Socio-economic analysis in the transport sector

This compendium is intended to be a tool for students in conducting socio-economic appraisals in the transport sector following the recommendations made by the Danish Manual for Socio-economic Appraisal (DMT, 2003). The appraisal process is in this compendium outlined as a step-by-step process which is adaptable to all types of infrastructure related problems, and which can be used for decision support on both the administrative as well as the political level. In the administrative decision process the socio-economic analysis provides a foundation for a systematic examination of which project types or initiatives that are socio-economically most suitable for handling a specific infrastructure problem. Hence, the socio-economic appraisal can help undertaking a sound selection of the possible solutions that should be examined in further details. The socio-economic analysis is as well an important element in the political decision process. The analysis provides information about how the society’s resources – from an economic viewpoint – are used in the best possible way, and how costs and benefits are distributed between e.g. the state, the users and the environment. The society does not have unlimited economic resources. Thus it is necessary to prioritise between the many projects and initiatives which are being discussed in the public sector. In order to conduct such a comprehensive prioritisation (across different sectors or within the same sector) it is a pre-condition that a systematic evaluation of the projects/proposals/initiatives’ advantages and disadvantages is carried out. For many years cost-benefit analysis (CBA) has been used as the main tool for the purpose of economic comparison not only in Denmark but also in many other countries around the world. Investment projects that have been prepared thoroughly and evaluated to have a high socio-economic return seem to be able to obtain political acceptance more easily than projects that have not been evaluated through this type of assessment. On the other hand socio-economic assessments can also be used to turn down projects that do not show a satisfactory return. In the political prioritisation process other considerations of a political, environmental or economic character may influence the decision making. Some of these are not traditionally a part of the socio-economic assessment, but are instead used as a supplement in the final decision phase. The socioeconomic assessment strives towards valuing all advantages and disadvantages of a project. On the background of this the project’s value for the society is calculated. This value can afterwards be compared to the values for other projects. The socio-economic appraisal is one of the most basic and tangible contributions to the planning and decision process within the transport sector when an initiative’s advantages and disadvantages are to be evaluated. The appraisal can be used both for political decision making as well as internally in organisations with planning related tasks.

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