

# What's wrong with the business case for HS2?

IMAGE of woman working on train

If it is built the proposed High Speed 2 rail line (HS2) will cost the taxpayer at least £30 billion. The Government is spending £750 million in this Parliament - £10 million a month! – on its HS2 plans. It claims HS2 is necessary to meet increasing demand. But its passenger forecasts are exaggerated and the assumptions underlying its business case are unrealistic. Does this huge outlay represent value for money? Many people think not.

**“High speed rail plan is madness”** Mike Rutherford, Financial Editor, *The Daily Telegraph*

Photo – working on the train

**The initial plan for HS2 is to build a high speed rail link from Birmingham to London – costing £17.8 billion in 2009 prices. The second phase, to Manchester and Leeds (the “Y”), will take the construction cost to over £30 billion. HS2 development is costing an average of £10 million a month now. Does this huge outlay represent value for money? Are there more cost effective ways of improving our rail system?**

## **How have the benefits of HS2 been calculated?**

The HS2 Consultation case claims that HS2 will bring benefits of up to £2.60 for every £1 invested over an assessment period extending to 2092. This figure is based on a number of assumptions:

- The business case assumes that demand for rail travel will increase by 100% over the next 35 years without HS2. The government is using out-of-date forecasting factors and too long a time-frame in order to reach this figure. As a result demand for long distance train services is overestimated by some 47%.
- A further one in five of HS2 journeys are forecast to be new – trips that would not be made if HS2 is not built. This is despite the Government's own travel reduction strategy. Technological developments mean that this is unlikely.
- Over 40% of the £44bn of the benefits of HS2 are based on the assumption that all time on trains is wasted. -But increasingly people use journey time productively so that journey time reductions will not yield productivity benefits. So the value of the time savings are worth much less than the Government claims.
- The comparator for HS2 assumes that the rail network will be maintained unchanged for 30 years. This is completely unrealistic.

**Re-doing the sums on a realistic basis shows the taxpayer gets back just 50 pence for every £1 spent on phase 1. For the full “Y” the return is only 60p.**

## **What will HS2 do for ordinary people?**

HS2 is not commercially viable. It will require large subsidies to build it and run it.

- This subsidy encourages travel that is destructive to the environment.
- The main users of long distance rail are people on high incomes. They are the people who least need the subsidy. This is concealed in the Consultation's answers on the equality impact of HS2.
- HS2 will cost more than £1k for every taxpayer.
- Money spent on HS2 is money that could be better used to improve rail services across the country – for the benefit of millions of travellers.

**“We seem to be committing ourselves to an eye wateringly expensive railroad for the few.”** Mike Rutherford, *The Daily Telegraph*

## **How else can rail capacity be increased?**

The Government says increased rail capacity is required. But there are other ways of providing additional space. These include

- Converting first class accommodation to standard class would provide additional seats at minimal cost. By doing that and extending trains with extra rolling stock we can generate 67% more overall capacity on West Coast Main Line (WCML) – and 112% for standard class.
- Going further and removing pinch points on the WCML would enable the running of more trains for a net cost of just £1.7 billion, greatly increasing capacity, and by more than forecast demand. Supporters of HS2 also argue for improvements to the WCML.
- There is massive capacity potential on Chiltern Railways. Their Evergreen 3 project will reduce journey times between London and West Midlands later this year.
- The HS2 business case shows that a number of towns and cities – including major cities and towns like Coventry and Stoke-on-Trent – will see train services cut thanks to HS2.
- The 2011 WCML Consultation document warns of disruption to services if HS2 is built, including the rebuilding of Euston Station.
- Even the first phase from London to Birmingham will not be running till 2026, whereas alternatives can deliver extra capacity much more quickly.

**Why spend over £750 million during this parliament on developing plans to spend £30 billion on HS2 when a complete solution would cost about £2 billion?**

## **Will HS2 help bridge the North-South divide?**

The government claims that one of the major benefits of HS2 is that faster journey times will reduce the North-South divide. They say it will encourage people to travel to the regions and provide a boost for business. In fact what is more likely to happen is that people and business will be drawn to London and the regions will suffer.

- The new business case shows that 7 out of 10 jobs created by high speed rail will be in London, not the Midlands or North of England.
- Most of the jobs claimed will not be genuinely new employment but moved from other areas within that region. Other parts of the region will therefore lose out as a result of HS2.
- HS2 would affect the service sector, where London dominates, so London is the likely winner
- 70% of HS2 passengers are leisure travellers and there is much greater growth in trips **to** – rather than from – London. So it is London, not the regions, that will gain from tourism.

## **Does the UK need HS2 to catch up with other countries?**

The UK – unlike Europe – has had a fast national railway system for a long time. As Sir Rod Eddington said in 2006, the UK has extensive fast inter-city services. We also have routes capable of 200km/h (125mph) – with quicker rail journey times between the capital and other major cities than in other major West European countries. In this country journey times between the five largest averages 145 minutes. In Europe average times are:

- 151 minutes in Spain
- 184 minutes in Italy
- 221 minutes in France
- 244 minutes in Germany

So we don't need HS2 to catch up with Europe.

## **Thinking again**

Other countries are thinking again about their high speed rail plans. Portugal has just wound up its high speed rail company. Several American State governors are declining federal funding for high speed rail links. And China is down-grading its high speed rail services and slashing fares because of low passenger numbers and reducing speeds because of safety concerns.

In November 2010 a Public Accounts Committee report criticised inefficiency and lack of accountability in the running of the railways. It described rail regulation as complacent and pointed out inadequacies in the Department for Transport's oversight of rail operations. The Report warned against the rail industry's 'vested interest in its own growth' and urged the DfT to restrain its tendency to 'seek solutions through growth'. It recommended more efficient use of the existing rail network.

The Government is ignoring the Public Accounts Committee's recommendations. HS2 is set to be a white elephant that will cost every family well over £1,000 - but benefit only an affluent minority. It should think again.

**"The burning need in public transport is not for sexy, pointy-nosed high speed trains whose economics simply don't stack up. It's for boring unglamorous improvements to the services we actually use."** Andrew Gilligan, *The Telegraph*

For further information visit the following websites:

**The HS2 Action Alliance** at [www.hs2actionalliance.org](http://www.hs2actionalliance.org) and **Stop HS2** at [www.stophs2.org](http://www.stophs2.org)