CONGESTION PRICING

Congestion pricing for transportation facilities is the subject of renewed attention as one solution to the problem of urban congestion. Increased travel demand has led to growing traffic and slower commutes at peak travel times in many of the nation's major metropolitan areas. In some cities, the problem has reached such proportions that congestion is considered the most crucial transportation problem. The costs are evident—delays for motorists, bus transit, and trucks; wasted fuel; and increased pollution from start-and-stop driving conditions.

The traditional solution to congestion—adding more highway capacity—is viewed in some quarters as part of the problem rather than the solution. Resistance to new construction calls into question the proposition that the nation can build its way out of congestion. Moreover, severe pollution in many urban areas and stringent clean-up requirements introduced by the Clean Air Act Amendments of 1990 have not only challenged highway capacity additions but may lead to the implementation of aggressive measures to control travel growth.

In this context, managing demand through pricing incentives is receiving serious consideration. Economists have long argued that for industries with large fixed facilities and variable demand, pricing can help spread demand more evenly, thereby increasing efficient use of existing facilities and reducing the need for expensive capacity additions. Peak-period pricing has been introduced successfully in a wide range of capital-intensive industries, from electric utilities to water systems to telecommunications.

This same concept could be applied to transportation by charging a premium for driving during peak hours, or for driving in congestion-prone areas or on congestion-prone facilities (e.g., bridges and tunnels) at particular times. All of these approaches may be broadly defined as congestion pricing.

As prices rise during periods of peak demand, travelers who are unwilling to pay the premium would find alternatives. They could vary the timing of trips, alter the route taken, carpool, use public transit, or avoid certain trips altogether—all with the same outcome: relieving the pressure on overburdened highway facilities. Many view this market-based approach as a more attractive way of inducing travelers to change their behavior than the command-and-control approach of regulatory restrictions.

With so many potential benefits, why haven't transportation officials adopted congestion pricing? The reasons are numerous: the complexity, both technical and administrative, of implementing congestion pricing systems in urban areas; lack of regional authorities to manage cross-jurisdictional issues; questions of equity for poorer drivers; and simple popular resistance to paying for what is widely perceived as a near-free good.

In this Point of View feature, four experts argue the pros and cons of congestion pricing. William Vickrey, one of the first proponents of congestion pricing for transportation facilities, lays out the economic arguments in favor of using pricing to control travel demand. Peter Koltnow presents an opposing viewpoint, challenging both the value and feasibility of changing driver behavior. Anthony Downs raises numerous institutional issues that will have to be addressed if congestion pricing is to be introduced successfully. Finally, Michael Cameron examines the potential for dual benefits from congestion pricing—improved levels of highway service and reduced air pollution.

We invite reader reaction to the following viewpoints.

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