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Road pricing

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Summary

This paper gives an overview of the concept of national road pricing, including its history in the UK and current debates about its attractions as a replacement for fuel duty and vehicle excise duty in the future.

Despite a flurry of interest in the idea of a national road pricing scheme in the earlier part of this century, it fell out of favour in about 2008/09 and never regained favour. The 1997-2010 Labour Government looked at a national road pricing scheme in some detail but cooled on the idea after it was negatively received by voters and in the media and faced technological limitations. The Conservative Party has tended to oppose road pricing and has not spoken positively of the idea while in Government over the past decade.

However, in policy circles the debate never entirely went away and many local road charging schemes have been introduced in the past decade, in the UK and abroad. Recently there has been renewed interest in the idea, partly because of the anticipated changes to travel over the next 20-30 years and the common policy aim of all major UK political parties to decarbonise road transport and the implications of such a policy.

Local and central Governments are facing a perfect storm of poor air quality in towns and cities, the adoption of ultra-low emission vehicles (ULEVs) and their long-term impact on car tax and excise duty, and the need to tackle congestion and its knock-on impacts. Together these factors have created a new climate in which some sort of pricing for road use may not only be possible, but acceptable in a way it was not when the Labour Government supported the idea in the mid-2000s.

Over the past decade and a half what surveys there have been of public opinion generally and of drivers specifically, have shown consistent doubts about road pricing. However, they have also shown that these concerns could be ameliorated with certain policies, particularly guarantees that income from road pricing would be spent on certain things (e.g. investment in public transport, road maintenance or reductions in other motoring taxes). That said, there remain many, particularly private motorists, who remain suspicious of the aims of any national road pricing system, what it would achieve and what limits would be set on powers to increase costs without sufficient oversight.

The Government had been expected to respond to the National Infrastructure Assessment by the 2020 Budget, in a comprehensive National Infrastructure Strategy. That did not happen and there is no date set for publication. It is as yet unclear whether the future of motoring taxation, the move to net zero and the question of a national road pricing scheme will be addressed in the Strategy.

Briefings about other roads policy issues can be found on the Commons Library website.

1. What is road pricing?

1.1 Theory

At the most basic economic level, since roads are not privately owned and access to them is not determined by the market, economists argue that there is a need, if roads are to be used efficiently, for the authorities to set a user charge which, for any given capacity, ensures that socially optimal flows are attained – the 'road price'.[1] Prof. Kenneth Button described the principle behind road pricing as follows:

> Road pricing is a simple concept that extends the common practice that is virtually ubiquitous in every other public sector of a market economy whereby prices are used to reflect scarcity, and to allocate resources to those that can best use them.[2]

He continued:

> Travel demand is mainly a derived demand. Travel is usually demanded not for its own sake but as a means of consuming some other good or service. Because the activities with which transport is associated vary over time, the demand for transport is not constant over time. For example, many towns and cities experience traffic congestion during commuting times (morning and evening), and holiday routes experience seasonal congestion.
>
> Transport infrastructure in the short run has a finite capacity. When users of a particular road begin to interfere with other users because the capacity of the road is limited, then congestion externalities arise. Although some degree of congestion is desirable, or capacity would be under-utilised most of the time, excessive congestion is not…
>
> One idea to optimise the level of congestion and ensure that [the optimal flow, i.e. where marginal social cost equals marginal social benefit] is achieved is to use the price mechanism to make travellers more fully aware of the congestion externality they impose on others. The idea is that motorists should pay for the additional congestion they create when entering a congested road.[3]

As set out in section 4, below, the idea of charging for road use has a long history, but the modern 'theory of road pricing' is largely accredited these days to the economist Arthur Pigou and his famous 'two-road' example in his influential 1920 book *The Economics of Welfare*. Transport economists hereafter have talked about traffic congestion as an externality, and road pricing or congestion charging as a 'Pigouvian tax' or a toll that can be used to internalise the marginal external cost of traffic congestion.

In 1990, the Chartered Institute of Transport[4] explained that the theoretical case for road pricing:

> … derives from the rationale that the users of roads, like the users of any other valuable and limited resource, should pay all the costs arising from their use. Only then will the decisions on whether, when,

[1] Kenneth Button, *Transport Economics* (3rd ed.), 2010, pp287-8
[2] Kenneth Button, "The rationale for road pricing: standard theory and latest advances", in Georgina Santos (Ed.), *Road Pricing: Theory and Evidence* (2004), p3
[3] Ibid., pp4-7
[4] Now CILTUK

> and how to travel be made correctly and only then will the maximum productivity of the road system, and indeed the transport system more generally, be obtained.[5]

In 2005, *The Economist* put it like this:

> Road pricing… replaces a system that rations road use by queuing, which wastes people's time, with one which rations it according to the value different drivers place on their journeys. And as demand varies, so can price: in cities at rush-hour prices can be set high; at night and in the countryside they can be kept low.[6]

1.2 In practice

There are many examples from around the world of road use being priced on a per-use basis.[7] These include distance-based charges and access-based charges, for example Electronic Road Pricing (ERP) in Singapore, the road toll system in Norway, the 'salik' road toll system in Dubai, and high-occupancy toll (HOT) lanes in California and other US states.

In the UK there are several individual toll roads, bridges and tunnels (e.g. Mersey Crossings, M6 toll road); and zonal charging schemes, where you pay a fee to enter a certain area with a certain vehicle (in many cases based on emissions), these include the London congestion charge and ultra-low emission zone. There are plans for other towns and cities to introduce clean air charges.

Information on local road charging and plans for Clean Air Zones across England is provided in Commons Library paper *Local road charges*, CBP 1171, March 2018

Since 2014, there has been a UK-wide road user levy for heavy goods vehicles, though in practice only non-UK hauliers paid the charge as UK hauliers receive an equivalent reduction in their vehicle excise duty (VED). The levy was suspended for 12 months from 1 August 2020 to help the haulage industry recover from the effects of the coronavirus global pandemic.[8]

As set out in section 4, below, there has been some discussion over the years about introducing a network-wide road pricing system, which would make differential charges based on time and distance travelled but for one reason or another none has ever been progressed.

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5 Chartered Institute of Transport, *Paying for Progress*, March 1990

6 "Jam yesterday", *The Economist*, 11-17 June 2005

7 The different forms of road pricing are explained in: TDM Encyclopedia/ Victoria Transport Policy Institute, *Road Pricing*, updated 6 September 2019

8 Section 88 of the *Finance Act 2020*; see also HMT, *HGV Levy Suspension: tax information and impact note*, June 2020

2. Why road pricing now?

As set out in section 4, below, road pricing has been on and off the political agenda for years. Recently there has been renewed interest in the idea, partly because of the anticipated changes to travel over the next 20-30 years and the common policy aim of all major UK political parties to decarbonise road transport and the implications of such a policy.

Further, local and central Governments are facing a perfect storm of poor air quality in towns and cities, the adoption of ultra-low emission vehicles (ULEVs) and their long-term impact on car tax and excise duty (see section 2.1, below), and the need to tackle congestion and its knock-on impacts. Together these factors have created a new climate in which some sort of pricing for road use may not only be possible, but acceptable in a way it was not when the Labour Government supported the idea in the mid-2000s.

In July 2018, the National Infrastructure Commission (NIC) published its National Infrastructure Assessment for 2050. It made recommendations to Government on how the identified infrastructure needs and priorities of the country should be addressed. NIC observed that:

> Over the Assessment's timeframe, changes to the way road users pay to use roads are inevitable. In particular, fuel duty revenues will continue to decline with the impending shift to electric vehicles. This presents a huge opportunity to design a system that improves on current road taxation by being fairer, more sustainable, more effective at reducing the negative impacts of driving, and attracting greater public support. For years, experts have proposed road pricing, only for it to be opposed by the public.[9]

The NIC said that it intended to "engage stakeholders and the public on this topic to identify a new approach that works for the future of transport".[10] The outcome of this engagement has yet to be published.

In June 2019 six Parliamentary select committees announced plans to hold a Citizens' Assembly on combatting climate change and achieving the pathway to net zero carbon emissions.[11] This became the Climate Assembly UK. A final report is expected in September 2020; a short interim report made immediate recommendations on dealing with the consequences of the global coronavirus pandemic. The final report may address issues related to road pricing.

In October 2019 the Commons Transport Select Committee announced its intention to 'kickstart' a national debate about road pricing but was not able to progress further due to the Dissolution of Parliament for the December General Election.[12]

In recent years there have been some other articles and reports urging the Government to think again about road pricing, including:

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[9] NIC, *National Infrastructure Assessment 2018*, 10 July 2018, pp14-15, see also pp119-120
[10] Ibid., p15
[11] BEIS Committee press notice, "Select Committees announce plans for Citizens' Assembly", 20 June 2019
[12] Transport Committee press notice, "Transport Committee to kickstart conversation on national road pricing", 10 October 2019

- Centre for London, *A window of opportunity for road user charging*, 12 June 2020
- Conservative Home, "Sam Bowman: The Budget offers an opportunity for Sunak to move on road pricing. He should take it", 26 February 2020
- Institute for Fiscal Studies (IFS), *A road map for motoring taxation*, 4 October 2019
- Centre for Economics and Business Research (CEBR), *How to Abolish Traffic Jams*, July 2017
- Institute for Economic Affairs (IEA), "Philip Booth: Pricing roads – why are we waiting?", 9 January 2015

A selection of reports about road pricing and charging **in other countries** can be found on the OECD/International Transport Forum website.

2.1 Road financing, taxes and net zero

The Government has pledged that the UK will be a net zero contributor to carbon emissions by 2050 and has said that it does not want any new carbon emitting vehicles to be sold in the UK beyond 2035.[13] That means that the Treasury's approximate £40 billion in annual revenue from fuel duty and vehicle excise duty (VED) will dry up.[14] Since the start of fiscal year 2020/21 VED income is being used to directly fund improvements to motorways and A roads.[15] Fuel duty goes into the consolidated fund and is not earmarked for anything, but it is the seventh single biggest income stream.[16]

When this income starts to fall as vehicles decarbonise, the Government of the day will face tough choices about how to replace this black hole in its finances. Planning for that now would give Treasury and motorists a long lead-in time to manage any changes. As the IFS said in their October 2019 paper on reforming motoring taxes:

> Revenues from existing motoring taxes are threatened by ever-increasing fuel efficiency and the prospect of a widespread shift towards electric, hybrid and other alternatively fuelled cars. Good news for emissions is bad news for the government coffers.[17]

It seems likely, based on failed efforts to introduce road pricing in the past, that the public need to be satisfied on some key questions before they would accept nationwide road pricing. Fundamentally, any scheme must be acceptable to the people who will pay for it. This would involve explaining why a charge has been introduced, how it will work, how it will be enforced, what it is intended to achieve and what the income will be spent on (see section 2.2, below).

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13 "Petrol and diesel car sales ban brought forward to 2035", *BBC News*, 4 February 2020

14 Income from these two sources is projected to reach a total of £39.3 billion by 2024/5, despite its plans to urgently decarbonise, see: HMT, *Budget 2020*, HC 121, 11 March 2020, Table C.5, p114

15 For more information see Commons Library briefing paper *Highways England and the Road Investment Strategy (RIS)*, CBP 8899, April 2020

16 After income tax, National Insurance, VAT, corporation tax, council tax and business rates

17 IFS, *A road map for motoring taxation*, 4 October 2019, p210

The IFS argue that there is a limited window in which to persuade people, and drivers especially, that exchanging the payment of VED and fuel tax for a direct charge to use the roads is fair and equitable. This is because there will come a time once the adoption of ultra-low emission vehicles (ULEVs) reaches a tipping point, when "existing taxes are eroded to the point that we have virtually no taxes on motoring at all".[18] It will be much harder for the government of the day to impose charges that will then be perceived as an increase rather than a fair exchange:

> The desire to encourage a shift to low-emissions cars makes it tempting to levy low or no taxes on them. But the longer that goes on, the more revenue will be eroded and the more entrenched expectations of low taxes on motoring will become, making it ever harder to start taxing low-emissions motoring in whatever way the government ultimately wants to. Managing that trade-off is the core long-term challenge for motoring tax policy.[19]

The reason there will need to be a price at all, quite apart from the financial implications for the Treasury, is that even in a world of ULEVs and autonomous vehicles traffic will still cause congestion, an externality that has an economic cost.[20] However, the IFS also believes that a long term, national road pricing system might not be something that needs to be implemented immediately (though the debate would have to be had). Rather there could be a step towards this. They advocate a "flat-rate tax per kilometre in the first instance, with a view to varying the tax rate by time and place later on".[21]

Alternatively, Edmund King, President of the AA, has publicly supported a 'road miles' scheme where, for example, motorists could have the first 3,000 miles they drive per year for 'free', after which they would have to pay per journey. He suggested that there could be an additional free allocation for those in rural areas (e.g. 1,000 miles). He said:

> It makes you think about the trip and if you have a cleaner greener vehicle you can pay less … We need some radical thinking and perhaps now the time is right for the Treasury and others to address these bigger issues that politically they have been quite wary of addressing before.[22]

2.2 Public views

There has generally been a reluctance to adopt economic pricing principles as they are generally seen as being politically unacceptable. This may in part be due to a feeling that "individuals have some form of inalienable right to mobility" and that pricing would restrict this.[23] Prof. Kenneth Button has argued that related to this is "the position taken in some countries that

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[18] Ibid., p233
[19] Ibid., p240
[20] The IFS said that congestion is by far the largest component of the external cost of additional driving, accounting for almost 80% of the total in 2015, see ibid., p211
[21] Ibid., p240
[22] "AA president backs road miles scheme", *The Guardian*, 3 June 2020
[23] Op cit., *Transport Economics*, p293

once a road has been built using public money, normally financed by taxation, then the public have the right to freely use the facility".[24]

As set out in section 4.1, below, in 2006 a petition against the Labour Government's road pricing plans gained over 1.8 million signatures. Since then, what surveys there have been of public opinion generally and of drivers specifically, have shown consistent doubts about road pricing that could be ameliorated with certain policies.[25] A 2007 survey of almost 2,000 adults by Ipsos-Mori found:

- Respondents tended to oppose road charges by 49% to 34%.
- Support for road charges strongly increased if the revenue was spent for specific purposes. Support increased:
  - to 49% for using revenue to reduce vehicle excise duty
  - to 53% for using revenue to cut the cost of petrol
  - to 61% for using revenue to improve public transport.[26]

In a 2011 report for the RAC Foundation Dr John Walker synthesised the public attitudes data published to that point, including data from the Department for Transport. He reported a contradiction: more than half surveyed agreed that the current system of paying for road use should be changed so that the amount people pay relates more closely to how often, when and where they use the roads but strongly disagreed that those travelling on busy roads and at busy times should pay more. He also reported the results of an Ipsos-Mori survey for the RAC Foundation, carried out in 2010:

> … which found that 65% of British adults oppose, in principle, the introduction of a pay-as-you-go system on motorways and major roads, and only 18% support it. However, if it also included the abolition of vehicle excise duty and a cut in fuel duty, then 46% would support it, and only 34% would oppose it; if it were run by 'a regulated private sector company' then support would increase to 58%, with only 19% opposing; and if it covered all roads then support would increase to 70%, and opposition would fall slightly to 18%.[27]

The RAC, which runs an annual survey of its members, published as the *Report on Motoring*, found in its 2019 survey that:

> … a sizeable number of drivers would see a 'per mile' road pricing option as fairer than the current system of paying fuel duty, and there is a large level of support for the principle of the 'more you drive, the more you pay. In addition, drivers tell us that any 'pay per mile' system of road pricing would make them consider cutting out short journeys.[28]

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[24] Ibid., p294

[25] The UK is not the only country where the issue is controversial, in 2019 a backlash against road tolls threatened to bring down the Norwegian Government, see, e.g. "Norway government on brink amid backlash against carbon-cutting road tolls", *The Independent*, 9 June 2019

[26] Ipsos-Mori, *Road pricing at the crossroads*, October 2007

[27] RAC Foundation, *The Acceptability of Road Pricing*, May 2011, p37; section 4 contains more data and analysis

[28] RAC press notice, "A new road tax could one day be pay-as-you-drive", 11 October 2019

However, this is not a universal view and there remain many, particularly private motorists, who remain suspicious of the aims of any national road pricing system, what it would achieve and what limits would be set on powers to increase costs without sufficient oversight.[29]

Privacy and data security concerns

One of the enduring concerns about a national road pricing scheme has been the implications for privacy, data security and civil liberties, specifically the Government's ability to track vehicles and driver behaviour. Some of these concerns may have been overtaken by the development of technologies and the ability to build in privacy and data security from the outset.

The pricing system favoured by the Labour Government in the mid-2000s (see section 4.1, below) required charging by time, distance and place (i.e. when you travel, how far you travel and what roads you travel on). This in turn would require positioning technology, possibly using satellite systems (for example Galileo, the European global satellite navigation system).[30] In a June 2005 column for the *Financial Times* Richard Donkin said:

> … road pricing … forms part of a broader, technology-enabled trend to disaggregate us from the crowd and make us answerable for our behaviour as individuals. I am not referring here to the privacy issue, although the implications for civil liberties of a system that tells the government the precise whereabouts of every vehicle in the country 24 hours a day are, I would have thought, shocking enough. No, what I am talking about is losing that comfortable sense of anonymity we get from being one of the masses [… such as] when governments start using technology to monitor our individual behaviour, not with the intention of helping us or improving services but to punish us with the price mechanism for actions or habits it deems undesirable.[31]

At about the same time Barry Hugill, a spokesman for the civil liberties group Liberty, said that proposals for road pricing were "terrifying" and expressed concerns that satellite tracking technology, if introduced, could be used for other purposes. He said it was "very disturbing, the speed at which this technology has been introduced and implemented and the absence of any serious informed debate".[32]

In his 2011 report for the RAC Foundation Dr John Walker concluded that these concerns were unfounded, and that survey work showed that "privacy is not a major public concern in the UK". He said that it may be better to address privacy concerns through institutional arrangements, for example by allowing drivers to pay their road user charge to somebody "unsuspicious", such as an automobile club, the supermarket, or a mobile phone company.[33]

Since these reports were published the world of technology has changed completely and many have argued that privacy and data security can be

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29 See, e.g. Alliance of British Drivers, *National Road Pricing a Step Closer, while NO_2 Impact in Doubt* [accessed 4 August 2020]
30 DfT, *A Feasibility Study of Road Pricing in the UK*, July 2004, para 4.18
31 "The spies in the sky will remove our cloak of anonymity", *Financial Times*, 21 June 2005
32 "Solution or more spin?" *Motor Transport*, 12 August 2005
33 Op cit., *The Acceptability of Road Pricing*, pp23-24

designed in from the start, as it is in existing road charging systems around the world.[34]

[34] See, e.g. Roger Jardí-Cedó Jordi Castellà-Roca Alexandre Viejo, *Privacy-preserving electronic road pricing system for low emission zones with dynamic pricing*, 4 July 2016 and Transport and Environment, *Road charging for cars: What the European Commission should do*, May 2017, section 4.3

3. Political acceptability and the view of the Government

In an article for *Economic Affairs* in December 1998 the late Prof. Alan Day argued that in order to justify the establishment of a system of road pricing, three sets of problems had to be addressed – economics, the practicalities of a reliable technical system and political understanding. He thought that the economics and the technicalities were straightforward, but that “the political acceptance of a fair and efficient system” was “daunting”.[35]

Road pricing is generally considered to be an effective market solution for dealing with congestion and the negative environmental externalities of road use and being a fairer allocation of cost to road users. Despite this the Conservatives have traditionally opposed the idea of national road pricing and came into office in 2010 pledging not to introduce any such scheme.[36]

While there has been little Parliamentary debate on the issue in recent years, as set out in section 2, above, the idea has remained alive in broader policy circles. There are also certain impetuses now driving the issue back onto the political agenda (e.g. decarbonisation and impacts of a mass movement to electric vehicles on taxation income). For example, in October 2019 the Institute for Fiscal Studies (IFS) published a paper on the future of motoring taxes. It argued that the Government needs to rethink how it taxes motoring and should “start now, before the revenue disappears and expectations of low-tax motoring become ingrained”. It said that:

> A system of road pricing where charges vary by time and location is the best way to incorporate the costs of congestion into the prices paid by drivers. Such systems are technologically feasible and are used in a number of cities worldwide. Failing that – or, better, as a stepping stone towards it – the government could introduce a flat-rate tax per kilometre driven, which would at least continue to raise revenue and discourage driving once alternatively fuelled vehicles replace petrol and diesel ones.[37]

In February 2020, Philip Johnston in *The Daily Telegraph* wrote that “the revenue consequences of a move to electric vehicles are considerable. There is an answer, but it is not one that people warm to: road pricing”. He wondered whether politicians from all parties, who are broadly united on the need to reduce the use on the road petrol and diesel vehicles that would come with significant impacts on income to the Treasury (see section 2.1, above) would “sign up to a policy of scrapping fuel duty and road tax and charging motorists a tariff for how much they drive?”.[38]

In June 2020, the Centre for London published a blogpost calling for radical reform of road charging in London, and stated in passing that:

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[35] “The case for road pricing”, *Economic Affairs* (Vol. 18, No. 4), December 1998

[36] HC Deb 15 June 2010, c379W and Transport Committee, *Uncorrected evidence: The Secretary of State's priorities for transport*, HC 359, 26 July 2010, Q17; for older views see then Shadow Transport Minister Stephen Hammond’s speech at the *Local Transport Bill* Committee in 2008: PBC Deb 8 May 2008, cc347-348

[37] Op cit., *A road map for motoring taxation*

[38] “There is a £28 billion black hole in plans for an electric car revolution”, *The Daily Telegraph*, 4 February 2020

> The eventual introduction of a national scheme … has become almost inevitable: the growth in fuel efficiency and the switch to electric cars will lead to a dramatic decline in fuel duty income to the Treasury, which can only really be filled by some form of distance based road user charging.[39]

The Government had been expected to respond to the NIC National Infrastructure Assessment (see section 2, above) by the 2020 Budget, in a comprehensive National Infrastructure Strategy. That did not happen and there is no date set for publication.[40] It is as yet unclear whether the future of motoring taxation, the move to net zero and the question of a national road pricing scheme will be addressed in the Strategy.

3.1 A 'national' scheme and devolution

Any discussion of a 'national' road pricing scheme must consider the implications of devolution. Across the nations of the UK, responsibility for introducing road charges is devolved and as a result the UK Government would require the consent of the relevant administrations in Northern Ireland, Scotland and Wales to legislate for a UK-wide national road pricing scheme. Powers currently exist for England, Wales and Scotland to separately make road charging schemes.[41] Were there agreement on the introduction, administration and operation of such a scheme the relevant Parliaments could legislate separately, with near-identical provisions in separate Bills.

Northern Ireland is a special case and there is an argument that it may not form part of any UK-wide system, given it does not currently have a road network linked to England, Scotland or Wales.[42] Northern Ireland is the only part of the UK that shares a land border with another country and there are a number of tolled routes in the Republic of Ireland (e.g. if you travelled across the border and down the M1 or M3 to Dublin).[43]

The SNP Government in Scotland has made few public statements on the issue of road pricing in recent years, but it is generally opposed. In 2007 (when the Blair Government was proposing such a scheme) the SNP manifesto for the 2007 Scottish Parliament elections stated that the Party was against road charging in Scotland.[44] In response to a 2016 petition calling for congestion charging in all major Scottish cities the Scottish Government replied that it "has a clear policy against the use of road pricing and tolls now or any time in the future".[45]

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[39] Centre for London, *A window of opportunity for road user charging*, 12 June 2020

[40] NIC press notice, "Statement on reported delay to National Infrastructure Strategy", 6 March 2020 and National Infrastructure Commission: Written question – 76031, 23 July 2020

[41] In England and Wales Part III and Schedule 12 of the *Transport Act 2000*, as amended by the *Local Transport Act 2008* and in Scotland Part 3 and Schedule 1 of the *Transport (Scotland) Act 2001*, as amended

[42] The Prime Minister has recently talked about the possibility of building a bridge linking Scotland and Northern Ireland, see, e.g. "Scotland-Northern Ireland bridge: How likely is it to be built?", *BBC News*, 10 February 2020

[43] NI Direct, *Toll roads* [accessed 4 August 2020]

[44] *SNP Election Manifesto 2007*, p26

[45] *Congestion charging in major Scottish cities: Scottish Government Email* (PE01607), 16 November 2016

In March 2020, the Welsh Government announced an independent review into road user charging in Wales, to report by the autumn. In a statement the Minister for Economy, Transport and North Wales, Ken Skates, said that the review should be seen in the context of decarbonising the Welsh transport network, improving air quality and reducing congestion. The review includes "all feasible charging methods, including distance charging, congestion charging, workplace and retail parking levies".[46] Welsh Conservatives oppose the idea.[47]

3.2 The role of EU law

The UK left the EU on 31 January 2020. The transition (or implementation) period in the Withdrawal Agreement (WA) was conceived as a bridging period while the UK and the EU negotiate a new relationship. It will last until 31 December 2020 unless both sides agree to an extension to complete negotiations. During this period nearly all EU rules will continue to apply to the UK. Some areas of the UK-EU relationship will be covered by the WA while the nature of arrangements for most aspects of the UK-EU relationship will depend on what is agreed during the transition period. Arrangements from 1 January 2021 will also depend on whether a UK-EU agreement can be reached and ratified by the end of 2020.

There is EU law on road pricing, specifically about the interoperability of technologies used to manage tolls or charges and about the rules preventing 'double charging' and equitable treatment.[48] The two main areas of legislation are:

- **HGV charging**: Directive 1999/62/EC, as modified by Directive 2006/38/EC and by Directive 2011/76/EU, sets common rules on distance-related tolls and time-based user charges (vignettes) for heavy goods vehicles (above 3.5 tonnes) for the use of certain infrastructures. These rules stipulate that the cost of constructing, operating and developing infrastructure can be leveraged through tolls and vignettes to road users.
- **Electronic toll systems**: Directive 2004/52/EC lays down the conditions for the interoperability of electronic road toll systems in the EU. This basically means that drivers can travel around the EU without having to be concerned by different charging procedures and without having to install equipment specific to the different charging zones. The European Electronic Toll Service (EETS) allows drivers to subscribe to a single contract with one EETS provider and, using a single on-board unit, pay tolls electronically throughout the whole EU.

The *European Union (Withdrawal) Act 2018* (EUWA) removed the domestic constitutional basis for EU law having effect in the UK but also provided for the retention of most of that law, as it stood on exit day, by transposing it into a freestanding body of domestic law. This new body of law is called

[46] Written Statement: An independent review of road user charging in Wales, 9 March 2020
[47] "Welsh road tolls and charging to be considered in review", *BBC News*, 9 March 2020
[48] e.g. the European Court of Justice has ruled Germany's road toll illegal for discriminating against non-German drivers, see: "EU court forces Germany to rethink 'unfair' highway toll", *Reuters*, 18 June 2019

'retained EU law' and it replicates several different sources of EU law as domestic equivalents.[49]

The relevant UK domestic regulations relating to HGV charging and electronic toll systems will continue to apply in the UK as retained EU law after 31 December.[50] It will then be a matter for the UK Government and Parliament as to whether it wishes to disapply these regulations or replace them with domestic rules.

For example, as set out in section 1.2, above, since 2014 there has been a UK-wide road user levy for heavy goods vehicles, though in practice only non-UK hauliers paid the charge. Before the levy was suspended to help the haulage industry recover from the effects of the coronavirus global pandemic the European Commission had issued warnings about the legality of the charge and there was a possibility of proceedings being brought against the UK in the European Court of Justice.[51]

[49] For more information, see Commons Library briefing paper The status of "retained EU Law", CBP 8375, July 2019

[50] The *Road Tolling (Interoperability of Electronic Road User Charging and Road Tolling Systems) Regulations 2007* (SI 2007/58) and the *Heavy Goods Vehicles (Charging for the Use of Certain Infrastructure on the Trans-European Road Network) Regulations 2009* (SI 2009/1914) as amended by the *Heavy Goods Vehicles (Charging for the Use of Certain Infrastructure on the Trans-European Road Network) (Amendment) (EU Exit) Regulations 2018* (SI 2018/1352)

[51] See, e.g. "Brexit or not, EU tells Britain to tweak transport levy or face court", *Reuters*, 12 February 2020

4. History

Road pricing essentially involves making a direct charge for the use of a road or network of roads, sometimes though not always 'pricing' that charge based on certain factors ('externalities') such as the distance travelled, the time you are travelling and/or the environmental impact cased by the vehicle you are travelling in.

Road pricing or charging is not a new concept. For example, in the Roman Empire different types of fee had to be paid to pass along a road, including simple toll roads, frontier custom duties and town dues. At the frontier post at Zeugma (in modern-day Turkey) on the Euphrates, for example, one had to pay a quarter of the value of goods carried.[52] Similarly, in the Middle Ages road tolls were common. However, as Peter Harrop states, little of the money raised was used on road improvements and such tolls were "regarded more as an outright source of revenue". In contrast, by the fourteenth century both London and Paris were levying tolls on all trade entering the city, using them to maintain the roads in those areas.[53]

One of the most significant periods for road charging was the eighteenth century, with the development of the 'turnpike' system. So-called Turnpike Trusts maintained defined stretches of road and were empowered to collect tolls for that purpose.[54] In Great Britain such Trusts were established by individual Acts of Parliament.[55] According to Peter Harrop, by the end of the eighteenth century a fifth of the British road network (stretching some 20,000 miles) was under the supervision of turnpikes, governed by 22,000 toll gates. The system was subsequently abandoned in the nineteenth century following years of abuse.[56]

More recently, the idea of road pricing enjoyed a renaissance in the early 1960s. New car registrations doubled from around half a million to a million between 1958 and 1963 and traffic in the big cities was chaotic.[57] Ernest Marples, Minister for Transport under both the Macmillan and Douglas-Home governments, appointed two working parties to find solutions, resulting in:

- Sir Colin Buchanan's 1963 report *Traffic in towns*, which for the first time counted the environmental cost of the use of cars and recommended separating out road traffic into a 'primary road network' where traffic takes precedence while the rest of the town should, be planned as 'environmental areas' where the quality of living comes first;[58] and

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52 Peter Harrop, *Charging for Road Use Worldwide* (Financial Times Management Reports, 1993), p5

53 Ibid., pp5-6

54 The word 'turnpike' derived from the pivoted bar that governed access to the stretch of road in question

55 Dan Bogart, *The Turnpike Roads of England and Wales* (University of Cambridge) [accessed 21 July 2020]

56 Op cit., *Charging for Road Use Worldwide*, p6

57 New car regulations in 2018 and 2019 averaged a little over 2 million per year, see: SMMT, *Car registrations* [archived data]

58 Ministry of Transport, *Traffic in towns,* November 1963; see also Marples' statement to the House: HC Deb 27 November 1963, cc281-8

- Dr Reuben Smeed's 1964 report *Road Pricing: the economic and technical possibilities*, which argued that if drivers were charged for the delays they imposed on one another, some of them would travel at different times, by different means or to different places - and that time wasted in traffic jams would be reduced.[59]

Peter Harrop summed up the Smeed Report's conclusions thus:

> It concluded that the existing fuel tax, annual licences and purchase tax were blunt instruments for attacking congestion and the inequity between road users in paying for the infrastructure. Road pricing could help relieve congestion but not provide a total cure, while road charges could usefully take more account of the large differences that exist in congestion costs between journeys… It said that superior results were potentially obtainable from direct pricing systems.[60]

Smeed devised seventeen requirements considered desirable for a road pricing system at that time. They are principles that remain relevant to the debate today:

> Charges should be closely related to the amount of use made of the roads.
>
> It should be possible to vary prices to some extent for different roads (or areas), at different times of day, week or year, and for different classes of vehicle.
>
> Prices should be stable and readily ascertainable by road users before they embark upon a journey.
>
> Payment in advance should be possible, although credit facilities may also be permissible under certain conditions.
>
> The incidence of the system upon individual road users should be accepted as fair.
>
> The method should be simple for road users to understand.
>
> Any equipment used should possess a high degree of reliability.
>
> It should be reasonably free from the possibility of fraud and evasion, both deliberate and unintentional.
>
> It should be capable of being applied, if necessary, to the whole country and to a vehicle population expected to rise to over 30 million.
>
> Payment should be possible in small amounts and at fairly frequent intervals, say amounts not exceeding £5 and intervals not exceeding one month. This does not exclude payment in larger amounts where preferred.
>
> Drivers in high-cost areas should be made aware of the rate they are incurring.
>
> At the same time the attention of drivers should not be unduly diverted from their other responsibilities.
>
> The method should be applicable without difficulty to road users entering from abroad.

[59] Ministry of Transport, *Road pricing: The Economic and Technical Possibilities*, 1964 [DEP 3258]

[60] op cit., *Charging for Road Use Worldwide*, p8

> Enforcement measures should impose as little extra work on the police forces as possible and should therefore lie within the capacity of traffic wardens.
>
> It would be preferable if the method could also be used to charge for street parking.
>
> The method should, if possible, indicate the strength of demand for roadspace in different places so as to give guidance to planning of new road improvements.
>
> The method should be amenable to gradual introduction commencing with an experimental phase.[61]

The Ministry of Transport accepted Smeed's arguments and awarded contracts to firms to develop electronic devices that would identify cars passing through buried toll gates. However, the first test of road pricing which eventually took place in 1975 was not in Britain, but in Singapore, where it has continued to be used ever since.[62] The next place to experiment with road pricing was Hong Kong in the early 1980s; it was never fully implemented for a number of reasons, including privacy concerns.[63]

These international experiences fed into the decision by the then Conservative Government to reject the idea of road pricing in 1990. In a speech in June that year the then Secretary of State for Transport, Cecil Parkinson, said that the theoretical attractions of charging motorists for congestion were considerable but that the practical problems – of fairness, of technology and of enforcement – were "mind-boggling".[64]

4.1 Labour Government, 2003-10

During its time in office the Labour Government first backed then abandoned the idea of a national road pricing scheme. The zenith of its enthusiasm for such a scheme came during 2004-06, following the publication of its feasibility study on road pricing and culminating with Sir Rod Eddington's strategic transport study. Enthusiasm waned after that, particularly following a petition on the Number 10 website that garnered 1.8 million signatories.

In July 2003 the Government published *Managing our Roads*, which set out the challenges presented by traffic growth over the following 20 to 30 years. The paper stated that road pricing in one form or another should be considered as a serious solution to inter-urban congestion on the UK road network insofar as it "might allow motorists to make more informed choices about how and when they travel". [65]

The then Secretary of State for Transport, Alistair Darling, commissioned a comprehensive study to examine how a new system of charging for road

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[61] Op cit., *Road pricing: The Economic and Technical Possibilities*, pp7-8
[62] Kian-Keong Chin, *Road Pricing – Singapore's 30 years of experience*, CESifo DICE Report, March 2005
[63] Timothy D. Hau (1990), "Electronic Road Pricing: Developments in Hong Kong 1983-89", *Journal of Transport Economics and Policy*, Vol. 24, No. 2, May 1990, pp 203-214
[64] DoT press notice, "Road pricing: practical problems are mind-boggling – Cecil Parkinson", 11 June 1990 and HC Deb 23 January 1990, cc614-5W
[65] DfT, *Managing Our Roads*, July 2003, pp5-6

use could help make better use of UK road capacity. This was published in July 2004 as *A Feasibility Study of Road Pricing in the UK*.[66] The aim of the feasibility study was to look at whether road pricing could be introduced into the UK and if so, how that might be achieved. In a statement to the House in July 2004, Mr Darling said:

> The study concludes that a national scheme has the potential to cut congestion by about a half, as well as providing environmental benefits. It says that road pricing will become technically feasible in the next 10 to 15 years; but, for a scheme to work, it would need general public acceptance and a great deal of preparation work over a number of years. There is still a lot of work to be done before we could be sure whether that could work, but one thing is clear: doing nothing would be the worst possible option.[67]

Overall, the study concluded that:

- If road pricing was implemented nationwide, drivers would all face **different prices for the trips they made**. When travelling on uncongested roads drivers would generally pay less, but on congested roads drivers would generally pay more. It said that "paying the family road bill would probably be like paying the phone bill";
- The **impacts** on individual and businesses of national road pricing would be difficult to predict and work was at an early stage;
- A national road pricing scheme would probably become **technologically feasible** in ten years' time, while **implementing** it would be "a massive and complex task, requiring concerted action and co-operation at all levels of government over a number of years";
- It would need a "higher degree of **public understanding**" of the benefits of road pricing, and what it would mean for individual road users, business, and the wider community; and
- **Trust and confidence** in the viability and delivery of any national road pricing scheme would be central to public acceptability. It would "cost a lot to run, but it would produce a revenue stream", which could be used to reduce existing motoring taxes, fund additional spending on road capacity, public transport or other public spending. Major benefits could be obtained **without road users overall paying more than they otherwise would** in fuel duty, but additional revenue could fund more transport infrastructure or services, as well as providing higher environmental benefits.[68]

The study received a generally positive welcome. In particular, a 2005 report from the Transport Select Committee report indicated that if the conditions were right, road pricing could present a viable way of reducing congestion on UK roads.[69]

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[66] DfT, *A Feasibility Study of Road Pricing in the UK*, July 2004; a number of supplementary, technical reports were published at the same time

[67] HC Deb 20 July 2004, c161

[68] Op cit., *Feasibility Study of Road Pricing in the UK*, pp1-3

[69] Transport Committee, *Road Pricing: The Next Steps* (seventh report of session 2004-05), HC 21, 16 March 2005, p3

In June 2005 Mr Darling, made a speech to the Social Market Foundation where he set out how the Government hoped to proceed with road pricing and what the bare bones of such a scheme might be. He also acknowledged the need for consensus in order to move forward.[70]

Local road charging schemes

In order to gather evidence in preparation for a nationwide road pricing scheme, the Government proposed providing funding to local authorities to set up local road charging schemes, like the congestion charge in London. Ultimately none of these were successful.

For more information see: Commons Library briefing paper *Local road charges*, CBP 1171, March 2018.

In May 2006, the new Secretary of State for Transport, Douglas Alexander, confirmed that road pricing remained a priority.[71] Further support for a scheme was provided by Sir Rod Eddington in his December 2006 report to Government. The third of Sir Rod's three key policy recommendations was that the Government should "adopt a sophisticated policy mix to meet both economic and environmental goals. Policy should get the prices right (especially congestion pricing on the roads and environmental pricing across all modes) and make best use of existing networks". In furtherance of this aim, Sir Rod recommended that the Government should "use road pricing as the most appropriate way to tackle congestion: introduce widespread, congestion-targeted road pricing to deliver the potential benefits cost-effectively; setting out the key decisions needed to unlock the vast potential of road pricing".[72]

In November 2006, the Number 10 Downing Street website launched an online 'e-petition' portal, designed to "provide a service to allow citizens, charities and campaign groups to set up petitions that are hosted on the Downing Street website, enabling anyone to address and deliver a petition directly to the Prime Minister". Peter Roberts submitted a petition to "scrap the planned vehicle tracking and road pricing policy". When the petition closed on 20 February 2007 a little over 1.8 million people had signed it; the highest number of signatures ever achieved by a petition on that site.[73] The then Prime Minister, Tony Blair, responded to the petition on 21 February, he indicated that motoring taxation as a whole might be reformed as a consequence of any future road pricing scheme being introduced and he also acknowledged concerns about privacy.

It was around this time that the Government's previously firm commitment to introducing road pricing appeared to soften.[74] Although the Government

[70] DfT, *Road Pricing*, 9 June 2005

[71] *Speech by Rt Hon Douglas Alexander MP, Secretary of State for Transport in York*, 10 May 2006

[72] *The Eddington Transport Study: The Case for Action*, December 2006, para 1.180; for Sir Rod's full comments on road pricing, see paras 1.108-1.118 and figure 12; see also chapters 3.3 and 3.4 of *The Eddington Transport Study: Main Report*

[73] The site closed at the 2010 General Election and successor websites followed over the following few years until the current system was launched in 2015, see: https://petition.parliament.uk/

[74] e.g. "Demise of nationwide road pricing predicted despite Manchester TIF bid", *Local Transport Today*, 29 August 2007; and "Telegraph claims victory as road pricing plans

reaffirmed its commitment to national road pricing in the 2008 Budget, with new funding to develop national road pricing and a commitment to invite tenders to test road-pricing technology,[75] the July 2008 command paper, *Roads – delivering choice and reliability*, was circumspect about how and when national road pricing would be implemented.[76] In separate appearances before the Transport Select Committee in 2008-09 ministers were reluctant to endorse the policy.[77] By mid-2009 the new Secretary of State for Transport, Lord Andrew Adonis appeared to have put the brakes on[78] and in its manifesto for the 2010 election, Labour ruled out national road pricing for the immediate future.[79]

allegedly scrapped", *Local Transport Today*, 25 October 2007; and "Transport Secretary defends air travel", *BBC News*, 18 November 2007

[75] HC Deb 12 March 2008, c294; and: HM Treasury, *Budget 2008*, HC 388, March 2008, para 3.42

[76] DfT, *Roads – delivering choice and reliability*, Cm 7445, July 2008, paras 2.22-2.24

[77] Geoff Hoon: Transport Committee, *The Department for Transport's Annual Report 2008: Oral and written evidence*, HC 1112, 11 November 2009, Q55; Paul Clark and Angela Eagle: Transport Committee, *Taxes and charges on road users* (sixth report of session 2008-09), HC 103, 24 July 2009, Q55

[78] "Adonis shelves road-price policy", *Financial Times*, 25 June 2009; his statements about road pricing were not in the original text of the speech for the conference the FT reported on

[79] Labour Party, *A Future fair for All: the Labour Party Manifesto 2010*, April 2010, p1.8

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