

The madness of road privatisation

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The UK government now has just about the lowest rate of interest on its borrowing that it has ever enjoyed - in least in the modern era of government. And so what is Cameron announcing today? The biggest programme of road privatisation through an expensive PFI style scheme ever dreamt of.

The logic is to sell the rights to a road to a private company, get them to borrow from pension funds on the basis of the securitised income of the private company for running that road, which will be wholly paid by HM Government since road pricing is supposedly specifically ruled out, and then the road will be supplied to users in exchange for the tax they pay, as now.

Now let's consider the alternative. The state borrows at much lower interest rates by cutting out the middleman and with its vastly better credit rating, pays a contractor to build the road and then runs it as part of its estate in exchange for tax paid with pension funds in exchange getting the long dated gilts they still need to fund pension obligations.

Which route will be cheaper? Glaringly obviously the second. But the government is opting for the first. The insanity of the Treasury's phobia with debt that has fuelled the most expensive and inefficient off balance sheet borrowing programme anyone could conceive through PFI continues as a consequence.

We need a Chancellor with some straightforward financial sense with no interest in securing their own employment in a PFI entity after leaving office. Unfortunately we have not got one.