



Spatial Economics Research Centre

Tuesday, 8 November 2011

Economic Impacts of HS2

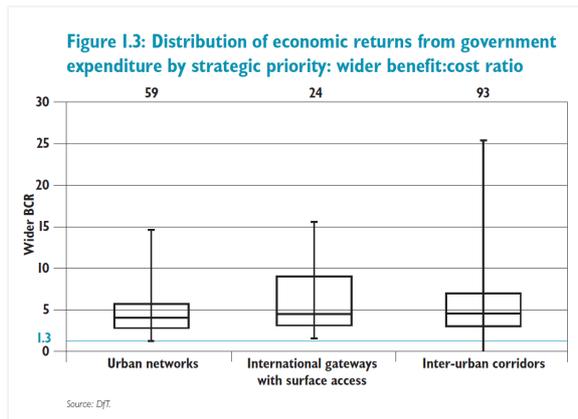
I haven't had time to go through the transport select committee report on HS2 in much detail. The committee has chosen to focus mostly on the capacity issue as making the case for HS2 (as the [wider environmental and other benefits are widely disputed](#)). One thing that immediately strikes me, however is that the 'capacity constraint' argument that they use may not be as strong as the report makes out.

The capacity constraint arguments revolve around the BCR, which the report gives as follows:

Appraisal date:	March 2010	February 2011	
	London-West Midlands	London-West Midlands	Y network
BCR without WEI	2.4	1.6	2.2
BCR with WEI	2.7	2.0	2.6

On the basis of these numbers, the select committee conclude that HS2 represents "high" value for money because HMT classifies BCRs above 1.5 a good, above 2.0 as high.

But this is a little misleading, because the BCR for transport projects tends to be higher than for other investments (part of the reason why some people argue that we tend to underinvest in transport in the UK). Here's the picture for a bunch of DfT projects taken from Eddington's 2006 report (figure 3.1)



These figures include some wider benefits (Eddington doesn't have a figure for the traditional CBA) so you need to compare to the second row of the transport select committee table. To read these 'box and whisker' plots notice that the box captures the 25%-75% range of project BCRs with the big horizontal line capturing the average. On my reading, a wider BCR for HS2 of 2.0-2.6 puts it, at best, in the bottom 10-15% of projects that DfT had on books at the time of the Eddington report. I am not sure that these numbers are 100% comparable, but I think that they are roughly right. If so, that suggests that the case for HS2 remains weak when compared to many other transport projects.

Posted by [Prof Henry G. Overman](#) on [Tuesday, November 08, 2011](#)

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