

# DEBUNKING THE ATTACK ON CONGESTION PRICING



April 2007



The attempt to disregard congestion pricing as a potentially viable traffic mitigation measure is based on a study commissioned last year by the Queens Chamber of Commerce, performed by Applesseed Consulting. Even a cursory examination of this study finds it to be biased and deeply flawed.

The Queens Chamber of Commerce study erects a draconian “straw man” congestion charging scenario that is neither based on London’s system nor on any scenario that has been proposed for New York City.

The study also lashes out against the prospect of duplicating certain elements of the London program in New York City, such as granting charge exemptions to residents of the zone and using relatively rudimentary technology for charging and enforcement. Congestion charging for New York should not be dismissed because of the details of London’s system. These details could vary dramatically for New York, which has the advantage of learning from both London’s and Stockholm’s experience.

Provided below are just a few of the undefended and highly questionable assumptions, false arguments and troubling interpretations of available data found in the Queens study.

**The Study Erroneously Calculates the Impact of Congestion Pricing on Vehicle Trips into Manhattan.** In supporting its spurious claim that congestion pricing will result in a net negative impact on the City’s economy, the study relies, among other things, on assumptions about how this policy will impact vehicle and person trips into the relevant parts of Manhattan. For the following reasons, however, the way that the study arrives at this conclusion is riddled with errors.

1. **The most fundamental assertion in the study—that 1 in 7 people who would not drive under congestion pricing would choose not to visit New York City at all—is unfounded.**

The study assumes that of those who might be deterred from driving into the relevant parts of Manhattan if congestion pricing were instituted, 14.2% or over 10.5 million people per year would simply decide not to come into Manhattan at all (rather than carpooling, taking transit or driving at a less-crowded time of day). However, the study provides absolutely no justification for this assumption—the assumption that drives all of the rest of its findings. In London, only 2% of all people who formerly drove were deterred from entry after the charge was put into effect; most people simply switched modes or time. Since every change of 1.0%

in this figure represents over 740,000 people per year—and the millions of dollars that they would spend—even a small error in this unsupported figure would dramatically alter the study’s outcome.

2. **The study’s fundamental figures are misleading and incorrect.**

The Queens Chamber of Commerce Report calculates that there are 3,563,000 daily persons traveling to Manhattan, 31% of whom travel by vehicle. The study implies that this 31% of commuters would be subject to the charge. This is misleading because the figure includes commuters who take taxi services that in London and in most scenarios of a NYC charging scheme, would be exempt. In fact, only 14% of commuters traveling to Manhattan currently use private cars, and represent the only commuters who would pay under the most likely charging schemes.

The report multiplies 3,563,000 by 31% and gets 1,180,000—an incorrect number that is over 33%. Simple math shows that the correct number would be 1,106,390. The Chamber of Commerce further bases its analysis on this incorrect number.

3. **The study is allegedly based on London’s experience, but the numbers it uses are inaccurate.**

The study states that congestion pricing would reduce the total number of vehicles entering the relevant parts of Manhattan during “charging hours” (i.e., those times when the charge is in-place) by 28%, claiming this figure to be based on London’s experience. However, London actually experienced a decline in total vehicles that is  $\frac{1}{4}$  less than that cited by the study (or 21%). (See “Central London Congestion Charging: Impacts Monitoring, Fourth Annual Report, June 2006, page 21. Available at <http://www.tfl.gov.uk/assets/downloads/corporate/FourthAnnualReportFinal.pdf>)

4. **The study erroneously assumes a congestion fee is imposed 24 hours a day, 365 days a year.**

The study states that, if there are “current entries of 840,000 per day, this [congestion pricing] would translate into a reduction of more than 197,500 auto, truck and van trips into the CBD, involving about 286,500 people.” This decline equates to roughly 23.5% of all auto, truck, and van arrivals. However, this is a 24-hour figure; only 59% of all vehicle arrivals into the CBD in 2004 took place between 7 am and 6 pm, the period when London’s scheme operates. Correcting for this change alone—and leaving all other errors in the report as they are—would reduce the alleged economic impact of congestion charging by 40%.

5. **The study ignores the fact that 30% of all vehicle traffic in the CBD is thru traffic, which has no economic benefit to the CBD.**

The study assumes that all vehicles that might be deterred from traveling through the relevant parts of Manhattan by congestion pricing would represent a loss to the City's economy. However, an analysis performed recently by Bruce Schaller of Schaller Consulting shows that 30% of vehicles entering Manhattan every day are simply passing through to locations outside of the City. Since the passengers in these vehicles are not stopping today, let alone spending money, even if every one of them were deterred by congestion pricing, their loss would have zero impact on the City's economy.

6. **The study assumes that business and leisure travelers—who currently spend hundreds of dollars on each visit—are deterred by a congestion charge that is less than the cost of one hour of parking in most Manhattan garages.**

The study assumes that a significant number of business travelers and tourists per year would be deterred from traveling to the relevant parts of Manhattan as a result of congestion pricing. Despite increasing costs in hotel rooms and other expenses in recent years, the number of tourists visiting New York has continued to grow. This suggests that the downturn in tourism predicted by the study is highly suspect.

7. **The study considers reduced spending on tolls, parking and other activities as losses to the economy without considering the economic benefit of what the congestion charge could be used for (i.e., transit improvements).**

The study counts as a loss to the New York economy the reduced spending of those who are forced to pay the congestion charge. There are, though, two problems with this. One, it is unclear that those who choose to pay the congestion charge (who, presumably, are most able to do so) would, in fact, spend less in the City, instead of simply spending the same amount in stores and restaurants and paying the congestion charge as well. This is particularly unlikely for those who live outside of the City. Two, even if this were true, the study ignores the fact that money spent on the congestion charge would not simply evaporate. To the extent that this money were redirected by the collecting authority to worthy ends (e.g., funding transit improvements in the City), not only would these dollars not be lost to the City economy, but they likely would actually generate more economic activity in the City by improving the City's competitiveness.

8. **The study relies on national averages, without correction for local conditions.**

In order to figure out the positive impact of less congestion, it is first necessary to determine the negative impact that congestion now has on the City's economy. According to the study, this negative impact equals approximately \$23 per hour spent in traffic. However, this figure is largely based on national averages for wages. Correcting for the significantly higher average wages in the New York area and Manhattan, the cost of congestion in the relevant parts of Manhattan—and therefore the benefit of clearing this congestion—would nearly double, in turn, nearly doubling the benefit of congestion pricing estimated by the study.

9. **The study tallies benefits of congestion pricing even less effectively than costs.**

Correctly, the study concedes that, like all policies, congestion pricing includes both costs and benefits. However, the study does not even acknowledge or attempt to quantify many of the economic, health and quality of life benefits that have accrued to cities that have instituted congestion charging or other car reduction schemes.