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# URBAN ROAD PRICING AND PUBLIC TRANSPORTATION

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- **Road congestion** in large-sized urban areas is an increasingly serious problem
- Caused by **negative externality**: drivers do not account for costs they impose on others
- Economics suggests **road pricing** is a possible solution



- Main problem of road pricing: a **politically controversial** issue
- Worked in London, Stockholm, Milan, Oslo...
- Copenhagen, NYC, Manchester, Edinburgh...  
discarded the idea



- What is the **relation with Public Transport (PT)**?
- Road pricing can:
  - Reduce congestion, **make (surface) PT more effective**
  - Increase demand, exploit **economies of scale**
  - Provide **stable source of funding** for PT



- ...however, none of these are possible if road pricing is not **accepted**
- Should road pricing **revenues be used for PT?**
- London and Stockholm do it
- What is the rationale? What are the caveats?



- Road pricing often **opposed before adoption**, but people grow to accept it
- **Uncertainty in the face of reform**: people cannot evaluate their cost of switching modes
- Extra funding for PT **reduce cost of switching and uncertainty**, increase acceptability



- When used to subsidize PT, **money raised** through road pricing **may not be enough** to compensate opposing voters
- **Extra financing by national government** needed
- Copenhagen: lack of support by national government, insufficient funds for PT, road pricing rejected



- Road pricing can help solve some critical issues for public transportation
- First, need to solve problem of acceptability: **extra funding for public transport** not just a bonus, but a necessity
- However, **support by national governments** may be critical