



The Government's Response to the
Transport Select Committee's Report,
Road Pricing: The Next Steps



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Presented to Parliament by the
Secretary of State for Transport
by Command of Her Majesty
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THE GOVERNMENT'S RESPONSE TO THE TRANSPORT SELECT COMMITTEE'S REPORT, ROAD PRICING: THE NEXT STEPS

INTRODUCTION

The Transport Select Committee issued its report, *Road Pricing: The Next Steps* on 24 March 2005 in which it makes twenty-one recommendations. The Government's response to each of the Committee's recommendations is set out below.

Congestion

1. We are pleased to see that the Government is working towards a more meaningful measure of congestion. What we urgently need is a proper evaluation of the costs of congestion and an understanding of the impact congestion has on the UK economy. Until the scale of the problem is properly understood, it will be impossible to gauge what constitutes an appropriate, and cost-effective response. The costs of a road pricing scheme will need to be balanced against a proper estimation of the costs that congestion imposes and its impact on the UK economy. (Paragraph 9)

The Government recognises the importance of further research to increase understanding of the full impact of congestion, and is taking forward a research programme to look into this area. The concerns of the Committee will be taken into account.

The Government takes a balanced, cost effective approach to congestion through the process of appraising proposals for new roads and other policies aimed at reducing congestion. The benefits of the scheme, in terms of the projected reductions in time spent by drivers in congestion, are compared with the costs. This establishes whether the overall impact on the economy will be beneficial.

The Government agrees that potential road pricing schemes will also require a thorough assessment of the costs and benefits.

The potential of road pricing

2. We welcome the Government's willingness to lead a debate on road pricing. We recognise that the way in which people pay for road use, and the cost of private road transport, are emotive issues which court controversy. The Government has been bold in stating that we must face up to the potential threat of growing congestion. (Paragraph 14)

The Government welcomes the Committee's support of its work to lead the debate on road pricing. It is vital that we plan ahead for the problems we know we will face in the future, and we have started a public debate and are working to build a political consensus as part of that.

3. A national road pricing system provides an opportunity for a wholesale change in the way we pay for road use. If road pricing were to be introduced, the opportunity to ensure that the price of road transport meets the costs it imposes must be taken. The Government must set out the objectives of road pricing. These should include the Department's broader targets to reduce congestion, road death and injury and climate change emissions. However, before the Government commits itself to implementing national road pricing, there must be evidence to show that the scheme would be effective, fair and value for money. (Paragraph 18)

The starting point for any road pricing scheme is to reflect better to motorists the costs of the driving they do. This is not about whether motorists pay more overall, but about a system which allows the amount paid to vary according to factors such as location, time of day and vehicle type.

There are many different forms that national road pricing could take in our country. The Government is committed to undertaking the work needed in order to make choices about whether road pricing would be beneficial, and in what form, taking account of effectiveness, fairness, value for money and other relevant factors.

4. There are strong arguments behind introducing road pricing on a revenue raising, rather than a revenue neutral, approach, if a national system were to be implemented. A revenue raising approach would increase the likelihood of road pricing meeting two important priorities in the Government's transport strategy: reducing congestion and the transport sector's contribution to climate change. It is unlikely that the revenue from road pricing would be able to fully cover the costs of operating the scheme, improving public transport, reducing the cost of driving, and funding local economic regeneration. Road pricing must not be sold to the public on an unworkable promise of how much money will be available to be spent, and to what end. The Government must prioritise investment in the complementary measures – including public transport, traffic management programmes, and road improvements – that will help ensure road pricing is a success. (Paragraph 24)

The Government notes the Committee's views on the use of revenues from any potential road pricing scheme and, while decisions on such issues are clearly for the future, the Government recognises the need to promote an informed public debate on the issues. The Government agrees that, were a system of national road pricing to be introduced, it would be necessary to consider any scheme design in the context of the wider environmental objectives, together with the wider economic and social conditions and the costs of implementing national road pricing. As the Future of Transport White Paper set out, there are competing potential uses of the revenues, including reducing existing motoring taxes, to reduce other taxes, to fund additional spending on road capacity, public transport and other public spending or for a combination of the three.

Over the 2004 Spending Review period Local Authority funding for Local Transport Plans is expected to be nearly £5bn; this shows the Government's commitment to investment in complementary measures.

5. In order to decide whether a national road pricing system would be acceptable, the public would need to know who would set the charges at a national and local level. Transparency and accountability would be paramount. The Committee has not been impressed by the role of many independent regulators in the transport sector, and remains to be convinced that an independent regulator would provide adequate accountability to the public. (Paragraph 27)

The Government recognises that the question of who should set the charges of a national road pricing scheme is an important factor in the public acceptability of a scheme. Price variations would need to reflect local circumstances, and the Road Pricing Feasibility Study considered that local authorities responsible for the relevant road network would need to be involved in setting the prices. In addition, the Government recognises the need to ensure that prices are understood by road users, and that there are arguments in favour of a national framework within which prices would be set.

6. The Government should undertake detailed research on the potential impacts of road pricing on both rural and urban locations. Road pricing must not undermine efforts to deliver urban regeneration, or threaten the character of the countryside. If road pricing inadvertently promoted dispersal of land use and economic activity this could work directly against the traffic demand management intentions of the policy. Complementary planning restrictions should be introduced if national road pricing is implemented. (Paragraph 29)

The Government recognises that transport developments have historically been an important determinant of land use patterns and have affected individuals' long-term behavioural choices. Road pricing is also likely to influence decisions. The issues are complex and difficult to analyse, and the possible impacts vary with the form of road pricing being considered. The Government recognises the importance of this issue and will take forward work in these areas.

Other ways to tackle congestion

7. The Government has stated that it is not possible to build our way out of congestion and at the same time it says that some new road capacity is necessary. It needs to set out its view on the level of new capacity needed, where it is needed and why it is needed, far more clearly. A national road pricing system could significantly alter travel behaviour. The Government needs to reconcile its long term road improvement programme with its policy on demand management and traffic management. The three approaches must not be considered in isolation. (Paragraph 38)

Work carried out for the Multi-Modal Studies, completed in July 2003, demonstrated that some increase in capacity on sections of the strategic road network is needed to tackle existing congestion problems and to cater for future traffic growth, whether or not road pricing is introduced. The Department is satisfied that the road schemes included in the Targeted Programme of Improvements will provide appropriate increases in road capacity on sections of the network identified as facing significant problems of congestion and journey time variability.

Motorway widening schemes, such as those on the M25 and the M1, are being taken forward in parallel with detailed assessment by the Highways Agency of Integral Demand Management measures such as ramp metering at motorway junctions and High Occupancy Vehicle lanes with the aim of 'locking in' the benefits of the extra capacity. The Department is satisfied that there are clear and satisfactory linkages between the programme of improvements to the road network and the policies which are being taken forward on the management of demand and traffic management.

Until decisions are taken about whether a national road pricing scheme is desirable, and in what form, it is difficult to factor possible impacts into decisions about new road capacity.

8. The Department for Transport's own research has shown that 'soft' factors, such as travel planning, proper cycle facilities, marketing of public transport, teleworking and the like, could have significant impacts on travel behaviour and congestion. The impact of 'soft' factors could be greatly enhanced by complementary demand management policies such as road pricing. Similarly, road pricing itself can be made more palatable and attractive by using these 'soft' policies to support it. During the period when pricing is awaited, interim tools including both 'soft' measures and 'hard' ones such as parking control, speed management and efficient allocation of road capacity, should be implemented widely and without delay. (Paragraph 41)

In July 2004, the final report of a major research project commissioned by the Department for Transport was published – 'Smarter Choices – Changing the Way We Travel'. This concluded that providing smarter choices were implemented within a supportive policy context, they could be sufficiently effective in facilitating choices to reduce car use and offered sufficiently good value for money.

In December 2004, the Department issued guidance to local authorities on preparing their new local transport plans which are due to come into effect in April 2006. This urged local authorities to include smarter choices in their transport strategies. To assist local authorities with this, the Department issued a summary document of the smarter choices research – 'Making Smarter Choices Work'. This recommended that for greatest effect, a smarter choices programme should be combined with 'hard' traffic restraint measures.

A phased approach to road pricing

9. The Department for Transport ought to set out an indicative timetable showing the incremental steps that would need to be taken in order to implement a system of national road pricing. Further research is needed into how to make the transition from several localised charging schemes to a national road pricing system. (Paragraph 43)

As the Secretary of State for Transport made clear in a Statement to the House of Commons on 5 July, in line with its Manifesto commitment, the Government is undertaking the further work required to make decisions about whether national road pricing is desirable, and in what form.

The Government has made clear its view that it would not be feasible to introduce a national road pricing scheme in one go. Our work will consider how the transition from localised charging systems to a potential national road pricing scheme could happen.

If a decision is made to implement a national road pricing scheme, appropriate milestones will be set.

10. Implementing road pricing would require strong commitment and direction. We note such leadership and commitment were shown by the Mayor of London in introducing the country's first congestion charging scheme. This commitment was key to the successful implementation of the London scheme. We expect equally strong commitment to be shown by both national and local Government in tackling congestion and implementing measures which are shown to be effective. (Paragraph 47)

The Committee is correct in saying that the Mayor showed leadership and commitment in introducing the London Congestion Charge scheme. The scheme is also an example of a technically challenging project introduced on time and on budget.

The Government has laid down a legislative framework to allow local transport authorities to undertake charging in furtherance of the objectives of local transport plans, with the revenues from charging hypothecated to local transport improvements for at least the first ten years of a charging scheme, provided that schemes are initiated within ten years of the Transport Act 2000 or the Transport (Scotland) Act 2000. The Government has also made clear its willingness to work with the devolved administrations if a local authority – or group of authorities – in Scotland or Wales wanted to introduce a road pricing pilot project.

A national road pricing scheme would require sustained effort, over a number of years, by different tiers of Government and other stakeholders.

11. Although local urban congestion charging schemes are seen by many, including the Department for Transport, as a useful step towards a national scheme, as well as an effective tool for tackling congestion in the short term, local authorities have serious reservations. Given the Government's views about the desirability of local schemes, it is sensible of it to encourage local authorities through providing the necessary resources, powers and guidance. Ultimately however, it must be up to the judgement of local authorities themselves to decide whether a charging scheme is the best way to tackle their current and future traffic congestion problems. Local authorities should not be penalised if they decide not to introduce such schemes. Effective public transport services are a good in their own right, and should be promoted irrespective of whether a charging scheme is implemented. (Paragraph 56)

The Government recognises the need to offer encouragement to local authorities planning to introduce schemes to tackle congestion. 'The Future of Transport' set out our intention to establish a Transport Innovation Fund to help local authorities develop and deploy smarter, innovative, local and regional transport strategies.

The Secretary of State for Transport announced in a Statement to the House of Commons on 5 July that the Fund will:

- support the costs of smarter, innovative local transport packages that combine demand management measures such as road pricing with modal shift, and better bus services;
- support innovative mechanisms which raise new funds;
- support the funding of regional, inter-regional and local schemes that are beneficial to national productivity.

Local authorities have now been invited to come forward with innovative solutions to tackle congestion problems in their area, and such schemes could have real benefits for local people. The Government hopes to identify partner authorities willing to work up pilot proposals for next year.

The Transport Innovation Fund is forecast to grow from £290 million in 2008/9 to some £2.5 billion by 2014/15;

Within that, the Government has set aside £18m between 2005/6 and 2007/8 to support preliminary scheme development by local authorities, and is committed to ensuring that up to £200m per year is available to support such local pilots. If more strong schemes emerge, more can be made available. Guidelines for bidding for this development work were published on 5 July.

12. We are pleased the Government intends to agree standards for local congestion charging schemes. Local and regional authorities must be involved in determining design and charges, but an overriding national framework would provide consistency for the user, as well as lowering the costs of implementation for the local authority. (Paragraph 62)

The Government recognises the need for charging systems to be interoperable where practicable, and notes the arguments in favour of a national framework within which local schemes would operate. The Government's DIRECTS project (Demonstration of Interoperable Road-user End to end Charging and Telematics Systems) is developing specifications for interoperable road charging systems. The results are expected at the beginning of next year.

13. The Government has stated its intention to 'lock in' the benefits of extra capacity where this is provided, using demand management measures. The Government must now put this commitment into practice by introducing demand management measures on the road improvements and widenings that it has approved. Delaying implementation of this policy commitment will mean that expensive road capacity improvements are quickly overwhelmed by the ever-growing levels of traffic. (Paragraph 67)

The Government realises the importance of 'locking in' the benefits of extra capacity. For this reason it is conducting a High Occupancy Vehicle (HOV) Pilot Scheme on the M1 between Junctions 7 and 10. The scheme will be the first trial of a HOV lane on a motorway in England. Work is planned to widen the motorway here from dual three lanes to dual four lanes, starting in Autumn 2005. The car-sharing lane, planned to be operational by 2008, will operate at peak times to help minimise delay and congestion for road users. If the pilot scheme proves successful, the Government will consider extending the car-sharing lane as far as Junction 13 when that section of the motorway is widened. Other measures, such as ramp metering, are also being considered.

14. Road safety is an important consideration that must be integral to the design of road pricing schemes. Charging on the inter-urban network should not be implemented unless measures have been taken to prevent the diversion of traffic onto less suitable routes. The potential for a 'corridor approach' to trunk road pricing should be investigated. (Paragraph 71)

The Government agrees that the issue of potential diversion is important. The Highways Agency always considers potential traffic diversion from motorways and trunk roads onto local roads with regards to any new scheme. Any potential road pricing scheme on the strategic network would need to include consideration of possible diversion impacts and how they might be mitigated.

15. The Government cannot expect local authorities to implement charging schemes, while it refuses to test the potential of road pricing on the strategic road network for which it is responsible. The Secretary of State has told us that he would not introduce charges on roads that have not changed; but if charges were introduced on congested roads, the motorist should gain from a smoother, more reliable journey. The Government must re-think its policy on charging for inter-urban strategic roads, and take responsibility for introducing measures on the congested roads under its control. (Paragraph 74)

The Government considers that the case for introducing charging schemes on sections of the inter-urban network which have not been improved has not been made. Potential diversion, as noted above, is a key issue. Much congestion on the strategic network is related closely to congestion in urban areas. The Government is prepared to consider charging on the strategic network where that charging is ancillary to a scheme to tackle related urban congestion.

16. Congestion is already acute in many urban areas and on many inter-urban trunk roads and motorways in the UK. We cannot afford to wait 10 to 15 years for the technology for a national system to arrive before testing the effectiveness of road pricing. Although there are limitations to the existing systems, technology should not be used as an excuse for inactivity. London has shown that technological limitations are not a show stopper. (Paragraph 80)

The Government recognises that congestion is an issue in many towns and cities, and that, as the White Paper *The Future of Transport* set out, the Government is committed to work alongside forward looking authorities and areas to help them put in place packages of measures which tackle local congestion problems. Resources from the Transport Innovation Fund will be available to support packages which combine road pricing, modal shift, and better bus services.

The M6 Toll

17. Early indications are that traffic flows on the M6 have improved following the opening of the M6 Toll and the journey time savings and increased reliability are impressive. However, the result on other roads in the conurbation is more mixed and we note that the overall traffic level in the M6 corridor has increased. The impacts of a new tolled motorway will extend to economic, land use, environmental and safety effects. It is essential that all these impacts are fully understood by the Department for Transport before other projects of this sort are undertaken. We are concerned that evaluation to date has been limited to traffic flows, with no systematic attempt by the Government to assess the economic and safety impacts of the new road. (Paragraph 90)

A multi-agency steering group looking at the impact of the M6 Toll have commissioned a '12 months after study'. An executive summary setting out traffic and safety information is due to be published in late July. This will cover traffic flows and journey times on the M6 Toll as well as safety issues for the M6 Toll and the wider area network. The group has also commissioned a report looking at the environmental impacts of the new motorway; this is expected to be released in the Autumn. Land use and regeneration have longer term effects and thus will be the subject of a longer term study.

18. The ability of the Government to control transport policy across the national road network must not be compromised. We are concerned that almost total control was handed to the private operator of the M6 Toll, Midland Expressway Limited. This is a risky strategy and there is no guarantee it will work in the public interest. If the Government decides to pursue further private toll roads, we would urge that the transfer of power and barriers to proper scrutiny, evident in the case of the M6 Toll road, are not repeated. (Paragraph 96)

The M6 Toll concession agreement was signed in February 1992. The agreement is over 10 years old and was an early attempt to use private finance for roads. Were further tolled roads to be constructed, the Government would want to consider carefully how best to structure the contractual arrangements with any concessionaire.

There is a balance to be struck between maintaining controls over toll levels and the commercial viability of a toll road scheme and the extent of risk transfer to the private sector. This balance would need to be considered in the circumstances of any particular project.

19. We are concerned that early data from the M6 Toll road are being used to justify the consideration of a second tolled motorway north of Birmingham to Manchester. The data available cover only the first three months of analysis and were considered unreliable by the regional engineers and planning officers, since major road works were being undertaken in the M6 corridor during this period. The Department must wait for a proper assessment of the full and long-term impacts before deciding whether to move ahead with more private tolled motorways. (Paragraph 98)

The Department accepts that the evidence from the first three months of operation of the M6 Toll should be regarded as indicative only and further traffic assessment reports are planned.

20. By the Department for Transport's own admission, the M6 Expressway proposal is no more than a concept in the consultation document, and as such, commenting on the proposal in any detail is problematic. The Department must provide more detailed information in its consultation documents in the future if it expects the public to submit meaningful comments. (Paragraph 105)

The Government agrees that before any decisions about whether to proceed with an Expressway are taken there is a need to provide more detailed information and to assess the full range of potential social, economic and environmental impacts of the Expressway, and the scope for minimising any adverse impacts, as well as maximising the benefits.

The M6 is in an important transport artery linking the Midlands and the North West. An investment of £7.6bn has been made to upgrade the west coast main line, part of which runs through this artery. However, the Government has accepted the need for more road capacity, as shown by the Midlands to Manchester multi-modal study.

The Minister of State for Transport announced in a Written Statement on 19 July that while there is no consensus in favour of the Expressway proposition, the option is no more than an outline at this stage. Having considered the views expressed in the consultation, the Government has decided that more evidence on the widening and Expressway propositions is needed before a decision on a preferred option can be taken.

Ministers have therefore asked the Highways Agency to carry out detailed development work on the Expressway and a feasibility study to compare the impacts of the costs and benefits of the Expressway against those of widening. Both Expressway and widening options will be worked up in parallel. The next stage is a decision on which option to take to public inquiry, following further consultation on the options. Ministers have asked the Highways Agency to provide further advice with a view to taking that decision next year. Whichever option is chosen, the financial, economic and environmental appraisal work to be carried out over the coming year will be required before we can publish draft orders setting out our proposals. The Highways Agency will consult and work with local stakeholders and the statutory environmental agencies during the detailed development work.

The work on widening will examine the technological and physical practicalities of locking in the benefits of that additional capacity. This will involve considering a number of measures, which could be used individually or in combination, such as: access management; segregated lanes for priority traffic; speed controls; and pricing on the new capacity.

The Expressway would take around a year longer to bring to public inquiry than the widening proposal, because of the need to appoint a concessionaire. This additional time would be made up during construction, because the Expressway would be built alongside the existing motorway. In contrast, widening the existing motorway would involve extensive traffic management during construction, which would lengthen the construction timescales by about a year. Our current best estimate is that work on the widening scheme could start on the ground in 2011 with the scheme opening to traffic in 2016; and that work on the Expressway could start on the ground in 2012 with the scheme opening to traffic in 2016.

The Lorry Road User Charge

21. While we support the objectives of the Lorry Road User Charge, we have concerns over the type of system being pursued. The cost effectiveness of the scheme will not be known until the technological solution is determined. Ultimately the sums may not stack up. The Government should be wary of committing itself to implementation of a potentially very expensive and overly-sophisticated system. Ideally the Lorry Road User Charge contracts the Government signs at the end of this year should take into account the possibility of a national road pricing system and the need for flexibility to meet changing policy objectives. We will monitor closely the progress of procurement, cost benefit analysis, pilot operation, and implementation of the Lorry Road User Charge. (Paragraph 116)

The Government notes the issues the Committee raises.

The Secretary of State for Transport announced in a Statement to the House of Commons on 5 July that distance-based charging of lorries will be taken forward as part of the wider work on national road pricing, to work towards a single, cost-effective and comprehensive system. The procurement for Lorry Road User Charging (LRUC) will therefore not now be taken forward. The work undertaken to develop LRUC has however confirmed that national distance-based charging has the potential to offer a workable and practical way forward. The Government will continue to work with the road haulage industry and ensure that we carry the full experience gained from the project into the wider work to develop a national road pricing system for cars and lorries, reflecting the concerns of road haulage operators.



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