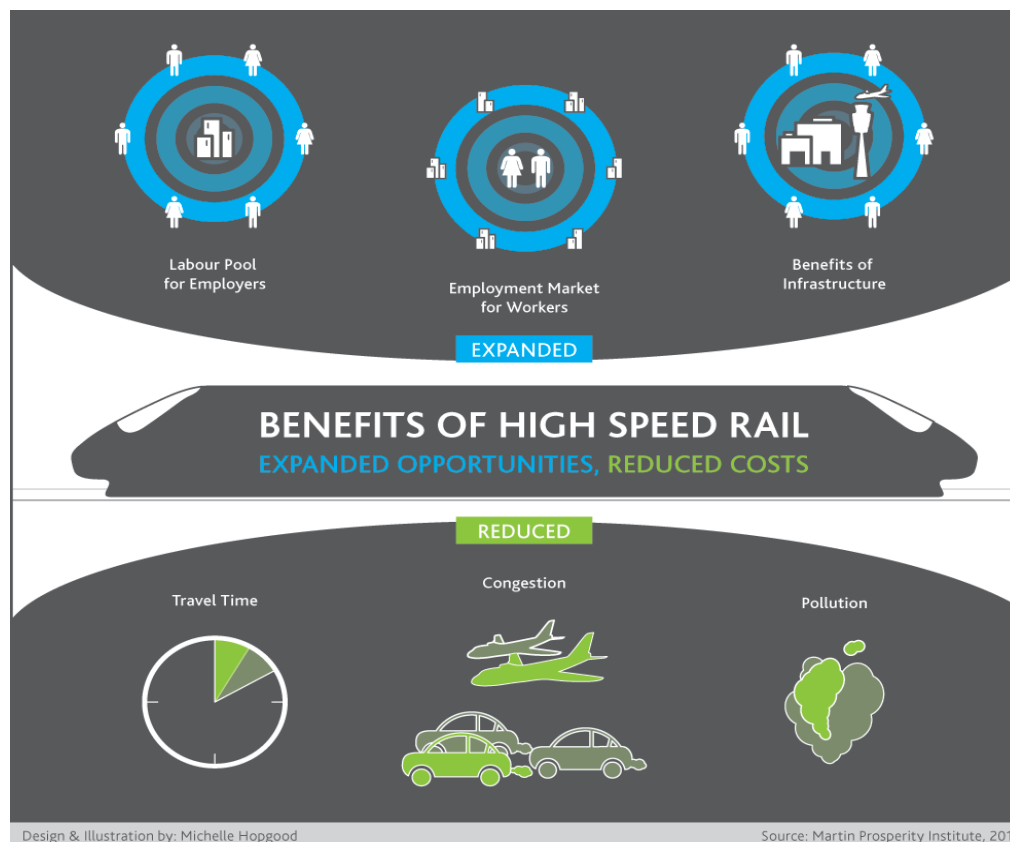


## High Speeds, High Costs, Hidden Benefits: A Broader Perspective on High-Speed Rail

Opponents of high-speed rail have a common thread in their reasoning. Trains are fast and enjoyable to ride, they say, but when scrutinized with rigorous cost-benefit analysis their high cost simply cannot be justified. This type of analysis typically considers benefits like reduced travel times, reduced congestion for those who drive and fly, and reduced pollution emissions, weighing them against the considerable construction and operating costs of high-speed systems.

Thus the benefits of high-speed rail are usually conceived as lowering costs and reducing problems (gridlock, pollution, travel time) rather than expanding growth. The Martin Prosperity Institute's latest white paper, *Making High-Speed Rail Work for Ottawa*, argues that a better approach to assessing transportation investments ought to consider the economy-expanding effects of high-speed rail. Economic history is replete with evidence of forward-thinking infrastructure investments that could not be justified by the evaluation tools of their time but ultimately proved transformative to the economic system. The Trans-Canada railway, the U.S. Interstate Highway System, and ARPANET (precursor to the Internet) all fall into this category. The new paper argues that high-speed rail infrastructure has the potential to have the same sort of transformative effect.



First, it expands the labour pool available to employers, bringing talented workers from nearby centres within commuting distance and thus expanding the quantity and quality of available employees. So, for example, high-speed rail would enable a company in Toronto looking for a mobile user-interface designer to draw on talent living in Kitchener-Waterloo, London, and Kingston. In economic terms, an effective transportation system improves productivity because it helps allocate labour inputs more effectively.

Second, high-speed rail expands the size of the job market available to workers. Because it increases the distance that commuters can travel for work, it allows them to seek employment across what were once multiple, separate labour markets. This is particularly important in an era when self-employment, contract-oriented work, and part-time work are all rising<sup>i</sup>, meaning that workers are searching for jobs more frequently than ever. Eliminating the need to move to a new home to follow economic opportunity saves significant financial and social costs.

Third, faster connections extend the benefits of other expensive, productivity-enhancing infrastructure across the entire mega-region. International airports, major research universities and reference libraries are all more financially viable and internationally competitive when they serve a larger population. High-speed rail allows them to build the scale they need to achieve world-class excellence and also spreads their high costs across a wider population.

Perhaps the best paradigm for illustrating the potential effects of high-speed rail is the development of the US Interstate Highway System. In a report looking back at the history of the system since construction began in 1956, the Transportation Research Board describes the difficulty of capturing the full economic impact of such a massive transportation advance using conventional models. Introduction of the high-speed highway system “fundamentally altered relationships between time, cost, and space in a manner which allowed new economic opportunities to emerge that would never have emerged under previous technologies”<sup>ii</sup> (p. 44). In the knowledge economy era, high-speed rail may have the right characteristics to help facilitate another wave of productivity-driven economic growth.

This should not be considered a blanket endorsement of high-speed rail or current proposals to build it. As outlined in the white paper, such projects must be built wisely, in the right places, with the right accompanying factors such as robust transit access and strategically sited stations. But to reject high-speed rail out of hand based on conventional cost-benefit variables ignores both the long-term shifts the economy is undergoing and the broader transformative effects of high-speed rail.

Sources:

- i) Kalleberg, A. (2000). “Nonstandard employment relations: Part-time, temporary and contract work.” *Annual review of sociology* 26(1): 341-365.
- ii) Transportation Research Board Program, (2006). “The Economic Impact of the Interstate Highway System.” National Cooperative Highway Research Program.

### Further Reading

Stolarick, K., Swain, I., & Adler, P. (2010). Making high-speed rail work for Ottawa: Benefits and success factors. *Ottawa Journal of Public Transit*, 1(1), 22-32.  
[http://transitottawa.sslpowered.com/transitottawa.ca/JPTO\\_Vol1\\_W2010.pdf](http://transitottawa.sslpowered.com/transitottawa.ca/JPTO_Vol1_W2010.pdf)

*The Martin Prosperity Institute (martinprosperity.org) at the University of Toronto's Rotman School of Management is the world's leading think-tank on the role of sub-national factors – location, place and city-regions – in global economic prosperity. Led by Director Richard Florida, we take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.*