

Travel 'Deals'

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August 21, 2006

Travel demand is cyclical. It varies seasonally, and for some forms it varies significantly during the course of a single day. We know that for privately-provided travel, when you travel affects the price, and appropriately so. You can get some great off-season travel deals, and pay big time for peak season travel. Those price differences even out usage and provide the incentive and wherewithal to deliver costly temporary increases in supply.

The basic principles and benefits are the same for public services. Where it is technically feasible, we should employ peak-off-peak pricing to even out usage and pay for additional capacity needed only during the peak periods. Highway capacity is one such public service. Readers of this column know that I've been urging the use of congestion tolls to reduce rush hour traffic and pay for the lanes needed only during peak usage periods. On August 13, the *Express-News* spread that message to a broader audience through a really nice View section presentation of my plea to consider congestion tolling as an alternative to higher taxes and separate toll and free lanes. On August 15, KAHN-1310's Eliza Sonneland and Carl Wiglesworth spread the message to its radio listeners.

My point today is that congestion tolling is just one wise application of a well-established economic principle that is in widespread use in the private sector, and also for some public services. Economic analysis always points to price change as a tool to spread out usage and meet growing demand. Then it is just a matter of technical feasibility; can we levy changing prices without creating bigger problems than we solve. Separate toll and 'free' lanes does not emerge from economic analysis of urban traffic.

I'll close with two other public service examples, sewage treatment and water reservoirs. We could save millions of dollars on sewage pipes and holding tanks if we could use pricing to reduce the peak demand, which is probably at half-time of the Super Bowl. Yes! If we could meter exactly when 'stuff' flows down each building's sewage pipes, we could levy a small fee for flushing (and other uses) around half-time. Because that would reduce the peak demand, we could get by with smaller sewage pipes, and fewer holding tanks at the Sewage Treatment Plants. But such metering and billing may not be technically feasible. The meters may cost more than they save. In contrast, it is technically feasible to price water usage seasonally to reduce the demand for reservoir capacity. That's something, which like congestion tolling for highways needs to be done more often. Both save money (smaller highways and reservoirs are cheaper) by shifting how we pay for something. The peak period users pay for the capacity needed only during the peak periods.