Appendix 14

Government Policy and HS2

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14 GOVERNMENT POLICY AND HS2

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National Transport Strategy and Policy

14.1 The Government's transport policy objectives have emerged progressively over the past year. The Coalition Agreement summarised policy as: "*the Government believes that a modern transport infrastructure is essential for a dynamic and entrepreneurial economy, as well as to improve well-being and quality of life. We need to make the transport sector greener and more sustainable, with tougher emission standards and support for new transport technologies*".

14.2 The agreement also contained a number of points about transport that focused on particular projects and initiatives, including High Speed Rail where it was stated that "*we will establish a high speed rail network as part of our programme of measures to fulfil our joint ambitions for creating a low carbon economy. Our vision is of a truly national high speed rail network for the whole of Britain. Given financial constraints, we will have to achieve this in phases*".

14.3 Other points in the Agreement included support for Crossrail, reforming decision making to give greater weight to low carbon projects, proving a national recharging network for electric vehicles, granting longer rail franchises, supporting sustainable travel, turning the rail regulator into a consumer champion and making Network Rail more accountable.

14.4 Over the past year there have been a number of policy statements that have amplified this initial package of policies that have all been examined within this paper. In addition the Department for Transport launched the consultation on High Speed Rail in February, at which time it published various additional documents on the project and its alternatives. There are also various statements and submissions by ministers such as evidence and responses to the Transport Select Committee. These documents taken together demonstrate a growing disconnection between the Department for Transport's stated policies and its continued support for HS2.

The Coalition Agreement

14.5 The Coalition Agreement's focus on projects and initiatives rather than policies was understandable in view of the tight timeframes against the agreement was developed and the need to have some agreed

understanding as the basis for policy. But it is unrealistic to treat projects as policies. Rather, the projects must be subject to further scrutiny and review as policies are developed and further information becomes available. In the case of HS2 it is clear that the agreement was based on a flawed prospectus. The initial business case for HS2 was published in March 2010 and showed expected demand growth for Stage 1 from London to Birmingham of 3.3% per annum and a net benefit to cost ratio of 2.4. By February 2011 the forecast demand growth was 2% per annum and the net benefit to cost ratio was considerably lower at 1.6. Moreover the statement in the Coalition Agreement that High Speed Rail was part of "*our joint ambitions for creating a low carbon economy*" was incorrect as the project was shown to be carbon neutral.

The Spending Review

14.6 The Spending Review led to substantial reductions in the Department for Transport's budget compared to earlier expectations. Revenue budgets are being reduced far more substantially than capital budgets. Over the period 2010/11 to 2014/15 the resource budget of the Highways Agency is reduced by 23%, local government funding by 28%, London Transport grants by 28% and departmental administration by 33%.

14.7 Within the capital budget, rail expenditure takes a growing share of total expenditure with the nominal capital budget for rail rising from £3.8 billion to £4.5 billion between 2010/11 and 2014/15 while the nominal capital budget of the Highways Agency drops from £1.6 billion to £1.0 billion over the same period. Major rail projects such as HS2 and Crossrail have been retained in the capital programme but a number of proposed major road schemes have been dropped completely.

14.8 The major spending impact of HS2 will be felt after this public expenditure round. The capital cost of stage 1 is estimated at between £16.0 and £17.7 billion. This may be compared with the plans for the next five year spending review period during which the Department for Transport's nominal capital budget for rail is £22.0bn and for national roads is £5.7bn. HS2 accounts for only £750 million of these figures. Capital budgets for future spending rounds will be heavily influenced by the impacts of high speed rail, particularly if further stages are approved. This is bound to constrain the availability of funds for other capital projects on both rail and road.

14.9 Focusing expenditure on rail and away from roads has investment risks. The recent National Infrastructure Plan noted that

"*congestion is predicted to rise by around 30 percent in the period to 2025. If left unchecked, the rising cost of this congestion could waste an extra £22 billion worth of time every year in England by 2025 and increase costs to business by over £10 billion a year".*

The various highway schemes which were approved by the spending review were described by the Secretary of State as making a major contribution to the development of Britain's economy since:

"for every pound invested, there will be over six pounds worth of public benefits. On some schemes, this figure will be higher than ten".

14.10 The Spending Review expressed the hope that

"by prioritising spending on sustainable rail projects such as High Speed Rail and Crossrail we will be providing commuters and intercity travellers with attractive new options instead of the car".

However, the business case shows that very little of the traffic on HS2 is diverted from other transport modes. Out of an expected 136,000 passengers per day expected to use HS2 in 2043, only about 6% (around 8,200 passengers) are expected to divert from air and only about 7% (around 9,500 passengers) from car.

National Infrastructure Plan

14.11 The National Infrastructure Plan which was published in October 2010. The Plan sets out the Government's vision for major infrastructure investment in the UK that includes eight overarching aims and objectives. Four of which are closely aligned to the HS2 debate, namely:

- Maximising the potential of existing road and rail networks.
- Transforming energy and transport systems to deliver a low carbon economy.
- Transforming the UK's strategic rail infrastructure; and
- Providing the best superfast broadband in Europe.

14.12 Within the Plan, the Government outlined a number of key future challenges. These include:

- Obsolescence – all infrastructure has a limited lifespan and parts of the UK's infrastructure are ageing and need updating.
- Globalisation – the UK is facing strong competition from other countries who are investing heavily in improving their infrastructure.

- Growing demand – levels and intensity of usage of existing networks are increasing as the population grows, people use more resources, travel more and want to move goods and ideas faster and in a more reliable way.
- Climate change – it is essential to mitigate climate change and to adapt to its effects.
- Interdependence – interdependencies between systems are growing, with increasing reliance on technology and digital networks.

14.13 In addition, the Government has identified a new hierarchy for infrastructure investment that builds on the approach to capital investment in the Spending Review to inform decisions:

- Maintenance and smarter use of assets
- Targeted action to tackle network stress points and develop networks
- Transformational large scale projects

14.14 Within the Plan, the Government states that it will

"invest in a high-speed rail network that would make rail increasingly the mode of choice for inter-city journeys within the UK, and for many beyond". However this contradicts with a previous statement in the Plan in relation to the transformational large scale projects, where the Government outline that "significant investment in new or replacement infrastructure should only be considered where it is part of a clear long term strategy, is affordable and where maintenance or small scale investment will not meet future need". As outlined within this paper there is currently no adopted national transport strategy and therefore it is impossible to gauge whether the HS2 proposal is part of a clear long term strategy. In addition, at £17.7bn it is highly questionable whether the project is affordable, especially within the current fiscal climate, especially when there is a cheaper viable alternative available to the Government, RP2.

Department for Transport Business Plan

14.15 The Department for Transport's business plan sets out *"a vision for a transport system which is an engine for economic growth but one that is also greener and safer and improves the quality of life in our communities."* It establishes five structural reform priorities which are to deliver the coalition's commitments on High Speed Rail, to secure our railways for the future, to encourage sustainable travel, to tackle carbon and congestion on

our roads and to promote sustainable aviation.

14.16 The policy of securing the future of the railways arises from the parlous financial condition of the industry and the high costs of the UK railway compared to other railways and industries. A value for money review, chaired by Sir Roy McNulty is in progress and has produced an interim report. The objective is to obtain better value for money from the railways. This plan appears clearly at odds with proposals to develop HS2, which will require further subsidy for the rail industry. The discounted net costs to the Government of HS2 are estimated at £10.3 billion.

Creating Growth, Cutting Carbon

14.17 In January 2011, the Government published the Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen White Paper. With the absence of an up-to-date national transport strategy this document is therefore all we currently have that outlines the present Government's thoughts on transportation strategy and policy. As highlighted by Norman Baker MP in the Foreword of the document, the focus of the White Paper was on the delivery of local transport improvements as these provide

"gains at national level [and…] it delivers results quickly. […] So this White Paper is about providing that short term boost to growth, and the early reductions in carbon, that action locally is best placed to deliver".

14.18 The White Paper is only peripherally related to HS2. However, it introduces a new element of thinking in transport policy in considering alternatives to travel. It states that

"as well as considering packages of sustainable transport measures, consideration should be given to not travelling at all. Information and communications technology now provides the means to reduce or remove the need to travel in a number of situations, and can have a number of benefits, to the economy and to the environment".

14.19 Subsequently the Department for Transport has begun a consultation exercise on alternatives to travel, stating that

"for the first time [...] not travelling is an element within the Ministerial portfolio".

The consultation references options:

"*ranging from teleconferencing, videoconferencing and web-conferencing, to working flexible hours, and working remotely*".

These options are alternatives to long distance travel as well as local travel. Indeed, the marketing of business videoconferencing equipment is generally targeted at companies with extensive long distance travel costs. If the consultation leads to new and successful policies to reduce travel then it will inevitably lead to lower traffic levels on HS2. Train passengers are just as likely to adopt alternatives as road and air users.

14.20 In addition, there is a particular focus within the document on addressing carbon emissions. However the focus of the White Paper is on the electrification of the car fleet (rather than supporting HS2) as outlined by the statement that the

"*Government is convinced that in the longer term, progressive electrification of the passenger car fleet will play an important role in decarbonising transport, supported by policies to increase generation capacity and decarbonise the grid*".

The Transport Business Case

14.21 The Transport Business Case was published in April 2011 and sets out the basis on which projects are appraised by Department for Transport. It states in the introduction that

"this approach ensures decisions are made by taking account of all the relevant information set out in five cases, consistent with the Treasury Green Book".

14.22 The new guidance, the transport business case, was published outlining that project promoters will have to provide on five separate cases:

- A strategic case, showing how the measure fits with wider public policy objectives. This should spell out a clear need and rationale for making the investment and how the investment will further the aims and objectives of the project promoter.
- An economic case, demonstrating the project's value for money. The core of this is the project's benefit:cost ratio, which implies a value for money band (poor, low, medium, high or very high). The Department for Transport adjusts the band to reflect non-monetised impacts of a project.
- A commercial case, showing the commercial viability of the proposal, including the procurement strategy, plans for risk allocation and transfer, implementation timescales, and the capability and skills of the team delivering the project.

- A financial case, showing funding arrangements and the impact of the proposal on the Department for Transport's budget and accounts.
- A management case, showing that the project is achievable. This covers matters such as project planning, risk management, communications and stakeholder management, and evidence that the benefits are realisable.

14.23 A key element of this approach is that all feasible options should be considered in seeking to address identified transport problems. For example, all alternative options should be explored before concluding that specific major transport scheme is the appropriate solution.

14.24 The Department for Transport have made two significant alterations – higher monetary values for carbon dioxide and changes to the treatment of fuel duty in benefit:cost ratio calculations – will lend weight to projects that cut CO_2 emissions (and weaken the case for schemes that increase them). Therefore the case for HS2 is neutral at best, due to the Department for Transport itself outlining that the project is carbon neutral.

14.25 In addition, there are several other ways in which the appraisal of HS2 fails to meet the standards set out in the Treasury Green Book. In particular it has evaluated HS2 by comparing it with an unrealistic alternative, failed to compare HS2 with alternatives on a consistent basis and not considered demand management and pricing as alternatives to predict and provide investment. The appraisal does not provide a robust case for change as many aspects of the case run contrary to other aspects of transport policy. The scheme is poor value for money compared to others in the Department for Transport portfolio. There is no commercial case for HS2, which is why it has to be developed with public subsidy.

Developing a Sustainable Framework for UK Aviation: Scoping Document

14.26 In March 2011, the Government published Developing a sustainable framework for UK aviation that aimed to define the debate of the long-term policy for UK aviation. This document sets out a number of key strategic questions that have been compiled around three themes: aviation and the economy; aviation and climate change; and aviation and the local environment – all of which are of some relevance to the HS2 debate.

14.27 The Government state within this document that

"air transport plays a vital role in providing connectivity for the UK, both internationally and regionally. As an island trading nation, it is self-evident

that the UK needs to be well connected. It is also clear that some parts of the country, such as Northern Ireland, will always be heavily dependant on air links. Regional connectivity throughout the UK is a very important issue for overall transport strategy to address".

14.28 In addition, the Government outlined that

"aviation will continue to have an important role to play in our transport system, but that role will change. The Government's investment of £530 million to provide Britain with the best superfast broadband network in Europe will support the development of options such as videoconferencing, telepresence and web conferencing, which have the potential to reduce some elements of the demand for flying [and overall travel]".

Delivering a Sustainable Railway

14.29 The most recent strategy and/or policy statement was published in July 2007, Delivering a Sustainable Railway. This document sets the previous Government's long-term strategy for the next thirty years and outlines that

"it is [a] challenging [task] because it is impossible to forecast accurately demand that far into the future. Some cities and regions will grow faster than others. People and firms are likely to respond to the challenge of global warming by changing travel patterns and ways of working. The pace of technological change is unpredictable. […] Just as future growth rates are uncertain, so is the way in which people use rail. Land-use, housing and education policies will all have impacts on where people live and work".

14.30 The Government believed that the investments proposed within the Delivering a Sustainable Railway document, would enable the railway by 2030 to deliver twice the passengers of today (2007) in more comfort than today. However the document did outline that

"if demand requires it, the better solution is likely to be a new conventional line, preferably exploiting an existing unused railway alignment, such as the Grand Central route". This illustrates the commitment of Government to pursue the need to offer improvement on existing routes rather than the pursuit of new alignments, such as those proposed by HS2.

14.31 The document concluded by stating that

"sustainability demands a broader look at priorities for the railway alongside other modes, to find the best balance between the needs of the economy, society and the environment".

The Eddington Transport Study

14.32 The Eddington Transport Study was an examination, by Sir Rod Eddington, of the impact of transport decisions on the economy and the environment of the United Kingdom, with recommendations on how the transport network should be modernised. The study was commissioned by the UK Government, and a report of the study was published in December 2006 to support the 2006 Pre-Budget Report.

14.33 Sir Rod Eddington was commissioned by both the Chancellor of the Exchequer and the Secretary of State for Transport, in line with the Government's stated commitment to sustainable development, to study the long-term reliance of and the UK's economic productivity, growth and stability on transport.

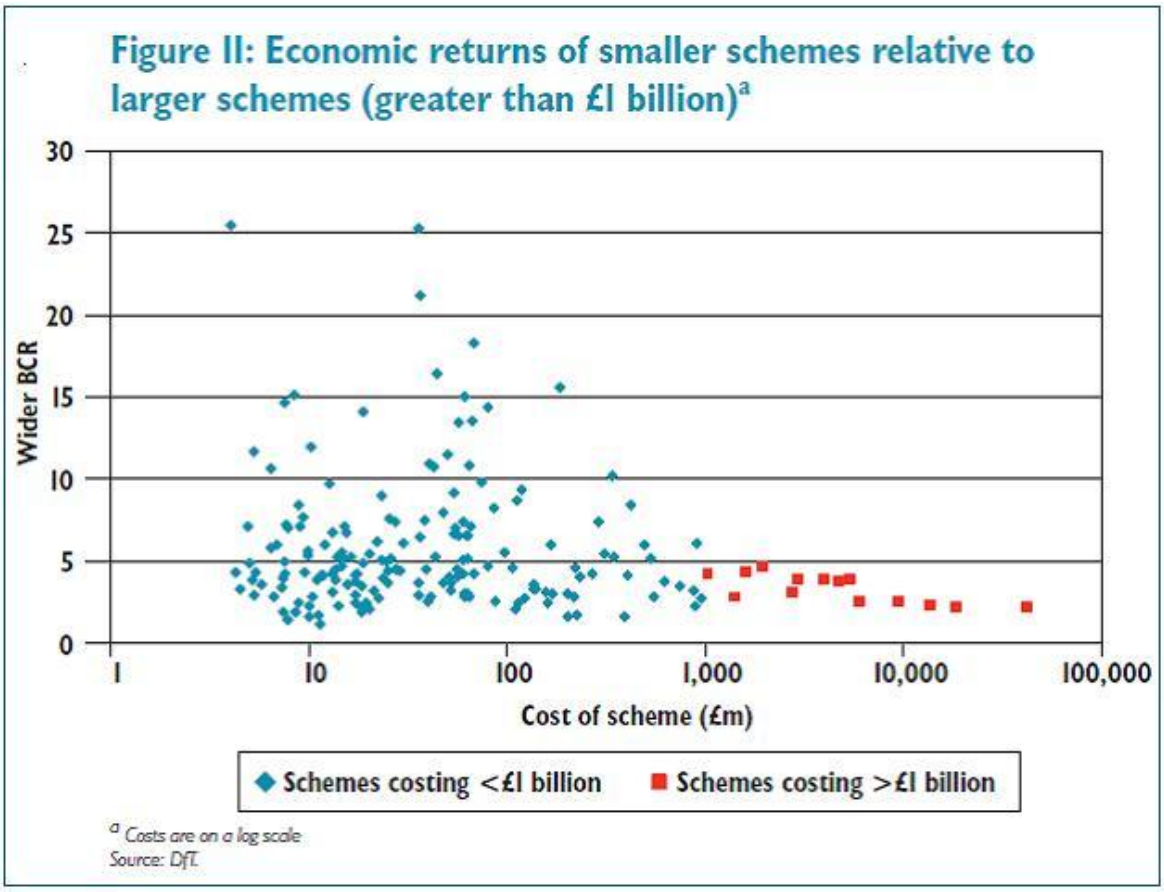
14.34 The study still forms the basis of the national transport policy. This study demonstrates that the performance of the UK's transport networks will be a crucial enabler of sustained productivity and competitiveness. For example, transport networks support the productivity and success of urban areas and their catchments, by getting people to work, supporting deep and productive labour markets and allowing businesses within the area to reap the benefits of agglomeration. He demonstrated this by outlining the 69% of business trips are less than 15 miles in length; 89% of the delay caused by congestion is in urban areas, and agglomeration effects can add up to 50% to the benefits of some transport schemes.

14.35 Eddington suggests that the Government should focus policy and sustained investment on improving the performance of existing transport networks, in those places that are important for the UK's economic success. He outlined that

"because the UK is already well connected, the key economic challenge is therefore to improve the performance of the existing network. […] There are very high returns from making best use of existing networks [with…] large projects with speculative benefits and relying on untested technology, are unlikely to generate attractive returns".

14.36 The study included the graph below which highlights that, typically, smaller projects offer the high returns, since they can be targeted at specific bottlenecks on the transport system at relatively low cost. Furthermore, such projects often have lower noise and landscape impacts, so their environmental impact can be considerably less than a new piece of infrastructure.

FIGURE 14.1 INCREMENTAL INTERVENTIONS FOR OPTIMISED ALTERNATIVE



14.37 The study outlined

"the risk is that transport policy can become the pursuit of icons. Almost invariably such projects – 'grand projects' – develop real momentum, driven by strong lobbying. The momentum can make such projects difficult – and unpopular – to stop, even when the benefit:cost equation does not stack up, or the environmental and landscape impacts are unacceptable".

14.38 He continued that

"the resources absorbed by such projects could often be much better used elsewhere. The suggested benefit:cost ratios of such projects, although only estimates, are often lower than many other less-exciting transport projects. International evidence collated for this study suggests that the claimed transformational impacts of such projects are rarely observed, and any speculative assessment of 'macro-economic' benefits would involve considerable risk, particularly in view of the large sunk cost investment that would be required. Furthermore, the projects are rarely assessed against other interventions that would achieve the same goals – it can often seem

that, unless Government can somehow demonstrate that the project's costs outweigh the benefits, the projects should go ahead. In fact, the question should really be are there better ways to achieve the same goals, or are there better uses of the funds to achieve different, but more valuable goals, for the same cost?".

14.39 Eddington concluded that

"in short, step change measures, such as a new nation-wide very high-speed train network, are not, in a world of constrained resources, likely to be a priority. That is why, it is critical that the government enforces a strong, strategic approach to option generation, so that it can avoid momentum building up behind particular solutions and the UK can avoid costly mistakes which will not be the most effective way of delivering on its strategic priorities".

14.40 The following figure is taken from the Eddington Transport Study, directly in relation to the case for new very High Speed Lines (HSLs).

FIGURE 14.2 INCREMENTAL INTERVENTIONS FOR OPTIMISED ALTERNATIVE

Figure 15: The case for new very High Speed Lines (HSLs)

Significant momentum has built behind the case for a new network of very high-speed rail lines in the UK. This is often associated with new technologies, such as magnetic levitation devices, currently in very limited use in China. The business case is often argued to rest on the transformational impact of such a network on the UK's economic geography.

However, new high-speed rail networks in the UK would not significantly change the level of economic connectivity between most parts of the UK, given existing aviation and rail links. Even if a transformation in connectivity could be achieved, the evidence is very quiet on the scale of resulting economic benefit, and in France business use of the high speed train network is low.

Faced with such arguments, supporters of HSLs point to the capacity increases such new lines would deliver in London and selected urban areas by removing some or all interurban trains from commuter and freight lines.

Such benefits are likely to be both real and substantial. Crucially though, these goals could be achieved by other solutions, and perhaps at much lower cost. The range of policy measures would include fares pricing policy, signal-based methods of achieving more capacity on the existing network, and conventional solutions to capacity problems e.g. longer trains. Indeed, in keeping with a non-modal approach, the measures assessed should include improvements to other modes that support these journeys (e.g. motorway, bus, and urban access improvements).

New lines – including new very high-speed lines – should take their place within this range of policy measures, and each should be assessed on their merits before selecting the option that offers the greatest returns on investment.

An alternative argument is sometimes made on environmental grounds because a very high speed line from London to Scotland could attract modal shift from air. Such arguments must be made with care given that total domestic aviation emissions, including flight between other cities, account for 1.2 per cent of the UK's annual carbon emissions (CO_2 equivalent), including allowance for the the climate change impacts of non-carbon emissions from aviation. Furthermore, rail's energy consumption and carbon emissions increase with speed and this would erode rail's environmental advantage and so it is important to consider the costs involved in reducing carbon emissions in this way.

The Stern Review

14.41 In July 2005 the Government asked Sir Nicholas Stern to lead a major review of the economics of climate change, to understand more comprehensively the nature of the economic challenges and how they can be met, in the UK and globally. The *Stern Review on the Economics of Climate Change* was published by the Government in October 2006. The report discusses the effect of global warming on the world economy.

14.42 The Review states that climate change is the greatest and widest-ranging market failure ever seen, presenting a unique challenge for economics. The Stern Review's main conclusion is that the benefits of strong, early action on climate change far outweigh the costs of not acting. According to the Review, without action, the overall costs of climate change will be equivalent to losing at least 5% of global gross domestic product (GDP) each year, now and in the future.

14.43 As can be seen from appendix 6 carbon impacts, it is highly improbable that the proposed HS2 scheme will help to reduce the UK's carbon emissions in the short, medium or long term, as recommended by the Stern Review.

Transport Conclusion

14.44 The Treasury Green Book advises "*where lead options involve irreversibility, a full assessment of costs should include the possibility of delay, allowing more time for investigation of alternative ways to achieve the objectives*". That is surely the case for HS2. This project which was included in the Coalition Agreement on the basis of a business case that has now been superseded by a new version which significantly downgrades the expected benefits admits the project is only carbon neutral and is probably still too optimistic. The costs of £750 million over the current spending round mean that other transport projects have to be deferred or cancelled even though they have superior benefit to cost ratios. The project needs to be reviewed against the new National Infrastructure Plan. At present, there does not appear to be a clear definitive links with the Department for Transport's policy of improving the sustainability of the railways. In addition, it does not take into account policies that are aimed at reducing travel.

14.45 To conclude, it does not adhere to the Treasury Green Book and on the basis of Department for Transport's own decision making methodology it is a poor project.

National Economic Strategy and Policy

Plan for Growth

14.46 The Government published the Plan for Growth document in March 2011. The policy statement does not support large investments in infrastructure, such as HS2; however it does encourage investment and private sector employment support outside of London and the South-East. However as Professor Tomaney outlines in appendix 5, it is unlikely the investment in HS2 will rebalance the north-south divide to any significant extent.

14.47 The Plan for Growth focused on five key objectives, namely:

- To create the most competitive tax system in the G20.
- To encourage investment and exports as a route to a more balanced economy.
- An increase in private sector employment, especially in regions outside London and the South East.
- Increased investment in low carbon technologies.
- To create a more educated workforce that is the most flexible in Europe.

Regeneration to enable growth

14.48 In January 2011, the Government published Regeneration to enable growth the set out their ambition for locally-driven growth, encouraging business investment and promoting economic development. The emphasis of this document is on localism and providing regeneration at the local level. The aim is to replace the large, remote regional (or national) bodies with smaller, more focused, local enterprise partnerships, drawing local civic and business leaders together. The Government aims to continue to focus and continue "to help rebalance growth across the country, but regeneration activity should be led by local communities, not by Whitehall [through such schemes as High Speed 2]".

Local growth: realising every place's potential

14.49 The Government's current initiative and ethos surrounding localism and Big Society is further reinforced in the November 2010 publication of Local growth: realising every place's potential. This document further emphasises the Government's "new approach to local growth, shifting power away from central Government to local communities, citizens and independent providers. This means recognising that where drivers of growth are local, decisions should be made locally". Fundamentally, this document (along with the Localism Bill) outlines that present Government considers that

growth and regeneration should and could be successfully delivered through a "*small state, Big Society*" model that is at odds with large scheme infrastructure schemes, such as HS2.

14.50 The alignment of HS2 with some of the policy objectives outlined within the 2011 Budget are questionable, at best. One of the key policy objectives outlined by the Chancellor was to create lasting prosperity that requires the economy to change and to rebalance from unsustainable public spending towards net trade and private-sector investment. How the Government believe that the proposed HS2 will help to achieve this particular policy objective is an interesting conundrum.

National Environmental Strategy and Policy

Climate Change Act 2008

14.51 The *Climate Change Act 2008* received Royal Assent in November 2008. The Act makes it the duty of the Secretary of State to ensure that the net UK carbon account for all six Kyoto greenhouse gases for the year 2050 is at least 80% lower than the 1990 baseline. The Act aims to enable the UK to become a low-carbon economy and gives ministers powers to introduce the measures necessary to achieve a range of greenhouse gas reduction targets. However, as stated previously, it is unlikely that the proposed HS2 scheme will significantly reduce the country's carbon emissions.

Department for Environment, Food and Rural Affairs Business Plan

14.52 In November 2010, the Department for Environment, Food and Rural Affairs (DEFRA) published its business plan for the period 2011-2015. This document is meant to be refreshed annually, however to date there to no revised document on the DEFRA website. Within this document the Government outline a number of its key priorities (five in total), one of which is directly related to HS2 debate. The Government aim to support a strong and sustainable green economy, resilient to climate change. In order to achieve this policy objective the Government will "*help to create the conditions in which businesses can innovate, invest and grow; encourage businesses, people and communities to manage and use natural resources sustainably and to reduce waste; work to ensure that the UK economy is resilient to climate change; and enhance rural communities*".

14.53 This business plan reinforces the Government's structural reform plan whereby a programme of reform will be driven forward that will turn Government "*on its head. We want to bring about a power shift, taking*

power away from Whitehall and putting it into the hands of people and communities, and a horizon shift, making the decisions that will equip Britain for long term success".

Department of Energy and Climate Change Business Plan

14.54 In November 2010, the Department of Energy and Climate Change (DECC) published its business plan for the period 2011-2015. This document is meant to be refreshed annually, however to date there to no revised document on the DECC website. This business plan outlines the Government's four principle objectives associated with DECC, namely:

- Save energy with the Green Deal and support vulnerable consumers.
- Deliver secure energy on the way to a low carbon energy future.
- Drive ambitious action on climate change at home and abroad.
- Manage our energy legacy responsibly and cost-effectively.

14.55 The DECC overall vision is to achieve a long term transition to a secure, affordable, low carbon energy on the way to a 80% cut in green house gas emissions by 2050. It aims to reduce energy use by households, businesses and the public sector; however HS2 will only serve to increase the UK's energy use.

Conclusion

14.56 The Treasury Green Book advises

"Where lead options involve irreversibility, a full assessment of costs should include the possibility of delay, allowing more time for investigation of alternative ways to achieve the objectives". This surely applies to HS2. As demonstrated in other reports, this project was included in the Coalition Agreement on the basis of an outdated business case. This has now been superseded by a new version which significantly downgrades the expected benefits, admits the project is only carbon neutral, is still overly optimistic and offers much poorer value for money than alternatives. The costs of £750 million over the current spending round mean that other transport projects have to be deferred or cancelled even though they have superior benefit to cost ratios.

14.57 The project needs to be reviewed against the new National Infrastructure Plan and the assumptions and application of the methodology underpinning the evaluation revised. It fits badly with the DfT's overall transport policy thinking, especially when considering how best to improve the sustainability

of the railways. HS2 takes no account of DfT's policies to reduce the need to travel. In addition, it does not adhere to the Treasury Green Book and on the basis of DfT's own decision making methodology it is a poor project.

14.58 National transport policy has taken a lead from the Eddington Transport Study that strongly recommended that "step change measures, such as a new nation-wide very high-speed train network, are not, in a world of constrained resources, likely to be a priority. That is why, it is critical that the government enforces a strong, strategic approach to option generation, so that it can avoid momentum building up behind particular solutions [such as HS2] and the UK can avoid costly mistakes which will not be the most effective way of delivering on its strategic priorities".

14.59 In addition, it is difficult to align the HS2 project with the over-arching policies' aims and objectives across Government. As demonstrated previously, it appears that the HS2 scheme contradicts the Department for Energy and Climate Change and the Department for Environment, Food and Rural Affair's business plans and a number of strategic documents published recently by the Communities and Local Government department.