



**FINAL**

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Transport Select Committee Inquiry

## **High Speed Rail**

Statement of Evidence

**May 2011**

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## 1. Introduction

- 1.1. **pteg** represents the six Passenger Transport Executives (PTEs) in England which between them serve more than eleven million people in Tyne and Wear ('Nexus'), West Yorkshire ('Metro'), South Yorkshire, Greater Manchester, Merseyside ('Merseytravel') and the West Midlands ('Centro'). Leicester City Council, Nottingham City Council, Transport for London (TfL) and Strathclyde Partnership for Transport (SPT) are associate members of **pteg**, though this response does not represent their views. The PTEs plan, procure, provide and promote public transport in some of Britain's largest city regions, with the aim of providing integrated public transport networks accessible to all.
- 1.2. **pteg** welcomes the opportunity to respond to the Committee's inquiry into this important topic and would be willing to appear before the Select Committee, should the Committee wish us to expand on any of the points made in this response. Our response focuses on the key issues for the city regions and addresses the relevant questions from the Committee only.

## 2. The city regions need High Speed Rail

- 2.1. **pteg** support the development of a High Speed Rail (HSR) network for the UK. We support the government's view that this is *'a once in a generation opportunity to transform the way we travel in Britain'*<sup>1</sup>.
- 2.2. We believe that there is a pressing need to better connect the major urban centres of the UK, in particular those in the North and the Midlands, with London and, critically, with each other. Alongside improvements to the 'classic' network, HSR offers the potential to dramatically improve connectivity of key city centres, thereby opening up new opportunities for business growth, extended labour markets and wider economic benefits associated with tourism and leisure markets.
- 2.3. Our support for HSR is therefore based on two core, inter-related arguments – economic and regeneration impacts; and capacity benefits.

### Economic and Regeneration Impacts

- 2.4. HSR will reshape and rebalance the economic geography of Britain, closing the gap between the South East and the rest of the country over the longer term. On a per capita basis, GVA in the city regions is lower than that of the South East – e.g. the North is 80% of the South East<sup>2</sup>. While manufacturing in the North and West Midlands remains an important part of the economy, and the service sector has been growing strongly, there are greater than average proportions of public sector employment – for example, 25% in the North East compared with 17% in the South East<sup>3</sup>. As a proportion of people available for work, unemployment is persistently higher in the North and Midlands than in the South East<sup>4</sup>.
- 2.5. To support the re-balancing of the economy, there is a need to enhance the connectivity within and between the city regions; between the North and the rest of the country (London and the South East in particular); and to and from international gateways, including Heathrow Airport and the Channel Tunnel<sup>5</sup>. Growing city region economies will also generate greater demand for travel<sup>6</sup> between them as their economies become more interconnected.
- 2.6. As the economies of our city regions grow and restructure north-south links, particularly to London, will become more important over time in economic terms. London is a World City and global financial hub and as such offers financial, legal and other services essential to

businesses in the North and West Midlands. Economic growth in these areas will increase demand for the internationally renowned services that London offers, not diminish it. On top of this, by virtue of its size and wealth London and the South East is the largest domestic market for our businesses and, of course, as the nation's capital it is the home of government<sup>7</sup>.

- 2.7. HSR has the potential to radically transform the economies not just of the major cities, but also of the surrounding connected areas, extending its advantages beyond the places that it directly serves. Therefore ensuring that HSR is properly integrated into the classic rail and other public transport networks will mean that the maximum number of people benefit from the advantages of the network, reducing journey times for business and leisure.
- 2.8. For example, the economic benefits of HSR, combined with enhancements to the existing rail network, demonstrated that the West Midlands would benefit from an additional 22,000 jobs; generating £1.5bn GVA benefits and, with the attraction of higher value business sectors, an increase in average wages of £300 per annum<sup>8</sup>.

### Capacity

- 2.9. Evidence from the rail industry shows that additional rail capacity is needed to prevent overcrowding on rail services in the future (i.e. that demand for long distance travel will increase by 70%; and regional rail services double by 2034<sup>9</sup>). Without this additional capacity, travel conditions will decline, overcrowding will increase and services are likely to become more expensive, damaging the economic prospects of our cities and the country's economic competitiveness.
- 2.10. HSR will provide the best value for money solution to the capacity challenge as new railway lines deliver a step-change in capacity and reliability that cannot be matched by upgrading the existing rail network. HSR will release substantial capacity on the existing rail network for additional local and commuter services and for an increase in rail freight.
- 2.11. Research has identified the potential capacity benefits of HS2 route and demonstrated the potential for substantial improvements to capacity, stating that:  
*'Services to most of the stations along the route can be transformed: frequencies typically doubled, connections dramatically improved and in some cases, quicker journeys too. Irritating limitations on the commuter peak timetable will become history.'*<sup>10</sup>
- 2.12. We might expect to see similar gains from the properly planned implementation north of Birmingham of the two legs of the Y network to Leeds and Manchester.

## 3. High Speed Rail: Key Issues

### ***What are the main arguments either for or against HSR?***

- 3.1. Our core arguments for supporting High Speed Rail are set out above.

### ***How does HSR fit with the Government's transport policy objectives?***

- 3.2. The government's high level objectives relate to long-term and sustainable economic growth, rebalancing the economy and carbon reduction – HSR clearly fits with these high level objectives, albeit over the long term.
- 3.3. Making the link between major projects such as HSR and local transport will be important. This is recognised at a high level in the government's Local Transport White Paper<sup>11</sup>. We

believe that HSR and the White Paper's objective of '*making public transport more attractive*<sup>12</sup> go hand-in-hand; that it is important for HSR to be seen in the context of 'end-to-end' journeys; and that it therefore remains vital to continue to invest in local transport schemes that allow the free flow of people out of HSR stations in a sustainable way.

- 3.4. We also believe that there is a need to strengthen the supporting policy framework to deliver HSR. The government is due to produce a National Policy Statement (NPS) on transport networks, which will set out the strategic context for major transport infrastructure. We believe that this NPS should provide the strategic framework that sets out transport's role in promoting sustainable economic growth and regional balance. The NPS needs to sit alongside the National Infrastructure Plan<sup>13</sup> so that clear links are made to the delivery of national policy objectives, as set out in NPS, and which would include HSR.

***HSR is designed to improve inter-urban connectivity. How does that objective compare in importance to other transport policy objectives and spending programmes, including those for the strategic road network?***

- 3.5. We believe that improved inter-urban connectivity has significant economic benefits and is a worthwhile policy objective in this regard. This does not reduce the importance of other transport policy objectives, in particular the spending programmes within city regions.
- 3.6. We note the government's conclusion that '*the road network cannot offer an effective solution*' and that '*the unreliability and delay caused by congestion in cities... make road travel an unattractive option for the journeys into city centres which are seeing the highest levels of demand growth on the rail network*<sup>14</sup>, and therefore we would question whether investment of a similar order in the strategic road network could achieve the same outcomes as HSR.

***Focusing on rail, what would be the implications of expenditure on HSR on funding for the 'classic' network, for example in relation to investment to increase track and rolling stock capacity in and around major cities?***

- 3.7. HSR should be treated as a national project whose significance stretches far beyond its transport role and therefore funding for it should fall outside of the normal spending limits for classic rail, in which case the impact on the classic network would be limited. By way of example, the funding for CrossRail has been allocated as a distinct line of funding from government and we believe that funding for HSR should follow this approach.
- 3.8. To extract the maximum benefits from HSR, there is a need to continue to invest in and upgrade 'classic' rail services. For example, in the short to medium term there is a continued need to address the capacity constraints on the existing network, including rolling out electrification and major infrastructure schemes, such as the Northern Hub.
- 3.9. It is essential that HSR is placed within the context of a long term strategy for the enhancement of the longer distance rail links between city regions. This needs to establish an affordable and value for money programme of enhancements to the West Coast Main Line, Midland Main Line and East Coast Main Line in advance of HSR, and ultimately to complement a HSR network. Also needed is a strategy to enhance the transpennine routes which may not be part of the national HSR, but which evidence demonstrates are so important to the economy of the entire North.
- 3.10. Additionally we believe that HSR increases the need for complementary measures to maximise the benefits – a key concern for us is that local transport, including local rail

services, can be properly integrated so that when HSR services arrive at our city centres, we have adequate and sustainable means of distributing passengers to their final destinations. A key objective in this regard is therefore the devolution of local rail services to PTEs which will help integrate rail more effectively and, potentially, unlock mainline station capacity through the wider implementation of light rail conversions and tram-train<sup>15</sup>.

- 3.11. If funding for HSR comes from within existing rail funding sources then it will have a major negative impact on other rail investment, particularly for the North and Midlands, which already suffer from under-investment in terms of rail expenditure.

**Business case**

**How robust are the assumptions and methodology?**

- 3.12. At present the DfT business case does not fully reflect the business case benefits that accumulate the further north the HSR network is extended. The development of a HSR network through the reduced journey times allows for transformational economic change and benefit to the north of England and Scotland. The benefits of this transformational change have not been quantified in the DfT’s appraisal which means the total benefits already calculated are likely to be conservative. Furthermore, the experience of European and other countries in the development of HSR networks suggests that there are significant transformational benefits to regional economies (see Lille in France as a good example).
- 3.13. Additionally, the current business case understates the demand for services. The future patronage forecasts used by HS2 for growth on the rail network appear to be conservative when compared to historical and actual passenger growth. The demand forecasting work undertaken by HS2 Ltd uses an estimate of underlying growth in rail demand of 3.4% per annum across the entire UK rail network, and a net 1.5% per annum growth for HS2 passengers by 2043.
- 3.14. The key drivers of rail patronage growth include increased economic and population growth. Future growth levels of both are projected to be in broad alignment with historical trends meaning that unless the rail industry introduces policy tools such as pricing to reduce demand, future rail demand is likely to be consistent with historical growth levels.
- 3.15. Therefore, the future growth outlined by HS2 needs to be assessed against actual and historical growth in rail travel demand (rather than the estimate above). Table 1 outlines growth in long distance rail journeys from London 1999/00-2009/10:

| Table 3. Historical Growth Long Distance Rail Travel <sup>16</sup> |              |                         |
|--|--------------|-------------------------|
| London to  | Total Growth | Ave. Annual Growth Rate |
| Manchester   | 70%          | 5.4%                    |
| Birmingham   | 58%          | 4.7%                    |
| Liverpool  | 41%          | 3.5%                    |
| Glasgow  | 23%          | 2.1%                    |

- 3.16. Furthermore, if a more dynamic approach to modelling the interaction between changes in accessibility and land use were employed (reflecting changes in the location and mix of businesses in an area as a result of improved transport connections) this would represent a more realistic estimate of the economic impact of HS2. The Department for Transport have assumed no changes to land use will occur as a result of HS2, which is not consistent with international case studies of HSR which prove otherwise.

***What would be the pros and cons of resolving capacity issues in other ways, for example by upgrading the West Coast Main Line or building a new conventional line?***

- 3.17. There are worthwhile and value for money proposals for increasing north-south rail capacity on the existing main lines and these should be pursued. However, the capacity increment that such enhancements will bring is finite and not sufficient to meet the needs of the our economies if they are to grow to their full potential. Any further capacity increases would be highly disruptive to implement (e.g. the experience of the West Coast Route Modernisation programme), as well as being very costly.
- 3.18. The most cost effective way to provide the north-south capacity that is required is to build new railway lines. The extra benefits that come from operating this new capacity at high speed transforms the economic and productivity benefits that the new capacity will deliver. Building a new conventional speed line would save around 9% of the cost of HS2 but would deliver only two thirds of the benefits and is therefore not considered to be a credible alternative to HS2.

***What would be the pros and cons of alternative means of managing demand for rail travel, for example by price?***

- 3.19. Managing demand through pricing for longer distance rail travel will have a negative impact on the economy through discouraging economic activity and business; the environment through increased demand for motorway travel and domestic aviation; and quality of life through increased congestion, noise, and additional land take for extra road space. Whilst pricing clearly has a role in spreading demand for rail to encourage better utilisation of capacity, any choking off of inter-city rail demand by pricing would, in our view, be a retrograde step for the our economies.

***The strategic route***

***Which cities should be served by an eventual high speed network? Is the proposed Y configuration the right choice?***

- 3.20. There is a need for a national HSR network that connects the major cities of the UK together. The Y network therefore represents a good starting point, but further connections are required to Newcastle and Scotland, as well as connecting other major centres such as Liverpool. A possible network is set out in Greengauge 21's 'Fast Forward' strategy<sup>17</sup>.
- 3.21. There is also a need to ensure that the proposed Y shape has sufficient capacity to ensure that future demand from all parts of the country can be accommodated to facilitate not only inter-city links, but also connectivity to Heathrow and also HS1 to mainland Europe.

***Is the Government correct to build the network in stages, moving from London northwards?***

- 3.22. Whilst it is inevitable that a national HSR network will need to be delivered in phases given the complexity of the task, it is important that the full network is delivered at the earliest possible timescale. We believe that there should be a firm commitment to the whole of the network – either through provision in the Hybrid Bill or through the National Policy Statement on transport networks. It is particularly important that both legs of the 'Y' to Manchester and Leeds are delivered in parallel to avoid any economic imbalances.
- 3.23. The option to build more than one section of route in parallel has not been fully explored within the strategy. Given that the benefits of HSR are about rebalancing the economy and

that there are huge wider economic benefits to be had by bringing northern cities closer to other city regions and London, there is a strong argument for beginning construction of HSR simultaneously in London and the north, although there is clearly a cost to this (financially and procedurally). It may be that there is scope to develop sections in parallel over the life of the project, particularly if there is an improvement to the macro-economic context.

***Economic rebalancing and equity***

***What evidence is there that HSR will promote economic regeneration and help bridge the north-south economic divide?***

3.24. See the section above on economic impact.

***To what extent should the shape of the network be influenced by the desirability of supporting local and regional regeneration?***

3.25. There are clear benefits in making sure that the full HSR network extends to all the major urban centres to ensure that they are effectively connected. As stated above, we believe that the Y network represents a good starting point.

***Which locations and socio-economic groups will benefit from HSR?***

3.26. City centre locations near to HSR stations will be the primary beneficiaries. Research by KPMG<sup>18</sup> illustrates how public transport accessibility to the city centres can make a critical contribution to higher productivity and wages, job creation and direct foreign investment. They argue that rail plays a crucial role in supporting the shift of economic activity towards the densest and most productive locations and sectors of the economy.

3.27. These findings are echoed by the analysis of the Northern Hub in Manchester<sup>19</sup> and the Centre for Cities<sup>20</sup> report on agglomeration and growth in the Leeds City Region. These reports agree that public transport schemes improving city centre accessibility can generate wider economic benefits corresponding to 20-25% of total benefits, which are not currently taken into account by the Department for Transport.

***How should the Government ensure that all major beneficiaries of HSR (including local authorities and business interests) make an appropriate financial contribution and bear risks appropriately?***

3.28. We believe that it is fair that those who benefit from HSR should contribute towards its cost if the appropriate financial regulations and tools are in place. For example, if local authorities are allowed to keep the additional business rates generated through HSR (using mechanisms such as Tax Increment Financing) then these areas should contribute towards appropriate HSR infrastructure, such as stations. However, if government captures the additional uplift in tax raised through HSR, then it is appropriate that the government and major private sector developers pay for HSR.

## 4. References

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- <sup>1</sup> Department for Transport, 'High Speed Rail: Investing in Britain's Future Consultation Summary' Feb 2011, p3
- <sup>2</sup> Calculations based on - [Office for National Statistics, Regional Gross Value Added, NUTS1 GVA \(1989-2009\) Data \(Table 1\)](#). GVA is defined as Headline Workplace Based GVA for 2009 (provisional estimates). North is defined as the Government Office Regions of Yorkshire and The Humber, The North West and the North East. The South East is defined as the Government Office Region of the South East.
- <sup>3</sup> Table 1, *Public Sector Employment and Expenditure by Region*, House of Common Library, July 2010
- <sup>4</sup> Calculations based on - [Office for National Statistics, Regional Labour Market Statistics February 2011, \(Table S1\)](#).
- <sup>5</sup> The need to improve links within and between city regions, between the North and the South and to and from international gateways was identified in the Northern Way's March 2007 *Strategic Direction for Transport* and then reaffirmed in the Northern Way's September 2007 *Short, Medium and Long Term Transport Priorities*.
- <sup>6</sup> See Transport Demand in the North, The Northern Way, March 2010
- <sup>7</sup> For a fuller discussion of the North's position in the national economy see the Northern Way commissioned report *Northern Connection: Assessing the Comparative Economic Performance and Prospects of Northern England* Institute for Political and Economic Governance, University of Manchester and Centre for Urban Policy Studies, University of Manchester January 2008
- <sup>8</sup> Centro Commissioned Report by KPMG "*High Speed Rail and supporting investments in the West Midlands Consequences for employment and economic growth*"
- <sup>9</sup> Network Rail, ATOC and RFOA 'Planning Ahead 2010', 2010
- <sup>10</sup> Greengauge 21, 'Capturing the benefits of HS2 on existing lines', 2011, p5
- <sup>11</sup> Department for Transport, '*Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen*' Jan 2011
- <sup>12</sup> Ibid
- <sup>13</sup> HMT, National Infrastructure Plan, 2010
- <sup>14</sup> Department for Transport, 'High Speed Rail: Investing in Britain's Future Consultation Summary' Feb 2011, p8
- <sup>15</sup> See 'Rail Cities in the 21<sup>st</sup> Century: the case for devolution', *pteg*, 2010  
<http://www.pteg.net/NR/rdonlyres/F5FB1E6E-EF2F-4EAD-B9D2-E4A235544B51/0/Railvisionfinalforwebsml.pdf>
- <sup>16</sup> Network Rail (draft) West Coast Main Line Route Utilisation Strategy
- <sup>17</sup> Greengauge21, 'Fast Forward: A High Speed Rail Strategy for Britain', Sept 2009
- <sup>18</sup> KPMG. 'Value for money in tackling overcrowding on northern city rail services'. Report to the Northern PTEs, 2010
- <sup>19</sup> The Northern Way, 'Manchester Hub Phase 2 - Transport Modelling and Benefit Assessment', 2009  
<http://www.thenorthernway.co.uk/document.asp?id=718>

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<sup>20</sup> Centre for Cities, 'The case for better transport investment: Agglomeration and growth in the Leeds City Region', 2007 <http://www.centreforcities.org/assets/files/pdfs/071127LeedsPaperFINAL.pdf>