

368. MISS LIEVEN QC: So, the last topic, sir, you'll be pleased to know is briefly on Wendover economics. If I can ask Mr Peterson and Dr Savin to come forward. Gentlemen, do you just want to introduce you who are?

369. MR PETERSON: Thank you, Mr Chairman, for giving us the opportunity to address this Committee. A brief word of introduction. I'm a native New Yorker, but I've lived in the UK since 1971 and have been a resident of Wendover for the past 22 years. My background is almost entirely industrial in that I run two engineering companies, listed on the London Stock Exchange and one of NASDAQ in the US. For the past 10 years, I've been a partner in a small venture capital group, backing emerging British companies in health and wellbeing.

370. My co-presenter, John Savin, Dr John Savin, has lived in Wendover for over 30 years. He's a research scientist by training with an MBA among his list of academic credits. For the past 35 years, he's been involved in financial assessment of projects in investments, specialising in net present value calculations. He's a widely respected expert in this area and his work on HS2, he has followed HS2 guidelines, using Treasury Green book, discounting methodologies.

371. Now, to the substance of our brief presentation, in the interim report, you said at paragraph 75 that the merits of tunnels should be addressed on the basis of their own cost in potential benefit, not their percentage contribution to overall project costs. We'll now deal with the value of potential benefits of a fully bored long tunnel to Wendover and the AONB, and we'll demonstrate that those benefits are considerably greater than the cost using HS2 Ltd's own figures.

372. You'll know of the SQW report which shows that the benefits of the CRAG T3i tunnel, are £403 million, compared with a projected cost of £268 million, a cost saving of £117 million. The benefits of this CDC tunnel are therefore £440 million compared with a cost of...

373. SIR PETER BOTTOMLEY: Is there chart we can put up? Sorry. No-one's got a -?

374. MR PETERSON: I've got that, we're coming up.

375. SIR PETER BOTTOMLEY: Well, if you're speaking to it, it does help us a lot to be able read it while we listen to it.

376. MISS LIEVEN QC: Let's put the slide up.

377. MR PETERSON: Slide 14 – slide 18, 3214. This is the generalised comments on the cost of the fully bored tunnel in Wendover and through the AONB. We've used in these calculations, the same method as HS2 when calculating the benefits, the Treasury Green book, with values, costs and benefits over a 60 year time span. In the case of the property blight calculations, we've used the methodology and numbers from the PwC property bond calculation, commissioned by HS2 Ltd. And in this particular case, the cost associated with the current HS2 Ltd plan to Wendover alone, exceed \$400 million.

378. SIR PETER BOTTOMLEY: Just give us a sense of this minus £124 million on property, what's that a proportion of?

379. MR PETERSON: Perfect opportunity for the next slide.

380. DR SAVIN: That is an absolute value calculated on the...

381. SIR PETER BOTTOMLEY: Yes, yes, but if I compare it with the unblighted value of the property, is it 1%, 5%?

382. DR SAVIN: It's a negative value. It's off a base line, so the property values are expected to increase at the time, and you have a decrease, so roughly speaking, about –

383. SIR PETER BOTTOMLEY: It's a reduction and a prospective increase?

384. DR SAVIN: It's a reduction over what it would have been, which is exactly the methodology used by PwC.

385. SIR PETER BOTTOMLEY: It's an estimated reduction and an un-estimated increase?

386. DR SAVIN: Yes, so if you're house....

387. SIR PETER BOTTOMLEY: Okay, okay, okay.

388. DR SAVIN: It's now worth £900,000, sir.

389. SIR PETER BOTTOMLEY: Well, if it's worth £1 million, it's going to be worth £2 million, but it's only going to be worth £1.9 million, that is a 5% reduction. I'm just trying to get a proportion of –

390. MR PETERSON: To their present value, yes.

391. DR SAVIN: If we could look at slide 1214(15) please. This goes back to the property. Sorry, I beg your pardon, slide 1211(15). No, slide 1211(15) please.

392. MISS LIEVEN QC: What's it headed, Mr Savin?

393. DR SAVIN: I'm after the property.

394. MR PETERSON: It's there.

395. DR SAVIN: I'm after the property plans.

396. MISS LIEVEN QC: Oh, do you mean the coloured one with the – right, sorry. That's an earlier set, sir, I just need to –

397. DR SAVIN: I've got 1211(15)

398. MR PETERSON: 1211(15)?

399. MISS LIEVEN QC: No, sorry, it's 14, same series, previous slide please.

400. MR PETERSON: We're getting slide 14?

401. MISS LIEVEN QC: Yes, it's coming. It's headed, 'Property blight'. Thank you very much.

402. DR SAVIN: Thank you. The plans are tiered according to the distance from the line. As you'll be aware, so that on the left hand side, you can see the construction impact, so this is a linear blight, as accepted by PwC. On the right hand side where the green tunnel is in operation and the current portals, properties within one kilometre are affected, the impact is minimal at 500 kilometre, relatively high from the 300, 500, the orange area. Well, Sir Peter, we're seeing numbers.

403. SIR PETER BOTTOMLEY: I haven't said a word.

404. DR SAVIN: Okay. So, what we've done, is take those numbers, which at different levels of blight, both the distance from the line, and adapt them according to the expected rise in property prices. And this goes through to 2086, this is a long term impact. But what we actually assessed is a change in property blight. The biggest effect is during the construction period, there is then a recovery phase and much less blight thereafter, but it's still a persistent effect. These numbers are to the asset base of the economy. So they're not specifically a NIMBY number. Individual petitioners will have individual property impacts.

405. SIR PETER BOTTOMLEY: Individuals – residents a year after the railway is opened, will be able to apply to the HS2 for the reduction in the value of their homes.

406. DR SAVIN: Yes, so that's individual case, but this an overall impact on the economy. So people are buying and selling properties, they have less...

407. SIR PETER BOTTOMLEY: If they made a claim under general law, and been paid out in 2027, do we both ourselves much more beyond that?

408. DR SAVIN: You do, because that is the – this is the impact overall of the economic effect, not on an individual. The individual may be compensated, but then someone else gets less value downstream.

409. SIR PETER BOTTOMLEY: No, they get a cheaper home.

410. DR SAVIN: They get a cheap home to start with but it's worthless at the end. It's less money because – this is equivalent in a company to reducing...

411. SIR PETER BOTTOMLEY: I understand – I'm sorry I spoke, you move on.

412. DR SAVIN: Okay. So, construction of green tunnel – sorry, I beg your pardon. 1214(15). Yes, that's it. So, you saw from the maps, using the GIS data from the local council, over 2,000 properties affected during the construction of the green tunnel, extended or non extended, it doesn't matter. Those will be all be saved by a longer tunnel. In operation less blight, the category of blight changes, but there's still nearly 2,000 houses affected. And this is long term blight, this is long term effect. You saw the noise things, we won't discuss those further. So, if you title it as a £124 million of economic loss in the asset base. And individuals may not be compensated on that basis,

but there is still an overall loss.

413. To move on to tourism – next slide please. So, I want you to imagine you're in a time machine. The reason I say that is because HS2 is a very long term project and we've got to think about where the economy is going to over the next 70 years, not just about what the value was in 2013. The value in 2013 is £16.3 million, but if you went in a time machine to Wendover in 2086, you'd find an economy, using the HS2 growth figures, of £92 million, because everybody's getting richer. So, the value of tourism is an increasing asset. It's a growth area, increased leisure, increase wealth, it's the sort of asset that people are looking for, so we shouldn't just be looking back to where the figures were, three, four years ago, we should be thinking forwards to where they're going to be and the impact on the property values – tourism values.

414. We've estimated in Wendover that this might be affected by 10% in 2086.

415. SIR PETER BOTTOMLEY: So it's a change in the level of jobs you might have in 2086?

416. DR SAVIN: Yes.

417. SIR PETER BOTTOMLEY: It's not a change in the level of jobs you have now, it's the change in the expected level of jobs if the other assumptions are roughly right?

418. MR PETERSON: At any point in the time, there'll be 10% fewer jobs, there'll be 10% less expenditure on tourism, at any point in the future.

419. SIR PETER BOTTOMLEY: So if, by 2086, number of jobs linked to tourism, go up four times – from say 1,000 now to 4,000, you're going to reduce that to 3,900?

420. MR PETERSON: It's the other 600.

421. DR SAVIN: So, this is in going in line with the HS2 GDP forecast, with some of our statistics added in. We're trying to emphasise this, with the overall of the SQW report, because SQW will tell you that the tourism impact overall in the AONB is 4% which is quite right, but that includes places like Chesham, Chalfont St Giles, which are not directly affected by the line. So, that is an overall affect, but this is a very specific effect with the line concentrated in the Wendover gap, with the Ridgeway, with

Coombe Hill, with Wendover woods nearby.

422. Now, this argument that people just go elsewhere, jobs move elsewhere and so on; quite true, but Wendover is a focused area, we are losing jobs locally, you wouldn't necessarily gain that number of jobs elsewhere by selling a couple of extra ice creams down in Tring. And long term obviously has an effect on reconstruction, I've estimated £90 million, because we're aware there's a construction camp in North End. It was one of the questions we had before. That may or may not be correct, we're – it's a simple estimate. Move on to the next slide please.

423. I looked at agriculture and land loss. So, I've calculated three sets of figures here, based upon the NFU survey, for CFA9, CFA10. And there's slightly different calculations for one you'll see with SQW, but we came to a very similar conclusion. So the value of the lost output, again, net present value, in CFA10, is about £7 million, add on CFA9, we get to about £12 million. So, unfortunately, it's not very lucrative selling agricultural products to Tescos and you can see it in this value. The big amounts come in the amenity value. This is different to tourism value; tourism value I've talked about previously, it's the cash value in the economy. This is the amenity value and the figures come from DCLG report back in 2001, where the Department for Transport and Treasury were involved in these calculations. And they came up with a figure for extensive agricultural land, that is agricultural land with a landscape value for recreational use, of £3,150 per hectare per year. In 2001 prices.

424. So, we've again applied said principles, as HS2 do, to their growth figures, to their travel benefits, and we came up with a figure of £165 million for these two areas combined. Now, that is actually quite favourable to HS2. Because it uses a value to perpetuity, which is a financial calculation used where the assets, in this case, is lost completely. So, if you build the viaduct on a piece of land, you're not going to get the land back hence it's gone to perpetuity.

425. This was accepted at the time, back in 2001. I think it's accepted, but you can still use an even – a slightly different calculation which will put this anything up to 50 times higher. We're not advocating that, because I know there would be huge scepticism about that. But this is the – sorry, the amount of value on a simple calculation.

426. Finally, there is some lost land, which is taken out of use, amenity use, during

construction but given back later, so we've put a value for that. So, we come up to £184 overall, of which £96 is in the Wendover area.

427. MR PETERSON: And the bored tunnel removes most of those.

428. DR SAVIN: Bored tunnel will remove most of them, or all of them depending on the options selected. The green tunnel hardly removes any.

429. MR CLIFTON-BROWN: Before we move onto the next slide, you haven't included any value for what HS2 are going to pay in compensation for this lost land.

430. DR SAVIN: No, if HS2 buy the land outright, that is a simple transaction; that is the use – the value of the use of that land and the income from it to the then owner. The value I've talked about here in lost land benefits is a value to the nation as a whole. So it's a value to you and me, going for a – going to the AONB, basically. We don't own that land, but we can enjoy that land, so this is the value, a non-market value which is assigned to it. It's quite apart from the landowner value. Which may go up or may go down. Or maybe bought out completely by HS2.

431. MR CLIFTON-BROWN: And you've allowed that reduction in the value per hectare, have you? There must be some reduction for the fact that HS2 – whether it's amenity or not, the fact you are paying out the owner, means that some money has gone into the system. It's the same as Peter's argument about houses. Money isn't lost.

432. DR SAVIN: Yes, okay, so their taking out 100 – in CFA10, they're taking out 100 hectares at, say £10,000 an acre – it's not a big sum of money. But yes, if you wanted to deduct that, you certainly could that.

433. CHAIR: Okay. Are we getting to the end gentlemen?

434. MR PETERSON: The summary is on the last slide. This is a repeat of what we saw earlier in which we described property savings – sorry, could we go back to the previous slide? Property savings of £124 million, savings from tourism, costs to tourism, agriculture and landscape, a total of £403 million against a projected construction cost, depending on which of the tunnels you chose, of somewhere between £286 million and some £400 million.

435. DR SAVIN: So the point is really that there is real value in these aspects, which HS2 is deliberately not capturing, which needs to be taken into consideration.

436. CHAIR: Okay, thank you gentlemen. Is that it –?

437. MISS LIEVEN QC: Well, yes, sir. Just to emphasise in closing, incredibly shortly, the holistic or cumulative impact on Wendover, I think that's the point that my clients would like to get across. The impact on the community, both through construction and operation, but I just want to emphasise it's pulling all the points together, it's not any one on its own. But I rather apprehend, given the time, and that we have, I'm afraid, gone well over an hour, that the Committee don't need to hear a closing, I'm happy to give one, if it would help.

438. CHAIR: Okay. Mr Mould?

439. MR MOULD QC (DfT): I just had...

440. MISS LIEVEN QC: Oh, I'm sorry, I didn't appreciate that there were any questions on this.

441. MR MOULD QC (DfT): No, not at all. One question on each side, if I may. Your £184 million here, is essentially the landscape and amenity value saved by having a full bored tunnel from Mantel's wood to the end of the AONB, isn't it?

442. MR PETERSON: Yes.

443. MR MOULD QC (DfT): Yesterday, the figure that we put forward by the councils was £510 million for that figure, so we seem to be moving from the public purse's point of view, in the right direction.

444. DR SAVIN: That's excellent.

445. SIR PETER BOTTOMLEY: Both estimated losses though. They aren't gains.

446. MR MOULD QC (DfT): No, well, I agree, they're somewhere up in the sky. I'm not quite sure what the –

447. MR PETERSON: Your methodology is based on –

448. MR MOULD QC (DfT): No, I just noticed the –
449. DR SAVIN: We're quite in line with the SQW report; they can answer much more detailed questions.
450. MR MOULD QC (DfT): Yes, well, they have yet a further, I notice.
451. SIR PETER BOTTOMLEY: I think we'll put that down as a debating point by Mr Mould. Don't pay any more attention to him on that.
452. MR MOULD QC (DfT): I'm just pointing out we're not in a precise science here, are we? The tourism, I mean, just to test the point, this is a whole scheme cost, isn't it, that you're putting in here, £95 million, i.e. a scheme with a design life of 60 years, I think. You've discounted back.
453. DR SAVIN: Sixty years.
454. MR MOULD QC (DfT): Yes. And I just wondered if – what it is that makes you think that jobs in Wendover in the tourist industry in 50 years' time, are going to be appreciably affected by the fact that there'll be a very well established railway line running to the other side of the existing infrastructure through a green tunnel to the south of the town.
455. DR SAVIN: Because you've got, as you heard, huge noise impacts to the south, in the AONB, you have lots of blight to the south in the AONB with visually intrusive structures.
456. MR MOULD QC (DfT): Okay, so that's your position on that?
457. MR PETERSON: Well, people will not be coming to Wendover to view a 17 metre high –
458. MR MOULD QC (DfT): Well, I don't think I claim that they would. I understand your point.
459. DR SAVIN: You make the point, but we are not saying that there will be no tourism in Wendover. We're saying that there is a lot of tourism in Wendover; it's just there is an impact on that.

460. SIR PETER BOTTOMLEY: You're saying there will be more tourism in Wendover, but it won't be as high as it otherwise would have got to?

461. MR PETERSON: Precisely.

462. CHAIR: There may be a point when you get fed up with too many tourists coming to Wendover.

463. DR SAVIN: Well, in 2086, I shan't be minded.

464. MR MOULD QC (DfT): And then the final point, was just actually to make good a promise I made yesterday, to the Committee, if we just put up P7503. I remind – I said – there was an exchange about the duration of blight, which we had when we had the Action Alliance in, and this is an extract from the transcript from 20 November, and you will see that during the course of the presentation by the HS2 Action Alliance, represented by Miss Clutten, Sir Peter, at paragraph 150, referred to a page in a document relied on, which was a report from Hamptons and he asked Miss Clutten to read a sentence out from that report: 'If the experience of HS1 and other infrastructure projects which threaten to blight landscapes hold true, these markets will return to normal and negative impact will not be as significant as feared', and that's pages at page A3115(4), just in case there's any doubt about the accuracy of the quote. But that's evidence based on the way in which the market righted itself following the coming into operation of HS1, does that not give you some comfort that these whole life losses in property value that you've mentioned are actually unlikely to be realised based on the experience with HS1?

465. DR SAVIN: Well, HS1 has a number of factors which are different. It's largely alongside a motorway and the frequency of trains is less, and the speed is less. Plus, we must also remember we are – what we're measuring here is a difference between what we think will have happened and what we're estimating will happen. So we're measuring a gap. We're not saying that property prices will nose dive and then stay stable for ever more, but I'm saying they will continue to increase. So people may feel happier because their house may be worth £400,000 perhaps, half a million pounds; it's gone up to £600,000, they think that's great, it's gone up. I haven't seen the effect, but if it has an effect, if the railway hadn't been built, may be it would be worth £700,000. Now, without two universes in which we could build and not build HS2, we will never

have the answer to that particular question. All we can do is make best estimates and the estimates we have used are based upon the work done by experts advising the property bond PwC and advise – and accepted by HS2 at the time.

466. MR MOULD QC (DfT): You see, the reason why this is of relevance is because we know that the costs of constructing the long tunnel – well, certainly between ourselves and the main proponents of that scheme, are agreed at about an addition figure of about £500 million, I think it was yesterday. So what we're being asked to do is to incur those costs in order to offset these costs – very different costs put forward yesterday, there'll be different costs put forward on Monday, no doubt. Someone's got to account for this for the public purse, someone's got to justify this extra expenditure to show that actually, it's good value for money, and I'll suggest to you that actually, given the experience with HS1, it's difficult to see how that can be justified in these circumstances.

467. DR SAVIN: Yes. If I may also make the point, HS2 itself is claiming about £90 billion of benefits for the social cost of moving people – at leisure around a bit faster. So, Parliament has accepted that it is worthwhile, making big contribution, spending a lot of money – big contribution to social costs, for people on leisure trips.

468. MR MOULD QC (DfT): Okay, thank you.

469. CHAIR: Okay. Final comments, Ms Lieven?

470. MISS LIEVEN QC: Well, sir, sorry, I jumped in too early a moment ago. My clients would like to focus on the holistic effects, both construction and permanent and I think, sir, in the light of the questions that Mr Mould just put, it is really important to step back for a moment and think about the impact on Wendover; it is not at all like the impact of a property that was next to the M20 and is now next to HS1 and the M20, this a town, a relatively sleepy town in the Chilterns. HS2 is very keen to keep mentioning the Chiltern railway, the Chiltern railway has four trains an hour, going remarkably slowly.

471. SIR PETER BOTTOMLEY: We've been on most of them.

472. MISS LIEVEN QC: I've been on most of them – I feel like I've been on the

stations an awful long time going to conferences on various clients on this route, and a road which has a constant, but very much background noise level, into which is going to be interposed a massive construction project, which will undoubtedly have a huge impact on tourism during the construction period, I don't think there could be any serious doubt on that, why on earth would you go and walk, buy antiques or cycle during the construction phase at Wendover? But then permanently, this railway will change the character of Wendover, and I don't think you can get away from that. And that will have a really serious effect on the community. Sir, I think that's the critical point to get across, and why further mitigation is required. Then the Committee have a difficult choice as to whether the further mitigation is justified in a fully bored tunnel, or extended green tunnels, but in my submission, the evidence wholly justifies some additional mitigation at this particularly sensitive spot.

473. CHAIR: Okay. Thank you very much, Ms Lieven, you managed to...

474. MISS LIEVEN QC: And I do apologise, sir, both for not being here this morning, and for the fact we've gone well over our time.

475. CHAIR: Well you managed to send my one hour to your two hours, so I think you earned your fee today. Okay, order, order. Could you please withdraw from the room and let us clear our thoughts.