



BETTER AND CLEANER USE OF INFRASTRUCTURES

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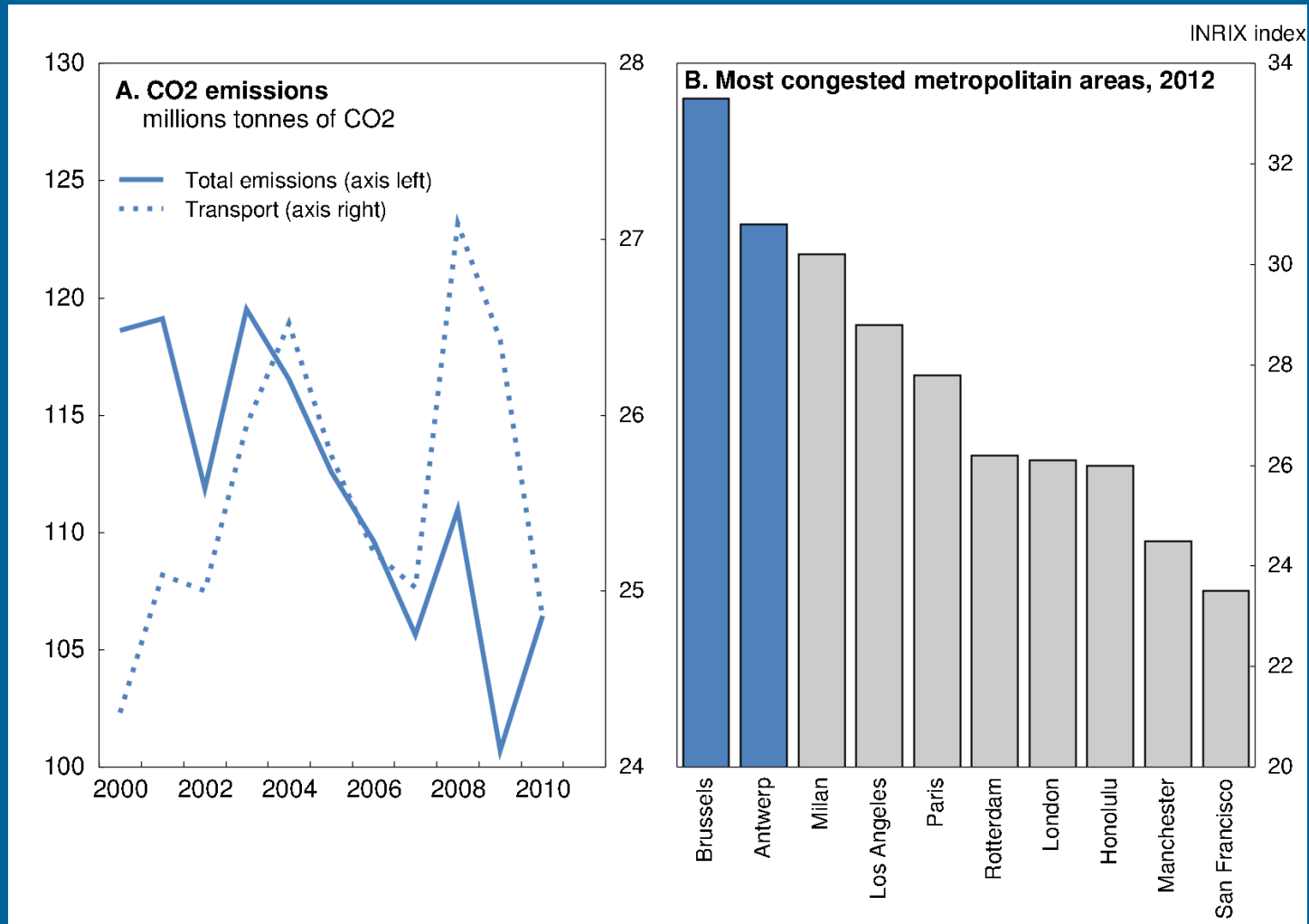


Context for thinking about infrastructures

- Fiscal sustainability
 - Boosting labour market participation of younger and older workers => more transport!
- Different speed of population ageing: either move workers to or jobs out of Flanders
- Environmental consequences of transport
 - CO₂ emissions and inner-city air quality
- Reform of fiscal federalism
 - Greater consolidation responsibility for regions

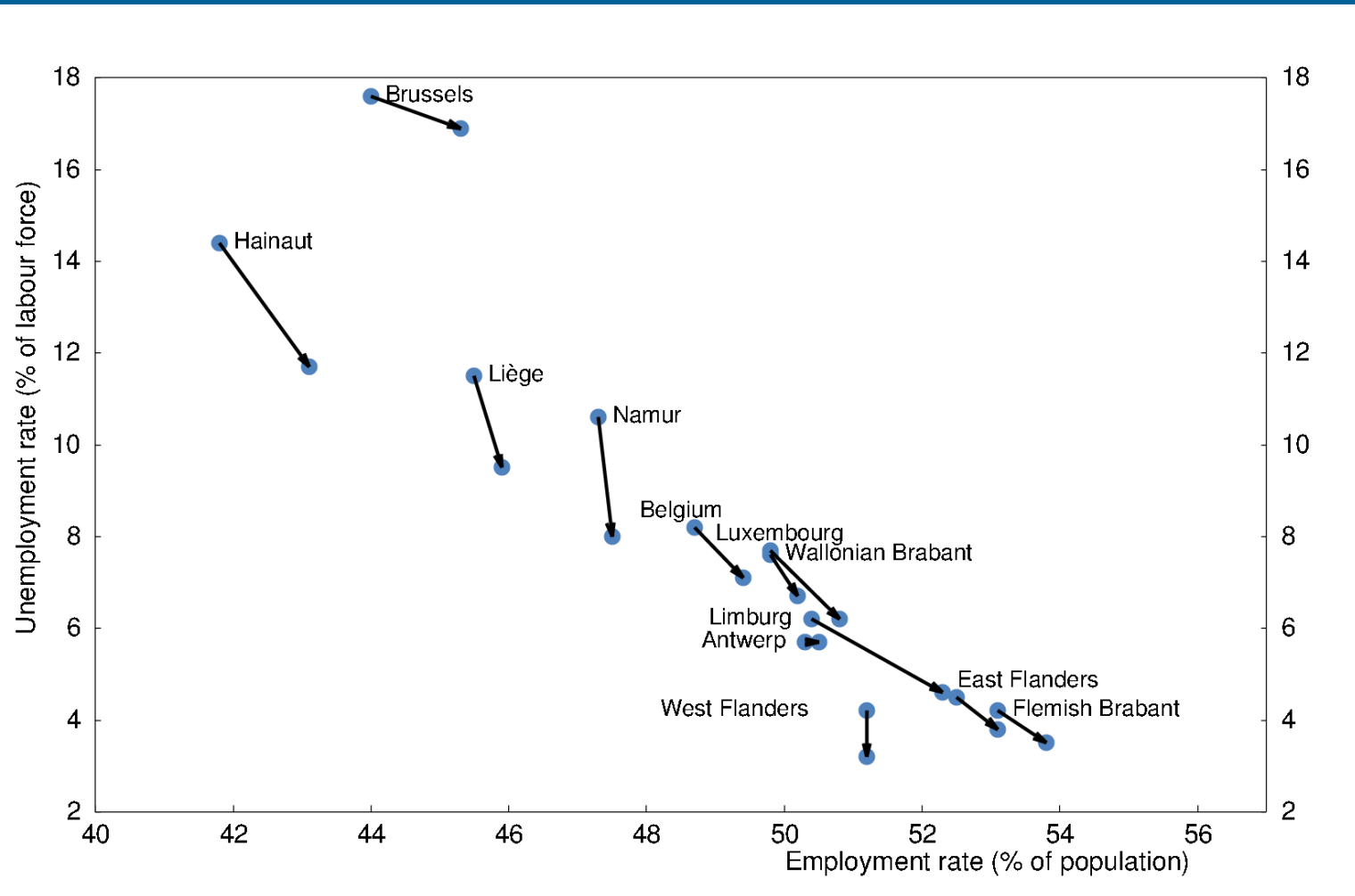


Transport infrastructures can be used better to limit pollution and congestion





And to improve labour market outcomes





What are the problems?

- No general lack of infrastructures – low average usage. However: congestion problems
 - Focus investments on bottlenecks
- The problems are:
 - No integrated long-term infrastructure plan
 - Large subsidies to all types of transport
 - Direct in the form of commuting subsidies and lenient tax treatment of company cars
 - Indirect via low cost-recovery ratios and extensive public service obligations



Main recommendations to improve the use of infrastructure

- Develop an integrated long-term infrastructure plan covering all types of transport
- Make cost-benefit analysis a standard tool
- Make the costs of public service obligations explicit and compensate providers directly
- Tax employer-paid commuting subsidies as wage income. Abolish the favourable taxation of company cars. Tax diesel to reflect negative externalities
- Combat congestion with a road pricing system and differentiated public transport fares
 - Calibrate carefully to avoid unintended shifts to other transport modes



Existing road pricing

- Road pricing is already in place:
 - In the form of transport fuel taxes, company cars, commuting allowances, etc.
 - However, no behavioural effects as no location and time element
- The new road pricing system for trucks
 - Some environmental effects (truck dependent)
 - No effects on congestion as the system has no location and time elements



Good road pricing has real-time pricing of congestion

- GPS based nation-wide systems can vary prices across locations and time
 - Optimal system for addressing congestion and environmental concerns
 - Draw-back: High initial investment costs
- Access pricing around cities – cheap solution
 - Revenue generation with no behavioural effects
 - Move congestion from city centres to suburbs
- Access and congestion pricing around cities
 - Revenue generation with some behavioural effects (less traffic displacement)



Road pricing issues:

- Political issues:
 - How to make the electorate pay for a free good?
 - Trade-off with a lowering of other taxes is one possibility
 - Ex-ante majority against and ex-post a majority in favour
- Practical issues
 - GPS based systems raise privacy and lock-in concerns (“old technologies”)
 - How to deal with foreigners and other regions?
 - How to make foreigners pay for road usage and deal with spill-over effects?



Practical road pricing issues:

- Cannot be a standalone measure as there are spill-over effects to other transport modes:
 - Introduce congestion pricing simultaneously on roads and public transport as the latter is at max capacity
- Impact of other policies:
 - The very rigid housing market (rent control in social housing and high transaction costs) boost commuting.
 - More competitive telecom markets could stimulate teleworking and thus reduce commuting.

Importantly

- Efficient systems are characterised by:
 - Coverage of all vehicles
 - Time differentiated tools
 - Include secondary roads to avoid displacement effects
- Learning by doing:
 - Introduce systems around the congested cities (Brussels and Antwerp) before going nation-wide



- Thank you
- Merci
- Dank u wel
- Mange tak