

Royal Over-Seas League: Evelyn Wrench Lecture

Delivered remotely on 30 June 2020 by Tony Berkeley

## **The future of rail in the UK**

*Lord Berkeley was asked to speak on the future of rail in the UK. He recently published a dissenting report into the High Speed 2 project on January 5, calling it 'the wrong and expensive solution' to providing better north-south inter-city services and improving services in the Midlands and North of England. He was Deputy Chair of the Oakervee review of how and whether to proceed with HS2.*

My interests in major projects goes back a long way to working for 15 years on the Channel Tunnel and later on alongside HS1. Some successes and some failures; one privately funded, and one state funded. Both succeeded because they started with the creation of a project that met a demand in a cost-effective manner; 20 years on they still do so. To create these, the relations with stakeholders, government, the railways and customers was of course essential as was cost and programme. We were not always successful, but they got built and lessons were learned.

However, watching the development of HS2, it was soon clear that costs were being hidden and were out of control, having trebled between when parliament approved the project and now -when construction is only just starting.

Last year, I was asked by PM and S of S for Transport to join the independent Oakervee Review as deputy chairman. The Review was asked to consider and report on whether HS2 should proceed; to report within 2 months, before the deadline for government to give the go ahead for construction of Phase 1 without incurring penalties from the contractors.

We had a secretariat from the DfT - some from the HS2 section – and found independence was a smoke screen; obtaining independent advice was a nightmare - on costs and revenue – and of course – to answer the question: was it the right solution to whatever the government thought was the need – 10 years earlier.

When I was shown a draft of the final report recommending that the project should proceed, even though all the evidence pointed the other way – I decided to resign and produced my dissenting report on 5 January. I sought to draw conclusions based on the best evidence – from HS2, DfT and independent - we had been given.

See [www.tonyberkeley.co.uk](http://www.tonyberkeley.co.uk)

Looking at these issues in more detail...

### **Demand**

Rail forecasting has also been a problem for ministers and others. DfT modelling controls everything – forecasting, information to franchise operators etc., but rarely reflect either the current environment or other changes – because they tend to reflect the answers that Government wants and being confidential cannot easily be challenged. The model delivers large benefits from speed - greatest benefits on reducing journey times on longer journeys, even though use of laptops probably means that within limits speed is now less important for passengers

What of Future? Trends – Corona Virus – working at home to stay - trends to zero carbon. How does this fit with the debate about HS2 -whether it should plough ahead or be paused, modified or cancelled?

The ten-year development period of HS2 - construction only starts this year – is a good example of where changes in demand or lifestyle may make certain assumptions out of date.

In 2010 the North-South services on existing lines were unreliable and crowded. So, some politicians were tempted to the idea *'Build a new line, and go very fast to become the world leader in high speed rail – beating France, Germany, Italy, Japan etc. Get from Manchester to London in an hour etc. Draw a straight line on the map, build a branch to Birmingham and – hey presto – you have brought the regions closer to the centre thereby improving the economy of the regions.'*

Since then, London has grown economically; the regions want growth in their own regions, and evidence from France is that the construction of its first TGV line Paris Lyon has sucked economic benefit from Lyon to Paris, and not the other way round.

### **The Zero carbon issue**

Pressure to get people out of cars towards zero carbon demonstrated the need to improve commuting rail services – as people commute daily for shorter distances than on longer distance intercity services. In SE, there has been much investment in rail and new rolling stock – even demolishing some only 5 years old. Given that the railways in the regions are in a very bad state compared to those around London, there is pressure from the regions to improve these lines urgently to get commuters out of their cars. *'Make our local and regional lines as good as those around London'* to bring our economies up the level of that of London and the SE is the call from many in the regions.

### **Will HS2 deliver this?**

HS2 will take 20 years to complete and will probably not divert so many commuters out of their cars as the distances are longer. Interestingly, it does not balance environmentally for some 100 years, due largely to the vast quantities of concrete, earth moving and demolition that its design demands.

### **Costs**

In the figure reported by the Oakervee Review, the cost of the design, construction and land of the entire HS2 Project was quoted as £106.565 bn at 4th Q 2015 prices. Adjusting that figure for inflation using the ONS Construction Output Cost indices, the cost at 3rd Q 2019 prices is £128.34 bn.

So HS2's costs have risen from under £40bn in 2010 to £128.34 bn (at 3Q 2019 prices), before any permanent works have started. Why? A combination of very bad management, bad supervision by the government & DfT, with ministers regularly misleading parliament, and a failure of parliament to take action. A number of senior people who objected to the continuing secrecy and manifest untruths of HS2 land and property estimating were sacked and are now very credible whistle blowers. One DfT official, in giving evidence, when asked why officials and ministers withheld up to date cost info from parliament, was at least honest *'if we had told the truth, then parliament would probably have rejected the scheme'*.

So, one has to ask - does the Government care about the cost escalation? Apparently not!

## **Is there a way forward for HS2 or should it be cancelled?**

There are many ways of cutting costs, including slowing the maximum speed of the trains from 400kph to 320 or lower in order not just to reduce the civil engineering costs of alignment, but track design, points and slabs. We are a small country compared to FR DE IT!

It could terminate permanently at Old Oak Common and save £8bn. This is quite possible for 12 trains an hour. The journey time to central London (Tottenham Court Road) would be shorter than via Euston, but TfL are desperate for HS2 to continue to Euston to justify building Crossrail 2.

HS2 should reduce the number of trains planned for from 18 to 12 or 13 cf France etc. No evidence that 18 can be achieved on a high-speed line, even in Japan where the lines are generally on a separate network.

But then 12 tph reduces the Benefit Cost ratio; it is plain dishonest, as well as a massive waste of taxpayers money, to plan on a service frequency that is so much higher than any comparable line just to get the project approved. As it stands, we end up with a realistic BCR of around 0.6, which is well below the Treasury's lower limit of 1.0, which it describes as 'poor'.

But still ministers say it must go ahead to bring the regions closer to London

On 17th May 2020, the House of Commons Public Accounts Committee (the watchdog of government spending) published a report on HS2, stating that it had gone "badly off course", and demands that Government gives regular, accurate and open updates on the problems the project is facing and progress on developing the appropriate skills and capabilities.

The committee also found the Department for Transport (DfT) Permanent Secretary and HS2 Ltd executives' appearance before the Committee in March 2020 raised questions about the previous picture, provided by the witnesses, of the project's health. In other words, they are accused of misleading parliament

### **Should HS2 be cancelled?**

£7.5bn spent but £3.5bn would be the net cost compared with £128.34 bn to complete it (at 3rd Q 2019 prices)

Up to 31st December 2018, HS2 had spent around £11.4 million on cost consultants but cannot come up with a credible cost estimate and refuses to use what is the industry costs standards used by Network Rail.

Ministers seem to be keeping their collective heads well in the sand whilst hoping that the lack of scrutiny due to the Corona Virus crisis will mean that by the time they surface with the full knowledge of the UK's financial situation, it will be too late to stop this unnecessary drain into what remains a massive vanity project.

### **What are the alternatives? Where is the most need for rail improvements?**

It is difficult to forecast future demand for rail travel with any degree of certainty at this time of Corona Virus, but few would disagree that most regional rail services out of the South East are awful; more capacity, more frequency and reduced journey times for regional commuters are needed urgently to rebalance the UK economy. The people in the regions that commute most days, who often use their cars or cannot get the same job opportunities because of the poor train services

are most in need of urgent change. So improving these lines and services will make a good contribution towards zero carbon as people are able to abandon their cars for commuting – provided that the Government removes its current ridiculous advice to use cars and not public transport where possible.

Many local leaders have told me, often privately to avoid upsetting central government, that such regional improvements are more important, quicker and less risky to deliver than HS2, which gets you to and from London more quickly but provides little help for local services.

Upgrading existing lines rather than dozing a new trace across a semi urban landscape makes a lot of sense. I have sent ministers a paper with suggestions coming from a group of retired railway operators – who know what they are talking about – giving a range of improvement to the existing lines to deliver these improvements on an incremental basis. This is on my website. Network Rail has a large number of projects waiting for the green light from the government to proceed; many of these are much more shovel ready than HS2; NR was even advertising for £500 rail construction workers in April.

*Examples Castlefield corridor in Manchester, electrification and extension of MML 4 tracking.*

## **Conclusion on HS2**

If Government has enough money for both – HS2 £128.34 bn and regional railways and connections an additional £150bn, so be it. If not, which should be prioritised?

## **Competition above rail.**

A word about competition above rail. This was the original reason for the split between infrastructure and train operations 25 years ago at a time when the European Commission tried to do the same with the railways across Europe.

The UK got there first and wisely abolished British Rail completely. There was competition for freight - which works well in itself but less well when competing for capacity against the demand for passenger train paths and weak regulation. Most passenger services are franchised out following a competition for operators to respond to a minimum service pattern and quality, for a defined period of years, with the operator generally having to take the risk on future demand. This has become more difficult, even before Corona Virus, for operators to forecast future economic growth and travel patterns, so change is on its way – perhaps a modified form of franchising with the Government taking the revenue risk.

Does competition above rail work? It has brought efficiencies, cost savings, new service qualities and competition with open access operators, when permitted by the Office of Rail Regulation, and a 50% growth in passenger traffic (until recently). Others say that it introduces complexity and bureaucracy but there is no doubt that it has brought innovation and efficiencies.

On the continent, the European Commission has had more trouble trying to get member states to agree a similar structure; there is strong pressure from incumbent operators who, unlike BR, are still very much there and are sometimes almost seen as an arm of the state. Services are often awful and unreliable; SNCF's TGVs were recently reported to be less reliable than any one of the UK franchises. I have been working with new entrants in the freight, and later the passenger sector, for 20 years to encourage the Commission to bring in legislation for fair competition above tracks, fair access to rolling stock, fair access to stations, terminals and depots, to ticketing outlets etc and

avoid the unfair state aids and benefits of state ownership when it comes to financing new entrants.

Competition above rail works well in some member states on some routes; in Italy on the high speed routes, in Germany on one or two routes plus on some regional services, in Sweden on some routes and services, but the Corona Virus has put the system under huge strain, especially when a member states seeks to provide extra capital or subsidy to its incumbent operator but fails to do the same for the private sector competition. It brings home how difficult it is to make money without customers willing to pay, especially against a state-owned company with virtually unlimited financial support.

### **The future**

So, to conclude – looking into the future. It is difficult in many congested countries to build new infrastructure. Maybe the time has come to stick to improved technology using existing routes or reducing demand for travel by working at home. Is there any point in building massive new roads when the likelihood of zero carbon trucks or cars is low?

Should we be reducing demand for travel and transport by doing more locally? Local journeys are the most frequent and the trend to walking, cycling or electric scooters etc must be made safe if they are to catch on. Is not a change of lifestyle necessary for many people - either voluntary or forced by the economy?

That leaves high speed rail and air – they compete. The air sector pays no fuel tax and causes massive environmental disbenefits – as does the construction of a high-speed line in a well developed and congested country. However, we need to ask ourselves whether there is such a massive need for long distance travel that new high speed lines and new airports in a crowded island such as the UK are really necessary, especially at a time when our government is forecasting of the highest number of unemployed and deepest recession in living memory.

Questions?

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