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Efficiency and Substitutability of Transit Subsidies, Dedicated Bus Lanes and Congestion Pricing

We analyze the efficiency of and the substitutability between three urban congestion management policies: transit subsidization, car congestion pricing, and dedicated bus lanes.

The model features user heterogeneity, cross-congestion effects between cars and transit, intertemporal and total transport demand elasticities, and is simulated using data for London, UK and Santiago, Chile. We find that the substitutability between policies is large and, in particular, the marginal contribution of increased transit subsidies, as other policies are implemented first, diminishes rapidly. Bus lanes are an attractive way to increase frequencies and decrease fares without injecting public funds.