

The figures for HS2

I voted against HS2 and lost heavily. Parliament has decided it wants this project, and the government is now pressing ahead. It needs, however, to be aware of the need to control costs vigorously and to think again about how to raise revenue from the line when built.

The forecasts rests heavily on the assumption of dramatic demand growth for London to Birmingham travel in the years ahead. When the new line is available they will have train paths for 18 trains an hour carrying up to 1000 people on each. Their estimates think that by 2037 there will be an additional 290,000 extra trips.

HS1 forecasts were similarly elevated when the decision was made to build it, but the outturn was well below forecast. The consultants expected 20-28 million passengers by 2010. The actual was only 9.5m. As a result HS1 fell miles short of the use and revenue they were expecting.

HS2 forecasts assume that they will charge the same fares as the competitor lines that remain in place, and that the fares charged will be higher in real terms than today. It is difficult to see why this should be the case. With such a huge increase in capacity becoming available it is likely the existing train operators will have to cut their ticket prices to try to hold on to business. This will mean lower revenues than expected on HS2. If the government and Regulator step in to keep the fares up it will be difficult to attract extra passengers needed to try to fill some of the large increase in capacity.

HS1 was hit by aggressive fare competition from the established ferry companies. HS2 assumes easy pickings from air and road competition. Maybe these will not materialise as planned. The operators could cut their prices.

However you look at it, this project can only limit the losses it will incur for the taxpayer if there is very strong cost discipline, and realism about how many trains can be run on these new lines. It would be good to hear more from the operators about why they think there will be such a surge in Birmingham/London train travel and how they will promote this.