Contents

List of tables ix
List of figures x
Acknowledgments xii
Selected symbols and abbreviations xiii

1 Introduction 1

2 Travel demand 4

2.1 Aggregate tabulations and models 5
  2.1.1 Aggregate demand models 6
  2.1.2 Cross-sectional studies of metropolitan areas 8
  2.1.3 Cross-sectional studies within a metropolitan area 9
  2.1.4 Studies using time-series data 10
  2.1.5 Summary of key results of aggregate studies 11
  2.1.6 Transportation and land use 12

2.2 Disaggregate models: methods 15
  2.2.1 Basic discrete-choice models 15
  2.2.2 Estimation 17
  2.2.3 Interpreting coefficient estimates 19
  2.2.4 Data 21
  2.2.5 Randomness, scale of utility, and measures of benefit 23
  2.2.6 Aggregation and forecasting 25
  2.2.7 Specification 26
  2.2.8 Ordered and rank-ordered models 27

2.3 Disaggregate models: examples 28
  2.3.1 Mode choice 28
  2.3.2 Trip-scheduling choice 29
  2.3.3 Choice of free or express lanes 31

2.4 Advanced discrete-choice modeling 33
  2.4.1 Generalized extreme value models 33
  2.4.2 Combined discrete and continuous choice 36
  2.4.3 Disaggregate panel data 38
  2.4.4 Random parameters and mixed logit 39
  2.4.5 Endogenous prices 41
## Contents

2.5 Activity patterns and trip chaining 43
2.6 Value of time and reliability 44
    2.6.1 Value of time: basic theory 45
    2.6.2 Empirical specifications 46
    2.6.3 Extensions 47
    2.6.4 Value of reliability: theory 49
    2.6.5 Empirical results 52
2.7 Conclusions 54

3 Costs
    3.1 The nature of cost functions 56
    3.2 Cost functions for public transit 61
        3.2.1 Accounting cost studies 62
        3.2.2 Engineering cost studies 64
        3.2.3 Statistical cost studies 65
        3.2.4 Cost functions including user inputs 67
    3.3 Highway travel: congestion technology 69
        3.3.1 Fundamentals of congestion 69
        3.3.2 Empirical speed-flow relationships 72
        3.3.3 Dynamic congestion models 78
        3.3.4 Congestion modeling: a conclusion 83
    3.4 Highway travel: short-run cost functions and equilibrium 83
        3.4.1 Stationary-state congestion on a homogeneous road 84
        3.4.2 Time-averaged models 86
        3.4.3 Dynamic models with endogenous scheduling 88
        3.4.4 Network equilibrium 93
        3.4.5 Parking search 96
        3.4.6 Empirical evidence on short-run variable costs 97
    3.5 Highway travel: long-run cost functions 105
        3.5.1 Analytic long-run cost functions 106
        3.5.2 The role of information technology 109
        3.5.3 Empirical evidence on capital costs 111
        3.5.4 Is highway travel subsidized? 114
    3.6 Intermodal cost comparisons 115
    3.7 Conclusions 117

4 Pricing
    4.1 First-best congestion pricing of highways 120
        4.1.1 Static congestion 121
        4.1.2 Dynamic congestion 127
    4.2 Second-best pricing 137
        4.2.1 Network aspects 139
        4.2.2 Time-of-day aspects 143
        4.2.3 User heterogeneity 145
        4.2.4 Stochastic congestion and information 146
4.2.5 Interactions with other distorted markets 146
4.2.6 Second-best pricing: a conclusion 147

4.3 Congestion pricing in practice 148
4.3.1 Singapore 148
4.3.2 Norwegian toll rings 149
4.3.3 Value pricing in the US 149
4.3.4 London congestion charging 150
4.3.5 Other applications 151
4.3.6 Technology of road pricing 151

4.4 Pricing of parking 153

4.5 Pricing of public transit 155
4.5.1 Fare level 155
4.5.2 Fare structure 159
4.5.3 Incentive effects of subsidies 159
4.5.4 Political considerations 160

4.6 Conclusions 161

5 Investment 163

5.1 Capacity choice for highways 163
5.1.1 Basic results: capacity choice with first-best pricing and static congestion 164
5.1.2 Self-financing in more complex settings 167
5.1.3 Second-best highway capacity 172
5.1.4 Naive investment rules 178

5.2 Cost–benefit analysis 181
5.2.1 Willingness to pay 181
5.2.2 Demand and cost forecasts 184
5.2.3 Discounting future costs and benefits 185
5.2.4 Shifting of costs and benefits 187
5.2.5 External benefits and network effects 187
5.2.6 Conclusion: the use and misuse of cost–benefit analysis 189

5.3 Conclusions 189

6 Industrial organization of transportation providers 191

6.1 Private highways 192
6.1.1 Single road with static congestion 192
6.1.2 Single road with dynamic congestion 194
6.1.3 Heterogeneous users 196
6.1.4 Private toll lanes: the two-route problem revisited 196
6.1.5 Competition in networks 198

6.2 Regulation and franchising of private roads 201

6.3 Privately provided transit services 203
6.3.1 Forms of privatization 204
6.3.2 Market structure and competitive practices 205
6.3.3 Efficiency of public and private providers 208
6.3.4 Experience with privatization and deregulation 209
6.3.5 Paratransit 212
6.3.6 Conventional taxi service 213
6.4 Conclusions 214

7 Conclusion 215
7.1 Emerging themes 215
7.2 Implications for transportation research 219

Notes 221
References 237
Index 269