Britain: Labour’s privatisation of roads

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Secretary of State for Transport Alastair Darling recently announced plans to open a private toll road between Birmingham and Manchester.

The private toll road would, he said, extend to motorists the “choice” that was now being extended to parents in their choice of schools for their children or to patients for their hospital treatment. Drivers could either pay to drive on a traffic-free route, to be known as the M6 Expressway, or they could drive on the old, congested M6 for “free”—i.e., after paying taxes that in turn are used to maintain the transport network.

The new road forms part of the Labour government’s broader strategy, set out in its White Paper *Meeting the Transport Challenge,* of introducing a market for roads and a system of charging drivers to use the roads, alongside similar plans for health and education. It goes far beyond the plans of the Conservative government that it replaced in 1997.

Far from resolving Britain’s gridlock or pollution, much less providing an integrated transport policy—Labour’s mantra of the 1990s—the announcement demonstrates that every aspect of public policy in Britain today is to be subordinated to providing a new source of profits for the banks and major corporations.

For the mass of the population, it means ever-greater rises in the cost of living (particularly for the poorest families for whom transport is one of the largest costs), the daily misery of gridlock in the most car-dependent country in Europe, and threats to health and the environment.

Darling proposes a 51-mile toll motorway to run alongside the existing M6 motorway between Birmingham and Manchester, to relieve congestion along the route that carries 140,000 vehicles a day. The private sector will finance, build and operate the road, which is likely to cost about £1 billion.

While his plan is officially described as a “consultation exercise,” this is only a euphemism for finding out more precisely the requirements of the government’s corporate backers and how they can best sell this agenda to the public.

It follows just seven months after the opening in December 2003 of Britain’s first private toll road, the Birmingham North Relief Road, proposed by the Conservative government of Margaret Thatcher in the 1980s and initiated under her successor John Major in 1992. Intended to relieve congestion for north-south traffic, the new toll road carries only 20 percent of the traffic on the existing motorway, despite reducing the charge to £2 for cars.

The private road operator, Midland Expressway Ltd., a consortium made up of the Norwegian Kvaerner Construction Co. and the Australian Macquarie Bank, is free to charge what it likes without considering any broader transport requirements. Not surprisingly, therefore, it has set its prices in a way that minimises its future maintenance costs: the toll for heavy-goods vehicles is five times the price for cars.

The new road is so free of traffic that drivers regularly break the speed limit. Speed enforcement is almost nonexistent.

Darling’s latest proposals make just as little sense from any rational perspective. Firstly, though the M6 is indeed busy, it is far from the most congested road in Britain. Secondly, all the evidence shows that the more roads that are built, the more the volume of traffic rises as corporations move out to the more easily accessible locations that are ill-served by public transport. That in turn would make the achievement of Britain’s target under the Kyoto agreement on greenhouse gases hard to meet.

Thirdly, the government has been forced to bankroll the £10 billion upgrade of the west coast main line (WCML) being carried out by Network Rail, the not-for-profit reincarnation of the failed privatised rail infrastructure company, Railtrack. The WCML will permit a twice-hourly service between Birmingham and Manchester and reduce the 200-mile journey from London to Manchester to two hours and ten minutes.

The competition from the additional road capacity will threaten the financial viability of the new service, leading to ever-higher fares that will deter rail travel or public subsidies, or both, if the intercity rail service is to be maintained.

The use of private finance in public infrastructure in Britain was part of the Conservative government’s wider policy of “rolling back the state” that began in the 1980s.

It introduced numerous measures to liberalise transport, reduce regulation, remove the barriers that prevented the private sector from supplying public road transport, privatised services, including air, sea ferries, ports, harbours, coach, bus and rail, and thus created a far more extensive market for transport. These privatisations have helped to spawn a quarter of Britain’s top 100 companies.

The use of private finance, which began in the 1970s and 1980s on the international arena, had by the 1990s become widespread in transport, power and water, often at the behest of the World Bank/IMF as the precondition for loans. Britain was one of the first countries to turn to private finance, with the Department of Transport being the first government department to use it to any significant degree. The European Union has now adopted this approach for transport and other public infrastructure.

By 1994, Britain had made more use of private finance in transport, by far the largest sector, than any other country apart from China. Early transport projects included the Channel Tunnel, the Dartford toll bridge over the Thames, the Second Severn Bridge, the Skye Bridge, the Birmingham North Relief Road, the Channel Tunnel Rail Link and the Croydon Tramlink. All of these were to be new builds, usually privately owned, and were to be privately managed with user charges. Other recent projects included several light rail systems, usually municipally owned but privately run.

In 1990, the Conservative government introduced legislation giving the secretary of state for transport the power to charge users directly for new, but not existing, roads and bridges. This was a major change because although a handful of bridges and tunnels that were owned by local authorities were tolled, those run by central government were free.

In 1993, the Conservative government also announced Design, Build, Finance and Operate (DBFO) concessions. Under DBFO contracts, the private sector would extend or widen a road, operate and maintain it and a further stretch of road for a 30-year period. It chose a 30-year period because the payment mechanism had to enable the debt finance, which typically has a repayment period of 20 years, to be repaid and ensure a return to the shareholders.

Whereas the government had wanted to introduce tolls, the private sector feared the political opposition it would cause. Numerous such projects in Mexico, Latin America and Africa had collapsed because of the public's refusal to pay the charges and use the roads. Consequently, the government's advisors, PWC, devised a scheme whereby the government would pay the contractor on the basis of a "shadow toll" set according to the volume of traffic using the roads. The Tories saw the system of shadow tolls as a precursor for direct user charges.

Run as shadow tolls, the schemes—unlike the new hospital builds—attracted little attention. The government divulged few details to the public, using the excuse of "commercial confidentiality." This was a lie, as it had to provide financial information to the capital markets whose investors wanted to estimate their likely returns.

Few, other than the capital markets, knew that the government had guaranteed the payments to the private sector, thereby underwriting not only the banks' but also the corporations' profits. It was some years before the government published how much it was all costing.

In just three years, 1999-2002, it paid out £618 million, more than the £590 million construction cost. Yet, the original justification for DBFO was that the government could not afford to build the new roads. Over the 30-year life of the contracts, the projects should net £6 billion for the private sector. Of the £210 million annual payment by the government, the private corporations make a truly awesome 68 percent profit.

Far from repudiating any of these measures, the incoming Labour government rushed to embrace them and developed them further. The government's national 10-year transport plan, "Transport 2010," has allocated £21 billion to the "strategic" road network, 25 percent of which will involve private finance.

Under the guise of "congestion-charging," it has introduced legislation to allow local authorities to charge road users directly for existing roads.

It signed off the partial privatisation of the National Air Traffic Services in 2001 and London Underground under its Public Private Partnerships scheme in 2003.

It stepped in to bail out the privately financed Channel Tunnel Rail Link, the privatised rail industry and the National Air Traffic Services PPP.

The government's White Paper *Meeting the Transport Challenge* reinforces its support for the creation of a market in road transport:

* It has welcomed the conclusion of a feasibility study that satellite technology could be used for charging motorists for every journey they make, although this could take more than a decade to implement.

* It will give incentives to local authorities to introduce congestion-charging schemes.

* The long-awaited Crossrail project to build a new east-west rail link across London will be built with private finance.

* Its decision to give "greater responsibility" for transport schemes to the cash-strapped regional and local authorities is a thinly disguised attempt to push the burden of funding infrastructure schemes onto local bodies and thereby force them into road pricing as a way of raising revenues.