Developments in Transport Policy

The UK Transport Policy White Paper

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1. Introduction

The UK Government’s White Paper on the future of transport was published in July 1998 (HMSO, 1998a). It is an impressively produced framework document; in many policy areas a full assessment must await the publication of the so-called daughter documents, the first four of which have already emerged (DETR, 1998a, 1998b, 1998c; HMSO, 1998b).

Among the many policy announcements are the following:

- Legislation to give local authorities powers to introduce road congestion charging, as part of a package of local transport measures, and to levy a new charge on workplace parking (4.94; 4.107).
- Reform of the vehicle excise duty tariff for both cars and lorries (4.125-126).
- Reform of the taxation arrangements for free fuel for company employees, and consideration of reform of the company car scale charges (4.129-130).
- An increase in maximum gross vehicle weights to 41 tonnes on 6 axles as a preferred alternative to the 40 tonnes on 5 axles required by the EU, with further consideration to permitting 44 tonnes on 6 axles (3.163-168).
- Pilot charging schemes on the motorway and trunk road network (4.100).
- Legislation to give local authorities powers, where it is in the public interest, to enter into exclusive Quality Contracts for bus services on a route or group of routes (3.20).
- Consultation on detrunking of about 40 per cent by distance of the trunk road network (3.130-131 and Annex E).
- Institutional reform, including: the formation of a Strategic Rail Authority (4.12-16); the creation of regional transport strategies within regional planning guidance (4.50-57); and establishment of an independent body, the Commission for Integrated Transport (4.4), to provide advice and review progress.

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2. The Strengths of the New Approach

The White Paper contains many good, positive features. It is written in an open-minded way and is full of policy proposals, of which those listed above are just a few. To give some idea of its extent, the central chapter contains 259 paragraphs; by paragraph 4 we encounter eight detailed proposals for improving conditions for pedestrians. The variety of proposals shows a fertility of thought which has often been absent in the past.

A second strength is the recognition of the need for diversity and experimentation. Conditions and opportunities are not the same everywhere, and creativity at local level is going to be required. Accordingly a reassignment of power between central and local government is proposed. This is shown most clearly in the proposals for permissive powers for local authorities to introduce road user charges and workplace parking charges, and in the recognition by the Treasury that such policies are ineffective unless local authorities are allowed to retain the revenues for use within a comprehensive local transport plan. Implementation of the detrunking proposals would also shift the boundary between national and regional/local planning.

Third, there is a recognition of past policy failure in certain areas. This White Paper correctly places far greater emphasis on the potential of local buses, with proposals for Quality Partnerships, bus priorities, and powers to ensure integrated ticketing. It appears that busways and other bus priorities will be appraised consistently with light rapid transit schemes and 'may offer a more cost-effective alternative'. Many observers would also agree that on-the-road competition in the urban bus market has not worked well, and the proposed exclusive Quality Contracts are intended to deal with the problem of low quality fringe competition. However, the criteria for permitting exclusivity, the nature of the bidding process given the existence of large incumbents, the length of the contracts and the form of price, service and/or profit regulation, are all matters which remain to be clarified.

In a similar category comes the creation of a Strategic Rail Authority. Here, the government has correctly identified the most important structural weakness in the existing arrangements, namely the difficulty of injecting long-term strategic planning into an industry dependent on public money where the infrastructure provider is a private company and the Regulator is independent of political control. Long-term railway strategy rests more sensibly with a body taking its objectives from the Minister and being clearly responsible for leading and bringing together the interested parties: Railtrack, Operating Companies, Leasing Companies, PTEs, and regional authorities. However, little is said about the implications for sensible planning of the expiry of 18 of the 25 train operating franchises by 2003/4. This remains a problem.

A fourth strength is the emphasis placed in the document on the interface between transport policy and policy on location of activities: industry, housing, education, and health, as well as shopping. One senses a greater commitment to assessment within regional strategies of the transport implications of planning policies such as housing allocation to counties.
Finally, although there are particular issues on which the present government’s policy stance differs from that of the previous government, there is evidence of desire for a bipartisan approach. This is seen most clearly in the quotation of several pages of the previous government’s Green Paper (HMSO, 1996). In this respect, the debate has moved forward.

3. Outstanding Issues

The White Paper represents a substantial step forward, but a number of key issues remain to be resolved. First, there is some vagueness about the nature of the problem (or rather, the cocktail of problems). The core of the problem is perceived as the congestion and environmental externalities associated with road traffic, together with an absence of real choice for the traveller. Yet car ownership brings flexibility to peoples’ lives, widens their horizons, and should not be restricted. Car use is perceived to be the problem, and traffic growth cannot be ‘solved’ by building more and more roads.

The difficulty with this is the risk of swinging from one polar position of stated policy — that traffic growth is unequivocally good, a symbol of the ‘great car economy’ — to the other, in which traffic growth is unequivocally bad and must be reined back always and everywhere. The truth is, of course, nuanced; traffic growth is sometimes desirable, sometimes undesirable, depending on where and when people and goods are on the network. This is the difficulty with setting sensible road traffic targets at national level.

As a very crude first approximation, we can say that wherever the price of travel exceeds marginal social costs, additional traffic is socially desirable; wherever price is less than marginal social costs, additional traffic is undesirable; and wherever the price of travel exceeds long-run marginal social costs, capacity expansion is socially warranted. At present, on average, private cars are paying a marginal use tax through fuel duty of about 7 pence a mile, increasing by 6 per cent per annum in real terms. Key questions for policy are: when and where this is too low to cover the track, environmental and congestion costs of travel; when and where is it about right; and when and where is it too high. Only by answering those questions for each category of traffic can a secure basis for policy towards traffic growth be established.

As a coda to this, far too little is said in the White Paper about the congestion and environmental costs of air traffic. A proper resource accounting study of the comparative taxes, subsidies, congestion and environmental costs in the long-distance air, road, and rail markets is required. Whether we should be predicting and providing for air traffic growth while devoting massive attention to the issue of road traffic growth is highly questionable.

A second issue, which follows from the first, concerns the strategic direction of national roads policy. The 1997 National Road Traffic Forecasts suggest that it is reasonable to expect traffic growth on the trunk road network of around 3 per cent per annum. There is not much in the White Paper to moderate this growth rate, and a significant
deterioration of network service quality by the end of the next decade is to be expected. This will manifest itself as a worsening of reliability and predictability of journey times. There are therefore three policy options:

- increase the price of travel on the trunk road network via road user charges, or more crudely via much faster increases in fuel duty; and/or

- invest in further capacity expansion using either software (considered in the White Paper to be good) or hardware (much less good); or

- allow congestion to increase and act as the equilibrating mechanism between supply and demand.

The third of these options is the worst economic and social policy, because of the large differences in the values of travel time and reliability for freight and business traffic, as against discretionary travel. It is also environmentally dirty. My concern is that the trajectory of policy involves too little investment with too poor a service quality on the inter-urban network.

In this connection, it is noted in the Roads Review document (DETR, 1998a) that the ratio of benefits to costs of the 37 schemes accepted in the programme is 3:1. It is understood that the benefit:cost ratio of the rejected schemes is also around 3:1. This raises the question: why is the roads budget set at such a restrictive level? Is the shadow price of public funds higher than commonly believed? Is a very high implicit value being placed on the negative environmental impacts of roads? Are the travel-time savings being systematically down-valued by Ministers, and on what basis? If this is the outcome of the new approach to appraisal (DETR, 1998b), what are the implicit valuations, and can they be defended?

A third issue concerns the potential of public transport as an instrument for coping with traffic growth. This tends to be overstated. There are good reasons for improving public transport, namely to benefit public transport users, and to satisfy the political need to offer motorists credible choices as a precondition for unpalatable measures to be imposed. But it is important to be realistic and discriminating. The cross-elasticities between car and public transport are often low. There is a high proportion of vehicle-kms (both passenger and freight) for which public transport and rail can never be credible alternatives. Furthermore, in many situations, other choices (such as destination choice and time of travel) may be more relevant to the traveller than mode choice. It is therefore very important to focus resources on those situations where cross-elasticities and price:marginal cost divergences are high, urban commuting and inter-city travel being the main examples.

A fourth issue is the need for action. There have now been three progressively developing government documents over the last five years. Transport generates documents! Speed of implementation is now critical, and there is a need to deliver, monitor, and learn from a variety of demonstration projects on the ground. In that context there are the following potential risks:
that the necessary finance turns out to be inadequate;

that constraints on the legislative timetable mean that delivery of the necessary Parliamentary powers is slow;

that practical implementation depends on the capacity, interest, and willingness to act of hundreds of institutions which hold power at local level;

that individual local authorities may feel constrained from acting to implement policies (such as road user charging) by the pressures of inter-city competition and fear of 'beggar-thy-neighbour' strategies, so that ultimately a regional or even national view will have to be taken; and

that the welter of studies announced in the White Paper and such bodies as the Commission for Integrated Transport will, in practice, act as a brake on policy implementation rather than, as intended, a stimulus.

4. Conclusion

The White Paper's title *A New Deal for Transport: Better for Everyone* implies that the new deal for transport is an actual Pareto improvement. It is certainly not that. But the Paper does address many of the weaknesses in British policy and is, overall, a valuable vision statement on which to build. However, a lot of hard work and brave political decisions will be required to turn the vision into reality.

References


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