Highways (Financing) Bill Committee Stage

Written evidence submitted by Transport Action Network

Conclusions

- UK consumers already face high costs for electricity, water and rail. The Bill's new tolling powers would make driving more expensive without improving alternatives, adding to cost of living pressures.
- The proposed Regulated Asset Base model for roads is much riskier for roads than other utilities because road usage can vary more and a real likelihood of traffic not continuing to increase. Private road projects are thus more likely to require upfront public funding or hidden support, in turn increasing the likelihood of this spending featuring on the government balance sheet.
- The Bill creates a new type of highway authority, uniquely free of duties to manage roads as part of a wider network. This loss of public control, and its disconnection from devolution, flies in the face of wider political agendas and is happening without consultation.
- The only options considered during the Bill's development were different ways to fund road building. This blinkered view ignores more effective ways to cut congestion, unlock housing and improve productivity.
- The Bill's scope is drafted broadly, meaning it could be used just for the Lower Thames Crossing (LTC), for that and a few other schemes, or for a widespread patchwork of tolling across the strategic road network.
- A regulator funded almost entirely by DfT will not be credible, whether to investors, road users or neighbouring communities.
- Transport carbon emissions have risen over the last two years and emissions from use of England's main roads are set to contribute 15% of UK emissions in the 2030s. Funding needs to shift urgently to fund alternatives, in order to cut traffic, congestion and pollution.
- Alongside the emissions, accelerating climate breakdown is imposing a growing £19 billion maintenance backlog for local roads. Rather than fantasy road schemes, this Bill should prioritise funding streams that make everyday travel resilient.

Recommendations

- The DfT should provide examples of road schemes beyond the LTC that it anticipates this funding mechanism applying to and to confirm when it will finally update its 2022 National Road Traffic Projections.
- To avoid creating new HS2 or Sizewell C scale risks for the taxpayer, Parliament should ensure the Bill's final stages are not completed until there has been an independent investigation of the LTC financing model, including similar scenario analysis to that recommended by the Public Accounts Committee for Sizewell C.
- The provisions to modernise tolls should be granted as an exception, on the basis that road user charging should be the norm. The Regulated Asset Base approach should be removed from the Bill and Green Bonds recommended as an alternative.

Areas to consider amendments

A. The Bill should place statutory duties to consult relevant strategic authorities and ensure that schemes and licensing decisions align with local transport plans.

B. Instead of creating a new type of unaccountable highway authority, existing provisions for strategic highway authorities should apply by updating the definition in the Infrastructure Act 2015.

C. The Office for Rail and Road should be replaced by an Office for Integrated Mobility, to improve transport outcomes, funding diversification as well as independence.

D. The Bill should include a package of measures to cut the use of ghost plates to reduce risk of wrongful enforcement of user charges.

E. The Bill's overarching duties should be strengthened to ensure that all decisions made under it deliver environmental net gain and are consistent with the UK's pathway to net zero.

F. Provisions to guarantee transparency of private toll companies, including applying Freedom of Information laws, are needed to ensure scrutiny of business cases and long-term agreements.

G. A provision to require ministers to report on development of a distance-based lorry road user charging scheme within 12 months of Royal Assent should be added.

Introduction

1. Transport Action Network (TAN) is a non-governmental organisation supporting local communities across England and Wales to improve travel choices and tackle the increase in traffic and car-dependent developments.

2. Nearly 30 years ago, the Transport Act 2000 created road user charging powers. These can only be exercised to support local transport plans and, in addition, on the strategic road network for bridges or tunnels longer than 600 metres. TAN believes this

approach is largely sufficient and crucially, aligned to local policies. Beyond that, with the road maintenance backlog growing as fuel duty receipts are set to fall, we believe a fair, distance-based road user charging makes much more sense than a patchwork new system of private tolling.

3. Last month the new Government was reported as being "absolutely committed" to its predecessor's new town programme, but has now gone cold, wanting instead to put mayors in the lead in developing sustainable urban extensions. A similar shift here, where mayors raise funding for transport schemes they lead on, would be welcome, rather than the private sector imposing their roads in mayors' patches.

4. The big, unanswered question is how many road schemes this Bill might be used for, and of what type. Exactly twenty years ago the DfT's Eddington Study[1] made the case for road pricing to deliver productivity and economic benefits, suggesting that once in place, 80% of road schemes would no longer be viable. Most of the remaining schemes were roads carving into urban areas, an idea now replaced by an emphasis on higher density development. With the DfT advancing road pricing to replace lost fuel duty, Eddington's recommendation to assess road scheme viability against a future with road pricing is more relevant than ever.

5. As part of each Road Investment Strategy (RIS), National Highways (NH) develops a pipeline of schemes. In the latest, RIS3, the pipeline schemes are largely junction changes. The larger-scale "strategic studies" that considered major developments, such as the Trans-Pennine Tunnel, M4 Dorset or Oxford-Cambridge Expressway instead recommended smaller, discrete interventions[2]. Most of the congestion locations occur where commuters mix with longer-distance journeys: these would be hard to toll and are best addressed by wider interventions to enable modal shift. Unlike toll roads in more sparsely populated countries like Spain, the dualling of single carriageway roads in England may well require tolling over swathes of countryside to avoid traffic diverting down unsuitable roads.

6. Privately led schemes have not been financially successful in the UK:the M6 Toll took twenty years to make a profit. With uncertainty now far greater, whether due to the replacement of fuel duty or technological change, any scheme would likely require public subsidy, as has been the case with the LTC.

7. Finally, the lack of integration with plans for rail or long-term climate resilience is striking. In 2023 the National Infrastructure Commission recommended that the first priority for the rail and road networks should be maintenance and resilience, but that by "the end of 2026, government should develop an integrated strategy for interurban transport" joining up rail and road. Since then the local road maintenance backlog has grown to £19 billion while the benefits of tackling it are as much as seven times higher than road schemes.

[1] Eddington Transport Study DfT (2006)
[2] Pages 59-64 in Road Investment Strategy 3 (RIS3): 2026 to 2031 DfT (2026)

A Bill dictated by a single road scheme?

8. There are perhaps three scenarios as to how much this Bill might be used. Starting with the most limited application, if used just for the Lower Thames Crossing (LTC), there are serious doubts whether the private sector would have the appetite to trial a new funding approach for such a large, complex scheme without further concessions. These increase the likelihood of the transaction appearing on the government's balance sheet.

9. Likewise, there are major doubts whether the state could, with construction underway, negotiate a deal that was genuinely in the public interest. By way of example, it took three years between the Nuclear Energy (Financing) Act 2022 and Sizewell C achieving financial close in 2025, with its cost increasing from an initial forecast of £20 billion to as much as £48 billion. This had been forecast to add £19 to the average electricity bill, contributing to some of the highest costs in Europe. By contrast, initial work on the LTC has already started, with the hope of securing a private investment deal by 2028 when public funding runs out.

10. The Bill's Impact Assessment ('the Assessment') suggests its provisions would be "used only for a limited number of large-scale projects", providing a second scenario. As explained in the introduction, it is unclear what these projects might be, something the Government should clarify during Committee Stage. It is also hard to foresee how there might be genuine "competition in relation to the carrying on of commercial activities in pursuance of licences" in a small market with infrequent project flow, which would not attract many entrants.

11. Finally, the Bill's provisions could be used far more broadly, for smaller schemes and minor improvements across the road network, as spending pressures increase. Indeed the Assessment notes at page 34 that "[t]he powers are intended to be available for any future specified highways that meet the criteria set out in the legislation." That not only raises major questions about the lack of public consultation on the Bill; it also begs the question whether a more generalised scheme of road user charging might be fairer and more effective than a series of tolls at locations where there have recently been works.

Road user charging as the modern version of tolling

12. The aim to modernise tolling is reasonable, but begs the question of how it would work in practice. If it is to rely on the installation of equipment in vehicles, a provision seeking USB-C like interoperability with Irish and continental technology would help reduce cost and increase uptake. If instead ANPR is to be the focus, then provisions are needed to tackle the scourge of ghost plates, otherwise an increasing number of innocent drivers will find their vehicles clamped. The Bill could achieve this through stronger penalties (including penalty points on licences) and by restricting who can issue number plates.

13. Nonetheless tolling is still a concept dating from turnpikes of the 18th century. In the same way that tickets are being replaced by authorisations to travel on public transport, surely it makes sense to prioritise more modern approaches for roads too, ones that align with devolution? The 2023 National Infrastructure Assessment called to:

"make the long term funding for major projects…conditional on recipient cities committing to introduce a demand management scheme, in a way that is designed to work best in the local context. The exact form and sequencing of the demand management scheme should be a decision for the individual city, and the revenue raised should be retained by the local area for investment in public transport and active travel."[3]

Effective regulation

14. Independent, effective regulation is vital for public and investor confidence. However, as rail nationalisation completes, the ORR will soon be almost totally dependent on the DfT for its funding. How can it credibly be seen as independent, when the government provides its resources? In the context of the Devolution Bill, TAN suggested modernising the ORR to become an Office for Integrated Mobility covering other public transport and charges like emission zones and parking levies. That would decisively broaden its income streams. Without this change, the system of regulation proposed in the Bill will not be plausible.

15. Rail is the one area where the ORR has regulated user fees, and the chart below illustrates its impact. Access charges on the UK's historic rail network are relatively low, but this is because of some of the most intensive utilisation anywhere alongside low investment (for example electrification and cab-based signalling). For new infrastructure like HS1, charges are by far the highest, depressing utilisation of that asset compared to forecasts.

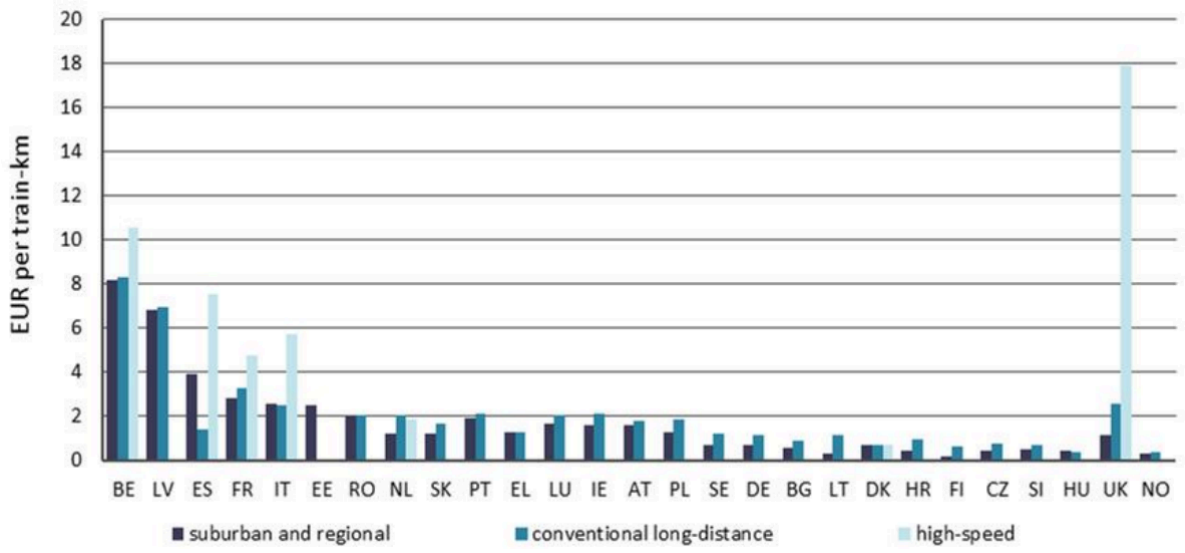


Figure 1: Access charges (excluding markups) for different passenger train categories in 2018. Source: Seventh monitoring report on the development of the rail market, European Commission (2021).

16. In relation to its highways monitor role, the ORR has struggled to demonstrate its worth. National Highways failed to deliver half of its key commitments in RIS2 (covering

[3] Second National Infrastructure Assessment NIC (2023)

2020-2025), with its top priority of safety plateauing. The model of a single roads company has failed to deliver innovation, so this Bill is a missed opportunity to consider alternative structures, such as regionalisation.

17. One particular limitation of the ORR has been its narrow focus on efficiency, while refusing to consider issues of effectiveness, an even more important component of value for money. There have been concerns in other regulated sectors that asset owners prioritise construction over making better use of what already exists, as that increases the value of the asset base on which they can charge fees. Integrating workplace travel plans between employers, for instance, can cut congestion faster and more cheaply than junction changes.

Risk

18. International investors have become more risk averse following the collapse of multiple Australian road projects in the mid-2000s, after traffic levels failed to live up to projections. Since before the turn of the millenium, UK residents have on average travelled fewer miles per year. While the DfT published traffic forecasts in 2008, 2011, 2013, 2015, 2018 and 2022, these had a "distinct, systematic and repeated tendency to overpredict the growth in traffic" as shown in the chart below[4]. Despite reams of paperwork produced for the planning system, the applications for schemes like the LTC failed to consider other traffic scenarios, undermining future private financing.

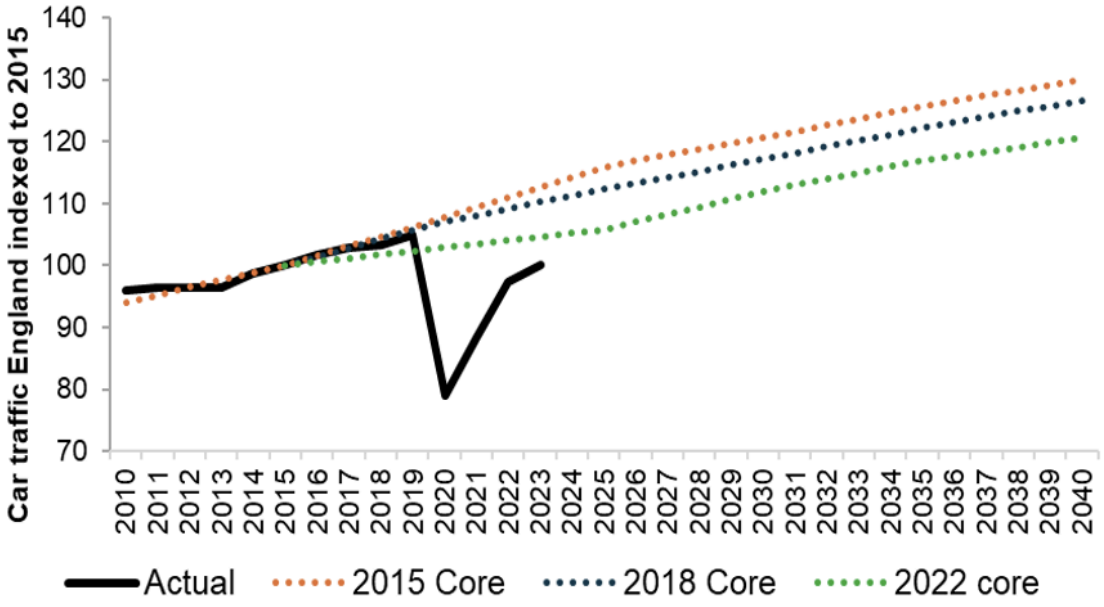


Figure 2: Core scenarios for car traffic in England from the DfT traffic forecasts, compared with actual traffic, 2010 to 2040, indexed to 2015. Source: Goodwin (2025)

[4] National Road Traffic Forecasts 1965-2025: Why did they become so inaccurate, and how can they be Improved? Goodwin, P. (2025)

19. The DfT has acknowledged that its modelling fails to account for London, but with other cities now empowered to adopt London-style policies like bus franchising and multi-year investment, its national forecasts are set to become even less accurate. Although the minister maintains that "[d]emand will only go in one direction", two of the four Government Office for Science's 2050 scenarios show less traffic by that date[5]. On top of that, the latest ONS projections now show UK population declining from 2055[6]. The DfT has now gone longer without publishing new projections than at any point in decades, and some are starting to suspect that the delay is not accidental.

20. The acceleration of climate change creates major risks in the short term, let alone the sixty plus year periods during which transport infrastructure needs to pay its way. The latest Environment Agency forecasts were published in 2024[7], suggesting about half of UK transport infrastructure would flood regularly by 2050. Though this was a significant increase on previous predictions, the modelling was based on the 2018 UK Climate Projections, so was out-of-date on publication. Increasing climatic extremes not only increase direct costs for toll roads, such as for road maintenance and operations, they also are set to reduce traffic, as surrounding roads are increasingly disrupted and economic growth takes a hit. This is set to make road schemes less attractive investments than other infrastructure, such as renewable electricity.

21. The unprecedented pace of technological change affects transport more than other sectors. Far more lorries in the UK run empty than elsewhere, nearly a third here, compared with a quarter on the continent. AI could improve logistics flows, while wider technological change such as 3D printing could reshore manufacturing and reduce HGV movements.

22. Finally, RAB-funded roads are inherently riskier than equivalent sectors for water and electricity. Higher charges to cover cost overruns on a sewer or power station are absorbed into monthly user costs: by contrast, a higher road toll is likely to influence road users' propensity to drive on that road. TAN's analysis showed that tolls at Dartford would have to at least triple to cover the cost of building the Lower Thames Crossing, likely reducing traffic compared to forecasts. As a result of all this uncertainty, the private sector is justifiably unlikely to invest without substantial government guarantees.

Interaction with devolution, national and local objectives

23. The minister claimed the Bill was "compatible with our promise of greater devolution" yet its contents make no mention of local authorities or mayors. That is despite road schemes having significant impacts on the surrounding road network, communities and local transport plans. This is especially the case if they are tolled, because of the potential for diversion, which is why existing provisions for charging road users generally require alignment with such local policies.

24. The Bill would create a new type of highway authority, uniquely not subject to the Network Management Duty. In other words private road companies would have no duty

[5] Figure 14 in Net Zero Society: scenarios and pathways GOS (2025)
[6] National population projections: 2024-based ONS (2026)
[7] National assessment of flood and coastal erosion risk in England 2024, Environment Agency (2025)

to cooperate with other highway authorities, whether for long-term planning or day-to-day operations, such as responding to disruption. This is fundamentally at odds with the principle being advanced of the need for a single guiding mind for the railways.

25. While there are suggestions of mayors being given a say on water as part of devolution, this Bill goes in the opposite direction. That is all the more surprising given that mayors have duties to set out transport plans rather than ones for water, and that transport has been the totemic element of devolution.. Though the minister referred to the need to "balance certainty for private investors with safeguards for the public interest", the reality seems that the only way the DfT believes it can entice private investment into roads is by trampling on mayors, their interests and their residents.

26. There are important questions too about how privately run roads will advance national objectives, such as reducing road deaths and pollution. Road Investment Strategies have Performance Specifications, while local government has outcome frameworks to be held accountable to. By contrast, the Bill provides for very limited accountability on private companies, just powers for the ORR to request information and for the minister to publish guidance, rather than setting transparent outcomes.

27. In 2015 about 10% of UK CO2 came from usage of England's Strategic Road Network (SRN); this figure is set to increase to 15% over the next decade, as vehicle electrification falls behind previous ambitions. In fact even with record EV sales, UK surface transport emissions have increased over the past two years, making climate targets ever harder to meet. Despite building more roads taking us further in the wrong direction, the Assessment side-stepped this issue, asserting "no direct impacts on natural capital or decarbonisation arise from this primary legislation".

28. There are similar challenges for noise and air pollution, not least with deaths from particulate pollution (caused by road, tyre and brake wear) rightly being an outcome mayors are held accountable to. The same applies to road safety, which RIS3 only requires a 7.5% cut in people Killed or Seriously Injured on the Strategic Road Network by 2031. Yet the trajectory to meet the 2035 target in DfT's new road safety strategy needs about a 55% reduction in people across England's roads by that date.

Alternative approaches to unlock investment

29. One of the many positives of devolution is how mayors are held accountable for outcomes rather than outputs, which empowers them to think outside the box and develop effective, preventative approaches. The Bill's Assessment claims it "ensured the longlist captured the full range of credible choices" (section 4.1) but in practice it only considered different funding approaches for major road building.

30. Admittedly, there was one example where the imagination did run wild. Despite the SRN being the UK asset with the highest carbon emissions, the DfT did consider Green Bonds, before noting "challenges in defining roads projects as suitably sustainable or 'green' to meet the eligibility criteria". Meanwhile in 2025 Germany issued €15 billion of Green Bonds, largely for electrification and expansion of its railways, urban public

transport and cycleways[8]. While this would be more appropriate for a Finance Bill than this one, it is surely a measure long overdue proper consideration.

31. With most traffic around major urban areas having a local origin or destination, it is better for this to be managed through local policies and charging schemes, as noted in the tolling section above. Alongside such local schemes to manage congestion, there is a stronger case than ever for distance-based road user charging, starting with larger vehicles, which cause disproportionately more wear and tear on our roads. While passengers and freight are expected to pay their way for long-distance rail, the move away from fuel duty provides the opportunity to move to distance-based user charges to pay for running the core road network. Scarce public funding could then be focused on addressing the maintenance and resilience of the local road network, and of the rail network, which being older, is at greater risk of extreme weather.

[8] Green Federal Securities Deutsche Finanzagentur (2026)