

Travel: Managing Supply Instead of Managing Demand
The Obsession with Managing Travel Demand
What ever happened to basic economic principles?

The FHWA will be conducting a 3-part Webinar Series in June/July 2008:

- Managing Travel Demand to Mitigate Congestion: Part I – Pricing and Institutional Strategies to Manage Demand (June 19, 2008)
- Managing Travel Demand to Mitigate Congestion: Part II – Operational and Infrastructure Strategies to Manage Demand (June 26, 2008)
- Managing Travel Demand to Mitigate Congestion: Part III – Integration of Demand Management Strategies

The focus is strictly on “managing travel demand”—how to “manage demand” and use “demand management strategies”. “The Webinars are designed” for “seeking ways to reduce demand” “to address issues such as congestion and air quality”.¹ It is symbolic of the inside-the-Beltway mentality these days. Everyone wants to manage demand—especially developers who want to make sure people live where they have bought land. And, increasingly, public transportation construction firms that like a good multi-billion dollar taxpayer-subsidized project.

Basic economic textbooks teach us about the economic principles of **supply and demand**. For economically efficient outcomes we are supposed to look at how to manage supply and demand together. In business, when there is an increase in demand, most companies will increase supply (and consider raising prices) to meet the higher demand. The focus is on managing supply to meet demand.

Traditionally, with government, an increase in demand just means longer lines. This helps to explain why our roads are like our post offices. Now, the government is determined to reduce those lines (congestion) on our roads—not by providing more supply, but by reducing travel and essentially forcing people to stay at home or travel at some other time. This type of thinking is further boosted by environmentalists who believe demand and emissions are synonymous.

Demand does not mean emissions or pollution. Demand means mobility.

DEMAND		
Traveling to work	Traveling from work	Going shopping
Going to restaurants	Going to a game	Going to school
Going on vacation	Going to a friends	Going to a relatives
Going to the doctor	Going to a professional (accountant, etc)	Going to a business meeting

¹ https://www.nhi.fhwa.dot.gov/resources/webconference/web_conf_learner_reg.aspx?webConfID=13991

Managing (reducing demand) means eliminating some of these trips. It means reducing the quality of life. And it means reducing business productivity. It is simply non-beneficial to focus on managing demand. If anything, demand should be encouraged.

We need to manage supply to meet whatever the demand is. How do we manage supply? Let's consider what supply is.

SUPPLY		
Highways	Local Roads	Bike Paths and Bike Lanes
Subway lines	Light Rail	Commuter Rail
High Speed Rail	Buses	Side walks
Airports	Boats	Vehicles

We can mix-and-match various forms of supply to meet demand. We can use “pricing” to manage the supply that we have and **use the revenue to increase the supply**, if demand warrants. We can also manage supply and demand together via concepts such as “smart growth”. However, this does not mean forcing smart growth. It means increasing the supply of smart growth in a manner that meets market-based demand for it.

Consider a car. Instead of saying you are managing demand; think in terms of managing supply. Your basic car has room for 4 people. If there is 1 person in that car then there are 3 open spaces. What can we do to use that supply? We could encourage car pooling. This also has the added benefit of improving the supply of available space on the highway.

Yes, this seems just about the same as ‘managing demand’. However, the nuance cannot be lost. Managing supply means meeting demand—whatever that demand may be. If demand is increasing then managing supply means finding ways to meet that increased demand. Currently, the inside-the-Beltway mentality is too obsessively focused on “reducing demand” and “reducing travel”. Whatever happened to **mobility**? What about technology? What about economic growth?

It is time for transportation professionals and policy makers
to think in terms of
‘measuring demand’ and ***‘managing supply’*** accordingly.

We should be ensuring that if someone wishes to travel, there should be supply to meet their demand. Indeed it should be affordable. If someone, anyone, *demands* to travel, government—and the free market—should be providing the supply.

We have become entirely too simplistic, and short-sighted, in our environmental solutions. We act as if someone staying at home to tele-work saves so much energy and lowers pollution based on eliminating a car trip. But what if the employee traveled by train or subway? There is no net savings. Moreover, in all tele-working situations, what about the pollution costs of heating or cooling the home throughout the day? What? They buy solar power. Well, my next car is a plug-in electric supplied with wind power.