Untying the knot of urban mobility

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THE PROBLEM OF URBAN MOBILITY was behind the demonstrations that recently rocked Brazil, which were triggered by a rise in bus fares. A positive outcome of the protests was to bring this issue to the center of the political agenda. The question now, of course, is what to do. The solution will necessarily involve some form of subsidy to public transport.

From an economic standpoint, with subsidies and taxation individual actions have effects on other people. This is precisely the case of urban mobility. When making the decision to use private transport to get around, people do not take into account the negative effect generated for other people in terms of pollution and traffic jams. For this reason, as a result of the sum of all individual decisions, we end up with more cars on the streets than are needed, or appropriate.

The solution to this problem is to make public transport relatively cheaper than private cars. This
may involve either subsidizing public transportation or taxing private transport, as occurs in most cities elsewhere in the world. However, this has not been the practice in Brazil, particularly for bus transport. With rare exceptions, the system is fully funded by collecting fares.

The result is that in Brazil public transport fares have risen far above inflation, which has led people to abandon official transport systems. The wealthiest use individual cars and motorcycles; the poorest use illegal public transport. The result is more pollution, more traffic jams, higher costs and fewer people to pay fares to fund public transport. This brings about more increases in fares, feeding the vicious circle. This vicious circle has been exacerbated by recent government incentives for private transport by reducing taxes on vehicles and controlling fuel prices.

If the solution of the problem of urban mobility involves subsidizing public transport, who will pay the bill? The most obvious targets are taxpayers and users of vehicles. Use of the budget has the disadvantage that, when tax revenues stay the same, resources are drawn from other areas. This tension became clear during the demonstrations, when many mayors indicated that if they could not raise bus fares, they would use resources from other areas to subsidize them.

Sending the bill to those who benefit from individual transport has the advantage of burdening only those that cause pollution and traffic jams. However, even this choice is not trivial. Taxing gas and using the revenues to subsidize public transportation, as suggested by the mayor of São Paulo city, has the disadvantage of reaching indiscriminately both those who drive in congested areas and those who use their cars outside those areas.

This problem can be circumvented by adoption of a toll, as in London, which has considerably reduced use of cars in the city center. However, in Brazil there is already considerably resistance to paying tolls on the open road; imagine collecting them in cities. More politically feasible would be to raise funds by charging for parking areas. But this option may not generate sufficient resources to subsidize public transport.

There is no single perfect policy to untie the knot of urban mobility—every town needs to find its own policy. Whatever the policy, there should be no room for populism: subsidies to public transport are justifiable and necessary, but we need to define clearly the most appropriate source of funding, and generate political will to collect the resources from those who must pay for the subsidy. Just as there is no free lunch, there is also no free bus fare.