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Labour leads fightback against critics of HS2

By Jim Pickard, Jane Wild and Andrew Bounds



Westminster's three main parties have fought back in support of the High-Speed Rail 2 project amid criticism from former cabinet ministers across the political spectrum.

Lord Mandelson emerged this week as the latest high-profile critic of the scheme after its cost estimate spiralled by another £8bn to £43bn. The

former Labour business secretary told the Financial Times that MPs should reconsider giving the project an "open cheque" because it could turn out to be an "expensive mistake".

His attack followed criticism of HS2 from Alistair Darling, former Labour chancellor, Lord Lawson, former Tory chancellor, and Lord King, a former Tory transport secretary.

But the fightback began on Wednesday as Labour's transport spokeswoman, Maria Eagle, gave a "cast-iron guarantee" that the party would proceed with the project if it won the 2015 election. "It is what we are signed up for," she said.

David Cameron said the project was at the heart of the government's infrastructure programme. "It is an example of what we need to do to equip us to succeed in the global race, secure economic prosperity, rebalance the economy and support tens of thousands of jobs," the prime minister said.

Norman Baker, Lib Dem transport minister, insisted there was still "genuine cross-party consensus" over the project, saying it would create hundreds of thousands of jobs, boost the economy and help Britain shift to a "green economy".

Labour's position on the scheme is crucial because of growing expectations that the hybrid bill – needed before construction can begin – will not be published by its deadline of 2015, meaning that the next government will have to legislate for the project.

The shadow transport secretary said the project was needed to solve the impending capacity crunch on the railways. “We have to solve this capacity problem or settle for managing the decline of our railways,” Ms Eagle said, adding that the £42.6bn estimate for HS2 included £14.4bn of contingency costs that might never materialise.

But industry has sounded a more cautious note. The CBI employers’ body said on Wednesday that, although it backed the project in principle, it was “concerned” about rising costs. “Industry will start asking questions if the costs go up,” it said.

In an interview with the FT last week, Martin Griffiths, chief executive of [Stagecoach](#), said: “It would appear that every second week there is another flaw or argument against the original business case.”

Opinion in the north is dividing. Areas with HS2 stations are strongly in favour, though cities bypassed by high speed rail such as Hull, Liverpool and Doncaster fear they could lose investment to better connected rivals.

I doubt it will get past Birmingham once people realise the expense, so it will only increase the flows of people into London. It is a trick to say it is both national and northern. It will never get north

- Lord Prescott

Clive Betts, Labour MP for Sheffield southeast, said that, despite rising costs, backing HS2 was an “act of faith” which over the long term was “likely to be good for the economy.”

“There is more demand for rail travel in the northwest than at any time since the 1940s – and yet we have a 19th century railway straining to support a 21st century economy,” added Mike Blackburn, head of the Greater Manchester local enterprise partnership.

Any illusion of consensus was broken as Lord Prescott, former deputy prime minister, said the project was a “nonsense” that would produce minimal time savings for passengers.

“I doubt it will get past Birmingham once people realise the expense, so it will only increase the flows of people into London,” he said. “It is a trick to say it is both national and northern. It will never get north.”

Project costs increase sharply

The estimate for the cost of HS2 in the current four-year spending round has leapt by £331m – the equivalent of building 20 new schools, **writes Jim Pickard**.

In the 2010 spending review, the coalition allocated £773m for the period from 2010-11 to 2014-15 to cover engineering design, environmental consultation and the costs of taking an initial paving bill and then hybrid bill through parliament.

But the transport department has admitted that the spending up to 2014-15 has now increased sharply to £1.1bn, a rise of 43 per cent.

One reason for the rise in the money set aside for HS2 in this parliament is the expectation of higher levels of compensation for residents living along the route.

Payments of £49m have already been made through an “exceptional hardship” fund, ahead of the implementation of a wider compensation scheme.

The £1.1bn figure is still dwarfed by the projected expenditure during the next parliament, when construction of the first phase from London to Birmingham begins.

While the 2014-15 budget is £442m, that will have risen to some £4bn a year by 2019-20. Over the course of five years from the next election, total spending will be north of £16bn – although this is still a fraction of the project’s final £42.6bn estimate.

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