The House of Lords Economic Affairs Committee, which I chair, is currently undertaking an inquiry into the economic case for High Speed 2. In the course of our inquiry a number of issues relating to the funding and business cases for large infrastructure projects have been raised. I would be grateful if you could assist the Committee with its inquiry by providing answers to these questions.

1. When assessing infrastructure projects much larger than the cost of any other scheme sponsored by a department, how does the Treasury assess the opportunity cost of the project? Does the Treasury compare the project against alternative projects that could achieve the same objectives? What is the effect of a scheme of the size of HS2 on the level of spending on other worthwhile transport projects?

2. What impact has the increasing national debt and continuing efforts to balance public finances by 2019 had on the Treasury’s assessment of the affordability and proposed timetable for HS2?

3. What assessment did the Treasury make of the alternative proposals from across Government for rebalancing the economy for the £50bn funding allocated to build HS2 and purchase trains to run on the line?

4. The KPMG study undertaken for HS2 Ltd, *HS2: The Regional Economic Impact*, found that HS2 could generate Gross Value Added to the UK economy of £15bn per year. What assessment did the Treasury make of this quantification of the link between infrastructure and economic growth and were the arguments provided persuasive?
5. What guidance is currently provided to departments on quantification of the Gross Value Added effect of large infrastructure projects? Are there any plans to provide additional guidance?

6. What assessment has the Treasury undertaken of the Benefit Cost Ratio provided in the Economic Case for HS2 and in particular of the value assigned to the benefits which business passengers on trains derive from saving travel time?

7. Professor Stephen Glaister told the Committee on the basis of estimates of £50bn to build HS2 and purchase rolling stock, £10bn to operate the railway and operating revenue of £30bn, the total cost of HS2 to the taxpayer would be £30bn. What estimate has the Treasury made of the overall level of taxpayer subsidy for building and operating HS2?

8. What is the current level of taxpayer subsidy per household per year of operating, maintaining, renewing and enhancing the railway network in Great Britain? What estimate has the Treasury made of the level of subsidy once HS2 is operational and how much of that funding is accounted for in the business case for HS2?

Thank you for agreeing to provide evidence to Committee alongside the Secretary of State for Transport on 9 December on High Speed 2. I would be grateful if you could provide a response to this letter before this date.

(Hollick)
Chairman of the Economic Affairs Committee