

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.

Planning gain

One of the most fraught parts of the debates about new housing and the need to find sites to cater for the expanding population is the issue of planning gain. Greenfields or derelict land come quite cheaply. Land with planning permission to build is very expensive. The gain is created by the planning system. It keeps the supply of building land tight, causing scarcity, and

then allows substantial windfalls to the fortunate few who own the land that gets the permissions.

There are usually three interests in claiming the gains in a typical development. There is the original landowner. He or she expects a good profit to make it worthwhile releasing the land for development. There may be some element of compensation if the owner intends to carry on living nearby, for loss of open space and amenity. There is the developer, who expects some gain for the effort of drawing up the plans, and seeking the permission. A developer often has to apply for several sites to get one granted, with substantial costs to produce the wealth of detail planning authorities expect. The developer expects to recoup these costs on the winner and to make an additional profit as reward for the effort. There is then the Council granting the permission, which expects to get a substantial portion of the gain to assist them with the provision of infrastructure to support the new development. They also impose charges to recoup the costs of the planning function itself.

The people who do not necessarily receive any part of the gain are all the people living nearby whose views, amenity and access to public service may be adversely affected by the development. Occasionally developers offer compensation to neighbours to smooth the passage, but it remains a minority event. The Council may claim to be acting for neighbours by claiming and spending money from the gains, but so often the extra facilities offered are the minimum needed to deal with extra demand from the new homes so they do not add to the quality of life of people already living there.

The latest way of handling this is for Councils to impose an infrastructure related levy on the development. These are very variable, and attract everything from full support to hostility from critics who think it is wrong for the permit granting body to be a kind of financial beneficiary of the permit.

Does the present system need reform? Does it get the financial balance right? Or should it be kinder to the neighbours who do not get any compensation. Do Councils spend the money wisely when they have claimed it?

[How good is public capital investment?](#)

There is in the UK debate a general assumption that all capital investment is good. It is true that the UK could boost its productivity – and therefore its incomes – by investing in more machine power, internet processing power and the like. The more people have better tools to do their jobs, the more they can produce and deliver to customers. This is the main reason people automatically assume investment is a good idea.

Not all capital spending achieves this aim. Public investment in particular

may not achieve this to the extent planned in the way intended. Indeed some desirable public investment is not in anyway about raising productivity. It is about keeping up with the big growth in population we are experiencing.

Capital spending is treated differently from day to day or revenue spending because it is meant to create an asset of value which will be available for use for many years to come. If the state builds a new school, there will be many years of use. The costs of the building can be spread out over many years of teaching by borrowing the money and repaying it gradually. Making such an investment, however, usually increases future costs, as it is usually built to accommodate growth in population and pupil numbers. It is not necessarily going to raise productivity or cut overall costs. Similarly, building a replacement school may be desirable or necessary to provide a better modern environment for staff and pupils. Again it may not reduce annual costs.

In the public trading sector where people pay for use of the service provided there is meant to be a proper analysis of the productivity and revenue consequences of the investment. Unfortunately the public sector often gets its sums wrong. Look at the case of the railways. Commuters often pay the cost of their travel but other railway users are in the main heavily subsidised to go by train. Major investment programmes often fail to raise productivity much, and sometimes fail to capture the extra use and fare revenue they estimated. HS1 has never reached the optimistic forecasts for use, and HS2 looks as if it too will fall well short of the bullish estimates of how many people will use it once built.

[New rail investment announced](#)

I received this letter from the Department for Transport:

I am writing to inform you about new rail investment that we are supporting to improve journeys for passengers and support the economy in the Reading area.

Passenger numbers have more than doubled since privatisation of the railways 20 years ago and our country's railways need to adapt to cope with this and future demands. This includes investing in new stations, new services and upgrades across the country.

As you may be aware, we announced £20m for a second round of the New Stations Fund in 2016, following the success of the first £20m round, which has already delivered passenger benefits in South Wales, the East Midlands, the South West and South East through new stations. We have funded this competition to improve journeys for passengers, and create new leisure, training, employment and business opportunities, by supporting the delivery of new and fully accessible stations.

Reading Borough Council applied to the New Stations Fund to deliver the new Reading Green Park station. Following the evaluation of all of the applications we received, I am delighted to inform you that we will be supporting this new station. This means that the new Reading Green Park station will be benefiting passengers and opening up access to new rail journeys in the South East from March 2020 at the latest.

Our priority is to deliver improved journeys for rail passengers across the country, and we look forward to this station providing real benefits to the Reading area.

Yours sincerely

Paul Maynard MP

[New rail investment in your area](#)

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