

Written evidence from Northern Powerhouse Partnership (IRP0093)

Introduction

1. The Northern Powerhouse Partnership (NPP) was established in 2016 as a business-led organisation that brings together Northern leaders to promote the vision of the Northern Powerhouse, increasing productivity and growth in order to make a greater contribution to the UK economy.
2. Our leadership comes from our members, from the principal business of the North of England alongside representatives of the civic leaders, universities, colleges and wider civil society.
3. It is worth saying at the outset of this written evidence that investment in the rail network in the North is long awaited, and that it is a key part of the wider project to close the North – South divide. The whole purpose of the Northern Powerhouse as a project. The Integrated Rail Plan will in places, specifically the Western Leg of HS2 Phase 2b, make a contribution to improved connectivity, greater capacity and faster journey times. But it is impossible not to compare it to what was promised in terms of HS2 and particularly Northern Powerhouse Rail. Our focus in this paper is on what is missing from the IRP and our hope that the Government will recommit to its previous promises to deliver the programme of investment that the North – and its own ‘levelling up’ agenda – deserves.

The contribution that the IRP will make to rail capacity and connectivity

4. The IRP cancels the part of the Eastern Leg of HS2 that would have had the greatest economic significance and represents a u-turn on the commitment to a new line across the Pennines that was the lynchpin of Northern Powerhouse Rail. As such it falls significantly short of what the passengers today and tomorrow were promised. We have calculated that it adds up to £36bn of cuts compared to what was expected, and the government accept that it is £18bn less for Northern Powerhouse Rail alone than the full proposed network.
5. The Eastern Leg of HS2 was intended to improve the number of seats, frequency of services and journey times from the North East and Yorkshire to the East Midlands, Birmingham and London. Despite the clear conclusion of the Government-commissioned Oakervee Review that these improvements were necessary and of critical importance to the UK, this is where a significant proportion of the cuts have fallen.

6. Another area where savings have been made is in failing to take forward the new line envisaged in Northern Powerhouse Rail from Leeds via Bradford across the Pennines to Manchester, Manchester Airport and Liverpool. Instead, there will be some new rail infrastructure and then upgrades, for example, from Marsden to Leeds, meaning that the promised significant additional capacity will not be unlocked. We submit this will necessitate reduced services to towns like Mirfield and all the intermediate stations from Marsden to Leeds due to the lack of segregation and permanently limit the scope for greater capacity for freight across the Pennines, despite the importance of this corridor in linking ports on the Humber and in Liverpool. It is particularly disappointing that the economic benefits of a freight corridor from the Humber to Liverpool was excluded from the economic analysis.
7. The Government has said that the IRP will accelerate delivery; rather than waiting for what was promised benefits would at least be delivered sooner. But in many cases it is the 'quick wins' that have been cancelled. For example, development work for the project to electrify the line from Hull to Selby has largely been completed, but this has been removed from the IRP. Similarly, re-opening the Leamside Line has also been dropped, which will mean that the benefits of upgrading the East Coast mainline north of York will be restricted as freight services cannot be diverted.
8. Overall, because of the way that major elements of the investment expected to be included have been dropped it neither HS2 nor NPR will be transformational in the way that was hoped for and expected. This will have negative economic and social consequences.

Whether and how the IRP will “level up” communities in the Midlands and the North

9. The decisions made in the IRP will have major implications in economic, social and environmental terms. For example, losing the ability to more sustainably move freight arriving through the Humber Ports and Liverpool onto rail will mean more lorry movements both to and from those locations but also as a result of our continued reliance on southern ports.
10. Critically, poorer transport links across the Pennines prevent a labour market equivalent to the Greater South East being obtainable.

11. Work commissioned by us in advance of the Oakervee Inquiry by Steer ED showed that the Northern Powerhouse Independent Economic Review identified a total prize of more than £1 trillion from raising northern productivity.¹ The key enablers for doing so in addition to education and skills, would be HS2 and Northern Powerhouse Rail, as well as improving local transport such as via a West Yorkshire mass transit system. Therefore, the failure to deliver improved connectivity to the extent promised is a significant economic issue which will in practice make it impossible to close the North-South divide.
12. To focus on a specific example, a key element of Northern Powerhouse Rail is a new railway line between Leeds and Manchester via a new station in Bradford. Committing to this new infrastructure would have transformative impacts for the whole region, creating a 'megatropolis' with a combined labour force of 3.2 million people and bringing a step change in access to leisure, education and other services. Better connectivity for Bradford in particular will bring major benefits, plugging the relatively youthful, entrepreneurial and dynamic population of the UK's seventh biggest city into a much larger market and a wider range of employment opportunities.
13. Research by the consultancy Mott MacDonald has found that this new line could by itself increase productivity across the North by 6 percent, raise the employment rate by 1.5 percent and increase gross value added (GVA) in our region by about 8 percent over 10 years. That is equivalent to a £22bn uplift in GVA by 2060, from just one effect of the NPR programme, vastly more than has been identified by standard cost-benefit analyses for the whole project.
14. Instead, the decision was made simply to improve the existing line from Bradford to Leeds and to create a new, segregated, railway only from Warrington to Marsden. This will not deliver the improvements in connectivity or the socio-economic impact of a new Leeds-Bradford-Manchester line, which we continue to believe is a vital part of any attempt to 'level up' the British economy.
15. Therefore, we will continue to work with partners to investigate alternative, and if necessary innovative, methods for funding this project. There are successful examples from around the world, such as in Hong Kong, where public-private partnerships deliver significant infrastructure projects provided that they can then share in the economic benefits that the project brings. Our request would be that the Department for Transport and HM Treasury retain an open mind in considering any proposals that may come

forward as well as acknowledging that should such a scheme progress, the benefits realised should be retained in the North to be reinvested in the North.

How the IRP will affect rail infrastructure and services outside the Midlands and the North

16. The limitations of the IRP will have very significant negative implications for competition for capacity on the East Coast Mainline (ECML), and the Midland Mainline north of Derby. Work commissioned for the Department of Transport (DfT) in advance of the IRP indicate that the disruption and loss of wider connectivity to places between Yorkshire and London to allow for more faster services will disadvantage significantly many outside the North of England, which is why relying on the ECML to deliver improved links to London to in part replace of HS2 was recommended to be so ill-advised.

The challenges to central Government, Great British Railways, regional and local authorities, transport bodies and other stakeholders in delivering the IRP

17. A co-client role for Transport for the North, as the statutory transport body for the North of England, is critical if the Integrated Rail Plan is to be progressed in the most effective way, responsive to the needs of places. Returning to decisions made exclusively in Whitehall may have been the way the IRP was written; but cannot be the manner of its implementation in the development of the programme of actual schemes.

18. Many in the business community are concerned that the IRP will not be viewed by Government as a comprehensive programme that must now be delivered in full, but rather as a series of disjointed projects to be developed and progressed as individual interventions and upgrades. There is little confidence that the IRP, even in the form in which it was announced, will actually be delivered.

19. If the Department for Transport is co-client for the delivery of the IRP, we must take advantage of the creation of Greater British Railways to establish an arms' length approach to scheme delivery. Within agreed cost envelopes, Network Rail (soon to be GBR) must be given significant autonomy to deliver projects in an integrated way: for example, the electrification of the ECML north of York as a single project which is part of a wider NPR programme.

20. It is important that the IRP does not amount to identifying lots of individual opportunities to intervene on the line and treating these all as enhancements, viewed and developed in isolation. We will only be able to mobilise the supply chain at scale and delivering best value for money if there is a consistent programme of work delivered over many years. This programme would be best funded by a multi-year allocation of funds to GBR that is subject to direct agreement with HM Treasury, avoiding any additional complexity associated with a large DfT oversight function.
21. In addition to concerns over the elements omitted from the IRP there is unresolved issues. For example, it has been highlighted that the Manchester Airport Station on HS2 has a very positive cost–benefit analysis, driving ridership and revenue for HS2 alongside economic benefits; yet a local funding contribution is still expected for its construction. This is unlike any other station on the HS2 network including the comparable Interchange Station serving Birmingham Airport.
22. By reducing the scale of the expected network, and notwithstanding rhetorical promises to deliver the benefits of what changes are being made, the case for third parties to bolster the IRP through their own investment has unfortunately been undermined. The extended timescale also creates blight for landowners along the line of route and particularly around the station sites. Furthermore, there will be 14,000 fewer new jobs in Manchester compared to what the HS2 growth strategy could have delivered, with lesser development opportunities around Piccadilly, cutting potential economic growth by an estimated £333m by 2050 there alone.
23. The focus on upgrades over new lines will cause long-term disruption on current rail networks that are already over-stretched and unreliable; this will need to be proactively managed to ensure the net impact of the IRP does not become economically negative. For example, if travellers on conventional lines face closures over at least a decade how will those from Leeds or the North East reliably be able to travel to Manchester Airport or Liverpool? Eventual demand levels will be suppressed heavily.

How the rail schemes in the IRP will integrate and interact with HS2

24. On the Eastern Leg, unresolved questions remain on the need for additional capacity at Leeds station and how the city will be connected by rail to Sheffield and the Midlands.

25. Leeds City Council and Sheffield City Council jointly commissioned 'Leeds - Sheffield Rail Investment - Response to Integrated Rail Plan' from Fore Consulting prior to publication of the IRP. This set out the importance of rail connectivity between Leeds and Sheffield to the economies of the two cities and the whole region. The report stated:

"The current rail infrastructure in the Leeds to Sheffield corridor is unreliable, overcrowded and cannot accommodate any significant future growth. At a time when the UK is aiming to achieve Net Zero by 2050, this important rail network is not electrified. As a result, the rail link between them falls well behind most of the similar city pairs in the UK, as well as European and global competitors.

"These factors only outline the importance of accelerating an integrated and sequenced programme of enhancements that would allow essential schemes to be delivered early to improve efficiency, reduce disruption and bring forward benefits sooner. Analysis of the existing rail network undertaken by WYCA has shown that the Wakefield and Hallam lines are at capacity with a mixture of fast, semi-fast and stopping passenger services operating between Sheffield and Leeds. In addition, freight is also an important component, but paths are limited due to a lack of capacity and priority allocated to passenger services.

"Prior to the COVID-19 pandemic, rail demand in Yorkshire had almost tripled in the last 20 years, which led to crowding on many services at peak times, especially into Leeds and Sheffield. Post covid, rail demand is expected to continue growing."

26. Passenger numbers in this area exceed pre-covid levels at weekends and sometimes at other times, exceeding by far the national average of 64% of the levels seen before the pandemic. The Fore Consulting report went on to confirm:

"Nearly 90% of journeys between Leeds and Sheffield are by car. There are currently over 100,000 vehicle movements per day on the M1 between Leeds and Sheffield. Journey times are highly variable (typically 50-60 minutes), with the motorway being vulnerable to major delays due to congestion, accidents and regular maintenance work."

The fastest train between Leeds and Sheffield takes 43 minutes but only one train an hour achieves this; on average the journey takes longer than an hour.

27. The report considers that: “Improvements are urgently needed to the railway between Leeds and Sheffield, which are long overdue. Providing new infrastructure will provide significant capacity and reliability benefits as well as achieving the proposed NPR outcomes between Leeds and Sheffield, along with faster journeys beyond”. It recommends that the Sheffield Midland to Moorthorpe section of existing route is electrified and upgraded as proposed under HS2 proposals and is required for to achieve decarbonisation objectives and improved efficiency. It also recommends construction of the new line from Clayton Junction to Leeds ‘T’ shaped station to provide increased capacity both on the approach into and within Leeds Station, using land already safeguarded within the Leeds boundary.
28. The IRP raises several issues from the cancellation of the Eastern Leg of HS2 to the North. These include the level of disruption likely to be caused by simultaneous upgrades to numerous parts of the existing network in the North and eventual outputs. The timescales for delivering improved Leeds Station Capacity and how HS2 trains will be brought into Leeds from the East Midlands need to be defined, and more clarity is required over funding since this is believed to sit outside the £96bn envelope for the IRP.

How the rail improvement schemes in the IRP were selected, and whether those selections represent equity between and within regions

29. The Northern Powerhouse as a proposition was not one based on equity, but instead on a transformational economic opportunity. The scale of the prize provided justification for allocating very significant investment to regions in the North, with the attendant expectation that the return to HM Treasury would be greater than the investment. The cuts to the expected programme set out in the IRP fall disproportionately on the North; in particular, cancellation of the Eastern Leg of HS2 means that the North East will get very little benefit at all from HS2 as a whole, and it remains unclear how much use Yorkshire will make of it.
30. This is not a question of differences between the two sides of the Pennines: cutting the talent and spending power of Bradford off from Manchester disbenefits businesses in the latter. Indeed, all of the North will lose out, including Warrington for instance that is on a section of new line. If the economic productivity prize powered by greater connectivity and a larger travel to work area is lost, then every part of the North of England will lose out on the £1 trillion prize which Steer ED demonstrated in their work.

Whether the IRP represents value for money for UK taxpayers

31. By cutting the Eastern Leg the business case of HS2 is significantly weakened, undermining the value for money of the investment so far in Phase 1.
32. On NPR, with the limitations of the government's background work, we cannot fully calculate if cuts to commuter and freight as well as the costs of disruption will dramatically reduce the benefits case which existed for the full network. Our settled judgement is that they will, and the narrow way in which the value for money judgement was made runs counter to all the promises made by the Treasury during the recent reforms to the Green Book.
33. The following quote from the technical annex raises issues the committee should be aware of:

“There are a number of factors which have yet to be incorporated into the analysis including a full assessment of wider economic impacts associated with households relocating, and sensitivity testing around higher demand scenarios (where population and economic growth is higher than assumed under central assumptions). Overall we anticipate this analysis would demonstrate conditions under which VfM of schemes would have been higher.”

We will never know the dynamic economic impacts of HS2 and NPR together, as neither the NIC in their initial review nor Treasury for the IRP did it. Both should take responsibility for that lack of effort and run this for a revised IRP before consigning over a decade of work by HS2, TFN and places to the dustbin.

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Endnotes

¹ https://www.steer-ed.com/sites/default/files/2019-11/HS2%20and%20the%20Economy%20of%20the%20North_FINAL.pdf