

TRANSPORT WATCH PRESS RELEASE

HIGH SPEED RAIL – REBUTTAL

27th January 2012

This updates the release dated 11th January following the latest economic assessment dated 10th January, see costs and losses.

The cost of building the “Y” (the link to Leeds and Manchester) is £33bn. Adding for trains and tax yields £48bn, equivalent to £1,880 for every household in the land, or to over £800 per head. The corresponding values for HS2 (the link to Birmingham) are £17bn, £23bn, £900 per household and £380 per head.

The losses for the “Y” amount to £54bn, equivalent to £2,000 for every household, if (a) fares and costs are accrued out to the remote year of 2093 and (b) the forecast passengers arise (c) the loss is expressed at 2011 prices rolled up at the Treasury discount rate to the opening year of 2032. The corresponding values for HS2 are £22bn or £870 per household but with losses rolled up to the earlier opening year of 2026.

The passenger forecasts require a 250 mph train every three minutes 20 seconds in each direction all day throughout the year - which is unbelievable.

The economic analysis depends on the passenger forecasts, and upon the assumption that time is entirely wasted on a train. It also depends on assuming the value of time grows exponentially at nearly 2% per year for ever. That inflates benefits by a factor of two. Further, nearly half the benefits come from the 30 yrs ending in 2093. Heaven knows what the nation will be like then.

Optimism bias is applied to costs but not to the passenger forecasts or to any of the other assumptions to do with the scheme’s benefits. If such a bias were applied then benefits would be at least halved and the project would never be considered. Since the risk is huge, failure to apply such a bias is to be deplored.

A fundamental flaw: Incremental fares are subtracted from costs and the **difference** is compared with the time savings and other social benefits. However, the incremental fares change if the economic boundary is changed thereby reducing the theory to the absurd. The correct place for that boundary is, of course, round the

economy as a whole. When that is done the incremental fares fall to zero and the economic case collapses.

Employment and the North-South Divide: HS2 is said to generate 40,000 jobs. However, circa 9,000 would be during construction, and 1,500 for operating the line. Of the remaining 30,000, over 70% would be in London. HS2 costs £24 billion including the trains and tax. Dividing the £24 billion by the 30,000 jobs yields an incredible £800,000 per job. Worse still, many of these jobs may be relocated from elsewhere, rather than newly created.

Nowhere is there an estimate of the number of jobs that will be lost as a result of the vast public expenditures and financial losses, summarised above.

Social equity: 99% of the population will use the system less than once a year. Furthermore, those from the top quintile of household income travel four times as much by rail as do those from either of the bottom two quintiles. Consequently the vast subsidies required will benefit a minute proportion of the population and the better-off rather than the poor.

Carbon emissions: The propaganda pretends that this scheme is “Green”. However, the analysis produced for the Government shows that the scheme would be carbon neutral. In reality, any slots for domestic flights released due to high speed rail would be rapidly taken by longer international flights, suggesting that the Government’s analysis is wildly optimistic.

The rest of the world is said to be “embracing high speed rail”. That is no more a basis for doing the same than for a lemming to follow the rest over a cliff.

TRANSPORT- WATCH is an independent association not connected with any business or political party funded by a private trust and dedicated to making the best use of land already committed to transport in the interest of the community as a whole.