

Congestion pricing in London **A European perspective**

IN BRIEF

T&E welcomes the London Congestion Charge initiative as a move in the right direction. While it is far from perfect, such a scheme moves towards internalising transport's external costs and is therefore to be encouraged. We look forward to seeing other cities introduce transport pricing over time.

We are happy to see that there is transparency in the use to which the revenues from the pricing scheme will be put. We are therefore happy the money will be used in a socially progressive area, namely improving London's transport. It could make sense at a later date to use the revenue for other purposes.

We urge the UK central government to treat the money gained from the congestion charge as additional revenue and to ignore any temptation to cut central government spending on London. That would effectively penalise London for developing the congestion charging scheme, and would discourage other cities from pricing for transport.

DETAILED COMMENTS

Pricing

One big problem with the congestion charge is that it prices entrance rather than use. It is in this respect a bit like annual registration taxes for cars: once the high initial fee has been paid a driver can drive as much as s/he pleases. The congestion charge cannot therefore be more than a first step.

Experts are agreed that social marginal cost pricing is the ideal for road pricing: the congestion charge in London does not meet this ideal. On the other hand, the ideal is not yet practicable and a congestion pricing scheme is politically acceptable. This is a good start and should be encouraged. Most importantly, it is a charging scheme in a big city – if it succeeds, others will follow.

Ideally the congestion charge in London (and elsewhere) would evolve into a more general road pricing scheme, in which congestion is one important element. Road-use in London would thus be paid for wherever in the city a private car were driven, the price increasing in concentric circles as one approached the city centre to account for congestion effects, and varying according to the time of day. This flexibility in price is crucial in the long-term.

The use to which the revenues will be put is the most important question in any pricing scheme. We are therefore happy that the money gained from the pricing scheme will be used in a transparent manner, and welcome the fact that the revenues will be used to improve London's public transport system. However, once the transport system is restored to a world-class standard, revenues should be freed up to be used for other socially progressive purposes, such as education and health. The money should always be used transparently.

Central government should resist the temptation to cut London's central funding in line with the revenues raised from congestion pricing. That would effectively penalise London, send the wrong message to other cities and regions thinking of implementing a similar scheme, and thus act as a disincentive.

The system needs to be able to be fine-tuned as it operates in practice. This means a certain flexibility in price and geographical reach. It is therefore welcome that areas bordering the congestion pricing boundary can join the scheme later.

Discounts

Many different groups of people are eligible for discounts, or even free passage, in the congestion charging area. Some of these discounts make sense, many do not.

It does not make sense that residents of central London pay only 10% of the fee. That turns it into a symbolic charge and will encourage them to drive more. These people should be encouraged to give up use of their private vehicles, particularly given that central London is the best served part of the city in terms of public transport. While it is fair that residents should receive some discount, they should pay a significant portion of the charge.

'Crucial staff' receive a 100% discount, as they are seen to be entering central London in order to do essential work. It does not make sense that they pay nothing to do so. They too should be encouraged to car-pool or use public transport as a matter of course: granting a 100% discount sends the political message that the authorities do not believe public transport is reliable enough to get essential staff to work. It could be possible for crucial staff to apply for the 100% discount on an individual basis; but these should be the exception rather than the rule and decisions should be taken on the basis of individual circumstances.

The congestion charging scheme explicitly excludes mopeds, which are amongst the worst emitters of pollutants (and noise), being so far untouched by European regulations. At the least, mopeds should be fully incorporated in a later, fuller, road pricing system.

It makes sense that the disabled and service vehicles, such as buses, taxis and breakdown vehicles are able to enter the zone for free.

Urban transport

Inasmuch as the congestion pricing scheme reduces other transport-related problems than congestion – such as air pollution, noise and accidents – it is environmentally beneficial.

The charge will probably have little effect on parking in the near future, given the high 'starting' level of congestion. London could use the congestion charge opportunity to reduce the number of available parking spaces on the grounds that fewer cars will be in London and seeking parking (and to encourage greater public transport use); essentially reclaiming land for communal use. If it does this, the congestion charge will have had a good effect.

On land-use planning, we will have to wait and see the results. On the one hand, it should have little effect on planning within the congestion pricing zone, except inasmuch as it could prevent road widening. On the other hand, some people could seek to locate to just outside the congestion pricing zone to avoid the congestion pricing, unlikely as this may seem.

Car-sharing

The London congestion charge will in the first instance have little effect on car-sharing. However, as car-sharing schemes and successful urban pricing schemes develop they will overlap (car-sharing and congestion pricing schemes in same city).

Congestion pricing can provide an incentive to use a shared car if such cars are exempt from the scheme, as per registered taxis.

In the immediate term, it is possible that people will car-pool in the face of perceived public transport undesirability, to ensure a lower cost per person entering the charging area. This is in itself an improvement.

Environmentally enhanced vehicles

It is politically sensible that such vehicles should benefit from a reduced congestion charge fee to encourage their use. However, they should not escape the charge: even if they emit no conventional pollutants, they still create costs. Therefore, alternative fuel vehicles should not get a 100% discount, as is presently planned. Instead, they should pay a (discounted) fee.

In the longer term, the congestion charge should evolve into a more general user charge in which congestion will play only a part: in this case, the charging scheme is clear, in that the pollution part of the charge should be reduced in a manner corresponding to the 'cleanness' of the vehicle (and the manner in which the fuel is produced).

Social inclusion

Some have argued that the charge is socially unfair, disproportionately punishing the poor for using their cars (which they have no option but to use), or even preventing them from doing so. This is patently untrue. Even when they do own a car – and they are the least likely to be car-owners – the poor are very unlikely to use it for commuting to the eight square mile centre of central London which encompasses the charging scheme (90% of those driving into central London are from the wealthiest half of society).

In fact, the poor are economically better off using public transport, even in the absence of a congestion charge, which is why they do so. Serious commentators, such as the *Economist* newspaper (Leader, 15/2/2003 edition), point out that the accusation that the charge is regressive, "doesn't wash". It is regrettable that certain groups seem to use the social argument only when their own narrow interests are affected.

Furthermore, the revenue from the pricing scheme will be used for socially progressive purposes, as mentioned earlier. The question for the future is the use to which the revenues will be put once the transport system is sufficiently improved.

Technology

London's pricing system will be camera-based. While this works in London it may be unacceptable or impractical elsewhere. Other options exist, however, and London's specific choice of technology should not be a barrier to other cities adopting pricing schemes. For example, Switzerland has an operational kilometre charging scheme for heavy goods vehicles which uses a microwave system.

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