

The Public Purpose

Number 87 • June 2005

THE LONDON CONGESTION CHARGE Separating the Hype from Reality

By Wendell Cox

SUMMARY

London's central area congestion charging system has improved traffic flow and Mayor Livingstone has called on other cities to implement similar programs, claiming that the congestion charged has caused buses and subways to fill up. In fact, to the contrary both buses and subways appear to be less crowded than before. Moreover, the uniquely favorable economic conditions experienced by central London are virtually unknown among the high-income world's other major central business districts. Congestion charging cordons would probably hasten their competitive decline relative to suburban employment centers. Moreover, while acknowledging the favorable traffic impacts, University of Paris researchers have characterized the London congestion charging system as an economic failure, a "mini-Concorde."

At first glance, it appears that London's Mayor Ken Livingstone has much to be proud of. Two years ago, he implemented a congestion charging system that requires drivers entering central London to pay \$9 during weekdays. Traffic levels have been reduced in central London by approximately 20 percent as a result.

Now the Mayor thinks everyone else should do the same thing. He told the United Nations World Environment Day Conference in San Francisco that the congestion charge has forced people out of their cars and filled city buses, subways and sidewalks. He urged other cities to follow London's example.

Public Transport Impacts: Well, not so fast. No one disputes that the congestion charge has reduced traffic levels. But as for filling buses and subways, that is another matter.¹

- Bus ridership has been increasing strongly for years in London, principally because conversion of the system to competitive tendering (competitive contracting) had halved inflation adjusted costs per mile, which allowed substantial service increases while

¹ All ridership information from Transport for London. Historic ridership data at: <http://www.publicpurpose.com/ut-lt63.htm>.

substantially reducing public subsidies. Even before congestion charging was implemented, bus ridership had recovered to levels not seen since the 1960s. In the two years since congestion charging has been implemented, bus ridership has risen 17 percent in London. But this is not a substantially greater rate than occurred in the two years before the congestion charge, 12 percent (Figure 1).² And, as for the buses filling up, the data suggests just the opposite. Mayor Livingstone’s own public transport agency, Transport for London has published data indicating that ridership per mile has actually *decreased* slightly since the congestion charge was implemented. This is because bus service has been expanded at a slightly greater rate than ridership has increased (Figure 2).

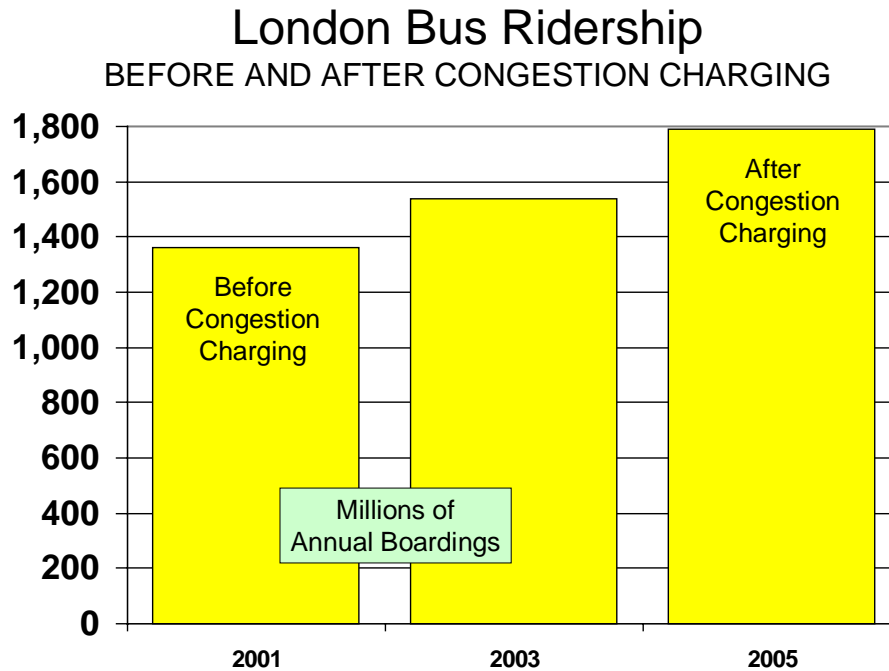


Figure 1
Rate of Ridership Increase Rises Moderately After Congestion Charge

² Congestion charging was implemented on February 17, 2003. Transport for London’s fiscal year ends on March 31. Thus, the period through March 31, 2003 is used for analysis of before congestion charging, and the period from April 1, 2003 to March 31, 2005 is used for the post analysis.

London Bus Usage Trend BEFORE AND AFTER CONGESTION CHARGING

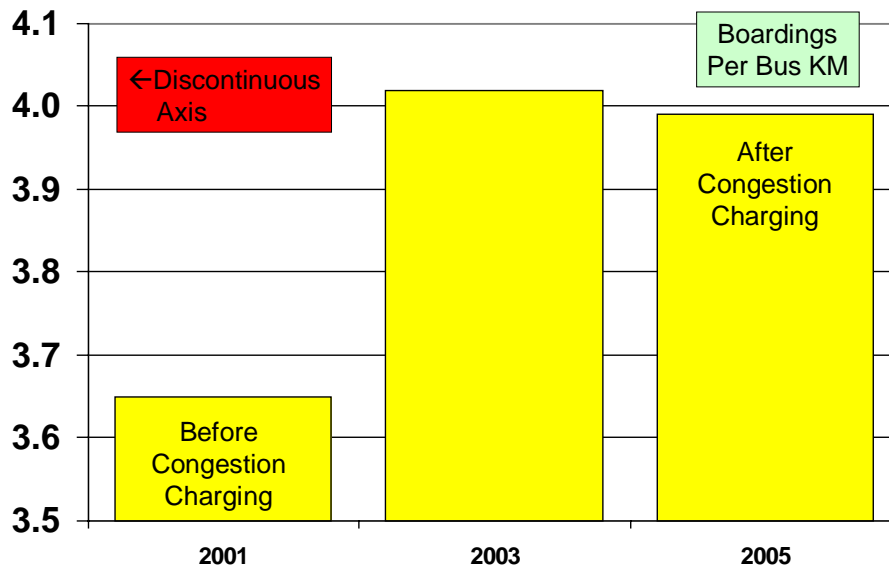


Figure 2

Buses Appear to Become Less Crowded

After Congestion Charge

- The impact of congestion charging on subway (“underground”) use is even more elusive. Overall underground ridership has increased 3.6 percent since the congestion charge was implemented. But, this represents little more than the recovery of previous short term losses. Underground ridership is only 0.6 percent higher than in 2001 (Figure 3). Underground ridership had fallen three percent in the two years prior to congestion charging. But even so, underground ridership had increased 2.6 percent annually over the previous 10 years (1993-2003), a considerably stronger rate than the 1.8 percent annual increase since congestion charging has been implemented. Again, as for “subways filling up,” the data suggests the opposite. Boardings per train kilometer have declined three percent since the congestion charge was implemented. They had dropped even more in the previous two years (Figure 4).

London Underground Ridership BEFORE AND AFTER CONGESTION CHARGING

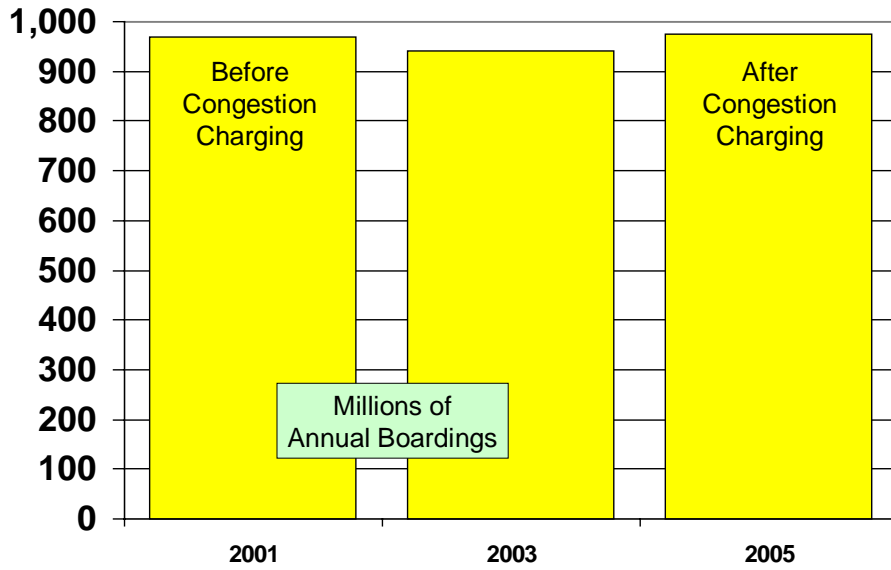


Figure 3

**Much of Gain is Recover of Losses in
Years Before Congestion Charge**

London Underground Usage Trend BEFORE AND AFTER CONGESTION CHARGING

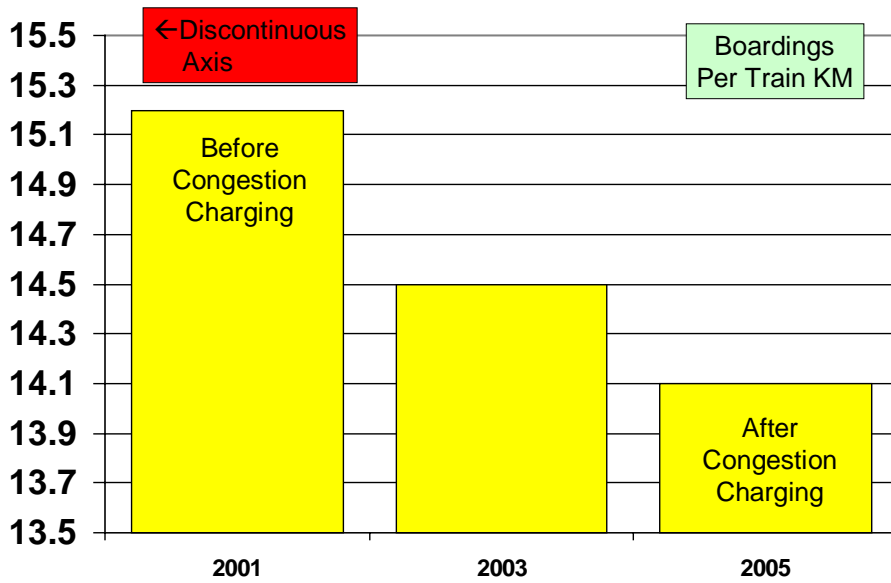


Figure 4

Trains Appear to be Less Crowded, Not More

There is also the matter of context. Even before the congestion charge, barely 10 percent of work trips into central London were by car. This is an extremely low figure and well below that of any major US central business district, including New York's Manhattan.

London's public transport trends are a source of rightful pride because they have countered the pervasive international trend toward smaller market shares. But, since imposition of the congestion charge, public transport trends have been little changed from before.

The Special Case of Central London

The Mayor's broad claim that others should follow the London example could not be more off target. The problem is that the conditions that have produced traffic reduction and modest public transport impacts in London exist in few other places in the world.

London's central business district is uniquely vibrant. It has become the financial center of Europe (despite the fact that the United Kingdom has kept the pound sterling and not adopted the Euro). As a result, central London has experienced strong job growth over the past 15 years, after decades of decline. Since 1997, central London's employment levels have risen over 20 percent. Moreover, at least two thirds of this growth occurred before the congestion charge was implemented (Figure 5).³

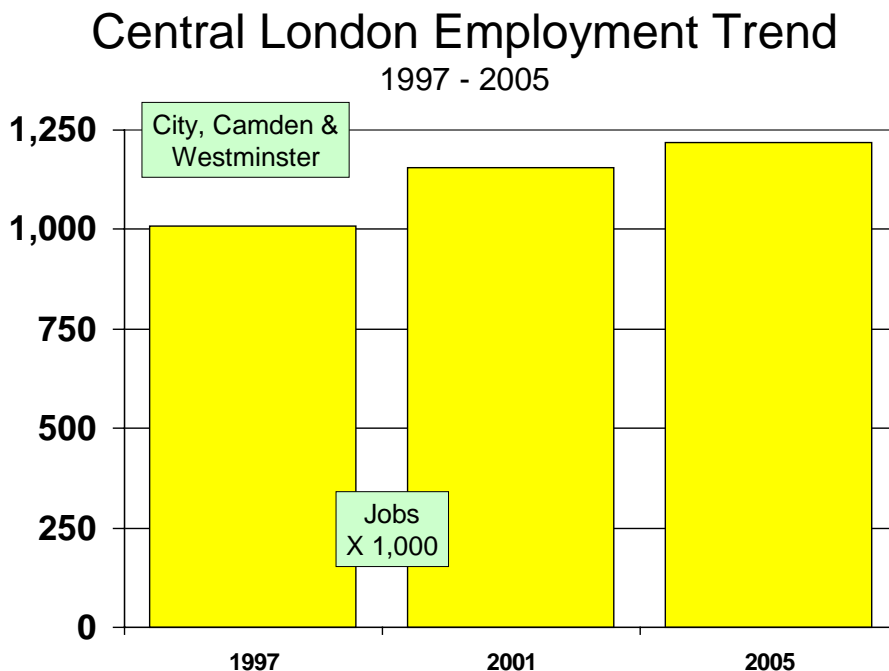


Figure 5

Strong Central Area Growth Before Congestion Charge

³ See: <http://www.demographia.com/db-loncbd1997.htm>.

The situation could not be more different in the high-income world's other largest central business districts. The central areas of Tokyo,⁴ New York,⁵ Osaka, London and Paris all have (or in the case of Paris, had at one time) more than 1,000,000 jobs (This is a huge number --- even Chicago's impressive Loop has less than one-half that many jobs). Yet, among these five super-sized central business districts, only one is growing --- London. During the 1990s, central Paris lost more than 15 percent of its jobs.⁶ Just from 1996 to 2001, central Osaka lost 10 percent of its jobs,⁷ an even steeper annual rate than central Paris.

Throughout the high-income world, the situation is similar. Many central business districts are losing employment and most of the few gainers are losing market share as suburban employment continues to grow faster.

The point is that central London is in demand to a far greater extent than in most other central business districts. This gives Mayor Livingstone much more flexibility with respect to congestion charging than other mayors. The prescription for central business districts already losing a competition for new jobs is not to further disadvantage them with congestion charges.

Manhattan's central business district would be a logical candidate for congestion charging. Indeed, as an island, Manhattan provides perhaps the most favorable environment in the world for such a strategy. But things are not so simple. Congestion charging already occurs on all of the bridges and tunnels entering Manhattan from the west (New Jersey) and on some crossings from the east (Brooklyn and Queens), in the form of tolls. It would be simple enough to start charging tolls on the four free East River bridges (Brooklyn, Williamsburg, Queensborough and Manhattan). Indeed, such proposals have been made, and soundly rejected by public opinion. Mayor Bloomberg could ensure his political retirement by running on a platform to toll the East River bridges, much less erecting a toll cordon at 59th Street to catch people driving in from upper Manhattan, the Bronx or the suburbs.

The problem is that when central business districts become less competition, people and businesses are more inclined to locate elsewhere. The continuing decline of central business district market shares (except for London), even without congestion charging, is testimony to the problem. There is already reason enough to not locate in or to exit central business districts.

The problem can be readily seen looking eastward toward lower Manhattan from Newark Airport in New Jersey. The new Goldman Sachs Tower, in Jersey City, appears to tower above many of the lower Manhattan skyscrapers, and it does.⁸ The tower is located across the Hudson River from Manhattan, safely outside the congestion cordon of the Holland Tunnel. People and businesses have choices, to which the many suburban office complexes around the world are

⁴ See: <http://www.demographia.com/db-tokcbd.htm>.

⁵ See: <http://www.demographia.com/db-nyc-cbd.htm>.

⁶ See: <http://www.demographia.com/db-paris-empl.htm>.

⁷ See: <http://www.demographia.com/db-osakacbd.htm>.

⁸ At 781 feet in height, the Goldman Sachs Tower would rank 5th highest if it were located in lower Manhattan (of course, the two towers of the former World Trade Center were much higher)

testimony. Other central business districts would be well to understand the principal lesson of London --- that they are not London, and that their conditions are radically different.

If Seattle or Denver were to implement congestion charging the winners would be suburban Bellevue, Redmond, Tech Center, Cherry Creek and the hundreds of square miles of urbanization that would become more attractive. Perhaps the voters of Edinburgh (Scotland) understood this when they turned down congestion charging with a near 75 percent majority a few months ago (Figure 6). London type congestion charging is likely to hasten the decline of any central area that is not experiencing extraordinary growth.

Referendum on Congestion Charging EDINBURGH (SCOTLAND): 2005

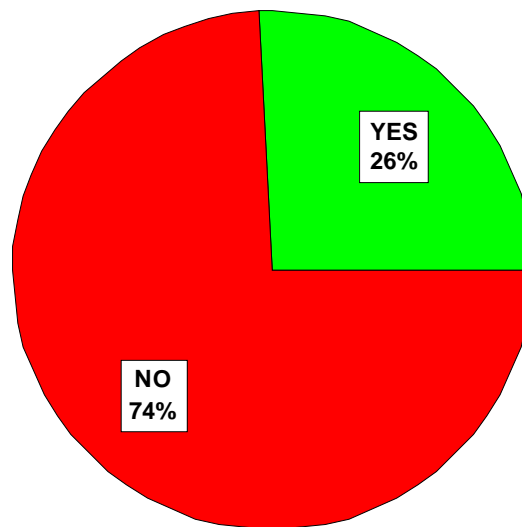


Figure 6

Dissenting View: A Mini-Concorde?

Even in its unique environment, acclaim for London's congestion charging is not universal. There have been significant contractual difficulties and the cost of operation has risen substantially. Remy Prud'homme and Juan Pablo Bocajero of the University of Paris have estimated the annual operating cost at 175 million Euros (more than \$200 million). Their paper, recently delivered in London, puts the matter in somewhat blunt terms:

The London congestion charge, which is a great technical and political success, seems to be an economic failure. It could be defined as mini Concorde.⁹

⁹ Remy Prud'homme and Juan Pablo Bocajero, *The London Congestion Charge: A Tentative Economic Appraisal*, 2005.

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URBAN TOURS BY RENTAL CAR
<http://www.rentalcartours.net>

¹⁰ See: <http://www.publicpurpose.com/pp59-loncong.htm>.