

What is the purpose of our evidence?



To present to the Select Committee the socio-economic costs of the HS2 proposal in the Chilterns



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The Chiltern Economy

Home to 93,250 residents



The Chiltern Economy

5,300 businesses – predominantly
small in nature and therefore
vulnerable to change



The Chiltern Economy

Highly dependent on the visitor
economy



The Chiltern Economy

Is the economic performance of
the area influenced by the
environment?



YES



How does the local economy work?



It is rural in nature with a high dependency on the local road network for connectivity



Will the construction of the line
impact on peoples' travel?



YES



The 2011 Census shows 68% of residents travel to work using road vehicles



Travel delay costs during
construction have been estimated
at over £100m



These are made up of:

- £26.0m in delays for commuters
- £63.8m in other non-work time
- £15.6m in work-related travel



How have these costs been estimated?



Using the DfT recommended techniques and values as outlined in its official analysis guidance (WebTAG)



Have businesses been surveyed?



YES



Three quarters of businesses surveyed consider that delays on the road network during construction will negatively impact on:

- Movement of goods and services
- Staff commuting
- Business trips



Business Survey Results

During HS2 construction/operation	
77%	Consider that delays on the road network during the construction of HS2 will negatively impact on movement of goods and services, staff and business trips
66%	Of businesses consider that the construction phase of HS2 will negatively impact on their turnover
40%	Of businesses consider that they could lose staff members as a result
36%	Consider that their turnover will be negatively affected when HS2 is operational
43%	Consider that their business growth aspirations will be damaged in the longer term
38%	Think that footfall will be reduced in the longer term once HS2 is operational
37%	Think that they will experience a reduction in the market areas they serve
10%	Of businesses are considering a likely change in their location in the short to longer term
0%	Of businesses think that HS2 will positively impact on their operations

While HS2 will improve national connectivity, its construction will create significant disconnectivity and severance at the local level

(There is no difference in kind between the connectivity commended by HS2 and the dis-connectivity engendered by HS2)



Will there also be an impact on
road maintenance costs?



YES – estimated £7.3m



Caused by considerable number
of heavy lorry movements
during period of construction

Excludes impact of displaced traffic
on to other roads during
construction period



How important are visitors to the AONB?



Visitors are crucial to the Chiltern Economy



AONB attracts around 55 million
visitors per annum – recreation,
accommodation, food



10 million visitors from outside
area – who spend almost £200m



Will HS2 lead to the loss of land in the AONB?



YES



Area of Outstanding Natural Beauty

Loss of 203.3 hectares



Public Right of Way

Loss of 1,603m



Cycle Way

Loss of 1,336m



Ancient Track Way

Loss of 4.8km



Ancient Woodland

Loss of 8.2 hectares



Agricultural land temporarily lost

197.4 hectares



Agricultural land permanently lost

105.7 hectares



Could the loss of this land have an important impact on one of the UK's most popular visitor destinations and hence its long term economic performance?



YES – there are strong links
between AONB's natural assets
and its successful economic
performance



Amenity loss of £6.2m due to loss of woodland and agricultural land



Will the loss of land impact on people's health?



YES – the health impact on people's physical and mental wellbeing is estimated at £20.4m



Will it impact on the productivity
of businesses?



YES – the productivity loss is
estimated at £2.7m



Will there be a loss in visitor spending?



YES – estimated visitor spending
loss at £31.5m



So what is the estimated value of these socio-economic impacts?



Estimated value of over £170m

	Estimated Value of Impact (£m approximate)
Travel Delay Costs During Construction	102.3
Road Maintenance Costs During Construction	7.3
Amenity Loss	6.2
Health and Wellbeing Impact	20.4
Productivity Loss	2.7
Visitor Spend Loss	31.5
Value of Total Impact to Chilterns District	170.4

Has HS2 taken account of these
local impacts in its analysis?



NO



The analysis applied recognised techniques and where appropriate used values recommended in DfT guidance



Are the figures optimistic?



NO – the figures are
conservative



They exclude:



Impacts on costs of running vehicles



Impacts due to noise



Visual impacts



Loss of visitors/tourists and spend during construction period



Impact of loss of inward investment



Impact on local spending habits as residents change shopping destinations



Impact of loss of business and enjoyment

One in ten business owners surveyed is considering a change of location



Impact of adjacent areas – similar impacts



Impact on Estimated Cost of Tunnel

The value of these impacts has not been captured in HS2 calculations



Additional cost of continuous tunnels options

	gPS	CLT	CLTi	CRAG T3i
Cost of construction compared to the government's Proposed Scheme	£0	£ 485m		£350m
Our estimate of these cost differences	£0m	£532m	£465m	£396m
Acquisition of land costs	+£50m	+£3m	+£3.3m	+£3.3m
The non market effects	£510m	£56m	£56m	£56m
The direct economic effects in the Chiltern District	£170m	-	-	-
Likely net cost	£730m	£591m	£524m	£455m

Impact on Estimated Cost of Tunnel

It means that the net cost of extending the tunnel is less than suggested



Impact on Estimated Cost of Tunnel

The net cost should take into account the value of the impact on areas affected by the construction and operation of HS2



What happens if there is a long
tunnel compared to a short
tunnel?



The disconnectivity impacts are
significantly reduced during
construction



Negative amenity impacts removed



Negative Health impacts removed



Productivity loss removed



Loss of visitor spend removed



Disconnectivity and severance – Significantly reduced



necessary to address model convergence issues and were explicitly acknowledged in the published documentation.

Updated economic analysis of HS2

3.24 Following the completion of the consultation an updated analysis of the economic case for HS2 has been produced to inform Ministers' decisions (see the *Economic Case for HS2: Updated Appraisal of Transport User Benefits and Wider Economic Benefits*). This reflects concerns raised in consultation and more recently released data. The most significant changes made are as follows:

- **Economic forecasts** – demand forecasts have been updated in light of revised economic forecasts from the Office for Budget Responsibility;
- **Patterns of demand** – modelling has been updated to incorporate recent changes in the demand for long distance travel;
- **Y network development** – the costs for the Y network, and separately costs for London – West Midlands, have been reviewed on the basis of further development of Y network station and route options; and,
- **Forecast rail services without HS2** – updated assumptions have been produced for the rail services expected in the absence of HS2, as a result of increased information and the commitment by the Government to additional rail enhancement schemes.

3.25 The overall effect of these changes has been to increase the benefits and the revenues of both the full Y network and the initial London – West Midlands line, but this is counterbalanced, in the case of the Y network as a whole, by an increase in costs. On this updated basis the benefit cost ratio for the Y network is estimated to be 1.6 to 1.9; and that for the London – West Midlands line to be 1.4.

3.26 These BCRs rise to 1.8 to 2.5 and 1.7 respectively once wider economic impacts such as agglomeration are taken into account. These total £4 billion for the London to West Midlands line, rising to between approximately £6 billion and £12 billion for the Y network as a whole. Other factors which could further increase these BCRs include the additional benefits resulting from the redevelopment of Euston station, reductions in the cost of the scheme to the Government through private sector contributions, and the use of more sophisticated approaches to pricing.

3.27 However, additional disbenefits also need to be set against these including key environmental impacts such as the effect of new lines on the natural landscape. Assessments of the value of landscape impacts inevitably entail a significant degree of subjective judgement and can only be carried out on the basis of a detailed route proposal. As part of its value for money assessment process, the Department for Transport has made an initial estimate of the landscape impacts for the proposed London to West Midlands line, which indicates a value of approximately £1 billion. Including these factors in the appraisal reduces the BCR for the London – West Midlands line by approximately 0.1.

Economic Impacts

Economic Impact of HS2 on the Chiltern District – Chiltern District Council and Peter Brett Associates – July 2014

- The assessment is based on a large number of assumptions, many of which are not supported by robust evidence.
- The headline figure for economic loss of £170 million over 60 years needs to be put in the context of an economy worth at least £1.9 billion a year (based solely on resident workforce x GVA per resident worker (excluding commuters)) and assuming 1% growth this equates to around £60 billion over 60 years.
- No account is taken of the economic benefits of the Proposed Scheme in terms of employment and training opportunities that are outlined in information paper G4.
- On this basis the impact of HS2 is less than 0.3% impact on the AONB economy, assuming the original £170 million figure and associated assumptions are correct.

	Estimated costs at current present values (£m approximate)
Travel delay costs (for 8 years construction period)	£102.3
Road maintenance cost (for 8 year construction period)	£7.3
Amenity loss (present value over 60 years)	£6.2
Health and Wellbeing impact (present value over 60 years)	£20.4
Productivity loss (present value over 60 years)	£2.7
Visitor spending loss (present value over 60 years)	£31.5
	£170.4

Economic Impacts

Health and wellbeing impact = £20.4 million

- Figures based on London, south east and west area where the value of open space is greater due to the general lack of availability.
- Assumes an impact are of 1km either side of the line, even where there is no impact.
- Assumes an unmitigated scheme.

Productivity loss = £2.7 million

- Figure based on the number of people living within 1km of the Proposed Scheme who will no longer be able to exercise for 30mins a day.
- This increases attributable short term sick leave and produces the productivity loss figure based on those living within 1km.
- The Proposed Scheme does not stop people from exercising.

Visitor spending loss - £31.5 million

- Based on an assumption that each hectare of the AONB generates the same level of income, this figure is then multiplied by the area affected y the Proposed Scheme.
- Visitor spending does not stop due to the Proposed Scheme but it may change on the basis that not all hectares generate income equality which is already the reality in the AONB.
- HS2 Ltd has also established a Business and Local Economy Fund to help offset impacts on the local economy.