

Congestion Charges

Summary

Swedish Government Official Reports

SOU 2003:61

The Commission's terms of reference, etc

The Stockholm Transport Commission's terms of reference include studying ways in which congestion charges for traffic may be implemented and producing a report on it. The Commission has interpreted this assignment in a general manner, which means that although congestion charges are primarily a measure that has been discussed for metropolitan areas, the result of the report should be applicable to conditions throughout Sweden.

Terms and concepts

Some of the concepts used in this report are explained in chapter 2. In this context, congestion charges mean charges designed to reduce congestion problems in road traffic. These charges are differentiated so that they are levied at times and places where there are problems with congestion.

Different aims of road user charges

Chapter 3 discusses the various purposes of road user charges. The two main aims are to finance traffic measures and to manage road traffic.

Congestion charges in other countries

A glance at international developments is made in chapter 5. The oldest system of congestion charges, in use since 1975, is found in Singapore. Initially this was designed as a manual system with stickers on the windscreen, but for some years it has been

completely automatic and based on Dedicated Short Range Communications (DSRC). The most recent and perhaps most widely discussed system started to operate in London in February 2003. The system is based on a charge for driving within a zone in central London in daytime and camera registration of cars travelling within the zone. The initial results indicate that the system is having the impact anticipated.

Requirements that might be put on a system of congestion charges

The most important requirements for a system for congestion charges are described in chapter 6. This applies above all to preconditions for acceptance of the system by those who will be affected by it, but also to other demands, such as technical flexibility and traffic safety. The most important requirement for acceptance is that the system is easy to understand and utilise for the users, that it is fair, that it involves reasonable costs, that it meets the necessary criteria for personal integrity, etc.

The effects of congestion charges

A review of the anticipated effects of a system for congestion charges is made in section 7. The studies principally used by the Commission are described in annexes 5–8. The verdicts of the various reports tend to demonstrate similar probable conclusions. It is worth mentioning that available traffic forecast models are not designed for congestion charge systems and that the results regarding the effects of such systems are thus unreliable and must therefore be used with the utmost caution. Although the results of analyses are often unreliable, it can initially be noted that the impact on traffic of a congestion charge system largely depends on the design of the system. Estimates made for Stockholm conditions show that road traffic volume would be reduced by between 10 and 25 per cent in the inner city depending on the design of the charge system. For the county of Stockholm, the reduction would be about 2–3 per cent, while the proportion of journeys undertaken by public transport would increase by a corresponding percentage. Increased costs imposed on car drivers

generally do not outweigh the time they save because of reduced congestion. Although more high-income than low-income earners will have to pay the charge, the latter will nevertheless be most affected in terms of individuals.

For companies in Stockholm, the controlling effect of the charges will be small. The increase in costs for companies is expected to correspond roughly to the value of the time saved, which in turn is expected to be relatively small. In the region, the effect on household disposal income is expected to be just under a 0.5 percentage unit, with a corresponding reduction in purchasing power. How the revenues levied are used and invested will be very important for the economy of the region.

There is a risk that the social and economic integration of the region will be hampered by the congestion charges envisaged in the Stockholm examples.

A reduction in traffic is generally expected to reduce noise and emissions. It is thought that the effects of a congestion charge system will probably be very small for road safety.

The design of a congestion charge system

Chapter 8 deals with the design of a charge system regarding the principles for levying charges, technical conditions and certain geographical conditions. Three principles for charges are described, that is, entry charges, charges for being in the area and route charges. The first two are considered by the Commission to be most proven and are most suitable for use. With regard to the technical solutions to be used, the Commission considers that in the short term, DSRC and camera registration are most feasible. Finally, regarding geographical conditions, the Commission draws attention to the risks of the so-called intrusion effects for municipalities not included in the charge system and of levying charges for ring roads round areas with charges.

Congestion charges and integrity

In chapter 9 the Commission discusses integrity issues arising in connection with the registration and control necessary for a functioning congestion charge system. If registration is introduced

in such a system it should be undertaken in the traffic register recorded by the National Road Administration.

Protection of personal integrity largely depends on how the technology selected for the charge system is applied and the way in which the system is organised. In the view of the Commission, the charge system based on DSRC and camera registration should be designed to meet the requirements necessary for protecting personal integrity, with a certain bias towards a DSRC-based system. According to the Commission, before route-related systems using technology based on GPS solutions can be introduced, further consideration should be given to how such a system would affect personal integrity.

Constitutional aspects of congestion charges

The Instrument of Government gives no definition of the concepts of tax and charge. In the travaux préparatoires it is stated that the limits are fluid. While tax can be characterised as compulsory dues to the public domain without direct benefit to the individual in return, a charge is a monetary contribution paid for a specific service rendered by the public domain.

What determines whether a congestion charge can constitutionally be regarded as a charge depends on whether the services rendered in return, i.e., the right to drive a car on streets and roads within a given area can be regarded as being a sufficiently specific and individually determined service in return for the individual paying car driver. The definite conclusion of the Commission is that in this case, no services rendered in return can be noted and that the congestion charge is therefore a tax. Since municipalities are not permitted to tax persons other than their own inhabitants, congestion charges must therefore be regarded as being a central government tax.

This standpoint means that prescribed standards must be based on the provisions of the Instrument of Government applying to central government tax. Under Chapter 8, Article 3 of the Instrument of Government, regulations, *inter alia*, concerning taxes, must be laid down in an act of law and thus decided upon by the Riksdag (Swedish Parliament). It is not possible for the Riksdag to delegate its authority to decide on taxation.

The design of a law on congestion charges

The Commission presents both a draft act and an ordinance on congestion charges. This general draft legislation, described in more detail in chapter 11, deals with issues that should be regulated in the same manner, irrespective of the urban area in which congestion charges are introduced. Certain other provisions are expected to vary between different urban areas and should therefore be regulated in annexes to the act. Typically speaking, this applies to issues concerning delimitation of the area in which charges are to be levied, charge amount, differentiation of charges, possible local exemptions from charge payment obligations, payment systems and other questions linked to these.

It is proposed that compulsory charges apply to cars, buses and lorries in accordance with the definitions in the Act concerning definitions of road traffic (2001:559). The registered owner of the vehicle is liable to pay the charge. The proposed exemptions from charge payment obligations are linked to the vehicle's registration and not to actual use. The Commission's proposal means that it should be possible to pay not only in connection with the journey but also retroactively. If payment is not made within the prescribed time, the owner of the car will be requested to pay the charge. If payment does not take place after this demand, an increased charge will be levied.

The Tax Board will be the formal taxation authority but according to the proposal, the National Road Administration will be responsible for practical administration. It is proposed that appeals of decisions concerning increased congestion charges be made to public administrative courts.

Fiscal issues

The Commission discusses fiscal issues arising in connection with congestion charges in chapter 12. It is proposed that deductions for charges will be allowed for the income category of economic activity and for travel on official business but not for travel to and from work. Value-added tax will not be added to congestion charges.

The use of revenues from a congestion charge system

Chapter 13 deals with the issue of the use of revenues from a congestion charge system. In view of the fact that the charge is regarded as being a central government tax, revenues will go to the public treasury. Decisions on the use of revenues should be made annually by the Riksdag in the ordinary budget process.

The Commission considers that revenues from a congestion charge system should be used for measures benefiting transport users in the region in which vehicle owners have paid the charge. This, in turn, must not affect the size of infrastructure grants otherwise received by the region.

Full-scale pilot project in Stockholm

The city council of Stockholm decided on 2 June 2003 to approve a pilot project for environmental charges/congestion charges. To meet the requirements stipulated in the Instrument of Government for preparation of draft legislation for congestion charges, which may be applied to the pilot project in Stockholm, the report presents a draft annex to the law regarding the pilot project in Stockholm. The formulation of this annex is based on the decision made by the city council.

On the issue of the full-scale pilot project's organisation in Stockholm, the Commission notes two items. These apply to guaranteeing the inhabitants of Lidingö free transit without charge to the free public road network, and no charges for the Essingeleden ring road.