



Transcript of evidence taken before
The Select Committee on Economic Affairs
Inquiry on
THE ECONOMIC CASE FOR HS2

Evidence Session No. 7 Heard in Public Questions 78 - 87

TUESDAY 4 NOVEMBER 2014

1 pm

Witnesses: Joe Rukin and Bruce Weston

Members present

Lord Hollick (The Chairman)
Baroness Blackstone
Lord Carrington of Fulham
Lord Lawson of Blaby
Lord May of Oxford
Lord McFall of Alcluith
Lord Monks
Lord Rowe-Beedoe
Lord Shipley
Lord Smith of Clifton

Examination of Witnesses

Joe Rukin, Campaign Manager, Stop HS2, and **Bruce Weston**, Director, HS2 Action Alliance

Q78 The Chairman: Gentlemen, welcome to the Economic Affairs Committee, and thank you for joining us today. This is the seventh session of our inquiry into the economic case for HS2. We have a fair amount of ground to cover, and I would be grateful to you if you could keep your remarks as concise as possible; if you agree with the other witness, then a nod will suffice. Would either of you like to make an opening statement?

Joe Rukin: I am fine with going straight to questions.

The Chairman: Let me ask the first question. Can you explain to the Committee how both of your groups were founded, who you represent, and what, if anything, differentiates you?

Joe Rukin: We were both founded in 2010, and we represent action groups up and down the line. There are over 100 action groups, and we also work with parish councils, residents' associations, and other levels of council as well. The HS2 Action Alliance was formed first, and basically it concentrates more on the academic side of the argument, whereas Stop HS2 is a grass-roots campaigning organisation. Back in 2010 the roles were clearly defined, but there has been obviously a little bit of blurring since then as time has gone on and we have both done more of the same stuff.

Bruce Weston: Yes. HS2AA, as Mr Rukin said, was founded in 2010. We have about 120 affiliated groups and 15,000 individual members. Our approach is quite coloured by who our directors are, so we tend to be pretty evidence-based in how we approach things, and we focus very much on the economic and environmental cases, compensation, and making legal challenges.

The Chairman: Can I just ask you whether, in principle, you support infrastructure investment in transport to improve connectivity and to help boost the economy?

Joe Rukin: Absolutely. We have been advocating since the start that HS2 is the wrong investment, and that there are better investments that would deliver more benefits to more people more quickly and cost less money. This is not the Luddite argument, despite what

previous Secretaries of State for Transport have said. We fully support the idea that you need to invest in the country's infrastructure, but HS2 is the wrong investment at the wrong time, and has unproven benefits, a poor business case, and is massively environmentally damaging. There are so many reasons pointing to other transport investments that cost less money.

Bruce Weston: The only thing I would add is that I work as a consultant in the railway sector, and professionally I am concerned with improving infrastructure.

Q79 Baroness Blackstone: In the written evidence that you submitted to us, you said that you were pretty unhappy about the value placed on time savings in the Strategic Case. Could you tell us about that, and what you would like the Department for Transport to do instead of what it has done so far?

Bruce Weston: Yes. Our real problem with the Government's approach on value of time is that it does not really pass the test of common sense. Very early on, we made two criticisms of how they were handling value of time. The first was that if you were really going to have a very large increase in the number of business travellers, it was not believable that they would all come from the same very elite earnings sector that they had from their 2000 sample of rail travellers.

Our second point was that mobile technology has been revolutionising the usefulness of the time you spend on trains, and this seemed to us to have the inevitable consequence that you cannot attribute the same value to reducing time that is useful to time that is not useful. Basically, we made these two points, and we have been pressing for them to be addressed.

Now, the first was actually addressed in the October 2013 business case, where they re-based their earnings data on the 2010 survey—so 10 years later—and lo and behold, that actually reduced the unit value of time by a third. The second point—that people working on trains, and for that matter leisure people, are finding the time they spend on trains much more enjoyable and useful—has not been addressed. There is no reduction in the value of time to

reflect the fact that the time is more useful, and so a saving of that time, logically, must be worth less to individuals and businesses. That is a very important point, because quite a lot that has been said about this indicates the contrary, and blurs this third reduction—because they have re-based the point of their calculations—to it actually being something to do with the more useful value of time. It is not.

Now, our view of how you put this right is that essentially the Government have moved from saying, “We are looking at the value of the time to businesses”, to, “We are looking at what they are willing to pay for it”. It is a clever move in some senses, but unfortunately they do not have any evidence that says that businesses are actually prepared to pay the same to reduce productive time as unproductive time, which is what their approach implies. I would be very surprised if you could conduct surveys that did show that, because it would be pretty irrational to hold that view. But I would say that in the absence of actually having any direct evidence that this position is right, they ought to be taking the line that they radically reduce the value of onboard business time savings and leisure time savings, if they ever get evidence that shows this. It is not a trivial change to the business case, because so many of the benefits are actually dependent on this single parameter, which is the value of the time it saves, and it is predominantly value on board the trains that is affected by this issue. It is really quite crucial, and personally I have always been a bit shocked that they are prepared to contemplate a £50 billion investment while not actually having anything very solid to back the major benefit that this is supposed to deliver.

Baroness Blackstone: I am sure you are right; it is common sense that not all time on trains is wasted. But the problem is that common sense will not tell you how to assess at least some of that time spent on trains, and the willingness-to-pay route is one that is normally used in cost-benefit analysis. If you do not like that either, what is the alternative? How can the Department for Transport do this?

Bruce Weston: I do not have any difficulty with using a willingness-to-pay basis, but you need some actual evidence to base it on. It seems wrong just to say, “Look, we used to do the sums on the basis of the value of the time that was being wasted being cut. We are not doing that any more, because we accept that time is being spent usefully, so we are doing it on a willingness-to-pay basis”. They cannot point at any surveys that show that businesses are actually prepared to pay the same single unit cost that they would have paid for wasted time for a reduction in the time that people spend on trains. It is not that I am against the willingness-to-pay basis; I just say that you cannot adopt it if you do not have any proper evidence to base it on.

Joe Rukin: One of the problems is that the department and HS2 Ltd are exceptionally selective in the figures and the methodology that they use, and they do not like comparing like with like. That is a theme that goes through the case for HS2 like Blackpool through a stick of rock. They have moved to this willingness-to-pay model, which was devised by the Institute for Transport Studies at Leeds, without actually paying any attention to what that report specifically said. For example—quoting directly from the Leeds report—the willingness-to-pay approach “does not—to the best to our knowledge—form the basis of official national guidance in any country”, and, “Whichever approach the Department adopts, the values derived need to be fit for purpose, appropriately robust, applicable to the appraisal cases for which they are used and capable of being updated over time”.

The problem, for example, on the value of time, is that willingness to pay has simply been a rebranding of value of time. It still relies on value of time, and I think that HS2 Ltd was nudged by the Public Accounts Committee, which was very critical of this. When HS2 Ltd came back to the Public Accounts Committee for the second time, it was quite critical that it had still not done anything. Just comparing like with like, HS2 Ltd assumes that the value of time of people increases by 2% for the next 80-odd years, until 2092. However, they do not

have that same assumption in their costs. What you are seeing is an inflation of the benefits of HS2 but completely ignoring the same effects on the cost, and that sort of approach is standard throughout the case for HS2. Again, with willingness to pay, the ridiculous thing is that they are saying that people will be willing to pay for quicker journeys but base it on the idea that the costs of tickets will be exactly the same as the current ones. Currently, they are saying that it takes one hour and 25 minutes to get from Birmingham to London on the Virgin train on the West Coast Main Line, and when HS2 comes along, it is going to be 49 minutes. If they are both going to be the same price, of course you are going to choose the quicker one, unless you actually want to spend longer on the train for whatever reason.

The other thing is that, if you look at the Institute for Transport Studies' model, the Department for Transport has actually hit out at HS2 Action Alliance for using a different definition of what consists of a long-distance journey. HS2 Action Alliance has used the actual figures from the train operating companies on what a long-distance journey consists of. HS2 Ltd has decided to use any journey over 100 miles, but the Institute for Transport Studies, in its willingness-to-pay model, says that a long-distance journey is any journey taking over two and a half hours. It is completely incredulous that it uses that model, because it does not take two and a half hours to get to Manchester, Birmingham, or somewhere between Nottingham and Leeds. It keeps trying to compare apples with oranges throughout the piece, and this completely undermines its case.

The other thing I should add on willingness to pay, because it is one of the points that we keep coming up with, is that the entire basis is the idea that business users will want to use trains more and more in the future. Three years ago Arup, which at that point had been given every outside contract related to HS2, told all its employees, "Do not travel for meetings. Use video-conferencing instead". It is a problem that they do not understand that the imperative of business will change. It will be a generational change, but the imperative for business will

be to not travel, because it will represent a cost saving and potentially more efficient time in the future. It will simply become industry standard.

Bruce Weston: If I could just add a point to Mr Rukin's, in fact the Department for Transport is not contesting that travel for business purposes is not growing.

Q80 Lord Monks: I was going to come on to that and quiz you about passenger demand and the way that that bit of the argument has been going. You have made the point that passenger demand has not been going up, and in reply the Department made the point that demand for rail has been going up. Now, some of this is addressed in your supplementary evidence that we have had in the last day or two, but how do you see that? I have worked with employers and companies before which, when they have hit a bad patch, have banned all business travel. That has lasted about six months, and then it has gone back to normal. Business travel by rail, despite what Arup has done, has gone up, according to the Department. You have some comments on that, and I wonder if you could share those with the Committee.

Bruce Weston: Absolutely. I would like to kick off by saying that I do not have a crystal ball that tells me what the future of transport demand is going to be. What I would say is that there is plenty of evidence that the experts frequently get it wrong, and in particular they get it wrong in the context of large projects. The Department for Transport itself does not have a spotless record on this with HS1.

The problem is that if you have a good short-term forecasting model and you push it, it keeps telling you that the trains that you have now go on for ever. It really requires that you put that picture into context, and the essential context, the way we look at it, is that the amount of domestic travel that people do per person over the last nearly 20 years has not changed. If you look at the number of long-distance journeys they make, it has been persistently at around seven. There is no change; it is not increasing. You have an overall context of domestic

travel per person not going up as we have become more affluent. We have become a lot more affluent over that period. There have been ups and downs, but generally people have become a lot more affluent, but people, per person, actually are not travelling more. That is essential context.

Looking at rail by itself, rail has undeniably increased a great deal from about 1995. If you go further back than that—if you go back to the Second World War, and go from there—the total demand is pretty well flat, and it lost market share throughout that period. You might say that in the modern era, from 1995, it has had a lot of growth, but the obvious question, looking at this in the context of no growth overall, is whether there is something special about rail, and if there is, whether it is going to keep going in the way it has. Can we safely predict that it is just going to go on as it has recently for ever? Now, we say that, actually, there are quite a few reasons to think that that sort of approach is a bit incautious. It might be right, but there is a pretty good chance that it is going to be wrong.

There are four reasons. First, there are special factors about the increasing value of onboard time, the increased subsidy that we had when we privatised the railway, and the fact that we have had some new ideas on pricing—something like airline pricing. Secondly, the model that you actually use to produce all this growth is essentially a short-term forecasting model. It is very heavily used for predicting revenues for rail franchises and that sort of thing. It has been constantly modified to keep it on track for that sort of purpose, but it is essentially a short-term model. Back in 2006, the review of the transport needs of the country commented on the forecasting model, which is a couple of generations back but is essentially the same forecasting model, and said that because of the way it worked it would not produce reliable forecasts over about 10 years. Now, we are looking at forecasting before we reach a point of saturation—the cap that they use—of 23 years, so we are really pushing what you can do with that sort of model pretty hard. It assumes not only things like the growth of population but a

relationship with economic growth—it goes up with real incomes. It does not have anything about the usefulness of time, which is actually quite important, because while it is pushing rail up now, if you have something like Google cars it is not going to push it up any more. In fact, it could reverse. If people found that they could work and do what they wanted as the car whisked them along to wherever they wanted to go, the trends that we have been looking at are going to see a reversal. I cannot say whether Google cars or their like are going to come in. It is pretty likely, but what is very likely indeed is that what has been happening over the last few years will not keep on happening for ever.

The Chairman: Mr Rukin do you have anything to add?

Joe Rukin: Yes. Again, going through the piece, HS2 Ltd does not seem to compare like with like. When the Department for Transport is saying how much rail growth is increasing, it is looking at national rail growth and conveniently not paying attention to long-distance travel. Whichever of the three definitions of long-distance travel you use, you see that growth in long-distance travel has completely bottomed out over the last four years. It has been on a consistent decline. It is now under 1%. The easiest way of looking at and thinking about whether HS2 Ltd's demand forecasts are reasonable is that they seem to think that HS2 will be full the moment it is built, which seems completely absurd to me. The reality is that while rail use is increasing, 70% of rail journeys in this country are London and the south-east. That is the reality: the majority of the passengers on the rail network are short-distance commuters, not long-distance point-to-point business users. The reality, again, is that the growth in rail travel has been predominantly based on the growth in discounted tickets, advance tickets, and being able to get somewhere, at least in long-distance terms, cheaper than you would otherwise be able to do. Of course HS2 Ltd and the Department have consistently ignored other ways to increase capacity, including the ones that are planned, such as bringing

in ETRMS, which is automatic signalling, so you will be able to increase the number of trains and potentially the speed of the trains on the existing tracks.

Q81 Lord May of Oxford: The Department for Transport, as you surely know, attempted to address the issues that you have raised, and specifically aspects that you feel should have been given more attention: the cost of capital, the cost of connecting to existing infrastructure, and the costs beyond 2036. As I read the Department for Transport's reply, I feel they have been pretty sensible in what they have said, but I would welcome it if you would care to expand on that a little. When I say "expand", I do not mean to be impolite, but you are not getting a very high grade for being as concise as the Chairman asked initially.

Bruce Weston: I will try to do better. Perhaps I can try to change your mind on the position at Euston. Basically at Euston we are in a position where the means of getting away from Euston mainline station and into the mainline station are pretty busy already, and I think pretty well everybody accepts that if you had the extra volume of passengers that HS2 would bring, it would not work. You are in a situation where reinforcing the infrastructure at Euston so that you have something like Crossrail 2 is not an optional extra. You will not get the journey time savings that HS2 claim if you have not relieved the dispersal from Euston. Saying, "That is another business. It has its own benefits", is simply is not true. You will not get the core benefits if you do not address the problem, and it is not a problem you can solve for nothing. There is a large cost in there that ought to be in their calculations, and it is not.

Joe Rukin: Probably one of the best examples of this is the East Midlands station at Toton, assuming it is going to be at Toton—there is the rumour going around that it is going to get moved to Beeston, but obviously the business case and figures that we have at the moment are based at Toton. HS2 Ltd is telling you that it will take 51 minutes to get from London to Toton, and then it will take a further 17 minutes, so 68 minutes in total, to get to the centre of Nottingham. At the moment, there is no way of doing that at all. It will take you 40 minutes

on a bus; it will take you 30 minutes driving. Even if they extend the tram network, the chances of doing it in 17 minutes are minimal. However, the business case relies on the idea that you can get to the centre of Nottingham in 68 minutes, and the infrastructure is not in place to do that. They say it will take 22 minutes to get to Derby. When we have asked them, “How are you going to do that?”, they say, “You can just get a cab”, which again seems bizarre.

It is these things that need to be included in the cost to make this thing work that have been excluded, because HS2 Ltd is very good at saying, “This is the time it currently takes you to get to Birmingham. This is the time it will take you to get to Birmingham with HS2”, but it is not getting you to New Street, it is getting you to Curzon Street, which is a 10 or 15-minute walk to New Street. It is shown across the world that the advantages in getting a high-speed train are completely lost if you cannot easily continue your onward journey. As things stand, out of the 10 proposed stations, only two of them are at current station sites, Euston and Manchester Piccadilly. All the rest of them will be new builds—obviously Old Oak Common is a bit different, because there will be a station for Crossrail, but only as a result of HS2. Crossrail was not building a station at Old Oak Common. This is the thing: you will have to lose the time that you have saved to continue your onward journey, and HS2—

Lord May of Oxford: Could I interrupt you? Just putting it another way, my favourite country to visit is Japan. The transport systems there make us look medieval. Are you really entirely satisfied? You give me the impression that you are looking for reasons not to like this. What is your feeling about the future of rail transport in Britain? You are happy with it as it is? I know I have gone off-piste.

Bruce Weston: The answer to that is that virtually nobody is happy with it as it is, but a really nice example of the sort of thing that people are considering that they might get some benefit out of is HS3. The naming is actually quite important here, because I think it is about

detoxifying the High Speed brand, because when you look at it, it is high-speed; it goes 125 miles per hour, which is defined in the European standard as high-speed. We have plenty of that. It is not the ultra-fast speeds you get with HS2, which, we contend, is not suited for a small, densely populated country. The great thing about High Speed 3 is that it would not have a tendency to draw economic benefit down to London, which is clearly the risk with HS2. More interestingly yet, they do not call West Coast Main Line or Virgin services High Speed 0, or the East Coast Main Line High Speed Minus 1, but they are, by this definition, high-speed railways.

A very important point to understand about our railway system is that we have a very developed network; we have fast, frequent services to the major destinations of our country. In fact, if you look back to Eddington, one of the reasons why they thought that high-speed rail would not be a priority for the UK is because it already had faster connections to our major cities from the capital than the places that were going for high-speed rail.

Joe Rukin: I suppose that the easiest way to demonstrate the problem with HS2 is simply quoting the title of David Higgins' report last week, "From HS2 towards a national rail strategy". That is the problem with HS2: there should have been a national rail strategy first, and maybe HS2 would have come out of that process, but it did not. That is the problem throughout this: that HS2 has been chosen as a project in isolation—I will come on to HS3 later, I suspect—without actually looking at what the country needs. For example, one of the arguments that we keep getting thrown at us is that the West Coast Main Line will be full to bursting in not very long.

I suppose I am touching on the next question, but the reality is that there are ways around that. For example, until the West Coast Main Line was electrified in the 1960s, you used to have trains coming down from Birmingham down the Chiltern Line into Paddington. With Crossrail releasing capacity at Paddington, or even being able to divert trains to the new North

London line into Old Oak Common, that may be a strategic alternative, which has been completely ignored. That is the problem, though: all the strategic alternatives to HS2 have been ignored, simply because, as Eddington warned, it is a policy that has allowed political momentum to build up behind it, making it unpopular or difficult to cancel. That is where we are really; this decision has been made in isolation.

Going back to the original question of the missing costs, it is not just the additional infrastructure—the HS3 proposal is a tacit admission that this is needed to make the thing work—but you have to look at other issues. One of the best ones, I suppose, is the disruption during construction, because the alternatives were dismissed by a Network Rail report saying that you would have all this disruption on the existing rail network—say, 14 years of weekend closures. That completely ignores the fact that on the Great Western Main Line the electrification is being done at night, avoiding that disruption, and forgets that you could do that with other places.

HS2 Ltd completely ignores the disruption that HS2 will cause, even on the railways, because you have 15 years of potential reconstruction of Euston; you would have to move every track and every platform. Obviously the official timescale is 10 years, but the discussions that seem to be coming out of Camden at the moment are pointing towards 15 years. That is going to cause massive disruption for everywhere that has trains coming into Euston. You also have to look at where it crosses the West Coast Main Line at Lichfield, Balsall Common, and other places on the network; as soon as Crossrail is built you will be messing it up by building a station right in the middle of it, which is not exactly going to help; the same with the east-west line.

All these things have been ignored, as has the disruption that this is going to mean to the roads, which is more important potentially to the economy. For example, near the Birmingham Interchange station, which is a good mile away from the current Birmingham

International station, you have to cross two dual carriageways, one of which is four lanes at that point—two motorways—and build a station in the space of two miles. There is a phrase for that: years of traffic chaos. HS2 want to move the M1 in two places, and this needs monetising in the business case, and it simply has not been at all. “It is part of our optimism bias”, is the answer that you will get out of HS2 Ltd.

Finally, of course, we are supposed to be facing fuel shortages. We have no idea where the electricity is going to come for this. When we ask that question, we get told, “We are the Department for Transport. It is not our problem”.

Q82 Lord Smith of Clifton: Gentlemen, when David Prout appeared before us last week, he described the number of seats available on long-distance services out of Euston as “a problem”. Do you disagree that it is a problem?

Joe Rukin: Obviously, there is a need for capacity throughout the network, but one of the great examples I could give you is that last year supposedly the most overcrowded train in the country was the 4.46 out of Euston to Crewe. The reason why it was the most crowded train in the country was that it was four carriages long. Now it is eight carriages long, and all of a sudden it is not the most crowded train in the country. This is the problem with the trains coming out of Euston that are over capacity. It is not Virgin Trains, the long-distance trains, in the main; it is the London Midland trains, the short-distance commuting trains going to Hemel Hempstead, Watford Junction, Tring, Milton Keynes, et cetera. You will find that those are the problems, and in a lot of cases you can simply extend those trains.

The other thing that has come out recently is that HS2 Ltd has finally realised how much disruption its plans to redevelop Euston would cause, and obviously there is the problem between one being on AC and one being on DC. It is talking about the potential of running the aforementioned London Midland trains, or at least to those destinations such as Tring and Hemel, along Crossrail and out at Old Oak Common via the new North London line, on to the

West Coast Main Line. That is potentially something that will alleviate that problem to some extent, but as I mentioned before you have previously had trains coming into Birmingham that were going down the Chiltern line into Paddington—obviously they go into Marylebone at the moment—but you have the potential to run those into Old Oak Common as well.

These are strategic ways of trying to address the problem, which has not been looked at. The reality is that the West Coast Main Line at Euston is, out of all the London termini, the second least busy station. The least busy is St Pancras, where HS1 arrives. Although you are potentially addressing the problem, you are not addressing where the problem really lies, and where capital spending should be prioritised.

Bruce Weston: If I can try to answer the question more directly, the Government have persistently said that the long-distance trains out of Euston are full, and there is a capacity problem. That simply is not true: we knew it was not true, but we had tremendous difficulty getting the facts out of the Government. They would not release the passenger counts information, and we ended up commissioning our own study and counting the number of people on the trains. It proved to be quite good, because eventually the Government had to release the information to us, the court told them to, and it confirmed that trains leaving Euston in the evening peak are just over half full. Now, if you are trying to make a case for HS2, that is a very inconvenient fact. I can see why you would not want everybody to know that the trains are half empty. However, the simple fact is that the evidence shows that the long-distance trains, even in peak, are a little over half full.

Q83 Lord McFall of Alcluith: How would you address the issue of increasing capacity? A few proposals have been put forward, from 51m to GB Railfreight, which would link the Channel Tunnel to Glasgow, to the New Economics Foundation, which suggests a £33 billion investment for the East Coast and West Coast Main Lines.

Bruce Weston: In the longer term, if the model for predicting rail capacity growth is right, you will end up having more demand on the West Coast Main Line than the current arrangements can cater for. They might be a little over half empty now, but eventually that would fill up. The 51m solution is, to my mind, a sensible way to go about it, because you do not have to take a view now on what demand is going to be in 2036. You have a whole set of small responses that you can make in regard to demand increasing, like lengthening the trains or removing one or two of the pinch-points so that you can get a couple more services in.

It is an incremental approach, which is capable, in full form, of handling all the long-distance demand that the HS2 demand projections have. It does not handle all the demand that HS2 would, because HS2 claims this 26% uplift in demand, because the journey is faster. HS2 is saying that not only will people swap over to HS2, because it costs the same and it is faster, but that for every three passengers that you get transferring across you will get an extra one, because it goes a bit faster. The 51m proposal does not handle the one extra, because you will not have the one extra, but it handles the three. I think it is quite a good solution, particularly because you do not have to take a punt on what things are going to be in the distant future, which in reality nobody knows.

Joe Rukin: I do not think I have anything to add to what Mr Weston and I have already said.

Lord Shipley: Could I just ask what allowance you made for population growth in your modelling on capacity?

Bruce Weston: We simply took the demand forecasts that DfT and HS2 have made. We did not make our own forecasts. We just demonstrated that all that demand could be accommodated, but certainly within their modelling they have increases in population growth and increases in productivity, and per capita income. They have a whole host of factors that are built in there, and certainly population growth is one of them. Of course, population

growth gives you about a fifth of the increase that you get from the supposedly conservative 2.2% per annum compound growth. The population is very easily accommodated.

Q84 Lord Shipley: Can I just go back to an issue that we were discussing a while ago on fare structure and premium fares? I had always assumed that HS2 would charge premium fares. However, the modelling is done on the expectation that they are the same. Should the operator be permitted or able to charge premium fares, first of all?

Joe Rukin: I think that is absolutely certain, because you cannot have a situation whereby you are running two trains, one is much faster than the other and they are both the same price. Look at Birmingham to London at the moment. You have three options: the London Midland, which is a very slow train; the Chiltern line, which is the medium train; and Virgin, which is a fast train. The price bands reflect those speeds; it is that simple.

It is very obvious that all that has happened is that HS2 Ltd and the Department for Transport have said, “We are going to look at the same prices, because that is the only way that we can make the business model work”, because they are effectively assuming that almost everyone is going to transfer from the West Coast Main Line to HS2. All you have to do is look at Kent, and it is quite simple: you can do the same journey on the Javelin as you can do on Southeastern, and one costs more than the other. It is pretty straightforward, and that is what the case would be if HS2 were to open.

Lord Shipley: Are you concerned about the extent to which HS2 is reliant on public subsidy, whether premium fares are charged or not charged?

Joe Rukin: It is not just a question of whether premium fares will be charged or not; it is a question of whether or not the passenger forecasting is robust. We would say it is not. As a result I would say there is absolutely no question that HS2 would require a very large public subsidy. Across the world, wherever you look at high-speed rail networks you find that they never manage to attract the grossly inflated passenger numbers that were used to justify their

construction. The best example I could give you is HS1 in Kent, which was genuinely a brand new rail link, because you could not get a train under the sea before. Just this year they celebrated arriving at 10 million passengers a year, but they should be at 25 million.

Lord Shipley: What level of subsidy do you think is likely to occur?

Joe Rukin: A massive one, unfortunately.

Lord Shipley: Can you quantify that?

Joe Rukin: I find it very difficult to speculate, because obviously it would depend on where the fares ended up in the future, which we cannot really tell.

Lord Shipley: But you think it would be massive. You have used that word, “massive”.

Joe Rukin: Absolutely, because HS2 Ltd is relying basically on a doubling in passenger numbers by 2033, and it comes to its benefit-cost ratio by multiplying three or four very large numbers by each other to end up with a massive number at the end. If one of those large numbers is a bit smaller, it puts a massive hole in the business case.

Bruce Weston: I think there is an implication in the question that if you had premium pricing somehow or other you would not have to face the same subsidy. The problem with that view is that if you had premium pricing, a lot of people would choose not to move off classic services. It means that you would not be able to cut the classic services in the same sort of way, so you would not be able to have the £8 billion-odd saving from doing that. You would find yourself with loads of capacity, which you would be running, and you would probably have a large ongoing running cost subsidy. Not only do you have to stash up to build the thing in the first place out of public money, but you then have a year-on-year drain on finance, because it is not paying for itself.

Q85 Lord Carrington of Fulham: If we assume that the purpose of all this, however you achieve it—whether it is HS2, improvements to the existing rail network, or, indeed, other possible solutions—the purpose of it is to connect Birmingham initially, but then Manchester,

Leeds and so on, and presumably eventually Glasgow and what have you, better connection to London and to the south-east. The Government are saying that this would have major economic benefits in rebalancing the economy. In other words, it would boost the economy in Birmingham initially, but eventually as the HS2 reaches Manchester it would boost the whole of the north-west, and eventually the north-east as well. Do you buy that argument?

Bruce Weston: I do not buy it at all. The interesting thing is that although this argument has been running for quite a while now, it started from the position of there being no evidence for it at all. The difficulty is that a better connection to London most naturally reinforces the dominance of London. If you look at it narrowly, there are four reasons. A place may be identified as the best opportunity for regeneration. HS2 may well support more economic divergence, because it may make it possible to operate with just an office in London and not one up north. It is very hard to see how any of this overcomes the fact that we are very London-centric and the main transport routes range from London, so improving one of the spokes in this does not put the far end of the spoke from London in the same situation as London, because the rest of the links to the country are not there. It is not removing London's historically established advantage.

On a narrow level, regarding the extra passengers that HS2 is supposed to carry, a lot of them are going to be leisure passengers, and on the DfT's own numbers most of them will be making trips to London and spending money in London that they would have spent further north.

Finally, if you solve the passenger dispersal problem from Euston that this is going to create, for example by building Crossrail 2, that is another benefit for London.

Joe Rukin: Quite honestly, if you wanted to wave a magic wand and rebalance the economy, the very last thing you would want to do is make it easier for people to come to London. Again, when you look at the international comparisons, you find that more economic activity

gets sucked to the capital, and with London being so primate in our economy, the effects are likely to be much worse in this country than they have been in other countries. One of the best examples you could have is David Higgins, in another tacit admission that HS2 is about solving London's commuter problem, saying last weekend in the *Sunday Times* that without HS2 you would need a massive house-building programme in the south-east. If that is not saying that it is about commuting I do not know what is, and this is what you have to expect; you have to expect commuter towns to be built south of Crewe, somewhere between Nottingham and Derby, between Coventry and Birmingham. You already have the first plans for a garden city as a result of the station near Birmingham Airport submitted by Solihull Borough Council at the moment. If that does not demonstrate that it is about getting more people into London, I really do not know what does.

Lord Carrington of Fulham: I am struggling with the concept of what you are saying. The logical conclusion from what you are saying is that we should not spend any money on improving communications between Birmingham and London, because all that does is benefit London to the detriment of Birmingham. You should not improve transport facilities north-south in the UK at all? In fact, you might even argue, carrying on possibly to absurdity, that you should make them worse, because that would boost the economy in Manchester more.

Joe Rukin: What areas like Birmingham really need is the money spent in those areas themselves. North-south links are pretty good as they are, to be perfectly honest. What is bad is east-west and inter-urban transport systems. Look at Leeds, for example. Leeds is the largest city in western Europe without a light rail solution. If you could promise that to Leeds, would they still support HS2 so much? The reality is that it does not matter where you look, you will drag more economic activity to London if you make it faster to go to London. I know the Committee has mentioned the Doncaster paradox previously, in that if a fast

connection to London meant economic activity, Doncaster would be one of the richest places in the country. It is the same with David Higgins saying that making Crewe a rail hub will make it prosperous. Being a rail hub is the only reason that Crewe is there in the first place, and they are talking about more jobs being created in Crewe than their current population. When you look at these figures in depth, they seem patently absurd.

Q86 Lord Rowe-Beddoe: Referring to the east-west connection, which obviously has been coming up all the time, in the last few days Sir David Higgins is reported as saying that it is not only desirable but possible, et cetera. Could it be a stand-alone project, in your opinion?

Joe Rukin: The problem with HS3, as it is proposed at the moment, is that as with HS2 a decision seems to have been made in isolation, and the Government seem to have gone for the highest-cost option without really assessing the alternatives. We have said since the start that if you want to rebalance the economy, and create, as it is now dubbed, the northern powerhouse, you spend the money there, as I said in the example with Leeds. Again, there needs to be a strategy first—an analysis of what is needed. Arup reported just this year that you could effectively create a new trans-Pennine link by reintroducing 11 miles of lost track between Skipton and Colne. That is not the perfect commuter route between Manchester and Leeds, but it could move freight on to that line, and that could be done for £110 million, compared to the £7 billion that you are talking about with HS2. You could probably chuck in the Woodhead line from Sheffield to Manchester and still be paying about £500 million.

There is Beverley to York and numerous other places where you could reintroduce old track—in Skipton to Colne you could actually do four tracks for £110 million—but these things do not seem to have been looked at. The very odd thing I find with this HS3 argument is where it leads—the current plan for trans-Pennine electrification—because it seems that these plans do not necessarily work in isolation, because the HS3 plan, as it has been called, is clearly, in the main, about updating existing tracks. As Mr Weston indicated, if you are

travelling at 125 miles an hour and you are calling it high speed, that means it is an upgraded track. It does not mean it is a new build. Maybe you have a section of tunnel that will be new build, but it has to be upgraded track, because you cannot call it high speed if it is new unless it is going 155 miles an hour.

Where it leaves the current trans-Pennine electrification we do not know, and that is worrying in some parts, because again earlier this year Network Rail said at the Transport Select Committee in the Commons that they could guarantee doing Manchester to Liverpool, but they could not guarantee doing beyond Manchester, because there was never any real budget for the trans-Pennine electrification. That is the real question: where is this money coming from? There were a lot of other things that came out of the HS3 conversations. The Prime Minister said he was starting a conversation last week when the Chancellor said he was starting the same conversation back in June, so very little seems to have happened since then. The thing with that is that we are really not sure what the absolute purpose is. If we are talking about spending £7 billion just to reduce journey times between Manchester and Leeds, you have the potential that you are actually reducing the services at the intermediate points between Manchester and Leeds, because besides improving the speed on the track the other way you cut journey times is by cutting out stops as well. Again, it is this whole problem that the north does not consist of Manchester city centre and Leeds city centre; the north has hardly started by the time you get to Manchester. If you really want to rebalance the economy you have to invest in these inter-urban and inter-regional systems, which deliver more benefits to more people, more quickly, and cost a lot less money.

Lord Rowe-Beddoe: Do you have a comment on that, Mr Weston?

Bruce Weston: The only observation I would make is that I think I would probably go along with Professor Overman, who addressed you on this earlier, who suggested that if your priority is regeneration, then intra-urban investments are likely to be a better bet.

Lord Rowe-Beddoe: May I then just in conclusion ask this question? Is HS3, in your opinion, as useless to us as HS2? You have been quoted as saying that it will cost £175 million a mile, I believe. What is your solution?

Joe Rukin: Our solution, as I said at the start, is to start with developing a strategy, not a policy; £175 million per mile comes from the Prime Minister's own figures—£7 billion for 40 miles. That seems rather odd, because, as I said, that was achieved by saying that it is going to cost the same amount as HS2 does per mile. Well, HS2 only costs about £122 million per mile or £143 million if you include the trains. It is not that HS3 as a concept is a bad idea; it is that it is being done without really looking at the consequences. To be perfectly honest, it looks like something that has been announced just before the election, very much like the way HS2 was back in 2010, without any real justification for what it is about.

Lord Rowe-Beddoe: Mr Weston, do you have anything to add?

Bruce Weston: If I could just throw in one thought, it is that if you are looking for a transport solution to rebalance the economy, you are probably looking in the wrong place. It is completely ignoring the problems you have with skills.

Q87 Lord Lawson of Blaby: We are running out of time, so I will just ask one very brief question, and perhaps you would give a very brief answer. If the answer is “nothing”, that is fine, but you have obviously been paying attention to the previous hearings that we have had in this inquiry. Is there anything you think that we have overlooked? Is there any point that we need to address, which has not come up so far?

Joe Rukin: Some of the previous witnesses have not been certain about the validity of looking at international comparisons. However, that might be something that you would like to spend a little time on. Just last week the Mayor of Calais gave evidence through a translator in front of a Select Committee, and it is clear that the French have been paying attention to us, because the Cour des Comptes—I hope I am pronouncing that correctly—

referred to a National Audit Office report in a recent report they did on the TGV, in which they said that the problem with the TGV was overoptimistic passenger numbers, and that it was a worn-out business model that is irrelevant today and an incoherent assessment of the socioeconomic impact. It was very similar to the arguments that we are making about HS2, but about something that is 40 years down the line. The other thing that they said was that there were unsustainable costs, which is very much in key with what we have been saying. I suggest that getting some input from international comparisons could be useful.

Bruce Weston: I would make just one point: there has been very little discussion of the issue of how you assess the benefits of HS2, which is the comparator. What has been used is a “do the minimum” solution that is less than the minimum, and it has some very odd properties that grossly exaggerate the benefits that you ascribe to HS2. For example, it assumes, except for projects that are already committed, that you have in effect like for like replacements in perpetuity, because it assumes no improvements in capacity, journey times, energy consumption, or anything else that you get pretty well for free when you have a renewable. Using this “do the minimum” might be okay for a short-term project improving a roundabout, which takes a couple of years, but when you are looking over the sorts of timescales that HS2 involves, to operate with the “do the minimum” means that we are simply ignoring what will happen anyway. You are assessing the benefits on the basis of a “do the minimum” that is not capable of handling the demand, so you get a big plus for reducing crowding but not crowding that ever really exists; it is a creation of the way in which you have modelled the improvements.

One of the things that really does merit looking at is the “do the minimum” basis against which HS2 is assessed, instead of a proper “do the minimum”. Indeed, I think best practice dictates that you look at the best alternative. It might be quite difficult to do that, because the

great thing about “do the minimum” is that it is mechanical, but it just gives you the wrong answer.

The Chairman: Thank you very much indeed. Those were very helpful answers. That brings an end to this first session, and if you wish to listen to the next witnesses, please do sit at the back. Thank you very much.