

# FACT FUNDING

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**Y**ou were quite correct to point out in your *MoT Changes Axed* news story (CCW, 8 February) that "large companies do not have to bear the £1 million cost of every fatality on British roads". But nor does anyone else. The figure is a gross distortion that has been perpetrated by the Department for Transport (DfT) for more than 20 years, yet one that, in my day, any O-Level student would have been able to disprove.

According to 2009 figures, the £1.65 million valuation of a road fatality (not cost, which is quite different) includes (a) direct cash costs of £16,000, (b) 'human' costs (pain and suffering) of £1.1 million and (c) 'lost output' of £550,000 no longer produced by the deceased. However, what matters to any economy is not total output (GDP) but GDP per head (otherwise China would be massively better off than Switzerland). When someone dies on the road or anywhere else, lost output is (on average) cancelled out by lost consumption, leaving GDP per head unchanged. Indeed it could reasonably be argued that if a representative 50 per cent of our population was wiped out overnight, those who survived

would, after a short period of adjustment, find themselves much better off – no congestion, no need to build houses or indeed anything much at all, and less competition for classic cars.

For non-fatal casualties, the economics are similar but slightly different. Their labour is lost, temporarily or permanently, but their demand remains and the DfT therefore estimates substantial losses in output. This too is fantasy because when one person is unable to turn up for work, others take their place – more staff, more overtime or work lost to competitors, while production continues as before, as it always does in response to the iron rule of economics that output must equal demand.

As for the substantial 'human costs' elements, introduced to assist decision-making, these are purely theoretical and appear in no known accounting ledger this side of the Pearly Gates.

For all these reasons, in cash terms, the cost to the state of a road fatality averages about £20,000 not £1.65 million.

**Idris Francis, Petersfield, Hampshire**  
**[www.fightbackwithfacts.com](http://www.fightbackwithfacts.com)**

