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London Congestion Charge

By [ERIC A. MORRIS](#)

Envy the lucky travelers of London. As you may know, in 2003 the city imposed a congestion toll of £5 (later raised to £8) on all vehicles entering the central district. In 2007, Transport for London, a government agency, did a cost-benefit analysis of the impacts.

It found the following about costs per year to travelers in the central district:

- Individuals and business travelers pay about £236 million in tolls.
- Some trips to the area are canceled, costing would-have-been drivers the equivalent of about £31 million.
- It costs motorists and firms £19 million to comply with the system.
- Total burden on travelers: £286 million.

And now the benefits to travelers:

- Drivers (individuals and businesses) reap benefits from saved time and improved travel reliability of about £260 million.
- Drivers save £28 million in vehicle operating costs.
- Bus riders save about £43 million worth of time.

This adds up to £331 million in savings. Please note that even the driving public (who, after all, pay the tolls) come out slightly better than if the tolls did not exist.

Even if the considerable benefits to bus riders are ignored, and even if all the revenue were tossed onto a giant bonfire (or, even worse, sent off to the EU to subsidize French farmers), auto travelers win out or, at the very least, are no worse off.

But the money does not disappear; government nets a profit of £47 million (after excluding items like operating costs, infrastructure expenditures, and lost tax and parking revenue). Obviously, this money can be used for many worthy causes, transportation-related and otherwise. And there are other social benefits: reduced accidents and pollution are worth about £17 million.

This study isn't perfect; it excludes changes in the business climate for stores and other firms within the cordon. And after all, it was performed by Transport for London, which is hardly a disinterested party. But the numbers are probably in the ballpark, and they indicate that cordon pricing for the central area nets society about £99 million per year in total benefit.

The reaction of the British public to this win/win/win situation has been vigorous and spirited:

- Eighty percent of Manchester voters recently voted no on a cordon pricing proposal, a level of unpopularity among Mancunians that even the Liverpool football club would find hard to match.
- In 2005, 75 percent of Edinburgh voters rejected a cordon charge.
- London Mayor **Boris Johnson** recently conducted a survey on expanding the London Congestion Charge Zone and found that 67 percent of respondents were opposed. Johnson scrapped the plans and is toying with reducing the size of the existing charge zone instead.

Why such ingratitude, British drivers? There are a couple of possibilities. First, people may not be appreciating their time savings. While the out-of-pocket expenditure on the tolls is very visible and quite annoying, there is very little way for drivers to see what traffic and delay would have been like without the tolls. Plus, many people underestimate the monetary value of their time.

Second, there are admitted distributional concerns. Pricing detractors are right to suppose that this policy will disproportionately benefit the well-off. This is due to the smaller burden the tolls place on the wealthy's personal finances and the higher monetary value of their time.

The equity argument is probably the most powerful weapon in the antis' arsenal. And it is the one which proponents of the policy have the toughest time answering. Like it or not, it resonates politically. Perhaps this is what rankles British voters.

For these reasons, it may be premature to think about tolling entire downtowns or freeways. A better plan is to concede that we won't get the most economically efficient, toll-everything outcome (sorry, transportation economists). Instead we should settle for tolling only portions of facilities while leaving the remainder of them *au naturel*.

Were, say, two lanes of a four-lane freeway tolled and flowing and the other lanes free but congested, the time savings your money buys you would be very visible to drivers. Equity

concerns would be blunted since the poor have a free option. In fact, low-income folks would be better off than before, thanks to the chance to use the toll lanes when really necessary, express bus service in the toll lanes, and increased throughput there.

This would leave a situation in which the rich might disproportionately benefit, but all are made at least somewhat better off. This would probably seem equitable to all but the most egalitarian thinkers.

Perhaps this is why polls conducted after the opening of California's SR91 toll lanes found that the concept was supported by over 70 percent of corridor drivers — including a majority of those who used the free lanes exclusively. Unfortunately for London, none of those satisfied customers are registered to vote in the UK.