**Traffic Congestion in UK**

**Extract 1: Paying for congestion**

No one doubts that Britain's transport system is in a mess. Increased incomes and car ownership have meant that road traffic has grown by more than 70% in the past 20 years. Underinvestment has left local roads in their worst condition for 30 years. Public transport fails to offer an adequate alternative and its use has declined. Chronic congestion has been the inevitable result - damaging economic prospects, the quality of life, public safety, and the environment

*Source: adapted from The Financial Times, 21 July 2000.*

**Extract 2: Taxing issue for UK's motorists**

LONDON (CNN) - While petrol prices across Europe include a large percentage of tax, no motorist pays as much for fuel as those in the UK.

European Commission figures for April 1999 show that 81 percent of the price of a litre of petrol in the UK was made up of tax. In Spain, motorists paid 68 percent tax; in Austria, the figure was 69 percent; in Greece, 66 percent. Only the level of tax in France came close.

The UK's high fuel taxation dates back to 1993, when the Conservative government introduced a fuel "escalator" which put up the cost of petrol by a minimum of three per cent above the rate of inflation. This "escalator,\*1 the aim of which was to encourage people to use public transport, thereby reducing congestion and helping to cut greenhouse gas emissions, later increased to five percent and then, under the Labor government, six percent.

Unlike many other European governments, Britain has no income from motorway tolls and the absence of any mention of such tolls in the government's recently announced 10-year transport strategy suggests they will not be introduced in the near or distant future. Meanwhile, while it is against reducing the high level of tax on fuel, the environmental campaign group, Transport 2000, wants more of it to be invested in improving the public transport system.

Despite the cost of fuel, between 1989 and 1999 the number of cars on the roads went up by three-and-a-half million. It seems that while Britons may not like high fuel taxes, their love affair with the car is stronger.

*Source: adapted from www.cnn.com, 31 July, 2000*

1. Identify the type of externality in the passage. (2)

2. What is external cost? (2)

3. What is welfare Loss? (2)

4. What is market failures? (2)

5. Using economic analysis, explain why it is necessary to control traffic congestion. [6]

6. How did the British Government solve the market failures. (3)