

## KPMG estimates HS2 benefits worth £15bn a year

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The government has launched a fightback against critics of the High Speed 2 programme to coincide with the release of new research which claims HS2 could deliver economic benefits worth up to £15bn a year.

Transport secretary Patrick McLoughlin hailed the research findings as he made a speech at the Institution of Civil Engineers in London on Wednesday morning (11 September) (TB 9603). Prime Minister David Cameron also reiterated his support for HS2.

The new report was commissioned by government owned HS2 Ltd and carried out by KPMG. Responding to critics who claim a new high speed rail line would suck jobs and prosperity south to London, the accounting firm says its research shows that HS2 will give the Birmingham city region economy a yearly boost equivalent to 2.1-4.2% of the city region's GDP while Manchester can expect an uplift of 0.8%-1.7% and Leeds 1.6%. The figure given for Greater London is 0.5%.

Richard Threlfall, KPMG Head for Infrastructure, Building and Construction, said: "There have been repeated calls for a business case for the HS2 scheme focused on jobs, productivity and growth. KPMG's analysis forms a key part of that business case, setting out the economic impact across the country of the HS2 scheme. It shows beyond reasonable doubt that HS2 brings net benefits to the country of many times the scheme's cost. It reveals that the UK will be £1bn a year better off with HS2, recovering the cost of the scheme within just a few years.

"Our analysis also shows that HS2 will significantly help counter the corrosive effects on our country of the widening north-south divide. There has been a long-running debate about 'who wins' from HS2 - the north or the south? The answer is both."

As the government attempts to reframe the HS2 debate to attach less importance to speed and journey times ministers hope the new report will help persuade the public that the £50bn estimated cost of the project can be justified.

Lewis Atter, KPMG Lead on Infrastructure Strategy, added: "Our report looks beyond time savings of HS2 to the impact on the real economy in terms of GDP and therefore also tax generated for the Exchequer. Adding £15bn a year to the UK economy is like creating an economy the size of Cambridgeshire or Oxfordshire, without reducing the size anywhere else. Given the proportion of GDP that flows to the Exchequer, this means more than £5bn a year in extra tax receipts, more than enough to cover the long term costs of the project to the taxpayer."

Later this autumn the government is expected to publish an updated business case for HS2 which will respond to criticism that previous calculations have failed to acknowledge the benefits of being able to work on board a train.

Atter continued: "The report also shows that once the focus is what HS2 can do for the economy, the debate about the 'laptop' effect on the value of

*Birmingham: KPMG says HS2 will give city region economic boost of 2.1-4.2% of local GDP*



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time saved on rail turns out to be a red herring. Yes it's true that because it is possible to use a train a little bit like a mobile office, saving time on a journey isn't as important as it once was, but it also means that the value of rail connections between places to the economy has gone up and will rise over time.

"HS2 is not just about speed it is also about new capacity and the ability to provide those 'mobile office' benefits to more businesses, between more places and at higher levels of frequency."

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