



Local Government Association



breaking the gridlock

moving the road pricing debate forward

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We are grateful to John Saunders and George Hazel (MRC McLean Hazel) for their help in preparing this report.

four key principles for road pricing

- 1 Road pricing is about fairness, not raising extra revenue.
- 2 Road pricing will only be publicly acceptable, and will only work, if it is preceded by significant investment in transport improvements so that there are alternatives to driving on priced roads.
- 3 Road pricing revenues must be used for transport investment.
- 4 Road pricing needs to be part of an integrated strategy for transport and land use, and the local economy.

foreword

Two years ago, the LGA published a report on road pricing. Things have changed since then. This document updates our position.

The first thing to have changed is the willingness of central government to press ahead with national road pricing. It is clear that any national scheme is a long way off. Ministers have made it clear that successful local schemes must come first.

The second change is that councils have begun to come forward with their own, realistic, road pricing plans for their areas. Many of these are detailed, costed, and ambitious in their desire to use road pricing to cut congestion and improve the environment.

The third change is that public opinion has hardened. With the passage of time, motorists and voters – and the two groups overlap very significantly – have become more sceptical about the costs of road pricing, and about the public sector's motive in wishing this policy on them.

This paper is timely, then, because local government is moving into the front line of the road pricing debate just as the shrapnel is really beginning to fly. The government has offered the new draft Local Transport Bill and the Transport Innovation Fund to help councils implement road pricing policies. Councils will need other help, too.

Some of this they can supply themselves. Local democracy can do better than the national ballot box in focussing debate on hard issues for a community. Councils have the local knowledge and the local commitment to design new approaches that will promise real benefits to their communities.

Central government needs to bring more support, too. Not necessarily in the form of more money – although it is clear that the current provision for the Transport Innovation Fund is inadequate for the job – but rather through devolving powers to set strategy and raise money locally.

Over the last two years, the LGA has developed a more detailed view on what powers need to be devolved to enable real integrated transport planning at the level of the real, sub-regional economic geography of England. We are clearer, too, about the powers that councils need to finance transport improvements, including changes to the way road pricing revenue can be taken into account in the local authority capital regime.

We remain absolutely clear that road pricing is a worthwhile policy to be pursuing, if, and only if, we can successfully demonstrate to citizens, including motorists, that it brings real benefits. It must not be implemented in order to raise extra revenue. It must be preceded – preceded, not accompanied – by very significant improvements in transport infrastructure to provide alternatives to driving on priced roads. Road pricing revenues should go back into transport investment. And it must form part of a wide-ranging integrated transport strategy.

These are vital conditions. This paper tries to explain them and to describe how councils, with the support of central government, might be empowered to meet them, and so to pursue the sensible economic and environmental ambitions that road pricing has the potential to serve.



David Sparks
Chair, LGA regeneration and transport board

executive summary

Road pricing has the potential to contribute to significant reductions in congestion and vehicle emissions in our cities – and potentially on busy inter-urban routes – if it can be combined with an effective integrated transport system.

But road pricing can have different objectives. We are strongly of the view that any schemes adopted in England should be clearly focused on congestion reduction and environmental improvement. Road pricing should not be a means of raising extra revenue.

A road pricing scheme must demonstrate – and achieve – clear benefits for the community and road users in particular. This requires an ability to understand, communicate and adapt in response to local circumstances, and sufficient powers to implement and finance the full range of transport measures needed for the wider integrated transport package into which any pricing scheme must fit.

Local government is willing to take forward local road pricing schemes in areas of greatest transport pressure – primarily the major urban areas and growth areas – regardless of whether a national road pricing scheme eventually follows. But each area is different, and any road pricing proposals must be carefully designed to fit local circumstances and priorities.

Central government also still has a very important role to play. Any local road pricing scheme will require substantial investment in, and development of, public transport alternatives in the area. That cannot be achieved through current national and regional funding allocations. Current government

frameworks for the development of road pricing remain too narrow and are unclear on some key questions such as how road pricing revenues can be used, especially in the long term.

Crucially, new local road pricing proposals will not work, nor will they be publicly acceptable, unless major investment in alternatives to driving on priced roads takes place before any charging scheme begins.

So central government needs to be ready both to reconsider the scale of funding it has on offer through the Transport Innovation Fund, but also to empower councils to develop innovative funding mechanisms – including lifting the ban on securitising road pricing revenues – and to allow councils, with partners, to develop real integrated transport and land-use planning below the regional level.

We believe that the sub-region provides the best framework for transport governance, and that such a geography based primarily on labour market areas is essential to move forward. We set out proposals with this effect in our report *Prosperous communities II – vive la dévolution!* The structures proposed would provide devolved functional and financial responsibility and create the opportunities and incentives for effective integrated transport planning.

Positive steps in this direction are set out in the draft transport bill published on 22 May 2007. We believe that this provides a good starting point for the development of transport governance that really will support of the most effective approaches to tackling local congestion and transport-related environmental problems.

Given further development of the measures in the draft bill, and effective government support, local government can deliver and will want to deliver effective integrated transport, including demand management policies such as road pricing.

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introduction

In February 2005 we published, *Just down the road? The future of road pricing – a local government perspective*. Since then the road pricing agenda has moved on significantly.

The government has recently published three reviews: the Eddington Transport Review, the Stern Climate Change Review and the Lyons Report on local government finance. These argue the case for road pricing and discuss the governance issues that surround it.

Think-tanks and professional institutions have also recently published studies, which generally support the principle of road pricing¹.

In practical terms, the arrangements for the Transport Innovation Fund (TIF), announced by the government in 2005, are now in place. In response, a number of authorities around the country are preparing bids for TIF funding linked with road pricing, with DfT support.

Outside the world of government and professional experts, though, there has been considerable media hostility towards road pricing. A petition to the prime minister opposing road pricing attracted 1.8 million signatures.

RAC surveys continue to show public support for the principle that it would be fairer to pay for road use according to the amount of time spent driving in congestion rather than the current system of taxing fuel and vehicle ownership. However, this support declined between the 2002 and 2005 surveys and the RAC Foundation comments that 'the opportunity to persuade motorists of the benefits of road charging is not being taken' (RAC 2006). The

foundation is not alone in this view.

The government's message on the long-term strategy for road pricing in the UK remains unclear. It was unclear when the 10-year plan for transport was published in 2000 (DETR 2000), and in responding to the petition the prime minister repeated that "no firm decision has been taken as to whether we will move towards a national scheme", adding that congestion was the key problem that any scheme would tackle (PM 2007).

But for now, the government has taken a clear decision to hand the initiative over to local councils. The aim of this paper is to discuss local government's ambitions for taking this responsibility on. But even if local government is now to take the lead, national government does have a role to play if it wants to see local schemes delivered. It needs to help fund the up-front investment required, and develop a devolved policy framework so that local authorities can create and maintain integrated transport systems to provide better transport alternatives in advance of any road pricing scheme. And if road pricing is not to be – in perception or reality – a revenue-raising measure, the government needs to continue to consider options for offsetting new revenues taken from motorists against the burden of national taxation on the motorist.

The government published a draft Road Transport Bill on 22 May 2007. The consultation paper relating to the bill picks up issues of transport governance raised by Sir Rod Eddington and others, including our own report *Prosperous communities II – vive la dévolution!* (LGA 2007). These recognise that improvements in transport governance are needed,

1. See for example reports by the Institute of Public Policy Research (IPPR 2006 & 2007), the Social Market Foundation (SMF 2007), the Independent Transport Commission (ITC 2006a and 2006b), the 'GreenLight Group' of chartered professional bodies (ICE 2007) and the Chartered Institute of Logistics and Transport (CILT 2006).

and that local authorities need greater powers if they are to deliver effective and acceptable road pricing schemes.

We feel that it is now appropriate to look again at what the implementation of road pricing involves, and what will be needed to make local schemes a success. In particular, we have asked what local government should do to develop this more as a tool to overcome the country's increasing congestion and environmental problems; and if so, what needs to change to encourage this to happen?

The first part of this report looks again at the reasoning behind road pricing – what is its purpose? The second looks at how this fits with other aspects of transport policy and delivery, and in particular considers the governance arrangements for transport. The third part considers the financial issues faced by local government in delivering an integrated transport package incorporating road pricing, and the final part looks at what is needed to facilitate road pricing projects in England.

part 1: why road pricing?

In our 2005 report we defined road pricing as “a charge for the use of a motor vehicle on public roads which reflects the user’s choice of where and when to drive”.

Aren’t motorists already paying too much?

For road pricing to be acceptable locally, it cannot be, or be perceived to be, a revenue-raising exercise. Government have said that any national road pricing scheme would be revenue neutral, and that national charges would be offset by reductions in other forms of motoring taxes. The same principle must apply at the local level. It is important that any scheme has a clearly visible pay-off for road users, in terms of faster journeys bought about by reduced levels of congestion, and better local transport alternatives. Without such benefits, people will perceive local road pricing as an extra tax.

Road pricing could be a fairer way to pay for the way that we use our roads. In particular, the costs of providing and maintaining roads are not the only costs that should be attributed to road users. Any road journey has wider consequences for other motorists and/or other groups in the community – it can add to congestion, environmental damage and/or injury or death caused by road accidents. At present these consequences are not accounted for in to the cost of a journey to the motorist. Nor is it necessarily even the case that current taxes on motorists can be simply set alongside the amount spent on road building and maintenance. The real depreciation charge on the road network is larger than today’s level of road spending, probably by a large amount. This is reflected in the backlog of unfunded road maintenance most local authorities report, worth about £14.5bn in 2004.

People generally accept that industries should face the real costs of the waste products that they generate. Similarly transport users should pay the real economic cost of the damage, inconvenience or ill-health that they cause other people. In other words, the polluter, or the contributor to avoidable congestion, should pay. This is a key principle of sustainable development (HMSO 1994). Road pricing is a way of applying this principle to road use, by ensuring the motorist is aware of these impacts when making a transport decision. For this to be effective, the linkage between the charge and the congestion and/or environmental problems must be clear and direct so that it can be understood – and accepted – by motorists.

Current policies are not dealing with the underlying problems. Congestion is increasing, and economic and housing growth will demand increasingly drastic measures to avoid gridlock (see the Northamptonshire case study). Climate change concerns and the need to reduce our carbon footprint are the focus of growing world attention, with transport the only UK economic sector where carbon emissions are increasing (Tyndall 2004). At the personal level, lifestyles have changed enormously as perceived traffic dangers keep people – especially children – indoors. This is undoubtedly a contributory factor to obesity and other health problems. Other developed countries, such as Denmark and the Netherlands, show very different patterns (see case study).

Yet there can be very large local differences. For example, a few UK towns (including Cambridge, Oxford and York) show unusually high levels of cycle use compared to the UK average. Policies to tackle congestion and pollution need to be sensitive to local characteristics and circumstances.

case study – Northamptonshire transport strategy for growth

Northampton has grown at twice the national rate over the last ten years, putting considerable strain on the town's infrastructure. Over the next twenty years or so, the town will continue growing, from a population of 200,000 to around 300,000, further increasing the pressure on its ability to cope. Northamptonshire as a whole is expected to accommodate over 100,000 new dwellings by 2021 as part of the 'Milton Keynes South Midlands' growth area proposed in the government Sustainable Communities Plan.

Northamptonshire's strategic road network, including the M1 and A14, is already congested at critical times of the day. Poor perceptions of public transport and a culture of car transport have also created congestion problems in the county. The requirement for town centre regeneration and accessible jobs imposes further stresses on the existing and often inadequate transport networks. Improving the internal and external transport connectivity is a key component of town centre regeneration and creating accessible jobs.

Consultation is currently under way on an evidence-based integrated 'Transport Strategy Framework' was developed by the county, prioritising transport interventions to ensure that they:

- complement policy objectives (specifically the wider social, environmental and economic ones);
- complement each other; and
- are aligned with funding and delivery options.

To accommodate growth on the scale proposed in the Sub-Regional Strategy it will be essential to achieve a substantial reduction in the trend forecasts of the proportion of trips made by the private car. Challenging targets are proposed to reduce single car occupancy mode share for the journey to work by:

- 20 per cent from new developments compared to the surrounding area;
- 5 per cent from existing development compared to the surrounding area.

Guidance on achieving these targets has been provided, drawn from best practice both in the UK and abroad.

(Source: Northamptonshire County Council Transport Strategy for Growth consultation – <http://www.northamptonshire.gov.uk/Transport/T/P/LTP/tsfg.htm>)

valuing external costs

A lot of research has been carried out to try and identify the scale of external costs in monetary terms. Many are not easy to value, in particular environmental, health and wider social impacts.

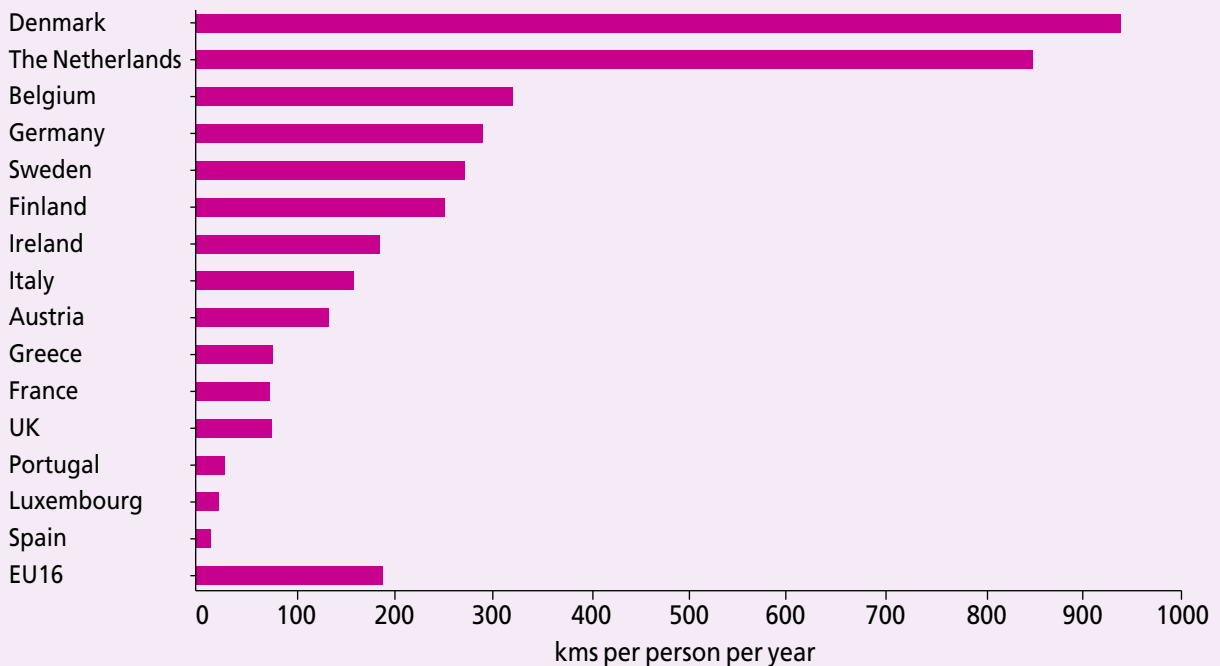
The European Commission is developing a model for the assessment of all external costs of transport. In this context, a proposed cost framework for discussion has been developed as shown in table 1.

case study – cycling in Denmark and the Netherlands

CFIT's 2007 update on European comparisons (CFIT 2007) showed that "the UK still has among the poorest levels of cycling among the EU15. Denmark and the Netherlands remain the clear leaders. In contrast to the UK, both countries have developed a positive cultural attitude towards cycling since the 1970s through programmes of infrastructure development and transport planning. As a result, cycling is seen as a mainstream choice of mode. The UK weather is no excuse – Denmark has a very similar climate. It is also interesting to note that, as leaders in more active travel, both Denmark and the Netherlands have obesity rates of less than half that of the UK".

Although under 3 per cent of journeys to work in the UK are made by bicycle, some towns have particularly high levels of cycle use. In Cambridge, for example, over 25 per cent of journeys to work are made by bicycle, and this does not include students' journeys (Census 2001). The differences illustrate the importance of historic and cultural aspects of particular areas in shaping travel behaviour. These need to be better understood so that other areas can improve their performance.

figure A: cycling levels per annum in 2000 (EU-15)



(source: EU Energy 7 Transport, 2003 (data for 2000), Eurostat)

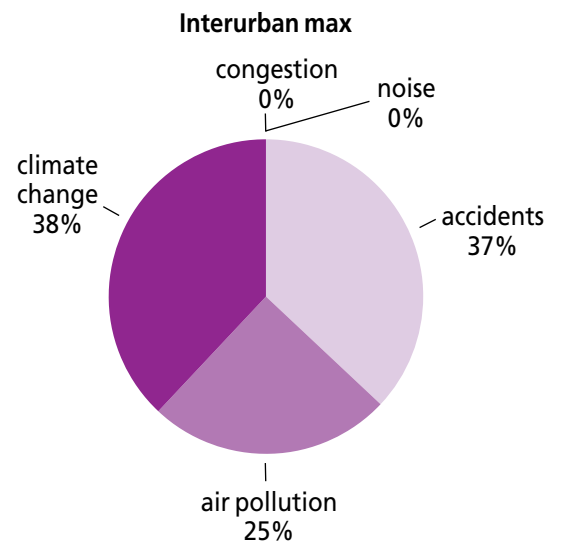
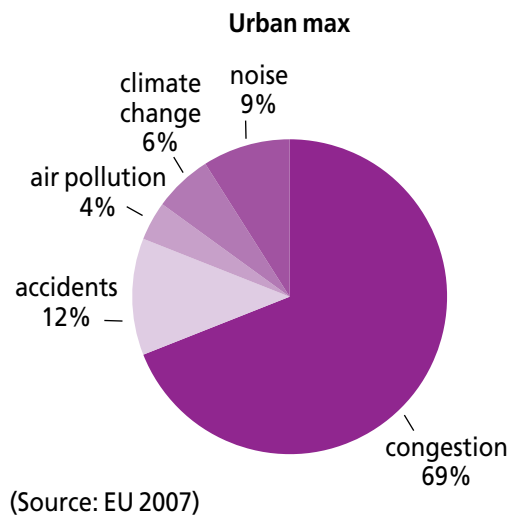
Combining the costs above with 2005 UK traffic volumes (from DfT 2006a) would imply that congestion, pollution and climate change costs caused by cars and light vans are somewhere in the range £9bn-£46bn each year in urban areas alone. In practice, the costs are likely to be somewhere in the middle portion of the range. Economic studies (quoted in DfT 2004) suggest total UK congestion costs amount to £20bn per annum, excluding the

costs of journey time unreliability.

These costs do not include the more direct costs generated by motorists as a result of using the road network. These have been estimated at £3.9bn annually for maintenance and policing. To these should be added a cost reflecting the depreciation of the asset value of the road network and cost of investment capital. This is more difficult to define –

Table 1: road transport unit values per cost component in €/ct/vehicle-km

Cost component		Passenger car		Heavy duty vehicle (HDV)	
		min.	max.	min.	max.
Noise	Urban	0.8	3.4	7.0	31
	Interurban	0.0	0.0	0.1	0.2
Congestion	Urban	2.0	28	6.0	84
	Interurban	0.0	15	0.0	7.0
Accidents	Urban	4.2	4.8	3.2	11
	Interurban	0.3	7.2	0.3	2.8
Air pollution	Urban Petrol	0.1	0.3	4.7	18
	Urban Diesel	0.3	1.5		
	Interurban Petrol	0.1	0.4	2.1	7.5
	Interurban Diesel	0.3	0.6		
Climate Change	Urban	0.6	2.3	2.0	7.0
	Interurban	0.3	1.0	1.2	4.3
Nature & landscape	Urban	0.0	0.0	0.0	0.0
	Interurban	0.0	0.4	0.0	1.2
Total	Peak, urban	7.7	39	23	150
	Peak, interurban	3.1	38	10	103
	Off-Peak, urban	5.7	26	17	73
	Off-Peak, interurban	1.1	25	4.5	26



a value of £7bn has been suggested (1996-based figures from Newbery 1998).

In comparison to the cost estimates above, taxation income from transport, also at 1996 levels,

amounted to £21bn.

While the exact breakdown and valuation of external costs is clearly subject to debate and uncertainty, the broad make-up and scale is

Table 2 Illustrative real costs of road use		What motorists pay	Unfunded costs
Congestion etc	£20bn	(Fuel Duty) £21bn (VED)	
Maintenance & policy	£ 4bn		
Depreciation	£ 7bn		
Total	£31bn	£21bn	£10bn

understood. It is clear that where congestion is experienced, this is by far the largest external cost. In uncongested areas including most of rural Britain, overall external costs are much lower, with environmental (including climate change) costs making up the largest proportion. Indeed, in many rural areas, car use is likely to remain the most economically sensible form of travel under any analysis.

Some motorists are not covering their external costs

Fuel duty is expected to average around 3.5 pence per vehicle-km in 2010 (DfT 2004). By comparison, the table above suggests that even the minimum urban off-peak external cost incurred per car vehicle-km is 4p, and that the maximum costs can reach 27p per vehicle-km. These are **average** costs ensuring that motorists as a whole cover the external costs they cause. The **marginal** costs of journeys that should be charged in order to achieve the most economically efficient use of road space would be significantly higher than average costs on congested roads.

It is clear that fuel duty payments by urban car drivers are in very many cases not covering the external costs they impose, sometimes by a very large margin. The size of the gap between tax paid and external costs incurred will depend where and when the journey takes place (ITS 2004).

It has been suggested that fuel duty – which correlates closely with the amount of travel a motorist undertakes – should be used as an alternative to road pricing. Fuel duty payments cannot however make the essential distinction about the time and place the fuel is being consumed as opposed to bought. Fuel could be

bought at a ‘low duty’ rural location and used in a ‘high duty’ congested urban location, much as hauliers from continental Europe take advantage of lower fuel duties at their home base. This is therefore not an effective – or fair – charging mechanism. It would also weigh unfairly heavily on those who genuinely have no alternative to the car.

The clear conclusion is that under current arrangements, driving at the most congested times and places should cost more to compensate for the external costs caused, while drivers at other locations are paying more than they need to cover their external costs.

This is not an argument, incidentally, for penalising or stigmatising road users. Much of the cost of congestion hurts road users themselves. A business that was able to make more deliveries or calls because its employees spent less time in traffic jams would derive a direct economic benefit from a fair road pricing system.

Road pricing is about choice

Our definition of road pricing emphasises choice. With road pricing, how much a motorist pays will depend on decisions on the time, place and frequency with which he or she drives. The decisions will be based on a choice of options, from travelling by different routes or at different times, to using the improved public transport alternatives that must form part of any road pricing scheme.

Not all car journeys are equally important to the user. A significant percentage of motorists – 20 per cent in a 1995 survey (RAC 1995) – say that their travel habits could easily be altered. The proportion would be higher if councils could make better alternatives available to people. Pricing could

case study – car clubs

A car club provides its members with quick and easy access to a car for short-term hire. Members can make use of car club vehicles as and when they need them. All they have to do is:

- book – for as little as half an hour at a time, using telephone or internet. The booking can be made well ahead of time or with a few minutes notice;
- unlock – cars are located at designated parking bays in the local area and accessed using the member's smart card;
- drive – once inside, the driver enters a pin and drives away, returning the car at the end of the journey. It is possible to extend the booking if necessary;

- pay – pay as you go charges include fuel and maintenance costs. A subscription charge is paid monthly or annually.

There are currently 40 car clubs running in 35 towns and cities across the UK, representing over 23,000 members using 760 cars.

(Car Plus website www.carplus.org.uk)

Research has shown that car clubs reduce car mileage by 28 per cent–45 per cent for private users, resulting in a reduction in CO² emissions of 40 per cent–50 per cent (because car club cars tend to be more modern and smaller than the private cars they replace). Each car club car will replace between four and 10 individual cars.

(MOSES EU project Deliverable D6.2, January 2005)

provide the incentives to make those changes to their journeys where it is possible, freeing other traffic, which does not have these choices, from congestion. At the same time it can generate the funds to improve the alternatives.

There are cases where motorists voluntarily choose pricing arrangements that depend on the amount, time and place of car usage. Community car clubs, which replace personal ownership of a car with shared ownership priced on the basis of time and miles used are spreading throughout the UK. Insurance schemes, in which the cost of insurance is related to time, road type and distance driven are now available. Both types of usage provide evidence that mileage is reduced when payment is directly related to these factors.

The principle is also widely accepted by the public for other utilities like electricity, gas and telephone. When we use these services we accept that we will pay more at certain times and according to the amount we use. Why is it different for roadspace – a similar utility whose capacity is finite and expensive to increase? If we were to apply the same system we use for road usage to these other utilities then we would see a dramatic rise in usage with a

consequent need for additional capacity that could not be financed – resulting in interruptions of supply. This would be unacceptable to the general public, so why is there a difference for the roads utility?

Principles supported by business and transport managers

Business is generally, although cautiously, supportive of road pricing. The CBI welcomed the Eddington report: "Sir Rod's support for a national road pricing scheme to cut congestion and its potential benefits, and his route map to implementing a system in 10 years, is absolutely right. There is a lot of work to do, though, to ensure the design of any scheme is right and that any revenue raised benefits road users by funding an integrated programme of improvements in our transport system, for example." (CBI 2006)

For business, the delays and unreliability of journey times caused by congestion are translated into real financial costs. This is increasingly the case with the growth of 'just-in-time' supply chains aimed at minimising wastage and stock holding. Consumers are affected by the impact on distribution networks

to shops, as well as on home deliveries – increasingly significant as a result of the growth in e-shopping.

However, there is also concern from businesses, particularly retailers, that road pricing if applied in selected areas only could lead to a loss of competitiveness with other similar areas where charges are not applied. Evidence from the London Congestion Charging scheme from a range of sources, suggests however that the charging scheme there has had a neutral effect overall on retailing (TfL 2006), although this is not undisputed.

European initiatives and lorry road pricing

Freight operators are keen to remove the cost differentials between lorry operators in the UK and the rest of Europe resulting from differences in fuel duties in different EU countries. A number of countries (Germany, Austria, Switzerland) already have distance-based lorry road pricing measures in place, while others (eg Czech Republic) intend to introduce these soon.

The European Commission is also concerned to ensure fair competition and access for freight operators throughout the EU. To ensure a common approach to road pricing for Europe's lorries, the EU produced revised legislation in 2006, governing how schemes can operate. In general, road pricing schemes which apply to lorries over 12 tonnes on 'Trans-European Network' corridors will have to meet certain requirements. These allow charges to recover both infrastructure costs and certain external costs including congestion and pollution.

The details of this framework are still being established; the table of external costs set out earlier in this report are part of this process. It also extends to development of technology standards that will ensure that different charging schemes can make use of the same equipment, with the potential for a 'clearing house' arrangement eventually to provide a single payment route in respect of all charges.

A proposal to introduce distance-based Lorry Road User Charging scheme in the UK was abandoned in

2005 on the grounds of cost. It remains unclear if or when any other charging measures specific to lorries will be promoted by government. Clearly, if the government revived these proposals they would complement local road pricing and help the competitiveness of UK firms.

If it's so obvious, why hasn't more been done?

In spite of all the studies, and many proposals, road pricing applying to all road users has only been introduced in a limited number of places. There exist a number of city schemes, but no national schemes. We set out a list in *Just down the road* (LGA 2005).

The charging schemes in London and, experimentally, Stockholm, have demonstrated that quite simple charging schemes can meet congestion reduction and environmental improvement goals. These and other schemes also demonstrate that the public response is more favourable once the scheme is in place and the benefits can be demonstrated. Significantly, both schemes involved very large investment in improvements to bus and other public transport services in the charging area before the charges were introduced.

This response, and much opinion research, points to road pricing measures being acceptable to the majority where better alternatives to the charged journey are provided, and the revenue raised from pricing is used for this purpose (eg DfT 2004, Annex D). It is also clear that genuine improvements must be in place when charging starts.

The public, and business, will need to feel that the overall package on offer, before and after charging is implemented, is significantly better than that which would otherwise be available, and they need to be confident that it will be delivered. The pre-charging package is the key – not only should this provide a real benefit, it also demonstrates the commitment of the promoters – and of government – to the overall strategy.

case study – the London congestion charging scheme

The London congestion charging scheme was introduced in February 2003. It is intended to contribute to four of the mayor's transport priorities:

- to reduce congestion;
- to make radical improvements to bus services;
- to improve journey time reliability for car users;
- to make the distribution of goods and services more efficient.

The successful introduction of the scheme, in the face of considerable scepticism or outright opposition, has been seen as a significant achievement. The governance arrangements under the 1999 Greater London Act have contributed to this:

- comprehensive powers over transport matters held by Transport for London, ensuring a 10 per cent increase in bus services could be delivered in the year prior to charging.

Very comprehensive annual monitoring reports have been published by Transport for London.

After introduction, the overall assessment is that "congestion charging has continued to meet its

principal traffic and transport objectives; and the scheme continues to operate well."

Compared with pre-charging conditions in 2002, reductions to congestion inside the charging zone now average 26 per cent during charging hours. TfL also point out that changes to the allocation of roadspace have been made possible by the introduction of the congestion charge to meet other priorities such as improved safety and amenity and increased priority for buses, taxis and cyclists. The capacity of the network has been adjusted in favour of moving people rather than vehicles.

An independent review of the monitoring of the economic and business impacts of congestion charging reported that it was reasonable to conclude that the £5 congestion charge had had a broadly neutral impact on the central London economy.

In June 2003, when the charging scheme was well established, opinion research indicated that 50 per cent of respondents supported the scheme, with 34 per cent against. 73 per cent agreed that the scheme was successful. Opinion polls prior to introduction suggested a small margin of opposition to the scheme.

Sources: TfL 2006, GLA Opinion research

The importance of public perceptions is illustrated by the recent petition to the prime minister on road pricing, the Edinburgh referendum, and the difficulties in the Netherlands (see case studies).

These examples illustrate the difficulty of communicating successfully, with lack of trust (both in technical studies and in political promises) being a major feature in all cases. The success of some city schemes and the stalemate in the UK debate on national road pricing suggests that the challenge can be overcome more easily at city level than for a national scheme.

The lessons for road pricing

The evidence is very clear that many urban car journeys impose a considerably greater cost on the community in the form of congestion, pollution, climate change and accidents than the costs paid by the road user. This is not fair to the community at large and creates economic inefficiencies. Many motorists – and businesses – accept that there could in principle be fairer ways of paying for road use.

However, translating the principles into a detailed

case study – changing support for congestion charging in Edinburgh: the importance of communication and up-front investment

Suggestions for a charging scheme in Edinburgh were first put forward in 1999 and were developed until a referendum on the final proposals in 2005.

The scheme comprised two proposed charging cordons around the city centre and the edge of the urban area, combined with a major transport investment programme. Additional capital investment was put in place in the five year period leading up to the proposed implementation date but was not always clearly linked with the charging scheme. Improved bus services starting shortly prior to charging were promised but were not defined in detail in the promotional material for the scheme.

Public opinion about the scheme changed markedly during its development. An opinion

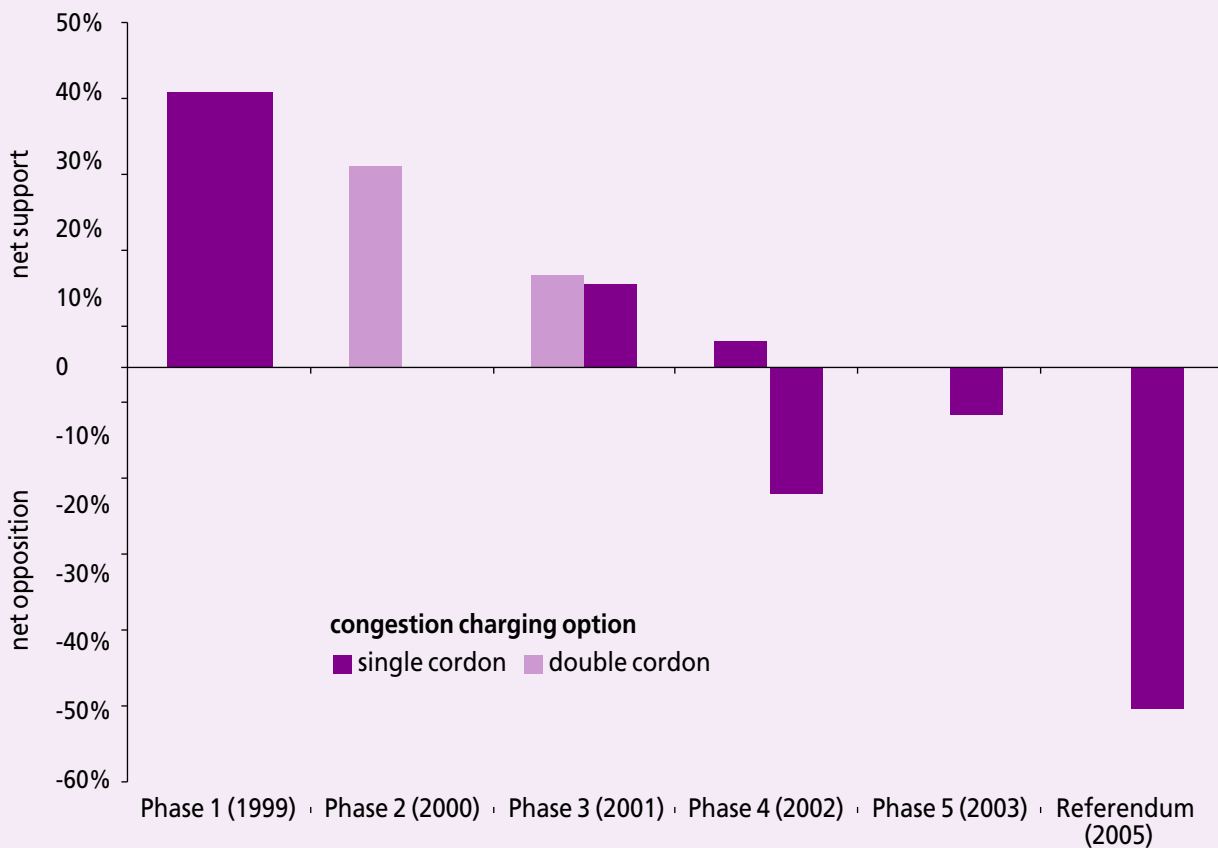
survey in 1999 suggested overwhelming support. By the 2005 referendum support for the final scheme was 25 per cent.

Post referendum research (Scottish Executive 2006) highlighted two key implications for road pricing:

- firstly, perceptions of the level of congestion and acknowledgement of the need to tackle the issue of growing traffic volumes do not necessarily translate into support for congestion charging;
- secondly, good communication is critical, and it is important that the information comes from a credible source. On an issue where substantial numbers were likely to dismiss or ignore messages about the advantages of the proposed scheme, the role of communications was challenging.

Few people actively sought information and widespread misconceptions remained, as do the problems of traffic congestion on the city’s roads.

figure B: integrated transport initiative: Edinburgh residents views over time



case study – road pricing in the Netherlands

Road pricing has been considered seriously in the Netherlands over the last 15 years, with four different proposals promoted by the government to tackle the severe traffic congestion and associated environment damage in the densely populated 'Randstad' area covering Amsterdam, Rotterdam, the Hague and Utrecht. The proposals were for: 1) peak-hour permits ('spitsvignet'), 2) toll plazas ('tolpleinen'), 3) electronic peak-hour cordon charging ('rekeningrijden'), and 4) kilometre charges ('kilometerheffing').

Rekeningrijden came close to implementation, but was abandoned following a major campaign against the scheme involving employers' organisations, one of the major daily newspapers, and the Dutch Automobile Association ANWB.

The failure is attributed to:

- poor communication;
- fears that it would be ineffective with people sitting in the same traffic jams but paying more for the privilege (contrary to technical evidence); and
- a perception that it would redistribute income to the state.

Many people apparently believed (and continue to believe) that road building is still the most effective way to cope with congestion.

Nevertheless the government is still pursuing development of the fourth proposal, kilometre charging, with a planned implementation date of 2011 provided implementation and operating cost criteria are met.

Sources: Button 2004, TU Dresden 2004, HoC 2005, MVW 2007

proposal to introduce charges for something that is currently perceived to be virtually free at the point of use is inevitably difficult. **There are two key issues for acceptability and success: providing better transport options before charges are introduced; and using the revenue generated for further transport improvements or for tax reductions on motorists.**

Both imply the development of a comprehensive integrated transport package that clearly relates the pricing proposals to the delivery of identified transport measures over clear timescales before and after charging starts. This becomes the 'deal' which the public are asked to accept – but they must be certain that it will be delivered in its entirety, not just in part.

There must therefore be confidence in the governance and financing arrangements. If any part of the overall package is dependent on future funding decisions or the decisions of third parties that are not involved in the 'deal', confidence will be reduced. Similarly, statutory arrangements for

implementation of pricing or of transport improvements need always be considered in the context of the whole package, not in isolation.

Effective consultation, communication and stakeholder engagement throughout the planning stages are a critical part of getting the details right and communicating the benefits. The most effective form of communication, however, is the reality of what occurs before and after implementation of the scheme – that public transport really improves, and that there really is less congestion once charging starts. People are most likely to appreciate and respond to these changes at the sub-regional level; cities, city-regions or counties.

case study – the Stockholm congestion tax

A 'full-scale' congestion reduction trial took place in Stockholm between August 2005 and July 2006. This was promoted by Stockholm City Council and managed by the Swedish Roads Administration, an agency of the government. The total budget for the trial was about £290m paid by the Swedish government, and about £30m was collected from the congestion tax.

Additional public transport services and park and ride schemes were put in place from August 2005, and in January 2006 a variable congestion tax was added to be paid by road users crossing a cordon around the inner part of the city.

The objectives of the trial were to achieve:

- a 10-15 per cent reduction in the number of vehicles that cross the charging cordon during the peak hour;
- better level of service in Stockholm city traffic;
- reduced emissions of carbon dioxide, nitrogen oxides and particulate matter;
- perception of a better street-level environment by people in the city.

An independent panel of experts (academics and consultants) was tasked to monitor the performance of the scheme against these objectives. The first stage of the trial, improved public transport, did not perceptibly change the indicators. After the congestion tax was introduced the first three objectives were met; the fourth was unclear.

A referendum of city voters was held in September 2006, with 51.3 per cent voting in favour of the scheme, 45.5 per cent against. In Spring 2005, before the trial started, opinion polls showed just 34 per cent would vote in favour if there was a referendum. Referendums were also held in surrounding local authority areas – all these voted against the scheme. Nevertheless the government has decided to re-introduce the scheme on a permanent basis during 2007. At least a part of the income is to be used to fund a new city bypass road.

Source: Stockholmsförsöket 2007



part 2: achieving integrated transport

The previous section has highlighted the importance of ensuring that pricing proposals are not considered in isolation, but must be part of a wider integrated transport package. Without that link, they will not succeed.

What is integrated transport?

Roads aren't an end, but a means. They are part of a wider transport system, which is itself only a means to a wider end. Transport policy needs to start from a mature understanding of where people are travelling to, and why. So getting road pricing right involves making links between different transport modes, between transport, land use planning, and wider economic policy, and ensuring that the whole is backed by spending plans that make an area's ambitions achievable.

So integrated transport implies the application of the full range of transport policy instruments and modes in a co-ordinated and comprehensive fashion that is anchored in an understanding of the wider local economy, including land use planning. This must cover infrastructure provision, operating parameters and marketing, including ticketing arrangements, interchange within and between modes and, most importantly, pricing. But it also links, for example, to whether new development is planned in a way that will genuinely minimise congestion and other transport disadvantages.

An integrated transport policy takes a co-ordinated approach to transport. Door-to-door travel requirements determine how the system is managed, rather than focusing on individual elements of the transport system as independent entities. This will inevitably affect the way in which

competition and economic efficiency is viewed as well as how operational matters such as interchange are handled.

Integrated transport planning requires analysis and understanding of the complex responses that people make to changes in supply or prices of different elements of the transport mix. For example, improvements to urban public transport on their own may have a very limited effect on car usage, whereas combined with road pricing there will be a significant effect (see for example the Stockholm case study).

What is the current UK position?

The institutional structure for transport in England is split vertically between different levels of government, and horizontally between different modes of transport and operating bodies. In any one area there will be a complex web of interactions with the potential for mismatched objectives and 'silo' management.

Prosperous communities II – vive la dévolution! (LGA 2007) sets out the issues in some detail. The key is that the bodies responsible for transport decision-making do not have a sufficient handle on all the policy and funding levers they need to deliver an integrated transport strategy effectively for a coherent geographical area. The case was also made by the Eddington Study, which emphasises that existing agencies have limited incentives to consider travel options across modes or the interactions between user groups. (HMT 2006 p256).

Financial incentives can also be perverse. Local

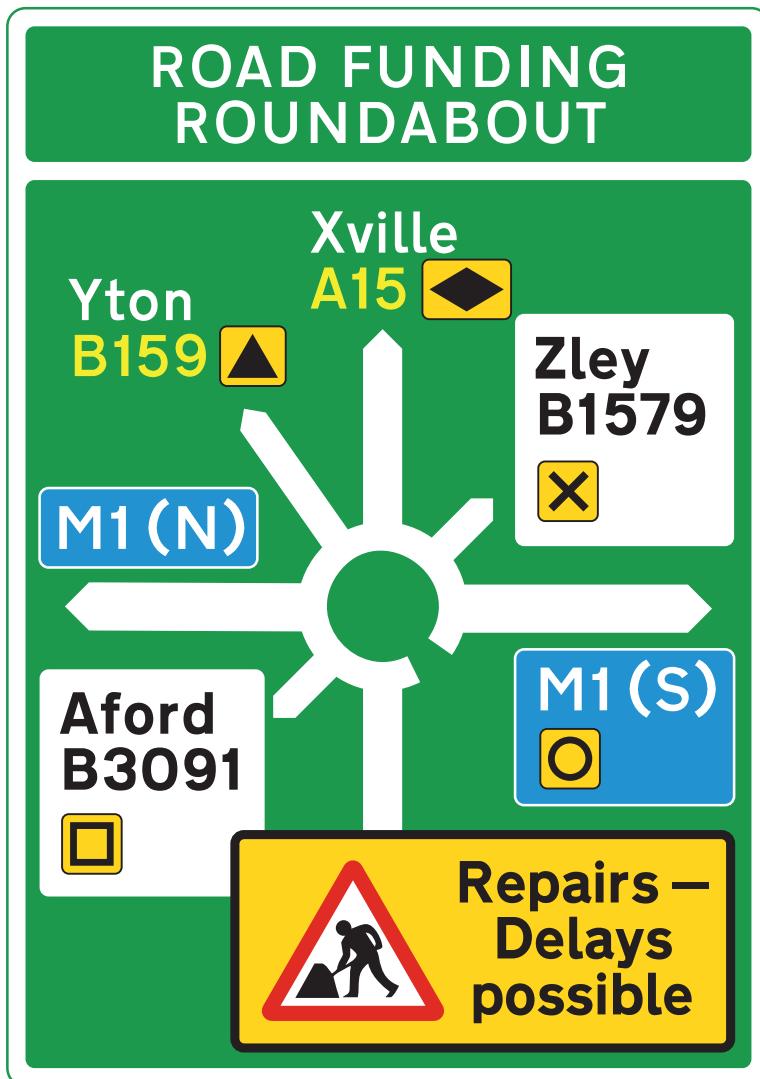
figure C: local bus services: indices of passenger journeys by area in England, 1994/95 to 2004/05








figure D: local bus services: bus fare index – real terms, 1994/95 to 2004/05



(Source: Transport statistics for Britain, 2005 edition)



-  Council funding (own capital programme)
-  Council RFA funding (Regional Funding Allocation)
-  Council LTP funding (Local Transport Plan)
-  HA (Highways Agency) National funding
-  HA RFA funding

authorities for example access ring-fenced external capital funding through the Local Transport Plan and other frameworks which fit in a complicated way with central government's funding to the Highway Agency, as shown in the graphic above; revenue funding however all has to be sourced from a single local authority pot where transport funding is in competition with other essential services. Funding for rail, on the other hand, is handled entirely separately. The issue of finance is critical and is discussed in more detail in the next section.

There is undoubtedly some excellent transport policy practice by UK local authorities that compares with the best in Europe. CfIT highlights some (CfIT 2006). Others are regularly recognised through awards and performance results. The

concern is that these are the result of individual initiatives to overcome difficult challenges, and there is not a systemic structure that drives policy in the direction of best practice.

Perhaps the clearest indicator of failure of existing arrangements is the decline in bus use and a growth in real fare levels in England outside London. This is despite a strong central policy framework intended to support public transport as a means to tackle increasing congestion. It contrasts to trends in London itself and in a limited number of other towns and cities where the challenges have been successfully overcome². The clear conclusion is that the present fragmented institutional arrangements have in general not delivered the improvements to bus services needed.

2. There may be some increases in public transport use due to social policy initiatives - in particular concessionary fares initiatives measures - but these will have a negligible effect on car travel and congestion.

case study – the Scottish Regional Transport Partnerships

Seven statutory Regional Transport Partnerships have been established covering the whole of Scotland. They are joint boards, with membership comprised of councillors from constituent local authorities (about two-thirds of members) as well as other regional stakeholders (one-third). The latter do not have voting powers.

RTPs have varying powers. One, the Strathclyde Partnership for Transport (SPT) takes the powers of the former Strathclyde PTA. All must produce – and have now published – a Transport Strategy for

their area, to be approved by ministers. Each strategy must set out any additional powers for the RTP considered necessary to deliver the strategy. Any change in powers must be approved by Scottish ministers.

It would be possible under this legislation for SPT to take on traffic management powers to support its public transport objectives, for example, or for another city-based RTP to gain PTE-type powers. No proposals of this type have emerged from the first round of strategy documents, however.

Source: Scottish Executive

Road pricing brings these issues into relief. It will be essential for transport authorities to have the capacity to deliver substantial and relevant transport improvements in advance of road pricing revenues coming on stream – as well as once charging is in place. These measures will need to be based on objectives for the whole area, will need to provide a guaranteed framework for investment and revenue funding for the whole area, and will need to involve many if not all the transport policy instruments within the area – including public transport management, travel planning initiatives, ticketing and information arrangements, traffic management and the promotion of sustainable transport modes. The public will also need to have confidence in the authorities' capacity to deliver what is promised. Current arrangements do not provide this.

Better institutions for transport planning

The institutional frameworks that are required for effective transport planning have been under debate in the UK for some time. Local authorities need to develop strong plans to reduce traffic levels and make the most of opportunities to reduce the need to travel through the planning system.

CfIT (2001) suggested transport planning implementation is less effective in Britain than in many other parts of the EU. A study of best practice

in delivery carried out for the Scottish Executive (SE 2003), identified a number of factors that appear to contribute to European transport policy best practice. The existence of sub-national transport structures is seen as a necessary (though not sufficient) element, supporting a willingness to fund transport, and policies to restrain car use including instruments such as road pricing and land use planning.

In Scotland, regional transport bodies – which would equate in terms of English geography to the area of a major city or large county – have now been established covering the whole country (see case study above). In England, such a body exists for London (TfL), but only on a voluntary basis elsewhere (for example the Association of Greater Manchester Authorities).

In *Prosperous communities II – vive la dévolution!* (LGA 2007), we identified sub-regional markets throughout the country. These varied depending on the market considered, with labour market patterns being most significant in considering transport. The Eddington study also makes a strong case for basing transport decision-making at the level of the appropriate functional economic area.

Prosperous communities II also set out in some detail the changes to the powers and incentives we

Prosperous communities II – devolution and changes to powers – an extract

- 6 The Highways Agency (HA) should be subject to a duty to co-operate with sub-regional partnerships in delivering local transport plans where this impacts on the roads for which it is responsible, including proposals for new or modified junctions with local roads.
- 7 Individual highways authorities, as well as their existing power to pool their decision-making powers in a joint committee, should have the power to transfer responsibility for a network of local roads to a sub-regional partnership constituted in another form than a joint committee, or to a single lead authority.
- 8 Network Rail and local train operating companies should have a duty to co-operate with sub-regional transport bodies in delivering local transport plans where this impacts on the provision of rail services and on rail infrastructure.
- 9 Sub-regional transport partnerships outside London and PTA areas should have powers to influence the specification, letting and management of rail franchises where substantial local commuter networks exist.
- 10 National, regional and local transport planning regimes should take account of the new powers devolved to local transport bodies – for example local transport plans should be extended to include rail where appropriate.
- 11 The Local Transport Plan process should be simplified, with less emphasis on bidding around the detailed specification of projects and more emphasis on how planned spending will relate to outcomes.

transport: devolution of decision-making about delivery

- 12 Sub-regional partnerships should be able to take over responsibility for HA roads where their main impact is sub-regional.
- 13 Sub-regional transport bodies outside London and PTA areas should be able to give directions and guidance to Network Rail on strategy, timetabling and station infrastructure on the commuter network.
- 14 The government should implement measures to enhance partnership working between local authorities and bus operators, giving councils more control over bus frequencies, timetables and maximum fares; and the power to enter into agreements with more than one operator.

- 15 Bus franchising (Quality Contracts) should become a more realistic option by only requiring councils to show that it is in the public interest (rather than ‘the only practicable way’ to deliver the objectives of their bus policy) to implement a franchise. This power should be available to any sub-regional partnership, not just existing PTAs.

transport: devolving funding

- 16 Regional Funding Allocations (RFAs) for transport should have a sub-regional dimension: either by requiring regional assemblies to directly reflect the bids of sub-regional bodies in their recommendations to government, or preferably by allowing areas where sub-regional partnerships are in place to bid directly to government for funding. Future RFA allocations should also recognise any extension of sub-regional responsibilities for rail.
- 17 Local and sub-regional transport bodies should be fully able to retain the income from fares and charges to provide new and upgraded transport infrastructure.

- 18 Bus subsidies should be devolved to local and sub-regional transport bodies to allow them to target subsidies to support local bus services in the most cost-effective way.

- 19 More local flexibility should be allowed to vire between capital and revenue expenditure on transport.

transport: incentives to encourage the use of existing powers

- 20 Network Rail and local train operating companies should be encouraged to jointly fund schemes with local partnerships to improve local networks or infrastructure. The incentive to do this will be greatly enhanced by greater powers for sub-regional bodies to take, or influence, decisions across transport modes.
- 21 The HA and sub-regional partnerships should make greater use of the power to jointly fund schemes. The incentive to do this will also be greatly enhanced by increased powers for sub-regional bodies to take, or influence, decisions across transport modes.
- 22 The current power to prepare joint local transport plans should be used more widely. The incentive to do this would be greatly strengthened by giving sub-regional partnerships decision-making powers across modes including buses and rail, and reflecting that in the LTP framework.

LGA 2007

considered necessary to bring about a more integrated approach to transport management and we set them out again here. The current draft Local Transport Bill, with its powers for bottom-up reforms to sub-regional transport governance would, if enacted, be a partial move in the right direction in achieving these changes.

Sub-regional transport planning – an opportunity

Sub-regional transport planning arrangements could re-balance the relationship between national and local government in the transport arena, as well as providing much better functional arrangements for managing transport. Such an arrangement could break through the complex web of planning and funding arrangements referred to earlier.

In the context of road pricing, it could provide a much more effective framework for the

introduction of pricing proposals, allowing the promoting body to construct the best overall transport package, and to work with government to ensure delivery, including the measures required prior to charging that it considers necessary to achieve its aims and gain public acceptance.

Decisions on funding streams for investment could be clearly linked with decisions on pricing, with the same body responsible – and accountable – for those decisions to ensure the relationship between the two is transparent.

However, central government will need to make changes to current financing rules, and will need to set a clear framework for the long term use of road pricing revenues, if these bodies are to be able to support road pricing schemes with the necessary integrated transport package – including investment in advance of pricing implementation.



part 3: using the revenue effectively

The primary purpose of a road pricing scheme should and must be to benefit road users by reducing congestion, and/or to benefit the community at large by reducing pollution and greenhouse gas emissions. It is not the aim of road pricing to raise extra revenue. However, substantial funds may well be raised by such schemes. For a scheme to provide an overall benefit to the community, the way in which the revenue stream is used is crucial. Provided the statutory framework is right, this can provide the secure long term funding necessary to deliver an effective integrated transport strategy in a way that has not been possible up to now. But any extra spending must clearly and transparently benefit travellers. And the overall costs and benefits to people using transport need to be carefully monitored. We cannot leave aside the possible case for offsetting some road pricing revenue against the taxes levied on motorists.

Current transport financing arrangements

The previous section explored the fragmented nature of current transport funding and decision-making arrangements. *Prosperous communities II – vive la dévolution!* (LGA 2007) highlights the issues which are reiterated in the Eddington Study: “the current situation, where responsibilities for different policy levers and funding streams are split across different national, regional and local bodies does not incentivise effective decision-making.” (HMT 2006)

Where councils do have the power to spend, they have historically had limited borrowing powers, with decisions on capital spending being made on a short-term basis and funded either entirely through public borrowing, or, in more recent years, through PFI arrangements (although there is currently only one local transport PFI in existence that relates to roads infrastructure). Approval to borrow is typically determined on a project-by-project basis, through various bidding channels. Opportunities for innovative and imaginative funding arrangements, as might be found in the private sector, have been limited.

The picture is changing with the introduction of prudential borrowing powers, and the proposals in the Lyons report. New sources of revenue including possible business rate income and the government’s proposal for Planning Gain Supplement, as well as road pricing income, could give councils significantly more control over their finances. This would put English authorities on a level playing field with local government in many other developed countries that have powers to raise



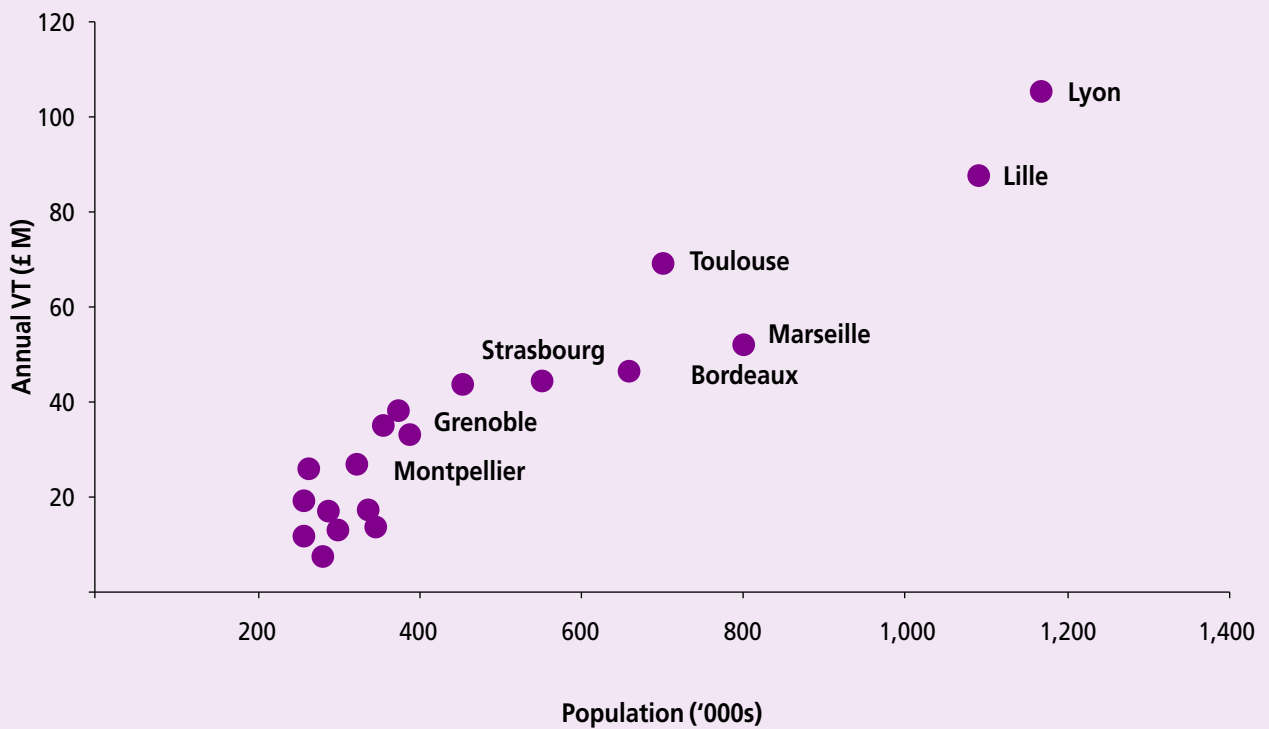
case study – French ‘Versement Transport’

The Versement Transport (transport tax) was introduced by the government in 1982 as a way of breathing new life into public transport in France through a dedicated tax to increase the amount of revenue for public transport. It is dedicated wholly and exclusively to public transport.

The VT is a payroll tax with a maximum rate of 1.0 per cent for metropolitan areas of more than

100,000 inhabitants and 0.55 per cent for metropolitan areas with between 50,000 and 100,000 residents. The rate may be increased if the transport authority plans to implement, or has already implemented, a high-grade transit service within its own right-of-way – metro, tramway, or busway. It is only an option available to local municipalities interested in generating additional funds for public transport; it is not mandatory for the transport authority to charge this tax. *Source: PTEG 2003*

figure E: annual versement transport by city population



(Source: PTEG 200)

funding under their own control. For example municipal bonds are frequently used in North America, while French cities can collect a ‘Versement Transport’ tax on businesses specifically for transport provision.

Travers and Glaister (LGA 2006) have suggested that transport would be a good candidate for increased

devolution of powers to a more local level because it brings with it the possibility of mobilising new local income sources, including road pricing to produce benefits that have not previously been available.

The Transport Innovation Fund

A key measure flowing from the DfT 2004 feasibility study was the Transport Innovation Fund. This is intended to form the major transport investment fund from 2008/9 onwards.

Government have indicated that “around £200m pa has been earmarked for congestion schemes (c£1.4bn in total) – although ministers have made clear that they will consider making more funding available if a sufficient number of high-quality and higher-value schemes emerge. Nonetheless, we would not expect to fund any individual package that was larger than the total amount that has been set aside for congestion TIF schemes” (DfT 2007). This funding will be targeted at authorities developing packages incorporating road pricing (DfT Jan 2006 TIF guidance).

A number of areas are developing projects targeted at congestion TIF, as listed below, and some applications for substantive TIF funding are expected to come forward this summer.

- Bristol and Bath area local authorities
- Cambridgeshire
- Durham County Council (for Durham City)
- East Midlands (covering Nottingham, Derby and Leicester)
- Greater Manchester
- Norfolk (for Norwich)
- Reading
- Shropshire County Council (for Shrewsbury)
- Tyne and Wear
- West Midlands conurbation

The Greater Manchester proposals currently out to consultation (see case study) highlight the scale of

funding likely to be required to support a road pricing scheme outside London – in this case £3bn. Relatively speaking, the scale of public transport improvement required will be higher in these cases than in a metropolis such as London which already has very high levels of public transport provision and usage. Given the total available TIF fund of £1.4bn, it is glaringly obvious that the TIF in its present form will be insufficient to support the significant charging schemes which are being developed by councils.

If the TIF approach is to be successful, local authorities must feel that the measures they understand to be necessary to implement a pricing scheme can be funded, in particular the vital investment that needs to be in place before charging starts. This is the most critical aspect of public – and hence local political – acceptance. Most importantly, short term TIF funding followed by implementation of a road pricing scheme cannot be a substitute for adequate public expenditure on transport provision over the long term. This suggests we need to focus both on the amount of TIF money available, and on ways of reducing local dependency on central government funding.

Funding options

To be able to deliver integrated transport packages incorporating road pricing measures, local authorities will need:

- mechanisms to ensure adequate funding for pre-charging transport improvements; and
- certainty about long-term access to the charging revenues and how they are permitted to use them.

The scale of up-front investment will almost certainly be beyond the scope of TIF funding as currently planned. In that situation, authorities will need the powers to consider other funding options. Examples are PFI or other PPP arrangements, use of other potential funding streams that might become available such as the proposed Planning Gain Supplement or supplementary business rates, or new approaches such as municipal bonds. There is

case study – Greater Manchester TIF consultation

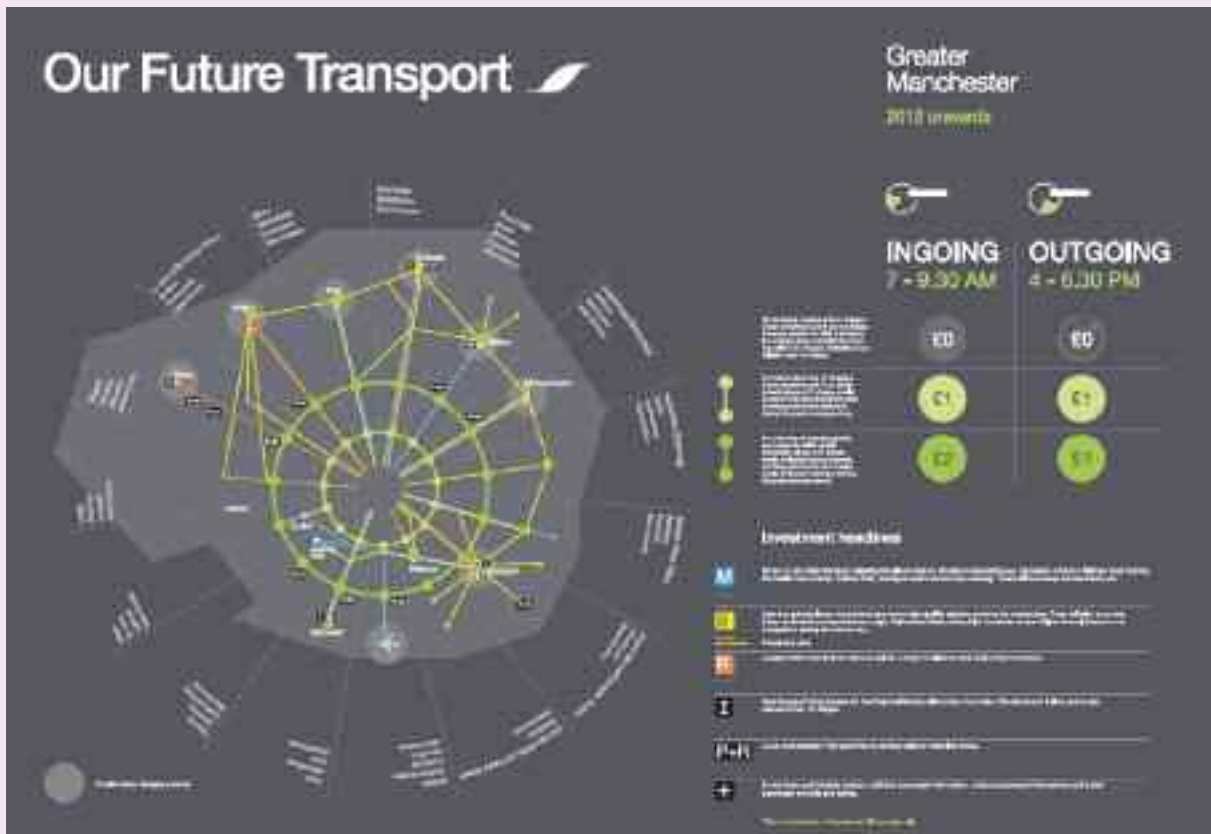
Two charging cordons are proposed, operating inbound in the morning peak and outbound in the evening peak periods, with a £1 or £2 charge depending on location and direction. No charge would apply outside peak periods.

A total investment package valued at £3bn is set out. This includes extension of the Metrolink tram network, rail improvements, Park and Ride, bus priorities, additional buses, interchanges and improved integration.

The Association of Greater Manchester Authorities

have indicated that four tests must be met to proceed with the bid:

- there would be no charge before transport systems – Metrolink, rail and bus – are significantly improved;
- any charging would only apply where there are problems with congestion;
- the measures need to support the city region’s agreed economic and social plans;
- the measures must be acceptable both to the public and the business community.



an obvious role for the PFI, particularly for those authorities that are able to rely on a revenue stream that is already in place as opposed to a future revenue stream that will inevitably be subject to a higher level of risk – especially if it is based on sensitive policies such as road pricing.

It is easy to see how a local authority could use the PFI to deliver transport improvements quickly once the road pricing scheme is up and running, with the service provider reimbursed through an availability payment funded from the subsequent charging revenues. This arrangement would resemble the shadow toll, based on availability payment, which

Essex County Council put in place on the A130 road. We could envisage councils constructing similar arrangements to fund investment in advance of a scheme starting up, although it would require some creativity to mobilise private sector investment if there were still a risk of a scheme failing in, say, a referendum. Councils might need to obtain approval for a pricing scheme some time in advance to enable the investment to happen.

For higher-cost projects, it is likely that other arrangements will have to be considered. It may be appropriate to use TIF or other public up-front funding to lever in private finance for a scheme rather than to completely fund the scheme. It may be that some of the other revenue streams that may become available could be used. Alternatively, the DfT could agree to sign up to, and underwrite the costs. In this case, some arrangements will need to be put in place to incentivise the local authority to introduce the charging scheme and not renege on its promise³.

Present arrangements create some difficulties, especially in relation to capital. Firstly, the government commitment to allow local authorities to keep the proceeds of a road pricing scheme extends for a 10-year period only. That is not long enough to back a significant bond issue or long-term loan, for example.

Secondly, under current TIF guidance there is a prohibition on local authorities using road pricing revenue directly to secure borrowing, quoted in TIF guidance:

“As a result of the Local Government Act 2002 and subsequent guidance, local authorities may not securitise revenue streams such as those from road pricing in exchange for a lump sum from the private sector. Should local authorities wish to pursue this type of financing option they should use Prudential Borrowing through the Public Works Loan Board to secure upfront capital on the basis of all their potential revenue streams”. (DfT 2007)

This is clearly a major barrier to unlocking the economic benefits of road pricing. It needs to be removed.

Change is essential

The current confused and fragmented funding environment needs to be simplified. Authorities taking forward road pricing proposals need to understand the long term arrangements for use of the revenues, and most of all, need to be clear about how a pre-charging investment programme of the scale required can be funded. They also need to be able to join up disparate funding streams around a single coherent, integrated transport strategy for their place.

The long-term arrangements need to give authorities control of the road pricing revenue with the maximum degree of flexibility, both in terms of capital against revenue spending, and in terms of what the funds can be used for. Road pricing revenues will need to be spent largely on transport measures in order to provide the package necessary for acceptability. However,



3. Comments in this section based on study carried out by 4Ps for DfT, 2003. 4Ps provide advice to local authorities on financing arrangements, including road pricing

authorities should have the power to use the funding for other transport-related areas of public expenditure such as public health, environmental protection or security measures.

Long-term certainty extending over a period of 30 years or more is essential for authorities to be able to engage in financing measures such as PFI or other more innovative arrangements that can deliver the investment programme as quickly and efficiently through engagement of private capital.

To be able to provide sufficient pre-charging investment, a high degree of flexibility will be required in the use of public funds to fund immediate expenditure, leverage private sector money, and support borrowing. Central and local government need to review current funding streams and their constraints to identify in detail what needs to change. Without change, the opportunity provided by road pricing to achieve integrated transport objectives will not succeed.



part 4: a path to fair and efficient road pricing

The trajectory

The DfT 2004 feasibility study suggested an approach to road pricing based on development of local schemes rather than a 'big bang' approach to implementing a national road pricing system. The study suggested that this would:

- bring the benefits of congestion charging that have been demonstrated in London and elsewhere to more of our cities and to strategic routes;
- improve understanding of responses to price signals and the costs of running schemes;
- inform public opinion about the benefits of pricing;
- leave open, until the appropriate future moment, choices either of principle or method that will have to be made along the way.

Local government is willing to work with this approach, as part of councils' wider ambitions to bring about improvements in their places. But there is a need to understand what this will lead to. We are likely to see a series of local – perhaps principally urban – charging schemes emerging in the UK, linked with high-quality public transport provision and designed to target the worst congestion problems. That prospect raises a number of practical issues. Local schemes would eventually be combined with interoperable charging systems so that payments for different road user charges, whether toll road, bridge, or congestion charging scheme, could be identified on a single bill and recorded using a single device in a vehicle. The alternative – for drivers to carry numerous systems in their cars – is unthinkable complex and costly.

Government has a clear role here to ensure appropriate standards are agreed nationally so that this can happen. European Commission policy would see such arrangements eventually extend over the whole of the EU. This approach provides a national framework for charging schemes while leaving open the question of wider area or national charges.

However, the framework within which local charging schemes are in practice being developed is currently very narrow, reflected only in the TIF projects in which local government is having to take major political risks within very tight central government control. We consider that the freedom for local decisions on both charging and investment needs to be substantially increased for this approach to bear fruit on anything but the very smallest scale.



In other words, local government has the ambition and the courage to take road pricing forwards; but central government will retain very significant responsibilities if councils are to be able to succeed, and must take enabling action now. This section sets out what needs to be done in order to make progress.

Government's role

At present the main action, through TIF, is focused on urban congestion. Government has decided not to move forward on using pricing as a tool to tackle inter-urban congestion. Local environmental problems are being dealt with in part through technology fixes, in particular through EU mechanisms, while frameworks for reducing carbon emissions in the transport sector have not been determined.

But there is more that could be done at the national level to move road pricing forward. Even if pricing measures are focused on cities or county areas, measures will be needed on the often congested strategic road network in and around the cities – motorists do not make route choices on the basis of who manages the road. Pilot projects on the strategic road network could complement the urban pilots. There is an opportunity to focus more on motorist choices in this context, including measures such as HOT lanes and additional tolled capacity.

Government also needs to set out clearly the long term governance framework for financial and policy governance. Principles for managing the revenues, including the institutional frameworks for this, need to be developed. This will need to take account of the bigger picture, and the ability for the bodies managing charging schemes to have an effective handle on both policy and finance levers, as highlighted by Eddington and in *Prosperous communities II – vive la dévolution!*

A new, devolved, institutional and financial framework

Prosperous communities II – vive la dévolution!

proposes a concept of sub-regional governance that would enable delivery and funding powers across the range of integrated transport measures – rail, bus, traffic management and highways – over a geographical area that would be relatively self-contained in terms of journey patterns, especially for travel to work. This is how successful urban areas in Europe and the US operate.

We have proposed, too, that this should be combined with a revised framework for Regional Spatial Strategies and Regional Economic Strategies to provide the essential integration of transport policy with land use and economic strategies, focussed on the real economic geography of sub-regions.

These partnership bodies, which would bring together councils, central government agencies and business, need powers to raise and spend money as well as to decide strategy. So they should have wide-ranging financial powers, allowing imaginative funding arrangements for investment, backed up by the ability to raise revenue through road pricing and potentially other new sources of funding such as supplementary business rates.



Partnership on the roads is a two-way street

If anyone has the vision and ambition to tackle congestion and climate change, it is councils. Only they can lead the local debate that will be needed to win consent to a road pricing policy. Only they know the strength of local feeling about transport issues, and have the local knowledge to decide how to make an integrated transport system work for their area. Local government is willing to be placed from now on in the forefront of the road pricing issue.

But it would be delusive for either central or local government to believe that knowledge, leadership, and will are enough to make a road pricing scheme succeed. As things stand, councils lack the full range of financial and decision-making powers they need to implement a successful scheme.

Central government finds it easier to give away money than to give away powers. But if councils are to spearhead a policy that central government has decided is in the national interest, they deserve to be given both. Whitehall still believes that widespread road pricing is the right objective. Give councils the tools, and they will start the job.



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