[Taxing travel]

I saw in the press the case made for private sector run roads. The IEA pointed to the shortage of capacity of the current road system, the high pay backs that new road investment would achieve compared to new railway lines, and urged a more radical approach. The present government has ruled this out, and is only considering road user charging for lorries, not for private cars. Without a system of comprehensive user charging private run roads with private new investment are impossible. This article is not an attempt to re open this issue, which the government regards as settled.

In the run up to the 2010 election I worked out a scheme to repay debt from franchise fees for roads whilst abolishing Vehicle Excise Duty as the Conservatives were keen to find ways of cutting state debt. I am not recommending this scheme now, but thought it might be of interest to see what has been explored and rejected in the past.

The aims I set were

1 Road users overall to pay no more in tax and no less as a result of the change

2. Tax road use rather than vehicle ownership

3 Raise a large sum of money from the private sector to pay off some national debt.

4. Government to retain the freehold of road network so we were not selling long term national assets

5 Motorists to display and register their insurance so there remained accessible records of vehicles in use

6 Private managers of the highways network incentivised to increase capacity,safety and availability of road space

7 Price controls to stop monopoly exploitation of popular roads at popular times of day.

8. Winners from the scheme to be people on lower incomes, low mileage drivers and users of roads at off peak periods

The scheme entailed introducing road charges to replace the lost VED revenue. The government was to offer franchises to manage and improve the main roads and to collect the charges to pay for the maintenance, management and franchise premium paid to the state. The franchises were to be auctioned for a specified price, with bidders bidding for length of contract. There would be absolute price controls to stop monopoly exploitation, allowing franchise holders to charge less off peak as they saw fit. The numbers worked to deliver £ 100 bn of capital to the government to repay debt, with later reversion of the franchises to do it again.

Private management of the highways was likely to result in improvements to flows and use, with less time with intrusive roadworks and closures. Franchise holders could add to the network, with incentives to spend capital on road improvement and protection for sunk capital if they lost the public sector road franchise.

The leadership considered it carefully but rejected it because it had a big political drawback . The public were so distrustful of government that they did not believe any government would honour the promise not to charge more. I accepted their decision and did not press the scheme. The scheme did of course offer a useful tax cut to those using the main roads less than the average. It was particularly helpful to low income and elderly households who drive fewer miles. The user charges only applied to the national trunk and motorway network.

Today interest rates are lower so the public finances would lose out from the loss of state revenue, so it is a non runner. The scheme worked financially only because the state saved in interest costs from debt repayment what it had lost in VED revenue forgone. Today some people are proposing a switch from VED to road charges but alll collected by the state. This cuts out revenue loss but fails to deliver service improvements in highway provision. With user charges the motorist would likely get even more critical of the poor service and availability of roadspace in the UK with a public monopoly.