Foreword

Sound appraisal is at the heart of good policymaking, and robust valuation of impacts in money terms helps decision makers to take proper account of them. Some of the costs and benefits of policy decisions can be readily valued because they impact directly on markets. But some cannot, and measures therefore have to be constructed or obtained from complementary markets. It will never be possible in practice to value all impacts, but we should aim to extend valuation to as many as we can. Valuation is implicit in most policy decisions, and it is preferable to make it explicit where possible to improve quality and transparency, whatever objections some may have.

Of the various valuation techniques available, stated preference (SP) techniques are being used to an increasing extent. Indeed they are the only kind of technique suitable in many circumstances. This volume, together with its companion ‘Summary Guide’ (published by the Department for Transport, Local Government and the Regions at http://www.dtlr.gov.uk/about/economics/index.htm), was commissioned by the Department of the Environment, Transport and the Regions in order to increase the accessibility of SP techniques and to set out what the literature tells us about best practice. We hope that they will both promote the use of SP techniques and, most importantly, improve the quality of studies that are undertaken. There are many methodological and procedural pitfalls in implementing such techniques which, if not avoided, can easily discredit the results, thus not only failing to help the policymaker but also bringing the techniques into disrepute.

The material we have put together is addressed to two main groups of people. This volume will be most helpful for students and those who themselves undertake SP studies. They need to be aware of latest developments and the requirements of good practice. The companion ‘Summary Guide’ is targeted mainly at those in the policy community, including people who may need to commission or manage valuation studies, who have to understand the nature and quality of the results in order to inform decisions. Policy managers need to be able to challenge work commissioned from practitioners and to ensure that it can withstand critical examination when required to support policy. This cannot be done well without some knowledge of the techniques involved.

SP valuation is a rapidly developing field, and this book provides up-to-date information about the latest techniques and approaches. It has been prepared by a top class team of experts, led by Prof. David Pearce and including many of the leading figures in stated preference on both sides of the
Atlantic. I’m very grateful to all those involved in getting this material into the public domain.

Appraisal can be contentious and difficult. It is not solely the preserve of economists, although good appraisal is largely underpinned by analysis of costs and benefits. Cost–benefit analysis aims for a degree of objectivity and impartiality when comparing the relative merits of feasible options. Nevertheless, the potentially all-embracing nature of good appraisal means that many disciplines have contributions to make, both in the social sciences as part of the decision process and in the natural sciences by providing the necessary evidence as inputs for decisions. Cost–benefit analysis reaches its limits when some significant impacts cannot in practice be given money values, and in such cases other techniques may help, such as multi-criteria decision analysis (see, for example, DETR’s guidance).

But my aim is to promote actively the use of valuation where it is a practical proposition. Valuation techniques are frequently used for measuring environmental impacts. They also have a long history of use in the health and safety field, where willingness to pay studies of changes to risk of illness, injury or death have informed many policy and investment decisions. In transport they are used for valuing time savings, and hence congestion costs. I hope that by making stated preference techniques more accessible, this book and accompanying guidance will enable more policy areas to take advantage of them, using best practice techniques.

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