ECONOMIC DEVELOPMENT AND TRANSPORT COMMITTEE

Date: 8 February 2006
Time: 9:00 – 12.30
Venue: National Assembly for Wales, Cardiff Bay
Title: Update on Road Pricing

Purpose

1. To inform the Committee of the current position on Road Pricing and the possible impacts on Wales.

Summary/Recommendations

2. The Committee is invited to note the progress towards the development of Road Pricing in the UK; and its possible impacts on Wales.

Background

3. Road User Charging and Congestion Charging are now referred to as Road Pricing and Road Pricing is considered to be one element of a set of measures that enable 'Demand Management' of the transport network.

4. Vehicles are charged for using the roads through a combination of vehicle excise duty, fuel duty and tolls. More recently a charging scheme, operating on a cordon basis, has been successfully introduced in central London.

5. Road Pricing is a system of charging for road use based on time, distance travelled and place. Consideration of Road Pricing as an alternative to fuel duty has been undertaken since the late 1990s, as the enabling technology has been emerging. In 2003 the UK Government set up a comprehensive study to examine how a system of charging could help to make better use of road capacity.

6. The *'Road Pricing Feasibility Study'* report, published in July 2004, (http://www.dft.gov.uk/stellent/groups/dft_roads/documents/divisionhomepage/029709.hcsp) concluded that Road Pricing is becoming feasible, but implementation is at least ten years away. It identified potentially large economic benefits of as much as £12 billion per annum for Great Britain as a whole, representing journey time savings and reliability gains. This reflects the dramatic reductions in congestion which can be achieved through relatively small reductions in traffic flows (for example, a charging scheme has the potential to reduce urban congestion by nearly half, through an overall reduction in urban traffic levels of only 4 per cent). The report highlighted the need for public acceptability of any charging scheme, and recommended that a number of pilot schemes be developed and implemented to take the work forward.

7. Clearly Road Pricing would have a range of other impacts, for example, on particular groups or geographic areas. Care would need to be taken to ensure that any scheme promoted social inclusion and accessibility. It would be necessary to improve public transport before implementing any scheme and the scheme itself should help to enhance the reliability of bus services, for example. There should also be some environmental benefits in terms of improved air quality and reduced noise, although a revenue-neutral scheme is unlikely to make a significant contribution towards carbon emissions targets. Much more work is needed to understand these impacts more fully.

8. In July the Secretary of State for Transport set out his policy for taking forward the development of Road Pricing. During 2005 the DfT announced the establishment, from existing budgets, of the Transport Innovation Fund (TIF) to support long term investment to provide smarter and better management of the transport network capacity. The Transport Innovation Fund (TIF) is forecast to grow to about £2.5 billion by 2014/15, with approximately £200M pa to be set aside for Road Pricing schemes.

9. The TIF fund will come on stream in 2008/09 and in preparation DfT have invited proposals and established seven pathfinder projects within England which aim to study and model the options and outcomes of demand management schemes. The pathfinder projects include schemes to be implemented in the neighbouring areas of Greater Manchester, West Midlands, Shropshire and Greater Bristol. The pathfinder projects will be used to provide a greater understanding of the technologies, pricing strategies, effects and public attitude toward Road Pricing.

10. In a speech to the Institute of Public Policy Research (copy attached at Annex A), the Secretary of State for Transport announced the establishment of the Pathfinder Projects which will explore how demand management might fit into an overall plan to tackle congestion including road pricing towns and cities.

11. DfT officials have stated that Road Pricing is considered to be only one element of a set of measures which may be used to alleviate congestion and should be implemented only after those other complementary measures have been implemented. DfT will also be taking forward a programme of work covering design and technological issues as well as safeguards.

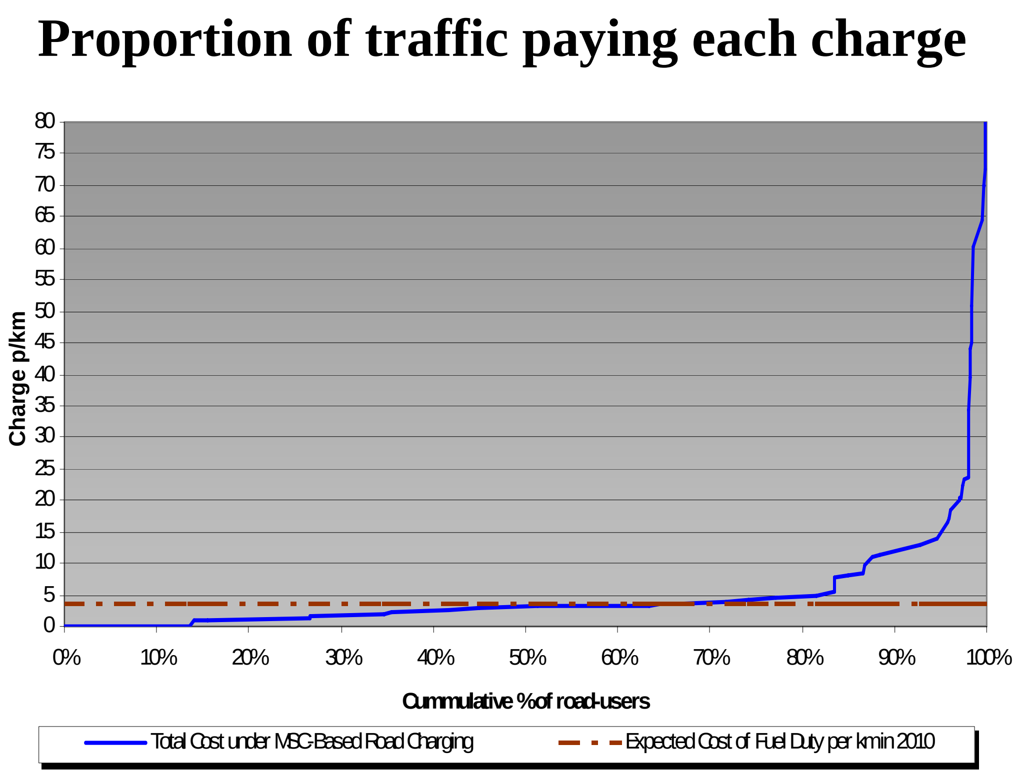
Implications for Wales

12. There is no doubt that Road Pricing has a key part to play in the Assembly Government's future transport policies, particularly in helping to address the serious and increasing congestion which exists in both south-east and north-east Wales. Road Pricing is also a key topic for Wales given the proximity of the neighbouring TIF schemes, the proposals for congestion charging in Cardiff, the M4 Toll Road proposal and the existing Severn Crossing arrangements.

13. However, Road Pricing will form only one strand of our future policies. Significant bus & rail improvements, park & ride schemes and dedicated bus

lanes are essential elements of any Demand Management scheme which would include Road Pricing. We will have to continue to work to develop public and community transport, to encourage people to make smarter choices and, over the longer-term, to develop our policies (for example, the land use planning system) in a way which reduces the demand for travel. It is worth bearing in mind that any revenue-neutral charging scheme would reduce the cost of motoring in rural areas.

14. This is illustrated by the attached chart, which was prepared as part of the work on the UK 'Road User Feasibility Study'.



15. This takes the current cost of motoring (fuel plus tax) as 4 pence per kilometre, with a graduated road user charge relating to congestion of up to 80 pence per kilometre. On this basis, up to 70 per cent of motorists would pay less and only a small proportion would pay the highest charges. It has not been possible to make this assessment specifically for motorists in Wales but it is likely that a higher proportion would pay less because of our lower levels of urban congestion.

16. The Secretary of State for Transport suggested that 'If a local authority or group of local authorities in Scotland or Wales wish to introduce a road pricing pilot project, they could do so in conjunction with the Scottish Executive or Welsh Assembly Government'.

17. Since 2002, we have been working closely with Cardiff County Council whilst they develop the 'Cardiff Transportation Partnership' (CTP), a Public

Private Partnership being established to deliver key transport infrastructure projects, including a Congestion Charging scheme which will generate the revenues required to finance the projects. The establishment of the partnership is nearing completion, with Cardiff having reached the stage of selecting a preferred bidder. The next steps in this process are:

- Completion of Road Pricing feasibility study — March 2006
- Report to CCC Executive — May/June 2006
- Stakeholder Consultation (if Exec approves) — Jul/Dec 2006
- Partnership Contract Negotiations — Late 2006
- Earliest implementation date — 2008

18. The Welsh Assembly Government is supporting the CTP initiative via Transport Grants and although TIF funding does not extend to Wales, we supported an application by Cardiff for TIF funding. Although the application was rejected (DfT confirmed Cardiff not eligible), DfT recognised the significance and pace of the Cardiff scheme and have invited Welsh Assembly Government and Cardiff Council officials to sit on the DfT's Road Pricing Liaison Group.

19. As this would be a local Road Pricing scheme under the Transport Act 2000, the Assembly would need to make regulations setting out the framework for such schemes in Wales. Once the regulations are in place, the Assembly has a further role in approving any specific charging scheme. We will expect all Road Pricing scheme proposals to have carefully considered the issues of public acceptability and any scheme would also need to ensure that particular groups, social, geographic or economic, were not disadvantaged and that acceptable alternative and easy to access forms of transport were available.

20. Significant public transport improvements are essential to any scheme and such Road Pricing schemes would only be approved if it appears desirable for the purpose of directly or indirectly facilitating the achievement of policies in the Local Authorities Transport Plan. Under the Act revenue from a scheme would be hypothecated with the net proceeds for the first ten years being used to improve transport in the local authority area. After the initial ten year period, the Assembly can make Regulations, if it so desires, specifying what the money may be used for.

21. We will also require all schemes to demonstrate compliance and interoperability with other local and national schemes and standards.

Risks

22. It is recognised that there is need for public acceptability of any scheme and the feasibility report included recommendations for informed debate to promote public understanding and trust. DfT have announced that a

significant element of the scope of the TIF pathfinder initiative will be social research into the public acceptability of Road Pricing. It should be noted that Edinburgh Council recently put proposals for a city Road Pricing scheme to public referendum and this was returned with more than 2/3 of the voters not in favour of the scheme.

23. The technical risks of such systems should not be underestimated. Although the London scheme operates successfully, the arrangements require a large support and administration function and expansion of such cordon schemes becomes difficult as the enclosed area increases. The stated preference for a UK national scheme would be one which is based upon a 'pay-as-you-drive' type system capable of charging for road use based upon time of day, day of week, distance travelled and roads used. This will require intelligent, location sensing (GPS or GALILEO), equipment to be installed in each vehicle which would communicate to the users chosen private sector Back Office Service which would calculate and debit charges, and route payments to the relevant charging authorities. Such systems are still at the early stages of research and development.

Opportunities

24. Developed in isolation, each Road Pricing scheme would require a Back Office Function, BOF, to manage the service, accept and validate payments and issue penalty charges. Proposals such as this are currently being considered for the M4 relief road. To avoid duplication of this service and present a best value solution, there will be an opportunity to develop and provide a single BOF which would provide a service to the Road Pricing schemes in Wales, and possibly elsewhere.

25. Technology and production opportunities will be explored by working with DfT and DVLA to establish ‘proof of principle’ for the Road Pricing technologies they are currently investigating will ensure we keep pace with developments in this area and are able to incorporate such systems into future schemes thereby possibly influencing their development and/or manufacture.

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Minister for Economic Development and Transport

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ANNEX A

Road pricing: creating a simple, national scheme

Speech by Transport Secretary Alistair Darling to the Institute of Public Policy Research on the background to road pricing, and developing it by using technology and working with business and other organisations.

Delivered: 26 October 2005.

I would like to use this seminar as an opportunity to explain what we have done since I set out the case for road pricing in June.

I will set out how road pricing could be progressively introduced in the UK.

To move beyond discussion of the principles of road pricing, and, to explain how we can use road pricing to better manage our road network and reduce congestion.

Before I do that, let me make a further point. There are some who believe that the case for road ricing is already accepted. Not yet.

So is worth reminding ourselves again of the problem.

Although many more people know about the concept than they did a year ago, we cannot say that the case has been made and the argument has been won. So the argument bears repetition.

As we become better off, we will want to travel more, and to travel further.

And as we travel more, because we live on a crowded island, congestion is set to grow as well. This is bad for the economy and causes delays and frustration to motorists. If we do nothing, we will face eternal gridlock like they do in many cities in the US.

We know we cannot build our way out of the problem, so we need to use modern technology to help cut congestion.

And this isn't just about freeing up our towns and cities from congestion - although that is important.

We need to take action in order to be able to compete effectively in an increasingly global marketplace - where India and China will represent a quarter of total world output by 2015. We need an effective transport system to enable us to compete. People need to travel - goods need to be delivered on time. The prize here is cutting congestion by nearly half.

This in itself will bring environmental benefits. But more is needed there too, so alongside these proposals we need to ensure measures to encourage the use of more efficient cars, cleaner fuels and other emissions improvements.

No one policy can resolve all the problems we face. Remember that road pricing - that is moving away from the present system of motoring taxation to paying for road use on the basis of distance travelled varied according to how congested a road is - is primarily aimed at cutting congestion.

We are already doing a lot to tackle the problem of congestion.

We are putting sustained investment into transport. Planned spending over the next three years has been increased from £10.4bn this year to more than £12.8bn by 2007 and will continue to grow in real terms. And this will include new road capacity where that is justified. But it can never be an answer on its own.

Road pricing: creating a simple, national scheme

We are also improving the way roads are managed - helping traffic to flow better. Everything from high-tech systems that set the timing of traffic lights through to reducing the time it takes to clear up after accidents. Car pool lanes, and a new system to manage traffic - starting on the M42 next year.

All of these steps will make a difference - but they will not solve the underlying problem of congestion. Without locking in the benefits, our roads will continue to fill up.

At the same time, new technology is opening up further opportunities to cut congestion.

That is why more and more people can see the possibilities that road pricing might bring.

It is encouraging that road pricing is increasingly being recognised as part of the solution to tackle congestion - and not just by local authorities, but increasingly by business as well.

But rightly, people want to know more about the practicalities. What does it mean for them? That is essential if the case is to be made and won with the wider public.

It is worth remembering that the solutions we provide for road pricing will have a big effect on how people travel and indeed live their lives, so we need to have broad support.

So let me explain how those practicalities might be addressed in three key areas:

- first, to tackle congestion in areas where it is already a problem today - or soon will be;

- second - to do so in a way that also allows us to pilot technology for the longer term - a national scheme; and

- third, and very importantly - how to make the systems as simple as possible.

On the first point, for all the reasons I have explained, while other policies can help to reduce congestion in the short term, beyond a certain point, road pricing will have to be part of the broader solution.

That is why it is good to see so many expressions of interest from local authorities and PTEs (Passenger Transport Executives) in the Transport Innovation Fund. The leaders of some of our cities and larger conurbations can see that they must begin to consider demand management, including road pricing if they are to be able to support continued economic growth.

So far around 30 bids have been made by local authorities to explore how demand management might fit into an overall plan to tackle congestion including road pricing towns and cities.

We always said we would need to pilot a scheme in one or two areas so we will pick the best of these schemes.

Successful bids will address areas with congestion now and in the next five years.

They will show a commitment to investing in public transport alongside new forms of road pricing.

Inevitably on this timetable, we would need to rest on established technology, such as the microwave systems that are currently used in the US or Singapore, for example, and here at the Dartford crossing.

That is because we cannot rely on all vehicles having more modern technology in say five years – it will take a bit longer than that.

But even in these early schemes, we can do better than a simple cordon scheme, like London, as TFL (Transport for London) themselves recognise. And we can do better than a single all day price. Instead, we can tailor the prices to suit the traffic flows. And that is what is needed to change travel patterns.

And, let's not forget, any such road pricing scheme would be only part of the overall transport solution. The Government is ready, and able, to invest in the complementary public transport and Road pricing: creating a simple, national scheme travel information schemes which - together with road pricing - would make the city a better place to live and work.

To repeat, then, the first step is to use road pricing to tackle congestion where it is already a problem, or soon will be. And to do so using established technology.

But that then leads to my second point - using these early schemes to open up real possibilities for testing a national scheme.

Just because we must use established technology as a base system for early pathfinders, does not prevent us testing modern technology such as satellite positioning.

And let me make an important point. Schemes need to be consistent and capable of being part of a national scheme. Only the Government can ensure that is the case.

Which leads me to my third element. We need to move away from the idea that Government is going to define and specify all this modern technology and that we will simply build a big computer to sort it out. It will not work that way.

Instead we need to start thinking of road pricing 'piggy-backing' on systems already being offered by the market.

Some drivers already use a satellite positioning device as the platform for pay-as-you-go insurance. More and more will do so. The time of their journeys and where they are is already being collected to calculate their pay-as-you-go insurance price.

Yet the same information that is collected could just as easily be used by the insurer to calculate the road price for the same journey.

In the same way, drivers who already pay a company for real-time navigational information could use that provider to calculate their road price.

Of course, no-one would expect these companies to calculate, collect and pass on road prices out of the goodness of their heart. But this approach does have three potentially large benefits

(This speech represented existing departmental policy but the words may not have been the same as those used by the Minister.)