

## **Making HOT Lanes Sizzle** Kenneth A. Small and Clifford Winston

A recent study by the Texas Transportation Institute documents what most of us already suspect: that congestion in the Washington area is creeping toward a level to rival the worst in the nation. The good news, though, is that at long last transportation officials in Virginia and Maryland are considering serious changes to traditional policies that have made our Capital Beltway a circular storage facility for motor vehicles. Virginia has now started the ball rolling by proposing to let private firms build four new lanes on one busy segment and operate them as high-occupancy-toll (HOT) lanes, giving motorists a choice of business as usual or a pricier but much faster trip.

This idea combines two aspects of successful initiatives of the last decade in the Los Angeles, San Diego, and Houston regions. First, the idea of carpool-only lanes is replaced by a much more efficient system that uses variable tolls to keep the new express lanes fully utilized yet still free-flowing, even during the busiest hours. Second, private operators are allowed to bring expertise from around the world to bear on the problem of managing a significant local asset.

HOT lanes themselves are largely uncontroversial where they now exist. This is because, like the Virginia proposal, each of the experiments added a new feature – optional express travel at a price – in a way that hurt no one compared with what was there before. In two cases (San Diego and Houston), existing underutilized carpool lanes were converted, thereby giving people the option of express travel and simultaneously relieving congestion on the adjacent regular freeway lanes. In the third (Los Angeles), the new capacity that was built made such a difference that for a while, travelers in the regular lanes enjoyed congestion lower than had been seen for years. This lasted until regional growth overwhelmed them with new traffic.

Use of private companies has been somewhat more controversial, but mainly because of some features peculiar to the project in the Los Angeles area. The franchise agreement for this project (California State Route 91 in Orange County) contained the entirely reasonable principle of protecting the private operator – which forked out \$125 million to build much-needed new regional highway capacity – from being undercut by any new capacity the public might be considering. This agreement fell into disfavor because regional growth created a desire for new capacity much sooner than anyone had guessed, and because it gave the private company an absolute veto over such new capacity – instead of defining a formula for compensating it, as most other private highway franchises have done. The result was a public buyout, a healthy though reasonable profit for the private venture (which took considerable risk building the project), and a well-tuned management operation passed on to its current public owner.

Overall, then, the experience with HOT lanes is favorable. They offer a new express option for every motorist – an option that many, not just the rich, will take advantage of. They provide at least some congestion relief on the regular lanes. They can attract private capital and expertise, while allowing appropriate public oversight and profit regulation to prevent price gouging. With no apparent loss for anyone, is there anything missing from this equation?

Surprisingly, yes! The proposed HOT lanes are a good idea, but we can do better by being bolder. The current plan will have roughly one-third of the capacity available for express travel.

This still leaves the majority of travelers to cope with the same old mess, even if it is ameliorated for a while. By design, the price will have to be high enough to maintain substantial congestion in the regular lanes, for it is only such congestion that creates the market for a high-priced travel option. And that market is essential to the scheme because the new lanes are required to pay for themselves. Furthermore, experience shows that even if that congestion is greatly reduced, time will soon provide the traffic needed to recreate it, leading to further agonizing about why we can go to the moon but not from Silver Spring to Tyson's Corner.

What if instead Virginia designated two-thirds of the capacity of the newly expanded road segment for express travel, not just one-third? Obviously this would require some reconfiguration of the existing lanes, but with modern movable barriers this would not be so difficult. In return, the price could be lower, making the express lanes accessible to more people and still bringing in enough revenue to pay for the new capacity. Let's stop thinking of express lanes as a high-priced luxury for a minority, and make them a medium-priced luxury for a majority. The poor or those who strongly object to tolls would still be protected, but more people could voluntarily purchase the benefits of congestion-free travel.

Some will object that all the existing Beltway lanes must remain free because they were already paid for by fuel taxes. This is debatable, given how expensive they were, but anyhow it's beside the point. Rush-hour travelers, the ones making expansion necessary, don't come close to paying for the cost of the road capacity they use. And currently we are diverting funds from many other sources, such as sales and property taxes, to finance our transportation system. If charging for some of the publicly built lanes brings in surplus revenues, they can be used to roll back some of those other taxes.

Research has shown that the desire for high-speed travel – and willingness to pay for it – is not limited to a small market segment. And experience in California and Texas has shown that express travel need not be limited to privately built lanes. The Beltway proposals offer a golden opportunity for broader thinking about ways to give more people options to use transportation that works.