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BUSINESS

Why We Shouldn't be Building Large Infrastructure Projects

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This is applicable around the world but in the UK particularly so at present for the high speed train project. This is the idea that the country would be made so much better if only we had a high speed rail link between the North and the South.

Virginia Postrel details nicely one of the major problems with such [projects](#):

“Cost overruns in the order of 50 percent in real terms are common for major infrastructure, and overruns above 100 percent are not uncommon,” Bent Flyvbjerg, a professor of major program management at the University of Oxford’s Said Business School, writes in the Oxford Review of Economic Policy.

“Demand and benefit forecasts that are wrong by 20-70 percent compared with actual development are common.”

Essentially, those who promote them are less than transparent about the costs of building them and then further less than transparent about the benefits of their being used: or even about how many people will use them. Worth reading the rest of her piece as it is a general worldwide problem about such projects.

It’s here that I get to make my by now almost ritual point about infrastructure. It’s neither the having of it nor the building of it that makes us all rich. It’s the use to which people put it which does. And if fewer people use it, gaining smaller benefits from doing so, than the costs of our having built it, then infrastructure does not make us richer it makes us poorer.

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Which brings us to the specifics of the HST project. In the details of those benefits there's a large number which does much of the justifying of the costs of the project. This is the time saved by those people using high speed instead of medium speed (and the current rail network between the proposed points is medium, not low, speed) transport.

It is true that time saved is a benefit, just as time spent is a cost. However, inside these numbers again we have a much higher value assigned to the time of those business people making the journey than we do to the tourists or day-trippers in the cheap seats. There's nothing wrong with this again, standard cost benefit assumption.

Except, well, I'm not sure. The time value for these terribly important people is based on the idea that while they're travelling they can't be doing the very valuable things that very important people do. Thus their travel time is a dead loss: and reducing that travel time becomes a very valuable and major benefit. But let us be honest here: does anyone really think that these days people on trains are doing nothing?

Laptops and mobile phones mean that at least a modicum of work can be done while travelling. So the value of time saved by fewer hours travelling should fall. In fact, we can almost certainly go further. Sitting with a laptop, a phone and a decent internet connection in a comfy seat on a train is, these days, almost as productive as being in a nice office in a comfy chair with a computer, phone and decent internet connection.

In which case the value of the reduced transport time for these very important people collapses down to almost nothing. Something which rather explodes the cost benefit analysis of having the fast trains at all for the benefits rely so heavily on the high value of the time of these very important people not doing anything.

In short, forget making the trains faster and just install decent in carriage Wi-Fi. We get the same benefits at vastly reduced cost: and what can be bad about that?

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ABOUT ME

I'm a Fellow at the Adam Smith Institute in London, a writer here and there on this and that and strangely, one of the global experts on the metal scandium, one of the rare earths. An odd thing to be but someone does have to be such and in this flavour of our universe I am.

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