



# Bridging the Gap DfT's Guidance on Preparing an Economic Impact Report

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# What is an Economic Impact Report (EIR) for the DfT?

- An EIR for the Department of Transport (DfT) needs to measure the employment impact on a regeneration area and surrounding region of a proposed transport scheme
- An EIR should be prepared by the promoters of a transport scheme seeking funding from the DfT and must be considered for all schemes with a capital cost of £5mn or more. It is required for schemes that affect travel to, from, or within one or more regeneration area (RA)
- The EIR's chosen measure of contribution to regeneration objectives is employment among the population of the RA
- An EIR for the DfT is not concerned with economic impacts beyond jobs (e.g. on land values) or on employment impacts at the national level

# Could the DfT's EIR be better named and what is a Regeneration Area?

- Calling this appraisal an Economic Impact Report (EIR) does seem misleading
- As the guidance document stands it would be better if it was called 'Guidance on assessing employment impacts of transport schemes in regeneration areas'
- Surprisingly the guidance does not set out a national definition of what a regeneration area (RA) is or at least lay down criteria for classifying an area as a RA

# A lopsided assessment of impacts

- To re-cap, the current EIR guidance means that a completed EIR is likely to be a lopsided assessment of net economic impact
- An EIR only takes into account employment effects of a proposed transport scheme. It does not include other economic aspects such as land values
- In an EIR it is unnecessary to demonstrate that there are no displacement effects. New jobs generated in an RA may have otherwise gone elsewhere in the country anyway
- The guidance concentrates on existing residents. It does not recognise that transport schemes can support population growth, which can obviously be important for economic growth and development

# Some weaknesses of the EIR guidance

- There is significant detail on how to assess accessibility changes from transport schemes, but little guidance on how to assess the implications of these changes on employment growth
- Appears to assume all jobs of equal economic value
- Too much reliance on interviews with business?
  - Will cause comparability difficulties for the DfT when they are considering competing transport schemes
- The guidance requires what seems:
  - Excessive and too complex detail
  - Too intensive data collation and survey work. (So are the real winners consultants who will prepare costly EIRs!!)



# Complexity is high

- Guidance makes completing EIRs resource intensive
  - Reviewing many local economic indicators (often several areas)
  - Employment forecasts required
  - Vacancies and skills audits needed
  - Analysis by sector
- Many of the suggested indicators do not seem to satisfy all SMART (specific, measurable, achievable, relevant, and time-based) criteria
  - Seems to show little awareness of the many limitations of very local economic datasets
- High information requirements means even more dependence on potentially expensive surveys

# Conclusions

- We welcome the DfT's acknowledgement that a standard 'cost-benefit analysis' does not capture the full economic impact of transport schemes in many cases
  - Can over or underestimate costs and benefits where there are market failures
  - No account of distributional issues
- But EIR guidance is currently disappointing
  - Sole emphasis on employment measures completely ignores other economic impacts
  - No clear definition of regeneration areas
- A way forward
  - A revised streamlined guidance to include all economic impacts
  - DfT to take on board the methodology of the work carried out by Volterra for the Thames Gateway Bridge scheme regarding the correlation between accessibility and potential employment