

Research Project

FV-09 Valuation of public investment to support bicycling

Third-party funded project

Project title FV-09 Valuation of public investment to support bicycling

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In this paper we develop a method to value public investments with the purpose of increasing the bicycle mode share that explicitly accounts for the fact that consumers trade off benefits against costs when deciding about their transportation mode choice. While implicit in the mode choice literature, the presence of internal costs has been neglected in studies that value bicycle spending by means of health benefits from a decrease in mortality due to increased exercise. Compared to this traditional approach, our framework subtracts internal costs associated with the increase in bicycling, while adding inframarginal benefits that were previously not considered. We develop an empirical method for identifying internal costs using a latent variable approach and apply it to eight Swiss cities. Taking our results at face value would imply that Swiss cyclists internalize more than mortality-based benefits and either consider other internal benefits (e.g. related to morbidity), or internalize some external benefits. However, because data for some of the most important bicycle mode choice determinants are not available, our results cannot be applied to inform policy at the current stage; the main contribution of our paper is the development of an economically consistent framework to value bicycle investments.

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