

Ex-ante evaluation of megaprojects - state-of-the-art

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Ex ante evaluation of Mega projects

Bert van Wee

**Based on book chapter, co-author Piet
Rietveld**

**Handbook on megaprojects, Priemus and
Van Wee (eds.)**



Content of presentation

Pros and cons of CBA. Despite cons: CBA often method of preference

Discussion: new mega projects will become less important, reasons poorly included in CBA

Mega projects: huge impact society

- **Costs**
- **Accessibility**
- **Landscape**
- **Long-term**
- **Consumers: expenditures, travel times**

- **Environment**
- **Discussions in society**
- **Distributions of pros and cons**

Need for ex ante evaluations

Most countries: CBA

Reasons - strengths

- **Most costs and benefits well known (at least in theory)**
- **Availability of models**
- **Less risk double counting**
- **Weighting relatively easy / less value sensitive**

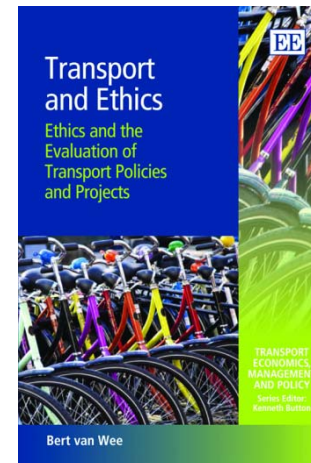
Important features

Boundaries (geographical)

Effectiveness, Efficiency, but not Equity (limitation)

Political rationale: often (also) equity (e.g. Israel – Eilat)

Criticism from perspective of ethics (Van Wee, 2012)



Weaknesses: theoretical aspects

- **Difficult to monetize effects (landscape, climate change)**



- **Distribution effects often ignored / in practice limited compensation**
- **Long-term impacts hardly play a role (discounting), projects last very long, land use implications even longer?**
- **Social exclusion: people involved low WTP**
- **Benefits of innovations, image and prestige unknown**



Weaknesses: limitations to use in practice

- **Wider economic effects uncertain – lots of discussion
perfect markets: to what extent applicable?
land use changes included?**
- **Most literature 0 to 30% of direct effects. Megaprojects
larger than average**
- **Cross-border issues (different discount rates, VOT, ...)
HEATCO guidelines**
- **Limited attention paid to dynamics
e.g. deregulation, privatization, liberalization, phasing,
changes after formal decision
partly models problem**

Weaknesses: limitations to use in practice (2)

- **Communication and impact on decision making**
Early commitment / Lock In (Cantarelli et al., 2010)
Need for accessibility impacts (in addition to time savings, benefits of induced demand). Easy to understand versus theoretically sound (Geurs and Van Wee, 2004)



Weaknesses – input related issues

- **Cost estimates often poor**
- **Dealing with uncertainty: scenario assumptions are very important (+ policy – example of ‘Eurlings’)**
- **Demand forecasts sometimes poor**

Reject CBA? No!

- **Decision makers need information**
- **Which method ‘best’? MCA also weaknesses, and some weaknesses as presented above also relevant for MCA**
- **What is ‘best’?**

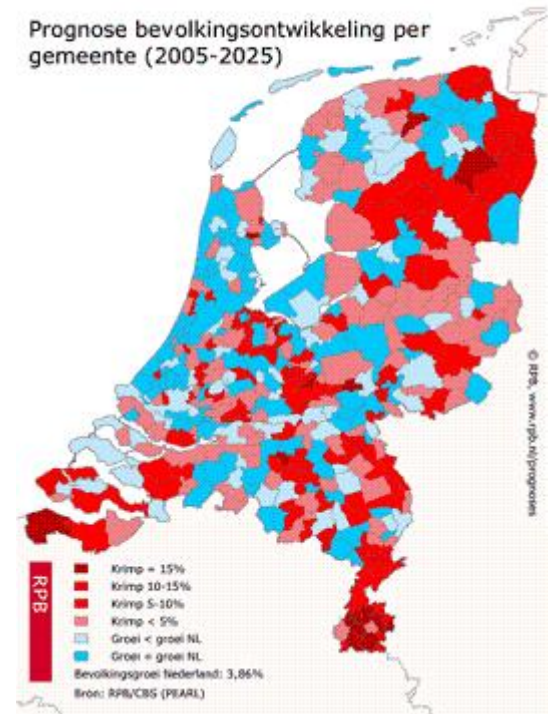
Decision makers would make same decision if (1) all choice options (from their perspective) included, (2) ‘perfectly’ informed, (3) able to evaluate

Discussion (not in book)

Megaprojects will become less important /reasons only partly included in CBA

- **Limited or no population growth (+)**
- **Networks ‘completed’, added value decreases (+)**
- **Road pricing??? Reduced gains of new megaprojects (+/-)**
- **Changing attitudes of young people? (-)**
- **Reduced demand for offices, reduced attractiveness of remote office locations (-)**
- **Energy, climate change policies (-)**

Increased risk for BCR of new megaprojects



questions?