

1 **INDUCED DEMAND: NEW EMPIRICAL FINDINGS AND CONSEQUENCES FOR**
2 **ECONOMIC EVALUATION**

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41 Word count: 5,886 words text + 6 tables/figures x 250 words (each) = 7386 words

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48 Submission Date: December 9, 2015

ABSTRACT

New transport infrastructure, such as additional lanes, is often found to coincide with an increase in traffic volume. In the literature the concept of ‘induced demand’ or ‘induced traffic’ is often used. The objective of this study is to provide empirically derived insights in this phenomenon, in the amount of induced demand and in the benefits that adding road infrastructure has for users.

To identify the impact that adding infrastructure has on vehicle kilometers and hours of delay, multivariate analyses were conducted on detailed traffic and other data from 2000-2014 to identify the impact that adding lanes has on vehicle kilometers and vehicle hours of delay per month per road stretch. Hereby it is controlled for socio-economic factors, including population, jobs and car use, weather conditions, road works, incidents, and other policy measures.

Based on the empirical studies in transportation literature, we may conclude that if 10% lane kilometers are added, the amount of traffic induced is approximately +2% to +5%. The amount of traffic induced by adding extra lanes at 150 locations (+10% lane kilometers) to the main trunk network was 3%. When the total network is taken into account, the amount of extra traffic caused by adding lanes is +2%.

The share of shifts in departure time choice suggests that evaluations of investments in new road infrastructure could be improved by evaluating the preferred departure time in cost-benefit analyses.

Keywords: Induced Traffic, Road Infrastructure, Impact Evaluation, Transportation Policy, Economic Value, Cost-Benefit Analysis

1 INTRODUCTION

2 Which changes in car use occur after adding road capacity and how much traffic results? It is often
3 assumed that adding lanes is a useless endeavor, as it merely increases traffic and roads remain
4 congested. What conclusions can be drawn based on empirical research? In the Netherlands, the
5 main trunk network (highways) was expanded by 10% in lane length from 2000 to 2014. How did
6 this expansion impact the amount of traffic and travel time loss? What were the benefits for road
7 users? Do cost-benefit analyses of road investments properly account for induced demand? This
8 paper intends to provide insights into the above-stated questions, as based on actual empirical
9 research.

10 DEFINITIONS OF ‘INDUCED DEMAND’

11 Research literature from the US and UK routinely refers to induced demand as the ‘total’ or ‘net’
12 increase impact of added infrastructure on traffic volume in terms of vehicle miles. The trigger for
13 this research was to find answers to commonplace clichés, such as “you can’t pave your way out of
14 congestion” (1). In the popular press, the term can be used to suggest that any increase in highway
15 capacity is quickly negated by additional traffic and hence does not reduce congestion. The
16 phenomenon of induced demand also garnered attention because of the possibly negative impact
17 that traffic increases may have on spatial development and the environment (2).

18
19
20 Several concepts are used to refer to this phenomenon: induced demand, induced travel, induced
21 traffic, and latent demand. In scientific publications, all four concepts are used. Induced traffic is
22 defined as “all the traffic which would be present if an expansion of road capacity occurred, which
23 would not be there without the expansion” (3), or “the realized demand that is generated because of
24 improvements to the transportation system” (4). These definitions indicate the net effect that
25 expansion of infrastructure has on the total road network. Cervero (5, 6) makes a distinction
26 between *induced travel* (“the more inclusive term, reflecting all changes in trip-making that are
27 unleashed by a road improvement: (1) newly generated trips (that is, latent demand); (2) longer
28 journeys; (3) changes in modal splits; (4) route diversions; and (5) time-of-day shifts”) and
29 *induced demand* (“the more restrictive, encompassing only the first of these components, thereby
30 representing only newly added vehicle miles travelled within a region”).

31
32 The US federal government defines induced travel as “the observed increase in traffic volume that
33 occurs soon after a new highway is opened or a previously congested highway is widened” (7), and
34 further explains that “much of the observed increase in traffic comes from trips that were already
35 being made before the increase in highway capacity, or reflect predictable traveler behavior that is
36 accounted for in travel demand forecasts”, that “the increase in traffic on the new facility...is
37 largely offset by reductions in traffic along parallel routes and other times of the day”, and that the
38 “net effect on region-wide daily vehicle miles of travel (VMT)...is minimal”.

39
40 In 1994, the SACTRA report, which was based on theoretical and empirical research conducted
41 for the UK, found that “induced traffic” (extra traffic likely to be induced by road improvements)
42 exists (“probably quite extensive”), and that the amount varies depending on the circumstances (8,
43 9, 2). The report offers suggestions about how to measure the phenomenon.

44
45 Table 1 presents an overview modified from Hills (10) of all possible behavioral reactions of
46 travelers in terms of journeys that are possible following road expansion. The difference with Hills
47 is that behavioural reactions to road expansion leading to a reduction of induced demand and to

1 entirely new trips are included. After opening a road expansion, some travelers undertake the same
 2 journeys as previously, while other travelers change their behaviour in various ways.
 3 Combinations may occur as well. The marked (✓) behavioral reactions may lead to an increase in
 4 induced demand (but not necessarily). In practice, some behavioral reactions occur frequently, and
 5 others infrequently.

6
 7 **TABLE 1 Theoretically possible behavioral reactions to road expansion (reactions marked**
 8 **✓ may lead to induced demand (modified from Hills 10)).**

	Same destination						Other destination
	Same route, timing, vehicle-occupancy, mode and frequency	Other route	Other timing	Other mode	Lower vehicle-occupancy	Increase in frequency	
Same origin		✓		✓	✓	✓	✓
Other origin	✓	✓	✓	✓	✓	✓	✓

9
 10 The concept ‘latent demand’ is derived from the economic theory of supply and demand (2).
 11 Latent demand arises if the expected benefits of the journey for the traveler do not outweigh the
 12 expected costs. Improving supply by adding road capacity produces travel time benefits. If roads
 13 are congested, adding lanes may lead to shorter travel times. And because journeys from origin to
 14 destination become shorter, new roads may produce shorter travel times. Other benefits of
 15 expanding infrastructure may arise because the reliability of travel times may improve, and
 16 because travelers may choose their preferred time for travelling.

17
 18 In this paper, induced demand, or induced traffic, is defined as the increase in car use per day on
 19 the total network, in terms of the vehicle kilometers resulting from road expansion (new roads or
 20 adding lanes). Hence, other underlying factors of increased car use, such as population growth and
 21 economic growth, are not included in this definition.

22
 23 **FORMER STUDIES ON INDUCED DEMAND**

24
 25 First, former empirical research conducted in the Netherlands and in other countries will be
 26 summarized in this chapter. Subsequently, new research by the KiM Netherlands Institute for
 27 Transport Policy Analysis will be presented of impacts of lanes added to the main trunk network
 28 2000-2014. Finally, a comparison with former empirical studies will be made.

29
 30 Numerous studies were conducted in the US and UK to identify the level of induced demand.
 31 Many overviews of these studies have been published (11, 2, 3, 1, 12, 13). The overview of Noland
 32 and Lem is a thorough overview of studies in the US and UK (2) and concludes that induced travel
 33 exists and “suggests that lane mile elasticities are in the range 0.3-0.6 with larger elasticities for
 34 long run effects”. Goodwin and Noland present a clear overview in 2003 (4) and conclude that
 35 “elasticities of of vehicle miles of travel with respect to increases in lane miles have reached aa
 36 consensus estimate of between 0.3-0.5 and perhaps somewhat higher in the long run”. An
 37 overview for the Netherlands, conducted in 1997 (14) based on theory, modeling and empirical
 38 data, found a ratio of the increase of passenger car use to the increase of lane length of 0.15-0.6.

1 The studies of Fulton et al. (15) and Cervero (6) seem to be the most detailed and elaborate
2 empirical studies and are referred to as such in literature (2, 3). Both studies apply to counties with
3 available annual data pertaining to vehicle kilometers, population, employment, etc. Studies
4 conducted on the state level have rather diverging results, concluding that the ratio of the increase
5 of passenger car use to the increase of lane length ranges from 0.037 (16) to 0.9 (17). Bonsall (18)
6 concludes that it is virtually impossible to identify all behavioral reactions to infrastructure
7 expansions separately. Using a balanced plan of traffic counts, control counts and screen lines is
8 the most efficient manner of identifying increases in car use and rerouting.

9
10 From studies in the US and UK (e.g. 1, 6, 3) it may be concluded that the increase in car use in the
11 short term (within 2 to 3 years) is caused by shorter travel times, and in the longer term by changes
12 in home and work locations and in spatial planning, which is a result of travel times changing due
13 to added infrastructure.

14
15 Two Dutch studies are described because they are based at least partly on empirical results and
16 because they provide additional insights in behavioral reactions on road expansion to the results of
17 the new Dutch study.

18 **Fulton et al. 2000**

19 The impact of roadway capacity in lane miles on daily vehicle miles of travel has been estimated
20 with a regression containing population growth and income growth apart from growth in lane
21 miles as independent variables at county level in four states in the US in the period 1970-1996. The
22 ratio of the increase of vehicle miles to the increase of lane mile growth appeared to be in the range
23 between 0.2 and 0.6.

24 **Cervero 2003**

25 The impact of lane mile growth on vehicle miles travelled has been identified with lane mile
26 growth, employment growth and income growth as independent variables in 24 California freeway
27 projects from 1982-1994 at county level. The ratio of the increase of vehicle miles to the increase
28 of lane mile growth appeared to be in the range between 0.1 and 0.4.

29 **McKinsey Study 1986**

30 McKinsey (19) estimated the so-called 'latent demand' in the Netherlands to be 27% during the
31 busiest peak hour on congested highways. This was based on a survey and generalization of the
32 Dutch National Model System (LMS). However, this 27% figure did not account for the per day
33 car use on the total road network and therefore does not indicate the amount of induced travel. It
34 does however provide insight into the origin of increased car use on congested roads during peak
35 hours. This increase appeared to be mainly influenced by a switch to other roads (11%) and other
36 time periods (12%), and only to a lesser degree by switches from public transport (3%), another
37 destination, and 'new' trips (a combined 1%)

38 **Evaluation Amsterdam Ring Road 1990**

39 To ascertain the impact of the completion of the Amsterdam Ring Road (including the A10
40 Zeeburger Tunnel) in 1990, a sample of people residing north of the North Sea Channel were
41 interviewed some months prior to, and after, the opening (20, 21).

1 *One year after opening*

2 After opening, the total number of trips across/under the North Sea Channel increased by 8%. Of
3 this increase, 3% was the result of autonomous growth (2% home-work commutes), and 5% the
4 result of opening the Amsterdam Ring Road, which can be regarded as induced demand in the
5 sense of added car use resulting from new infrastructure. Of this 5%:

- 6 1) 2% was the result of an increase in the total number of car kilometers by shifts in route,
- 7 2) the opening was found to have had no impact on the use of public transport,
- 8 3) an increase of 1% was the result of car passengers becoming car drivers and
- 9 4) 2% more traffic resulted from shifts in destination and trip frequency.

10

11 Major changes were found to have occurred in the residents' travel behavior, both among those
12 who travelled by car before and after the opening:

- 13 1) 25% of the car users adapted their route (tunnel) and
- 14 2) 31% adapted their departure time, resulting in a 16% increase in trips undertaken between
15 7:00 and 9:00, and a 15% decrease in trips undertaken before and after the morning peak.

16 The adaptation of departure times suggests that - following the increase of capacity - a major shift
17 occurred from off-peak to peak. This phenomenon has been called "the return to the peak" (20).
18 The peak is the preferred departure time.

19

20 The impact of the opening differs per trip purpose. The 5% of induced demand primarily consists
21 of trip purposes that were not related to work (shopping, recreation, social visits). Home-to-work
22 commutes accounted for 1%. The traffic increase due to autonomous factors after opening (3%)
23 was mainly caused by home-to-work commutes (2%).

24

25 *Five years after opening*

26 Five years after opening the total number of trips across/under the North Sea Channel increased by
27 22% (22). Of this increase, 15% resulted from autonomous growth (population growth and
28 increased economic prosperity), and 7% from the opening of the Amsterdam Ring Road, which
29 can be regarded as induced demand.

30 Prior to construction of the Amsterdam Ring Road, the National Model System (LMS) was used to
31 estimate the amount of induced demand: it was estimated to be 6% one year after opening, and 8%
32 five years after opening. This estimation appears to estimate the same induced demand levels as
33 the impacts identified empirically afterwards.

34

35 **KIM STUDY OF IMPACTS OF NEW LANES IN THE NETHERLANDS 2000-2014**

36

37 The KiM Netherlands Institute for Transport Policy Analysis conducted a study aimed at
38 identifying the impact of the extensions of the capacity added to the existing Netherlands' main
39 trunk network at 150 locations in the period 2000-2014. These are permanent lanes, and lanes to
40 the left and right of existing permanent lanes, only rendered accessible during times of heavy
41 congestion. Some of these "peak lanes" later were replaced by permanent extra lanes. At some
42 locations, several extra lanes were added over the years (e.g. from 2x2, to 2x3 first and to 2x4
43 later), or the structure of a road section was changed from 2x2 to 2x3 first, and later to a 4x2
44 configuration to unbundle local and transit traffic. The length of the individual capacity extensions
45 range from 0.4 km to nearly 30 km. In total approximately 1,106 extra lane kilometers were added
46 to the Dutch main road network in this period. This study indicated the amount of induced demand
47 and the specific shifts in traffic after opening of the extra capacity.

1 Method

2 First, the analyses will be described to identify the impact of 150 lanes added from 2000-2014 to
 3 the main trunk network on the amount of traffic. Second, the analyses will be described to identify
 4 the impact of the opening of 19 added lanes on the main trunk network on arterial roads (provincial
 5 roads). A regression model was used to ascertain the impact of 150 added lanes on car use on the
 6 trunk road network 2000-2014. This regression encompassed approximately 3,000 stretches of
 7 road network with a mean length of 1 kilometer, on a monthly basis, during the period 2000-2014.
 8 This results in a dataset of a total of 430,000 observations (road stretches combined with year and
 9 month). The impact of policy measures was identified using dummy variables that indicated the
 10 change in time delay within the network (at least 6 months before and after implementation).
 11 Separate dummy variables were used for influence areas; for additional lanes these are road
 12 sections at 0 to 5 and at 5 to 10 kilometers upstream and downstream. The addition of more
 13 extended sections did not appear to provide more impact. The result is a pre-test and post-test
 14 design for all policy measures of a certain type, with the network's other sections and periods
 15 serving as a control group (23). Other factors in the regression were: additional policy measures,
 16 such as traffic management, driving speed enforcement and lower maximum speeds, a lower tax
 17 for commuters introduced in 2004, weather conditions, road works and accidents, changes in fuel
 18 prices, and changes in the number of inhabitants, jobs and car ownership rates per municipality.
 19 The impact of new roads (approximately 4 new roads were built during this period) was only
 20 included insofar as it impacted the already existing trunk road network. The same method was
 21 used to explain the increase in hours of delay. Both regression analyses were based on a theoretical
 22 framework describing how factors influence car use and hours of delay by their influence on
 23 demand and supply (24).

24
 25 In the formula the effects on Vehicle Kilometers Travelled are estimated following equation 1.

$$27 \quad VKT_{ijk} = c_k + \beta_p P_{ik} + \gamma_s S_{ik} + \delta_y Y_j + \phi_m M_i + \eta_v V_{ijk} + \varepsilon_{ijk} \quad (1)$$

28
 29 VKT_{ijk} = Vehicle Kilometers Travelled per month i , year j (between 2000 and 2014) and
 30 stretch k

31 c_k = constant per stretch k (implicit, by meancentering)

32 P_{ik} = a set of indicators P that defines whether policy measure p at is active ("1") or
 33 not ("0") in month i (indicating the difference before and after implementation of
 34 the measure) and whether road stretch k lies within the area of influence of
 35 policy measure p

36 S_{ik} = a set of indicators to define the situational characteristics per month i at and
 37 around road stretch k with accidents, capacity reductions by road works, weather
 38 conditions and the reciprocal of road capacity (as a constant)

39 Y_j = a set of dummy variables for calendar year j

40 M_i = a set of dummy variables for calendar month i

41 V_{ijk} = a set of indicators for socioeconomic developments for month i , year j and
 42 stretch k

43 $\alpha, \beta, \delta, \phi, \gamma, \eta$ = partial regression coefficients indicating the impact of a factor on the monthly
 44 trend per stretch of the dependent variables

45 ε_{ijk} = error term

46
 47 Regression analyses produced coefficients for 2,094 variables (of which 2,040 variables are for the

1 483 policy measures), which is too much to present individually in this paper (besides they depend
2 on the length of the road stretches they apply to). Of these coefficients, approximately 85% were
3 statistically significant ($\alpha < 0.05$). The model fit (r squared) was 0.28 for Vehicle Kilometers
4 Travelled and 0.32 for Vehicle Hours of Delay, which is a fair result given that the model is
5 meancentered (i.e. the constants per road stretch are not explicitly estimated and do not contribute
6 to the model fit statistics).

7
8 For a detailed description of this method, see also (24).

9
10 To identify the impact of lanes added to the main trunk network on arterial roads, the impact of 19
11 lanes added to the main trunk network from 2011 until 2014 was studied on car use on arterial
12 roads that could be regarded as an alternative for the main roads. Here, also a regression analysis
13 was used with dummy variables for policy measures and weather as independent variables.

14 15 **Results**

16 *The amount of induced demand*

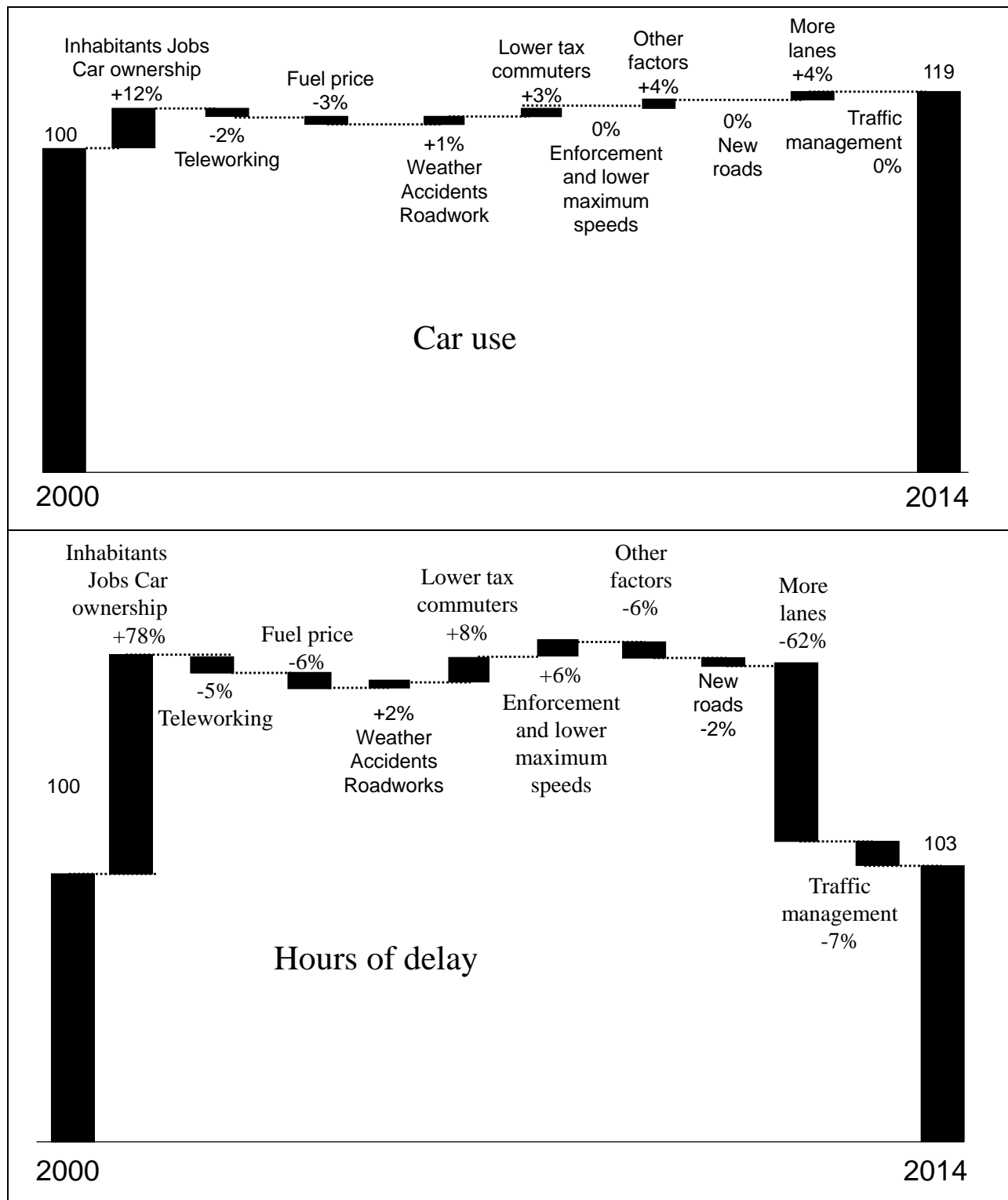
17 When the lanes added to the main trunk network were opened, daily car use on working days on
18 the main trunk network gradually increased until 4% in vehicle kilometers in 2014 (Figure 1). No
19 impact on car use was identified when traffic management (dynamic route information systems
20 and ramp metering) was introduced. The impact of autonomous factors on car use (+12%) was
21 identified by determining the impact that changes in the number of inhabitants, jobs and car
22 ownership rates per municipality had on car use on the trunk road network within a radius of 30
23 kilometers. If the economic crisis of 2008-2014 had not occurred, the impact of these autonomous
24 factors would have been 19% (7% higher). The total increase in car use during the period
25 2000-2014 was 19%.

26
27 The added lanes' impact of 4% could be fully or partially caused by shifts from other roads to the
28 main trunk network. Approximately a quarter of the increase in the amount of vehicle kilometers
29 on the main trunk network originated from the arterial roads. The remaining increase in vehicle
30 kilometers on the main trunk network (3%) was due to new car use. Because the vehicle kilometers
31 on the main trunk network in the Netherlands amount to 66% of those on all roads, the impact of
32 lanes added to the main trunk network on car use on all roads can be estimated to be an increase of
33 2%. Therefore induced demand by lanes added to the main trunk network in the Netherlands
34 2000-2014 appears to be 2% of the car use in vehicle kilometers on all roads.

35 36 *Impact of adding lanes on congestion*

37 The lanes added from 2000 to 2014 reduced the number of hours of delay and therefore the level of
38 congestion on the main trunk network (Figure 1). Major differences exist in the impact of these
39 added lanes. Moreover, the impact differs between the amount of delay on the roads preceding and
40 following the road stretches that had lanes added. The largest impacts usually occurred on the
41 stretches preceding the roads with added lanes, and on the stretches with added lanes. Both
42 increases and decreases in hours of delay also occurred on the roads following the road stretches
43 with added lanes, and on the roads crossing the roads with added lanes. The added lanes resulted in
44 an overall decrease of 62% in hours of delay.

45



1 **FIGURE 1 Explanation of the increase in car use and vehicle hours of delay on the main**
 2 **trunk network in the Netherlands 2000-2014**

3
 4 *Shifts in car use by adding lanes*

5 The increase in car use resulting from the opening of added lanes differs sharply per location and
 6 time of day. When new lanes are opened, a relatively large increase in car use occurs during peak

1 hours on the roads with the new lanes and on the roads around these new lanes. During the
 2 morning peak, the impact of new lanes on the main trunk network was 10%; during the afternoon
 3 peak, the impact in the period 2000-2012 was 12% (Table 2). Based on the results of the McKinsey
 4 and Amsterdam Ring Road studies, and research conducted abroad, it is assumed that car use
 5 during peak hours increased, primarily due to the fact that car drivers shifted from driving during
 6 off-peak hours (because of congestion), to driving during peak hours (because of the new capacity
 7 and congestion reduction), or in combination with shifts in routes from primary and secondary
 8 roads to the main trunk network. The increase in car use caused by new lanes particularly occurred
 9 in 2011-2012, as most new lanes were opened from 2010 to 2012. The impact of lanes added to the
 10 main trunk network lead to -8% car use on arterials. This means that 27% of the increase of car use
 11 on the main trunk network by the new lanes originates from shifts from arterials to the main roads.
 12 These results follow from analyses of the effect of 19 added lanes (with a total length of 172
 13 kilometer) to the main network, on the amount of traffic on alternative routes on the arterials (with
 14 a total length of about 200 kilometer). It also indicates that the lanes added to the main trunk
 15 network lead to 4% new car use on the trunk road network at stretches on and around new lanes.
 16 On the total main trunk network this increase appeared to be 3%.

17

18 **TABLE 2 Effects of new lanes on Main Trunk Network on the Netherlands' main trunk**
 19 **network and arterials per time of day, 2000 to 2014**

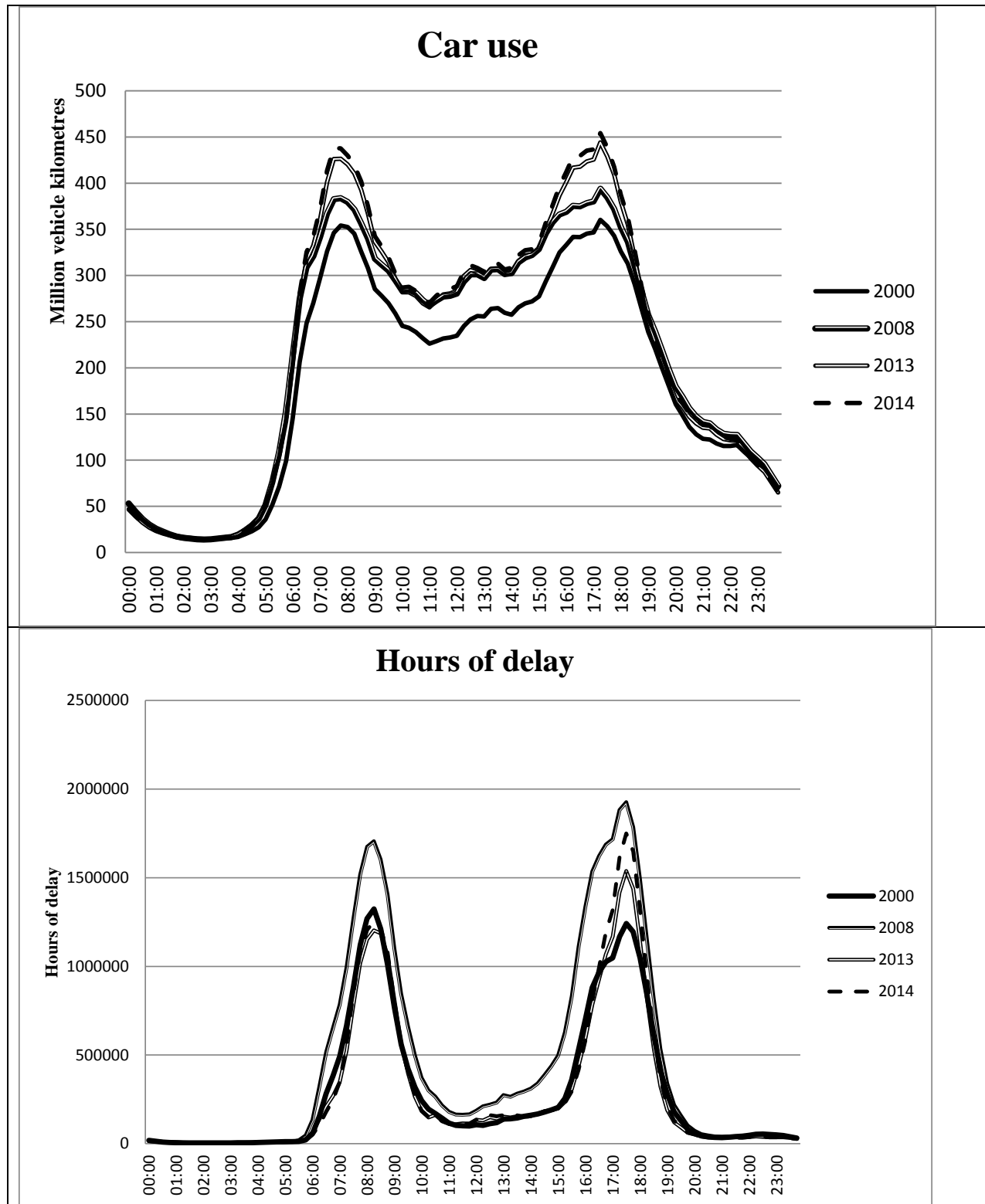
	Morning Peak (7:00 to 9:00)	Afternoon Peak (16:00 to 18:00)	Off-peak	Daily
Impact of new lanes on car use on stretches Main Trunk Network 2000-2012 on and around the new lanes	10%	12%	1%	5%
Impact of new lanes on car use on stretches of Arterials 2011-2014 around the new lanes	-13%	-9%	-6%	-8%
Proportion of car use on Main Trunk Network from Arterials 2000-2014	22%	15%	99%	27%
Impact of new lanes on NEW car use on stretches Main Trunk Network 2000-2014 on and around the new lanes (without car use from Arterials)	8%	10%	0%	4%

20

21

22 Figure 2 shows the shifts in car use that occurred annually over the course of a day. From 2000 to
 23 2008, car use increased during all hours of the day between 7:00 and 19:00, and this can be
 24 attributed to the impact of social factors (increased number of inhabitants, jobs and car ownership
 25 rates in municipalities). In recent years, however, the increases in car use only occurred during
 26 peak hours, and not during the day's off-peak periods. The annual development of hours of delay
 27 followed a different pattern, however. Prior to 2008, the hours of delay increased during peak
 28 hours, and during hours before and after peak. Due to the economic crisis, the hours of delay
 29 decreased from 2008 to 2013. In 2014, the new increase in hours of delay primarily occurred
 30 during the afternoon peak hours of 17:00 to 18:00.

31



1 **FIGURE 2 Trends in car use and hours of delay during the day on the Netherlands' main**
 2 **trunk network from 2000 to 2014**
 3
 4
 5

Comparison of the new study with former studies

According to former studies described above, car use increases by an average of 2-5% over a period of approximately five years, if lane length increases by 10% (Table 3). This ratio seems to be the best indication of the mean level of induced demand. This figure however seems to be based on empirical studies that do not account for traffic on all roads; therefore, it must be accepted that part of the car use caused by adding infrastructure may well be the result of a shift in route choice. If so, an average ratio of 0.3 or 0.2, as estimated in the Netherlands in the period 2000-2014, is perhaps more accurate.

TABLE 3 Ratio of the increase of car use and hours of delay to the increase of added lane kilometers

	Ratio of car use (vehicle kilometers) to added lane kilometers	Ratio of hours of delay to added lane kilometers
Study Fulton et al. (2000)	0.2 – 0.6	
Overview Noland & Lem (2002)	0.3 – 0.6	
Study Cervero (2003)	0.1 – 0.4	
Overview Goodwin (2003)	0.3 – 0.5	
Study Netherlands 2000-2014	0.3 – 0.2	-6

Figure 3 presents the level and main components of induced demand in one schematic overview.

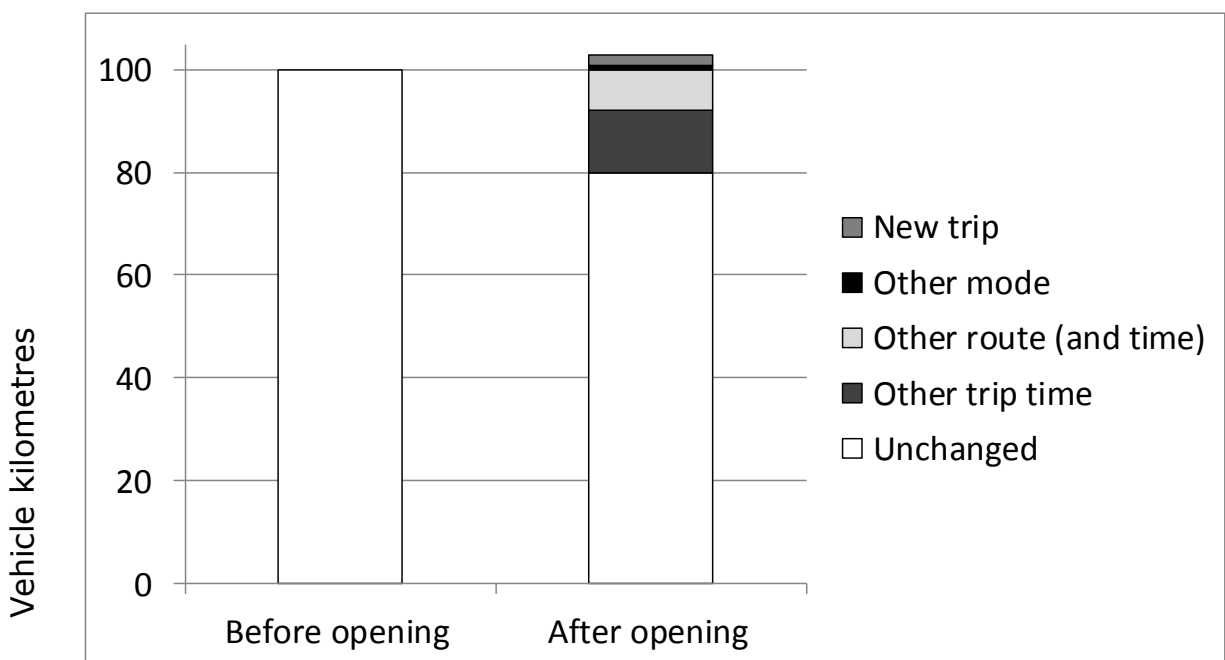


FIGURE 3 Mean change in car use by adding 10% lane kilometers (before opening = 100%)

BENEFITS OF ADDING CAPACITY FOR THE USER

The benefits of the extra lanes added from 2000 to 2014 were calculated in terms of generalized travel costs by identifying the impact on travel time and reliability of travel time (including extremely long travel times). Reliability of travel time is defined as the total variation in travel time that the traveler experiences as measured with the standard deviation of travel time (see 24 for

1 a detailed explanation of the definition and measurement). The benefits for citizens and companies
2 of the lanes opened from 2000 to 2014 are estimated at approximately 650 million Euros and
3 600,000 Euros per new lane kilometer in the year 2014. Approximately 91% consisted of benefits
4 in travel time, and 9% as benefits in travel time reliability. The effects of new lanes on hours of
5 delay and reliability (hours of standard deviation) on the main trunk network for passenger and
6 freight traffic were multiplied by the occupancy and value of time and reliability per trip purpose
7 (25). This calculation accounts for travelers shifting from destination, route, time of departure and
8 mode. The ‘rule of half’ was applied.

9
10 Approximately 77% of the travel time benefits accrued to passengers, and 23% to freight. Freight
11 accounted for only 8% of the hours saved, but has a higher value than passenger traffic (45.07 and
12 12.50 Euros, respectively). Approximately 87% of the benefits of reliability accrue to passengers,
13 and 13% to freight.

14 15 **IMPLICATIONS FOR COST-BENEFIT ANALYSES OF ROAD INVESTMENTS**

16
17 To evaluate investments in road infrastructure, the National Model System (LMS) was used to
18 estimate the benefits of travel times in the Netherlands. Induced demand has been accounted for by
19 modeling the behavioral reactions of travelers to road expansion. The elasticities and
20 cross-elasticities produced by the LMS provide an indication of the impact that shorter travel times
21 for cars has on the use of cars and public transport. A 10% decrease in travel time by car results in
22 a long-term increase of 11% car kilometers, a decrease of 2.4% in train kilometers, and a 1.8%
23 decrease in bus, tram and metro kilometers. The absolute impact for the car remains larger,
24 however, because of the larger share of car use. These outcomes correspond to the results
25 presented above.

26
27 In order to evaluate road investment plans, travel time benefits for passengers and shippers are
28 estimated with and without alternative investments for existing, new and ‘overcoming’ travelers
29 (travelers shifting in destination, route, time of departure and mode)(26). According to the ‘rule of
30 half’, new and overcoming travelers receive, on average, half of the benefits of existing travelers.
31 Although the travelers shifting from off-peak to peak receive a benefit of travel time, a separate
32 benefit for the preferred departure time is missing. Because many travelers seem to profit from this
33 preferred travel time (Table 2), cost-benefit analyses of road investments could perhaps be
34 improved by adding a value for travelling at the preferred arrival time.

35 36 **CONCLUSIONS AND DISCUSSION**

37
38 This paper studied the occurrence of induced demand in the Netherlands by literature review and
39 empirical analysis. The empirical research consists of an extensive road network analyses, using
40 data from about 2,500 trunk road stretches for a 15-year period and data on arterials for a 4-year
41 period. A regression model is used to determine the factors that have impacted the vehicle
42 kilometers travelled and vehicle hours lost. During the past decade we tested many variants of this
43 model: analysis per day or for shorter periods, other representations of traffic intensity and
44 capacity, and inclusion of other factors. We continuously work to further improve the model,
45 especially when more detailed data becomes available, but to date the presented method appears to
46 be the most stable.

47

1 To understand the amount of induced demand, we may conclude that it is important to gain
2 insights into the types and degree of behavioral reactions that generally occur after the opening of
3 new infrastructure. An increase in car use during peak hours might be misunderstood as an
4 increase of new car use elicited by new road infrastructure. Recent evidence from the Netherlands
5 supports previous evidence that new road infrastructure generates new car use, but the amount of
6 induced demand might be less than has been assumed thus far. It may also be a signal that the
7 amount of induced demand has decreased in the past decades. Part of the amount of induced
8 demand appeared to be the result of changes in route choice. A further research step might be to
9 test the development of the impact of road expansion on car use over time (years): how long does it
10 continue and to what amount?

11
12 The benefits of new infrastructure for users in terms of travel time savings and reliability can be
13 calculated on an empirical basis.

14
15 The relatively large share of shifts in departure time choice suggests that evaluations of
16 investments in new road infrastructure could be improved by evaluating the preferred departure
17 time in cost-benefit analyses.

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