



Agglomeration Elasticities: Updating the Evidence Base

Expression of Interest Exercise June 2018

1. Introduction

The Department for Transport (DfT) is keen to continue its work strengthening its evidence base on the impact of transport on productivity by refreshing and extending its guidance on agglomeration elasticities.

The first phase of the project reviewed the existing academic literature on agglomeration elasticities and made recommendations for future work. The resulting report was published in May 2018:

<https://www.gov.uk/government/publications/agglomerations-elasticities-literature-review>

2. Background to DfT

The Department works with its agencies and partners to support the transport network that helps the UK's businesses and gets people and goods travelling around the country. DfT plans and invests in transport infrastructure to keep the UK on the move. For more information about DfT:

<https://www.gov.uk/government/organisations/department-for-transport/about>

3. The Requirement

The DfT is now looking to commission the second phase of this research, re-estimating agglomeration elasticities, building on the first phase report's recommendations. The intention is to go out to tender in Summer 2018 for a three month piece of work that is likely to include but will not be limited to econometric research the following areas of interest:

- Investigate the treatment of heterogeneous agglomeration effects.
- Estimate separate localisation and urbanisation elasticities.
- Investigate the impact of wages and Total Factor Productivity as a measure of productivity on the derived elasticities.
- Test the impact of the choice of connectivity metric on the size of elasticities.
- Explore the implications for elasticity estimation of using different measures of mass (population and employment) for Effective Density variables;

The key deliverable will be a written report describing the findings of the econometrics research together with recommendations for drafting new transport analysis guidance for the new agglomeration parameters.

4. Expressions of Interest

In determining the best route to market for this contract, DfT wishes to conduct an Expression of Interest (EoI) from suppliers.



Timings, route to market and budget are currently in discussion and subject to change, but DfT currently believes that this will last approximately three months, with the ITT being published via Contracts Finder as a below-OJEU open competition. The intention is to bring this project to market in **Summer 2018**.

This EoI should:

- Provide a brief background on the supplier;
- Confirm interest and capability of the supplier for this project;
- A brief assessment of the estimated cost of the project;
- The time needed to undertake the work.

This market sounding exercise is informal and non-binding for all parties. Any such expression would be totally confidential, and used only to inform DfT's approach to market.

5. Contact Details and Deadline

If you would like to express an interest in tendering for this work please do so by emailing jenny.turvey@dft.gov.uk by **5pm** on **5th July 2018**, copying procurement@uksbs.co.uk.