

51m submission to the Transport Select Committee

November 2013



51m is the cross party alliance of nineteen local authorities reviewing and challenging the case for HS2.

Each Council has signed up to the following position statement:

“We are opposed to the current high speed rail proposals as they are presently outlined and do not believe that they are in the best interests of the UK as a whole in terms of the benefits claimed in the business case.

We are not opposed to the need for higher speed rail per se and fully acknowledge the need for strategic improvement to the national rail infrastructure but cannot agree with the current proposals as the economic and environmental benefits are not at all credible.

We do not believe that all the other alternatives to achieve the transport capacity, regeneration and environmental benefits have been fully explored by the Government and, with in excess of £30 billion (now £50 billion), proposed to be invested, we owe it to the nation to ensure these are fully explored.”

Introduction

51m welcomes the opportunity to present information to the Transport Select Committee about the recent ‘Strategic Case’ published by HS2 Ltd on 29 October. The Select Committee members are no doubt aware that this is the fifth business case published by HS2 Ltd since March 2010 to justify the proposals for a high speed (or new north-south) railway connecting London with Birmingham, Manchester and Leeds.

There has been significant and growing media coverage about the project in recent months, particularly since the cost estimates were revised upwards. The Government has, at the same time, changed its focus from speed and time savings to connectivity and capacity, underlined by the number of references to a new north-south railway in the ‘Strategic Case’.

Local authorities know that when using taxpayers’ money, it is important to demonstrate good value for money, deliver clear benefits and show that all alternatives have been properly evaluated. 51m has reviewed the ‘Strategic Case’ and believes it fails on all counts. 51m is not alone - organisations which have cast doubt on the benefits of HS2 include the

National Audit Office, the Public Accounts Committee, the Treasury Select Committee, the Institute of Directors, and the Institute of Economic Affairs.

The Select Committee members will know that 51m already published its 'Optimised Alternative' to HS2 as part of its 2011 consultation response and an independent assessment by Atkins for Network Rail reported that this offered more than £5 of return for every £1 invested. Recently 51m has gone further, publishing 'Better than HS2 – the 51m alternative infrastructure investment strategy', setting out ways to invest £50 billion to drive economic recovery across the country, delivering jobs and growth now.

This submission will identify why the 'Strategic Case' for HS2 is weak and how alternatives can more than meet the Government's objectives to increase capacity and connectivity whilst driving economic growth. 51m hopes that the Select Committee members will begin to question the need for HS2 after reading and reviewing this information.

1) Where is the national transport strategy to underpin HS2?

51m is concerned that HS2 is an answer in search of a question and may end up being a Victorian solution in a 21st century world. When highlighting previous major infrastructure investments such as the motorway network approved by the wartime Cabinet¹, Patrick McLoughlin has made reference to planned projects that formed part of a strategy for transport. 51m is not alone, as the Chartered Institute of Logistics and Transport also "*urge the Government to consider producing an overall plan for the country as a whole...*"²

It is recognised that the Government has published the National Infrastructure Plan but this does not set out clear requirements and objectives for the future transport network in the UK. Rather, it reads like a shopping list of major projects that may have been a long time in development and were probably assessed and prioritised as part of the old system of Regional Spatial and Transport Strategies.

For many years local authorities have been expected to prepare, consult upon and submit long term strategies for transport maintenance, development and investment (Local Transport Plans) and the Department for Transport insists that this expectation will continue. In that context it is worrying that one of the most challenging infrastructure projects on the planet is being driven forward with no supporting strategy.

There are echoes of this within the 'Strategic Case' when considering alternatives to HS2. The report fails to identify the overarching transport problem or issue that needs to be addressed, instead stating that the main objectives for **high speed rail** are capacity and connectivity. In those circumstances, any strategic alternative such as investment in roads, classic rail, or airport capacity could never be viable, since it is not high speed rail. The conclusion therefore is "*only a new railway line can fully meet the objectives...*".

¹ Ministerial foreword, The Strategic Case for HS2, Department for Transport, October 2013

² The case for HS2, CILT

2) How robust is the business case for HS2?

51m has repeatedly questioned fundamental aspects of the business case for HS2 and continues to challenge the assumptions it is built upon. Indeed 51m state that it cannot support HS2 *'as the economic and environmental benefits are not at all credible.'* HS2 Ltd has now published a fourth revision of the business case, which provides no further evidence to reinforce the need for or the benefits of the project.

The latest revision does show the Benefit Cost Ratio (BCR) for both Phases 1 and 2 to have reduced to 2.3, reflecting a number of changes to underlying assumptions, many of which must be challenged. The figures now include wider economic impacts, which is contrary to the Department for Transport's (DfT) WebTAG guidance. If these are excluded, consistent with DfT guidance, the BCR reduces, meaning that Phase 1 is actually low, and both Phases just medium, value for money.

It should be noted that the same DfT guidance underpins the criteria for local transport scheme selection adopted by Local Transport Bodies (LTBs). The message from DfT to LTBs is that they must only promote and develop schemes that represent the best value for taxpayers' money, achieving a very high rate of return on investment and far in excess of even 2.3.

The 'Strategic Case' still fails to acknowledge that business people work on trains but rather updates the 12 year old figure for average salary of business users, reflecting a 'willingness to pay' methodology and not a 'cost basis'. This lower figure is more than compensated by predicting that 38% of all users will be business people choosing to use HS2, a number that increases business benefits by 52% (or £14 billion). And assuming that the business case uses data presented in the 'Strategic Case' report, then there is a further major flaw in the potential time saving benefits that can only undermine the BCR calculation.

Figure 11 shows the 'significant journey time reductions' achieved by HS2 illustrating the difference between current and future journey times. This shows, for example, that the journey time between London and Newcastle will fall by 33 minutes with HS2. This however, fails to take account of the introduction of new trains on the East Coast Mainline (included in the Atkins 'do-minimum' scenario) which actually means the journey in 2033 will only be 16 minutes quicker than it would be by 2019.

The 'Strategic Case' also seeks to question the validity of DfT's own guidance by arguing that if one changed the criteria (i.e. made the growth period longer) then the BCR for HS2 would correspondingly increase. That may (or may not) be true but any changes to a methodology must be rigorously applied to all alternatives, rather than used selectively to support the preferred answer.

Forecasts for passenger demand for HS2 depend upon people choosing to use HS2 rather than existing railways. This is likely to lead to a fares war, something absent in the revenue forecasts or business case for HS2. Today, without HS2, a traveller can find reasonable fares if tickets are pre-booked, and yet the Department of Transport fail to accept that HS2 is very vulnerable to price competition from other train operators.

51m believes that the business case for HS2 will never stack up, regardless of the number of revisions or iterations carried out, and on current evidence will only reduce as further work is completed and new information comes to light. Even the report on future economic growth commissioned by HS2 Ltd and produced by KPMG failed to make a plausible case for the 'added value' of the project, particularly once the true picture about the cities and regions that were winners or losers emerged.

3) Is the national rail network clogged and congested?

With the 'Strategic Case' now concentrating on capacity and connectivity and the Secretary of State stating that HS2 is the essential bypass for the nation's clogged and congested arteries, it is only fair to ask if capacity is the key reason for HS2. The Government repeats Network Rail reports that the West Coast Mainline (WCML) will be above capacity in the 2020's, but passenger growth on this line has tailed off in recent years³.

Ironically, Euston is one of the least busy stations in London, despite the mix of rail traffic that WCML serves. Only the HS1 line to St Pancras is less congested, whilst the other London rail stations have to cope with crowded trains, particularly those serving key commuter routes. Commuter routes into our major cities (Birmingham, Manchester, and Leeds) are also very congested and yet HS2 will do little to reduce those issues.

Alternatives to HS2 can address interurban commuter capacity to London and major cities at a fraction of the cost. The 'Strategic Case' fails to consider these or the 51m Optimised Alternative, but instead looks at options on the classic network that mirror or replace the function of HS2. Sir Richard Leese stated in a recent debate⁴ that the completed Northern Way would address commuter capacity issues more quickly and effectively than HS2.

The 'Strategic Case' claims that freed up space on the existing network can be turned into better services for commuters to other destinations, but these are at best misleading. Chapter 4 refers to them as options and makes it clear that *"It is too soon to set a final train timetable"*, following this caveat with the frequent use of words such as 'could', 'possible' and 'potential'. The executive summary states, *"...at this stage in the project it is too early to make detailed comments about how the rail network will operate after HS2 Phase One opens in 2026, or after Phase Two opens in 2033."*

51m believes that there are other better ways to address travel demand across the UK's transport network. Rail travel accounts for a small fraction of all travel in the country and yet investment in HS2 will account for a major part of transport infrastructure investment, alongside planned investment in the classic rail network. In contrast investment in roads that carry the vast majority of journeys and freight is a small fraction of all transport spend.

³ Better than HS2 – The 51m alternative infrastructure investment strategy, September 2013

⁴ Stop HS2, Spectator debate, London, 31 October 2013

Rod Eddington's 2006 Transport Study reported that investment should focus on local or regional projects with high BCRs, rather than 'grand projects' that build momentum and traction but fail to deliver on early promises. A case in point, High Speed 1 linking London with the Channel Tunnel, published a business case predicting passenger numbers three times higher than actual passengers.

51m acknowledges that parts of the country's transport network are clogged and congested but refutes comments that HS2 will provide a bypass for these. Thousands of commuters will continue to stand on their journeys to city centre workplaces even with HS2, unless more focussed tools are deployed to manage both demand and capacity.

4) What is the reality about disruption and 'weekend blockades'?

The Select Committee will recall that days before the publication of the 'Strategic Case', the media reported that building the alternatives to HS2 would cause up to 14 years of weekend closures on the rail network. Parallels were drawn with the 'disastrous' upgrade of the West Coast Mainline. The reality published in the 'Strategic Case' and accompanying reports is some way from this scenario.

A number of assumptions have been made to reach the 14 year conclusion. The first is that if you do not build HS2 you have to build something that mirrors or replaces the function of HS2. According to Network Rail this would involve major upgrades along the West Coast, East Coast and Midland Mainlines. Many of these are already planned for completion before 2019.

A second assumption is that the upgrades are carried out sequentially rather than concurrently. Network Rail show that the 14 year figure reduces considerably when work is carried out at the same time across the three lines. The third assumption is that the work would have to involve weekend closures. This does not reflect current practice where overnight possessions and block closures are preferred.

The 51m Optimised Alternative is not used as a comparator, perhaps because the levels of disruption would be much less. The 'Strategic Case' does concede that *"it would be possible to carry out some works to the existing main lines to increase capacity through train lengthening and timetable changes"* but then dismisses the approach on capacity grounds, without examining the level of disruption or capacity created.

The report does identify that building both phases of HS2 would involve 386 weekend closures (almost 7.5 years) but does not refer to the disruption created on other networks. HS2 needs to cross and re-cross the M1, M6, M42, M62 and a large number of other roads, involving diversions and closures, and consequently disruption for road users. Building HS2 also involves closing a significant part of Euston station, affecting intercity and commuter rail services on the West Coast Mainline.

5) How will HS2 bridge the north-south divide and drive growth?

The Government has stressed the importance of HS2 in helping to rebalance the country's economy, reshape the economic geography and bring key cities closer together. 51m believes that the work of Professor John Tomaney paints a very different picture. He has looked at the impact of high speed rail in other countries and concluded that there is little or no evidence that it will deliver the Government's claims.

Drawing on experiences in France, Spain and Japan, he has stated that at best HS2 will make no difference to the UK's economic geography, whilst at worst it could widen the north-south divide. In France companies left Lyon for Paris, and in Spain Madrid gained most from high speed rail. It is therefore very likely that London will accrue the majority of the investment benefits.

The report states that high speed rail *"...makes it easier for firms in richer regions to supply poorer regions at a distance, and can thus harm the industrialisation prospects of less developed areas."* It also warns that tourism in the north could be damaged, as shorter journey times to and from London could make visitors less likely to stay overnight.

The KPMG report on the economic benefits of HS2 claims a £15 billion boost for the British economy in 2037, but that is founded on assumptions that are at least questionable. It relies upon existing rail services being maintained, if not improved, after HS2 is built. This first assumption is heavily caveated by the Department for Transport.

The second, is the qualification that states *"The methodology employed makes the implicit assumption that transport connectivity is the only supply-side constraint to business location. In practice, there could be other constraints that could inhibit the potential location effects, such as the availability of skilled labour and land in a given location"*.

The report has therefore taken no account of whether the regions served by HS2 actually contain available land for new or bigger companies or have people with relevant skills to employ. It effectively ignores one of the underlying causes of poor or limited growth in many parts of the country, namely a shortage of both skilled labour and of easily and readily developable land.

6) What is our track record in infrastructure delivery?

With the appointment of Sir David Higgins as Chairman of HS2 Ltd, the Government pointed to his role in the Olympic Games as an indication of their determination to deliver the project on time and on budget and to manage the escalating costs of the project. 51m finds the comparison with the Olympics and cost management an interesting one.

The original predicted cost for the Olympics was £2.37 billion, quoted when London bid for the games in 2005. Following a review in 2007 that figure quadrupled to £9.3 billion, for the public sector funding package. Some reports suggest that there were further hidden expenses that mean the real cost was nearer £24 billion, when transport upgrades, policing, security and other spend is included.

It is a similar picture for rail projects. Both the West Coast Mainline upgrade and High Speed 1 cost more than predicted and High Speed 1 now carries a third of the forecast passenger numbers. 51m is concerned that, if it is ever built, HS2 will cost the country far more than the £42.6 billion estimate and achieve a fraction of the claimed benefits.

7) What other infrastructure investment opportunities exist?

51m published 'Better than HS2 – The 51m alternative infrastructure investment strategy' in September this year and this clearly sets out how a figure of £50 billion could be invested to accelerate the delivery of key infrastructure projects across the country, creating jobs and driving economic growth.

In line with both Rod Eddington and Lord Heseltine it proposes devolving spending to Core Cities and Local Enterprise Partnerships to support locally derived value for money projects. It also allocates money for investment in ultra-fast broadband and 4G technology to deliver 21st century connectivity and proposes major investment in road, rail and public transport infrastructure to support the journeys we all make each day.

The full report can be accessed here: <http://www.51m.co.uk/jobs-and-growth-now-the-51m-alternative-investment-challenge-to-hs2/>

8) What are the environmental impacts of HS2?

In the Ministerial foreword to the 'Strategic Case' Patrick McLoughlin states that the project will *"be built at the lowest possible cost and the lowest possible environmental impact"*. The main report adds that, *"the detailed design of the scheme includes hundreds of millions of pounds worth of mitigation measures like tunnels."* With a project costing up to £50 billion spending no more than 2% on mitigation seems little protection, especially as the impacts on landscape have been estimated at £2.9 billion⁵.

51m is surprised that this estimate was omitted from the calculation of the BCR *"because of the uncertainties around their measurement."* This, coupled with the statement that, *"other effects such as the visual intrusion of infrastructure on landscape, and impacts on our heritage, are much harder to express in monetary terms"* implies that, contrary to the Secretary of State's view, impacts on the environment are not valued.

It is imperative that the environmental impacts of HS2 are fully assessed, recognised and costed and that all efforts are made to avoid or mitigate damaging effects. The draft Environmental Statement published in May this year gave 51m no confidence that this was a principle taken seriously by HS2 Ltd. It hopes that the formal Environmental Statement that will accompany the Hybrid Bill will provide the necessary detail to enable better mitigation.

⁵ Paragraph 5.4.27, page 108, The Strategic Case for HS2, Department for Transport, October 2013

Conclusion

51m remains opposed to the HS2 proposals. It welcomes the growing number of individuals and organisations across the country that have joined it in challenging the business case and questioning the need for the new north-south railway. It recognises that the country needs investment in infrastructure, but believes there are better projects that can be delivered quickly, at less cost, and with better returns. It is not against growth and jobs but believes in a more balanced investment strategy, where every part of the country reaps the rewards.

51m trusts that this submission will help inform the Select Committee's considerations of HS2 and would be happy to provide any further information in support of its case.