Council of Ministers

CONCLUSIONS OF THE DECEMBER 2002 SEMINAR HELD IN BRUSSELS ON "MANAGING THE FUNDAMENTAL DRIVERS OF TRANSPORT DEMAND"

Ministers noted these conclusions at the Brussels session of the Council of Ministers.
Ministers:

- Noted the conclusions of the seminar, and the following points in particular:
  
  - Demand management can make economies more effective, reducing environmental damage, and improving the quality of life. There are practical and proven methods of achieving it, using pricing, planning, market and political levers. It is important that these levers should all be used in combination and in co-ordination with infrastructure improvement and other supply side measures. All these measures should be consistent with each other for full effect.
  
  - The expert community is convinced of the value of demand management measures. A small number of cases of good practice were identified in integrated transport and land use planning and charging for the use of infrastructure. There are opportunities for application of such measures on a wider scale.
  
  - Without demand management, the value for money and effectiveness of infrastructure improvements to address congestion can be undermined.
  
- Charged Deputies with examining implementation of demand management measures, making recommendations to Ministers as required. In particular, it is proposed to examine implementation of Swiss, German and Austrian road pricing for heavy goods vehicles and urban road pricing schemes in London and elsewhere, with a workshop at the end of 2003.
CONCLUSIONS FROM THE SEMINAR RAPPORTEUR

Professor Phil Goodwin

Introduction

1. The ECMT Seminar in Brussels, 16.12.2002, worked to an agenda opened by the Federal Minister for Mobility of Belgium, asking sharp questions about the need for practical policy advice. Ten technical presentations were given by transport specialists, covering freight and passenger transport, spatial planning, logistics, pricing at sectoral, national and European levels, appraisal methodologies and transition economies. There were prepared and spontaneous contributions to the discussion from many of the participants. Tentative policy conclusions were presented, then discussed and amended. Naturally a range of different views were expressed but the following main themes were widely supported by those present.

General Principles for Transport Policy

2. Current transport problems in Europe are serious, and in some respects are getting worse. Swift and decisive action is necessary, at local, regional national and European levels. In many cases what needs to be done has been well established for many years, but there are prolonged delays trying to reach a full consensus. This is understandable, but can be dangerous, as delays sometimes cause a loss of momentum and reduce, rather than increase, public and stakeholder support. There are now many examples where decisive practical action has helped to build support and experts have felt competent to assist Ministers in making rapid progress. Two good Swiss examples were presented at the Seminar: integrated land use and suburban rail planning to maximise accessibility in and around Zurich; and introduction of the HVF distance, weight and environmental performance based charge for trucks. At this time the general mood among experts is not ‘more research needs to be done’ (though of course this will always be essential) but that ‘it is time to take action’. The action will, inevitably, have to be adapted for specific countries and locations, whose needs and problems vary widely.

3. The physical volume of movement (as measured by vehicle, person or tonne kilometres) should not be treated as an objective in its own right, but only insofar as it develops a better quality of life and more efficient economies. In current circumstances, transport is sometimes a ‘victim of its own success’, with excessive traffic causing environmental damage and economic inefficiency, and undermining the value of infrastructure investment. In these circumstances, managing transport demand is a legitimate and necessary activity of Governments, including transport ministries and also ministries of finance, economics, environment, social policy and development.

4. Without the management of demand, most transport policy objectives of efficiency and sustainable mobility will be weakened or ineffective. This has been a widely supported view among transport professionals for many years, and the experts feel that the political difficulties, though real, have been exaggerated and should not stand in the way of rapid action. Nevertheless, politicians need more effective support from the experts to help them achieve public acceptance.

5. Demand management requires the use of a wide variety of skills and measures – economic instruments, but also psychological, marketing, educational and cultural influences. Most delegates see this as being assisted by framework legislation at international level, with strong discretionary powers at national and local level to allow important differences in implementation according to context.
6. It is recognised that many of the main drivers of transport demand are not directly subject to transport policy control: they include technical and scientific development; economic growth and rising incomes; demographic and social trends including ageing and household size; life-style patterns and individual preferences on housing, work and other activities including vehicle ownership and related affective motives; pressures of competition in regulated and unregulated markets; logistical organisation of production and distribution. They are also modified by policy objectives in other areas of Government activity, including taxation, and the spatial arrangement of health, education and other services. Transport policy which ignores these wider concerns is likely to be ineffective.

7. However, this does not imply that transport policy instruments are without impact. Theoretical and empirical evidence, and practical experience, show that prices, speeds, the quality of transport alternatives offered, spatial planning and regulation are powerful instruments which have a large effect on the volume and character of travel, especially in (consistent) combination, and when sustained for long enough to enable people and firms to adjust their behaviour, which takes several years. Research evidence on the effects of transport pricing shows that this is not usually the biggest influence on choices, but is big enough to make a substantial contribution to congestion (for better or worse), because in congested conditions relatively small changes in traffic volumes can have disproportionately large effects on delays. Effects of price changes on fuel consumption tend to be larger, in the long run, than the effects on traffic volumes.

8. The benefits of managing demand are substantial, but not always believed, and implementation plans must be able to deliver tangible and real benefits (‘making things better’, not ‘slowing down the pace at which they get worse’). Public acceptability is essential, and this can be assisted by careful and honest explanation, a well-understood long-term perspective, good support systems of data and analysis.

Prices

9. Transport pricing is an important concern for Ministries of transport, and also for Ministers of finance and economic development. Evidence shows that the relative and absolute level of transport prices have a significant influence on travel choices and traffic patterns – not usually the biggest single influence, but in most cases enough to create a substantial effect on the characteristics of demand: volume, pattern, timing, location, vehicle design, fleet, utilisation, etc., and of course pricing has consequential effects on revenues. The current price system is badly distorted, with different principles being applied to public and private transport, road, rail and air transport and passenger versus freight transport. The costs that transport users impose on other transport users (such as congestion) and non-users (such as neighbouring communities) and society as a whole (such as effects on health and the environment), are real burdens on the economy as a whole, not imaginary or theoretical. Congestion costs and environmental costs are often large, and when they are not properly reflected in prices, this causes distorted patterns of movement, and longer term effects on production and distribution, where the indirect costs can be greater than the direct benefits.

10. Most speakers at the seminar judged that economic efficiency and sustainable growth would be improved, not harmed, by the application of prices in all parts of the transport sector that reflect full marginal costs, including the ‘external’, or ‘social’ costs mentioned above. This is not seen as an ‘extra burden’, but as a means of reducing real, but poorly perceived, present burdens. Lower prices are an illusion if they cause higher costs.

11. It is recognised that the immediate, simultaneous and complete application of a radical change is impossible: there will need to be an implementation plan over a number of years, though short enough not to lose momentum and the advantages of synergy. This means that it is of the highest priority to get the
12. Thus to harmonise fuel taxation across Europe, for reasons of competition (outside the transport sector), before provision is made to include environmental and congestion costs in specific locations, would be a bad idea: it should be the other way round, allowing local or national authorities to implement contingent prices even before there is ‘absolute’ unanimity on the precise values of external cost.

13. Similarly, in locations where the main source of external costs is private car use, implementation of prices affecting these should take precedence over the implementation of social costs on public transport or freight transport, to avoid shifting behaviour in a counter-productive direction. (Similarly, where freight vehicles are the biggest sources of these costs, pricing should focus first on them, etc).

14. A related question of sequence is the effect that distorted patterns of pricing have on the value for money of infrastructure investment, reducing the relief from congestion provided by new roads or railways, and leading to the design of projects with the wrong capacity, in the wrong places. Since transport infrastructure has a lifetime of many decades, it is essential that such projects are appraised on the basis of the demand patterns that will exist in the future, as a result of more sensible prices, not those which are extrapolated on the assumption of permanently distorted prices. If price decisions are wrong, they can be changed, relatively swiftly, whereas if infrastructure decisions are wrong the effects will last for very long periods. There is currently work on methods of assessing the combined effects of good pricing policies and good investment decisions, and in the longer run this will be a much firmer base for policy appraisal.

15. Any effective use of pricing as an instrument of policy will involve some prices going up, and others going down, compared with the current distorted situation. This will involve the generation of new revenues in situations where costs are currently not being paid by users. In all such cases it is essential that the use of those revenues is transparent, well understood, and calculated to increase the overall benefit not reduce it. However, judgement about the specific use must allow discretion to take into account local circumstances. In some cases it will involve, for example, spending revenues from charges on car use, on improved public transport. In other cases it may mean using the revenues from the new charges to reduce some existing charges, or to reduce labour costs, or to mitigate environmental damage.

**Speed and Quality of Transport**

16. Often, changes to the speed and quality of transport have even bigger effects on traffic volumes than price. However, not all of these effects are desirable. In particular, changes to relative speeds in recent years have encouraged a travel pattern of longer average distances, which in the short run does not ‘save time’ but ‘increases choice’. In the longer run, the process has accelerated urban sprawl, the decline of accessibility to local destinations (for example when local facilities close down because of competition with more distant destinations which have not had to pay the full costs of their development).

17. It is important to recognise that the effectiveness of policy is not only measured by changes in modal split for a given journey pattern: these changes are useful, but sometimes quite small. Changes in the relative quality of different modes of transport have an effect on the whole pattern of travel: a walk trip to a good local destination does not necessarily provide less benefit than a vehicle trip to a more distant destination when the local one has closed: to say ‘mobility has increased’ in these circumstances is misleading, since accessibility has decreased, which is more important. Similarly consumers enjoy access to a wide variety of goods from distant destinations, but if their prices are artificially cheap due to under-priced transport, this can reduce the viability of local economies and reduce benefits overall.
18. Quality should be defined in a broad way. Speed is not always the most important component, and assessments sometimes give too much weight to this aspect. Comfort and reliability can be more important. The provision of reliable, safe, clean, secure and healthy transport is an increasing subject of public concern, and policy makers need to focus on these aspects.

Regulated Planning and Market Developments

19. If land use planning proceeds without consideration of prices and transport facilities, well-intentioned policies can be undermined. For example, plans to locate homes and workplaces reasonably close together are intended to reduce average journey distances. But if the relative prices and service quality of public transport and car use encourage journeys by car, with widely scattered origins and destinations, the overall effect may be the opposite of what is intended, and journey distances can increase. However, if the objectives of land-use planning are reinforced by the transport provisions, planning can have rapid and positive effects.

20. The best results are likely to be those where planning is working with the grain of the market, rather than against it. For example, in many cities there is a spontaneous market-led trend to redevelop central and inner areas, by conversion of existing buildings and new apartments, as popular places where young and rich people want to live. This is a reversal of long-standing trends, and gives great opportunities to develop public transport, walking and cycling, as well as economic regeneration of the city centre.

Caveats

21. Particular stakeholders are always concerned with the specific effect on their constituents, which is natural. Transition economies are often more aware of the immediate advantages of a rapid increase in car ownership than of the costs this imposes on their economies. Freight operators will be concerned if an unintended side effect of current policies is to make freight movement relatively more difficult or more costly than private car leisure traffic, since this would tend to encourage a shift in the apparent priority of freight traffic and leisure traffic which would not necessarily have economic benefits. Elected politicians need policies whose time scale is compatible with electoral timetables. All decision-makers expecting controversy will want the best possible scientific evidence, and in the nature of science that is sometimes an excuse for extended delays, waiting for the ‘final research project’ which never comes.

Summary

22. ‘Demand management’ is sometimes resisted as restrictive or unfair. But professionals and specialists in the transport sector see it as a necessary condition for making economies more effective, reducing environmental damage, and improving the quality of life. There are practical and proven methods of doing it, using pricing, quality, planning, market and political levers. It is important that these levers should all be used in combination, and should be consistent with each other for full effect. Failure to grasp the opportunities for managing demand will undermine the value for money and effectiveness of infrastructure improvement, and lead to increasing congestion and environmental damage.