

»» De-nationalise our roads! Taxes on traffic would thus lack any justification.“

Oliver Knipping,
Berlin Manhattan Institute
for Free Enterprise



Provocateur **Oliver Knipping, Economist**

Every year the same thing happens... We all look forward to the upcoming festive season with our families, or even to a well-deserved Christmas break. The festive mood may evaporate rather quickly, however, when we think of the traffic jams common on German roads during the festive season. When squeezing at a snail's pace past miles of often deserted construction sites, one may be forgiven for wondering whether resources are being efficiently allocated.

The massive economic costs due to accidents, delays, stress and environmental damages should be a sufficient reason for optimising the road network. But what is the government's contribution to this goal? Could entrepreneurs not provide a network at least as good or better? What would a market for roads look like that is independent of vehicle, environmental and fuel taxes as well as politically imposed speed limits? Motorways, federal, regional and communal

roads should be transferred to private providers. Entrepreneurs should be in charge of operations, maintenance and the construction of new road networks. Also, the providers should decide the method of financing.

Roads could be financed by ad posters, electronic commercials or sponsoring - as already done in soccer stadiums and the like. Providers could also make use of GPS based charging systems, according to which drivers would only have to pay for their actual road usage. GPS based systems might offer differentiated tariffs according to the time of the day and congestion levels, thus providing an efficient mechanism to manage traffic flows.

Vehicle, environmental and fuel taxes would then be impossible to justify. Whereas the German government pockets about two thirds of our fuel bills owing to the aforementioned taxes and VAT, depending on the actual fuel price, those taxes need to be abolished in a de-nationalised road system.

Thus, the government would obtain revenues exclusively by collecting taxes on the road operators' profits.

I already imagine outcries that the state - unlike private entrepreneurs - would act to further public welfare. However, such claims are unrealistic. State monopolies far too often serve interests other than the commonly cited public welfare. Anyway - what actually is the "public welfare"?

Only entrepreneurs in a competitive market will offer traffic services according to customers' actual preferences. Thus, innovative potential for roads would then be limited only by entrepreneurial and technical hurdles, whether towards ice-free or illuminated, separate-truck or high-speed lanes.

A comprehensive study on the private provision of roads by Richard Wellings and Oliver Knipping will be published by the Institute of Economic Affairs in 2011 (www.iea.org.uk).

Objections ...

»» The budgetary crisis must not be an argument in favour of selling our silverware.“

Wolfgang Rose, Head of the Hamburg section of the trade union Verdi

»» Privatisation means fewer roads in the flat country and higher costs for all.“



Ulrich Klaus Becker, ADAC-Vice-President for Transport

»» Privatised roads are only worthwhile to their operators with a lot of climate-damaging traffic.“

Dieter Engels, President Federal Audit Office