Press Release

Date	Embargoed 00.01am 26 July 2011
Contact	Rita Congera, media relations, PwC Tel: +44 207 2121231 / + 44 (0)7425141510 e-mail: rita.s.congera@uk.pwc.com
Pages	2

High Speed 2: On track for delivering a return on Government investment, new report reveals

PwC has produced the first analysis of what the Government could expect to see as a financial return if it sells the infrastructure of High Speed 2 (HS2). Figures show it could produce between £6bn to £7bn as a return on its £13.9bn investment.

The report, written by PwC for Greengauge 21, a not for profit think-tank researching the economic impact of high speed rail for Britain, has calculated the return if HS2, like HS1, has its infrastructure sold off under a 30-year concession. All figures are shown in 2009 net present value terms.

Delivering a return on Government's investment, comes days before the end of the public consultation on the project and focuses on the costs and revenues associated with the planned 175km high speed route between London and the West Midlands. The current timeline for HS2 is for it to open in 2026 with a potential sale once built. Once up and running, it will allow speeds in excess of 200mph and an estimated journey time of just 49 minutes between London and Birmingham.

Richard Abadie, PwC partner and global head of infrastructure finance, said:

"HS2 will represent a significant investment in the UK's national infrastructure. Given the pressure on Government finances it is important to minimise the financial impact of this investment through asset sales. Our report says the Government may be able to sell the infrastructure for between £6bn-£7bn, representing up to 50% of the initial design and construction costs. This will be a key consideration in the continuing affordability debate, not only for HS2, but for the wider high speed network," he added.

Jim Steer, Director of Greengauge 21, said:

"This new analysis by PwC demonstrates that HS2 is an investment that not only helps the wider economy, but also makes a healthy £6-7bn payback to the Exchequer three years after opening. This is a very good up-front return on the £13.9 billion construction cost. HS2 is unusual in that it is a transport project that generates very large cash receipts as well as other transport and regeneration benefits that will improve the productivity of the economy, right across the regions, and especially in the Midlands and the North.

"And there are potentially further cash returns over the lifetime of the project. The Exchequer will receive, over time, estimated extra tax receipts on the profits earned by the infrastructure concession holder and rail operating franchises worth £1.5-2bn and, at the end of the initial concession period, HS2 could be sold again, generating a further £1-2bn return to the taxpayer," he added.

The report is based on the planning assumptions developed by HS2 Ltd, with a journey time from London to Birmingham of 49 minutes, anticipated peak train frequencies in 2026 of 11 trains per hour on the high speed track from London to the West Midlands, and then onto Manchester, Liverpool, Preston and Glasgow. Fare prices are assumed to increase in line with the rest of the rail network.

In November 2010, the Government completed the transfer of a 30 year concession of HS1 to a consortium for £2.1bn. The sale took place shortly after the completion of the 108km line that cost approximately £5.8bn to design and build.

Ends

Notes

1. For embargoed copies of the report, or more information, contact Rita Congera on 0207 2121231 or 07425 141510/email rita.s.congera@uk.pwc.com
2. "PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.
1. Greengauge 21 is a not-for-profit organisation which aims to research and develop the concept of a high speed rail network, and to promote its implementation as a national economic priority.