

Economic Appraisal of Major Schemes

MIDLAND METRO

BUSINESS CASE DEVELOPMENT AND SUBMISSION

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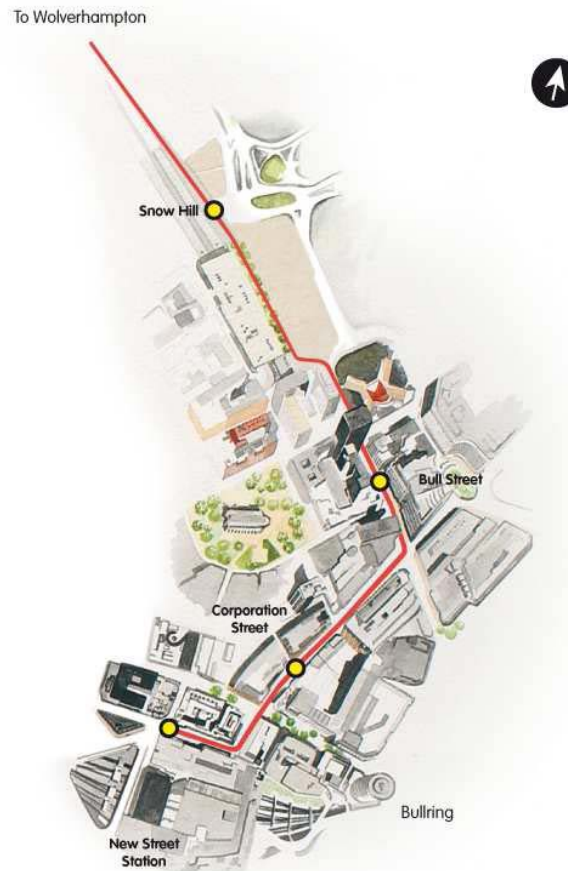
Economic Appraisal of Major Schemes

- Major schemes defined as costing £5m or more
- Funding from Government covers between 75% and 90% of cost though larger local contributions sought
- Appraisal guidance www.dft.gov.uk/webtag
- This presentation focuses on the case for Midland Metro City Centre Extension

Economic Appraisal of Major Schemes

- The scheme
- 1.4 km extension to Midland Metro Line 1
- Takes light rail on street terminating outside New Street Station

Economic Appraisal of Major Schemes



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- 5 Elements in all major schemes
- Strategic Case
- Economic Case
- Delivery Case
- Commercial Case
- Financial Case
- The economic case compares benefits and costs with appraisal over a 60 year period

Economic Appraisal of Major Schemes

- Key Benefits
- Time savings to users and non users
- Crowding benefits
- Highway Externalities
- Impact of Carbon upon appraisal
- Fit with policy

- Revenue compared to operating costs as light rail schemes must show profit

- Treatment of Indirect Tax Impacts

Economic Appraisal of Major Schemes

- Benefit Cost Ratio of 2.6: 1 achieved
- Latest estimate 3.1:1
- Local contribution 35%
- Good benefit costs ratio for public transport scheme

Economic Appraisal of Major Schemes

- Wider Economic Impacts
- Eddington Report
- Growing recognition that major transport infrastructure has impact on the local and national economy not picked up in traditional transport appraisal
- No one accepted method
- Agglomeration Benefits
- Labour Market Impacts
- Change in mix of businesses
- Change in location of Business and Jobs

Economic Appraisal of Major Schemes

- Local versus national impacts
- Strong lobbying tool
- Scheme has annual impact on GVA of £47m per annum in 2021
- Also construction benefits
- Wider impacts not included in BCR
- Wider impacts major part of the case for all schemes eg High Speed 2
- Transport schemes now seen as key part of regeneration agenda

Economic Appraisal of Major Schemes

- Guidance under review
- Potential for simplified analysis
- Key drivers are economic growth and carbon
- Time savings and economic impact dominate all appraisal
- Reduced cost to Government a key driver
- Increased interest in schemes which drive economic growth generating tax revenue and reducing 'cost' of scheme