

## Possible Revenue Sources for Public Transit: Congestion Tax

### What is a Congestion Tax?

The congestion tax is a fee applied on vehicles in inner city areas. Its primary purposes are to reduce traffic congestion by encouraging greater use of public transportation and reduce harmful emissions.

### How Popular is the Congestion Tax?

The city of Singapore pioneered the congestion tax in 1975. It has been joined by London and several Norwegian cities, including Oslo, Bergen and Trondheim. Other cities considering congestion taxes are Stockholm Sao Paulo, San Francisco, Milan and Barcelona.

The city of London has received a lot of media attention for its congestion tax, which was implemented in February 2003 to relieve the city's traffic packed streets. The fee is imposed on drivers entering an eight-square-mile section of Central London that includes its financial and entertainment districts between 7 a.m. and 6:30 p.m.

Drivers who enter central London must buy daily, weekly or yearly passes and register their license

plates. A series of 800 cameras located through the periphery of the tax zone record the license plates of vehicles. Those entering the zone with an unlicensed plates are fined. In Singapore, smart cards are installed in every vehicle. When a vehicle passes by a sensor, the fee is deducted from a prepaid account.

There currently is no congestion tax in the United States. Environmentalists have sought similar congestion taxes to clear up downtown traffic in cities such as New York and San Francisco, but the idea has not gained much traction.

Earlier this year, New York Mayor Michael Bloomberg rejected the imposition of a tax on cars that passed a cordon imposed around the city's downtown area.

Congestion tax revenues do benefit public transportation. In London, the funds raised are used to



### The London Congestion Tax Zone

upgrade the public transit network. Other cities use the funds raised by the congestion tax to make road repairs and for public transportation.

### What are the Pros and Cons of a Congestion Tax?

#### Cons

- Worries by business owners that the tax will discourage shoppers from coming into the affected areas.
- Adds to the costs of driving.
- It is another tax.
- Successful implementation of the tax is based in part on an adequate public transportation system.
- A perceived bias against larger passenger vehicles.

#### Pros

- A reduction in congestion. In London, the amount of traffic in the central zone has been reduced by as much as 30 percent.
- A reduction in vehicle emissions.
- Results in more people using public transportation.
- Provides needed revenue to upgrade public transportation systems.