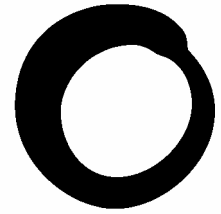


August 2005



**Friends of
the Earth**

Briefing

Road pricing: magic wand or red herring?

Road pricing is very much on the transport agenda, and key decisions will be taken in the next two or three years. Friends of the Earth supports the principle of road pricing, and believes that it should be:

- used to cut carbon dioxide emissions as well as congestion
- part of a package of a package of measures to cut traffic levels
- used to cut the cost of public transport and raise the cost of motoring.

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Road pricing: magic wand or red herring?

Introduction

In June, Transport Secretary Alistair Darling outlined the Government's current thinking on road pricing and how it intends to take this forward. This will be one of the key transport debates in the next two or three years, but is road pricing a magic wand solution to our transport crisis or a red herring? The recent cancellation of plans for lorry road user charging cast considerable doubt over plans for charging all vehicles, but Mr Darling has made it clear that he intends to push ahead.

This briefing explains the background to the current situation, the Government's thinking, and Friends of the Earth's views.

Background

Road pricing in the UK was first proposed in the UK by the Smeed Committee in 1964. It has been on the current Government's agenda for a few years. In June 2003, Alistair Darling told The Observer that road building would not solve Britain's transport problems and that the Government had to *"take a radically different look at how we manage the system. That is where road pricing comes in. I am convinced that unless we look at the possibility of road pricing, then future generations will not forgive us"*. He added *"if we don't start thinking about it now, we are going to face a situation where we will have very, very severe traffic problems. We are going to have to face up to these choices and I want to stimulate a proper debate"*¹.

In July 2003, the Government set up a feasibility study bringing together academics and representatives of the motoring lobby, the freight industry and environmental groups. The role of this group was to advise on whether and how road pricing might work, not whether it should be implemented. The feasibility study report² was published in July 2004 alongside the White Paper 'The Future of Transport'.

It concluded that national road pricing could meet the objectives set by the Government of more efficient pricing; fairness, respect for privacy and promoting social inclusion and accessibility; higher economic growth and productivity for all regions of the UK; and environmental benefits³.

Its modelling showed that *"a carefully constructed national scheme ... has the potential to reduce urban congestion by nearly half, through an overall reduction in urban traffic levels of only 4 per cent, as well as providing significant environmental benefits in terms of air quality, noise and severance"*⁴. The economic benefits of the reduced congestion could amount to £12 billion a year⁵.

In the modelling, the charges ranged from 2p per mile to £1.34 per mile. This maximum charge would only be paid by around 0.5 per cent of traffic using the busiest roads at the busiest time of day, such as central London in the morning and evening rush-hours⁶.

Among the study's recommendations were that the Government should:

- *"inform and lead a debate to promote public understanding and trust*

- *develop proposals on how receipts from road users would be governed, managed and accounted for, and how motoring taxes would be dealt with on the introduction of any road user charging system*
- *develop a detailed research programme into road users' attitudes and behaviour, including market research, to inform scheme design*⁷

The Government's proposals

The Government's proposals were outlined by Alistair Darling in a speech to the Social Market Foundation on 9th June⁸. He said that *"the problem of congestion is going to get worse. Doing nothing is not an option"* and that *"our objective is not to put people off the roads. It is to enable us to get more out of the network"*.

Mr Darling made it clear that the Government intends to use road pricing to tackle congestion. But transport's problems are much wider: road transport is responsible for over a fifth of the UK's emissions of carbon dioxide, the main gas causing climate change.

Mr Darling did not specify what would happen to fuel duty and Vehicle Excise Duty (road tax) when road pricing was introduced. He said that he did not think that it would be possible to put one tax on top of another. This could be taken to mean that fuel tax and road tax would be abolished, but Mr Darling would not confirm this. However he did reject charging different rates for different vehicles as too complex, meaning that gas guzzlers would pay the same as fuel-efficient cars. If fuel duty was abolished or cut when road pricing was introduced, this would reduce the incentive to use more fuel-efficient cars. Mr Darling also left open the question of whether the scheme would be used to raise the overall cost of motoring.

Mr Darling said that the need to develop technology and win public acceptance meant that a nationwide scheme was still a decade away. However he wanted to see a pilot scheme in one region or major conurbation in place by the end of the decade. This would require a decision and enabling legislation within two years.

Opposition views

Introducing road pricing will take at least 10 years, and there could well be a change of government in this time. This means that the support of the opposition parties is important, if the current government's initiatives are not to be shelved at a later date. Both the Conservatives and the Liberal Democrats have cautiously welcomed the principle of road pricing and the public debate announced by the Government.

Business and motoring lobby

The business and motoring lobby broadly supports the principle of road pricing. The position of the RAC Foundation is typical: *"it has become clear that urgent action needs to be taken to solve the congestion crisis. The Foundation is giving a cautious welcome to the principle of a road pricing scheme ... however [we] would not support road pricing if it were simply the Government's way of introducing yet another tax on the motorist ... Reducing or scrapping*

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fuel duty would go some way to reducing public unease about a road pricing scheme, however this alone would not be sufficient. Any scheme would have to be introduced as part of a package of measures to combat congestion, to include significant investment in the road network, and much improved public transport. The public will demand this⁹.

Public opinion

A recent MORI opinion poll showed tentative support for road pricing, with 47 per cent of those questioned saying they would pay more to use roads at the busiest times of day, as long there were accompanying cuts in Vehicle Excise Duty (road tax), and 34 per cent opposed¹⁰.

Support for road pricing tends to rise if people believe that any proceeds will be ring-fenced for investment in transport. A survey of motorists' views in 2003 carried out by the RAC showed that only 15 per cent of motorists questioned supported the introduction of satellite-based tracking and charging of cars, but when guarantees about the use of revenue for transport purposes were made, rates of support either doubled or trebled. The same poll found that motorists' preferred option for spending road pricing revenue was increased investment in public transport (32 per cent) rather than building more motorways and trunk roads (12 per cent) or bypasses (9 per cent).¹¹

These results were confirmed in an opinion poll for Friends of the Earth in 2004 which showed that twice as many people thought investment in public transport should be a high priority for the Government priority as thought the priority should be road-building¹².

Key issues

If road pricing is to work, the Government will have to address many important questions.

How to win public acceptance

Road pricing has been portrayed as another way to hit the supposedly hard-pressed motorist with another stealth tax. Getting public acceptance will be one of the key obstacles for the Government, given the likely opposition from the tabloid media and sections of the motoring lobby. However, as the figures quoted above show, the public is not completely hostile to the ideas of road pricing, provided that there are guarantees about the use of the money raised.

Purpose and design of the system

The Government will have to decide what the purpose of the road pricing is, and design the system accordingly. From Friends of the Earth's perspective, the key question is whether road pricing should simply aim to cut congestion, or should also aim to reduce emissions of climate-changing gases from transport?

Should road pricing be revenue-raising or revenue-neutral?

One of the most important issues facing the Government is whether road pricing should raise the overall cost of motoring? Under a revenue-neutral scheme, other motoring taxes such as road tax and fuel duty would be cut by the amount raised by road pricing so that the overall level of tax raised from motorists remained the same. Under a revenue-raising scheme, there might be some cuts in other motoring taxes, but the overall level of tax raised from motorists would rise.

What to do with other motoring taxes?

Will road pricing completely replace road tax and fuel duty? If so, and all cars pay the same rate per mile irrespective of how fuel-efficient they are, how will Mr Darling stick to his word to keep incentives for greener cars?

Also, what will happen to other motoring taxes in the decade before road pricing could be implemented? Even if road pricing completely replaces fuel tax and Vehicle Excise Duty (VED) in 2015, the Government must still increase fuel tax and reform VED in the short-term.

Which roads should be charged?

The Government must decide whether to introduce road pricing nationwide, or only in the most congested areas. It must also work out how to set charges for different types of roads in an area so that traffic does not, for example, use A- and B-roads rather than motorways in order to pay a lower charge, or not pay any charge at all. The Government must also ensure that higher road charges in urban areas do not encourage more development in edge-of-town and out-of-town locations, where charges might be lower.

How to address concerns about civil liberties

Satellite-based road pricing tracking car movements has been portrayed as Big Brother-style unwarranted intrusion into people's freedom, and 16 per cent of people questioned in a recent opinion poll said they would refuse to have satellite tracking devices fitted in their car¹³. The Government will have to address these concerns to win public acceptance.

How to address equity concerns?

Road pricing should not be regressive, penalising the poorest households. The majority of these households do not own cars, but those that do should not be priced out of peak-time travel. The Government should also make sure that additional revenue from road pricing is used to reduce the equity impacts of our transport system.

Which technology to use

The choice of technology used will be critical. To some extent it depends on which roads are charged, whether the system is nationwide or just in the more congested urban areas. The former would mean that satellite-based tracking would probably be needed, whereas the

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latter would mean that a simpler system, maybe based on number-plate recognition, as used by London's congestion charging system, could be enough.

Who sets the charges

What role would local councils and local people have in setting charges for roads in their area? Would charges be set nationally, or would councils have the powers to vary charges?

Friends of the Earth's views

Friends of the Earth supports the principle of road pricing, but believes that the following conditions should be met:

Road pricing must be shown to be part of the best solution

If the Government wants to introduce road pricing, it must show that it will make a real contribution to achieving its desired outcomes, notably cutting carbon dioxide emissions from transport, and that other policies such as increasing fuel tax would not achieve the same ends on their own.

Road pricing should be part of a package of traffic reduction measures

Road pricing should not be an end in itself, but one means to the end of reducing traffic levels. Traffic reduction is the only way to address all the environmental, economic and social problems caused by how we travel.

Road pricing is not a magic wand: reducing traffic levels needs more than just road pricing. Measures like providing better alternatives to the car, using land-use planning to reduce the need to travel and measures to improve safety and tackle transport-related social exclusion are also essential. These will all help reduce traffic levels without the introduction of road pricing. Friends of the Earth was part of the 'Way to Go' coalition which put forward a number of priority measures to reduce traffic levels as a submission to the Government in 2004. These measures included:

- increased funding for public transport, particularly in rural areas
- networks of bus lanes
- safe routes to schools
- a cycle-friendly road network
- streets, lanes and paths in good condition and pleasant for walking
- lower speed limits: 20mph default in residential streets
- services and facilities close to where people live so they don't need to drive¹⁴

These measures must all be pursued actively in coming years in order to tackle congestion and climate change, rather than waiting for road pricing to solve all our problems, or for the revenue from road pricing to fund the investment needed. Better alternatives to the car are needed now, and must be funded as part of current spending. Increased investment could be funded by rises in fuel tax to keep the costs of motoring constant, rather than falling as is currently the case; and cuts in spending on road-building.

Any scheme should be actively designed to cut carbon dioxide emissions from transport

The Government has proposed road pricing as a way of tackling congestion, but it is critical that any system should be actively designed to cut carbon dioxide emissions from road transport.

Road transport is currently responsible for around 22 per cent of UK emissions of carbon dioxide, the main gas causing climate change. The failure to get a grip on transport emissions is one of the main reasons why the Government looks set to miss its domestic target to reduce UK carbon dioxide emissions to 20 per cent below 1990 levels by 2010. Transport emissions are forecast to rise in coming years because of continuing traffic growth, and policies to address this will be essential if the Government is to reduce overall carbon dioxide emissions by 3 per cent year-on-year, as Friends of the Earth believes is necessary¹⁵.

Road pricing should be used to cut the cost of public transport and raise the overall cost of motoring

Government figures show that since 1997 the cost of motoring has fallen in real terms by 6.6 per cent while rail fares have gone up by nearly 4 per cent and bus fares by over 10 per cent. This is one of the reasons why traffic levels continue to rise: it is difficult to persuade people to use cars less and public transport more if car use is getting cheaper and public transport is getting more expensive. Research from IPPR has shown that a revenue-neutral road pricing scheme under which charges are offset by cuts in fuel duty would lead to a 5 per cent increase in emissions of carbon dioxide from road transport (because the cut in fuel duty would make driving cheaper on less congested roads); whereas a revenue-raising scheme under which charges are added to existing motoring costs would lead to a fall of over 8 per cent.

Revenue-raising road pricing could be accompanied by cuts in taxation in other areas, such as council tax. This could mean that the cost of motoring would rise, but that people would not pay more tax overall.

If road pricing led to an increase in revenue for Government, this should be ring-fenced for investment in providing drivers with better quality alternatives to car use.

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Road pricing should not be introduced only for new capacity

Road-building is not the solution to the UK's transport problems. Large-scale additional road capacity is not needed. Road pricing, if it is introduced, should be applied to all existing roads rather than just new capacity. Nor should road pricing be used as a way of generating money to invest in building new roads or wider motorways.

Further private toll roads and motorways should be ruled out

If road-user charging is introduced, this should be on the basis that additional revenue is used for investment in policies to reduce traffic levels rather than going to the shareholders of private companies, as is the case with the M6 Toll (see below). Ring-fencing revenue for investment in transport has been shown to be essential in increasing support for road-user charging among motorists, a critical factor in making a scheme acceptable.

Appendix

Existing road pricing schemes in the UK

Several road pricing schemes are currently in operation in the UK, although none of them charges by distance, as is planned for the national scheme.

London's congestion charging scheme was introduced in February 2003. Since its introduction, traffic levels inside the charging zone have fallen by 18 per cent and congestion levels by 30 per cent. Bus patronage has also risen significantly. Consultation on a proposal to extend the scheme westward has just closed.

Durham has a small-scale local charging scheme controlling access to the city's cathedral and castle. Traffic levels in the controlled area have fallen by 85 per cent since the scheme started in October 2002

Britain's only private toll motorway, the **M6 Toll** north of Birmingham, opened in December 2003. It is too early to say how effective the M6 Toll has been in tackling congestion on the M6. The first Highways Agency study carried out covered only three months and painted a mixed picture with rising traffic levels on the M6 Toll, traffic reductions on the M6 and time savings on through journeys. However analysis shows that the picture is much less encouraging than is presented: benefits to users of the M6 have been slight and are already being eroded by traffic growth. There has also been some release of suppressed demand from within the conurbation. A second report into the impacts of the M6 Toll, after a further 12 months, on the West Midlands road networks is currently being prepared by the Highways Agency.

Plans for congestion charging in **Edinburgh** were decisively rejected in a referendum in February 2005, with almost three-quarters of voters opposing the proposals

Planned and proposed schemes

Last year the Government consulted on proposals for a further private tolled motorway – the **M6 Expressway** - running parallel to the existing M6 between junction 11a (near Cannock in Staffordshire) and junction 19 (near Knutsford in Cheshire). This, it said, was to provide road users with the choice of whether to use the existing M6 or pay for a faster, more reliable journey on the new road. Friends of the Earth strongly opposed the plans, saying that the M6 Expressway:

- was not needed, as that stretch of the M6 was not badly congested
- would not provide any choice for people without cars
- would encourage people to travel further, leading to more climate change emissions
- would not benefit the regional economy
- represented the ‘wrong sort of road pricing’.¹⁶

The Government has recently announced that it has asked the Highways Agency to do further work on both the proposed Expressway and widening the existing M6, despite the fact that 98% of respondents to the Government’s consultation opposed the Expressway¹⁷.

The Welsh Assembly Government is proposing to build a £350 million **M4 relief road**, essentially a new stretch of toll motorway between Magor and Castleton, south of Newport, to relieve a congested stretch of the M4. Friends of the Earth opposes this on the grounds that:

- It would run across several miles of the Gwent Levels Site of Special Scientific Interest (SSSI), one of the nation’s most important wildlife sites, and supposedly protected from transport infrastructure development).
- It would not solve traffic congestion problems.
- Alternatives such as traffic restraint and demand management could provide a real solution.

Lorry Road User Charging

The Government has recently announced that it has abandoned plans to introduce Lorry Road User Charging in 2008 because of concerns over the cost of the pilot scheme.

The Lorry Road User Charging scheme would have been similar to nationwide road pricing for cars in that charges will be levied on the basis of distance travelled, but would have differed in its purpose, which was to level the playing field between UK and foreign hauliers. UK hauliers claim they are at a disadvantage compared to their foreign rivals who can fill up outside the UK where diesel is cheaper. All lorries would have paid the same rate of charge, but there would have been a reduction in fuel duty for hauliers using fuel purchased and paid for in the UK.

NOTES

¹ *The Observer*, 8 June 2003

² Department for Transport (2004) *Feasibility study of road pricing in the UK – Full report*
http://www.dft.gov.uk/stellent/groups/dft_roads/documents/page/dft_roads_029788.hcsp

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³ ibid paragraph 7.11

⁴ Department for Transport (2004) *Feasibility study of road pricing in the UK – Summary* para 14
http://www.dft.gov.uk/stellent/groups/dft_roads/documents/page/dft_roads_029787.hcsp

⁵ ibid para 19

⁶ As the Feasibility Study points out, some vehicles probably already pay more than this under the London congestion charge scheme.

⁷ ibid para 28

⁸ The text of the speech can be found at

http://www.dft.gov.uk/stellent/groups/dft_roads/documents/page/dft_roads_038153.hcsp

⁹ RAC Foundation press release 9 June 2005, *Road pricing – the public will decide*

¹⁰ Poll quoted in *The Guardian*, 9 June 2005

¹¹ RAC Report on Motoring 2003 *Making the most of Britain's roads*

¹² In the Yougov poll, 61 per cent thought better train services should a high priority, 56 per cent thought better bus services, 30 per cent thought building more bypasses and 28 per cent thought widening motorways – see

http://www.foe.co.uk/resource/press_releases/aarac_say_too_much_traffic_17052004.html

¹³ MORI poll cited by BBC Online http://news.bbc.co.uk/1/hi/uk_politics/4075490.stm

¹⁴ For full details, including the cost of implementing best practice, see *Paying for Better Transport*

http://www.foe.co.uk/resource/reports/paying_for_better_transport.pdf

¹⁵ For more information on why 3 per cent year-on-year are needed and how they could be achieved, see

<http://www.thebigask.com>

¹⁶ Friends of the Earth (2004) *Another dead-end road? The M6 Expressway proposal*

http://www.foe.co.uk/resource/briefings/m6_expressway_briefing.pdf

¹⁷ Department for Transport 19 July 2005 *Responses received to the consultation M6: Giving motorists a choice*

http://www.dft.gov.uk/stellent/groups/dft_roads/documents/page/dft_roads_039141.hcsp