Lord Hollick  
Chairman  
Economic Affairs Committee  
House of Lords  
London  
SW1A 0PW

2 February 2015

Dear Lord Hollick

The economic case for HS2

I am pleased to have this opportunity to provide some additional information further to the Economic Affairs Committee that Rupert Walker and I attended on 11 November 2014.

The investigation of Strategic Alternatives conducted by Network Rail in 2013 included an allowance for disruption averaging 10% of the cost of each scheme. This was an estimate based on the potential payments that might be incurred under Schedule 4 of the track access contracts between Network Rail and train operators. This sets out the compensation arrangements for both fare revenue losses and costs such as those associated with running replacement buses. This allowance for disruption was included in final cost estimates of the strategic alternative schemes.

The DfT subsequently tested this assumption by modelling a revenue loss of 25% on all weekend journeys on the ECML, WCML, MML and Cross Country services over a 15 year period. As a result of this exercise, we understand that the DfT was satisfied that the estimated revenue loss was appropriate.

It is worth noting that the cost of disruption is based on our experience with projects lasting weeks or months rather than the years required for the construction of the schemes required to deliver strategic alternatives. The potential damage to the rail brand that might occur as a result of the long term unavailability of the network at weekends and the extent to which passenger demand would be permanently modified by weekend closures over many years is a different matter and is not easily assessed. The estimated cost of disruption also does not take into account the economic effect that would be felt by cities and regions on the affected routes.

For these reasons, the deliverability of the strategic alternatives was described separately to the costs and benefits in our 2013 report.

Yours sincerely

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