

Road-rents

THE British government's White Paper *A New Deal for Transport* identified congestion as one of the principal costs of the growth in traffic. Congestion imposes huge direct costs on road users, businesses and public service providers through longer journey times, increased fuel consumption, frustration and discomfort. Costs to the economy amount to several billion pounds every year. Congestion leads to higher emissions of air pollutants and generates noise and nuisance, which damage health and quality of life. Road user-charges are one solution.

THE White Paper provided the framework for policies to tackle congestion in our crowded towns and cities. Local authorities must develop Local Transport Plans (LTP) as integrated packages of measures to meet local transport needs. The Government recognised that authorities may need new tools to help tackle congestion. That is why we proposed legislation to allow, but not compel, local authorities to introduce

- road user charging and
- a levy on the provision of workplace parking as part of their LTP package.

These new measures will work to tackle congestion in two ways

- by providing new demand management tools in the form of economic incentives for motorists to find alternative means of transport; and
- by securing funds for spending on local transport, especially alternatives to private vehicle use.

THE "do nothing" option is not available. Congestion costs the UK economy billions of pounds and the problem will continue to get worse unless something is done. We also have UK, European and international obligations on air quality and greenhouse gas emissions which require action.

Other, more regulatory options for tackling congestion and pollution were considered. For example, some people proposed restrictions on vehicle use, such as different registrations allowed in areas on alternate days. But these are too crude a measure - they are administratively complex and expensive; require a considerable amount of enforcement; be prone to widespread evasion (as experienced in Athens, where the market for cheap and dirty second cars was given a tremendous boost!); and take no account of the differing degrees of need to use a private motor vehicle.

As the last Government acknowledged in



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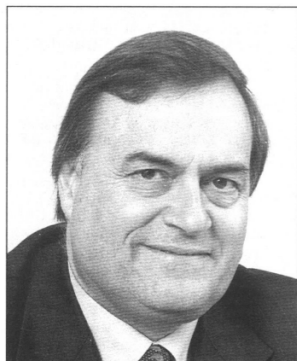
their Transport Green Paper, *The Way Forward*, pricing is an efficient traffic management tool. The economic theory is simple: as demand for road space increasingly outstrips supply, there needs to be some means of either increasing the supply to meet that demand, or of allocating the road space. Continued increase in supply is no longer viable - building more and more roads which generate further demand leads to a vicious cycle which cannot, in the face of our environmental and health objectives be sustained. So road space needs to be allocated or rationed. As Professor David Begg, now Chair of the Commission for

Integrated Transport, has memorably put it, we have a choice between the Stalinist system of rationing - queuing - and the more sophisticated pricing approach.

OUR first task was to give people a fuller and clearer idea of what these new powers would mean in practice, and how the right framework could be set up to make them work. Broadly speaking charging schemes can be either distance-based or area-based. A distance-based scheme has a series of charging points along the length of a road at which drivers pay a charge based on the distance they have travelled since the last charge point. This is the system used on tolled roads in many parts of the world including France and the US.

At its simplest an area-based scheme requires drivers to pay a charge as they cross a "cordon" established around a defined area such as the centre of a town. This is the concept used in the Oslo, Trondheim and Bergen toll rings in Norway. This approach is more likely to be adopted by authorities in the UK, and there are both electronic and paper-based options. In "paper-based" schemes drivers buy a permit to drive or keep a vehicle within a designated area. Electronic schemes involve microwave or satellite technology, with charging equipment communicating with small units fitted on board each vehicle.

The Government's detailed proposals for national legislation on road user charging and the workplace parking levy were set out in its



■ Deputy Prime Minister John Prescott

consultation document *Breaking the Logjam*, issued in December 1998. Local authorities would be given wide discretion in the use of the new powers and in the design of charging schemes.

It is no secret that one of the clearest messages in response to the proposals was that the Government must make good its commitment that the money raised by charging or levy schemes will be recycled into local transport improvements, especially alternatives to private vehicle use. This is a principle to which the Government attaches the utmost importance. The Deputy Prime Minister, John Prescott, has announced that pilot charging schemes would be guaranteed to retain 100% of the net revenues for spending on transport purposes, for a minimum of 10 years.

The Transport Bill will provide that: any road user charging or workplace parking levy scheme money will have to go into a separate, transparent account; that expenditure from this account will have to be in support of local transport objectives. There is also an argument for providing improvements to local transport 'up front', before the charges bite. This means finding ways of early funding, which can then be recouped once charging revenues come in, and the Government is examining possibilities for this with local authorities.

Momentum behind the policy is gathering. Last July, local authorities submitted their provisional 5-year Local Transport Plans. From these plans we got the first indications of where and when charging might be introduced for real.

A number of authorities expressed an interest in taking part in DETR's 'fast-track' pilot programme. This will guide authorities through the design of charging and parking levy schemes so that they are ready to put into place as soon as possible after the legislation is passed.

The Department will run a project in Leeds to demonstrate the feasibility of sophisticated electronic charging technology, and in conjunction with a Scottish Executive scheme in Edinburgh. This could be on the ground in the year 2001.

IT IS NOT easy to make meaningful estimates of the costs and benefits of road charging. Most of the elements which will determine the costs and benefits of such schemes will be determined locally, in the light of local circumstances, as each scheme is developed. Local authorities will be responsible for the main design elements, selecting, among other things:

- for road user charging, the basic format of the scheme - e.g. paper-based or electronic; the size of the charged area; the times when the charges apply; exemptions to the charges; and most importantly, the level of charges imposed;

- for workplace parking levies: the size of the area in which the levy applies; the size of the levy per parked vehicle; exemptions; and whether the levy applies to all vehicles or only above a certain threshold;
- for both types of scheme, the use of the income stream will be crucial in determining the overall impact on businesses and individuals.

It is the Government's intention that no scheme should proceed unless it has been shown to be justified in terms of costs and benefits.

The benefits of successful schemes should be:

- saved time and increased reliability in travel, leading to cost savings for business;
 - reduction in polluting emissions, noise and nuisance, with consequent benefits for health and for the quality of life;
 - increased revenue to public transport operators improvements to local transport provision and the transport environment, funded by the revenues raised.
- Some studies have looked at the possible effects of road user charging schemes. The most comprehensive of these looked at a number of options for application in London.* This calculated that social benefits would fall within a range of some £90 million - £450 million per year (1991 prices and values), depending on the scheme adopted, and traffic levels could be reduced by 15%, with a 20% increase in journey reliability, similar



reductions in journey time and a 35% reduction in carbon monoxide emissions. Further work has been done over the past year, to provide information to London's mayoral candidates on the likely options for charging in the capital. It will, of course, be the Mayor's decision whether or not to introduce charging.

There is probably a greater acceptance now than in any time this century that we must make a clean break with the old century's policies of "predict and provide" - and start the new century using new tools to manage our transport infrastructure more wisely and provide the environment which we all want. This means recognising that road-user charges will play a part in tackling congestion problems.

* The London Congestion Charging Research Programme, Final Report. The MVA Consultancy, May 1995.

OBITUARY



Donald Denman

THE DEATH of Donald Denman has deprived the world of land economics of one of its most colourful and controversial characters.

Denman was professor of economics at the University of Cambridge, where he established the Department of Land Economy against the resistance of dons who did not regard this subject as worthy of special treatment.

Denman's obituary in *The Guardian* noted: "Until the middle of this century there had been a lack of intellectual curiosity in Britain about the place of land in the economy. Great estates were being broken up, and the stock exchange was rapidly replacing land as a profitable form of investment. The great 19th century debate on land ownership was also subsiding".

Denman believed land ownership was crucial, and one of his important contributions was in *The Place of Property: A New Recognition of the Function and Form of Property Rights* (1977).

He campaigned vigorously on behalf of the Conservative Party against post-war socialist land legislation, which he records in his autobiography, *A Half and Half Affair* (1993).

I met Denman over lunch at the Ritz. I wanted to try and guide him into supporting the tax reform in which public revenue would be drawn from the rent of land. To have enlisted him as a champion would have been a coup. Unfortunately, although he generously endorsed the Georgist philosophy for natural resources on the ocean beds, he had a problem with the proposal when I came to urban land. This led me to an interesting exchange concerning his twin brother Sydney, who had gone into property development.

He stated categorically that it was impossible to separate out the value of the land from the total value of the property. Examples from around the world would not change his mind. Until - I mentioned his twin brother, Sydney, I suggested that his brother, as a successful property developer, would necessarily have to separate out these values, as a matter of course on a daily basis, in order to make a profit.

There was no mistaking the twinkle in his eye, nor the mischievous smile, when he replied, "I suppose he does!"

Donald Robert Denman:
born April 7, 1911, died Sept. 2, 1999.

RONALD BANKS