



BLOG | TRANSPORTATION

Getting the Pricing Right

Six Recommendations for Congestion Pricing

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In March 2021, the U.S. Department of Transportation (DOT) gave the Metropolitan Transportation Authority (MTA) the green light to proceed with an environmental assessment, which is needed for DOT to approve New York's central business district tolling, or congestion pricing, program. The program is intended to meet three goals: support MTA capital investment, reduce congestion, and reduce emissions. The program will charge drivers entering or staying in the Manhattan congestion zone a toll, which, in addition to supporting the program's operations, will generate a total of \$1 billion annually that in turn will support \$15 billion of the MTA's capital program.¹

The congestion toll, which supports the largest component of the MTA's \$55 billion, 5-year capital program, was delayed by the prior federal administration and the pandemic. The Traffic Mobility Review Board (TMRB), comprised of a chair and five members, one recommended by the Mayor and at least one each residing in the Metro-North and Long Island service regions, will advise the Triborough Bridge and Tunnel Authority (TBTA) on toll policy and implementation. The TMRB has not yet been appointed, potentially slowing implementation further. Expediting congestion pricing, along with prioritizing and accelerating the capital plan, are critical to improving the state of good repair of the MTA's capital infrastructure.

TBTA's congestion pricing policies should be designed to meet the program's three goals, and be fair and transparent. Furthermore, the program's impacts should be tracked and evaluated in order to be refined as needed in the future. As the TMRB considers its recommendations and the TBTA determines the policies and implements the program, it should follow six recommendations:

1. Vary the congestion charge to prioritize both raising revenue and reducing congestion and emissions.

The congestion charge should vary by times of day and days of the week to smooth traffic between current on- and off-peak times and reduce overall trips into the zone. These will reduce emissions and congestion due to fewer vehicle miles travelled and reduced vehicle idling in stop-and-go traffic. Congestion and emissions should be monitored to inform future adjustment to the daily toll schedule and toll levels to maximize and balance achieving these goals.

2. Limit exemptions to transit providers, those specified in the law, and perhaps to for-hire vehicles (FHV) and taxis.

Exemptions should be strictly limited since they will increase the charge for those required to pay and increase traffic in the zone. Proliferating exemptions could reduce the program's ability to raise the needed revenue, increase congestion and emissions, and risk the program's support among those required to pay higher charges.

The law exempts vehicles transporting the disabled, emergency vehicles, and residents of the congestion zone earning less than \$60,000 annually. Registered private buses also should be exempt to encourage riders to choose them over single-occupant vehicle commuting that generates more emissions. Furthermore, charging private transit vehicles would toll privately operated SIM23 and SIM24 MTA bus routes and privately operated commuter buses from New Jersey.

Related but separate legislation also authorized a "congestion pickup fee" on taxis (\$2.50) and FHV (\$2.75) below and excluding 96th Street in Manhattan beginning in 2019.² The TBTA and TMRB should make a preliminary determination whether to exempt or provide a credit to taxis and FHV based on the projected impact on travelers' choices between these and private cars and the resulting impact on the program's three goals. The impact of this should be monitored and any credits or exemptions adjusted as needed if riders' choices among taxis, FHV, and cars suggests the pickup fee is not sufficient to best balance use of these transportation choices.³

3. Do not provide credit for payment of MTA or Port Authority of New York and New Jersey (PANYNJ) tolls.

Like exemptions, credits increase the congestion charge for those who pay, and may increase traffic and congestion. Currently, tolls vary among PANYNJ tunnels and bridges, MTA bridges, and free City bridges. The current cost difference between free City-owned and tolled MTA East River bridges creates the incentive to "toll shop"—to choose free crossings that lengthen trips

and increase congestion and emissions. This toll shopping, as well as free crossings' lack of user fee support, are issues that should be addressed. However, addressing them through credits to the congestion charge would increase the complexity of implementing the program, potentially introduce toll shopping between PANYNJ tunnels and the George Washington Bridge, and significantly increase the congestion toll paid by the other travelers.

4. Vary the congestion charge while ensuring it is easy to understand and well communicated.

The toll schedule should vary by time of day and day of week to smooth travel between currently peak and off-peak times and minimize peak hour gridlock. Clearly communicating the variable toll schedule will enable drivers to know how much they would pay for different trip times and modify their trips accordingly as the law intends.

5. Consider charging a vehicle miles travelled (VMT) fee for those that stay in the zone.

Charging travelers who stay within the zone without crossing the zone borders for the distance that vehicles travel would reduce congestion and emissions.⁴ A VMT fee, [as the Citizens Budget Commission has supported broadly](#), would help reduce congestion from vehicles searching for parking, taxis, and FHV's circling for passengers, and from residents traveling within the zone. The technology and infrastructure necessary to implement this may not be feasible for the initial launch of congestion pricing. However, a VMT fee should be strongly considered for the future to help meet the program's goals and remove those vehicles' de facto exemption from the charge.

6. Monitor and report congestion pricing outcomes and operational metrics to inform future policy adjustments.

Congestion pricing operational metrics and outcomes should be transparent and sufficiently detailed to inform future adjustments to the policy—including the level and variability of the charge and exemptions and credits—and to allow the public to monitor the program. These adjustments should be considered at regular intervals, perhaps annually, or in the future even quarterly for small refinements of the charge, and to ensure the program is meeting its revenue, congestion, and emissions goals.⁵ Data should include at least the number and location of zone boundary crossings at various times of days and days of week, total and hourly average VMT, average travel speeds, emissions, revenues, administrative costs, and the number and value of credits or exemptions by group.

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ENDNOTES

- [1] The tolled congestion zone is comprised of Manhattan below and including 60th Street, except for the FDR Drive and West Side Highway (defined as state route 9A including the Battery Park underpass and any surface roadway portion of the Hugh L. Carey Tunnel connecting to West St.). Vehicles using these roadways without entering the street grid are exempt from the charge. Two-way variable tolls are permitted, but passenger vehicles must not be charged again for re-entering the congestion zone within the same day.
- [2] Solo taxi or FHV trips beginning, ending, or passing through Manhattan below but excluding 96th Street—and including the West Side Highway and the FDR—are subject to the respective \$2.50 and \$2.75 fees. Shared “pool” trips are subject to a lower \$0.75 fee per trip. See: New York State Department of Taxation and Finance, *Congestion Surcharge in the New York City Congestion Zone* (November 16, 2018), www.tax.ny.gov/pdf/memos/cs/m18-1cs.pdf.
- [3] Transport for London (TfL) initially exempted taxi and FHV trips from the congestion toll, having first implemented the toll in 2003 before the existence of e-hail services. TfL reconsidered the exemption in 2018 after substitution into taxi and FHV trips had partially reversed the travel time gains originally achieved by the toll. Though Uber vehicles in London pay the toll once per day, Uber chose to pass through the toll as a fee to consumers on a 1.50 GBP per trip basis within the zone, similar to MTA’s \$2.75 pickup fee. See: Uber UK, “Changes to trips in Central London” (accessed February 2, 2021) www.uber.com/en-GB/blog/changes-in-central-london/.
- [4] The congestion pricing legislation only requires a toll to be charged on trips crossing the boundary of the congestion zone. However, it also authorizes the MTA to implement a toll for vehicles remaining within in the congestion zone. See: The Laws of New York, Consolidated Laws, Vehicle and Traffic, Title 8, Article 44-C, Section 1704-A (accessed July 19, 2021) www.nysenate.gov/legislation/laws/VAT/1704-A.
- [5] Singapore, for example, revises its toll schedule on a quarterly basis to maintain fully occupied but free-flowing traffic. This ensures that congestion tolls will be high enough to be effective, but also serves as a long-term limiting principle that prevents tolls from harming economic activity by rising higher than necessary to achieve the goal. In addition to the regular quarterly adjustments, the Ministry of Transport may also adjust ERP rates at any time in unusual and exigent circumstances. See: Singapore Ministry of Transport, “How ERP works as a speed booster” (accessed June 15, 2021), www.mot.gov.sg/Transport-Matters/motoring/detail/how-erp-works-as-a-speed-booster.