

Testimony of Hugh O'Neill
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Before the Traffic Congestion Mitigation Commission

January 16, 2008

Mr. Shaw, members of the Commission: Thank you for the opportunity to testify tonight on the Commission's interim report. I would like to begin by commending you, as well as members of the interagency staff working group, for all of the effort that has gone into your examination of alternative approaches to relieving traffic congestion in Manhattan's central business district. The options presented in the interim report – and the detailed discussion of those options – show that the Commission took seriously some of the concerns that had been raised about the City's original proposal, and sought to address them constructively.

In particular, Option 2 – the alternative congestion pricing plan – implicitly recognizes that the system originally proposed by the City was too complex, too costly and too inefficient – either as a way of reducing congestion or as a way of generating new revenues for mass transit.

However, despite the real progress the Commission has made in wrestling with all of the issues surrounding congestion pricing, there are still some important issues that have not been addressed. Tonight I will briefly discuss four of them.

The need to get beyond VMT

First, by focusing too narrowly on reductions in vehicle-miles traveled, the Commission has missed an opportunity to explore more thoroughly measures that could significantly reduce congestion, even though they might not significantly affect vehicle-miles traveled. Examples include:

- More vigorous enforcement of existing parking rules, coupled with higher fines for violating them;
- Greater use of information technology to manage the flow of traffic;
- Modernization of traffic signals;
- Greater use of variable tolls; and
- Incentives for off-peak deliveries.

This isn't just an academic question. It's entirely possible to put in place a strategy that effectively reduces the number of people driving into the CBD. But, if it fails to address the conditions within the CBD that give rise to congestion in the first place, it will wind up producing only a marginal improvement in traffic conditions. Unless the City is prepared to attack much more forcefully the real causes of congestion, that could easily happen here.

The need to provide real net numbers

Table 13 of the report provides a summary of the gross revenues, capital and operating costs and net revenues of the five options. But in calculating net revenues, the table only takes into account *the direct operating costs of the system itself*. If the table also took into account the added costs incurred by the MTA, and the real or imputed debt service needed to support the system's up-front capital cost, the results would look significantly different.

This problem is compounded by the fact that, as the report acknowledges, the estimate of net revenues from congestion pricing does not reflect the reduction in gross revenues that will result from the recently-approved increase in Port Authority tolls.

Taking these factors into account, we estimate that:

- The City's original proposal would yield \$195 million annually in net revenues available for transit improvements over and above what the MTA would have to spend to absorb the impact of congestion pricing – about 33 cents of every dollar collected; and
- Option 2 would yield about \$305 million – about 57 cents of every dollar collected.

The good news here is that Option 2 looks a lot better on this score than the City's original proposal. The bad news is that it is still not a very efficient way to raise new revenues for mass transit.

The need to consider economic impact

One of the criteria for evaluating the options that is cited in the interim report is their impact on the City's economy. However, beyond repeating a seriously inflated estimate of the region-wide cost of excess traffic congestion, and noting that per-trip tolls would impose higher costs on some businesses than per-day congestion charges, the report doesn't really address this issue at all.

And it's an issue that needs to be considered. With the City looking down the barrel of a nationwide recession – and at the more localized impact of continuing turmoil in the financial sector – we need to proceed with the greatest caution before adding so visibly to the cost of living, working, doing business in or visiting New York.

Instead, the City should take advantage of the fact an economic slowdown, rising gas prices and the toll increases already authorized (in themselves an important form of congestion pricing), are certain to produce a further reduction in CBD traffic in 2008. This will provide the breathing room the City needs to devise and implement a more incremental, more flexible and more comprehensive strategy for managing congestion.

Proponents of the City's plan will of course argue that a decision not to proceed with congestion pricing in 2008 means giving up \$354 million in federal transportation funding. But it makes no sense to spend nearly a billion dollars on what would in most cases be relatively low-priority, and in some cases totally unnecessary, capital projects, just to be able to qualify for \$354 million in federal aid. By any measure, that's a bad deal for New York.

Asking the wrong question

Finally, the Commission has emphasized the need to find new revenues to support the City's mass transit system. But this is simply not the right context in which to address that critically important issue.

The question New York needs to be asking is not "Which version of congestion pricing will produce the most new revenue for mass transit?" It is "What combination of new revenues, from *all* of the sources available, will be most effective in meeting our mass transit needs – efficiently, reliably, equitably and with least damage to our economy?" In that discussion, everything needs to be on the table – broad-based, dedicated taxes, state and city appropriations, farebox revenues, *and* tolls and other charges.

Proponents of the City's original congestion pricing scheme may have thought they had devised a neat way to reduce congestion and at the same time raise more money for mass transit. But it soon became clear that the proposed scheme failed to meet either of these goals effectively. Sometimes when you try to kill two birds with one stone, you just wind up missing both birds. The Commission should not repeat the City's mistake.