

London First Partner Perspective

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In this era of austerity transport investment is likely to suffer. Against this backdrop, it is vital that public spending on transport is allocated to maximise return and minimise cost – in other words to create ‘more bang for buck’. To do this efficiently requires a long-term perspective and a more complete understanding of likely benefits and costs. Myopic decisions, or those based on incomplete evidence, are likely to have detrimental consequences for the UK economy further down the line.



The findings of Deloitte’s major research into transport investment for London First, suggest that it is important to consider the wider economic benefits from transport investment – those which go beyond conventional time saving and congestion-relief. These benefits are likely to be higher in urban areas. Typically they arise from clustered economic activity, increased competition, increased output and welfare benefits from an improved supply of labour.

Deloitte’s analysis suggests that, in general, transport schemes in urban areas (and this particularly applies to London) will deliver more wider economic benefits than other areas of the country. Because of London’s economic characteristics, links between the capital and other cities are more valuable to the UK economy as a whole, than links between other urban centres. It follows that less dense urban areas give back the lowest return on transport investment. Of course there are also non-economic factors that are an important part of allocation decisions, but the fact remains that the impact of transport spending is greater in urban areas (in particular London).

Of the ‘real-life’ schemes considered in the report, assessments of Crossrail and the Tube upgrade showed the highest amount of wider economic benefits, as well as the highest conventional benefits. This is because these schemes link high density areas of employment and population in and around London and move a larger number of people on a daily basis in comparison with other schemes.

Today’s tough fiscal environment presents the Government with a unique opportunity to reconsider how it assesses the economic benefit of transport spending. These wider economic benefits should be included by the Department for Transport when it makes a cost/benefit analysis of transport projects. A formal inclusion of wider economic impacts, as part of any review of DfT’s appraisal methodology, may well shed more light on the longer-term economic benefits of transport investment. In turn, this would improve the evidence base available for policy-makers as difficult decisions are made.

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