



Revised transcript of evidence taken before
The Select Committee on Economic Affairs

Inquiry on

THE ECONOMIC CASE FOR HS2

Evidence Session No. 14 Heard in Public Questions 156 - 169

TUESDAY 25 NOVEMBER 2014

12 noon

Witnesses: Jerry Blackett and Chris Tunstall

Members present

Lord Hollick (Chairman)

Baroness Blackstone

Lord Griffiths of Fforestfach

Lord Rowe-Beard

Lord Shipley

Examination of Witnesses

Jerry Blackett, CEO, Greater Birmingham Chambers of Commerce, and **Chris Tunstall**,
Director, West Midlands Integrated Transport Authority

Q156 The Chairman: Mr Blackett and Mr Tunstall, welcome to this session of the Economic Affairs Committee's inquiry into HS2. Thank you very much for joining us today. When you wish to speak, please press the button in front of you. A poll in April 2014 by YouGov found that only 29% of people from the Midlands and Wales region supported HS2; while 53% were opposed. We have seen from your evidence that you are very supportive. Why is the public not supportive; what are they missing?

Chris Tunstall: Thank you very much and thank you for having us. Part of the problem is the story that has been told to date, although more recently we have moved on to the real issues, which are capacity and the potential for regeneration. The initial story was about speed. Everybody saw this just as a way to get to London in under an hour, that there were to be only a few stations and would mean that you had to trek from existing stations to Birmingham or Birmingham interchange and make a connection there, and the potential for reduced services to London direct from places like Wolverhampton and Coventry.

I think it is more in the telling, more in the story. To be fair, I think that if you went back to the 1960s and 1970s, the heyday of motorway building, you would probably get exactly the same response.

Jerry Blackett: I just add that a strong majority of the businesses that we have surveyed in the Greater Birmingham Chambers of Commerce catchment area favour the creation of this investment in HS2. That probably tells you that we have had a chance to have a dialogue with those businesses to get below the original, "20 minutes for billions of pounds? What a waste of money" response to the argument, "We have a railway that is filling up", and all the reasons, which you have probably already heard, why this investment is required. So we have made some progress, and I hope that the public will start to come along with us.

Q157 The Chairman: Which particular benefits appeal to the public that are replacing the speed argument?

Jerry Blackett: I think that what we have got to help the public understand is that this is about growth and jobs for their children and families and the ability of the Midlands, in our case, to compete globally. If we can get some of that dialogue going, I think that the ordinary person will start to feel that we are indeed in a white-hot race to win investment. We are competing with China and India; we are not competing with Manchester or Leeds, particularly. I think that we have not yet got some of that visionary material across.

Chris Tunstall: I'd also add that part of the problem in the past, particularly when we have tried to upgrade existing railways, such as the West Coast Main Line, is that not only has it caused major disruption and heartache for people, it has gone on for an interminable time.

The last upgrade was predicted to last two years; it ended up taking nearly nine. We got an extra train service out of it, but that was at the cost of one of the stations closing. One key thing that we have to get across to the public is that this will enable us to improve local services significantly. Think of the train patterns that HS2 alone will allow us to do from east to west. At the moment, on the cross-Birmingham route we have three services an hour, which are overcrowded. With HS2, we can increase that to nine or 10 services an hour. We have been looking at a package for connectivity which significantly improves existing commuter lines. When people realise that it is about improving existing commuter lines, there will be a better understanding. At the moment, people are hearing, “We are building a high-speed railway which will get us to London faster”. In fact, the real benefits from the Midlands point of view are looking towards the north more than London.

Q158 Baroness Blackstone: Can I come back to your claim that the building of HS2 will have a beneficial effect for Birmingham and generate jobs? Will not some of those jobs just be displaced from other areas in the West Midlands that are not directly linked to HS2?

Jerry Blackett: We have tended to come at this as the economy pulling the need for transport infrastructure; we do not feel as if we are being pushed to lay more railway lines. There is a lot of growth going on around the Midlands at the moment. We are the top foreign direct investment location in this country outside London. We have a net balance of trade surplus with China. Our automotive story is very well known across the world. When we look forward 30 years to where we could take our economy and then back-fill it by asking, “What enablers do we need?”, we say, “We’ve got a railway line that will be full soon. We’d better sort that out. We’ve got an airport that has been expanded but could be more”. There is a real missed opportunity at the moment between the HS2 vision and the Davies vision. We are not recasting enough. I do not think that this is a question of displacing existing growth; this is about seizing the potential for additional growth across the Midlands in a way that, perhaps, we have not done until now.

Chris Tunstall: Over the period when we have seen one of the worst recessions we have had in living memory, we have seen rail growth double in the last seven years across the West Midlands. We are fast getting to the point where we will run out of capacity. When you run out of capacity is a moot point, because you can lengthen trains, as we talked about earlier. You can try to get a few new services on. You can alter the fares to try to get a spread across the day rather than just at peak hours, but we reckon that in 2024 or 2026, it will be full. That will definitely choke investment. Within the West Midlands, we commissioned work from KPMG on an economic study about HS2. That identified a potential for just over 20,000 jobs

and about £2 billion GVA improvement per year from HS2 alone, but if we put the connectivity in to allow better use of the existing network and made the connections onto the high-speed line, we could double both of those figures.

We can argue all day whether the economic models are right or wrong, but would we take out the Jubilee line now? Would anybody take out the HS1 line? History has demonstrated that we have had economic growth on the back of major infrastructure investment.

Baroness Blackstone: But you are also saying that we have quite a lot of economic growth in the West Midlands and Birmingham anyway, without HS2. We have had evidence from a number of leading economists who are experts in the area of transport and regional growth. They say that what you are saying is an act of faith. It is very hard to predict. What is the basis for your act of faith that it is all going to lead to a lot more growth later, directly from HS2 investment, when you are getting growth anyway without it?

Jerry Blackett: To clarify, we have a 20 to 30-year strategic economic plan for the six LEP areas in the West Midlands and beyond. They forecast the potential for our economy to grow, but right in the guts of that are the enabling infrastructure assumptions, so the growth is built on an assumption that we have an integrated supporting structure for skills, transport and all the other bits. We are certain that if all those bits come together, we can deliver that growth, but please do not misunderstand me. We cannot do it without those enabling pieces, but we are certain that we can do it if we get the investment.

Q159 Lord Shipley: Mr Blackett, could you expand on an answer you gave a moment ago? I heard you say that Birmingham was competing with China but not with Manchester. Is it not the case that, if both Birmingham and Manchester are on an HS2 line, you will be competing with Manchester? On what basis did you say that there would not be competition with Manchester?

Jerry Blackett: I am trying to say that the real competition for the UK is from outside. Of course we want to be a flourishing city and be the best city in Europe, not just in the UK, for setting up businesses. I would say that the relationship with the northern cities—Manchester, Leeds and Sheffield—will be a win-win for both of us when you can get from Birmingham to Manchester in 40 minutes. I have come up today: it took nearly two hours and there was standing. At the moment, the business flows are not natural between us because of the transport links. There is a mindset against it. If you look at what is going on in Derby, with the Bombardier, Rolls Royce and Toyota industries, and then at what is going on around our part of the world, we have barely understood connectivity east-west and have barely even thought about it. When you start to connect up, and we have been thinking a lot about this,

there is business that we will both do. We will see who does more but there is more to be had from the regions generally north. If we get it right, we will be stealing business from China, India and elsewhere, and the UK will grow overall.

Q160 Lord Shipley: Can I switch to potential competition, particularly for a labour force, with London? HS2 will bring down the journey time to London to 49 minutes, which is a great deal less than many people elsewhere spend commuting into London daily. It could be very attractive to people to live in Birmingham and work in London. To what extent have you factored in the possibility that Birmingham will lose workforce because some people decide to go to work in the capital?

Jerry Blackett: We are not frightened of a railway line that goes in two directions. We think that the growth opportunities outside London enable us to take some of the overheating out of London. We are going to be so close. Why has Deutsche Bank opened up 1,000 back-office jobs in Birmingham? That is because it is two-thirds of the cost of doing that in London and one-third can be saved. Why do we have such a large accountancy, banking and finance industry? It is because you can get a fantastically qualified lawyer at two-thirds of the cost. Physics talks about the laws of attraction: I think that there is attraction in what we are building up here to make investment in this way but we are equally relaxed about business people and individuals who want to work in London because it is so close. They will come back and spend their money back in our home region. I am very happy if people want to secure well paid jobs, or any jobs, in London. Let them come home and spend locally. We are very comfortable with the two-way traffic that we can envisage.

The Chairman: So it is a two-way, high-speed brain drain, is it?

Jerry Blackett: A brain drain? When you build transport, people will go in both directions. You have to have a reason to go in either direction. We are confident that we are building an economy that investment is following. As I said at the beginning, we are the top foreign direct investment location outside London in the country. We have set up more new businesses in the Midlands outside London than any other region: 16,000 in 2013. Something is going quite right. We have got the NEC, the airport, our business parks and our life sciences, and I could go on telling you why we think that we have a growth dividend for this investment. But we will not do it without the investment, which is the point that I was trying to clarify earlier.

Chris Tunstall: On an anecdotal level, rather than naming the firm, although it has been mentioned, I was talking to a colleague who previously worked for the said bank. Its rationale, if it is looking for new business and where to place the workload for that business, is first to look to Asia, then to Birmingham and then to London. That is where and how they

look. That goes back to Jerry's point that costs drive it. If you take that argument to its logical extension, at the moment 186,000 gross jobs come into Birmingham from surrounding districts. Birmingham exports about 80,000 jobs, so net about 90,000 jobs come into Birmingham. Are we that worried that we would say we cut all the links between Birmingham and its hinterland and not take those 90,000 jobs? That is exactly the same with London? Would we seriously consider closing the M42 if that was an issue, or closing the West Coast Main Line and the East Coast Main Line? It already happens, but it is this joining and pulling together. I could not categorically say, but I am not sure that that has been the experience on the continent in places such as Lille and Lyon and that they have seen the drain going the other way. While in the past 10 years the West Midlands metropolitan area in terms of gross GDP has gone down from £26,000 per person to £23,000, Lille quite clearly has seen it go up from £20,000 to £26,000 and in Lyon it has gone from £30,000 to £38,000. We have both experienced the same recession. What is different? The thing that stands out is that they have had investment in infrastructure.

Q161 Lord Griffiths of Fforestfach: I wonder whether you could help us with the following: in order for HS2 to have a real impact, a lot of other things—for example, local enterprise partnerships, complementary investment and so on—have to be done. What exactly do you think are the key elements that have to be done and, in particular, how they would be financed?

Chris Tunstall: The Greater Birmingham-Solihull LEP is obviously key. Both stations are in that LEP area. It has an HS2 growth strategy. As part of its strategic, economic plan, it has already identified the investment that is necessary in the short term, which was about £320 million of which it has already been awarded about £130 million. It is already tying in HS2 with its forward strategy over just the next few years, because this covers only the first year and is potentially indicative of the next four. That is in terms of investment. Skills are a big issue as well. It is alright to say that all these jobs will appear, but we do have jobs appearing with 1,500 construction jobs coming into Birmingham and the HS2 college jointly with Doncaster. We also have a depot at Washwood Heath, which has 600 or so highly skilled jobs. That is in an area of high deprivation. Unless we get people trained in that area and skilled up to take those jobs, there will be another 600 jobs on top of the 186,000 that we import at the moment. We have to get the skills right and that is another pillar of the GBS strategy, which is basically to enable us to be HS2 ready.

Jerry Blackett: May I add something about where we are going to get the money from because these are large sums? The *Financial Times* reported last week that the Qataris are

very interested in investing around our new station. From the investors I talk to, I am certain that when you give a 30-year view of where a city region is headed, you give a sense of certainty and confidence and it is then no surprise that investment from around the world starts to become interested. That is the sort of agenda that they can cope with.

I hope that we will find the investment internally as well, but we have a track record of being very friendly to overseas investment. Tata has come in to take on Jaguar Land Rover and Mondelez has taken on Cadbury, so we are very used to welcoming capital, and capital is foot loose and fancy free. In my experience, it is tangible now that Birmingham has got a sense of a long-term future, and investors are beginning to emerge. With the private sector element of the costs, we should be optimistic that the assumptions are achievable.

Lord Griffiths of Fforestfach: So you are particularly looking to external sources of investment and sovereign wealth funds which might want to invest on a long-term basis, and therefore having a rate of return that is slightly lower than what some private-sector investors would be looking at.

Jerry Blackett: You do the best deal you can based on the cards that you have to play. In some cases you have to accept that long-term returns carry a premium. I think that there is enough for everybody to benefit short term. The local office market is already severely short, so I think that we will see developers building as they do normally, and then the pension funds coming in. It was a pension fund that built the toll road around Birmingham. We feel quite excited about that menu of investment.

Q162 Lord Rowe-Beddoe: How important do you think east-west connections are in ensuring that HS2 is a success? We are talking, as we all know, of £50 billion, which I am sure is moving “northwards” as we sit here!

Jerry Blackett: Mr Tunstall will probably come in on that. For me, from a business point of view, I think that we have only scratched the surface on the east-west potential, because we have not been trained to think east-west. Because our communications have always been north-south, the frequency and connections for east-west economic building have not been there. In the last year, we have started a project called Midlands Connect, which is for the East Midlands and West Midlands businesses, local authorities and LEPs to coalesce around sizing the growth for the whole of the Midlands. We have started to have the sort of conversation that I was talking about earlier around Rolls-Royce. These are supply chain discussions that we have never had before, because east-west has just been too difficult to do, and we have always just said, “We’ll do that another day”. Now we are starting, and that is why we are only just scratching the surface of the east-west.

Chris Tunstall: As Mr Blackett said, we have a major initiative called Midlands Connect. We already have a number of corridors identified, both road and rail—it is not looking at rail or road in isolation. The DfT, Highways Agency and Network Rail are involved, including within their route studies, particularly Network Rail, the corridors that we have identified. I can give you some headlines, such as the fact that 60% of all the goods from the West Midlands end up in the East Midlands, although we talk about the exports from the West Midlands, and how it is the largest exporting region in manufactured goods in the country. So it is critical that we get that linkage; we are talking about 10 million people. One thing that we have not talked about is the fact that in the next 20 years we are expecting a 10% increase in population. So not only are we looking to grow businesses—as Sir Richard Leese said, we concentrate on passenger traffic, but it is very much about freight as well. The whole thing will start closing down on itself, and the idea of Midlands Connect is to get some of those connections upgraded.

Now, as for where we look for the cash, we make the business case for them and then we will look wherever for the cash. We talked earlier about the potential to raise funding from sovereign wealth, but we have been talking to the Government about the potential to extend enterprise zones, where it is on business rate uplift, or even the potential of supplementary business rates. But then we would have to talk carefully with Mr Blackett and businesses about that. It is key that we get those connections in. With 60% of our freight going to the east, it takes us an hour and 45 minutes to get from Birmingham to Nottingham. Do I need to say more? It is ridiculous. I know that we are talking about Leeds and Manchester and 42 minutes—but it takes an hour and 45 minutes to get from one of our core cities to an adjacent core city.

Q163 Lord Rowe-Beddoe: Thank you. The Chancellor launched a report recently and went on to say that the east-west connections were integral to making HS2 a success. We took evidence from the Mayor of Liverpool a week or two ago, Mr Joe Anderson. When he was asked if he had a choice between HS2 and HS3, he said that he would go for HS3, if that was the final choice. Would you care to comment?

Jerry Blackett: I do not think that, from where we sit, that bit of east-west would be a priority for me. Getting the north-south bit in is the priority. Now we are exploring how we exploit the east-west piece of the HS2 extension, and then the local connectivity to that. You need both, but I would not prioritise. From where I am sitting in the Midlands, you cannot do the east-west investment without the existing HS2 investment. That is really what is opening up the

east-west for us, when it goes over to Nottingham. I am maybe missing the point of your question.

Lord Rowe-Beedoe: No, that is an interesting point. But the Mayor was quite clear that that was his choice.

Chris Tunstall: I think, with respect, that probably the question was wrong. The question for me would be, “Would you prefer HS2 coming to Liverpool or HS3 coming to Liverpool?” Liverpool’s stance is that they want that extra 20 kilometres or whatever it is to connect up. If he was looking at the benefit of getting his goods out from the port to the rest of the country, going south through the Midlands and further south down to London, I would say, although I have not got any figures to back it, that I would have thought that there was a far better economic case for his port than just the connection going east-west.

Lord Rowe-Beedoe: Actually, he was talking about Hull and Newcastle, as I recall. There is one other thing that I would like to move on to, which we have not talked about at all. In our earlier sessions, talking about station to station, we have had lots of comments to the effect that, “Well, what does that do for me, a businessman whose business is 10 or 20 minutes from the station?” A private individual submitted evidence who said that it took him 75 minutes to get to Euston by Virgin trains from his local station in Lichfield. Although he lives less than 20 miles from Curzon Street, the door-to-door journey to Euston will now take him 100 minutes. We have not really addressed that at all. Would you like to comment?

Chris Tunstall: That comes back to the point that we were making earlier, that this is not a question of putting in HS2 and then reducing services elsewhere. I mentioned Wolverhampton and Coventry; Lichfield is exactly the same. We would expect those services still to remain, so it is horses for courses. It is about how he would benefit and his particular needs for getting down to London. We would expect those services to remain. This is not about taking existing services off.

Jerry Blakett: We should remind ourselves that, eventually, the line is full. We need some new railway line. I do not think that anybody is now denying that we need to build some new capacity. Chris made the point earlier that when we build new capacity we release capacity from the classic network. Clearly, we have not got that message over to the person giving you evidence. That is an example of the work that has to be done.

Q164 The Chairman: To what extent will the interchange times between Birmingham New Street and the new station at Curzon Street reduce the saving of time in travelling between Birmingham and London? Secondly, what additional investment is needed to link the two stations? Is that included in the £50 billion or is it further funding that you will have to raise?

Chris Tunstall: We have a scheme called One Station that has gone through the LEP and is part of the £130-odd million approved as part of the first tranche of the local growth fund. That will be improving the connectivity; to be honest, it does not improve it significantly in terms of time but it certainly improves the environment. Anybody trying to get from the existing Moor Street to New Street knows that they have to go through what is known as the bus tunnel, or you walk up and over the Bullring. To my mind, this is very simple. What is the extra distance? It is physically just the walking distance between New Street station and Curzon Street, because you would still have to change platforms and so still incur time penalties when you change trains. That sort of time is about 10 minutes, on average. Obviously, if you have mobility impairment or something like that, it could be an issue. But we know, having looked at Walsall, that if you want to get from London up to Walsall and have to change from Curzon Street to New Street, you would still save 25 minutes on the current journey. It would be normally be 35 but with the travel delay that you get by having to walk in between, you would still incur about 10 minutes delay.

By far our biggest concern, and it is a massive concern, is the approach between HS1 and HS2 and the link, because here we have a great opportunity. I have been in highways and then, more latterly, gone into transport. My home town is Bradford and I remember year upon year of Exchange Station and Forster Square Station wanting to be linked, and they were not. Our forefathers had not thought it through. They had not put the link in, and here we are, doing exactly the same thing. We have lambasted what was, effectively, a very good rail network that we are still using today but which has not been upgraded. We have not done that with our road network; we built motorways. Can we realistically imagine the volume of traffic and so on using the road network that existed prior to motorways? But we have done that with the railways. Our forefathers made very good railways for us but one flaw was that they did not make the connections. That lack of a link will give an hour's penalty for anybody coming down from the Midlands or the north who wants to go through to the continent. It would still make short-haul flights to the continent more attractive than the more sustainable and environmentally friendly rail travel. That is a big concern for us.

I know that at the Department for Transport, the Minister has asked for further work to be done but our worry is that his further work will leave people walking down Euston Road. It may seem fine if you are coming down from the Midlands and the north for you walk down Euston Road with your bags and your kids! But of course if you are in London, you do not go to Euston but straight to St Pancras. Why would you possibly do that instead? But if you are coming from the north, you have no choice, unless you come down on the east coast.

The Chairman: Thank you. The second part of my question was: to what extent does additional investment need to be made and is that included in the £50 billion?

Chris Tunstall: No, it is not included in the £50 billion. We are looking for the additional investment out of our local growth funds or out of our own funding. We have enterprise zones within Birmingham at the moment and we are using the business rate uplift to fund capital investment over the next 20 years, so there might be funding from that.

The Chairman: What do you estimate the total additional cost to be?

Chris Tunstall: For that particular scheme, One Station, it would be £10 million.

Q165 Baroness Blackstone: You have put a lot of emphasis on capacity constraints. Some commentators would dispute this, apart from a very short peak period at the beginning and the end of the day. Can you put a bit more flesh on your claim that there is a serious capacity issue for Birmingham?

Chris Tunstall: We have to start from the premise that we are not talking about having High Speed 2 tomorrow. We are talking about an infrastructure project of the kind that, unfortunately, this country has a panache for taking as long as it possibly can to build. We are talking about it being 2025 or 2027 before it will come into use. If I can give you some figures; as I say, I do not want to start going over whether we are 90% full because individual trains might be 100% full—and if you go at midday, you might find that there are loads of seats and that it is just a matter of people deciding when they travel, although if you are in business that might be a bit harder. But if you were to look at the West Midlands on its own, you would see that we had 100% growth on our rail network in the last seven years, from 2005 to 2012. There was 100% growth in the same period as the recession. In fact, within public transport buses bumbled along and went a bit lower while car traffic dropped but has now come back up to pre-recession levels, and we are still 100% more for rail.

Jerry Blackett: Which is about twice as much as the UK average.

Chris Tunstall: It is twice as much as the UK average, so I could debate all day about having trains where some are full and some are empty. But if you just look at the figures, if in the past seven years we have had 100% growth, what are the next seven years going to bring? If you go further back to 1995, we have had 220% growth from then up to 2012. So this is not something that has just occurred in the last five or six years; it has been growing over the last 20 years, during a recession. We are getting to a point where we need to do things. We are trying to improve the network; we are putting longer trains on. We are putting on more trains when we can but the network is very full. It is a very inefficient line with its slow stopping, its freight and its fast trains. We are taking some first-class carriages out from some of the Virgin

services. We are trying but all this is only a stopgap measure. The real change will occur when we get High Speed 2 in, which I think will give us an extra 3,500 passenger places an hour.

Q166 Baroness Blackstone: How do you explain this very high level of growth over the past five years and, indeed, over the period before that? If you can understand the cause, you can perhaps make more reliable projections about what might happen in the future, whether it is going to flatten off or whether it is going to go on increasing at this rate. You cannot do that without some understanding of the causes.

Chris Tunstall: You are perfectly right. To be honest, I do not know the cause of it. I know, anecdotally, that people are fed up of travelling on overcrowded trains and are coming back to the car. There is a demand to travel—notwithstanding everything else, there is a demand to travel because people are travelling. I actually do not want them to travel in their cars; I want them to travel on public transport, to walk and to cycle. I want to do things that are more sustainable and environmentally friendly. I accept what you are saying, but over 17 years, we have been the highest-growing region, at 220%, even outgrowing London. If you look at London over the same period, it is 100%, yet we invested in Crossrail and are looking at Crossrail 2. If you look at investment over the past 25 years, anecdotally—I do not think that the DfT would put these figures on the table, but it has done a calculation—£40 billion has been invested in London and the south-east and £12 billion has been invested in the rest of the country. If infrastructure is not a big issue, if you do not need infrastructure for growth and wealth creation, why have we invested so much in an area that we know is performing exceptionally well? It just does not correlate if that is not the case. The argument is that there is a real need and demand for travel, and we need to supply that demand because we know that if it carries on at the current rate we will run out by 2024.

Q167 Baroness Blackstone: You mentioned taking out some first-class carriages to increase capacity. What about longer trains? Is that a partial solution at least?

Chris Tunstall: It is a partial solution. In fact, we are lengthening some commuter trains. There has been a recent announcement of new trains for the London Midland franchise and that will include some longer trains. Believe it or not, I come down from Durham to the Midlands on CrossCountry, and it never ceases to amaze me that it can have six-carriage sets running on the CrossCountry line off peak and then on peak, when everybody is standing, there are only three carriage sets. I have asked the question. I think some of it is to do with the franchising arrangement. It is loath to invest when it gets close to the end of its franchise. Which is an issue in terms of putting longer trains on. There is an issue about station platform

lengths, but that is manageable. We have all been on trains where we have to move down the carriage. It is not ideal, but it is manageable; it is a stopgap, not a solution. It is a short-term solution.

Baroness Blackstone: You mentioned Liverpool as a port city and freight. Is there a constraint on freight moving north-south or east-west?

Chris Tunstall: Yes, certainly north-south. The lines are now effectively full. Most of the freight has to be moved at night, which is not a problem, apart from the fact that most of the maintenance needs to be done at night as well, particularly where you have only two lines. You have a real problem there. It has constrained freight to an extent, but what tends to happen is that freight then redistributes itself on to the road network, so we get freight clogging up the network. Mr Blackett mentioned the toll road and private investment in that. That was meant to take the strategic freight—through freight—through the West Midlands, starting and finishing outside the West Midlands. We find that there is still a ratio of five to one. There are about 10,000 freight vehicles on the M6 and only 2,000 on the M6 toll, and price is a prime determinant of that. The conflict between passengers and freight prohibits the movement of freight, particularly where you have lines with high-speed trains because they are not compatible.

Baroness Blackstone: So HS2 would be a plus for you in the longer term because it would release conventional lines for freight.

Chris Tunstall: It would release conventional lines for not only freight but passengers.

Q168 Lord Shipley: Mr Blackett, you said in your written evidence that the construction of a new HS2 station would be a catalyst for a major redevelopment of Birmingham. It has the potential to be on a similar scale as the Kings Cross-St Pancras redevelopment. With the scale of what you are planning, how have you costed in the disruption that construction of HS2 will cause in Birmingham?

Jerry Blackett: The disruption is a serious concern, and we are already addressing that through the structures that we have put in place. We have regeneration companies in place to plan the Birmingham station and the airport/NEC station. There are discussions with the Secretary of State at the moment. We have something in Birmingham called the Saltley viaduct that is a critical path for our buses to get into our city centre. The risk of our redevelopment is that that bus service will be severely disrupted, and that is a problem for us. I take comfort from the fact that we are addressing those things seriously now and as part of the hybrid Bill process are trying to get some certainty that the Bill will be as intelligent as it can be about managing the disruption. However, having been in business in Birmingham for

some 12 years now, in my time we have built the Bullring, which was a pretty disruptive event, we had to widen the M6, we have put in active traffic management and we recently closed and re-established the tunnels, so we have a track record of managing big infrastructure. You might even say that the Olympics were an example to the rest of us that we can do big projects well. I think our appetite is that we see the bigger prize and we will manage our way through the inevitable short-term pain, but there is a lot of work going on to deal with it, to my satisfaction, at least. It is not being at all dismissed as an irrelevance. It is a serious point.

Q169 The Chairman: Mr Tunstall, you mentioned trains being empty and trains being full. The airline industry seems to be pretty effective at using dynamic pricing to fill seats. Do you think there is a lesson that can be learnt by the rail franchisees which would improve the distribution of passengers across the whole of the day to fill up trains? Are they missing a trick?

Chris Tunstall: I think that we are getting there. At the moment, it is fair to say that we have not got as far as we should get. If you look at tickets now, if you are prepared to fix your train, as opposed to an open ticket, if it is a peak train, you will pay slightly more than you would pay for an off-peak train. If you book well in advance, just like on planes, you will get a reduced price, and the nearer you get to the day of travel, the more those prices increase. So I think that we are getting there. Having said that, I have been on a Durham Cross Country train mid-afternoon/early-afternoon, and that has been crowded as well. In fact, to be fair, I have yet to see a train that is not overly crowded. The problem with that service is that it is the only direct service to Birmingham; and it takes three hours!

The Chairman: Are you surprised that the modelling that has been done for HS2 assumes that the fares will be the same as on the classic railway?

Chris Tunstall: I think that that is right. There has been a lot of debate and speculation about whether this will be a rich person's train and whether you will pay premium fares for it. The fares on the Virgin Trains West Coast Line have gone up significantly, and that is supply and demand. At the end of the day, you will reach a scenario that if you do not release some additional capacity somewhere, the price of tickets will go to such a point that you will force a lot of people off the railway because it will be just too expensive.

The Chairman: Mr Tunstall and Mr Blackett, thank you very much for joining us today. You have given very helpful answers.