Using “Equity” Values of Time in Project Appraisal: Income Equity vs. Preference Equity

We examine the practice of using “equity” values of time to evaluate the benefits of transportation improvements, and we make explicit the social weighting schemes that are consistent with that practice. We demonstrate that if travel-time preferences vary, then equity values of time typically imply social weighting schemes that favor those who gain the least utility from travel-time savings. We further show how this finding persists when improvements are financed by user payments such as road tolls and taxes. We then describe a preferable weighting and valuation scheme that also generalizes other valuation approaches developed in the literature.

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