

November 5, 2013 6:25 pm

KPMG defends key HS2 report

By Mark Odell, Transport correspondent

The authors of a key report bolstering the £50bn high-speed rail project have defended their work in the face of intense scrutiny from MPs and fierce criticism from transport experts.

The government-commissioned report by KPMG was published in September and estimated that building the HS2 line between London and the north could give the UK economy an annual boost of £15bn.

Appearing before the treasury select committee on Tuesday, Lewis Atter, a KPMG consultant who was one of the report's authors, defended the way the £15bn estimate had been arrived at, saying the work was based on "the best available evidence".

Pressed by Andrew Tyrie, chairman of the committee, about how confident he was the methodology had not resulted in a "rubbish-in-rubbish-out computer model", Mr Atter said: "I think it is a reasonable approach, if anything it feels a little undercooked."

Ministers cited the £15bn figure in their defence of HS2 in the run-up to last week's publication of a new strategic business case for the line.

The new business case, which continued to argue strongly for the line and included the £15bn claim, came just days ahead of a crucial vote in parliament to secure further interim funding for HS2 – a vote the government easily won.

However, concerns about the KPMG report, surfaced when the FT revealed misgivings about it among some of the government's own advisers.

Dan Graham, a professor of statistical modelling at Imperial College London, told the committee of MPs on Tuesday: "I don't think the statistical work is reliable."

Henry Overman, professor of economic geography at the London School of Economics and a former adviser on HS2, went further. "They [KPMG] apply this procedure which is essentially made up, which provides them with an estimate. It is something that really shouldn't be done in a situation where we are trying to inform public debate using statistical analysis."

Prof Overman said he thought the £15bn estimate could be overstated by a factor of six to eight.

The KPMG report attempts to measure economic benefits over and above the standard cost-benefit analysis. The cost-benefit analysis of HS2 weakened further last week with the updated figures in the new business case – these indicate the line would return £1.80 for every £1 invested, compared with last year's forecast of £1.90.

Mr Tyrie said the committee would continue its inquiry and signalled that he considers the KPMG work to be crucial. "The whole project stands or falls on this piece of work," he said.

"KPMG acknowledged today that their £15bn per annum forecast return for the project has no firm statistical foundation. A lot more work is clearly needed."

A 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.

"The methodology and results of this work have been reviewed by an independent advisory panel who, on balance, agreed that it asks the right questions, captures the important issues, and that the results are intuitively sound.

"It is also widely accepted that this is a complex area of work with no consensus on a single 'best' approach. In making these initial results available we welcome the debate and will take into account feedback as we develop this area in future."

KPMG was paid £242,000 to produce the report.

RELATED TOPICS [HS2](#) [United Kingdom](#) [London](#)

Most Popular on Social Networks

Euro down as European Central Bank cuts interest rates

Twitter \$2.1bn IPO pricing back to where it all began

Labour's new attack can do real damage to Britain's coalition

The forex market is designed to encourage crime

Watch Greece - it may become Weimar Germany

How valuable is international work experience?

Quant funds lie in wait as losing streak eases

Israel set to become major gas exporter

How to handle a crisis: Sorry seems to be the hardest word

Euro on the slide as traders back ECB rate cut

Toronto mayor admits to smoking crack in 'drunken stupor'

Cost of living speech caps Miliband's political transformation

Germany is a weight on the world

Attacks on women by women hold back women

Being ethical in business is not as simple as 'doing the right thing'

Japan Inc earnings fuelled by Abenomics and weak yen

'Everything Store' nothing short of unbalanced, says Mrs Bezos

Twitter boosts IPO valuation to \$17.4bn

Possibility of 20bn Earth-like planets in our galaxy, study finds

Snacks and sweets face price sting from humble bee

Printed from: <http://www.ft.com/cms/s/0/585e2a10-4634-11e3-b495-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2013 FT and 'Financial Times' are trademarks of The Financial Times Ltd.