

Extend consumer choice to roads

I have yet to meet an urban planner who does not hate the motor car. They spend their working lives devising ways to force us out of our beloved cars and on to trains, buses, bicycles and foot paths. They try to deny us parking in town and would like us to fill up our cars with total strangers.

But they do have a problem. There is never nearly enough road. After they have reluctantly approved a new road and raised the finance, usually with difficulty, and built the new monster, it will be only a matter of time before it, too, is clogged. Traffic expands to fill the road space created. And soon more roads will be called for. The planners think this is a very bad thing.

Driving your car to work or for pleasure is a great transport deal, especially if the traffic flows. It is comfortably and securely door to door, with a completely flexible timetable, accompanied by music of your choice and these days highly suitable for private conversations of your choice with anybody in the world. Little wonder that it is the aspiration of poor people everywhere to get off public transport and into their cars.

Therefore we should not be surprised that demand for space on the roads will grow strongly as incomes rise.

However, scarce road space gets rationed crudely through congestion rather than prices. The cost of using the road rises with the extra time spent on the road as the traffic builds. It is time that could have been used much more usefully to produce valuable income. Thus the more you could earn, the more it costs you in the traffic. This should of course provide every incentive to build more and better roads – to save time travelling so that more can be produced and earned at work. Investing in roads is probably one of the best things to do with tax revenue but roads have a bad time competing for it.

The reason is fairly obvious. Governments have to lay out cash to build roads but the return on their investment is in time saved and extra output generated, not in cash received. Governments bear the costs and it is the economy (you and me) that gets the benefits. Given intense competition for government money we do not build nearly enough roads and even fail to maintain adequately those we have.

There is, however, something the urban planners did not anticipate. The managing director and the beverage co-ordinator may be spending the same time in gridlock but are paying very different opportunity costs to do so. The solution for the MD is to get out of the traffic as soon as possible and into a highly decentralised location close to home. This will usually be far from where the tea lady lives. And so for want of good roads (and also for a safe, attractive destination), the established centres for doing business in SA, in which much has been invested over many years, gradually lose their customers and their economic value.

The reason roads are financed out of tax revenues rather than charges is that collecting fees for the use of many of the road links would have been counter-productive. The process of collecting the toll money would have added too much time and cost to the journey. Public provision of roads and “free riding” became the norm.

Such facts no longer apply. The electronic transponders attached to vehicles that register use of the US toll roads have low collection costs. This new technology will not only encourage the provision

of more major toll roads but will open up almost unimaginable opportunities for improving the roads system generally.

This system of collecting user charges electronically could be extended beyond the major toll roads to whole networks of roads. The networks providers will have every interest in encouraging connections that generate traffic and fee income on the main routes.

They will maintain the quality safety of roads so as to generate more fee-paying traffic. More traffic, especially off peak hours, will be welcome and lead to further investment in the system. I predict that, by applying the new technology, paying for roads as you use them will in time become as familiar as paying for the phone and its network.

Some may argue that they are already paying for roads with their taxes. But there is no direct link between what they pay in even petrol taxes or licence fees and what they get in roads. And if government didn't have to pay for roads, taxes might be lower.

Efficient collection of user charges means that car and bus owners get the roads they are willing to pay for, not the roads government thinks it can grudgingly afford to supply. Extending consumer sovereignty to the road system will bring a lot more road to the market from which car owners and the economy will benefit greatly. It may even put urban planners out of their misery, if not (alas) their jobs.

Further reading

Biermann, Johan, *Town planning and the market*, FMF Briefing Paper No. 54.

Harris, Jim, *Nationalising the taxi industry: What not to do*, FMF Briefing Paper No. 59.

This Briefing Paper was written by Professor Brian Kantor of the University of Cape Town, and first appeared in the Financial Mail, December 2000.