Political Obstacles to Adopting Congestion Pricing in New York City

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ABSTRACT

In April 2007, New York City’s Mayor Bloomberg released PlaNYC, a broad ranging set of planning initiatives for the city. A centerpiece of the plan was a congestion-pricing proposal for the downtown core in Manhattan. The proposal had the backing of key political figures, federal funding, and broad popular support, yet in failed to clear the state assembly without even getting a vote. The failure of Bloomberg’s proposal is instructive not only to New York and other cities considering congestion pricing, but also to proponents of a broad range of sustainability initiatives. This thesis argues that specific aspects of the mayor’s proposal created easily identifiable opponents unified on geographic lines, specifically in the outer boroughs of New York City. Further, the planning process failed to appease enough of these opponents or build a winning coalition to enact the policy. New York City is a challenging institutional environment, and in this setting, coalition building becomes even more important.

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On Earth Day in 2007, New York City's Mayor Bloomberg announced PlaNYC, a set of sustainability initiatives that aimed to "Create a Greener, Greater, New York City" (City of New York 2007b). Transportation was one area of focus of the plan, and the centerpiece of the mayor's transportation proposal was a relatively simple form of congestion pricing in Manhattan called a cordon toll. The plan sought to establish a cordon around the lower half of the island and charge drivers $8 for entering that zone between 6 a.m. and 6 p.m. on weekdays. London has had considerable success with a similar approach beginning in 2003.

By March 2008, Bloomberg's proposal appeared to have momentum. Although it engendered a great deal of controversy among residents in and around the city, polls showed that two thirds of New Yorkers supported the toll (Quinnipiac University 2008). The proposal had strong support among prominent politicians as well, including the Governor of New York and the state senate majority leader, and preliminary approval of a $354 million federal grant to help with implementation. To secure those funds, the state legislature had to approve the toll by April 7, 2008. In March of 2008, the city council voted 30-20 in favor of the toll, so the only remaining roadblock was approval from the state. The New York State Assembly considered the issue but allowed the federal deadline to pass without bringing the proposal up for a floor vote, effectively killing it.

Why did Mayor Bloomberg's congestion-pricing plan for New York City fail in spite of the backing of key political figures, dedicated advocates, and strong popular support? I argue there were two reasons, neither of which on its own would have been sufficient to obstruct the proposal, but in combination they were lethal. First, the specific
proposal created opponents who were sufficiently unified and sympathetic to sway uncommitted politicians in the state assembly. Although many observers focus on the division between drivers and non-drivers, the more important distinctions in New York City were based on location and income—and in particular the tension between affluent Manhattan and the poorer outer boroughs: the structure of the cordon toll created a set of “losers” who opposed the proposal. Second, the political and planning process failed to address the interests of the primary opponents or build trust between the planners and skeptics. This happened even though the legislature gave the planners an excellent opportunity to communicate with their critics through the Traffic Congestion Mitigation Commission (TCMC).

There were other factors that dimmed the proposal’s chances as well: the entire debate played out in an institutional context that gives skeptics many opportunities to undermine efforts to challenge the status quo. The proposal had to win the approval of three legislative bodies, three executives, and the U.S. Department of Transportation. These institutions represent a wide range of interests, and the need to appease so many disparate parties made finding compromise more difficult and reduced flexibility to make changes later in the process. By contrast, the political structure in London is considerably simpler. What’s more, Bloomberg may have been personally less inclined towards building a winning coalition than Livingstone.

Understanding why New York rejected congestion pricing sheds light on any attempts to implement progressive reform to increase sustainability in our society. At its core, congestion pricing targets a necessary behavioral change. People may disagree about the method, but the change is needed. Although the primary motivation for
implementing congestion pricing is not environmental improvement, it helps get cars off the streets and improves conditions for pedestrians and mass transit. Perhaps more important, it provides a revenue source that can be directed toward mass transit. The mayor and his supporters saw congestion pricing as a tool to improve sustainability, economic efficiency, and quality of life in New York City. In today’s tougher economic environment, the New York Metropolitan Transit Authority (MTA) is grappling with severe budget problems, so congestion pricing may reappear on the agenda in the city. Understanding the primary causes for congestion pricing’s failure in New York City will inform future attempts to implement congestion pricing and other aggressive policies designed to build more sustainable cities.

Addressing Congestion in Cities

Driving is a major contributor to many environmental problems. Its direct impacts include local air and noise pollution and greenhouse-gas emissions, and its indirect effects include increased land and resource use. Traffic congestion is particularly damaging: cars stuck in traffic emit more pollution; perhaps more important, the standard solution to congestion is to build more roads, thereby increasing land use and dependence on the automobile. Beyond environmental issues, congested roads lead to an inefficient allocation of road space, since they waste drivers’ time, decrease mobility, and have lower capacity than clear roads.

Congestion pricing involves using road pricing or tolls to discourage drivers from using congested routes at popular times. The simplest incarnation would be a constant toll that targets an overused bridge. At the other end of the spectrum, some advocates
envision dynamic systems that produce up-to-the-minute prices for every road in an area. The defining feature is that prices are used to maintain congestion at some “optimal” level rather than discouraging driving in general or repaying construction debts. There are tradeoffs between accurate traffic management and implementation costs, but generally congestion prices vary by day and time. Singapore, London and New York all settled on a system called a cordon toll that charges a fixed fee for driving into a cordon around the central business district. Under such an approach, a vehicle is charged only once per day and only during daytime hours.

Congestion pricing has gained popularity due to the challenges of managing congestion solely through transit planning. Traditionally, cities have sought to engineer their way out of the problem, first by improving conditions for traffic flow, but ultimately by building more roads. New construction is expensive, and in many places space for new roads is extremely limited. Although construction may be a preferred option in many places, it tends to encourage sprawl and only solves the congestion problem temporarily (Mieszkowski and Mills 1993; Baum-Snow 2007). New roads quickly fill up with more cars as people adjust their travel patterns and additional development in turn adds users to the road. Construction is only a temporary fix since traffic conditions worsen over time. Further, in dense cities such as New York, the space and cost constraints make construction a poor alternative.

Since the traditional approach of meeting demand with construction is problematic, the main alternative is to explore systems of rationing. Congestion pricing is one such system, using price as the instrument for rationing road space. Engineering solutions also exist in some places for rationing. For instance, cars can be held at
entrances ramps to the highway to keep the highway flowing at optimal capacity. Access to one road is allocated by queuing prior to entry. In theory, solutions like that could be implemented more generally, and priority could be given to buses and other trips. Current implementations are space intensive, so they are not practical for a dense city such as New York. Also, queuing fails to prevent the time wasted in congestion, though it’s possible that technology could alleviate this problem: computer-controlled systems could allocate road space in advance of trips.

Another rationing solution that has been tried in a number of cities worldwide is restricting access to roads based on license plate number. For instance, Mexico City instituted a program in 1989 that banned most users from driving their automobile one weekday per week based on the last digit of the license plate (Davis 2008). Assemblyman Richard Brodsky (D, Westchester) proposed a similar system as an alternative to congestion pricing in New York City (Neuman 2008a). One problem that Mexico City had with this system is that it led to a spike in used car sales, as wealthier people purchased a second car that they could use on alternate days. Second cars tended to be cheaper and dirtier, and greatly reduced the effectiveness of the system (Davis 2008).

The most common alternative to expanding existing roadways is to endure the congestion. Road demand is naturally limited by capacity, but drivers have to endure substantial waits in order to use the road. The resulting delays are problematic for several reasons. First, road capacity tends to decline in congested conditions, so fewer users can use the road. Second, congested roads are unable to distinguish between users with different value for the road. For example, an emergency vehicle and city bus
both have a very high value for their trip compared to a passenger car. The emergency vehicle needs to deliver someone to the hospital quickly, and the trip cannot easily be replaced by transit. The bus trip has a high value based on the number of users. Cities often make efforts to accommodate these high value trips in congested areas by giving the vehicles sirens or dedicated bus lanes, but these solutions are only half-measures compared with keeping roads free of congestion (Dahlgren 1998).

Congestion pricing is an elegant theoretical solution to a pervasive problem. Cities facing similar congestion problems will increasingly want to consider whether some system of pricing is a better way to allocate road space than building new roads or tolerating congestion.

**Rationale for Congestion Pricing**

The rationale for congestion pricing is rooted in an externality argument. Drivers impose costs on other drivers and on society as a whole. Without charging drivers for those costs, roads are overused, causing congestion and other social costs. Drivers pay other fees, including traditional tolls and gasoline taxes. Tolls are often used to recoup the construction costs of building a bridge, tunnel, or highway. Although they may result in reduced road use, they have been instituted primarily to raise revenue, rather than manage traffic. Gasoline taxes are also used to fund maintenance costs or potentially charge for general environmental damage from driving. What sets apart congestion charges is the focus on the specific costs associated with congestion rather than road wear and tear or environmental damage. During rush hour in crowded urban
areas, such costs may be orders of magnitude larger than other external costs of driving (Komanoff 2010; Evans 1992).

Congestion pricing is a potentially effective way to address environmental problems and improve mobility while providing a significant revenue source for state or local government. There is a longstanding theoretical literature advocating congestion pricing as a way to address congestion (Gomez-Ibanez 1992). According to its proponents, the charge is used to internalize the cost a driver’s actions impose on other drivers in the form of decreased travel speeds. More recently, proponents have touted congestion pricing as a way to enhance environmental outcomes by reducing congestion, reducing driving overall, and improving surface mass transit. Although theory suggests that it can be a powerful tool for enhancing urban sustainability, congestion pricing has been politically unpopular and has been implemented in only a few cities worldwide. As a result, proponents need to build supportive coalitions behind congestion pricing rather than rely solely on the technical merits of the proposal.

Proponents can present congestion pricing in two different ways. First, congestion pricing is a market-based mechanism for addressing congestion that is primarily targeted at improving road conditions and incidentally generates revenue. Second, congestion pricing is a way to generate revenue that happens to improve economic efficiency by reducing congestion. The political motivation can come from either the congestion reduction or the revenue generation and although both are certainly important in any discussion, the primary goal can drive the policy design and political discussion.
Congestion pricing is politically controversial because it creates clearly identifiable winners and losers. Drivers in aggregate are typically worse off as a result of a congestion pricing system unless the revenues are returned to them through road improvements or some kind of targeted tax rebate (Evans 1992). In fact, the transfers between drivers and non-drivers may end up being larger than the social benefits associated with the congestion reduction in the scheme. If the congestion-pricing scheme is focused on revenue for transit, then most drivers are likely to oppose the plan. If the scheme is focused on reducing congestion, it is only effective to the extent it gets drivers to stop driving, so these drivers will tend to oppose the proposed charge. Of the drivers that continue to use the road, some are better off if their value of time saved exceeds the tolls, and those with a lower value of time are worse off. Even if the scheme is focused on congestion reduction it has the opportunity to mitigate some of these negative impacts on individuals by spending revenue on new roads, bike lanes, pedestrian routes, or improved transit service.

Congestion Pricing Around the World

Singapore was the first city to adopt congestion pricing in 1975. The city-state of approximately four million people began to consider the pricing scheme in the 1970s, as many residents were becoming affluent enough to afford an automobile (Gomez-Ibanez 1994). Congestion was a growing problem in Singapore, and the dense island city had limited options for road expansion. The government imposed a fee of 3 Singapore dollars (around US$1.42) for driving into the 2.4-square-mile downtown area between 7:30 a.m. and 10:15 a.m. Monday through Saturday (Gomez-Ibanez 1994). Taxis were
initially granted an exemption, but this was later revoked. The operating hours were soon expanded to run from 7:30 a.m. to 6:30 p.m. Monday through Friday and 7:30 a.m. until 2:00 p.m. Saturday (Richards 2006).

Singapore initially relied on paper licenses to control entry into the downtown area. Drivers would purchase a license ahead of time and display it on their dashboard. The licenses were color coded for the month and numbered by day so enforcement officers could easily check whether a car was displaying the correct pass. The 33 entry points were marked with gantries that flashed when enforcement was in effect. Although it was an ingenious system at the time, paper licenses limited officials’ ability to vary charges by place or time, and downtown Singapore suffered from spillover traffic into the surrounding area (Gomez-Ibanez 1994).

In 1998, the city adopted an electric tolling system using stored-value cards and an in-vehicle reader. Once the new system was established, the city began to vary tolls by time of day and traffic level. Currently the system uses computers and real-time sensors to predict traffic flow an hour in advance and set tolls accordingly to manage traffic flow (Belson 2008). Current tolls are displayed to motorists on lighted signs as they approach the toll-restricted area.

Singapore’s experience illustrates the potential effectiveness of a congestion pricing. Government officials were able to use congestion pricing to control congestion and improve livability in the downtown area. Still, its experience tells us little about the political viability of congestion pricing. The city had low levels of auto ownership when the scheme was introduced, which limits the comparability with most cities in the developed world today. Perhaps more important, Singapore’s longstanding system of
single-party rule shielded the government from political pressure and allowed officials to implement a radical policy change that may have been unpopular in places with a more democratic political system (Gomez-Ibanez 2010). After Singapore instituted its congestion charge, a few European cities subsequently adopted systems with similar features. Several Norwegian cities use toll rings dating back to the 1980s, but the tolls are fairly low and the revenue is designated for repaying construction costs. The rings were not geared explicitly towards congestion control, so they were relatively ineffective (Gomez-Ibanez 2005). Rome has an access-control system where non-residents have to pay to enter the historic city center, but the tolls do not vary by time of day (Richards 2006).

The first European city to consider a congestion charging system similar in scope to Singapore was London. London had studied congestion pricing dating back to the 1960s, and in the late 1990s, a working group was established to study the issue in detail and prepare the technical aspects of congestion pricing for the city (Gomez-Ibanez 2005). London was in a period of transition politically at the time. In 1986, Margaret Thatcher had dissolved the metropolitan government known as the Greater London Council and given authority to the 33 borough governments. In 1997, when Tony Blair took over as Prime Minister, the Labour Party worked to reestablish the metropolitan government to deal with transit issues. The London Authority Act of 1999 created the position of Mayor of London and the Greater London Authority. The Authority’s transit mandate was to manage London’s roadways and transit services and levy road charges and parking taxes. Transport for London (TfL) was created as a state
agency directly responsible for managing transportation issues (Greater London Authority 2010).

Ken Livingstone had served in the Greater London Council and earned the nickname of “Red Ken” for his left-wing politics. In the interim he served as a member of parliament for the Labour party, and when the Greater London Authority was created, he decided to run in the inaugural mayoral election in 2000. Livingstone lost the Labour nomination in part because leaders of the party were afraid he would alter the party’s moderate image (Gomez-Ibanez 2005). Livingstone decided to run as an independent, and made congestion pricing one of his central campaign promises. He calculated that more Londoners would vote for him based on the promise to reduce congestion than would vote against him as a result of the charge (Lee 2008). The other two major candidates both ran against congestion charges (Richards 2006). Livingstone won with 58 percent of the final vote.

After the election, the road was clear for Livingstone to implement congestion pricing: he had a popular mandate for the proposal based on his mayoral victory; he controlled the agency with the power to levy road charges and manage London’s roads; and he had technical studies already in place. His primary challenge was to deliver congestion charges prior to the 2004 election (Richards 2006). As a result of the short time frame, Livingstone chose a technical option, camera enforcement, which was easy to implement but expensive to run. Whereas Singapore’s electronic in-vehicle units required a roll-out to all drivers in the area, London’s camera system only required that cameras be installed to read license plates at the zone boundaries. Drivers register their license plate for the day prior to driving into the city, and the system uses computer
technology to verify that the plates entering the zone have pre-registered. Livingstone insisted that charges be checked manually to prevent errant charges from computer errors (Gomez-Ibanez 2010). Another advantage of video tolling was that cameras are fairly unobtrusive, and the overhead gantries used in Singapore would have been an eyesore on London’s narrow streets.

The downside of video-tolling and careful error checking was that it greatly reduced the profitability of the system: in 2004 London spent over one-third of its revenue running collection operations (Transport for London 2004). Also, London had made a number of exceptions to the system. Motorcycles could enter for free because of the difficulty of reading their small license plates. Residents only paid 10 percent of the charge, and taxicabs were free. All of these concessions enhanced the political acceptability of Livingstone’s scheme but made the London system less effective than Singapore’s.

London’s congestion pricing went into effect in February 2003. The price was £5 to enter the city center between 7 a.m. and 6 p.m. on weekdays. Despite the concessions made for political expedience, there was a 33 percent decrease in cars entering Central London during charging hours, and congestion delays declined by 30 percent almost immediately (Transport for London 2004). Collection costs ended up exceeding projections, and overall the implementation was smooth. Livingstone reentered the Labour party and won reelection in 2004 in large part based on his success with congestion pricing. Congestion pricing continues to be an active area of policy debate in London, but the initial system is well established.
Congestion Pricing in New York City

London’s successful implementation of a cordon toll in the central business district vaulted congestion pricing to the forefront of transit-policy debates in a number of major cities. Discussion of congestion pricing in New York began among advocacy groups outside of the city government. In particular, Partnership for New York City played a key role in conducting research and publicizing the argument for congestion pricing (Schaller 2009). This nonprofit advocacy group represents a network of business leaders with the mission of building the economy of the city and maintaining the city’s global leadership in finance, innovation, and commerce (Partnership for New York City). The group’s internal research suggested that congestion cost the city $13 billion annually through wasted time, increased production costs, and lost business opportunities (Partnership for New York City 2006).

The debate was quickly joined by other groups primarily focused on the economic and transportation elements. The Queens Chamber of Commerce argued that congestion pricing would be disastrous for the city’s economy (Queens Chamber of Commerce 2006). Proponents responded that driving was not a necessity in New York City, and that congestion pricing would make New York City more attractive for business and high-skill workers (Schaller 2009). Mayor Bloomberg initially expressed limited interest in congestion pricing due to the political risks, but he continued to leave it open as an option to consider (Schaller 2006).

Prospects for the congestion charge began to improve in September 2006, when Bloomberg announced the creation of the Office of Long-Term Planning and Sustainability. The announcement focused on climate change stated the mayor’s plans
to conduct a greenhouse-gas inventory for the city and create a Sustainability Advisory Board to advise the city on sustainable policy and practice (City of New York 2006a). In December, Bloomberg announced ten sustainability goals including building more affordable housing, improving mass transit, enhancing water security, providing cleaner power, reducing greenhouse-gas emissions, and cleaning up air, water, and contaminated land (City of New York 2006b). His overarching goal, he said, was to improve quality of life and the environment for the next generation of New Yorkers.

On April 22, 2007, Bloomberg used the occasion of Earth Day to unveil PlaNYC, an ambitious set of initiatives that would realize the sustainability goals announced the previous December. PlaNYC lays out an optimistic vision for the city, looking to build on past success and deal with future challenges associated with updating the city and accommodating a growing population. The plan articulates an aggressive vision, seeking active planning solutions to improve the physical city, including housing, outdoor space, water and power infrastructure, and congested road and transit by 2030 (City of New York 2007b).

The document cites three main challenges facing New York City in upcoming decades: “growth, an aging infrastructure, and an increasingly precarious environment.” Growth will put additional pressure on New York City’s already congested in roads and subways, so the city’s aging infrastructure will need to be repaired or updated. New York City’s environment is an ongoing challenge with the city below Clean Air Act standards from 1970 for ozone and soot and suffers from one of the highest rates of asthma in the country. The plan specifically focuses on climate change, citing a target for reducing greenhouse gas emissions by 30 percent by 2030 (City of New York
2007b). The report identifies the need for holistic solutions since the problems the city faces are complex and interconnected. For instance, it says that the choice to address congestion problems by building new roads or improving mass transit fundamentally changes the city, and these choices need to be dealt with through comprehensive planning. The plan also focuses on securing funding for proposed solutions, rather than leaving these decisions to future policymakers. By providing funding up front, they hope to ensure the successful implementation of a broad range of proposals (City of New York 2007b).

For transit, the plan lists two primary goals: reducing travel times and reaching a state of good repair for transportation infrastructure. To do this, it recommends several tactics: expanding the city’s mass transportation network, completing a bike master plan, instituting better road management, and adopting congestion pricing. Congestion pricing was the centerpiece of the transit proposals; the proposal was to establish a flat fee for driving into Manhattan below 84th Street on a weekday between 6 a.m. and 6 p.m. (City of New York 2007a). The plan proposed a three-year pilot program, funded with federal and private dollars, to see if congestion pricing is the right choice for the city. Enacting this controversial provision would require approval from the state legislature because several of the primary agencies were outside of the city’s control.

Congestion pricing was justified as both a direct way to reduce traffic congestion and a source of revenue to repair and upgrade transportation infrastructure. PlaNYC estimated transit funding needs of nearly $30 billion, so the plan proposed the creation of a new regional entity for transportation finance, the SMART (Sustainable Mobility and Regional Transportation) Financing Authority. The authority relies on revenue from
congestion pricing and city and state commitments to finance transportation infrastructure repairs and expansion. The transportation plans affect other areas of focus within PlaNYC. In particular, reducing automobile usage has a major role in addressing the air-quality problems of the city and meeting greenhouse-gas reduction targets. Also, transportation improvements play a large part in expanding the availability of affordable housing with access to jobs for the city’s growing population (City of New York 2007b).

Meanwhile in December 2006, the U.S. Department of Transportation (DoT), headed by Bush appointee Secretary Mary Peters, released guidance for their Urban Partnership Agreements program. The program asked cities to apply for a share of $1 billion to pursue “aggressive congestion-relief programs.” Decisions would be announced in August (U.S. Department of Transportation). Bloomberg announced his intention to apply for DoT funding for his congestion-pricing proposal and pursued approval from the state to apply. In June, New York’s Governor Spitzer endorsed Bloomberg’s congestion-pricing proposal. As part of his endorsement, however, Spitzer insisted on a change to Bloomberg’s financing proposal. Whereas Bloomberg wanted to create a new city-run transit agency, Spitzer preferred using the funds for New York’s Metropolitan Transit Authority’s (MTA) Capital improvements and budget deficits (Hakim and Rivera 2007). Spitzer thus insisted on moving the revenue stream from a new city-controlled agency to an existing agency where the state government wielded a great deal of influence. With the Democratic Governor’s support being essential to pressure a reluctant Democratic Assembly, Mayor Bloomberg had to adopt the Governor’s suggestion.
New York City announced its intention to apply for funding through DoT’s Urban Partnership Agreements program to receive up to $500 million to support implementation of the toll. DoT Secretary Mary Peters expressed preliminary approval, contingent on action from the New York State Assembly by July 16th (Hakim and Rivera 2007). As the topic entered the legislative arena, however, critics voiced several concerns. For instance, Assemblyman Joseph Lentol (D, Brooklyn) worried that neighborhoods bordering the congestion zone would become parking lots (Hakim and Rivera 2007), and Assemblyman Richard Brodsky (D, Westchester) argued that roads are public spaces that should be freely accessible to everyone (Confessore 2007). Bloomberg countered by focusing on the numerous costs of congestion, pointing out that idling cars produce deadly gases that pollute neighboring areas (Confessore 2007).

On June 20th, a few weeks after Spitzer’s endorsement, Bloomberg announced his departure from the Republican Party. The move led to speculation that the mayor was considering an independent run for the White House (Shear 2007). Bloomberg related it to his desire to push a progressive reform agenda in New York City, stating his desire to put partisanship aside and focus on improving the city (Chan 2007). Though not explicitly related to congestion pricing, the move showed Bloomberg’s willingness maneuver politically to push progressive reform.

The legislative debate on Bloomberg’s proposal focused on the plan’s impact on the outer boroughs. More than half of those driving into the central business district on a workday are from the city, and many of these areas in the city are not well served by subway (Newman 2007). Bloomberg had cited air-quality benefits to the boroughs as a result of reduced through traffic, but Assembly Speaker Sheldon Silver (D, Manhattan)
questioned these benefits, worrying about drivers parking near the zone and taking subways from there (Nissan 2007). Assemblyman Ruben Diaz (D, Bronx) summed up the opponents’ concerns by saying that the plan amounted to a tax on his constituents without clear benefits through either environmental or transit improvements (Hakim 2007a). The assembly dragged its feet debating the measure, forcing Spitzer to threaten to call the legislature back during summer recess to vote on the proposal before the Department of Transportation deadline. Hoping to expedite the process, on July 19, the state passed a bill creating a commission to study options for congestion relief in Manhattan (Hakim 2007b). The bill also authorized the state to apply for federal funding. The Department of Transportation was satisfied with Bloomberg’s proposal and awarded New York City $354 million to implement congestion relief. The award was actually geared primarily to implementing bus improvements, but to get the money New York’s state legislature had to approve a congestion-relief plan by April 8, 2008 (Neuman 2007). New York now had eight months to study the issue and reach a broader consensus on a plan.

The Traffic Congestion Mitigation Commission consisted of 17 members appointed by state legislators. Its purpose was to “undertake a review and study of plans to reduce traffic congestion and other related health and safety issues within the City of New York” (New York State Department of Transportation 2008d). The state legislature had charged the Commission with creating a plan that would reduce vehicle miles traveled within downtown Manhattan by at least 6.3 percent, to match Bloomberg’s plan (Neuman 2008a). The TCMC held seven public meetings to study congestion-mitigation proposals and solicit public input. In addition, they hosted two
rounds of public-engagement meetings. The first of these rounds took place between October 24 and November 5, 2008, and covered mitigation options. The commission released an interim report on January 10, 2008 and held a second round of public-engagement meetings for comments on the report. Marc Shaw, a former deputy mayor under Bloomberg, chaired the commission. He oversaw presentations from agency staff to the commission and directed agency staff in preparing the interim and final reports (Traffic Congestion Mitigation Commission 2008).

Shaw made his position clear in the first Commission meeting, explaining that the only way for the city to grow economically was to improve mass transit, and the revenues from congestion pricing would be a key component of that agenda. The city then presented its plan to the commission and took questions. Several members asked questions on topics directly related to their own districts, such as about the impact on traffic in a particular location or the placement of bus routes. Richard Brodsky pressed the city on broader issues relating to the Commission’s legal mandate and whether there was sufficient information to justify the city’s claims. Brodsky also wanted clarification on whether revenues would be used for MTA capital expansion or operating expenses (Naparstek 2007).

The first round of public meetings revealed strong support for the congestion charge in Manhattan but serious concerns elsewhere. Participants at public meetings in White Plains and Hofstra University raised concerns over the proposal’s impact on outlying areas and asked how people in areas with poor transit access would travel into the city (Aaron 2007a). In Manhattan, by contrast, the tone was very supportive of Bloomberg’s proposal. Speakers focused on details such as residential parking permits.
and concerns over subway construction plans (Aaron 2007b). The public meetings highlighted concern over modeling the proposals implications for New York. Following on concerns raised by Brodsky in the first congestion committee meeting, people questioned how well the city understood the potential impact on traffic in and around the charging zone, the environment, and public health. After one meeting, Bloomberg questioned the validity of Brodsky’s concerns in a radio interview, saying “Richard Brodsky lives in the suburbs, represents the suburbs, and has lots to say about the city…The truth of the matter is, you can always say, ‘Oh, I don't believe your estimate.’ You can’t run a railroad that way” (Anon. 2007).

On January 31, 2008, the Commission approved a revised congestion-mitigation plan by a 13-2 vote (Neuman 2008b). The revised plan left the major elements of the mayor’s plan in place but changed some aspects. The size of the congestion zone was reduced, now tolling only vehicles that drove below 60th Street as opposed to 84th Street. Vehicles driving solely within the congestion zone were no longer charged by the new plan, primarily to reduce implementation costs. The plan also eliminated the residential parking-tax exemption and added a taxi surcharge within the zone. The estimated $491 million in revenue annually would be devoted to mass transit expansion and improvements (Traffic Congestion Mitigation Commission 2008). The dissenting votes were from Assemblymen Brodsky and Herman Farrell (D, Upper Manhattan). Both were appointed to the committee by Assembly Speaker Silver, a skeptic of the toll concept (Neuman 2008b).

The revised plan now required legislative approval prior to the April 7th deadline imposed by the federal Department of Transportation. To potentially demonstrate its
support, the New York City Council also took up the measure, even though it had no authority to enact it. The city council was to consider a "home rule measure," which essentially requests that the state legislature approve the bill in order to show the council’s support for the measure (Cardwell 2008). Even though the council had no direct authority, a no-vote would have sent a strong signal to the legislature that the proposal was not popular in the city. At this point, congestion pricing had the support of Mayor Bloomberg, Governor Spitzer, and the majority leader of the state senate, Joseph Bruno, a Republican. But the Democratic state assembly promised to be the major hurdle to passing the bill because Speaker Silver had expressed critical views on the proposal. Bloomberg and Silver had clashed in the past when Silver blocked Bloomberg’s proposal to build a stadium on the West Side of Manhattan as part of the city’s Olympic bid, so obtaining the speaker’s support promised to be difficult (Paybarah 2008).

On March 10, news broke that Governor Spitzer had been caught arranging for a prostitute on a wiretap by federal investigators (Hakim and Rashbaum 2008). The governor resigned two days later citing personal reasons (Grynbaum 2008). The scandal cost Mayor Bloomberg a major supporter of congestion pricing. The new Governor, David Patterson endorsed the proposal on March 22, but in the transition supporters of congestion pricing lost valuable time and political capital. Silver had not outright opposed the proposal though, perhaps because he wanted to get a better feel for how public opinion would play out. After all, he represented a Manhattan district and his direct constituents tended to favor the plan. Instead he delayed the committee vote by saying that finalizing the state’s budget, due March 31, would have to be the top
legislative priority. Silver continued to press for more information, demanding a clear idea from the city regarding mass-transit improvements and other implications (Paybarah 2008).

A Quinnipiac Poll released March 24 showed New York City voters supported the proposal by a 67 percent to 27 percent margin, and voters statewide supported it by a 60 percent to 30 percent margin. Support was considerably stronger among Democrats than Republicans (67 percent compared to 53 percent). If the money was designated for general city purposes instead of transit, however, only 33 percent of voters statewide supported the proposal (Quinnipiac University 2008).

On March 31, the city council voted in favor of the proposal by a margin of 30-20. The vote was unusually close for a city council that passes most measures in near unanimity (Cardwell 2008). The vote was characterized by much last-minute wrangling and coaxing by the mayor, who had lobbied council members to change their position (Gonzalez 2008) after earlier polls had predicted a 2-1 result against the measure (Rivera 2008). The measure received unanimous support in Manhattan and the Bronx (one Bronx Council member was not present), but the majority in Queens, Brooklyn, and Staten Island were opposed (Fried 2008). The mayor had shown his willingness use political leverage and bargain in order to get his proposal enacted, but the close vote damaged the proposal’s momentum in the state legislature.

On April 7th, the federal deadline for approval of the congestion plan, the state assembly’s Democratic caucus announced after a closed-door meeting that it would not bring the measure up for a vote (Confessore 2008b). The state senate had pushed for a floor vote, and Senate Majority Leader Bruno had promised that there were sufficient
votes to pass the proposal. Assembly Speaker Silver refused to call for a floor vote, saying his caucus was very much opposed to the proposal, perhaps by a four to one margin (Confessore 2008b). We cannot tell who would have voted for the plan, and even Silver said he may have voted to approve it. Some quick math suggests that this decision was in the hands of representatives from New York City. The Assembly Minority Leader, James Tedisco, had promised all 42 Republican assemblyman would vote for the bill (Confessore 2008a). The Assembly had 107 Democrats, 64 of whom were from New York City. If Silver's four-to-one margin is accurate, a large majority of New York City representatives opposed the proposal. Even a simple majority of the Assemblymen from New York would have secured 75 votes from a floor vote in the Assembly. Mayor Bloomberg reacted strongly against the lack of a vote, commenting that "it takes a special type of cowardice for elected officials to refuse to stand up and vote their conscience" (Confessore 2008a).

The Department of Transportation deadline marked the end of serious consideration of congestion pricing in New York City. The federal funds were eventually reassigned to other cities. And even though congestion pricing has periodically been mentioned by Bloomberg and other political figures, it is not an active issue.

Flawed Policy Design: How Mayor Bloomberg's Proposal Created Opponents to Congestion Pricing

Mayor Bloomberg justified his transit proposals using values with broad appeal. There is little disagreement over the need to improve mobility, improve environmental conditions, and plan for a better future for New York City. A broad constituency supports these goals, and there was little controversy in the initial planning process that
laid them out. Once the mayor announced PlaNYC, however, it advocated explicit steps that privileged the interests of some groups over others, and much of the debate that followed focused on the particulars of the proposal. Specifically, advocates primarily fought over three aspects of policy design: the impact of the toll on road users, primarily drivers; revenue generation; and the external benefits associated with reduced driving and congestion. Most of the opponents were motivated by the first aspect, the direct impact of the toll. The supporters were drawn to the proposal by the second and third aspects. Revenues could have provided a bargaining chip to win over more of the opponents, but the plan failed to do this in a convincing manner.

**Impact on Road Users**

The most direct impact of Mayor Bloomberg’s proposal was on road users. They are the most direct beneficiaries of the time savings resulting from reduced congestion, and they are the direct payers of the congestion fee. The congestion toll represents a large and obvious change to the pricing structure of a resource that was previously free (Manville and King 2010). In response to the new policy, drivers must either make a large behavioral change or pay a substantial toll. A commuter paying the toll on weekdays would spend approximately $2,000 a year as a result of the proposal and receive relatively little direct benefit from the use of funds. Income redistribution was a major focus of arguments on both sides, with opponents viewing the toll as a flat charge that unfairly targeted poorer drivers. Assemblyman Brodsky argued that pricing access to public spaces is unfair (Confessore 2007) and that the toll amounted to a tax on middle class people (Dobnik 2007). In hopes of marginalizing this argument, Mayor
Bloomberg emphasized that less than 5 percent of workers commute into the central city via automobile (City of New York 2007a; City of New York 2007b). Since these drivers tend to be wealthier, a congestion toll would be progressive with respect to the overall population. Especially in New York City where driving is very expensive, this issue mostly affects income distribution between the upper and middle classes, but the policy is regressive among drivers in these groups.

To respond to the mayor’s argument, opponents argued that the mayor unfairly focused only on commuters, and they tried to make drivers appear more sympathetic. Opponents emphasized that many drivers were poor and came from areas with little transit access, or were elderly and could not use transit as easily. Advocates from Queens emphasized that poor transit access in the borough required residents to drive, so this toll would unfairly burden those with little choice but to drive (New York State Department of Transportation 2008a). Opponents from Staten Island pointed out that the borough was already the most heavily tolled county in the country, and the new toll raised serious questions about regional equity (New York State Department of Transportation 2008b).

These arguments about the impact on specific boroughs reflect the fact that although congestion pricing lacks a clear relationship with respect to income, it can cause large transfers based on location. These transfers can be particularly troubling politically because they may align with voting districts. The city council vote had shown that Manhattan and the Bronx were strongly in favor of the proposal but Brooklyn, Queens, and Staten Island were opposed. Manhattan was a clear beneficiary of the plan. The congestion reductions would primarily be on Manhattan streets, so residents
would directly benefit from less noise and air pollution and better mobility. Prior to spending toll revenues, transit speeds would improve inside the charging zone while impacts outside the zone were ambiguous. Manhattan residents would also be the primary beneficiaries of improved travel times for trucking, cabs, and emergency vehicles. To top it off, the Commission proposal was not going to charge Manhattan residents for trips they took entirely inside the zone. The primary justification for this was cost, as monitoring internally rather than along the cordon would add substantially to the cost (Traffic Congestion Mitigation Commission 2008).

Instead of charging for intra-zone trips, the city would remove a parking taxes exemption enjoyed by Manhattan residents. Still, the overall impact of this change was up for debate, and respondents complained about differential treatment between Manhattan and the outer boroughs. Even if the elimination of the tax exemption ended up costing Manhattan residents as much as those entering the zone, opponents argued that it was special treatment (New York State Department of Transportation 2008a). The overall plan created an impression, as Assemblyman Ruben Diaz (D, Bronx) voiced, of taxing the boroughs to improve quality of life inside Manhattan (Hakim 2007a). Not surprisingly, then, the primary opposition from the plan came from boroughs outside of Manhattan, particularly Eastern Queens and Southern Brooklyn that were more auto-dependent and had worse transit access (Schaller 2009).

Tolling within the city had historically been a contentious issue. Several proposals to institute tolls on the East River bridges have been defeated including a proposal in 2008 that followed on the defeat of the cordon toll. Proposals to toll people driving from one part of the city to another, in this case from Brooklyn or Queens to
Manhattan have engendered strong opposition from the outer boroughs. Congestion pricing amounted to just such a toll, so it generated the same negative reaction from Brooklyn and Queens. To make matters worse, the proposal allowed drivers paying an existing toll while entering the city to net it against the congestion charge. Drivers coming from New Jersey already pay $8 for crossing the Hudson at the Holland tunnel, Lincoln tunnel, or George Washington Bridge, so the congestion charge would not add any costs for these drivers. Drivers coming from Connecticut or outside the city from the East typically pay $5.50 to cross one of the major crossings such as the Bronx-Whitestone or Triboro bridges, so their net charge would only be $2.50 (Metropolitan Transportation Authority 2009).

The specific congestion-pricing plan proposed in New York City was problematic because of these geographic transfers. The plan was open to being portrayed as a tax on a few boroughs in order to improve conditions in Manhattan. While congestion pricing in abstract is not uniformly regressive, the specifics of this plan favored wealthy Manhattan over the poorer out Boroughs. In doing so, it mobilized opponents and enabled them to craft a compelling political story. In recognition of this problem, authors of the plan sought to mitigate the unfairness in tolling with the use of funds.

Revenue Generation

Since drivers are unlikely to be net beneficiaries of congestion pricing, the social benefits depend on the other justifications for the proposal: revenue and non-congestion-related externalities. The city was upfront about the need to use congestion pricing to generate revenue for transit, but changes made to the original proposal
removed the funds from city control and redirected them to the state controlled MTA and Port Authority. These changes ultimately made it more difficult to build support for the proposal.

PlaNYC explicitly states that the city needs $30 billion for transit infrastructure repairs and upgrades and relied on congestion pricing to play a large role in meeting this funding need. Marc Shaw, chairman of the Traffic Congestion Mitigation Commission, argued that transit was the only way to get more people into the city for economic growth, and to do that, it needed funding (Naparstek 2007). Bloomberg repeatedly stressed the need for Congestion Pricing based on transit funding. PlaNYC focused on a huge funding gap that congestion pricing would help fill. Polling data showed that tying the revenue to transit was a prerequisite to popular support (Quinnipiac University 2008). Many advocates supporting the proposal stressed the need to raise revenues for transit. Several groups cited revenue generation as a primary reason to support the Commission’s revised plan over rationing (New York State Department of Transportation 2008a; New York State Department of Transportation 2008b; New York State Department of Transportation 2008c). Yet on the other side, critics complained that the city was focused on money rather than the other benefits of the proposal (Naparstek 2008).

Mayor Bloomberg’s initial proposal was to create a new regional financing authority to dispense congestion-pricing revenue as well as city and state appropriations. Early in the process, Governor Spitzer modified the proposal to direct money to existing agencies and plug holes in the MTA’s budget (Hakim and Rivera 2007). The mayor’s proposal sought to maintain city control of the revenue, but the
existing transit agencies including the Port Authority and MTA were largely state controlled. MTA board members are appointed by the governor, though some are recommended by the mayor (MTA 2010). The existing chairman and vice chairman are both recommended and appointed by the governor. The Port Authority by-laws specify that the governor of each member state (New York and New Jersey) has a veto over actions taken by the Authority’s governance committee (Board of Commissions of the Port Authority 2008). The state control of revenues from the plan meant Bloomberg could not ensure revenues would be used for transit improvements.

PlaNYC aimed to use the congestion-pricing revenues for transit improvements in the city. Transit improvements ideally can address two types of imbalances from congestion pricing: first, they can undo the regressively of the congestion charge, as poorer travelers benefit from better service; second, transit improvements can theoretically address geographic imbalances of the congestion charge since the revenues can be devoted to capital improvements in specific areas. Using toll revenue for specific transportation improvements was more popular than using the funds for general government purposes. Polling data in New York City showed strong support for the proposal if revenues were used for transit, although the majority of respondents were opposed to congestion pricing if the use of revenues was unspecified (Quinnipiac University 2008). Public support was justified though, as New York City planned for several transportation upgrades as part of the congestion pricing rollout. The award from the Department of Transportation included $213.6 million to improve and build new bus depots around the city, $112.7 million to develop bus rapid transit service from
Brooklyn and Queens into Manhattan, and $15.8 million to expand ferry service (Neuman 2007).

To the extent that support for congestion pricing in the outer boroughs depended on enthusiasm for the use of revenues, the perceived efficiency and reliability of the spending plan would become a key determinant of support for the proposal. Recipients will not value the benefits if they do not trust that the revenues will be distributed effectively and in accordance with the plan. At public meetings, supporters touted the transit improvements, while opponents questioned whether the city would deliver promised improvements (New York State Department of Transportation 2008a). These tensions result from the inevitable situation where residents have to agree to the charges upfront, and receive benefits down the line.

New York City struggled with a credible commitment problem, where officials tried to commit to spending the revenues and delivering on the promised services, but voters did not fully trust that the officials would live up to those promises (Manville and King 2010). Professors Manville and King write, “Congestion pricing in New York was torpedoed by intergovernmental conflict, and by doubts that the toll revenue would really be spent on new transit projects, as promised” (6). The credibility of the organizations and officials was central to the discussion, and the MTA’s poor track record delivering promised upgrades may have undermined the proposal. In March of 2008, only a month before the deadline for approval, the MTA released a revised capital plan that included $4.5 billion of secured financing based on congestion-pricing revenues (Metropolitan Transit Authority 2008). Whether or not it was fair, the MTA had suffered consistent criticism for financial mismanagement that contributed to the need for recent
fare increases. With an anticipated funding hole already looming in the MTA’s budget, politicians and voters would have good reason to doubt whether the organization could deliver on promised improvements. Borough meetings highlighted the need to commit to revenue plans, with even supporters of congestion pricing requesting that funds be placed into a transit-improvement lockbox (New York State Department of Transportation 2008a). Ironically, critics’ concerns would have been addressed by Mayor Bloomberg’s original proposal to house the congestion pricing revenues in a separate agency responsible for transportation planning and development.

*External effects of Congestion Pricing*

Many of the supporters of congestion pricing are attracted to the policy due to its potential to reduce externalities relating to environmental and land-use impacts that affect quality of life in the city and around the world. While these factors tend to be less significant in cost-benefit calculations and theoretical research (Komanoff 2010; Gomez-Ibanez 1992), they comprise an important part of the public argument for congestion pricing and attract influential supporters. For instance, environmental groups concerned with pollution from driving and health advocates concerned with local health impacts both supported congestion pricing. In an effort to generate even broader public support, Mayor Bloomberg explicitly linked the congestion-pricing proposal to goals such as environmental stewardships, urban vitality, and quality of life (City of New York 2007a). He introduced the plan at a time of growth and prosperity for the city, but argued that growth necessitated planning for the future. He pointed out that mobility and housing problems would only get worse as the population continued to grow. These goals
motivated a broad group of interests such as environmentalists and public health advocates behind the idea of sustainable transportation for the city’s future (Schaller 2009).

An example of a justification based on indirect impacts of the plan is asthma reduction in areas surrounding the central city. Mayor Bloomberg argued that the plan would reduce congestion in arterials feeding the central business district and reduce the number of “toll shoppers” taking city streets through poor areas to avoid tolls on the major crossings. In public meetings, some supporters focused on this same benefit, citing the high rates of asthma and lung cancer in Staten Island, the benefits of reduced congestion to air quality (New York State Department of Transportation 2008b).

Unfortunately for supporters, the data on the environmental impact on surrounding areas was ambiguous, and the arguments were turned against them. Reducing the number of cars traveling to the central city reduces the amount of pass-through traffic. But detractors pointed out that cars previously making in-and-out trips through the city might instead use routes surrounding the cordon. Assemblyman Silver argued that drivers would be tempted to leave their cars in nearby neighborhoods and take transit into the central business district, turning these neighborhoods into parking lots (Hakim 2007a). He argued that environmental conditions could worsen outside of the zone.¹ Both sides argued local environmental conditions were a reason to support their position.

There was little dispute that congestion pricing would reduce greenhouse-gas emissions and give New York City greater planning control over its future, but for many

¹ There is some support for this contention. A study looking at the impact of the congestion-charging scheme on ambient air quality in London found that air quality measures improved significantly inside the zone, but declined significantly along the perimeter (Ho and Maddison 2008).
opponents, these were not the primary considerations. They were being asked to weigh concentrated and immediate costs such as large toll payments or a switch to mass transit against long-term social goals (Schaller 2009). In many cases, those benefits were not as clear-cut as the costs: a toll payment appears very tangible compared to an estimated drop in air pollution coming from a city-run transit model.

Overall, the congestion pricing plan created winners and losers, as do many proposed policies. The losers were easy to identify as drivers paying the toll. These drivers were concentrated in specific geographic areas, which gave them direct representatives in the city council and state assembly; moreover, the other residents of these areas were not primary beneficiaries of the plan. The winners were geographically concentrated in Manhattan, which fueled longstanding rivalries between the outer boroughs and Manhattan and contributed to the perception that the policy was regressive. Revenues could have been used to undo some of these concerns, but the spending plans failed to win support from the outer boroughs because the revenues were going to be directed to an unreliable authority.

This leaves two broad questions unanswered. First how did the plan develop in such a way and why were its proponents unable to adjust it once its defects were apparent? Second, all congestion-pricing proposals are bound to be unpopular with some groups, yet they sometimes get enacted. How were opponents able to derail this particular proposal?

The Process: How Potential Losers Became Political Opponents

The process leading up to congestion pricing developed as two separate threads that came together in PlaNYC. First, civic and advocacy groups, in particular
Partnership for New York, worked to establish the costs of congestion to New York City and push congestion pricing as the logical solution. Second, Mayor Bloomberg’s long-term land-use planning effort for New York City in 2006 that developed into PlaNYC (Schaller 2009). Bloomberg had expressed little interest in congestion pricing before early 2006 (Schaller 2006), but PlaNYC needed congestion pricing to fund a major portion of the planned transportation improvements for the city.

In July 2007, the state assembly opted to establish the Traffic Congestion Mitigation Commission rather than directly approving the mayor’s proposal. The TCMC was responsible for conducting a series of meetings and a public engagement process with the broad mandate of reducing congestion in the central business district. It presented an opportunity to create a congestion-reduction plan that was more responsive to public comment and inclusive of opposition interests. Unfortunately, because of the deadline for federal funds, the time frame was very tight, with a final report due six months after the legislative order to create the commission.

Opponents accused the Congestion Mitigation Commission of making little effort to consider meaningful changes to the plan. The Commission chairman, Marc Shaw was a Bloomberg insider, and according to the minority report, “until the final commission meeting, all commission meetings were for the sole purpose of receiving city staff reports. No deliberative sessions were held.” (New York State Department of Transportation 2008e). The minority report goes on to make a number of criticisms of the process (New York State Department of Transportation 2008e):
The research was driven by the city, which controlled the models and only presented results at the meetings without effectively responding to requests for information.

The city used different models to answer different questions, which seemed like data manipulation.

The models obscured the truth about the toll’s regressivity by focusing on commuters, who are a small portion of the total drivers.

The commission diverged from its mandate by being overly focused on revenue generation rather than congestion reduction.

The evidence on the environmental benefit was not fully developed.

The commission did not address parking permits or impact on neighborhoods near the zone.

The mass transit improvements should happen prior to the charges being in place, and the current commitments are insufficient; there was no assurance that the funds will actually be spent on transit improvements.

Once in place, the congestion free will be insufficient to reduce congestion enough and will likely be increased.

Privacy concerns are not addressed in any meaningful way.

At public meetings, opponents criticized the Commission for poor communication and disingenuous attempts to be inclusive. Meetings were poorly advertised and relevant community leaders were not invited to participate or speak (New York State Department of Transportation 2008b). Many of the meetings in the October round were held in the evening on Halloween, which is not a good time for many residents (New
York State Department of Transportation 2008e). Underlying these complaints were consistent concerns over trust: the opponents saw the city as being supportive of wealthy and business interests, biased towards Manhattan, primarily concerned with revenue, and willing to shape the model results to support their initial conclusions.

The Commission presented an opportunity to step back from the plan and redevelop aspects of it that were contentious while building trust between the city and the primary opponents. The time frame was a major challenge, but plan proponents chose to approach the meetings with a solution already in place, merely presenting their argument and then allowing the commission to change some minor details. Even if congestion pricing was the best solution, going into the meetings tied to this approach to solving congestion turned off opponents who felt that their concerns were not properly addressed. Testimony from opponents suggests that they felt their specific concerns were being ignored by the city (New York State Department of Transportation 2008b).

Making matters worse, supporters of congestion pricing, from Mayor Bloomberg to blog commentators consistently portray the opponents in a very negative light. Mayor Bloomberg accused opponents of lacking leadership and courage (Confessore 2008a). Streetsblog, a sustainability and transit focused blog site, consistently treated Assemblyman Brodsky as being obstinate and selfishly supportive of narrow driving interests (Naparstek 2008; Varone 2007). In fact, however, the minority report made well-reasoned arguments against the plan that was being put forth for New York City. Proponents were overly confident in the strength of their solution to productively engage with opponents, and it eventually cost them approval.
Political and Institutional Context

While it’s true that congestion pricing in New York City had opponents, it also had strong public support and the backing of both the mayor and the governor. In London, two boroughs had been strongly opposed to the plan, yet it proceeded without substantial difficulty. The complex political structure in which transit policy for New York City must be approved created many opportunities for opponents to derail the proposal and increased the difficulty of finding a workable compromise. At a basic level, the political context is not an explanation for failure in itself. Every locale has its unique institutional structure that is immutable in the context of a specific policy proposal. That said, the political context helps determine which debates or tensions are politically significant in determining the proposal’s outcome.

In New York, congestion pricing had to win the approval of a wide range of political entities with different agendas: three legislative bodies, four executives, and the U.S. Department of Transportation. Mayor Bloomberg initiated the proposal, and did so as a progressive leader from the Republican Party, but he left the party soon after proposing the plan. New York Governors Spitzer and Paterson, both Democrats, had veto power over the proposal and had to help force it through the state assembly. Governor Corzine of New Jersey had veto power over key aspects of the plan through the New York-New Jersey Port Authority, which would have to fund $1 billion of transit improvements as part of the plan. The governors of both New York and New Jersey have veto power over port authority actions. The New York City Council vote influenced perception of the proposal prior to state legislative votes. Both houses of New York State’s legislature, the senate and the assembly, had to approve the final measure. The state senate was Republican controlled and primarily represented upstate New York,
and the Assembly was Democratic controlled and heavily represented New York City. Lastly, the plan had to win the approval of the Department of Transportation and President Bush’s appointed Secretary of Transportation, Mary Peters. All of these institutions created a complex political structure made it difficult to pass any reform proposal.

The numerous political entities with a say in the outcome made different types of changes that antagonized key constituencies of other entities. For instance, the final proposal to emerge from the Congestion Mitigation Commission netted tolls for drivers from New Jersey, so they would have paid the same amount before and after the charge. The New York City Council, feeling pressure from the outer boroughs, added a separate surcharge on New Jersey as part of its vote to approve congestion pricing in early April (Belson and Chen 2008). Governor Corzine reacted strongly against the council’s proposal and threatened to pursue legal action to block the amendment. Bloomberg’s plan had been generous to New Jersey in order to enable the Port Authority’s contribution to the proposal, but this caused Brooklyn and Queens to see it as unfair. The city council vote, which often votes in unanimity, was characterized by pressure and concessions from the mayor’s office to secure the necessary votes. For instance Sunset Park and Gravesend Brooklyn were offered Ferry lines, earning Bloomberg charges of political strong-arming and bribery (Gonzalez 2008). Here, the number of bodies that needed to be appeased was quite large, which made compromise very difficult.

The personalities involved may have played a role as well. Governor Spitzer’s scandal and resignation a few weeks before the vote cost the proposal its main
Democratic champion and a figure with the political clout to line up support in the majority party. The scandal had nothing to do with congestion pricing and was just bad luck for proponents of the proposal. Mayor Bloomberg's background as a business leader and former Republican added to the perception that he favored business interests and wealthy Manhattan residents and workers over the poorer boroughs.

Contrast this with Mayor Livingston in London, whose left-wing political credentials gave him the credibility to deal with potential opponents from the left. Mayor Bloomberg and Assemblyman Silver also had personal history, having clashed over the mayor's plans to build a stadium on the west side of Manhattan.

Congestion pricing did not have to clear three legislative houses in Singapore, London, or Stockholm as it did in New York. The institutional complexity of reform in New York made a more inclusive process and policy design that appeased more opponents was even more essential. The changes that might have come out of that process may have made the policy weaker from a theoretical perspective, but they could have allowed proponents to achieve their basic goals.

**New York Versus London**

London's cordon toll is the best political analogue to the proposal in New York City. Mayor Livingstone had to navigate a complex political landscape and balance competing interest groups in order to secure his system. The challenges Livingstone faced and the compromises he had to make foreshadowed the difficulties faced by Mayor Bloomberg. Livingstone's ability to navigate London's political terrain and secure implementation of a congestion charge provide a counterpoint to Mayor Bloomberg's failure to get his proposal approved.
In comparison to New York, London had studied congestion pricing openly prior to the 2000 mayoral election. It became a major issue in the campaign, with Ken Livingstone promising to implement it if elected, so his victory established implicit voter approval for congestion pricing. Transport for London (TfL) spent money upfront improving roads surrounding the zone and bus service as the mayor began to implement the congestion pricing plan. Like New York, London did not have an inclusive planning process, but Livingstone had a greater popular mandate to pursue the plan.

Mayor Livingstone went to great lengths to ensure that collection was as painless as possible, even at the expense of high operating costs (Gomez-Ibanez 2005). This choice reflects the fact that the economic analysis may not be a driving force behind the political success of failure congestion pricing. London suffered cost overruns and spent over one-third of its revenues on collection, netting only £130 million in the first year (Transport for London 2004), yet its congestion pricing was largely considered a success. New York City’s estimate for net revenue was $491 based on the final plan released by the Congestion Mitigation Commission, with collection costs of only around $100 million (New York State Department of Transportation 2008d). These numbers look very optimistic compared to London, but New York City was able to count on automated transponders for a large percentage of the charging by piggybacking off the exiting EZ-Pass system. London used video cameras to capture license plate images and computers to read and compare the numbers against a database of drivers who had pre-purchased entry. This video system requires a good deal of human input to check for accuracy. New York planned to use cameras only as a backup for cars.
without EZ-Passes. New York’s focus on revenues may have been consistent with the economic analysis, but it was a political weakness.

Similar to New York City, London had sought to use revenues to support transit improvements since transit supports the underlying aims of congestion pricing. People still need to travel into the city, so planners seek to supplant car travel with improved transit access. In London where the subways were congested, the primary improvements were made to bus service. TfL also spent £100 million prior to rollout upgrading roads along the circumference in an attempt to reduce the impact of diverted traffic on areas bordering the zone (Transport for London 2004). London was able to implement the improvements up front though due to the mayor’s greater control over transit policy in London, but Bloomberg was unable to spend money in advance of the implementation. This contrast highlights a key difference between London and New York City. In London, the mayor was able to use the revenue stream to make the project more appealing to opponents, while Bloomberg was never able to capitalize on the revenues to the same extent.

Mayor Livingstone deserves credit for skillfully navigating the politics around congestion pricing, but he was in a more favorable institutional and political context. He was able to present his election victory as a referendum on congestion pricing and claim popular support. Also, he did not have to seek approval from any legislative bodies to implement the program. Clearly Livingstone had to make compromises, but his path was much easier than Bloomberg’s.
Conclusions

Congestion pricing has strong theoretical appeal as a tool to meet a broad spectrum of public policy goals. It addresses economic efficiency by seeking to reduce externalities imposed by drivers on other drivers and thereby allocate road space more efficiently. It gives engineers a tool to moderate road usage to increase system performance. It allows policymakers to charge drivers for external costs of driving including local and global environmental degradation. It gives planners a lever to break the cycle of congested roads and new construction, allowing them to design more sustainable cities. Simply put, nobody wins from congested roads, and there is a lot to be gained from implementing long-term solutions to address the problem. As economists point out, congestion is a result of overconsumption of an underpriced resource, and the simplest solution is to adjust prices. Politically, however, raising the price of driving is challenging.

A careful analysis of New York City’s efforts to adopt such a solution reveals several ways that planners could have improved their prospect of success. As congestion pricing went from a general idea to a specific plan, opposition inevitably arose. But proponents could have designed the policy to minimize the number and political impact of its opponents. The planning process itself is also important and an improved process could have built a stronger coalition supporting the mayor’s basic proposal. Bloomberg succeeded in building popular support, but in doing so failed to engage productively with the opponents of the toll. Mayor Livingstone in London was more inclined and better positioned to build a winning coalition. Latent popular support was insufficient to secure the plan’s eventual adoption. In the longer run, reformers in New York should target the complex institutional structure that enables opponents to
thwart even popular initiatives. London benefited from a structure that was explicitly designed to allow for policy innovation, whereas in New York City it is notoriously difficult to enact policy reform.

The fate of Bloomberg’s proposal in New York highlights a number of broad lessons about policymaking to improve sustainability. First, for any plan that tries to increase efficiency, the size of the transfers may overwhelm the size of the efficiency gains. Congestion pricing charges a concentrated group of people a lot of money, and many of them are losers from the plan. Any attempt to implement it will have to deal seriously with this issue, and compensating losers so that everyone supports the plan can be very difficult. Second, the costs are much more concrete than the benefits. A toll is a direct charge that many people know they will have to pay personally. The benefits depend on models or theoretical arguments and have a smaller impact on a larger number of people. Perceptions of these benefits depend greatly on one’s own attitude towards the environment, personal freedom, and income distribution. Any agreement to compensate the losers will have to overcome the fact that they value the costs much more highly than the benefits, and this difference in valuation may make an agreement elusive. Third, the use of revenues from a pricing scheme is very important because the payers are likely to be net losers. Without the revenues, the social gains may be uncertain, so the revenues must serve the dual purpose of compensating the losers and creating a net benefit from the proposal. Fourth, adopting a policymaking process that inspires trust and constructively works around significant obstacles is extremely important. People must trust the planners, both that their estimates and judgment about social benefits is sound, and also that revenues will be spent effectively
to deliver the promised results. Last, the specific political structure can play a large role, shaping policy choices and potentially making agreements more challenging.

Since 2008, New York’s MTA faces growing budget problems, and Bloomberg has hinted at revisiting congestion pricing as a way to address the issue. The funding crisis puts the policy in a very different light and could affect the fate of a new proposal. It could be an advantage if congestion pricing became the least painful way for the city to raise money; or, it could be a disadvantage since there may not be excess revenues to compensate potential opponents. Even in the new context, congestion pricing would still offer many of the features that attracted proponents to the original plan. The lessons from 2007-2008 could help them build a stronger coalition the second time and successfully navigate the institutional challenges in New York.

London’s success with congestion pricing was a remarkable achievement and put tolling into the mainstream of policy discussions around traffic and congestion management. Cities around the world are grappling with congestion problems and will increasingly consider implementing a pricing system. The idea has a strong theoretical backing, but perhaps because of this, proponents often start with the presumption that opponents are ignorant or selfish. Instead, proponents need to realize that the policy involves real tradeoffs for a lot of people. Proponents’ ability to use both policy design and process to build a winning coalition can go a long way towards improving quality of life in our cities in upcoming decades.
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