



# Spatial Economics Research Centre

Friday, 12 March 2010

## High Speed 2

In [September last year](#), I commented on what I felt we would know after the various studies for HS2.

My starting point was that: "The direct user benefits (i.e. the benefits to people making journeys) are potentially quite large. Unfortunately, so are the costs. Both costs and benefits are *highly* uncertain." The government has now placed numbers on this suggesting that the project will generate £2 for every £1 spent. That might sound like a good return, but the Eddington report found "transport schemes can deliver overall benefits averaging £4 per £ of government expenditure". So there are certainly many alternative projects which would generate better returns.

Next, I suggested that: "the wider benefits - e.g. 'regenerating the north' - are even more uncertain. I suspect the only thing we can say with any certainty is that they are likely to be overstated." Claims that [Birmingham's economic output](#) will increase by 6% suggest this process has already started.

Finally, I pointed out two certainties. First, the environmental impacts are not large and could well be negative (HS2 predict a change in average annual emissions in a range from -0.41 to +0.44 million tonnes, equivalent to just +/-0.3 per cent of current annual transport emissions) The second certainty is that any new route will not be commercially viable and will need large government subsidies (HS2 predict the cost is £30bn). The government suggest they will expect fair contributions - and point to developers and local government. Of course, most of the benefits are to passengers experiencing faster journeys so fair contributions means higher fare contributions (no pun intended). We shall see, but I can't imagine higher rail fares being that popular with voters ...

Posted by [Prof Henry G. Overman](#) on [Friday, March 12, 2010](#)

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[max](#) said...

Good post. Given your point about fares, this NY Times piece on the the Barcelona-Madrid line is worth a look:

<http://www.nytimes.com/2010/03/16/science/earth/16train.html?th&emc=th>

Not much about how it was financed, but note that:

'the train tickets cost as much as plane tickets — about \$200 [£130] one way, at the moment — although cheaper advance fares can be found on the Internet.'

18 March 2010 at 11:06

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