26 January 2015

Rt Hon Patrick McLoughlin MP
Secretary of State for Transport

Dear Patrick,

Thank you for the assistance that you and your officials have provided so far to the Economic Affairs Committee's inquiry into the economic case of High Speed 2. We have now finished taking evidence on the topic and would like to ask some further questions to clarify points of detail which have arisen during our deliberations.

Value of time

1. When you gave evidence to the Committee in January, you told us that the values of time used in the cost-benefit analysis were re-estimated in 2013 based on a study from the Institute for Transport studies. We understand that the Department has commissioned research to collect further evidence of business travellers' willingness-to-pay for travel time savings.
   a) Why is this further work required to update the values of time?
   b) What are the purpose and terms of reference of the research?
   c) Will the revised values of time take account of time that can be spent working on a train?
   d) Who is undertaking this work on behalf of the Department?
   e) When is it expected to report?
   f) How will this research be implemented and will the benefit-cost ratio for HS2 be updated to reflect any changes?

2. The Department for Transport's guidance says that a confidence interval of +/- 25 per cent of the value of non-work travel time should be applied as a sensitivity analysis. In the analysis carried out for a lower non-work travel time value, why does the 2013 Economic Case not appear to apply a -25 per cent sensitivity analysis to the outcomes for non-work values of time?
Disruption

3. In its assessment of the alternatives to HS2, the Strategic Case states that the “substantial disruption of the necessary infrastructure works counts heavily against these options.” How does the Department assess the disruption caused by different options, has the disruption expected from HS2 and the alternatives assessed in the Strategic Case been monetised and what was the result of any such comparison of the disruption? Does the Department make any use of the method developed by the Office Rail Regulation for estimating the costs of planned disruption of services under the performance regime?

Capacity

4. Statistics from the Office of Rail Regulation show that there were 9 million journeys from the North West to London in 2012/13. The number of journeys was derived from ticket sales data.
   a. What percentage of these journeys were made on a weekend or public holiday?
   b. What percentage of the 4.3 million journeys made between the North West and London in 1995/96 were made on a weekend or public holiday?

5. In your letter of 14 December 2014, you included a table in Annex A which showed average weekday rail trips between London and city areas. The combined 2010 demand for Birmingham to Central London, Manchester to Central London, Liverpool to Central London and Glasgow to Central London was an average of 18,700 journeys per day. In your earlier letter to me of 19 November 2014, the average number of daily passenger arrivals into London Euston on long-distance trains in the same year was 27,123. Can you explain the discrepancy between the two figures?

6. In your letter of 19 November 2014 you referred to charts in the Strategic Case for HS2 (Figure 2.17) which showed indicative passenger demand to seat ratios for 2026 on the West Coast Main Line. Does the demand in the chart for the Intercity Virgin Trains leaving Manchester Piccadilly include local traffic (for example, passengers travelling from Manchester Piccadilly to Stockport)?

Ticket pricing

7. What flexibility do train operators have to implement dynamic pricing on trains as used by airline operators?

Costs

8. The total cost of construction of HS2 in 2011 prices including contingency is expected to be £50 billion. What is the total budgeted cost in 2015 prices, taking into account relevant inflation between 2011 and 2014?
Demand

9. The sensitivity analysis of the effect of lower demand growth on the cost-benefit analysis for HS2 applied a 20 per cent reduction to the demand cap. To what level is the benefit cost ratio reduced if there is a 20 per cent reduction in demand? Has the Department undertaken any sensitivity analysis of the effect of applying a reduction of greater than 20 per cent to the demand cap?

10. Page 164 of the PLANET framework model report which accompanied the Economic Case for HS2 has a table which shows the average proportion of total weekly rail demand over 50 miles by journey purpose between 2006 and 2010:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Weekday</th>
<th>Weekend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>22%</td>
<td>1%</td>
</tr>
<tr>
<td>Leisure</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>Commuting</td>
<td>22%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Tables ‘nts0407’ and ‘nts0317’, released alongside the National Travel Survey 2013, indicate that the Department holds the data required to calculate the average proportion of total weekly rail demand over 50 miles by journey purpose for 2009 to 2013.

a) Can you provide the Committee with this information?

b) Using the same data, it should also be possible to provide the average proportion of total weekly rail demand over 100 miles by journey purpose for the period 2009 to 2013 and the period 2006 to 2010. Can you provide the Committee with this information?

11. For the purposes of forecasting demand for HS2, a base level of demand for 2010 has been estimated.

a) What base demand level for 2010 has been assumed?

b) What proportion of the 2010 base demand does your modelling estimate to be journeys undertaken for:
   i. Business?
   ii. Commuting?
   iii. Leisure?

c) The demand model caps growth when the number of trips equals 290,146 trips on HS2. It estimates that this will happen in 2036. What proportion of these 290,146 trips in 2036 does your modelling estimate to be journeys undertaken for:
   i. Business?
   ii. Commuting?
   iii. Leisure?
12. The Office of Rail Regulation rail statistics show that journeys on franchised long-distance train operators increased from 77.2 million journeys per year in 2002/03 to 129 million journeys per year in 2013/14. These statistics are derived from ticket sales data.

a) Would a ticket purchased for a journey from Macclesfield to Manchester Piccadilly be counted in part as a journey on Virgin Trains and therefore counted in the statistics quoted above?

b) Would a ticket purchased for a journey from Milton Keynes to London be counted in part as a journey on Virgin Trains and thus counted in the statistics quoted above?

13. The Economic Case for HS2 states that the average year-on-year growth rate from 1994 to 2012 on long-distance rail was 4.9 per cent. A long-distance rail journey is defined as one that is longer than 50 miles. What has the average year-on-year growth rate been for journeys greater than 100 miles over the period 1994 to 2012?

I would be grateful if you could provide a response to this letter before Tuesday 10 February.

Yours sincerely,

[Signature]

(Hollick)
Chairman, Economic Affairs Committee