

HS2 benefits 'essentially made up', economists tell MPs

Leading academics question figures used to justify £50 billion high speed rail scheme in evidence to Treasury Select Committee



Government HS2 figures challenged by academics Photo: HS2 LTD

By David Millward, Transport Editor

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Government calculations used to justify the £50 billion HS2 scheme were “essentially made up” a former member of Whitehall’s high speed rail advisory panel has told MPs.

Henry Overman, professor of economic geography at the London School of Economics said he had quit the panel after he felt its role had changed from providing independent advice to promoting the project.

“I felt it was not something I wanted to be involved with,” Prof Overman told the Treasury Select Committee.

Academic opponents of the 351-mile line lined up to dispute Government estimates that the scheme would be worth £15 billion a year to the economy with Richard Wellings of the Institute of Economic Affairs saying it would cost every family £3,000.

Prof Overman was withering in his assessment of the project and the way it had been handled by the Government and the work done by KPMG, the consultants brought in by the Department for Transport, to assess HS2's economic benefit.

"They applied this procedure which is essentially made up" he said.

Prof Overman added: "It's either something to do with the client or the material which was provided by the client."

He told MPs that he believed the figure emerged after KPMG were sent back to look at what he described as the "wider, wider" benefits of HS2.

They came back with an answer which seems to me to be way way to large."

He questioned the work of the "peer review panel", which was appointed to double check KPMG's figures.

"I don't understand why the £15 billion number was allowed to go out there."

Prof Overman also criticised the Government for abruptly shifting its justification for the project from speed to tackling overcrowding.

"Shifting the goalposts was not all that helpful," he told MPs. "we have people standing all over the rail network".

He also questioned the argument that the line – linking London to Leeds and Manchester via Birmingham – would "rebalance" the economy.

"I think its likely impact on the north south divide has been overstated. There are reasons to think it might widen the north-south divide."

Professor Dan Graham, Professor of Statistical Modelling and Research Director of the Railway and Transport Strategy Centre, Imperial College, told MPs he believed the KPMG work was flawed.

"I don't think this statistical work is reliable," he said. "Undoubtedly the work could be done better."

Two of the authors of the KPMG report, Richard Threlfall and Lewis Atter, endured an uncomfortable grilling from MPs as Andrew Tyrie, the Committee chairman, questioned whether their findings were a case of "rubbish in and rubbish out."

They were forced to concede that the report did not have a “firm statistical foundation.”

But Mr Atter said this was unavoidable.

“There is no perfect way of assessing the exam question we were posed. It is the nature of this statistical beast.”

Despite these limitations, he said KPMG’s projections of the benefits were conservative, despite opponents warning the scheme could "suck the life" out of the economy.

Mr Threllfall added. “Based on the work we have done HS2 is a good thing, we should get on with it.

“We should imagine what it is like trying to get around this country if we did not make this sort of investment.”

Department for Transport spokesman said: “KPMG is an extremely experienced, respected and knowledgeable company and their report makes a valuable contribution to understanding the regional impacts of HS2.”

Commenting on the session afterwards, Mr Tyrie added: “KPMG acknowledged today that their £15 billion per annum forecast return for the project has no firm statistical foundation. A lot more work is clearly needed.”