilemma. Despite the need for more road capacity, in the context of toll-free alternative routes, we can expect few investors to be licking their lips at the prospect of building and running a new toll road entirely at their own risk.

All of this means that toll roads won't be the thin end of the wedge towards road user charging. But, this is something to lament not applaud. Massive growth in road usage suggests that not only do we need an expansion of capacity, but that we must find better ways to use the road capacity we have. It's in this latter aim that the greatest efficiencies are to be found.

Today's talk of road privatisation should be a means to tapping the huge efficiencies that could be available through smart road user pricing. The politics are tricky but we can win the argument for road pricing. One option that would make it more politically viable would be to follow the SMF's suggestion for a ‘voucher mutualisation’ of the Strategic Roads Network. This would see ownership pass from the state to the citizen in the form of tradeable shares, vehicle excise duty would be abolished and road pricing introduced. Our analysis indicates that the average driver would be significantly better off under this scheme, paying around £75 per year less in tolls than they currently do in road tax. This would be a better way to achieve the government’s objective of giving the economy a shot in the arm.

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