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for Transport

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Our Ref: MC/176028

12 Oct.

Thank you for your letter of 14 September 2016 about the economic case for airport expansion and HS2.

Airport expansion

The Government remains fully committed to delivering the important infrastructure projects it has committed to, including delivering runway capacity to the timetable set out by the Airports Commission. I understand your interest in the work of the Airports Commission, in particular around the economic case, and take your views seriously.

Maintaining our international connectivity is absolutely critical for the UK's long term economic growth and our global reputation. The benefits of our aviation sector to the UK economy are clear. As the Commission's report says, the aviation sector in the UK contributes £12 billion per year to the UK economy, employs 116,000 workers directly and supports many more indirectly. However, these benefits are not just felt in the South-East but right across the whole of the UK.

In the coming weeks the Government will carefully consider the additional package of work, including on air quality impacts, announced last December alongside the Airports Commission's comprehensive evidence. The Government is not providing a running commentary on this work and nor would it be appropriate to outline specific pieces of evidence before an announcement on its preference. Any work to inform an announcement will be set out in subsequent publications and associated consultation.

As the Chancellor set out in his response to you dated 14 September, publishing the work before the decision making process has concluded would not be appropriate as it would be unfair to the shortlisted schemes under consideration. This could significantly undermine the integrity of the process and lead to delays in progressing the delivery of capacity.

HS2

In relation to your questions on the economic case for HS2, our latest assessment is that the full "Y" network delivers a benefit cost ratio ("BCR") of 2.2 which is within DfT's 'high' value for money' category¹. This is robust to a wide range of scenarios. DfT places greater weight on the value for money category as it encompasses more factors other than a point BCR. There is a degree of uncertainty in any point estimate BCR, which is taken into account when considering the robustness of a VFM category. The BCR also does not include the non-monetised impacts of a project, which if significant enough, can change the value for money category.

In response to your questions on speed, the maximum design speed for the full "Y" network was set out by the then government in 2010². In 2012, HS2 Ltd provided advice to the government on delivering new, additional railway capacity at a lower speed. This advice considered the impact of reducing speed on the Phase 1 route that underwent public consultation during 2011³.

HS2 Ltd concluded that the cost of building the consulted route at 200km/h would be 9% lower than the cost of a route designed to 360km/h. However, they also concluded that a lower maximum speed of 200km/h would increase the London-Birmingham journey time by around 15 minutes compared to the high speed route. This would reduce passenger usage by 19%, leading to a reduction in benefits of 33% and revenue by 24%. HS2 Ltd also considered an intermediate speed option of 300km/h, which increased the London-Birmingham journey time from 49 minutes to 53 minutes, reducing the forecast benefit-cost ratio of the scheme by 15%. Following on from this advice, the government re-affirmed its conclusion that the new railway should be designed to a maximum speed of 400km/h.

HS2 Ltd's initial advice to government in 2009 also considered a wide range of potential corridors between London and the West Midlands, including routes that use existing transport corridors as well as those which follow new alignments⁴. In the 2010 command paper, the Government concluded that HS2 Ltd's route option 3 appeared to offer the best way to meet the Government's objectives for minimising journey times and cost, and

¹ HS2 Phase 2a Economic Case, <https://www.gov.uk/government/publications/hs2-phase-2a-economic-case>

² High Speed Rail command paper, 2010: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3648/hs2-decisions-and-next-steps.pdf

³ Review of HS2 London to West Midlands route selection and speed, 2012:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3659/hs2-review-of-route-selection-and-speed.pdf

⁴ Route engineering study: - a final report, 2009:


<http://webarchive.nationalarchives.gov.uk/20110202235049/http://www.dft.gov.uk/pgr/rail/pi/highspeedrail/hs2Ltd/routeengineering/pdf/chapter1to4.pdf>

managing impacts on the local environment and communities in an acceptable way. This route was then the basis of public consultation on the Phase 1 route during 2011.

Subsequent to the 2011 consultation, HS2 Ltd reviewed their initial route selection process and re-considered alignments alongside existing transport corridors. This advice concluded that alternative alignments would have a substantial impact on many, often populous, communities and costly engineering and mitigation would be required to reduce these impacts. In light of this and of the implications of alternative corridors for the benefits of HS2 the Government concluded at that time that adding environmental mitigations to the consulted route, represented a better solution to dealing with sustainability impacts than an alternative alignment.

In addition to considering a new, lower speed alignment and alternative alignments for a high speed railway, successive governments have given serious consideration to alternative packages on the existing GB rail network at every HS2 decision point⁵. While several of these strategic alternatives can deliver high value for money improvements to our railways, the Government concluded in 2013 that upgrades to a live railway would pose an unacceptable level of disruption to both passengers and freight. Upgrading our existing railway would also not deliver the step change in capacity and connectivity that HS2 delivers.

I hope you will agree how important it is that we continue to progress these pivotal national infrastructure schemes for the benefit of the UK.

Wah best work


Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

⁵ Rail alternatives to Phase 2a, 2015: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/480645/rail-alternatives-to-hs2-phase-2a.pdf

HS2 strategic alternatives, 2013: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253456/hs2-strategic-alternatives.pdf

High speed rail strategic alternatives study – update following consultation, 2012:

<https://www.gov.uk/government/publications/high-speed-rail-strategic-alternatives-study-update-following-consultation>

Strategic alternatives to the proposed 'Y' network, 2011:

<http://webarchive.nationalarchives.gov.uk/20110720163056/http://highspeedrail.dft.gov.uk/library/documents/strategic-alternatives>

Road and rail alternative study, 2010:

<http://webarchive.nationalarchives.gov.uk/20110202234406/http://www.dft.gov.uk/pgr/rail/pi/highspeedrail/alternativestudy/>