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HS2 project is grand folly, says Institute of Directors

Business leaders claim there is no business case for the line linking London with Birmingham, Manchester and Leeds

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The Birmingham and Fazeley viaduct, part of the proposed route for the HS2 high speed rail scheme.
Photograph: HS2/PA

The ~~Institute of Directors (IoD)~~ has urged ministers to abandon the "grand folly" of the £50bn ~~HS2 high-speed rail project~~, saying little more than a quarter of its members believe it will prove value for money.

The IoD's head, Simon Walker, said the business case for the line linking London with Birmingham, Manchester and Leeds over the next 20 years "simply is not there".

The call comes amid increasing unease among MPs about the scheme, which the thinktank the Institute of Economic Affairs has warned could see costs spiral to £80bn.

~~Labour has made it clear that the bill for the line and rolling stock should rise no further,~~

while the other main business organisation, the CBI, said in June that investors and taxpayers needed confidence the business case was watertight and costs would be controlled.

Walker, publishing a survey of more than 1,300 business leaders, argued that the money could be better spent elsewhere. "Station upgrades, inter-city improvements, tunnels, electrification and capacity improvements should all be considered alternatives. It is time for the government to look at a thousand smaller projects instead of falling for one grand folly," he said.

IoD members have growing concerns that the line will benefit London more than the regions for which HS2 supporters claim it offers a lifeline. Even when the costs of the scheme were said to be just over £30bn, at the start of the year, the organisation was warning that businesses needed convincing of its economic value.

Although Labour leaders still support the scheme, former grandees Lord Mandelson and Alistair Darling have said it should be scrapped. Ed Balls, the shadow chancellor, said on Friday that there would be no "blank cheque" from a Labour Treasury.

However, ~~Lord Adonis, the former Labour transport secretary who was architect of the scheme~~ and is now head of a review on economic growth, has said any move by Labour to drop the scheme would be "an act of self-mutilation". He has consistently argued that upgrading existing lines would be hugely expensive and disruptive, providing far less additional capacity than building new lines.



HS2 proposed route

Coalition ministers plan to introduce legislation to clear the way for phase one of HS2, to Birmingham, this year – with construction beginning in 2017 – after the appeal court

dismissed arguments from local councils, residents' associations and other objectors along the first part of the line that proper environmental assessments had not been made. However, the protesters still believe a successful appeal to the supreme court could stop HS2 or delay it for years.

According to the government timetable the West Midlands part of the line would be ready in 2026, with the full Y-shaped route to Manchester and Leeds completed by 2032-33.

The survey of IoD members found only 27% felt HS2 represented good value for money and 70% thought it would have no impact on the productivity of their business. The IoD said in a statement that the government assumption that time spent on a train was unproductive for business was "wildly inaccurate" as only 6% of directors said they never worked on a train. By contrast, 48% of members claimed they spent at least half the journey working, 26% worked for between a quarter and half the time, and 21% up to a quarter of the journey.

Walker said: "Some of the specific claims that the government has used to support its economic case for the project have been challenged by our members, who by and large do not feel that their business will benefit."

He concluded that the IoD could not support the government's economic case for HS2 "when so many of our members are doubtful of the benefits" and warned that for all the advantages of infrastructure investment, "the business case for HS2 simply is not there".

A Department for Transport spokeswoman said: "We need to build HS2 to free up valuable space for passengers and freight because without it, our existing rail network will be full by the mid-2020s at a cost to passengers and businesses up and down country.

"The scheme is forecast to generate more than £50bn of benefits for the economy but we know we must maximise every economic benefit HS2 has to offer."



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