



# HS2 Property Compensation Consultation 2013

Response by Rt Hon Cheryl Gillan MP

**December 2013**

Rt. Hon. Cheryl Gillan MP



HOUSE OF COMMONS

LONDON SW1A 0AA

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3 December 2013

Dear Sirs

HS2, nearly four years into its development, continues to cause much concern, distress and anger in my constituency of Chesham and Amersham. Whilst this opposition stems from the weak business case, the detrimental environmental impact and the vast cost, it is the lack of clarity and delay in putting in place a compensation scheme which has caused serious anxiety and undermined any Government claims that those most affected will be generously compensated.

I firmly believe that those who are affected by HS2 should be fairly, generously and justly compensated. There are parts of my constituency which remain seriously affected by the proposals for the line. The impact is not limited to areas where the route runs overground; properties above or near tunnels are also being adversely impacted. HS2 is having a detrimental effect on the local property market as well as impacting on the health and wellbeing of constituents who stand to lose their savings and livelihood because of the plans.

As with the previous draft provisions that were consulted on in December 2012, the scheme still has major flaws which need to be addressed if the Prime Minister and Secretary of State's commitment to a 'generous' package of compensation is to be fulfilled. Since the last consultation we have seen calls for a bond-based scheme intensify, with many believing it to be the only means of protecting those affected whilst ensuring the property market continues to operate normally. I am therefore glad to see the Government is giving serious consideration to such a scheme and have outlined why a generous and far-reaching bond scheme would do much to allay fears over HS2. However, the bond scheme needs to be

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aligned to that put forward by the HS2 Action Alliance, not the complex and expensive process envisaged by Government officials.

I attach my response to the rerun public consultation on compensation for those affected by the proposals for HS2. The views below reflect those of my constituents and I have chosen to restate my original concerns over the provisions where the proposals in the current consultation remain as in the 2012 consultation. However, I have put forward some fresh arguments and alternatives where possible, most notably on the proposals for the Rural Support Zone and Property Bond scheme. I have attempted to include all points within the framework as set out in the consultation document under the most relevant question headings.

The management to date of the compensation for this project has fallen short of what could have been reasonably expected by the people affected by the HS2 proposals.

I hope this representation reflects the strength of feeling surrounding this project and the need for fair and just compensation.

Yes Jilly  
CIG  
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## **Q1. What are your views on the criteria we have put forward to assess options for long-term discretionary compensation?**

One of the notable ways in which this consultation differs to its predecessor is in the greater transparency relating to the criteria used by the Government to inform its decision on the package of compensation measures to be adopted. This is no doubt due to the criticisms heaped on the Department for Transport (during the Judicial Review earlier this year) for its handling of the previous consultation.

It is important to note the change in language between that used in this consultation documentation and that of previous public engagements. Under the criterion of fairness, it is stated that those owner-occupiers who find themselves affected by this scheme should receive 'fair and reasonable' settlements for their loss and inconvenience. This is quite a revision in language when compared to the 'generous' compensation that has been promised by the current Secretary of State, his predecessors and the Prime Minister<sup>1</sup>. Furthermore, fairness is now interpreted as compensation for the "most directly and specifically affected"<sup>2</sup>. This again appears to suggest that the Government only sees fit to compensate the worst blight cases not all those who suffer from "significant" loss as was originally promised by Philip Hammond when he was Secretary of State.

Whilst I appreciate the Government wants to ensure value for money for the taxpayer (as stated in the second criterion), this cannot be at the expense of those individuals and families who stand to lose out significantly from this scheme and will benefit little, if at all. Indeed, those affected are taxpayers themselves and should thus be entitled to a generous and robust settlement for their loss. As has been stated repeatedly, if the promoters of HS2 cannot afford to pay appropriate compensation, they cannot afford the project.

In terms of the third criterion, Community Cohesion, there now appears to be a greater emphasis and widening of the Sale and Rent Back component of the proposals, presumably to help in maintaining local communities and stability along a route that threatens the characters and makeup of several areas in my constituency of Chesham and Amersham. Significant issues remain surrounding the Sale and Rent Back scheme which is discussed in greater depth later in this response.

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<sup>1</sup> See Appendix 1,2,3

<sup>2</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, 3.1.2, p.18

In terms of Feasibility, Criterion 4, the Government states that the compensation package should be “clear and easily explained” and reassure those affected that the scheme can be administered “efficiently and effectively”. The very fact that, a year on from the original consultation on compensation, no provisions outside the Exceptional Hardship Scheme (EHS) and statutory safeguarding have been put in place does little to reassure the public that this scheme or the compensation provisions will be properly implemented and administered. As I am acutely aware from correspondence with my constituents, the Community Forums have been problematic to say the least and the engagements process questionable. This, if anything, highlights the task that the Government has in restoring people’s confidence that it can effectively and efficiently administer of compensation scheme for a project of this size and scope.

The Government also makes clear in its criteria that one of its aims is to allow for the continued functioning of the housing market. As I have seen firsthand in my constituency, the spectre of HS2 has significantly deflated the local property market to the point where a number of my constituents are trapped in their homes, unable to sell or move on with their lives. The problem with much of this consultation is that, rather than alleviate blight, the proposals will exacerbate it by lending credibility to calls that the impact of HS2 is far-reaching and severe. This is why I, along with many of my colleagues, campaign groups and constituents, have pressed hard for the implementation of a property bond scheme as a method of alleviating this blight and allowing the market to function properly. I am therefore pleased to see the Government is giving serious consideration to the scheme and will discuss it further under the relevant heading below.

## **Q2. What are your views on our proposals for the proposed express purchase scheme?**

It is good that the Government is prepared to accept all blight notices issued by owners whose properties lie entirely within the safeguarding zone (SZ) for the proposed HS2 route, and that property owners are not expected to show all ‘reasonable endeavour’ has been made to sell the property. I support this and the fact that they are simply required to show their property falls within the safeguarded area. This proposal alleviates unnecessary worry and concern and reassures owners that they will be compensated regardless of whether their property is required to build or operate the railway.

However, as far as this provision of the proposed scheme is concerned, this is where the clear positives end.

Beyond this pledge (to accept all blight notices from those whose properties are fully within the safeguarded area), there is little to suggest that this is in any way a 'generous' package for compensation as argued by the Secretary of State<sup>3</sup> and as promised by his predecessor<sup>4</sup> and the Prime Minister<sup>5</sup>. It is important to note that the express purchase scheme (EPS) only protects around 1% of all blighted properties (1,100)<sup>6</sup> and ignores the wider impacts this project is having on properties and the property market of adjoining and surrounding areas. Indeed, there will still be many ineligible for the scheme, particularly those living above bored tunnels or only partly within the stipulated area or if the property is a second home or rented out. This also ignores factors such as the property being the sole owned property or the possibility it acts as an asset, such as provisions for when the owner-occupier reaches pension age. This makes the current proposals fundamentally unfair in some cases.

Regarding properties to be compulsorily purchased (that is homes, small businesses and agricultural units within the SZ), the provisions are simply a legal right; far from being 'generous' the proposal offers nothing more than the bare statutory minimum. Included in this statutory minimum is the unblighted market price, home-loss payment (10% of the unblighted market value up to £47,000) as well as the promised reasonable moving costs. Far from being something unique to HS2, these provisions for compulsory purchase schemes, as set out in the 2010 Publication from the Department of Communities and Local Government<sup>7</sup>, are extended to all schemes of this kind; this is not something that is unique to HS2 and should not be suggested as being so.

The £47,000 cap on the home-loss payment is only appropriate for smaller properties and when considering the value of large properties in rural areas it is inadequate. I have met constituents living near the proposed line who have been unable to sell a property valued at over £1 million property due directly to blight. Even if they did qualify for compensation, the home-loss payment they would receive would work out at significantly less than 10% of their property's value, ultimately under compensating them for the difficulty, concern, uncertainty and the considerable financial loss this project has placed on them. This is not necessarily an isolated case; the average value of those properties which have so been

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<sup>3</sup> Written Ministerial Statement (25 October 2012) see Appendix 1

<sup>4</sup> Written Ministerial Statement (17 July 2012) see Appendix 2

<sup>5</sup> Oral answer (28 November 2012) see Appendix 3

<sup>6</sup> HS2 Action Alliance, *Known numbers on property blight brought together*, see Appendix 4, p.1

<sup>7</sup> DCLG (2010) *Compulsory Purchase and Compensation: Compensation to Residential Owners and Occupiers*, Section 2.67, p.21

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7719/147648.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7719/147648.pdf))



purchased under the Exceptional Hardship Scheme (EHS) stands at £580,000<sup>8</sup>. If this is used as a base figure it would appear that the average property owner will not receive a full 10% of their property's value in a home-loss payment.

Furthermore, it could be suggested that the decision by Government to waive the need for property owners to show an effort to sell their property prior to issuing a Blight Notice is little more than an admission of the dire effect HS2 is having on the property market. Information received from the Transport Minister<sup>9</sup> shows that of all the applications to the existing Exceptional Hardship Scheme, a clear minority of applicants in fact received any offers at all on their property, let alone an offer comparable to that of the property's unblighted market values.

The provisions outlined are only guaranteed for properties that fall entirely within the safeguarded area. There is currently little clarity for those property owners whose properties fall only partially within the SZ. In the October 2012 Consultation Document it states that a 'typical' property which itself does not fall within the SZ, but with a garden that does will likely be purchased and compensated<sup>10</sup>. However, later in the document (p.37) it states that if the garden is larger than what would be expected of a residential property then the Government may well contest the purchase. Whose judgement is it that a garden is of a size that is "acceptable"? This would seem to be unfair, very subjective and designed to scrimp on compensation.

My constituents have received no clarification for determining eligibility for compensation if this situation arises for a property owner and it undermines the ability of some people to effectively assess the provisions that have been put before them by the Government. The rural nature of parts of my constituency raises my concern as to what exactly the Department for Transport considers a reasonable and typical size for a garden when assessing eligibility. Proper consideration should be given to the nature of the area affected by HS2 in order to offer better protection to affected property owners.

I have several constituent examples where owners trying to sell their properties have been unable to do so, receiving either no offers or offers significantly below that of the unblighted market value. The Government is now showing a clear acknowledgement that any sale of a property in the vicinity of the proposed line at an unblighted price is now

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<sup>8</sup> As of 1 November 2013, 99 properties have been purchased under the EHS for a total of £57,287,290. This figure when divided by properties purchased gives an average value of £578,659. Calculations based on HS2 Ltd figures (<http://www.hs2.org.uk/have-your-say/property/exceptional-hardship-scheme>)

<sup>9</sup> Ministerial Response (21 Nov 2013), see Appendix 5

<sup>10</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, Section 4.2.12, p.22

nearly impossible. People who find themselves in a situation such as this have done nothing wrong; they are simply being financially damaged by living in a property in an area where they and their local community are being devastated for a project which will likely be of little or no benefit to them. The Government owes them full and generous compensation.

### **Q3. What are your views on the proposed long-term hardship scheme?**

The provisions for the Long-Term Hardship Scheme are arguably the most important part of the compensation proposals in that it currently covers the majority of people who find their properties blighted in some way by the HS2 project. The scheme is described as being aimed at those property owners who have ‘strong personal reasons’ to move. However, when looked at closely it becomes clear that the criteria on which people are considered to have ‘strong personal reasons’ for moving are incredibly strict.

In order to qualify for compensation under the Hardship Scheme a property would need to satisfy all five of the stipulated criteria: property type; location of property; effort to sell; no prior knowledge; and hardship. Looking at these criteria separately highlights the spread of fundamental flaws in the full compensation proposals.

In terms of property type, it must be highlighted that the scheme only covers owner-occupiers. In contradiction to the Secretary of State’s claim of a ‘generous’ package of provisions, the omission of small businesses in itself makes this package worse than that offered during the construction of Crossrail and also HS1<sup>11</sup>. As the effects of blight are likely to be spread widely beyond the safeguarded zone for HS2 the decision to immediately disqualify a large number of property owners and occupiers undermines the principles of a compensation package of this kind. It is ultimately the people living along the line who are losing out and in return are receiving no gains. To overlook them in this manner is unacceptable and not equitable.

The principles for location of the property are the same as that used under the current Exceptional Hardship Scheme (EHS), in that the panel assessing the applicant’s case would consider whether the property would be “substantially adversely affected by the construction or operation of the railway.”<sup>12</sup> The Government believe it would not be appropriate to set a fixed outer distance in which a property must be situated in order to

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<sup>11</sup> Union Railways Ltd, *Early Assistance to Commercial Occupiers*, see Appendix 8

<sup>12</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, Section 4.3.7, p.25



qualify under the scheme, because the impact of HS2 will vary depending on area and the nature of how the line passes through it.

Much work has been done by local action groups to ascertain how many properties are situated at different distances from the line. Whilst progress has been made since the last consultation<sup>13</sup>, the Government has remained reluctant to publish data relating to the current Exceptional Hardship Scheme (on which these provisions are closely based) showing the distance of accepted properties from the proposed line<sup>14</sup>. Without these figures it is impossible to genuinely assess and critique this facet of the proposals, as we have no basis on which to consider its practical implications (i.e. we do not know how generous or stringent the panel will be when considering the distance of a property in relation to the blight being experienced). The unwillingness of Government to publish this information undermines the credibility of this consultation and reduces the ability of people to fully respond. It would be more sensible, accurate and fair to determine property owners' rights to compensation through assessing the market loss to property, not simply the distance from the line.

In the original 2012 consultation, the property owner was expected, under the guidelines, to prove that their property has been on the market for at least 12 months prior to their application to the scheme. I am of course pleased to see that under the new proposals this has been revised down to 6 months but still believe that this should be lowered further to 3 months in order to match the current provisions under EHS.

This is necessary as, from the previous experience of the Hardship Scheme, it would appear the assessment panel are unwilling to expedite applications under this criterion – this is certainly the case for applicants from my constituency. This fundamentally overlooks the nature of each case and contradicts other facets of the proposals that stress a case by case approach. At least one case in my constituency has shown that the EHS panel are unwilling to waive the marketing period for property owners whose prolonged stay in their property is causing them to incur significant debt. The new Long-Term Hardship Scheme may lead to similar outcomes and I would urge that the marketing period, as well as the lower limit for which an offer should be accepted, be reassessed.

The criterion states that property owners must have no prior knowledge of the scheme as this will apparently safeguard against manipulation and abuse of the scheme. It would also appear that, as stated by the Transport Minister in response to my Parliamentary Question,

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<sup>13</sup> HS2 Action Alliance, *Known numbers on property blight brought together*, see Appendix 4, p.1

<sup>14</sup> HS2 Action Alliance (2 January 2013) *Letter to Secretary of State for Transport*, see Appendix 9

no application to the EHS has so far been turned down on this criterion<sup>15</sup>. However, some leeway should be offered to those who, for whatever reason, were genuinely unaware of the impact the project would have when purchasing their property. It is often impossible to fully predict the scale and spread of blight due to major infrastructure projects and this should be taken into account when assessing applicants in relation to these criteria.

The Hardship criteria for this scheme are essentially the same as that under the EHS but with the added ability for applicants to claim anticipated hardship rather than only the hardship that they are currently experiencing. The new proposals also differ in that downsizing is acknowledged and that need to sell a property in order to release equity to fund retirement is seen as a legitimate reason for wanting to sell and move. However, the need to comply with the existing rules means that applicants must still prove they suffer from a form a financial hardship caused by HS2. This undermines peoples' basic right to be able to sell their property as and when they wish and move accordingly. To this end the changes in the proposals do little to meaningfully benefit my constituents.

My constituency has, on average, a generally older demographic who are likely to want to move due to retirement or health needs. Many applicants in Chesham and Amersham, who want to buy a smaller property, have been turned down for compensation and I would like greater reassurances that this scheme will give equal weighting to downsizing as a legitimate reason for claiming hardship. However, I would prefer it if this criterion was relaxed completely so anyone who has seen their property value affected by this scheme would be entitled to compensation, not only those who have an urgent need to move. Everyone should be free to sell their property on their terms and not be trapped by the detrimental impact of this project that has been entirely imposed on them by the Government.

One of the major problems of the Exceptional Hardship Scheme was the reapplication process; applicants would reapply to the scheme only to find out later that they had been failed again on criteria that had previously been accepted by the EHS Panel. This has caused endless frustration and eroded trust in the Government's conduct surrounding this project. I have raised this matter with Government in the past so it is good to see that this flaw has been addressed by now assessing reapplications made within 6 months of the previous application only on the criteria/criterion on which the previous application was failed. However, there is still no formal appeals process in place for rejected applicants to contest a decision. An appeal scheme could go some way to restoring confidence in Government and the method by which it handles compensation.

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<sup>15</sup> Oral Answer (22 November 2013) see Appendix 10

Ultimately the hardship scheme will only help a minority of people who find themselves blighted by HS2 – others will effectively be left without compensation or reassurance on their property's value. The proposed scheme does not offer either a home-loss payment or remuneration for moving costs. This is a feature of the entire scheme as outlined, with affected property owners having to bear the brunt of the cost and inconvenience when they have seen their properties devalued through no fault of their own.

There are also shortcomings in the Part 1 Compensation scheme. Those who are rejected for all other forms of compensation have to wait approximately 15 years for the next possible opportunity for compensation. During this time non-qualifying homeowners will have little other choice than to keep regularly reapplying to the hardship scheme in the hope that the panel will rule in their favour. Throughout this period a large amount of worry and stress will be experienced by property owners, something which the Government should be committed to avoiding.

Blight can sometimes be perceived rather than tangible. Nevertheless, perception can lead to very real outcomes, including a devaluation of property. Rather than alleviating this devaluation, the compensation scheme acts to completely paralyse the market during this period, making some properties essentially worthless. What is required is a compensation scheme that, rather than entrenching the perception of blight, acts to alleviate it. It is for these reasons I believe a property bond scheme should be implemented, along with the Express Purchase Scheme, as an alternative to the Hardship Scheme so as to offer the best safeguards against the spread of blight.

#### **Q4. What are your views on the 'sale and rent back' scheme?**

In the original 2012 consultation, I raised constituents' concerns about the proposed sale and rent back scheme and why the decision has been taken to limit the scheme to those properties that need to be demolished. As it stood, the scheme would only extend to 338 properties that have been identified as "needed" in order to construct the line and leaves out the rest of the 1,100 properties situated in the SZ. Whilst I am pleased that the current outcome of renting properties back to successful EHS applicants has encouraged the Government to extend this scheme to all the houses it purchases, problems still remain with this component of the scheme and it does little to combat to general problem of blight.

Regardless of whether the alternative proposals are adopted or not, there still appears to be no plans to extend eligibility for the scheme to second homeowners or landlords on the

grounds that it is designed “...to help alleviate the stress and anxiety of losing a home as a result of HS2. This would not apply to the same extent in the case of second home owners and landlords.”<sup>16</sup> For many their second home is a source of income and some people rely on them as a pension investment; the current position shows the lack of consideration for those affected by this project and the stock people put on their properties.

This scheme ultimately benefits the Government by incentivising the owners to stay in their properties after they have been assured compensation. If the Government were to acquire these properties and not rent them back to the original owner-occupier, they would likely find it hard to fill the tenancy when the property is due to be demolished and the area blighted. Government should extend the scheme to all properties to be purchased as stated in the alternative proposals. If these are properties that the Government is prepared to buy in any case, then it would make far more sense to extend the Sale and Rent Back Scheme to cover the remaining properties in the safeguarding zone. There is no benefit to anyone in having properties left empty and, in extending the scheme, the Government could at least begin recuperating the cost of the purchased properties before they are put back on the market or eventually demolished.

Whilst the Government has decided that it is willing to consider the scheme on a case by case basis, in order to take into account more complex situations, this should be extended beyond those in extreme circumstances and cover all properties that fall within the safeguarded zone. Doing so would show that the Government acknowledges its responsibility to fairly compensate and protect those who have lost out, regardless of whether it is a second home or rented property.

It should be noted that whilst the Department for Transport are willing to offer the Sale and Rent Back Scheme to those whose properties need to be demolished, there remains significant concerns about the extent to which they are prepared take on a role as the landlord. To assume this role means the Government would need to ensure all the properties it buys and rents out comply with the legal letting standard. However, as stated in the October 2012 Consultation document, “If significant repairs, going beyond everyday maintenance, were required the Government would need to consider whether these costs could be recouped prior to demolition.”<sup>17</sup> It is made clear in the 2013 document that this precedent will remain, with a ‘value for money’ test being undertaken<sup>18</sup>. Whilst I

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<sup>16</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, Section 4.5.3 p.31

<sup>17</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, Section 4.5.9, p.32

<sup>18</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, Section 4.5.7, p.32

acknowledge the importance of ensuring value for money for the taxpayer, this cannot take precedence over those are standing to lose their homes and quality of life due to HS2 and all efforts must be made to find a way to allow homeowners to remain in their properties regardless of the proposed 'value for money' test.

#### **Q5. What are your views on our alternative proposals for renting properties to their previous owners?**

As stated above, I am in favour of seeing the alternative approach to the Sale and Rent Back Scheme implemented, as I believe it offers a fairer approach to allowing individuals and families to remain in their properties after they have been purchased by the Government.

I would like to see the scheme extended to include second-homes, as I do not believe the current provisions take into account the ways in which people rely on their property to provide for them financially, particularly as a source of income during later life.

Ultimately, whilst this facet of the provisions is helpful to those whose properties lie close to the route and those who qualify under EHS, it will only help a small proportion of those blighted by HS2. As we know, the Hardship Scheme is notoriously difficult to qualify under, with less than 30% of applicants being accepted<sup>19</sup>, and the scheme does little to combat the spread of general blight. To this end a much wider and progressive approach to compensation is needed.

#### **Q6. What are your views on our proposals for a voluntary purchase scheme within a 'rural support zone'?**

The Government acknowledges that, whilst all types of areas are affected by large-scale infrastructure projects, it is rural communities who often experience the sharpest and steepest drops in property market values during the construction phase. Speaking from firsthand experience, this is unequivocally the case in my constituency. Creating a Voluntary Purchase Scheme (VPS) in the hope of helping those near the line who, through uncertainty generated by HS2, are unlikely to be able to sell their properties without incurring a significant financial loss is, therefore, important.

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<sup>19</sup> HS2 Ltd website (<http://www.hs2.org.uk/developing-hs2/property/exceptional-hardship-scheme>) [as of 1 November 2013]

However, as the proposals stand there are a significant number of issues and drawbacks to the provisions for the VPS that limit and prevent it from providing the necessary protection and reassurance so badly needed.

Firstly, the Rural Support Zone (RSZ) only extends 120 metres either side of the centre of the proposed rail line. This arbitrary cut-off is far too limited when considering the distance and extent of the blight that has already been experienced due to the HS2 proposals. There is clear evidence in my constituency of property owners who live beyond the 120m cut-off experiencing significant blight. This has been particularly evident in areas such as Cudsdens Court and Potter Row, which for most residents lie just outside the VPS.

Fewer than 1,000 properties have been identified along the London to Birmingham route within the 120m Rural Purchase Zone<sup>20</sup>. However, 170,000 properties are actually within 1 kilometre of the line and 250m from a tunnel. It is likely that many of these properties will experience some form of blight and, with the DfT and HS2 Ltd having distributed blight leaflets within this 1km limit to make residents aware of HS2, it suggests the Government already acknowledges there will be an impact on properties within this distance. Whilst I believe that the VPS is a fundamentally flawed solution to this issue, if provisions are to go ahead as currently proposed then I believe the RPZ should be significantly enlarged in order to compensate those who will, quite clearly, be affected by this project.

While the provisions aim to compensate owner-occupiers and small businesses, the provisions exclude landlords and second homeowners from compensation, again diminishing the number of properties that the provisions will protect. Ultimately this compensation scheme should be strictly operated along the lines of 'polluter pays' and it is unfair and simply quite wrong to exclude landlords and second homeowners in this way; their property has been affected, through no fault of their own, and they should be compensated fairly and adequately.

The fundamental problem of the VPS, and by extension the entire compensation scheme, is to assess the extent of blight wholly on the distance of properties from the proposed line, rather than taking into account vital factors such as topography, noise, vibrations and view. It also overlooks the different varieties of rail line (such as viaduct, cutting etc.) that will form part of the HS2 route and the resulting impact that these will have. Like the SZ, discretion will be applied to properties not wholly within the VPS and my constituents have been told by HS2 Ltd that compensation will be considered on a case-by-case basis<sup>21</sup>. However, there is no detail in the consultation documentation as to the method for

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<sup>20</sup> HS2 Action Alliance, *Property Compensation Consultation 2013*, see Appendix 13, p.4

<sup>21</sup> Letter from HS2 Ltd to Chesham and Amersham constituent, see Appendix 6, paragraphs 4 and 7

assessment, leaving responders with no basis on which to assess this aspect of the provisions. In order to take these factors into account, it would be more appropriate to use the loss in the market value as a determinant for compensation. This should extend to all the properties affected, whether they are in urban or rural areas or above a tunnel.

Unlike the provisions for the SZ, owner-occupiers who qualify under the VPS provisions will only be compensated for the unblighted market value of their properties. This excludes any additional compensation such as the home-loss payment and moving costs that are offered to those in the SZ. This has been justified by Government on the grounds that the VPS is “a voluntary scheme and it is very unlikely that any properties within the RSZ will need to be compulsorily purchased.”<sup>22</sup> However, people affected would not be facing blight or trouble selling their property if it were not for HS2.

For all affected this is not a situation they have volunteered to be in, it has been imposed upon them, and for Government to suggest they are not directly responsible for the hardship experienced directly surrounding the route is irresponsible. People should not need to forgo compensation for moving costs or a home-loss payment simply because their properties may not be required for demolition. The principle should be that the promoter or the railway pays rather than the victims of HS2.

The Secretary of State has been keen to stress that this is the most generous compensation package for a project of this kind ever, yet it is clear that the vast majority of the scheme is informed by the provisions put in place for HS1<sup>23</sup>. It is wrong for the Government to claim these proposals as a suitable package of compensation simply on the grounds that they are comparable to those used 20 years ago for a scheme that, in terms of scope and damage, cannot be compared to the detrimental impact of HS2.

The VPZ operates in conjunction with the fluctuating size of the SZ. If the SZ increases beyond its standard 60m distance from the proposed line (due to construction sites, ventilation shafts etc.) it ‘eats’ into the VPZ and sometimes, as is evident at points in my constituency, overtakes it completely, eradicating the zone from the proposed compensation area. This means that those who live near an increased part of the SZ but not within it are left without any clear form of compensation for the blight that they will encounter. The Department for Transport has not explained the decision surrounding this choice of action and there are many of my constituents who feel that the VPS should, at the

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<sup>22</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, Section 5.1.9, p.38

<sup>23</sup> Union Railways Ltd, *Residential Purchase Scheme*, see Appendix 7



very least, extend from the edge of the SZ, increasing with it accordingly, rather than remaining as a static measurement from the middle of the proposed line.

The VPZ fails to meet the Government's commitment to compensate all 'significant' losses, not least because it is limited to rural areas only. Whilst the Government acknowledges rural areas see the biggest impact of blight, it is important to remember that blight has been felt along the entire proposed route for HS2.

Finally, rather than asking consultees to choose between this scheme or a property bond, the two should be run in parallel. This would go some way to achieving the Government's original stated goal of offering a 'generous' compensation package.

**Q7. What are your views on the option to introduce a ‘time-based’ property bond scheme within a ‘rural support zone’ as an alternative to the voluntary purchase scheme?**

There has been great support from my constituents for a property bond scheme as an alternative to the original compensation proposals. My submission to the 2011 consultation on HS2 included a large number of submissions from my constituents, many of whom clearly stated their wish to see a property bond scheme put in place if the project were to proceed. I fully supported such a scheme and reiterated this in my response to the 2012 consultation on the grounds that it will be fair and, most importantly, offers reassurance to the market rather than entrenching blight.

I have received information from a constituent concerning a 2012 case where the property-owner was unable to sell their property due to blight from HS2 and how the implementation of a bond-based scheme would mean that such situations could be avoided. I attach information relating to this case at Appendix 12. I continue to support the implementation of a property bond scheme and am pleased to see that the Department for Transport is giving serious consideration to putting such a scheme in place.

The consultation document shows that the Government has considered two types of bond-based scheme: a ‘time-based’ bond and a ‘value-based’ bond. As stated at 5.2.3 of the consultation document, the Government acknowledges that for many proponents the purpose of a bond is to allow the market to continue operating in a normal and healthy fashion. For this reason the Government is right to offer the option of implementing a ‘time-based’ bond as it would be the more likely of the two to fulfil the purpose of giving confidence to the property market whilst avoiding possibilities for manipulation.

However, there are several concerns that I and my constituents have regarding the proposals for a property bond which could act to undermine its effectiveness. Firstly, limiting the scheme to rural areas only is unfair and, like the limiting of the Voluntary Purchase Scheme, overlooks the fact that blight is far-spread, irrespective of area. Again, like the Rural Support Zone, an arbitrary cut-off of 120m has been proposed by property advisers at Deloitte LLP in their report to inform the Government on this matter. Such an approach ignores factors such as topography and the size of construction sites. Though the DfT has made clear they have taken no decision on distance at the time consultation, to set this an arbitrary distance for a scheme of this nature only acts to undermine the principles on which it is based. It should be pointed out that successful EHS applicants have been accepted as far as 1.1km from the proposed line and the CBRE have found an average of a 20% loss in property value at 1km. Qualifying for the scheme should therefore be based on a loss in market value to one’s property and clear evidence of HS2 as the cause.

The report by Deloitte also details the extra administrative burden that would be required for a scheme, as set out by the HS2 Action Alliance, through the need to undertake property valuations at the outset of issuing the bond. This is not necessarily required to take place at the outset and the report should have considered this. Instead the scheme could follow the set-up of the Exceptional Hardship Scheme by triggering this step when an offer is made by the Government to buy the owner-occupier's property. In this situation it would be possible to ask the seller to pay the costs of a property valuation for which they could later be reimbursed by the Government.

It is important to note that a large proportion of the arguments laid out in the consultation document claim that bonds are an untested and uncertain method of property compensation. It is stated at 5.2.13 of the document that previous schemes, such as Central Railway, were aimed only at "properties that would be acquired" and that they "were not designed to address blight effects"<sup>24</sup>. It concludes that "It is hard to assess the size of this risk in the absence of data from real-world schemes". However, many of the claims made in the document are misleading or simply untrue.

Regarding Central Railway, to say that the scheme was not targeted to address blight is quite surprising as this is precisely what it was designed to do; to overcome blight and help the property market to function normally. Bonds were issued many hundreds of yards away from the line in rural locations, much further than the 120m cut-off proposed by Deloitte. Overall around 1500 bonds were issued. Whilst the Central Railway project did not succeed there was clear evidence of properties being sold on the open market at their full value. Ultimately the project failed, however, whether the project went ahead or not was not the issue and it is not the issue with HS2 now. The purpose of a bond-based scheme was to allow the market to function normally and to counter the spread of blight.

The HS2 Action Alliance have identified many errors in the consultation document regarding their proposals, particularly claims of an upfront administrative burden. It is my understanding that the DfT did not correct any of these errors from the Deloitte report for the consultation document and no representatives from Deloitte itself spoke to either HS2AA or Central Railway. This is a matter that needs to be taken seriously as close cooperation with experts and promoters of previous similar schemes is vital. I understand that HS2AA have considered the Government's concerns over unlimited liability if it commits to buy any property blighted at any distance from the line. HS2AA still assert that fair compensation must cover all material loss as a result of HS2 and have considered that a base distance limit of 500m or a need to demonstrate a minimum threshold loss could

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<sup>24</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, p.42

ensure the majority of those affected are covered whilst reassuring Government that it will not be liable to cover an unlimited cost through purchasing properties.

The widespread support for such a scheme would mean that the Government, if it chose to back such a scheme, would offer some comfort to those affected by HS2. Whilst many people remain fundamentally opposed, some may feel less hostility to the project if they see those affected are being properly considered and adequately compensated for their inconvenience. As stated at 5.2.9 of the consultation document such a scheme would provide “greater certainty and comfort to property owners” as well as helping the Government to “achieve some of [its] policy objectives.”<sup>25</sup> I urge the Government to consider this as an alternative to the Hardship Scheme, which clearly has several flaws. This alternative is being vigorously campaigned for by many of my constituents, the HS2 Action Alliance, the Country Land & Business Association<sup>26</sup> as well as many MPs along the route.

As I have made clear numerous times, my constituents are already feeling the effects of HS2 on the value of their properties, several years before the first piece of track will be laid. Action is needed now to counter this blight and only a property bond scheme would be capable of doing this in an effective manner.

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<sup>25</sup> Department for Transport (September 2013) *Property and Compensation 2013: For the London – West Midlands HS2 route*, p.41

<sup>26</sup> CLA (2012) *Fair Play: CLA Vision for Reform of the Compulsory Purchase System*, pp.15-16, see Appendix 11