INTERNALISING THE SOCIAL COSTS OF TRANSPORT

Foreword
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Transport activities are vital contributors to OECD economies. Not only is transportation important for the efficient delivery of a wide range of economic goods and services, the transport sector is also a major economic activity in its own right.

Despite this economic importance, transport markets often fail to take account of all social costs (or benefits) generated by transport services, when prices are set. Governments occasionally compound this problem by introducing policies that actually discourage the efficient functioning of transport markets. The result can be a sub-optimal allocation of economic resources to the transport sector, or within it.

Some of these "externalities" occur in the form of increased stresses on the natural environment, such as air and noise pollution. Some occur in other forms, such as increased risk of accidents or increased traffic congestion. Rapid growth in the volume and complexity of transportation services in recent years, coupled with higher levels of concern for the environment in general, has significantly heightened political interest in the problem of transport externalities.

This book presents the results of a 1993 OECD/ECMT seminar dealing with this important problem. After presenting an overview of the main issues involved (Chapter 1), the book surveys some of the growing literature on both the size and the nature of transport externalities (Chapters 2 and 3). Chapters 4 and 5 examine some of the policy options open to governments for resolving the problem, as well as how these policies might be implemented in actual practice. Chapter 6 considers the important issue of how the economic burden for using these policies should be shared. Chapter 7 examines some of the international dimensions of the problem, with special focus on the issue of policy harmonisation among governments. Chapter 8 provides a summary, and contains some broad observations and conclusions.

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