



**XXIVth WORLD
ROAD CONGRESS**
Mexico City 2011

Governing & PAYING FOR ROADS

Michael Selfe

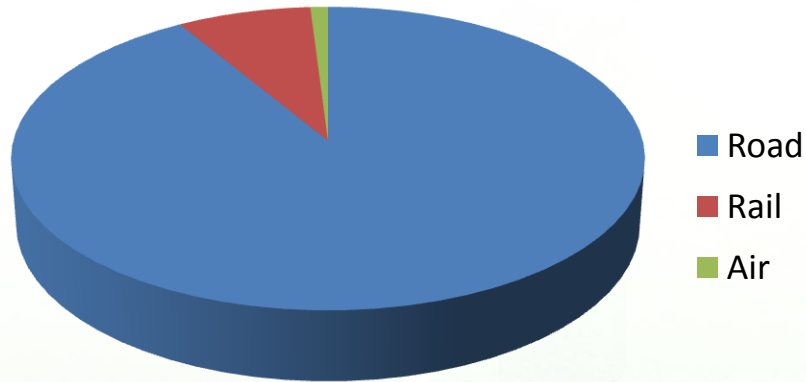
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Travel by Road in Britain

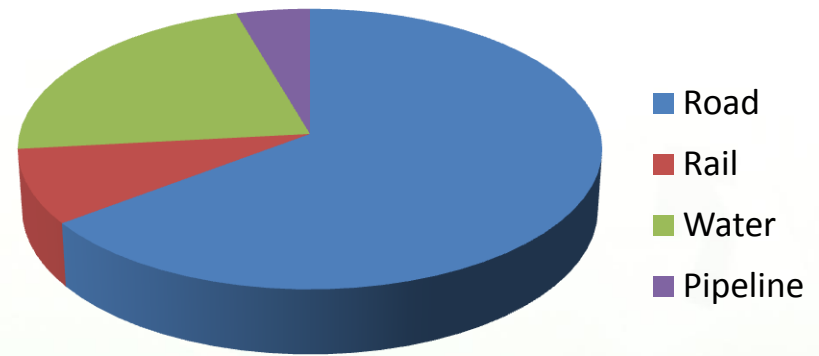
- Persons

Bn pkms - 796bn



- Goods

Bn tkms - 221bn



Demand Continues to Grow

By 2033

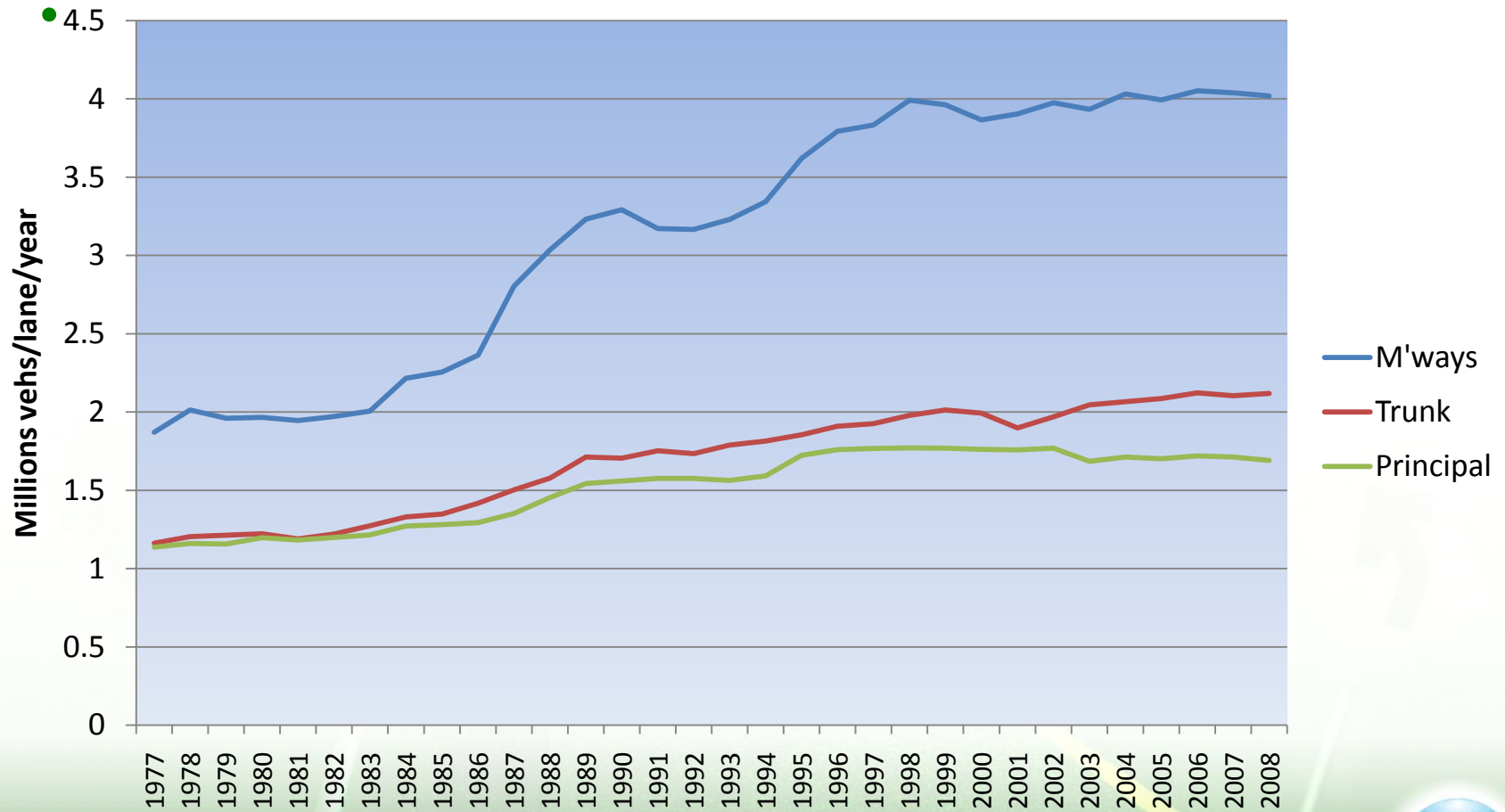
- 10m more people
- GDP/head up 2%/year
- 8m more cars

By 2035

- Lorry traffic up 25%
- Car traffic up 35%
- Van traffic up 65%
- All Traffic up 35%
- Congestion up 50%
- Traffic on Strategic roads up 40%

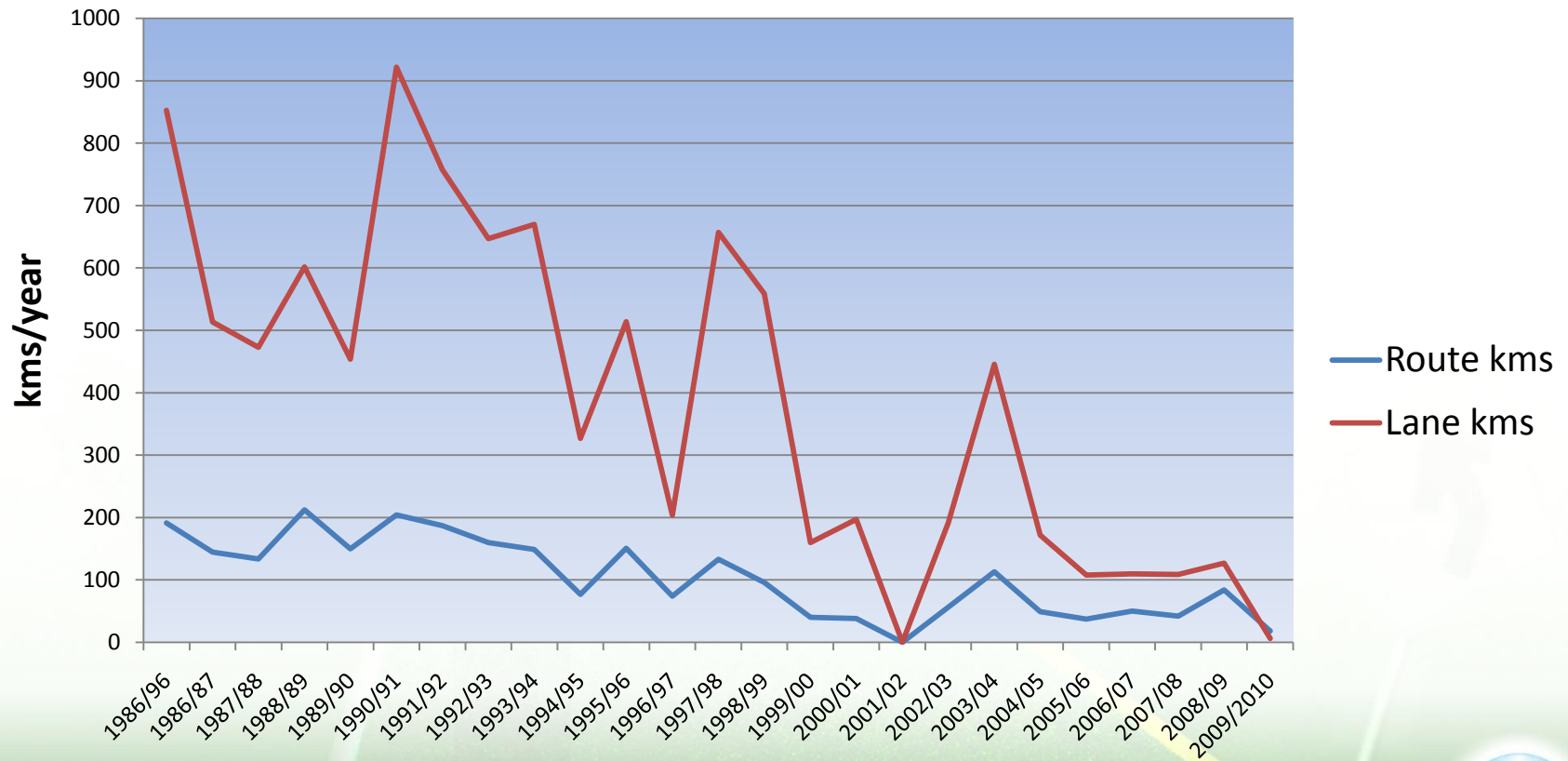


Traffic Densities Rising



Strategic Road Expansion Slowing

English Motorway & Trunk Road Construction



GB Road Network Hierarchy

	England	Wales	Scotland	Britain
Trunk Motorways	2,971 kms (0.75%)	141 kms (0.04%)	407 km (0.1%)	3,519kms (0.89%)
All Purpose trunk	3,962 kms (1.0%)	1,499 kms (0.38%)	2,718 kms (0.69%)	8,179 kms (2.07%)
Non trunk	294,254 km (74.6%)	32,211 kms (8.16%)	56,265 kms (14.26%)	382,730 kms (97%)
All	301,187 kms (76.3%)	33,851 kms (8.6%)	59,390 kms (15.01%)	394,428 kms (100%)



Current Roads Financing

Expenditure (£9.2bn)

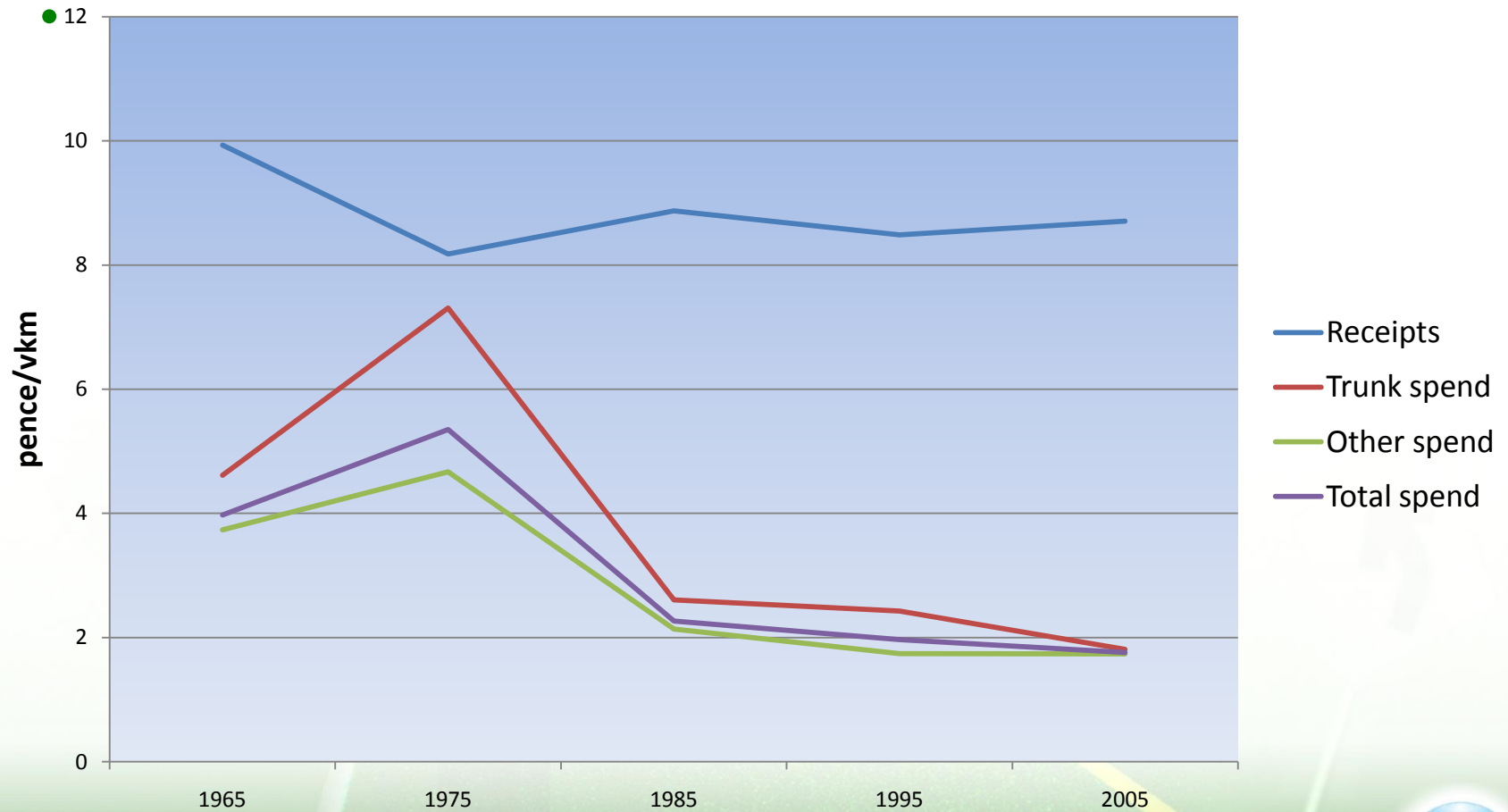
- SRN - £1.6bn capital/£1.4bn current
- Local - £2.8bn capital/£3.4bn current

Tax Receipts (£46.7bn)

- VED - £5.4bn
- Fuel duty - £24.6bn
- VAT - £14.4bn
- Company Car tax - £2.3bn



Road Taxes & spending



Experience Outside Britain

- **Toll concessions** (30k kms in Europe)
- **Toll rings** (Norway)
- **Area pricing** (Stockholm, London, Singapore)
- **Lorry PAYG** (Austria, Germany, Slovenia, Czech Republic, Switzerland)
- **Network Concession** (Portugal – 75 years to maintain, upgrade develop & finance)
- **Switch from tax to tolls and PFIs** (Italy 2011)



British Regulated Utility Models

Models	Examples	Accountability	Financing
Public listed company	National Grid Severn Trent United Utilities BAA (1988-2006)	Shareholders	Conventional debt and equity
Privately owned	Anglian Water Thames Water BAA 2006 -	Pension & infrastructure fund owners, private shareholders	Debt and (private) equity
Public interest Co. (limited by guarantee)	Welsh Water Network Rail	Members	Debt and Bond finance plus retained earnings
Statutory corporation or Government owned company	Scottish Water N Ireland Water Royal Mail	Government as shareholder and policy maker	Public borrowing
Privately owned business with government stake	NATS (air traffic control)	Public and private shareholders	Equity (both Government & corporate) and debt



Roles of Regulators

To protect consumers

- Efficient operations
- Fair prices
- Quality/quantity of services

To Provide a Framework for Suppliers

- Operating & financial parameters
- Reasonable return on assets
- Enables borrowing & investment



The Railways' Example

• Before Restructuring

No clear objectives

Funding on an annual basis

No long term plan

Support averaged £1.85bn

Traffic static

System in decline

After Restructuring

High Level Output Statement

5 year planning periods +

Longer term view

Support averaging £5½bn

Traffic growing

System improving



Funding Options

- Allocation from consolidated fund (as now)
- Hypothecated tax receipts (US Trust Fund)
- Real tolls (Midlands Expressway)
- Shadow tolls (HA - DBOF schemes)
- Road user charges (Singapore)
- User charges + Gov. Grant (Network Rail)



Governance Options

Three main options :

Central Government agency (Highways Agency)

Public Corporation or Trust (London Passenger Transport Board)

Private regulated utility company/ies

With possibly:

A staged development from government agency to a public corporation or private utility



A Road Body's Duties

Operation and maintenance of the network;
Renewal and replacement of the network;
Improvement, enhancement & development of
the network recognising environmental
constraints - and possibly
Collection/allocation of user charges.

In accordance with the conditions of its licence
and the regulator's instructions



The Preferred Options

Central government body (CGB)		CGB & shadow tolls	Public corporation & shadow tolls	Public corporation & user charging	Private utility with shadow tolls	Private utility with user charging
Individual Motorways	X	X	X	Immediate	X	Immediate
All Motorways	X	X	X	Immediate	X	Immediate
Roads of National Importance	X	Immediate	Immediate	Immediate	Immediate	Immediate
Strategic Road Network	Immediate with user charging long tem	Immediate with user charging long tem	Immediate with user charging long tem	Long term	Immediate	Very long term



Reducing Diversion due to Direct Charges

- Spread charges widely across network
- Moderate ratio of HGV/light vehicle charge to reflect greater damage from HGV diversion
- Provide resources for measures on routes not subject to charges



Public Opinion

- Sensitivity of Politicians
- Power of internet
- Test Views
 - Beforehand - Manchester & Edinburgh
 - Via Political Process - London
 - After trial - Stockholm



Future World Scenarios

- Transfer of economic ascendancy from West USA, Europe → East and South BRIC' MIST
- Mature network use → strong growth
- Political difficulty of change → Opportunity where infrastructure is being provided



Summary

- Main roads are vital to economies
- Decouple governance from state control
- Introduce commercial management
- Provide separate income via charges
- Promote dialogue between provider and user
- New arrangements to be subject to independent regulation



Thank You



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