



To: Place Directorate

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Subject: Essential Evidence on a Page: No 155 Road User Charging

Top line: Despite the perceived effectiveness of a Road User Charge (RUC), issues with acceptance has meant other 'second-best alternatives', such as parking policies, have been increasingly used to manage congestion.

In 1964 Prof. Reuben Smeed chaired a study of road pricing. The study was to identify if different methods of charging could reduce the problems of congestion because it was perceived that existing motoring taxes had led to the inefficient use of the road network as they failed 'to discriminate between those situations in which congestion costs of road space are high and those in which they are low'. To correct this, Smeed proposed that 'charges would be in the nature of prices for using the roads, the prices varying from one place and time to another according to the costs, notably the congestion costs, involved in driving in a particular area at a particular time'.¹

Increased urban populations and increased affluence create higher levels of per capita vehicle ownership and greater intensity of use of existing vehicle stocks. This means that traffic congestion will be an increasing problem if it is not appropriately priced. While free flow traffic speeds increase as urban transport and signalling technologies improve, this is counter-balanced by much slower travel under widely prevalent congestion. In the past, congestion has been addressed by supply-side measures such as building more roads, improving signalling and traffic management systems and by upgrading public transport.²

RUC can be seen as the 'first-best' solution for managing congestion.³ This is based on the fact that introducing a charge for the use of road space, based on place and time, would optimize the use of urban roads and ensure that use would be restricted to those willing to pay for the congestion costs of extra travel time and vehicle operating costs they impose on others. Moreover, an RUC can raise vital revenue which, if hypothecated, can be used to improve local transport and aid in gaining public acceptance.

Since 1964, various attempts have been made to introduce road pricing but with only modest success. Whilst RUC schemes have been introduced in cities such as London and Stockholm, similar schemes have failed to be introduced such as Edinburgh, Manchester, San Francisco and New York. This is due, in part, to the social and political difficulties of introducing a scheme, factors that were not addressed by the Smeed Report. There are circumstances when it may not be the ideal approach to adopt. This is because in some circumstances, the cost of implementation and the enforcement requirements mean that it may be suboptimal in cost-benefit terms, and public opinion may be strongly against RUC. A study of local authorities, academics and transport interest groups found that whilst 81.6% of the respondents perceived a RUC as an effective instrument for managing congestion, only 11.4% viewed it as acceptable.⁴

¹ Ministry of Transport. 1964. Road Pricing: The Economic and Technical Possibilities. Report of a Panel Set Up by the Ministry of Transport. London: HMSO.

² Clarke, H. Targeting urban congestion: Equity and second-best issues, *The Australian Economic Review*, 41(2): 177-186.

³ Verhoef, E., Nijkamp, P., Rietveld, P. 1995. "Second-best Regulation of Road Transport Externalities." *Journal of Transport Economics and Policy*, 29 (2): 147-167.

⁴ Ison, S. 2000 "Local Authority and Academic Attitudes to Urban Road Pricing: A UK Perspective." *Transport Policy* 7 (4): 269-277. doi:[10.1016/S0967-070X\(00\)00019-6](https://doi.org/10.1016/S0967-070X(00)00019-6).