HOUSE OF LORDS

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The Select Committee on Economic Affairs

Inquiry on

THE ECONOMIC CASE FOR HS2

Evidence Session No. 15 *Heard in Public* *Questions 170 - 181*

TUESDAY 25 NOVEMBER 2014

1.30 pm

Witnesses: Councillor Jon Collins, Peter Kennan and Simon Green

Members present

Lord Hollick (Chairman)
Baroness Blackstone
Lord Griffiths of Fforestfach
Lord Rowe-Beddoe
Lord Shipley

Examination of Witnesses

Councillor Jon Collins, Leader, Nottingham City Council (representing High Speed Rail Eastern Network Partnership), **Peter Kennan**, Vice-Chair, Sheffield Chamber of Commerce, and **Simon Green**, Sheffield City Council

Q170 The Chairman: Councillor Collins, Mr Kennan and Mr Green, I welcome you to this meeting of the Economic Affairs Committee inquiry into HS2. It was very good of you to come and join us today. Perhaps I could start off with a fairly general question. It would be helpful to hear from you why you are supportive of the HS2 concept in general. It would also be helpful to understand what your reservations are, in summary, and then we can get to some of the more detailed questions.

Cllr Jon Collins: Thank you. I suppose the answer falls into three areas really. I think the most important aspect of it is very much around what we see as the economic benefit. Certainly, the work that HS2 has done directly indicates that the economic benefit of HS2 for the east Midlands is likely to be among the greatest of any of the benefits related to any single station up and down the Y route. But, more fundamentally, it is that sense of being able to have greater connectivity between northern and Midlands cities, which I rather suspect we see as fundamentally about helping to rebalance the UK's economy, so faster connectivity, the ability of businesses and business people to connect more quickly, the additional capacity and the opportunities that that brings will, we believe, have a significant impact in helping to promote economic development in the Midlands northwards.

On our reservations, HS2 genuinely has to be in addition to continued investment in the classic network. We need to make sure that the connectivity between HS2 and local communities is right. We also need to make sure that the benefits and opportunities that HS2 brings are closely connected to local communities. Taking all that into account, our commitment is to make sure that locally we get right the issues of connectivity and linking local people to those opportunities, but overall we see this as a huge benefit and as having huge potential.

The other thing I would say is that looking at it the other way, what happens if we do not get HS2, if the investment is not made, or if indeed it is made in a partial way so that the HS2 western link continues but the eastern link does not? Our perspective on that would be that it would not just be a huge disappointment but would, we think, fundamentally undermine the economy of our part of the Midlands and the eastern side of the country. The connectivity up towards Sheffield, Leeds, York, Newcastle, and then potentially up to Edinburgh, has huge economic benefit. Miss that out of the network, though, and have it simply running up the west side of the UK and a huge amount of economic potential is lost. Significantly, I do not think that such an outcome would have the same overall benefit or make the same contribution to helping to rebalance the UK economy, which I know has been a significant part of the case that is being made by HS2, but also, fundamentally, by the core cities and big cities in this country.

Peter Kennan: Thank you. I have been in Sheffield all my professional career. My day job is a chartered accountant. I have worked in the city for 35 years. The research that has been done by the local authority, the passenger transport executive and Sheffield city region points to significant economic benefits from HS2, particularly in job creation, which will lead to more stable finances in local rates revenue. We think there are significant benefits during the build phase. Sheffield is a major engineering and manufacturing centre, which offers opportunities to benefit from the development. That will very much ripple out to Doncaster, which is a big railway town.

We know that the rail network in our area and in other parts of the region is close to capacity at this point, and we need serious investment in capacity to enable us to further regenerate the city and the region. Sheffield is the fourth largest city in England, but people tend to forget it. It tends to be the forgotten city, perched as it is up against the Peak District National Park, and is completely divorced from Manchester because of the national park. The whole essence of HS2 should be to generate significant benefits for us along the way.

In terms of our reservations, we are very concerned that the Y route may be abandoned. That is a serious concern. We are very worried about the cost and the existing design—you may wish to hear later about the Meadowhall versus Sheffield city centre discussion. Alternative proposals have been tabled for high-speed lines at less cost and we know that the Committee has had written representations on those as well. So I guess we have serious concerns because of those sorts of issues.

Simon Green: I should like to add to that briefly. I think the crux of the issue with regard to HS2 is that although we fully accept that it is needed and fully support it, we should not see it in isolation. We see it as a bigger concept than just running a railway line between London and the eastern or western leg via Birmingham. I think it was the OECD that said that transport connectivity is the second most important economic stimulus after skills. It is important to bear in mind that this is not just about transport but about skills, regeneration uplift et cetera. I think that was proven last week with the ITC report that was published with regard to the regeneration uplift. It has to be viewed as a catalyst but not as one catalyst on its own. Others have to be forthcoming and built around it, or it has to be built to complement existing packages of investment in the Midlands, the north and then further north and into Scotland in later years. Notwithstanding specific reservations about geography, I think the big reservation is that some people's perception at present is that this is just a transport project. That perception has to shift more towards economics and regeneration.

Q171 Lord Rowe-Beddoe: You touched on Meadowhall. I would very much welcome your views. We know that the Leader of Sheffield Council is very critical of the fact that Meadowhall seems to have been chosen as the HS2 station. Could you also say, if the decision to put the station in Meadowhall was finally confirmed, whether you would continue to support the project?

Peter Kennan: The decision at the present time of HS2 Limited to site the station in Meadowhall seems to be based on the journey time extension to Leeds and further north, which has been quoted by Sir David Higgins at six minutes. He says that he will disadvantage the north-east compared to the north-west by routing the route through the centre of Sheffield. We think that things are moving on. There has been a lot of discussion of late of economic benefit and the Treasury models used to reach decisions about the route through Meadowhall. The key point, as you have already heard, is that city centre stations are vital to maximise the economic potential of HS2. I do not labour that; I think that you have had evidence on that subject. That means that knowledge-intensive industries will cluster around city centres and be aided by HS2. We are concerned by the Meadowhall location because it is well out of the centre of the city. Manchester and Leeds will be put at a competitive advantage by having city centre stations on HS2. We have seen reports about the advantages for growth and jobs of a city centre station. The latest study undertaken on behalf of Sheffield City Council pointed to at least 6,000 extra jobs being created by location of the station at Sheffield Victoria. Those jobs are well paid, particularly as it encourages financial, professional and business service jobs and creative and digital industry jobs. It is viewed that those jobs would create £5 billion of additional GVA over a 25-year period, with significant extra business rates revenue of £530 million over that period. The thing that is moving is all the discussion about Northern Powerhouse, One North and rebalancing the economy. If we are going to have a strategy to close together Manchester, Leeds and Sheffield as a northern powerhouse, we need a railway station in the centre of Sheffield that will provide a high-speed service to those cities, not one that is situated well away from the main business area. It must be in the area capable of generating the most additional economic activity. Therefore, it seems strange that we may end up with a situation whereby we have a high-speed railway that does not start in the actual city, which travels to Manchester and Leeds. It would make economic sense to me and all those in the city to have a railway that starts in the centre and goes to those places, connecting directly into HS2.

Lord Rowe-Beddoe: I would you like to answer the second part of my question. Would you still support HS2 if the decision was to put the station at Meadowhall?

Simon Green: The short answer to that is yes, but there are caveats in that. We have always recognised and welcomed HS2. As I said earlier, it needs to be expanded, but the concept is fine. We welcome HS2 Limited using Sheffield for a station location and, if that is Meadowhall, ultimately we will work with Meadowhall. However, that would be a missed opportunity, and that is the crux of it. The economic pie can be made so much bigger and better and linked into so much more by having the city centre chosen as the station location, with an increase in job numbers and regeneration uplift, as well as an increase in the city's regional connectivity. It is important to stress here that it is not just a south Yorkshire old concept—it is about Sheffield city region. That goes to Chesterfield and the Derbyshire dales as much as it goes to Doncaster or Barnsley. People have to get their head around that concept, rather than thinking of it just as a south Yorkshire asset. More importantly, as Peter alluded to, accelerating up the line—if I can use that analogy—has been the arrival of HS3 or One North or east-west connectivity, whichever title you want to use. It is very much that point about those core three cities, Manchester, Leeds and Sheffield, and how best you connect them—then, ultimately, to Liverpool, Hull, Newcastle and down to Nottingham on the HS2 route. It is about having that critical mass. Within that, with regard to connectivity, if a station is within the city centre we already have the connectivity built into Manchester, Leeds, Nottingham and the other towns. Other public transport routes and the car-borne journeys are already in there in terms of infrastructure, thus serving a central node rather than having to reinvent a transport node, which we feel would be a lost opportunity at Meadowhall, a physically constrained site at present.

Cllr Jon Collins: This is very much an issue for Sheffield and the Sheffield city region. All I would say is that from our perspective the east Midlands hub is a parkway location between Derby and Nottingham. In our particular case, that maximises the regional economic benefit, and it is certainly supported by Nottingham and Nottinghamshire, Derbyshire and most of the local authorities in the east Midlands. Our interest is very much from that point, in ensuring that we get the connectivity right back into Derby and Nottingham but also local connectivity up and down the line. I make the point again that this cannot be at the expense of the existing classic network. From our perspective, we are interested in exploring ways in which the high-speed line can be integrated effectively with the classic network as well, so you get those additional benefits. That brings in a number of communities that are on the classic network but would not be served by HS2. The only final point that I would make is on onward connectivity northwards and southwards. As far as the north is concerned, adding minutes to the journey time would, from our perspective, be seen as a negative. However, the connectivity benefits direct into the centre of Sheffield would be a positive.

Q172 Lord Griffiths of Fforestfach: One problem in coming to any assessment on the subject is that we hear conflicting evidence. We listen to yourselves and we hear your excitement—as we did this morning with other people from the west side and the Midlands—about what could happen as regards jobs and skills; that it is not just about transport; and that it is go-go and terrific. Then we take evidence from other people. For example, last week we had a French man who was very knowledgeable about TGV and so on and its impact in France. Frankly, he was sceptical and said that he could not really say what impact it had really had. We also had an academic man, Professor Venables, who said that this was really a punt. He said that it is an informed act of faith. I can see that if I was in your position I would want to put a very strong case but what is the real evidence that this will lead to a rebalancing?

Simon Green: There are two aspects to that. The first is with regard to how you measure the rate of return on investment in any large-scale strategic infrastructure. If you put two business nodes together to make it quicker, and connectivity better between the two, with all the other things that we have just mentioned, nine out of 10 economists would say that that would increase economic interaction, agglomeration—especially from a pan-northern perspective--competitiveness, value-added, productivity and so on.

If you could look back in history and ask where we would be now without Victorian railways, it would be interesting to see the return on investment criteria for city centre to city centre that was used at the time—perhaps Mr Brunel or The Great Western could answer that. In addition, it would be interesting to look at the 1950s and 1960s in terms of the motorway network that was put in place. I think that there was a different mindset, which said, “It is a public good and the public will fund it”. There was less adherence to return on investment and payback.

That brings us to the second point in answering the question: what is the period of time that we are measuring success through and by? We have taken a look at what has happened in France and Belgium and in Holland. The ITC in particular has led the way on that. They have all said that it is beginning to work, and it is beginning to work better in some cities than others. Antwerp perhaps over Liège are two examples that I know of, and there are different reasons for that. It is the gestation period of the impact that comes.

Bearing in mind that it is 130 years since we have had any major physical rail investment north of Watford, if you will pardon the expression, if we were to take a 130-year payback vision, it would be enough said in terms of the enormous uplift that you would have. It is crucial to bear in mind that you will not see the economic benefits overnight or in two or three years. The more you can preload it in terms of station preparedness and infrastructure preparedness, the faster the catalyst will work. It is important that you look at this as a major once-in-a-100-years opportunity for infrastructure investment. It is not a payback of two, three, five or 10 years.

Peter Kennan: You said that you heard evidence from the French man, Emile Quinet, last week. One of the key messages that came out of that evidence was that it is difficult to judge the economic return on a project. One can set models but it is very difficult to judge. The evidence mentioned that the best chance of a return was to use city centre locations because the chances of an economic payback declined without the city centre locations. We all know that it is very difficult, with a blizzard of statistics produced by different reports, to know the answer. We know that it is a project that is needed to improve capacity because capacity on the rail network is limited. We know that there is a significant cost to it but we must take the opportunity of trying to maximise the return.

Q173 Lord Griffiths of Fforestfach: Let us assume that you would do better at convincing people if, instead of Meadowhall, there had to be something in the city centre of Sheffield as well. If that was successful, to what extent do you think that you would then simply be attracting people into Sheffield from outside Sheffield rather than adding a net effect?

Peter Kennan: I understand the question. One has to be careful in the analysis of data, but the studies show that all councils within the city region of Sheffield will get a net job increase from this. Because there is a ripple effect, you create a powerhouse city and people access that city and need their local services in their own location. So there is a net increase in all areas, according to the study.

Cllr Jon Collins: If you look at the models that government approve to make comparisons of the economic benefit for transport projects, the facts and figures are there. It shows that across the whole network a 2.6:1 return on capital investment for the whole HS2. For the eastern leg it shows a rate of return of 5.6:1. That is much greater than the average and certainly greater than on the western route. Perhaps I should put the question back to you: the Government have a record of investing in infrastructure projects. They have in the past made decisions on Crossrail 1 and on Thameslink. They are now trying to make a decision on future airport capacity. You could make the same case there: how could you prove that it is going to be of economic benefit? In addition, the promoters of those projects, some of which have already been completed, would have to resort to the same model with the same justifications and the same arguments. Those projects are happening and there is a consensus, but there is not the same level of challenge.

It is interesting that this is a major project about connectivity outside London to the Midlands and the north, and, quite rightly, it is receiving a huge amount of scrutiny because it is a significant amount of money. In fact, similar amounts of money have been spent on infrastructure projects in and around London. But they do not get the same amount of scrutiny. You do not get people saying, "Do you know what? I'm not really sure we really need Crossrail 1. Are we going to need Crossrail 2, the additional airport that we could build in the middle of the Thames or a couple of extra runways at Gatwick and Heathrow? Are they really necessary?" I just think that it is really interesting that the level of scrutiny appears to be very different when it is about projects outside London and the south-east.

In terms of potential economic benefit, the figures are significant up the eastern route. They are even more significant if you look to the prospect of driving HS2—probably it would be the most cost-effective way as well—through York to Newcastle and, if there is a commitment to go to Scotland, the shortest route is up the eastern leg to Edinburgh. That will touch centres of population and city regions will be linked. You are talking about the agglomeration effect for a huge part of the UK economy.

I know that the Government have kind of moved away from saying that this is about journey times. Then it became about capacity and now there is very much an emphasis on the economic benefit to the Midlands and, particularly, the north, as a counterbalance to London and the south-east. Just from Nottingham's perspective, the journey time benefits are huge. It has taken me two hours to get here on a two-carriage train. We do not get Pendolinos and things like that between the main cities. At the moment, Birmingham is one hour and 20 minutes from Nottingham: it would be 19 minutes on HS2. Sheffield is an hour away; that would be around 20 minutes away by HS2 as well. It would be 36 minutes to York and Leeds would be 30 minutes. At the moment, it takes two hours and 30 minutes to Leeds on the train.

People get used to the idea that we have an intercity rail network, which is already fast and efficient. It is only fast if you are going to London from any city pretty much. Between cities outside London, it is appalling. I am not saying that HS2 is the answer, but the potential benefits for business people to get to and from meetings, and to be able to do that with a degree of comfort and certainty, are significant. Most of the time, if I go to one of the big cities in the Midlands and the north, it is quicker if I go by car. It is just because I cannot do any work that I do not go by car. It is absolutely a day out of your schedule whereas, realistically, in HS2 times you will be able to do far more. From our perspective in the east Midlands, the connectivity is a major part of the case for HS2.

Q174 Baroness Blackstone: When we took evidence from Emile Quinet, a French expert who had been involved in high-speed rail there, we heard that only a third of the passengers on the TGV are business travellers and slightly over two-thirds are travelling for personal reasons. So I just wondered whether you might be exaggerating the benefits of this investment from a business point of view if those sorts of figures are replicated.

Cllr Jon Collins: Well, travel generally potentially generates income both for destinations and between destinations. From a business person's perspective, the benefits of travelling quickly and reasonably comfortably cannot be underestimated. You cannot do that from Nottingham on the rail network unless you are going to London. It is as simple as that: you cannot do it. You would drive and then you would have the vagaries of whether you were going to get there on time with the challenges of the road network. It is about certainty. I think that a combination of speed and certainty would drive up business patronage. Comparing rail networks that are already of a better standard in France and in other European countries with the kind of network that we have to work with in this country outside London is probably a false comparison.

Q175 Lord Shipley: Can I go back for a moment to the question of the location of stations in Sheffield and the east Midlands? I heard Councillor Collins say that there was broad agreement in the east Midlands about the location of the parkway station. However, I do not really want to pursue that. I want to pursue the issue of Meadowhall versus Sheffield city centre. I thought I heard Sheffield arguing that there was a city-region view that the centre of Sheffield was the correct place. However, I had understood that Barnsley, Rotherham and Doncaster had all been strongly arguing in favour of Meadowhall. Could you clarify that?

Simon Green: For clarification, at present both the Sheffield city region LEP and the Sheffield city region combined authority, which has been in existence since April this year, are waiting for the evidence for each location to be assessed, the evidence being of an equal standard and merit, before they come to a conclusive decision on where the station should be. That is because it is felt that when the original—very laudable and acceptable—work was undertaken by HS2, it was clearly looking at a certain location using certain tools and measurements. HS2's work demonstrated that more wealth and jobs would be created in the city centre of Sheffield for the whole of the city region and not just for Sheffield city centre. However, it felt that on balance, because of cost, it should recommend a baseline proposition at Meadowhall. Clearly, that went against what we felt—as we touched on earlier—was the concept of high-speed rail with its economic, regeneration and social benefits. Since then, a plethora of studies and reports have been jointly commissioned through the HS2 Programme Board for the city region so that we can have apples versus apples and pears versus pears when we sit down and look at the evidence base. That is the current position taken by both the combined authority and the LEP.

Q176 Lord Shipley: I am grateful for that clarification. Could I now move us on to travel times to London? We have had evidence from France that one of the consequences of the TGV was to increase rail trips to Paris more than from Paris. Given the reduction in journey times from both the east Midlands and Sheffield to London, which is in line with the journey times from many places which are now within commuting distance of London—the south coast, Essex and the Thames Valley—is there a danger that HS2 will encourage more people to travel to work in London but live in the east Midlands and south Yorkshire than is currently the case? Might you lose part of your labour force as a consequence of HS2 being introduced?

Peter Kennan: There is a risk that that could occur without careful management. We have seen the financial services sector regionalised over time, with major employers leaving Sheffield and going to Leeds or Manchester, and we could see the same organisations going to London and leaving the regions. Conversely, the shorter journey times would present an opportunity for the Government and the public sector, who have struggled to move people out of London, to get people into the regions. But the key fact is that, with the northern powerhouse and by bringing together these three cities—Manchester, Sheffield and Leeds—to provide that economic muscle, we think that we can compete and actually take jobs away from London in the private sector. At the very least, we would be able to generate jobs organically through the population that we already have. We must remember that we have very strong universities in the cities, with students who enjoy the very high quality of life in our area. We have the Peak District National Park, for example. We will have the ability to retain those jobs if we are able to create these clusters of economic activity.

Cllr Jon Collins: I think that it is a risk as a transport project, but we cannot look at this as just a transport project, it has to be part of a broader strategy for encouraging a greater economic balance between the north, the Midlands and London. Part of the challenge is that London is massively overheating. The cost of doing business in London increases exponentially. The cost of living in London is huge. Increasingly, people in a lot of jobs and professions cannot afford to live in London. The opportunity to live away and do business will undoubtedly be a positive. You can end up either with businesses being established away from London as a result of that, or with people moving away from London and commuting in. If you have more of the workforce moving out of London and then commuting in, at some point businesses will say, “Actually, the cost of us doing business away from London is so much less that it is worth looking to as an alternative”.

Across the rest of Europe, the disparity in economic productivity and potential between the capital and other major cities is much less than it is in the UK. Our case as Core Cities is that part of the reason is that cities outside of London cannot act, promote growth and retain a level of the wealth that they generate in the same way as cities elsewhere in Europe. If you combine better connectivity between those cities with greater autonomy over decision-making for them, so that they can act together, promote economic growth, attract business and create business clusters and specialisms in ways that businesses will find attractive, if they can take advantage of the expertise that we have in our universities, you then get the potential for a positive economic spiral away from London. That is what we hope to achieve and, in that context, high-speed rail becomes very important. If I look at the connectivity benefits for Nottingham, it will take 51 minutes to get to London from the east Midlands hub, but the travel time benefit is significantly less, proportionately, than it is to the other major cities of the Midlands and the north. When you add the potential travel time from the centre of Nottingham, getting on a classic network train from the centre of Nottingham into London, the benefit from travelling on HS2 will probably be about 10 to 15 minutes. In that context, the differential becomes huge if you are trying to get to Leeds, Newcastle, Sheffield or Birmingham, but relatively small if you are going to London. I recognise that that is probably a unique position of Nottingham and the east Midlands, but that is why our emphasis is that the benefits we get from this are predominantly about connectivity northwards rather than the risks that we face from connectivity southwards.

Q177 Baroness Blackstone: Can you say a bit more, for both Sheffield and Nottingham, about what your complementary policies would be? You have all implied that they are necessary to maximise the benefits from HS2, but you have not been terribly precise about them. Could you be a bit more precise as to what you would do and whether you have both the funds and sufficient autonomy to do that?

Simon Green: The last point about autonomy is interesting and very topical at the moment. As I mentioned earlier, HS2 is excellent but has to be seen not as a catalyst in its own right but as one of many catalysts over a period of time to regenerate the Midlands, the north, Scotland and further afield. The devolution of power to enable us as large core cities and city regions has to come. The devil is in the detail, and the speed will vary from city to city, but the trajectory is well and truly under way and has to be delivered. Within that is the context of skills, growth hubs and making our own decisions. Also relevant to HS2, as was touched on earlier, is how you accelerate the growth that it will bring. Then there is HS3, HS4 and whatever concept there is of the pan-north or northern midland rail, road and airport connectivity.

For me, to accelerate the growth, we need to say, in the case of Sheffield, if we have a city centre location, the economic pie is larger, so how do we ensure that connectivity to all the towns around us is enhanced speedily, so that they can access that employment opportunity, rather than be disconnected? I cite as an example some of the towns in eastern Lancashire, which are geographically closer to Manchester but in terms of rail connectivity, further away than Sheffield from Manchester at present. It took me 55 minutes to come over this lunchtime. Because of that poor connectivity, they have lost out on Manchester's growth for the past 20 or 30 years. That needs to be addressed as a matter of urgency. To accelerate that, we are already talking to London and Continental and HS2 about an urban development company—I use that term; clearly it differs from the old concept of UDCs but it gets the point across. We are looking at a single land development organisation to accelerate development in and around the station location. So a whole package of economic and social factors is already in play.

Q178 Baroness Blackstone: What would your response be if a future Government were to say: "We have invested £50 billion in HS2 and all the cities in the north said they want it. It was meant to generate a lot more economic activity. We haven't got any more money now to give you to fund these other things that you want to do"? You said that you were worried about cost, so I just want to push you a bit on this.

Simon Green: I will be brief to allow colleagues to answer on that as well. It has been very clear so far that the HS2 budget of £42 billion, at 2011 prices, is there to put in the core spine, the core infrastructure. As yet, it does not include the connectivity and urban development necessary around station locations. We as a city council have been working with HS2 and LCR, and they are well aware that we are prepared financially to commit to enable the acceleration of station development and infrastructure around the station location. That is one way that we are doing that, and that is based on working with things such as tax-incremental finance models, earn-back models, which I know both we and Nottingham have already with regard to the TIF.

Cllr Jon Collins: I totally endorse what Simon was saying about economic freedoms and the importance of allowing cities the autonomy to raise finance and invest. In particular, we would argue strongly that we should be allowed to retain for further investment some of the business finance benefits of the growth that we believe that HS2 will bring. What specifically are we looking to do to take advantage of the east Midlands hub? First, we are looking at the potential regeneration benefits of the immediate location. What kind of regeneration will we want there? How can we make sure that there is appropriate accommodation and opportunities for business that would significantly benefit from being located close to high-speed connectivity? We need to make sure that we get the connections right to east Midlands Airport, which is not too far away and, obviously, the motorway.

Fundamentally, we need to get connectivity right back into Derby and Nottingham, because Toton is right on the edge of both cities. We need to make sure that there is rapid connectivity to the centre. That is important, but there is a degree to which we always assume when looking at journey times that everybody starts at the city centre. Actually, for large numbers of people and for significant parts of business in and around Nottingham, they do not. Travelling into the city centre to start a journey is potentially as onerous as travelling to a parkway station in Toton, for example, to start a journey. We also need to be clear about complementary connectivity to some of our smaller communities in and around Toton, Derby and Nottingham: northwards up to Chesterfield, for example, but also the Erewash and Amber Valley communities. We also want to get a consensus view about where we want housing growth in those areas as a complement to the economic growth that we think that the station itself will bring.

Finally, as part of the east Midlands element of this, there is the potential for a maintenance depot at Staveley. That is another important development linked to HS2 from our perspective. There, we want to make sure that we capture those jobs for local people. Having the ability effectively to direct funding for skills, to ensure that the appropriate skills are developed and that the appropriate employment opportunities are available locally is a significant part of what we see as the complementary work that we want to undertake to ensure that HS2 is a success. Do we have the money? No, we do not have the money at the moment. Do we think that we should benefit from the growth potential and some of the financial benefits that the Government will inevitably get through HS2? We think that we should be able to retain a portion of that for investment. Although I fully accept that £50 billion—or £42 billion, which is the actual price tag for HS2 at the moment—is a large amount of money, it is the equivalent, from now until the point at which it is supposed to be running, of about £2 billion a year, which compares with £9 billion a year’s worth of infrastructure funding spent across the country.

You might take the view that it is a reasonable ask for us to say, "Thanks very much for that, but we also need a little bit of extra investment to make sure that we get the connectivity right. We also need to make sure that the complementary classic network improvements are in place". That would be reasonable, because at the moment 60% of all infrastructure funding for the country is spent in London and the south-east at the moment. We feel that, as that has been the picture for a long period of time now, actually, this is a little bit of funding that is rightly being targeted on and spent outside London for the benefit of cities outside London.

Q179 Lord Griffiths of Fforestfach: This is a very expensive project. It is £40 billion to £50 billion just for high-speed rail. In addition to that, there is extra funding, as Mr Green mentioned, for connectivity. You, Councillor Collins, mentioned complementary connectivity. There is also the issue of urban regeneration. You have all mentioned that you have good universities in all these cities. However—I was 20 years in the university world—the universities need funding as well. So the add-ons just carry on. If you look at the economic outlook from the Treasury's point of view, it is not exactly that we are having growth. On the other hand, in terms of the deficit, the debt and so on, there are problems. If the Government say, "Why do we not think of a scheme which is longer trains, longer platforms, pricing to spread out the load on the trains, greater funding for universities to help them create the small businesses?", would that not be a realistic, viable alternative to what is absolutely the first-best solution?

Peter Kennan: I do not think that that is a solution. We need a high-speed line to improve capacity. Our classic network in our part of the country is saturated. It does not particularly matter whether you run a 10-coach train or a two-coach train; there is no station capacity. Let us take Leeds as an example: it is full; you cannot get a train path through Leeds. Making the trains bigger does not improve the situation. The freight operators cannot get a daytime path across the Pennines to run freight, and we all know that two key points are Liverpool and Hull—Immingham—as docks. It is very difficult to get a path across the Pennines. So I do not think that the solution can be just to enhance the classic network.

The Chairman: If the benefits are so obvious, would you be prepared to increase the precept in your cities to help fund this?

Cllr Jon Collins: Yes, is the straightforward answer. I think that we could make a case that business and the public would be prepared to accept. In Nottingham, we are not afraid of making these kinds of decisions. We are the only city in the country that has introduced a workplace parking levy as a way of funding two extensions to our tram network. Through three elections on the trot, it was in our manifesto. After the last election, we implemented it and, albeit likely to be a few months late, we now have the two tram extensions that we want. It is possible to make that case. However, I am not entirely sure that that would be fair given the balance of infrastructure funding that historically there has been.

The Chairman: You have made that point very well.

Cllr Jon Collins: I know, and I am not going to make it again in quite the same way, but there are projects elsewhere in the country that are as expensive, which, judged on the same basis—that is, using the Government's methodology for judging the economic capital investment—will not generate anything like the same return, but they will almost inevitably happen: Crossrail 2; there will be extra runways somewhere; and no doubt additional capacity in terminals off the back of that. I love listening to Boris Johnson—I think he is great—but when he suggests that £20 billion or £30 billion on a new airport for the south-east is quite a modest sum of money, it gets me thinking that maybe £28 billion, which is the actual cost of delivering HS2, the balance being contingencies, is a similarly reasonable amount of money to be spending on a project that will affect not just the great city of London, great though it is, but six of the other great cities of this country that are, to be honest, in need of the kind of investment that is being talked about here for infrastructure.

Q180 The Chairman: Mr Green, can you imagine recommending to Sheffield City Council that it increase local taxes to seize and pay for some of the benefits that HS2 will bring and perhaps for ensuring that the station was in the city centre rather than at Meadowhall?

Simon Green: I like the word "recommending", being a non-elected member here; I would like employment when I get back to the office. Yes is the answer to that, and I can say that with no caveat. As I mentioned earlier in response to a previous question, we are already discussing financial contributions to a city centre station and the infrastructure in and around that. To respond to the point made by Lord Griffiths, if you are the Treasury and running UK plc, and you had many options and one of them was to do a little bit more than we have already been doing for the past 30 or 40 years, you will not make any seismic shift in the economic performance of UK plc. The time now is to be bold and say, "Sorry, but we are going to have to make some major investments, not costs, to the make the economy of this country not only as a whole more productive but to redress the current imbalance in economic productivity, never mind wealth generation.

Q181 Lord Rowe-Beddoe: I shall put two questions into one, just to cheat. First, so we can include the northern cities in general, to what extent do you think central government co-ordination is required to help deliver the purported economic benefits to the great northern cities?

Cllr Jon Collins: I think that government has a significant role in major infrastructure projects, both in terms of funding and in terms of planning. In terms of promoting the economic development of the major Midlands and northern cities, I think that government would be better taking a step back and accepting that the circumstances in each city or each city region are very different and then trusting local people, local politicians and local business people to make the best of their own individual advantages, unique selling points and economic heritage in many respects, but basically allowing local businesses to get on and boost local economies in ways they feel they are best able to do. It less about government giving us money; it is more about government letting us keep the money that otherwise is collected locally and we just hand back to government. This is not the northern and Midlands cities saying, "Actually, we want charity; we want to be considered something of a special case". If you look at the economy of the UK, the level of imbalance is hampering the growth of UK plc as a whole. The fact that it is so expensive to do business in London and the cost of living is so high there and that it is therefore difficult to attract people to do business in the UK if they have to operate in and around London is cramping the economic style of the country. Let us compare that with the situation in pretty much every other European city, where growth regionally is far more balanced and more even, because their capitals are not the sole centres of economic growth in the way that London is. What you see elsewhere is that the totality is that much greater that the sum of the parts in a way that you do not see in this country. Our message for the Government is a pretty simple one: yes, government's contribution in terms of major infrastructure projects is important, but just as important is the ability of government to recognise probably now is the time to ease back, trust people more, get away from the idea that they need to micromanage what we do locally and give us a chance to shine, because we will shine.

Lord Rowe-Beddoe: I am assuming that Sheffield agrees with you. How would HS2 help you resolve the capacity issue at Sheffield which I am pretty sure you are going to tell me you have?

Peter Kennan: We have serious capacity constraints. We are a victim partly of our topography, which is that the access to the existing station is through difficult terrain—it is a very hilly city built on seven hills. We have the ability, by having a new station which serves HS2 and hopefully the One North northern powerhouse as well, to route certain other train services into that station to improve connectivity. If the station is big enough, we will have services which enter the city from the east and the north-east which can use the new Sheffield Victoria location as a terminating place and therefore relieve capacity on the existing lines. I do not know whether you were given a copy of the rail map of Sheffield which I sent the committee yesterday, but if you get chance to see it, that would be great, because you will see that the Don Valley, where Meadowhall is, has a two-track main line into Sheffield. All services leaving Sheffield to the north have to travel through that two-track main line, and it is at saturation point and there is no easy way of overcoming that problem.

The Chairman: Thank you very much indeed for your answers. It was an illuminating insight into rebalancing both the economy and what central government should do or not do.