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Road Taxes, Road User Charges and Earmarking

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Abstract

The UK Road Fund was set up in 1921 and financed by earmarked taxes, but was unsuccessful as a form of road finance and abandoned in 1937. The paper examines why earmarking failed and what problems arise for replacing road taxes by hypothecated road charges. These charges would need to be regulated and could evolve into a more efficient system of road pricing. The paper claims that recent experiences with regulating capital-intensive network industries make road user charging and the commercialisation of the public highway both feasible and desirable, but that recent government proposals for local earmarked taxes are inadequate.

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