

A large green highway sign with a white border and white text. The sign is mounted on a metal structure. The background is a clear blue sky with some light clouds. The sign is the central focus of the image.

Market-based alternatives to the provision of roads

October 16, 2007

Montreal Economic Institute

Will Rogers

End traffic jams by
having government
provide the cars, and
private industry the
roads

Why change the present system?

- Not responsive to consumer needs
- Fails to deal with congestion
- Restricts freedom of mobility

Key change needed

Apply to roads the pricing and investment principles we use in the market economy

Consumers pay for what they get

- Producers provide what is profitable
- Road users get what they are prepared to pay for

The private sector can

- Maintain and manage existing roads
- British Columbia's Performance-based Road Asset Management
- UK "Shadow tolls" concessions
- Performance-based maintenance contracts in Argentina, Uruguay, Brazil, Chile

The private sector can

- Provide new roads
- 1908 - Long Island Motor Parkway
- 1995 - SR91 Express Lanes east of LA
- 1996 - The Dulles Greenway
- 2003 - M6 Toll road in England

18th/19th century UK and US turnpike roads

- US: 15,000 miles by 1,562 companies
- UK: 22,000 miles by 1,116 trusts

Modern toll road concessions

- 407 Express Toll Route
- Chicago Skyway - \$1.83B for 99-year lease
- Millau Viaduct - World's highest toll bridge
- Paris's A86 West 6.3 mile tunnel
- Madrid's M-30 4.4 mile tunnels
- Sydney's M2, M4 & M5 tunnels
- Shanghai's 5.6 mile Yangtze River tunnels

Advantages of concessions: Principal risks borne by concessionaires:

- Construction cost over-runs
- Subsequent cost over-runs
- Underestimates of traffic

SR91 Express toll lanes

- First modern toll road in the US
- First road with non-stop tolling
- First road with tolls varying by time of day
- Replicated in four other areas in US

Why not get government to act commercially?

- Difficult for it to raise prices
- Officials often led by whims and fashions
- Cannot be trusted to spend the funds in the interest of those who pay
- Dulles rail extension
- London congestion pricing

Canada has substantial privatization experience

- Privatized road maintenance in BC
- 407 Express Toll Route
- NAV Canada Air Traffic Control

Plausible next steps in Canada:

- Expand the private management and maintenance of roads
- Reform the road charging system
- Commercialize, then privatize, existing main roads, on the model of 407 ETR
- Allow the private provision of express toll lanes

**A principal obstacle to
reform is lack of
knowledge at top
government levels**

The purpose of
*Street Smart: Competition,
entrepreneurship and the Future of
Roads*

is to help overcome it