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An occasional update on HS2 – 3 November 2020

For Phase 2A, West Midlands to Crewe, the House of Lords Select Committee has reported <https://committees.parliament.uk/publications/3078/documents/28855/default/> and Lords Committee Stage is planned to start on 9 November 2020. Amendments on <https://publications.parliament.uk/pa/bills/lbill/58-01/142/5801142-RL.pdf>

HS2 – a drip feed of bad news for the Treasury as Phase 1 and 2A costs reach £88bn.

Another lockdown and another furlough?

Working from home or staying at home if you have lost your job has drastically affected demand for rail services, currently running at around 40% of pre-Covid 19 levels. This is unlikely to improve any time soon. With the success of remote working, will demand for rail travel ever return to mass commuting that we have seen before, or to justify building a new high-speed line connecting London with the Midlands and North?

Can the UK afford HS2?

HS2 Phase 1 costs are now estimated to be £74 bn and Phase 2A £14bn. So, you will be able to get from London to Crewe and Birmingham a little quicker at a cost of £88bn, see below.

According to the NAO, the Government has spent £210bn on Covid 19 support measures during the first six months of the pandemic. Could this be replicated for the next six months and beyond?

If so, that would total over £400bn this financial year, and how much for succeeding years until the Virus is contained and the economy recovers?

Where can the Chancellor make savings?

One saving would be to cancel or cut down the scope and cost of HS2. A fraction of this amount spent on railways in the North and Midlands would bring jobs and benefits much more quickly.

I explore below some options.

Have they dropped 2B East from HS2 budget?

The announcement of further consultation on HS2 Phase 2B on the west side between Crewe and Manchester said nothing about Phase 2B East, the side of the 'Y' serving Sheffield and Leeds, leading many to conclude that this had been paused indefinitely. This was confirmed by evidence from DfT to the Public Accounts Committee (PAC) 15 October Q11 <https://committees.parliament.uk/oralevidence/1038/default/>.

This would suite the Government for many reasons:

1. It would reduce the likely total cost of HS2 from perhaps £170 bn to roughly half that amount.
2. The benefits from the 2B East can more easily and more cost effectively be achieved by upgrading the ECML, the MML and the Cross-Country lines, serving Birmingham, Derby and Nottingham, in separate smaller work packages, without the need for the 'world beating' HS2 high speed specification.
3. It would enable the Northern Powerhouse authorities to take total control of the necessary rail enhancements and their funding in their area, using if they choose some of the plans started by HS2 to provide an integrated regional rail network – to be as good as that around London.
4. The number of trains on HS2 Phase 1 going to London would be reduced to the 10 per hour planned for Phases 1 and 2A West.
5. The reduction in trains per hour would mean that the approaches to Euston and the station itself could be built and operated without the expensive, and potentially very risking, construction involving underground fly-unders on the approaches, which could put at risk all the Network Rail lines into Euston as well as adjacent properties.
6. An alternative terminal at Old Oak Common would become quite possible without fly-unders, saving the £8bn cost of extending the tunnels from OOC to Euston and for the HS2 station itself and the massive damage already started to an inner London area.

Overall costs up again!

HS2 costs continue to rise. According to the latest Ministerial update, committed costs to the end of September 2020 for Phase 1 are now nearly £10bn, representing about 25% of the Government's estimated total cost of Phase 1. On most major projects, a rule of thumb is that costs incurred before permanent works are started rarely exceeding 10% of the total cost.

Michael Byng's latest estimate (October 2020) of costs for Phase 1 are £74 bn and for Phase 2A £14 bn at 2nd Qtr 2020 prices. So, you will be able to get from London to

Birmingham and Crewe a few minutes quicker for £88bn. These cost increases have come about due to more information being available about these parts of the project, as well as inflation. Details are attached. Michael Byng's methodology has never been challenged by HS2.

It is not possible to update the estimates for Phases 2B West (Crewe to Manchester) or 2B East (West Midlands to Leeds) as these sections are both being reworked, but we found previously that Phases 1 and 2A costs were about 50% of the total HS2 costs. On that basis, the cost of the whole project would be around £170bn at 2nd Qtr. 2020 prices.

For the whole project, DfT evidence to the PAC 15 October 2020 Q95 quoted a top budget for the whole scheme of £98bn at 2019 prices. In July 2018, Rail Minister Nus Ghani MP confirmed on the record that the budget approved by Parliament was £55.7 bn at 4th Qtr 2015 prices. In 2011, the total cost was estimated by Government as £32bn at 2009 prices. Even allowing for inflation, that is a 5 times cost escalation in ten years.

But then HS2 Chief Executive Mark Thurston, Chief Executive of HS2, when interviewed in the Panorama programme of December 2018 said: *"I'm not worried about us overspending"*.

Phase 1 completion dates

According to sources within the supply chain, the dates for completion of Phase 1 are now 2nd Qtr 2030 with a temporary terminus at Old Oak Common and, assuming there is a solution to the access to London Euston Station, 2nd Qtr 2033 for the whole of Phase 1.

Demand and Benefits

Rail passenger ridership is running at around 40% compared to the previous year. We must surely consider whether, even in the medium term, ridership will ever return to the level seen recently, coupled with the growth forecasts which was used to justify the construction of HS2. But removing Phase 2B East and Euston, reducing the number of trains (and therefore revenue) and the escalating costs will make the Benefit Cost Ratio even more heroic than the figure of 0.6 to 1 in my Jan 2020 Dissenting Report, https://www.tonyberkeley.co.uk/index.htm_files/rh200105%20Dissenting%20report.pdf and well below the Treasury Green Book limit.

Is Euston now needed for HS2?

One must question how HS2, according to the Architects Journal, has managed to spend £100m on consultants for its new Euston station, especially as there is no design approved and signed off for safety reasons for the approaches. But then Ministers have announced that HS2's Euston station work is to be separated from the rest of HS2 and incorporated into a new design for the Network Rail station led by Sir Peter Hendy, Chair of Network Rail. He will have a much easier task with fitting in 10 HS2 trains per hour rather than 18, both in the approaches and the reduced number of passengers, as demonstrated in Sam Price's Petition to the HS2 Phase 1 Select Committee. Ministers and TfL have said that Crossrail 2 was essential to disperse passengers from HS2; however, as part of the TfL/DfT funding settlement, DfT told TfL on 2 November 2020 to 'shelve' the £33bn Crossrail 2, and bring an

orderly end to consultancy work as soon as possible. Will the HS2 Euston section be next for the chop? £453m has been spent on HS2 consultants up to the end of 2018.

In the meantime, why is HS2 continuing with enabling works around Euston, which could well be changed or rendered unnecessary depending on the final design and train frequency approved.

Cheaper alternatives through the Transport and Works Order Process

Two petitioners proposed alternatives to the Lords Select Committees using the TWAO process to avoid the need for an additional provision to the Bills:

Phase 1 – Wendover Tunnelling alternative saving £322 to 325m and between 1- and 3-years construction time.

Phase 2A – Stone railhead - saving £98m and 3 years construction time.

Even though the possibility of using TWAO to make minor changes to the Bill Scheme is included in the HS2 Phase 2A Bill in Clause 49, it was surprising that the DfT's Counsel felt it reasonable to persuade the Phase 2A Select Committee in the Lords that this could not be accepted, when there is a precedent for using a TWAO on Phase 1 for the Bromford Tunnel that involves a change from a viaduct to a tunnel and a minor amendment to the Act.

Conclusion

There is no change at the DfT then; they still believe in HS2 (or are told to!)

At the PAC meeting on 15th October, Q 101 DfT PS Bernadette Kelly suggested that HS2 is a good thing as it will last 100 to 150 years, so fluctuations in demand must be ignored for such a long-term project. However, she admitted that no work has been done to identify any changes of travel demand such as working from home due to Corona Virus.

The HS2 gravy train goes on; whereas DfT ministers try to cut back or delay expenditure on other new rail projects, including those most needed in the Midlands and North, nobody seems to care about the still escalating costs of HS2, the ongoing environmental destruction and whether the demand is still there; and of course whether the country can afford such a vanity project.

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Attached: Michael Byng Cost Estimates for Phases 1 and 2A, Second Quarter 2020 prices.