



The hidden benefits of transport investment in the Leeds City Region

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- Established in 2005
- Independent from November 2007
- Economic drivers of growth and change in UK cities
- Reports include: city leadership, two track cities
- Current research: economic performance, housing, worklessness, transport



Agglomeration benefits



- Economic benefits that arise when people and firms co-locate
 - large labour market
 - Specialist inputs
 - knowledge spillovers
- Increasing effective density leads to higher productivity

IPPR

centreforcities CITY TRANSPORT

the route to growth:
transport, density and productivity

Chris Webber and Glenn Athey

briefing paper no. 4 April 2007

Key points

- Agglomeration economies are the wider economic benefits arising from the geographical concentration of people and businesses.
- Increasing the extent to which people and businesses are concentrated together can magnify the impact of agglomeration economies – contributing to improved economic performance and increased productivity for the area concerned.
- Improving the productivity of a city's firms means that they can produce more output for the same (or less) input. This improves their competitive position in the economy because, among other things, they can reduce the cost of their goods or services.
- Transport projects have the capacity to increase the 'effective density' of a city or an urban area by increasing the number of people and businesses who can access that area quickly.
- Transport appraisal techniques can now incorporate estimations of agglomeration benefits. This may help to improve the case for transport investment in many cities.
- Not all transport projects will have the same agglomeration benefits. Central and local government should use the new techniques available to help prioritise spending where it will have the greatest economic impact.
- Centre for Cities is working with Leeds city-region to pilot the latest appraisal techniques and to better understand how agglomeration benefits vary between individual transport projects. The report – which is part of our City Transport work-stream – will be published later in 2007.

briefing paper no. 4: April 2007 www.ippr.org/centreforcities 1



Project background

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- Value of transport investments systematically underestimated
- New methodology incorporates agglomeration gains
- Need to test new methodology
- The team: Centre for Cities, Steer Davies Gleave & Dr Dan Graham

What we did





What we did

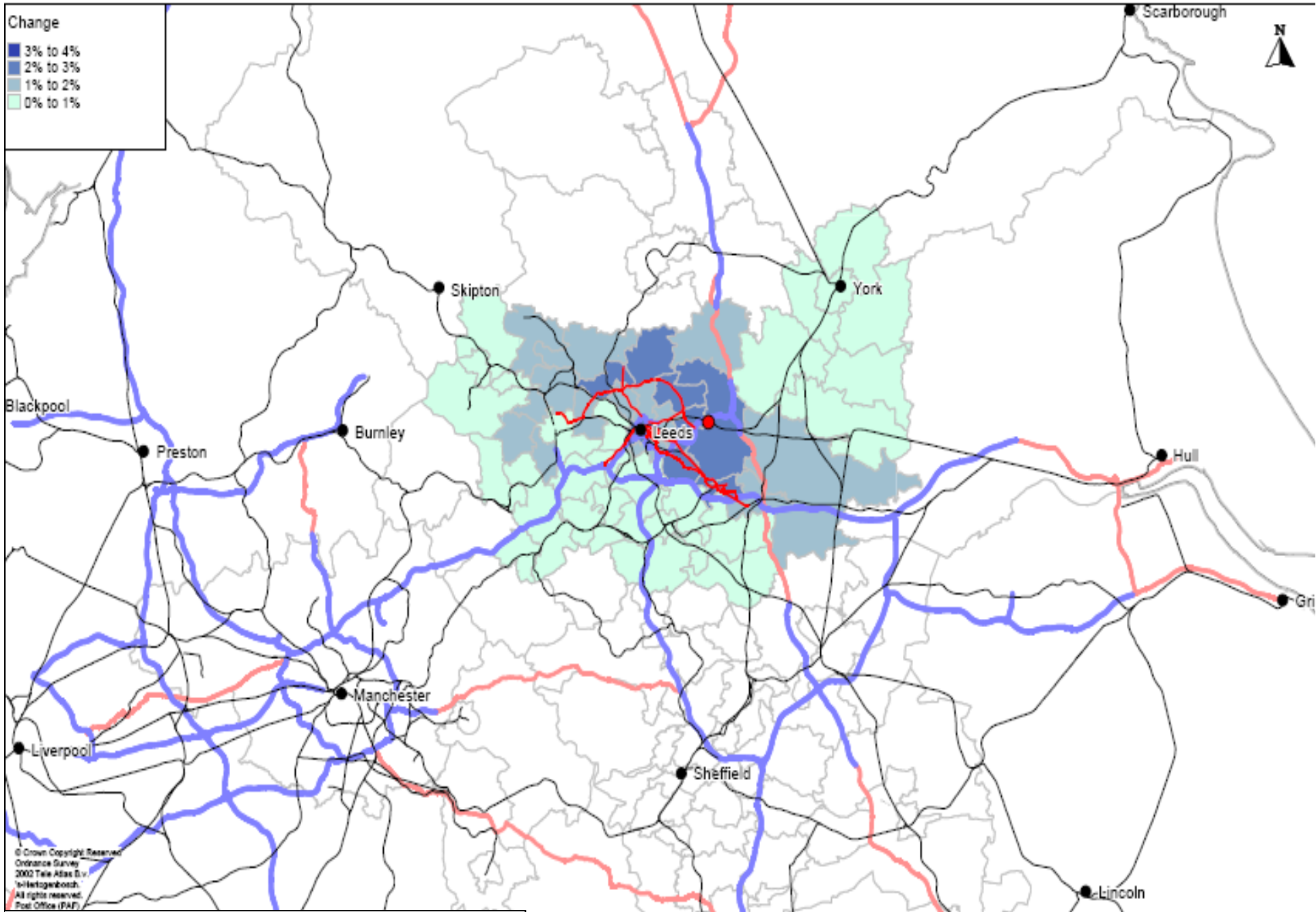
- Selected transport packages
 - Examined responsiveness of study area to changes in effective density
 - Calculated conventional benefits and agglomeration benefits for each scheme and across the study area
 - Examined policy implications at LCR and national levels
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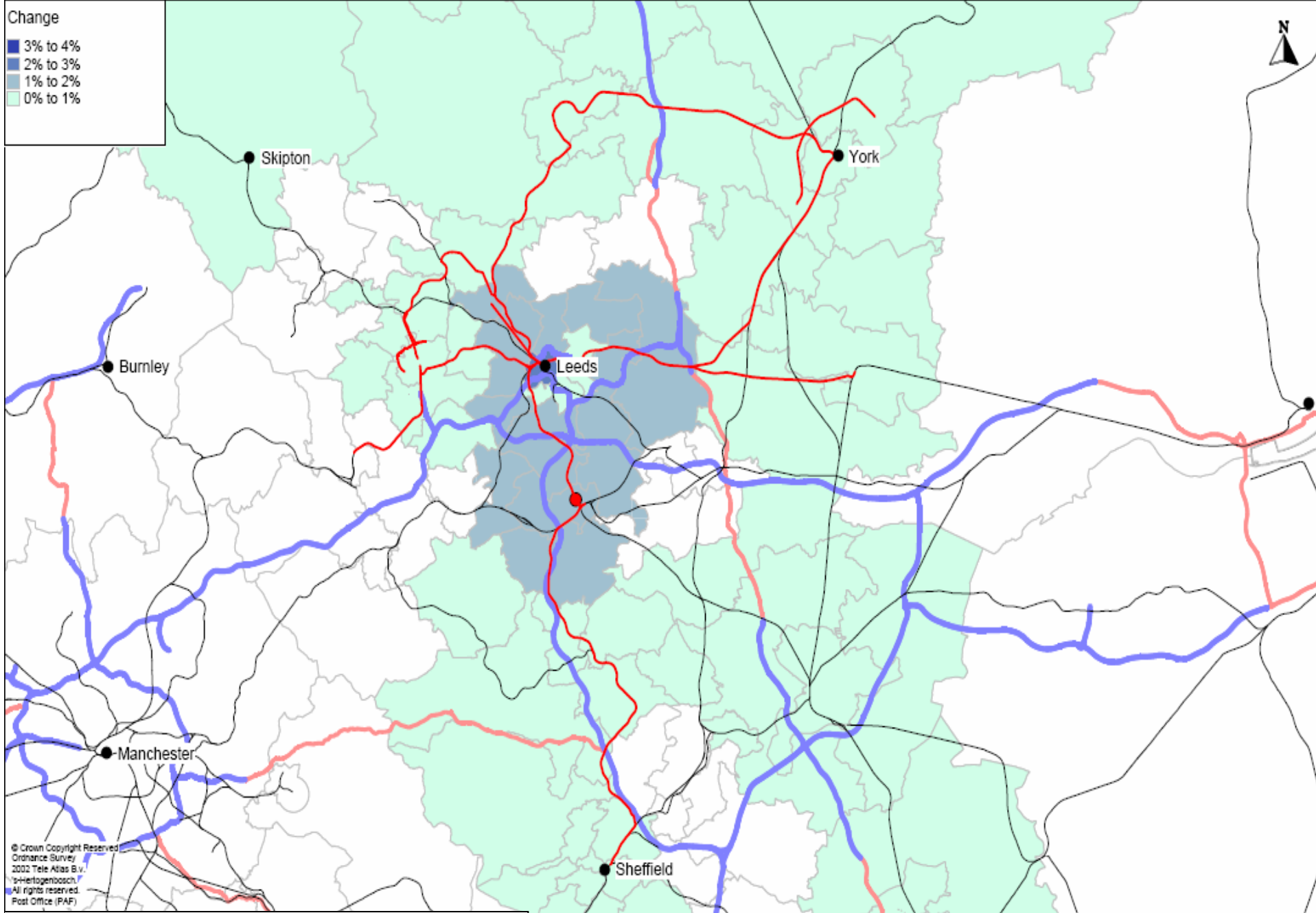
Packages of schemes

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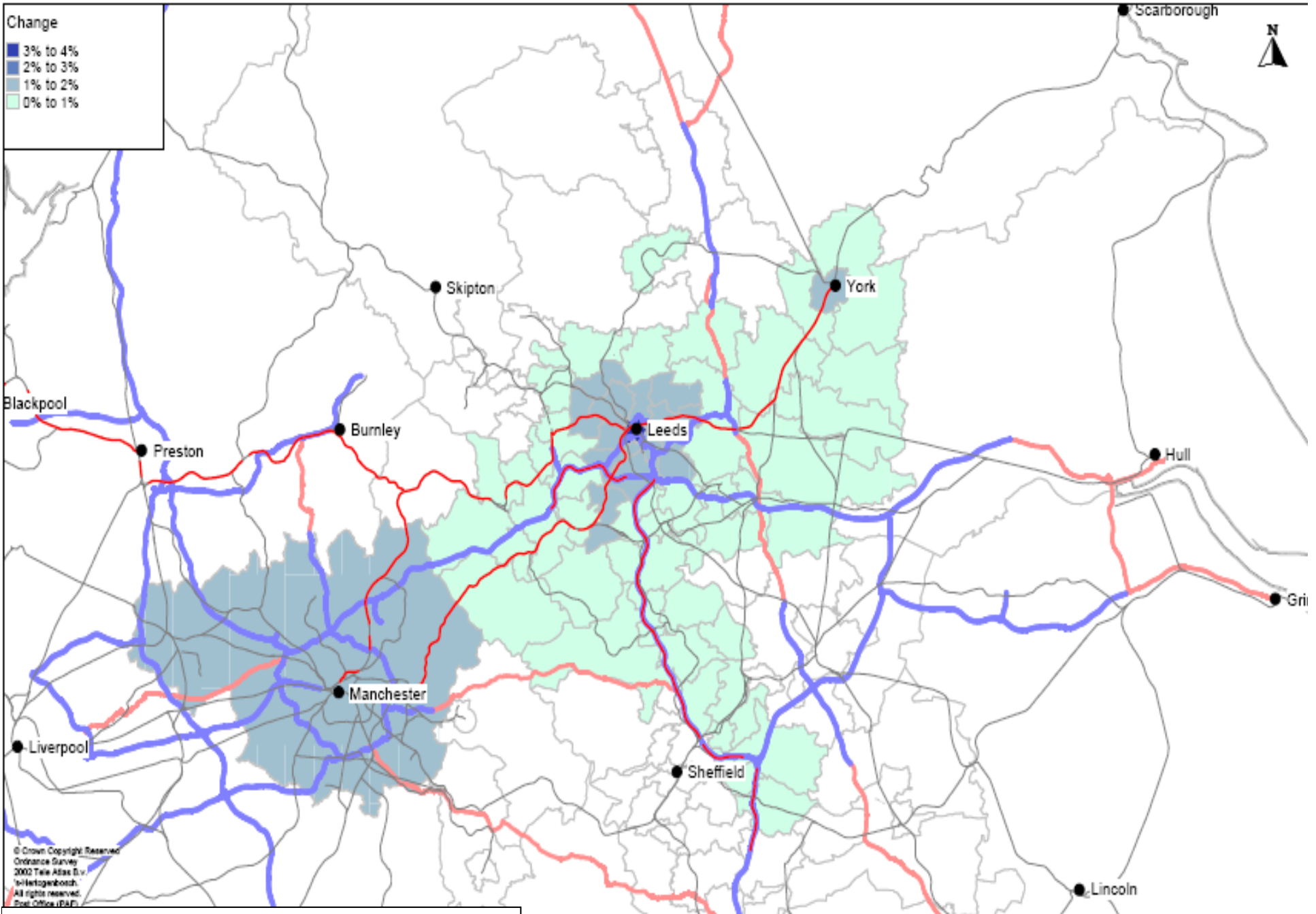
- **Package 1**
Improved access to Leeds City Centre
 - **Package 2**
Improved links between centres within the LCR
 - **Package 3**
Upgraded Leeds-Manchester links
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Package 1



Package 2



Package 3



Results



Conventional benefits

Values = £m in 2016	Package 1 (Leeds CC)	Package 2 (Between LCR centres)	Package 3 (Leeds/ Manchester)
Business	23.0	6.1	12.2
Commuting	23.6	34.7	131.4
Other	7.4	19.7	57.5
Total	54.0	60.5	201.1



Agglomeration gains

Values = £m in 2016	Package 1 (Leeds CC)	Package 2 (Between LCR centres)	Package 3 (Leeds/ Manchester)
Conventional user benefits	54.0	60.5	201.1
Agglomeration benefits	13.7	9.8	24.5
Proportion	25.4%	16.2%	12.2%



Agglomeration gains

Values = £m in 2016	Package 1 (Leeds CC)		Package 2 (Between LCR centres)		Package 3 (Leeds/ Manchester)	
	Total	WEBs	Total	WEBs	Total	WEBs
Leeds CR	65.2	12.4	65.5	7.9	95.8	12.1
Sheffield CR	0.3	0.2	2.3	0.4	1.6	0.5
Rest of study area	2.3	1.1	2.6	1.6	128.3	11.9



Summary analysis

- Conventional benefits still accounted for most of the gains
- Agglomeration gains were significant
- Agglomeration gains varied across the study area
- Improving access to Leeds City Centre generates proportionally higher gains



Policy Implications



Local level

- Agglomeration benefits arising from investment in LCR are significant
- Benefits must be fully integrated into LCR's transport investment proposals
- Package 1 would provide greater agglomeration benefits than Package 2
- Inter-regional transport investment can deliver substantial agglomeration benefits



Local level

- Distribution of agglomeration benefits must be factored into appraisal and financing
- LCR's transport proposals now need to be fully costed and comprehensively evaluated
- Costs will determine which packages deliver greater value for money



Regional & national levels



- Local and regional cooperation needed
- Eddington implementation
- NATA refresh – cities need to prepare
- The Transport Innovation Fund and Regional Funding Allocations – competition for resources
- Business Rate Supplements can help with funding



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