

## Written evidence submitted by Centre for Cities (IRP0073)

### About Centre for Cities

Centre for Cities is the UK's leading think tank dedicated to improving the economies of the UK's cities and largest towns and the opportunities of the people who live and work in them, helping these places realise their economic potential. As an independent, non-partisan organisation, we produce rigorous, data-driven research and policy ideas to help cities, large towns and government address challenges and opportunities, from boosting productivity and wages to preparing for the changing world of work.

We focus on the UK's 63 largest primary urban areas, or PUAs, (i.e. the measure of the built-up area of a city) rather than local authorities, given PUAs offer a consistent measure of the concentration of economic activity. We work closely with local leaders, government and business to ensure our work is relevant, accessible and of practical use, and our popular events programme brings together policymakers and industry thinkers to discuss key issues affecting cities.

### Terms of call for evidence

*The Committee is interested in the implications of the Integrated Rail Plan (IRP) for the economy and rail capacity and connectivity. We are particularly interested in receiving written evidence that addresses: (note – Centre for Cities has addressed the highlighted)*

- ***The contribution that the IRP will make to rail capacity and connectivity for (a) passengers and (b) freight in (i) the Midlands and the North and (ii) the UK***
- ***Whether and how the IRP will “level up” communities in the Midlands and the North***
- *How the IRP will affect rail infrastructure and services outside the Midlands and the North*
- ***The challenges to central Government, Great British Railways, regional and local authorities, transport bodies and other stakeholders in delivering the IRP***
- ***How the rail schemes in the IRP will integrate and interact with HS2***
- *How the rail improvement schemes in the IRP were selected, and whether those selections represent equity between and within regions*
- *Whether the IRP represents value for money for UK taxpayers*

### Centre for Cities' response

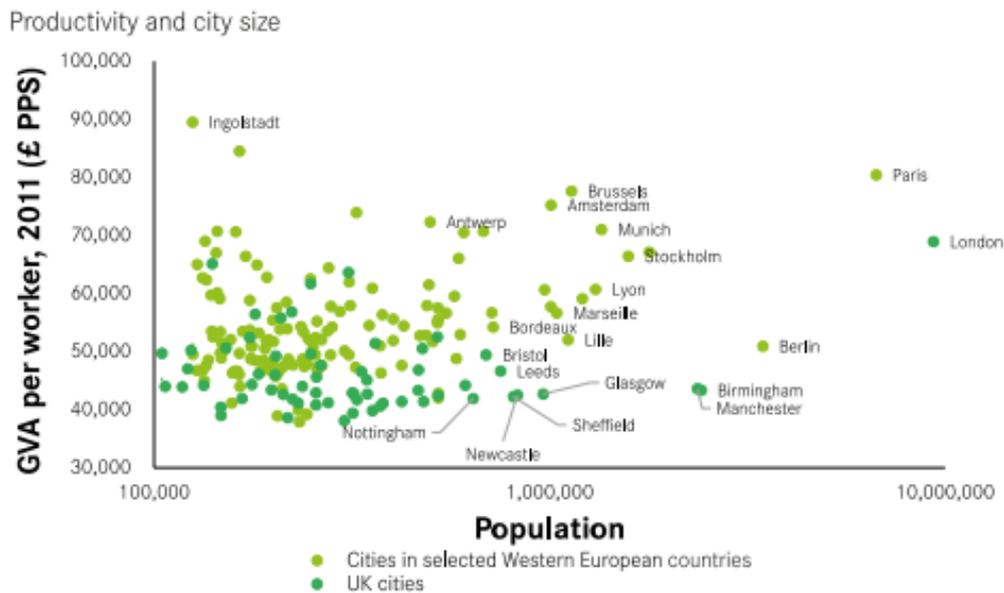
### ***The UK's productivity problem and transport***

The IRP's observation that productivity is the determinant of our future prosperity is a concept which we have [written](#) and [spoken](#) extensively about, focusing on how the national economy has relied excessively on London and the Greater South East for "too long" due to large regional gaps in productivity. [We have long argued](#) that the government's flagship domestic policy agenda of levelling up should focus on improving the economic underperformance of the UK's largest cities and towns, through increasing standards of living and improving each place's productivity potential. In particular, it is the underperformance of this [country's largest cities](#), excluding London, which is driving the North-South divide.

The IRP points out the theory that "larger cities have higher productivity per head than smaller cities, and cities become more productive the more they grow", but that this "is less pronounced in Britain (outside London) than in many other rich countries" and attributes this to our weak city and regional transport systems. On the former point, our research has indeed found that in the UK, productivity does not increase significantly with city size when looking at cities outside London (Figure 1). On the latter, we would agree that a lack of public transport infrastructure is a problem for [the economies of some big cities](#) in the UK. Addressing this will not improve economic growth on its own, but it will be part of the solution in areas where capacity is a bottleneck to city centre commuting.

The government should invest in new transport infrastructure to help suburban commuters reach big city centres. The existing Transforming Cities Fund and the City Region Sustainable Transport Settlements are welcome first steps to address these issues, but there is still some way to go to reach the £31 billion of additional investment identified by the National Infrastructure Commission, for example through raising revenues by city congestion charges. We would also make several further observations on Britain's transport system as per the following sections.

**Figure 1: The relationship between productivity and city size across UK and European cities**



Source: Centre for Cities

### ***The role of transport in the theory of agglomeration***

We would agree with the IRP’s discussion around how the focus should be on city centres and wider city regions for “greater economic benefit”, and that “the relatively poor capacity, connectivity and reliability of the rail network serving the Midlands and the North contributes to more isolated labour markets, less economic interaction between individuals and businesses, and a reduced ability to compete for individuals and firms deciding where to locate.” However, there are several economic arguments at the core of the IRP which we think should be addressed, in particular related to the understanding around the theory of agglomeration.

We would agree with the IRP’s broad observations about how the link between public transport and reaching jobs in the city centre matters for agglomeration. Good urban mobility does not just enable quick commuting, but it increases the number of workers who can access the locations in which their jobs are located, particularly in city centres. The resulting effect brought about by this clustering of jobs in dense places is known as agglomeration, where the exchange of knowledge, sharing of infrastructure and supply chains and matching of workers to firms lead to increases in productivity. This concept is

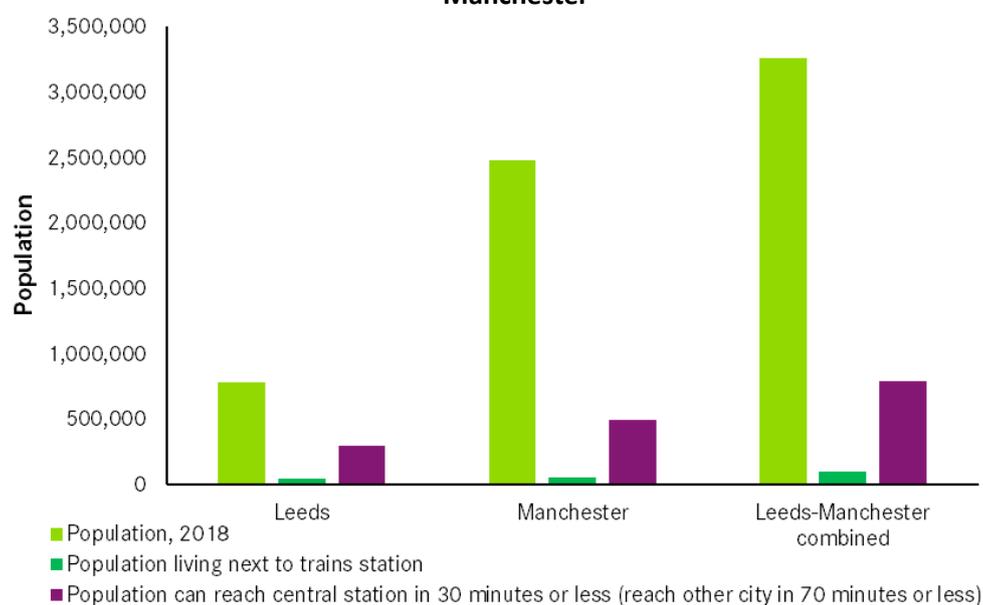
key to unlocking economic growth and levelling up. The economies of scale are also significant, i.e. the bigger the city, the bigger these benefits.

But caution must be heeded over the understanding of agglomeration. Agglomeration is about the concentration of scale, not just sheer scale, therefore notions of creating agglomeration effects across many cities do not make sense.

For example, the IRP notes that “many current rail services between major cities in the Midlands and North run significantly slower than on similar distance journeys in the Greater South East”, and goes on to say that this limits opportunity to realise the economic benefits of agglomeration, when businesses are able to cluster and learn from each other, and people are able to access a wide range of jobs in the same field. The IRP also mentions “...improving agglomeration benefits **between** the two largest Midlands cities” whilst highlighting “... [it will create] agglomeration **within** these cities, and across the Midlands and the North as a whole”. The problem is that this interchangeable use of words misunderstands the concept of agglomeration, as the majority of this activity takes place within cities. It merges the different urban labour markets across the North and Midlands into one single market.

For this to hold people would be willing to commute with these long journey times between cities – the provision of a quicker service in and of itself does not guarantee increased travelling. And for this to happen, they would have to be willing to put up with the extra commuting costs in terms of time and money. There is little evidence to suggest (unlike in the Greater South East) that differences in wages and house prices between cities are so great that people would be willing to do this in any great number. So instead of

**Figure 2: Population data for Leeds and Manchester**



Source: Centre for Cities

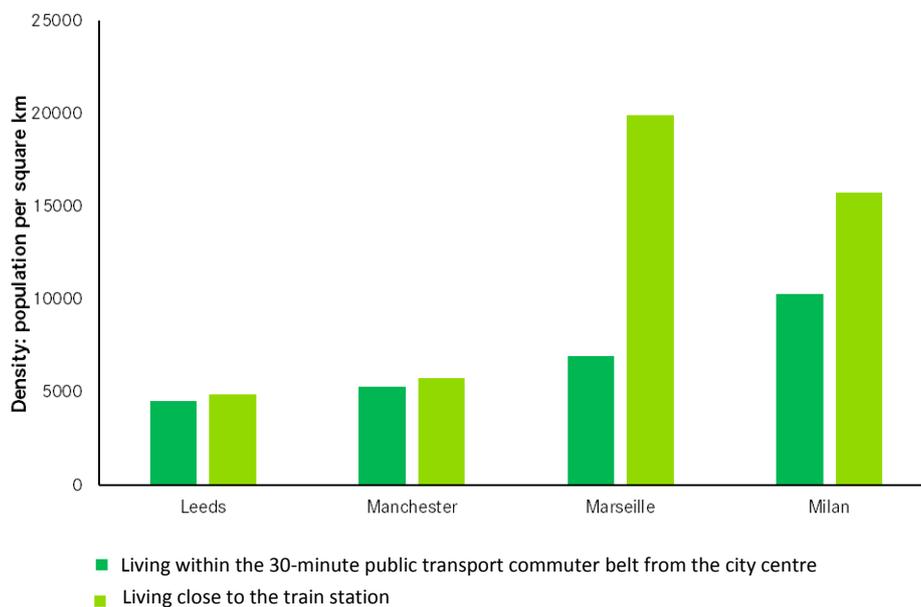
“[reducing] journey times from Manchester to Leeds from 55 now to 33 minutes”, to create “real agglomeration”, transport policy should instead focus on improving local transport links to deepen the pool of workers in commutable distances, not links between city centres, as shown by Figure 2.

### ***Effective size and agglomeration***

The size of the labour pool around our biggest cities is a problem, particularly [compared to large Western European cities](#), thereby stunting the agglomeration benefits they offer. This means that the “effective size” of large UK cities is much smaller than their populations suggest. This is for two reasons. The first is that the area that public transport can cover in 30 minutes from the city centres of large cities is smaller in a number of large UK cities than in Western European ones, although this isn’t consistently the case.

The second is that large UK cities are consistently less dense than their Western European counterparts. This means that not only are there physically fewer people living within close proximity, but it is also easier to sustain a public transport system because demand is higher as a result. Figure 3 shows how densities in Marseille and Milan are much higher than in Leeds and

**Figure 3: Population density of UK and European cities**



Source: Centre for Cities

Manchester, particularly around train stations. In the UK, supply side measures (i.e. infrastructure) cannot boost connectivity alone.

To address this, we propose that planning reforms (such as moving towards a flexible zoning system) to make redevelopment near public transport easier and more certain should be implemented, as well as making new public

transport infrastructure in big cities conditional on the increased use of Local Development Orders (LDOs) by local authorities.

### ***Other forms of transport***

On the point that rail provides the optimal transport solution for large numbers of people to access city centres, it is worth noting that rail is not necessarily the only or “the best” form of transport connecting people with their city centres, and the benefits of other transport modes should not be ignored. We have written extensively on the [importance of buses](#) for providing businesses in cities with access to a wide labour market.

### ***The relationship between towns and cities***

The IRP also commits to investing to improve services of certain towns and cities (Kettering, Market Harborough, Leicester, Loughborough, Grantham, Newark, Retford, Doncaster, Wakefield, Dewsbury, Huddersfield and Stalybridge) in terms of destinations served, electrified trains, higher frequencies, more seats and/or faster services which would have otherwise seen little benefit, or even a worsening in their service. Our [research](#) finds that any economic policy which aims to support towns without considering how their closest cities are performing will be misplaced; towns close to highly productive cities are better at attracting high-skilled business investment, jobs and firms, and they have lower unemployment rates.

### ***Devolution***

On devolution, we would note that the IRP says that “Great British Railways, when established, [and Network Rail in the meantime] will take forward the delivery of many recommendations made within the IRP, and will take a lead role in the integration of these proposals with HS2, Northern Powerhouse Rail and the existing network”. This move to giving responsibility to a state body under central government’s auspices makes sense in terms of having a single point of accountability, however national policymakers should look to integrate regional leaders with the expertise of their local areas into the design and implementation process. For example, regarding the new West Yorkshire Mass Transit System which has the potential to generate agglomeration benefits within Leeds, the Combined Authority should be involved in the whole process in order to sufficiently integrate rail with other modes of transport and implement the System.

Similarly, on financing, the IRP talks about how “as in other light rail schemes in the West Midlands, South Yorkshire, Nottingham and Greater Manchester, we will also expect local taxpayers to make a contribution to the system's capital costs.” We have produced [research](#) exploring how local funding and finance can lead to growth in cities.

### ***The broader HS2 debate***

We have published various pieces of research (examples [here](#) and [here](#)) analysing the economic benefits of HS2. We would reiterate that understanding the primary purpose of the project is key to answering whether it will answer the economic challenges of the North and Midlands; firstly, if it is about improving connectivity, good connectivity alone does not necessarily change the relative benefits a place offers to businesses. Second, while HS2 will of course deliver time savings, there is already a railway in place. On the other hand, if the goal is to improve the economic performance of the North then it will only be successful if HS2 is treated as a small part of a broader package of investment. The focus should be on investment in the skills of local populations via FE colleges and spending on transport within cities.

### **Related Centre for Cities research**

Please see below for more of our research which is most relevant to this debate:

- [Measuring up: Comparing public transport in the UK and Europe's biggest cities](#)
- [Fast track to growth: Transport priorities for stronger cities](#)
- [Building the Northern Powerhouse: Lessons from the Rhine-Ruhr and Randstad](#)

January 2022