

The effect of transport policies on car use: A bundling model with applications

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Abstract

Borrowing from the bundling literature, the paper presents a novel model of vertical and horizontal differentiation applied to transport decisions: households differ in their preferences for transportation modes — cars vs public transport — and in the amount of travel. Using few observables, the model is then used to interpret and compute policy costs associated to the effects of two major transport policies: the driving restriction program introduced in Mexico-City in November of 1989 and the public transport reform carried out in Santiago-Chile in February of 2007. Both policies had the unintended impact of increasing the number of cars on the road; and their associated transport costs are estimated, respectively, to be about 5% and 9% of the value of the vehicle stock at the time of implementation.