Market-based alternatives to the provision of roads

Présentation de Gabriel Roth* (16 octobre 2007, Montréal)
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One of the most consistent annoyances of daily life is traffic. In cities large and small, lines of cars inch their way along crowded roadways morning and night, a ritual that for many has become a nightmare. Data compiled by Transport Canada indicate that the costs of excessive traffic congestion in Canada are of the order of C$3 billion, 70 per cent of it in Montreal and Toronto. The costs per person in Toronto are reckoned to average C$217 per year.

Is there no solution? Are we doomed to spend a good portion of our lives stuck in traffic, just going to our jobs and getting home at night?

The bad news is: there's no perfect solution. Too many people wanting to drive cars on the same roads at the same times of day will always cause problems. But, as some of the world's leading experts explain in a recent book, "Street Smart: Competition, Entrepreneurship, and the Future of Roads" (2006, The Independent Institute, Oakland, CA/Transaction Publishers, Rutgers University), there are ways to ease these problems.

Most road systems are like relics of the former Soviet Union: socialist enterprises run by well-intentioned planners with no regard to the pricing and investment criteria that allocate goods and services in free societies. Moscow citizens got relief from food lines by abolishing socialism. The market economy could similarly liberate road users from excessive congestion.

If we recognize "road space" as a scarce resource, charge market prices for this resource, and use the revenues to stimulate investment in new capacity—such as additional lanes or new technologies to speed traffic past bottlenecks—congestion could be reduced.

Road pricing is not rocket science. Thanks to recent advances in technology, road users can be charged electronically without having to stop their vehicles, and charges can be varied from place to place and time to time as traffic conditions change. This has been done since 1995 on a 10-miles stretch of express toll lanes built in the median of State Route 91 east of Los Angeles. The charges there are set to ensure free flow at all times and now vary from

$1.20 at night to $9.50 on Friday afternoons. Similar lanes operate in San Diego, Minneapolis, and Denver.

Getting the prices right, however, is not enough. We need to use prices not only to restrain demand, but to stimulate and finance needed investment. Unfortunately, some public officials and environmental activists embrace “congestion pricing” only to the extent that it will restrain demand. They do not want additional road capacity, but want government to spend the revenues on other things, particularly public transportation.

London’s Mayor Ken Livingstone, for example, introduced congestion pricing in London in 2003, but surplus revenues are being spent on mass transit. New York Mayor Michael Bloomberg advocates a similar scheme. But, just as sensible people do not encourage alcoholics to run liquor stores, the insatiable thirst of governments for money should limit their involvement with road-use funds. Realizing this, the Swedish government is dedicating to road improvement all surplus revenues from Stockholm’s congestion pricing scheme.

When roads are financed solely by government, expenditures are constrained by government budgets, which continue to tighten because of the increasing burdens of social programs and defense spending. In contrast, under private, market-based, financing, expenditures would be limited only by the amounts road users are prepared to pay for better roads, not by politics. The highest priority activities, such as maintenance, would tend to be tackled first.

By contrast, governments have to spread benefits widely among constituencies, and often put low-priority—but popular—projects on equal footing with necessary and even urgent projects. As a result, needed maintenance, improvements, and expansion are delayed or sidetracked, producing the kind of disaster witnessed earlier this year in Minnesota when the I-35 bridge over the Mississippi collapsed.

Many criticize road pricing and the private financing and management of roads as being unfair to the poor, but market pricing can help everyone. Toronto’s 407 Express Toll Route and California's SR-91 express toll lanes are used and favored by all income groups, as they allow rich and poor alike to keep urgent deadlines, such as getting to work on time or picking up a child from a day-care center. Furthermore, if markets in roads were allowed to work, profits would attract investments to selectively expand the road system, permanently reducing congestion and bringing about better conditions for all.

Canada has not been slow to privatize infrastructure. Road maintenance services are privately provided in British Columbia; Air Traffic Control is provided by the public/private NAV Canada; and Toronto’s 407 Express Toll Route has been operating successfully as a private toll road since 1999.

Has not the time come for Canada to abandon its Soviet-style approach to roads; apply to them the pricing and investment principles on which its people rely for electricity, telecommunications, and other necessities; and allow road users to get the roads they are prepared to pay for?

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