Select Committee on Economic Affairs

Corrected oral evidence: The economics of High Speed 2 – follow-up

Tuesday 26 February 2019
3.35 pm

Watch the meeting

Members present: Lord Forsyth of Drumlean (The Chairman); Baroness Bowles of Berkhamsted; Lord Burns; Lord Darling of Roulanish; Lord Kerr of Kinlochard; Lord Lamont of Lerwick; Lord Layard; Lord Sharkey; Lord Tugendhat; Lord Turnbull.

Evidence Session No. 4 Heard in Public Questions 49 - 60

Witnesses

I: Dr Ben Still, Managing Director, West Yorkshire Combined Authority; Simon Warburton, Transport Strategy Director, Transport for Greater Manchester; Barry White, Chief Executive, Transport for the North; Tim Wood, Northern Powerhouse Rail Director, Transport for the North.

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Examination of witnesses

Dr Ben Still, Simon Warburton, Barry White and Tim Wood.

Q49 **The Chairman:** Gentlemen, welcome to the Economic Affairs Committee, and thank you for accommodating our request to provide evidence to us at quite short notice. As you know, we are following up on an earlier report that we did on HS2. I am sure that you are well aware of the background.

Perhaps I could begin by asking the first question. Can you provide an overview of the benefits you anticipate from the Northern Powerhouse Rail programme, its costs and the expected timescales for delivery? It is not necessary for all of you repeat the same points that have made by other colleagues.

**Barry White:** Good afternoon and thank you for the opportunity to be here today. I am the chief executive of Transport for the North, and we have just submitted the strategic outline business case for Northern Powerhouse Rail to the Department for Transport for consideration by its investment committee and then the government processes.

That was approved by our members in Chester on 7 February—20 leaders from across the north, 11 local enterprise partnerships and our delivery partners all coming together to unite behind transformational investment for the north of England, allowing people hugely reduced journey times, increased capacity and increased frequency on the rail network in the north.

I would describe the benefits to people in layman’s terms—being able to live in Leeds and work in Manchester, Sheffield, Newcastle or Hull, and having job opportunities that they could not otherwise take. London is a wonderful place to live and has great liquidity in its jobs market; if you leave a job you can get another one relatively easily without moving house. In the north, the transport links have held the jobs market back.

Therefore, the benefits, although expressed in journey-time improvements, capacity and frequency, are much more economically based and are about economic opportunities for individuals. Bradford to Manchester is one example of journey-time improvement. It is currently an hour’s journey. Under Northern Powerhouse Rail that journey will reduce to 20 minutes. Bradford is a very big northern city that is very poorly connected, so practically speaking this is a transformation opportunity that would allow Bradford citizens to access a wider jobs market or to study in Manchester but to continue to live at home, for instance.

Those are the sorts of benefits that Northern Powerhouse Rail will bring to the citizens of the north, and we think it is a once in a multigeneration opportunity to let the cities work together as an economic entity in a way that is just not possible at the moment.
**Dr Ben Still:** We very much see Northern Powerhouse Rail and phase 2 of High Speed Rail together forming a coherent network. To build on Barry’s points about some of the time savings, it currently takes two hours to get from Leeds to Birmingham. That will be reduced by half through a combination of Northern Powerhouse Rail and HS2 new infrastructure investment. Equally, the journey time from Leeds to Sheffield will be cut from 45 to 50 minutes now to under 25 minutes. These are non-marginal, transformational changes, which, as Barry said, will genuinely change businesses’ and individuals’ choices and bring those markets together.

**Simon Warburton:** From a Greater Manchester perspective, I would bring it down to the real economy. What have we been doing in Greater Manchester over the past 10 years? We have been investing in improved commuter capacity into the city centre in particular, for good reason: we are starting to see the fruits of agglomeration around central Manchester now.

That is stage 1, if you like, of a transport and agglomeration strategy. Stage 2 is how you get that centre of activity to relate well to neighbouring centres of activity. That is where Northern Powerhouse Rail plays in in particular. At the same time, it also releases additional capacity for improved commuting into each of the centres.

The case that Transport for the North has been making for a segregated railway between those principal northern cities is that that would allow us finally to deal with a railway that at the moment tries to do two things: to link city pairs and to provide commuter options. Frankly, it does neither of those things particularly well at the moment. The journey times between the cities are held back by the commuter, and the commuter is frustrated by the city-to-city movement that often means that services do not stop en route.

If we are going to deliver the form of agglomeration that we are looking to achieve in our northern cities, the railway needs to be able to perform both those functions to best effect.

**Lord Darling of Roulanish:** How much do you anticipate all the improvements you are talking about costing? When would you want to start work to deliver these railways, and over what period? I just want to get a feel of the size of the project.

**Barry White:** I will lead on that, if I may, and maybe bring Tim in.

The overall cost which Northern Powerhouse Rail set out in the strategic outline business case, which at this stage is high-level—there are still significant options to choose between—is up to £39 billion.

On the period over which it will be built, there are two types of construction in the network: there are new-build lines and upgrading existing lines. The upgrading of existing lines could start in the mid-2020s, because that goes through a faster statutory process; it could go through Network Rail’s existing industry processes and could be ready to
go in what Network Rail would refer to as control period 7—the next period of investment.

The new lines would have to go through a hybrid build process. We have been told that that would start in 2024 at the earliest. The hybrid Bill would be submitted and would take about three and a half years. Construction could start at the end of the 2020s and run into the 2030s, so we would say that this would be complete by the end of the 2030s in terms of a rolling programme of investment, both in the new lines and in the upgrading of existing lines.

**Lord Darling of Roulanish:** Have the Government given you any commitment about the money being available and the parliamentary time needed to get the approvals that you are talking about?

**Barry White:** That is what we have asked for now. Our strategic outline business case is the first formal submission that will ask for development funding in the next spending review to take us through the five years to 2025 so that we know we have the money to do the designs and the development work to get a hybrid Bill ready. We have asked the Government to allocate us parliamentary time for the hybrid Bill and for the initial commitment to capital from the mid-2020s into the 2030s to allow this network connecting the major city regions of the north and Manchester airport and to allow for international connectivity as well. That capital is part of the request that we have now made of government.

**Q51 The Chairman:** The strategic transport plan describes HS2 as being transformational for the north. Is the main advantage the connectivity it provides between northern cities, or the faster routes to London? Also, if you had to choose, which of the two programmes is more important to providing additional capacity and generating economic growth in the north?

**Barry White:** We approved our strategic transport plan at that same meeting in Chester, and the views expressed by our members then was that the Government have committed to HS2, so the strategic transport plan assumes that it will be built. The call in the strategic transport plan is for the Government—

**The Chairman:** I know all that, but that does not answer my question.

**Barry White:** If the Government ever said, "Actually, our plans for HS2 have changed", Transport for the North would have to go back to our membership and reassess the evidence at the time. We are a membership organisation with 20 leaders from across the north.

**The Chairman:** What I am trying to get to the bottom of is that, if you only have a certain pot of money and there are two things that you can spend it on—of course you would like to do both—which will provide the kind of transformational opportunities to the north if you could do only one of them?
**Simon Warburton:** Let us take the level of growth that is talked about in the independent economic review that was undertaken when the first northern powerhouse strategy was developed—the level of growth required to bring about transformation.

This is incredibly important, because we talk an awful lot about transformation without trying to attach some sense of scale. The level of transformation talked about in the northern powerhouse independent economic review is equivalent to trebling the size of the employment market in Manchester city centre and to nearly trebling the size of the employment market in our neighbouring city centre in Leeds and so on across the north.

If we think about that level of scale, which frankly is not beyond imagination if we look at the level of population growth that we are seeing around Manchester and the other northern cities, there is the potential to achieve this. However, the level of demand that that level of growth brings with it means that a choice between HS2 and NPR is not realistic in bringing about economic transformation. To deliver only one of those two elements will not bring about a northern powerhouse transformation. It will deliver one part of an overall strategy in that regard.

**Q52 Lord Tugendhat:** To what extent does connectivity between northern cities embrace Manchester Airport? How important do you regard the development of Manchester Airport, on the one hand as an international airport and on the other hand in enabling people to use rail instead of having to come to Heathrow?

**Simon Warburton:** It is absolutely fundamental. Manchester Airport currently operates at around 28 million passengers per annum. It is the only airport outside the south-east of England with a second runway, and through the investment in the airport’s terminal facilities at the moment it has the potential to grow to something in the order of 45 million passengers per annum.

In order to achieve that, Manchester Airport needs to be able to attract new intercontinental markets. Its fundamental shortcoming at present is its reach into West Yorkshire, so the ability of Northern Powerhouse Rail to allow Manchester Airport to serve West Yorkshire in particular is absolutely critical.

It also serves to demonstrate the interdependency between the two systems. One of the fundamental elements of infrastructure that delivers Northern Powerhouse Rail to Manchester Airport is the HS2 tunnel between central Manchester and Manchester Airport. Without that, we could not achieve the transformational journey times that we talk about in the SOBC for Northern Powerhouse Rail. We are discussing interdependent pieces of infrastructure here.

**Dr Ben Still:** That is reflected not just in the focus on NPR and its connections through to Manchester Airport but in the emphasis on the
capacity that will be released through the forthcoming trans-Pennine route upgrade programme over the next railway control period. That will be fundamental to increasing capacity and allowing better connectivity into Manchester Airport.

I should add that Manchester Airport is absolutely critical for the northern economy. That is not to say that there are not other airports. Leeds Bradford Airport is another one that suffers from poor rail connectivity. We are also trying to address that through our transport fund.

**Lord Tugendhat:** East Midlands Airport as well.

**Dr Ben Still:** Absolutely.

**Lord Tugendhat:** East Midlands has the potential into continental Europe. I am glad to hear what you had to say about Manchester. That also impacts on airport planning in the south-east, because the extent to which Manchester can be developed in the manner that you describe relieves pressure on Heathrow and Gatwick.

**Tim Wood:** To give some clarity, Northern Powerhouse Rail will give 9 million of the 15 million people living in the north connectivity to Manchester Airport within 90 minutes. Today, 2 million people can get to four to six of the major cities in 90 minutes. This will open it up to 8.7 million people.

HS2 is the spine for us to see big businesses and opportunities in London and Birmingham coming to the north and to see that agglomeration effect that will happen. It is not about the trains; the trains are purely the enabler. It is about the economic effect on the UK and the rebalancing of the economy.

We have had this large underspend in the north over the last four decades, and now we want to see this money coming in so that we can build this programme. It is a programme—a network—so it requires High Speed 2 and the trans-Pennine upgrade, and it requires NPR to be built in full.

**Lord Layard:** Obviously, this link from the airport to the centre of Manchester is crucial, but this will not come until phase 2b of HS2, which seems to be a long way down the track, if this is so important for the north.

Obviously, if HS2 did not get built, you could put that link into Northern Powerhouse Rail. It seems a ridiculous play on words to say that you cannot have Northern Powerhouse Rail without HS2, because you could transfer a bit of it into Northern Powerhouse Rail.

**Simon Warburton:** While that is undoubtedly true, the counterargument that we have been making through the approach to Northern Powerhouse Rail is about making best use of that tunnel’s capacity for the railway. Allowing it to operate as both HS2 and NPR allows Greater Manchester to achieve that.
The Chairman: I am anxious for Lord Sharkey to ask his question, but go ahead, Lord Burns, if your question is on this issue.

Lord Burns: I will leave it for now.

Q53 Lord Sharkey: I will follow up on the Chairman’s questions about the interconnection between HS2 and the Northern Powerhouse Rail programme.

We heard evidence from Volterra that many of the capacity benefits of the Northern Powerhouse Rail programme depended on the existence of HS2. Sir Terry Morgan said that Transport for the North agreed that Northern Powerhouse Rail would need to use the infrastructure built for HS2; you have touched on some of that. The real question that this resolves itself into is: will Northern Powerhouse Rail be worth doing at all if HS2 does not exist or does not go ahead?

Dr Ben Still: It is akin to saying that you need only the M1 or the M62. Through these programmes we are having to rectify decades of underinvestment in the north of England. Strong and efficient north-south routes are required, as are better east-west routes. Northern Powerhouse Rail is about joining up all the core metropolitan areas of the north using the elements of HS2 that make sense and infilling where necessary.

Lord Sharkey: The question was intended to be slightly more direct than that. Can the Northern Powerhouse Rail programme work, in any reasonable sense, without HS2?

Dr Ben Still: No.

Barry White: As currently planned, Northern Powerhouse Rail uses HS2’s infrastructure in three different places: the tunnel coming north into Manchester from Manchester Airport; east of Leeds heading out to York; and south of Leeds heading towards Sheffield. Because the Government have committed to HS2, we have planned on the basis of HS2 being delivered. Therefore, to make the best value-for-money proposals, we have used spare capacity on those tracks where available to make what we think is a very sensible proposition for Northern Powerhouse Rail. We are reliant on HS2 to that extent.

The Chairman: I completely understand that. However, I think the point you are being asked to address is whether it can be done without HS2. If HS2 did not happen, would it be possible to generate the kind of benefits for the north that are projected? Your colleague Dr Still says it would not. Do you agree with that?

Barry White: Losing HS2 would lose benefits to the north. That is correct; I agree with Ben. However, on the question of whether an east-west link could be built without HS2, yes, practically it could. As Lord Layard said, you could build a tunnel or an approach to Manchester from Liverpool. However, we think that having both working together gives greater frequency of service and uses capacity that is there already.
Lord Layard: Are you not frustrated, though, that it is so far down the line? If it is so important and such a priority, as you are saying, it seems unbelievable that it comes not at stage 1 or 2, but at 2b.

Simon Warburton: To a large degree, yes. That point was put forward very clearly by each of the northern cities at the time of the consultation on the 2013 strategic case. However, we are where we find ourselves. Phase 2a is progressing rapidly now. Phase 2b is scheduled to follow phase 2a. That is a reality in the preparation and delivery programme for HS2. We would not want to revisit that in a way that brings further delay into the HS2 programme. Therefore, the pragmatic approach is to plan for an HS2 system with the timescale we are given.

The Chairman: I am sorry, Lord Sharkey, we interrupted your question.

Lord Sharkey: I think I heard the answer. It was mostly “no”.

Q54 Lord Darling of Roulanish: You have referred to HS2 throughout this evidence session. The only thing that the Government are committed to building with the legislative approval and the money is to get it to Birmingham. There have been words about what might happen beyond that.

What we are putting to you is this. Suppose it stopped at Birmingham, and then there was a long discussion about whether it was the right thing to do and all the rest of it. Would that change your calculations in what you have been saying so far about the northern powerhouse? I perfectly see the case you are making—it is a very powerful one—but what puzzles me is that you are relying on HS2 being completed with both its phase 2s. That is not guaranteed.

Simon Warburton: There are two aspects to the analysis of any piece of transport infrastructure: costs and benefits. There are a series of costs, which are then brought back into the design and delivery of a Northern Powerhouse Rail system that would not be a material consideration in the business case in that regard.

But there are diminished benefits. If we find ourselves in with what are termed “classic compatible rail services” operating from the Midlands into Manchester, they would give us only a modicum of the capacity uplift a full HS2 service into central Manchester would deliver. If central Manchester and the other city centres are to operate at the scale I indicated has been suggested through the independent economic review of the north, then 200-metre trains, which we have running between Manchester and London at the moment and we would effectively continue to have into the future through classic compatible operation, will not deliver the capacity between Manchester and London, and indeed Leeds and London, that those growing cities would demand.

Dr Ben Still: It is deeply frustrating that there is not more certainty around phase 2 to Manchester and to Leeds. The point has been made that is the situation we find ourselves in.
To go back, because work is progressing towards a hybrid Bill et cetera, would lose many years of progress that has been made in delivering the railway that we think is right for the north. I reiterate the point that, without HS2, Manchester’s and Leeds’ connections to the East Midlands and the West Midlands are hamstrung. There are benefits from the overall connectivity of the metropolitan areas in the UK.

Q55 Lord Lamont of Lerwick: I would like to ask about overcrowding and the extent to which it is a problem on trains in the north, and on which services it occurs. Would you agree that none of the fast long-distance services has passengers in excess of capacity and that overcrowding is illustrated on the other routes?

Dr Ben Still: In essence, we absolutely accept the premise of that question. There is more overcrowding on the commuter routes. That picture is confused in the north, I would argue, because, as Simon said, so many of the trains are serving dual purposes; they are both inner-city and semi-fast, and serving commuter markets. For example, the trans-Pennine services between York, Leeds and Manchester are most congested between Leeds and Manchester. They are at the very most congested from Leeds into Huddersfield, and in those areas there is standing room only. That is a genuine challenge.

The same is also true where there are longer-distance services that are also used by commuters, but equally there are certain peak and long-distance services that also suffer from overcrowding. The forecasts are that that situation will only get worse. I certainly take the premise of the question that, fundamentally, what we have seen in the north since, for example, May 2018 has been a commuter and short-distance issue.

Lord Lamont of Lerwick: So to what extent would HS2 alone ease overcrowding on commuter routes? I have the same question relating to the northern powerhouse.

Simon Warburton: It is important to think of HS2 as a stage in developing a railway for the north. Actually, earlier stages have been in the pipeline for a number of years and currently frustrate us with the pace at which they are moving through the system.

In the early part of the decade it was agreed in principle that a programme called the Northern Hub was required to improve operating capacity, in particular in and around the central Manchester rail hub, to address the rail performance issues that we currently face. Our frustration is that we find ourselves in 2019 without that programme completed and with fundamental components of it still sitting in the department for final approval. Therefore, HS2 is not designed to address that particular problem. It was designed with the assumption that that programme would largely have been delivered by now.

To give the Committee a sense of the scale of increase that we are seeing in rail demand, we have seen more than a doubling of rail demand into central Manchester over the past 15 years. Over the same period, we
have seen only around a 50% increase in rolling stock capacity. Rolling stock capacity and train capacity are now falling well behind passenger demand.

**The Chairman:** I apologise. There is a Division in the Chamber, so we will have to adjourn for 10 minutes. We will try to get back as quickly as possible.

*The Committee suspended for a Division in the House.*

**The Chairman:** Perhaps we could move on to Lord Turnbull.

Q56  
**Lord Turnbull:** This is partly a question, partly a point. I find it very frustrating that we take evidence from some people called HS2 and from some people called NPR. This leads to questions such as: do we build one or the other, or do we build one in front of the other?

If we had one plan that involved building both, the questions would be different; they would be about the sequence we build it all in. I do not think the way we are set up at the moment is conducive to this proper sequencing. As Lord Layard said, it does not matter a damn really whether this tunnel from Manchester Airport is built by you and HS2 comes along later or HS2 builds it and you come along later; if it is a priority, you do it. It comes out of the analysis of what is a sequence.

How can we get to a point where we are building things in the right sequence, not according to whether it is one project or the other or it comes out of one budget of the other?

**Barry White:** Practically, on the ground, HS2 is ahead of where we are. It has been up and running for longer.

**Lord Turnbull:** Not by the time it reaches Manchester.

**Barry White:** In the legislative timetable I set out earlier we said that the hybrid Bill could go in in 2024 and be back out by 2027-28. That would allow us to start construction on new lines thereafter. Our expectation is that HS2 phase 2b would already be being built at that stage and therefore would be ahead of us in construction.

From that point of view, we see it being ahead of us as a benefit, because when we want to create the new line between Liverpool and Manchester we can get it to provide touch points on its network that we can link into. That is where we working with it to get the integration you described. Our proposals would then say how we get from the touch point to Liverpool and let it build HS2 up into Manchester.

We think we are integrated. Practically, it is ahead because it has been up and running longer than us. Do we wish that this had been done years ago and that it had already been built? You would always want to be further ahead, but the practical steps we can take mean that we cannot start construction until the late 2020s on new lines. That is why I emphasised that we can be ready to start upgrading existing lines in the
mid-2020s. We are planning together to make sure that we do this efficiently.

**Dr Ben Still:** I certainly agree with the premise of your question, because this leads to a higher level of uncertainty than would otherwise be the case. It is the uncertainty about whether something will or will not happen that causes delay, increases the cost and is problematic for long-term planning.

The solution is that we would very much like to see government be able to take a long-term view about nationally significant infrastructure. It is moving in the right direction with the creation of the National Infrastructure Commission and its work, but we would still like to see a mechanism by which long-term infrastructure could remain on the table over successive Parliaments.

**Lord Turnbull:** Has the National Infrastructure Commission followed a consistent policy, or has it changed with the change of chairmanship from Adonis to John Armitt? I thought he was now emphasising more shorter-distance connectivity and less these longer-term programmes. Even having this body does not seem to be producing the kind of co-ordinated view that we need and that we need to stick to over time.

**Dr Ben Still:** It is a step in the right direction, because the NIC is much more focused, within the set of costs available for these schemes and their strategic benefits, on what the affordability envelope looks like over time. It looks long term. It has been set a minimum percentage of GDP. Within that envelope it is saying that some of the big projects, such as Crossrail 2, NPR and HS2, can be afforded. As those projects finish there is scope to do much more with local transport. Obviously we would like to see that point of headroom for local transport to be as early as possible, but it is a step in the right direction.

**Tim Wood:** Northern Powerhouse Rail has two delivery partners: Network Rail and High Speed 2 Ltd. We work holistically together, and we are having a conversation all the time about how it gets delivered and moving through our strategic outline business case.

There is one main point here: are there enough skills to be able to deliver these programmes of work? That is where the NIC is really important in looking at the holistic vision of spend across the UK over the next 20 to 30 years to make sure that we have the people in place to deliver what are mega schemes in the UK.

**The Chairman:** I am going to go back to Lord Lamont’s question, which was so rudely interrupted.

**Lord Lamont of Lerwick:** I go back to the question before the Division on overcrowding and commuters.

Would you agree with the Committee’s previous report that London commuters, particularly on the west coast main line, are likely to be huge beneficiaries from HS2, if not the main beneficiaries?
Dr Ben Still: Business cases, in the way they are constructed, tend to focus on our existing large numbers of passenger flows and the benefits that accrue to them. Therefore, it should not come as a huge surprise that there are a lot of commuters in that stretch between Birmingham and London and hence a lot of benefits accrue there.

That is almost a function of the way the business case process works, because the kinds of benefits that we would expect from HS2 further north—between Birmingham and Leeds, Birmingham and Manchester and from Northern Powerhouse Rail—are much harder to quantify, because they are about trips that currently do not happen; people and businesses choosing to do things very differently. The appraisal system and the business case system find it very hard to measure that.

Simon Warburton: There is also the point about the complexity of demand through any rail corridor. Frankly, the west coast main line is now exhibiting the same challenges that I described on a number of our northern corridors, where it is looking to provide long-distance travel and commuter travel into London and struggling to do either as effectively as possible.

We are providing those additional benefits for London commuters on the existing corridor at the same time as we transform the level of capacity and service that is available between Manchester and London. Manchester to London has held firm with three trains per hour for the past 15 years now. That has not moved on, and it will clearly not serve the city to best effect in the future.

There are significant benefits downstream. As my colleague says, a number of those benefits are harder to identify because we have to anticipate journeys being made that are currently constrained in the system by the nature of the national economy or of the current offer that is available to travellers.

Lord Turnbull: I just come back to the methodology. It changes from speed to capacity, and the latest is connectivity, which the Minister has talked about.

My sense about this whole debate about whether it is worth it or not is that, if HS2 is calculating the benefits on the basis of time savings largely of existing passenger flows, it is not capturing where the major benefits are, hence the whole negativity hanging over HS2. It is just failing to make its case.

Simon Warburton: There are still significant challenges in establishing a fit-for-purpose economic framework for rail schemes of this nature. It is an aspect that we have looked to focus on through the development of the local growth strategy that we have brought forward for the two stations in Greater Manchester.

We think that there is more to be achieved over time with independencies between connectivity and land use. If we follow that line of thought, we
start to conclude that a level of higher-value activity can be generated in centres such as central Manchester as a product of speed, which is very difficult to represent in the transport appraisal systems that we have at present.

I completely agree that over time we have seen the debate swing from speed to capacity and from capacity to speed. The reality is that HS2 offers two sets of benefits, and at present we struggle to be able to represent those as well as we would ideally like.

**The Chairman:** Am I alone in being concerned about the fact that the Government are now saying that HS2 will have to be delivered within the cost envelope agreed? The evidence that we have had is that people are not reassured about what the final cost will be. There is the cost that you have outlined for the northern powerhouse.

Picking up on Lord Turnbull’s point about Sir John Armitt, Sir John Armitt is on record as saying that, by 2020, metro mayors and city leaders should have devolved powers in order to deal with the infrastructure problems that will arise, and he has called for committed funding, through devolved infrastructure budgets, to implement long-term strategies for better local transport. He is talking about £43 billion. Are you not a little concerned that all this is beginning to sound like a large sum of money that will be difficult to deliver in current circumstances?

**Barry White:** The Northern Powerhouse Rail, HS2 and the city spending plans set out in the national infrastructure assessment, published last summer by the National Infrastructure Commission, which Sir John Armitt chairs, were all within the 1.2% fiscal remit set by Treasury. So, from that point of view, the National Infrastructure Commission is saying that these things can be affordable.

A lot of that cost is spread over time. Certainly the Northern Powerhouse Rail project by its very nature can be phased over time with improvements on existing lines, so from that point of view we think it is affordable within the national guidelines set by Treasury, and we believe that that investment will pay off over time, too.

**Lord Darling of Roulanish:** We heard evidence from Sir Terry Morgan, who, as you know, used to be in charge of HS2. He talked about this ceiling of £56 billion and that the Government wanted to go over that, and that therefore there was a trade-off; you have your costs, and the only you can then adjust is the speed the thing will go at or the capacity in terms of the number of passengers.

We have heard evidence that the HS2 track is being engineered for trains to run at speeds that it will never run at, although it will run faster than the TGV for example. Given that so much of the business case was periled on how much you attribute to a fast train, what would your reaction be if the Government said, “Look, we’ll design it to run at a slightly slower speed”—still faster than what is happening today, but nothing like the speeds that were dreamt of when this thing was floated
10 years ago? Presumably you would not give on capacity; one thing that I think we all agree on is that it needs capacity.

**Barry White:** Certainly, from the Transport for the North perspective, we want to see it delivered in line with the current expectations. That is why we want to keep pushing for from a northern perspective, not just for the north of England but for Scotland, because we think that the links into Scotland are an important part of it.

**Lord Darling of Roulanish:** Yes, but that will not happen in your lifetime or mine.

**The Chairman:** We will all be dead.

**Barry White:** Hopefully not. To be clear, I was not saying that HS2 should extend to Scotland but that, because we are going to improve the east coast main line, the trains coming up the eastern leg of HS2 to York can then travel more quickly than is currently possible up to Newcastle and then on to Edinburgh, so Scotland will also get time improvements from HS2.

For all the UK, we as a country should be ambitious about the time these journeys take and set out our stall as a country that is well connected. Arguably, we should have invested in high-speed rail some time ago. It is important that we have that ambition and we should strive for it.

**Dr Ben Still:** We certainly would not want one design standard for the first phase up to Birmingham and a different, more lowly designed standard for the rest of the north.

**Lord Darling of Roulanish:** That could easily happen.

**Dr Ben Still:** It could. That would be a worry and a concern, and probably not the most efficient thing for the railway either.

The Committee’s previous work began to look at why our rail costs in the UK are so high, and that is where I would go on this, because I still do not think there has been a proper response from the industry to that.

**Lord Kerr of Kinlochard:** Do you have a plan B? Your evidence is very impressive; it shows that you are absolutely behind the HS2 plan and its phasing, and you would not wish to see the speed reduced. You want to go ahead as is, and you have posited the Northern Powerhouse Rail services on that assumption: that it all goes ahead as is. Nothing is delayed, no economy measures are brought into the project.

Is that really wise? What happens to you and your plans if HS2b does not happen? Do you have a plan?

**Tim Wood:** We have absolutely assumed that High Speed 2 and the trans-Pennine upgrade get completed so that we can build our NPR network.

**Lord Kerr of Kinlochard:** Yes, but supposing that it is not completed—
Tim Wood: If it is not completed, we would look at the evidence. We are a member-based organisation, and we would review it. We would go back to our members—

Lord Kerr of Kinlochard: Should you not have a contingency plan, because if things go as they normally do, the project will not be cancelled, but it will be spread out over a longer period, and since you get your money under the infrastructure commission plans right at the end of the line, you are pushed further and further away unless you have some alternative plan and you can say, “If these changes were made to the HS plans, we would need to move to plan B”? What is plan B?

Simon Warburton: In fairness to the commission, the profiling in the national infrastructure assessment was not such that local funding was all pushed to the end of the profile. The commission has proposed quite a substantial tail from the next spending period forward, and we welcome that.

Lord Kerr of Kinlochard: You do not get 70% of your money until after 2030.

Simon Warburton: For Northern Powerhouse Rail, that is absolutely right. Sitting alongside that is the debate on the shape and form of the devolved cities’ funding models. We would be required to seek even more in our local economies in order to maintain increases in productivity if the type of economic transformation that we set out to achieve at the start of this journey is to be achieved.

There would be an ever-greater strain on those devolved city models. We would need further investment not only in local infrastructure but in our ability to bring local skills programmes forward more rapidly in order to develop other aspects of productivity in the northern powerhouse programme in advance of the transformation of national infrastructure.

However, I stress to the Committee that the level of economic transformation that we have hitherto described nationally as a northern powerhouse will not come about without the combination of the national infrastructure programmes that we have discussed this afternoon.

Lord Kerr of Kinlochard: You made that point very clearly and I am in no position to contradict you. However, what would you do if there was a serious delay in HS2, particularly HS2b, or serious cost reductions, or both?

Barry White: We have our plans and a strategic outline business case, which is, in effect, quite a high-level business plan at this stage. We have 12 to 18 months’ worth of work to narrow down options, so as any circumstances change we can evolve our plan over that time. We are starting a more detailed design process and starting to spend a lot of money on design. We are narrowing down to one route that we will design in much greater detail. Again, during that period, we can respond as things evolve.
While there is a plan, that plan can evolve and change in response to circumstances, such as how quickly the money will become available, as you have highlighted. We will push the Government to give us money ahead of the profile set out in the national infrastructure assessment; we believe that we will be ready to go. If we can get that parliamentary slot for the hybrid Bill that I have talked about, we believe that our plan could be backed by money ahead of that profile.

The plan we have can evolve over time and respond to circumstances. At this stage, we are narrowing down options for the next stage of our work, rather than increasing them.

**The Chairman:** So there is no plan B?

**Barry White:** The plan can evolve—

**The Chairman:** There is no plan B.

**Barry White:** We would go back to our members if circumstances change—

**The Chairman:** There is no plan B, because you need plan A to make plan B.

**Barry White:** Plan A is the transformational bit that gives the north the connectivity—

**The Chairman:** The answer to Lord Kerr’s question is that there is no plan B.

**Lord Burns:** You will see from the line of questioning from Lord Darling and Lord Kerr that there is some nervousness that we have come up against the cap on the amount of money that has been agreed for this project. At some stage, there may be suggestions that savings must be found. We have raised the issues of speed and the frequency of the trains, and asked how far you would worry about that.

Another issue that we have heard about is whether the line should terminate at Old Oak Common, joining Crossrail at that point, rather than going to Euston, where there is another large bill to be paid. You have said that you do not want to compromise on speed or frequency, but what do travellers from the north feel about the termination point and connections being with Crossrail?

**Dr Ben Still:** We would not want to compromise on that either. The strength of strategic rail comes from the fact that you can locate it in city centres. That maximises the connectivity benefits, which in turn maximises the agglomeration, the economic benefits and the inclusive growth benefits that we are seeking from these investments.

If HS2 terminates at Old Oak Common, there is a significant risk that you would lose some of that for both directions of travel. It strikes me that we would be for ever trying to explain to our children and grandchildren why
we did that, rather than going into the centre of the capital as originally planned.

**Simon Warburton:** It also opens up the debate about the potential role that rail stations can play as hubs in growth centres in our cities. Twenty years ago, we tended to turn our backs on locations adjacent to rail stations, seeing them as places where commerce would not choose to put its money.

That has changed; that has been transformed. Look at the type of redevelopment proposals that Lendlease, the developers at Euston, are bringing forward for the Euston HS2 terminus. While I do not wish to wade in on a London issue, I would suggest that an immense opportunity would be lost around Euston were the connectivity not to be delivered to the point in Euston.

The thinking about Euston that we are seeing from Lendlease—it is working very well with HS2 Ltd in this regard—very much mirrors the sort of anticipation we have for Piccadilly in central Manchester. We can see the potential for a clustering of specifically high-value economic activity around these rail stations, which is a fundamental element in the overall transformational nature of HS2. Without understanding the geography of London as well as I do that of Manchester, I would suggest that there is a risk that that will be missed if HS2 terminates at Old Oak Common.

**Lord Burns:** If I were to play devil’s advocate, I could use the arguments about connectivity that you used earlier when you talked about the transformational effects that this has and said that you should not judge it just on the basis of existing passengers. Crossrail will change the nature of London. It actually goes through central London; Euston, by most people’s definition, is some distance from central London.

To what extent are you being caught up yourselves in what you described as a rather old-fashioned way of determining transportation programmes? Are you forgetting the extent to which other changes can dramatically affect where people live, where development takes place, and almost where the city centre becomes?

**Barry White:** First, I am really excited about Old Oak Common as an interchange. It could be one of the first proper interchanges that we build. Historically, we have not been very good at building proper interchanges, so it could be a really good way to connect to the City of London, Canary Wharf, Heathrow and Twyford. However, it is fundamentally an east-west connection from Old Oak Common, and I think it would lose a lot of connectivity by not going into Euston.

To take Lord Turnbull’s point, if you look at where Crossrail 2 plans to go, and you want to tap into that connectivity directly by having an interchange from High Speed 2 to Crossrail 2, Euston is a key part of that network. We think that Old Oak Common will be incredibly important for travellers from the north in accessing the key commercial areas of the
City of London and Canary Wharf. That connectivity will be welcomed by all, but it would be limiting if HS2 stopped at Old Oak Common.

**The Chairman:** What is the additional cost of going ahead with the link to Euston?

**Barry White:** I would have to defer to HS2 on that.

**The Chairman:** How can you have an opinion if you do not know the cost?

**Barry White:** I have the opinion that, in connectivity terms, HS2 has done the business case for its investment, which is based on coming from Euston.

**The Chairman:** We have heard evidence that the additional cost is £8 billion. I would have thought that that could do quite a lot for improving infrastructure in the north. I am surprised by the argument about deferring this until later. If I was in your shoes I would be grabbing at that. I do not understand why you are so firm about this, other than for collective responsibility.

**Lord Burns:** We have tried to go through a series of things today. First of all, we have established that you are at the end of the queue for this money, and we have been trying to identify savings from earlier in the queue that might make it more likely that you got money for your part of the project. Yet you are pushing back on any of our suggestions as to how we might increase the chances that you get your share of this money earlier.

I think this is what lies behind Lord Kerr’s point: if you really wanted to make sure that you got a substantial part of what you wanted, should you not also be beginning to think about whether there are other ways to save some of the costs of the people who are ahead of you in the queue?

**Tim Wood:** It is really important to say that, currently, we are at strategic outline business case level. We have to carry out some more analysis now to whittle down to a single option between each of the city regions. When the Budget came about we were given a further £37 million. What we asked for we got. We have £52 million to spend in the next 12 months, and in the spending review coming up in the summer we will ask for the next five years of funding that we will need. On top of that, we will ask for SR19 to note up to £39 billion expenditure overall.

We are at an early stage. We have what we want. We have made our key messages very clear to the Government. There is cross-party support for Northern Powerhouse Rail. What is really important is that there has been an envelope for High Speed 2 to build this network, and it is working towards that. We absolutely take on board that we currently have what will be delivered out of that programme in our strategic outline business case.
If anything changes, we will look at the evidence. We talked about a plan B. At the moment, that would be our plan B: to look at what might change. But, right now, we absolutely accept that it should be delivered in full to the parameters that have been set out.

**Dr Ben Still:** The reason for our hesitancy—certainly mine—is that the measures that would reduce the cost will also reduce the benefits. As we have said, this is about multigenerational transformational change. I worry that we will end up with a scheme that will be suboptimal and will be viewed that way for generations to come.

**Lord Kerr of Kinlochard:** On Lord Burns’s point, Terry Morgan’s evidence to us was that Euston should not be on the critical path. It is nice to have, but not necessarily part of phase 1. As the Chairman said about the savings that we were told about, we were given an estimate of £8 billion.

Are you sure that you are not falling into the Voltaire trap? Voltaire said that one must never let the best become the enemy of the good. If you guys stay firmly behind HS2 Ltd and you are determined never to say anything that casts doubt on what it says about speed, frequency, Old Oak Common and so on, are you not at risk of losing out by not establishing your own independent claim on the sort of resources that will be spent if the line goes through to Euston as planned rather than stopping at Old Oak Common?

There is a saving that you could make a claim on. That is what I had in mind by a plan B. Supposing you do not get the full whizz-bang, 5-star, 100-octane plans, because they are delayed or reduced in scale. You just accept that and then go into new discussions with the company and decide about the re-phasing of your plans. You make no bid at all in conflict with HS2 Ltd. You make no northern case against the London to Birmingham case.

**Tim Wood:** Northern Powerhouse Rail makes its case through SR19. That is what we will look to as our funding envelope. As we have said previously, we are also relying on the agenda that High Speed 2 has set on the amount of trains and the speed at which it will come up the line.

We will also be relying on it for three pieces of infrastructure that we will need to build Northern Powerhouse Rail. If anything changes from that, we will come back and review it. That is why we can say that Northern Powerhouse Rail is on programme and on budget, because we really have looked at that evidence. We are an evidence-based organisation: we take it apart, disseminate it and do all the analytics work, then we come back. That is what has built our strategic outline business case. We are very clear in terms of what we have been told will happen and how we built our case. If anything changes, we will have discussions, because High Speed 2 and Network Rail are our delivery partners.

There is also one fundamental difference between Northern Powerhouse Rail and all the major infrastructure projects at the moment. This programme of work is co-cliented, which means that there are two hands
on the tiller: a department hand as a co-client and our hand in Transport for the North. That is where we have discussions and debate. We have a very detailed programme of engagement with our partners, so we can come out and clarify all the discussions and evidence that come together to bring a very strong—I would say world-class—strategic outline business case that we put forward to our partners and was unanimously passed on 7 February in Chester. Co-clienting is a very important piece.

**Dr Ben Still**: I will respond with a slightly different approach. First, we are keen not to see the scheme diminished in any way because we fundamentally need HS2 and NPR. That is why we stand firm that those are the schemes we need, not because we need those particular schemes but because we need the connectivity and economic benefits they will bring, which is a core part of how the north can transform its economy and become a real contributor to UK plc.

My second point is about the premise of the question, which is what we would like to do, because otherwise the scheme might fall into jeopardy. We never actually get asked that question. There is a very interesting question about how the decision-making process would work if the Government were to decide that they could not afford this infrastructure and how the north would be involved in that process.

**Lord Kerr of Kinlochard**: Yes, that is a key question, but I wonder why you guys do not have a slightly different perspective on the whole project because you represent the northern interest specifically.

I do not get any feeling from this that there is any creative tension behind the scenes. I do not get the feeling that you are making the northern case. I think you are being unrealistic in expecting the cost envelope to expand with the costs of the project and that there will be no delays and no economy measures. If you think it is realistic, why are you not still in a situation of creative tension in arguing that northern bits could get done a bit earlier than they are planned to be done now?

It seems you are at the tail end of the line. Therefore, I suspect that when the axe starts falling you are the guys who will lose out the most. I am puzzled about the description of how decisions are made, because I do not see how you feed in the specific northern interest, other than in the whole project going ahead and everybody being happy.

**The Chairman**: I think that point has been well made. The question you say you were not asked was, I thought, one of the questions that was implicit all afternoon.

**Baroness Bowles of Berkhamsted**: I slightly get where you are coming from in that you almost want to ring-fence your entitlement and not engage in robbing Peter to pay Paul, because ultimately you might be the ones who lose out if you start that game. I think some of us here are saying that you are already in that position when the others overspend, but trying to keep good relations may stand you in good stead—I do not know.
A national poll commissioned by Channel 4’s “Dispatches” programme found that only 20% of people in the north were in favour of the project and only 7% thought that they would benefit from the new railway. What do you think the reasons behind that are? Is it just because they have not cottoned on to what it all means?

**Simon Warburton:** Having watched the programme and as a good public official choosing not to express my own opinion on it, I felt there was a degree of confusion in the narrative about the relationship between frustrations and real rail operating problems experienced by travellers in the north at present and a debate about a new railway designed for the longer term.

To return to a response that I think I gave to Lord Lamont on overcrowding, I believe there was a degree of confusion in the narrative on two issues. There is a fundamental issue to be addressed now on our railway, as we as northern authorities have set out for a number of years: that is, a number of key operating constraints across the northern rail system. That would then allow a number of the issues currently faced by our rail commuters to move on in the nearer term.

In fact, we are in the worst of all worlds at present, because part of the Northern Hub programme, a piece of infrastructure called the Ordsall Chord, has been delivered in central Manchester. If delivered alongside the other elements of the Northern Hub, it is an excellent solution to rail movements around the central Manchester hub. If delivered in splendid isolation, in reality it deposits a number of rail services on a corridor that is not ready to receive them at present, exacerbating the problems that were reported in the programme.

To a significant degree, the conversation in the programme was a question put to our commuters as to whether they would rather see their immediate issues solved or HS2 brought forward. In that context, it is understandable why they responded in the way they did, but that is not the strategic set of decisions that we are seeking to take as northern authorities with our partners in government.

**Baroness Bowles of Berkhamsted:** We had a conversation as well with regard to whether it would be commuters into London on the west coast main line, of which I am one, who saw the main benefit. I think that is solved. There is nothing wrong with planning that starts off solving some of the “now” issues and the “then” issues come along behind. The south has been served in that way, because it starts with the bit that delivers the commuter goodies, but the north has to wait, and you get your now and your future all at once.

**Dr Ben Still:** I think that is right, but it is not all at the same time in that sense. First, there is strong business support for HS2 in the north, particularly from business representative groups. As Simon says, the case has probably yet to be won in terms of public opinion, but the business community is certainly behind it. Again, that is partly to do with
addressing the legacy of decades of underinvestment. At its heart, it is the same problem that faces commuters daily in the north.

We have a current example in the Northern and TransPennine franchises, where the franchise commitments are not being honoured. I can see coming down the track—excuse the pun—the question, “Which of these franchise commitments are you prepared to let go, because they can't all be delivered on the current railway?” If that question comes to northern leaders, I think they would welcome it. At the moment, the system does not operate like that.

Baroness Bowles of Berkhamsted: One of you said that a benefit of HS2 would be that it would treble the employment market via the reach through faster and better commuter times. I can definitely see employers liking that idea. What do potential employees think about engaging in what I presume will be longer commutes, even though they may not necessarily be longer in time? Does the person in the street in the north think that they would like to do this?

Simon Warburton: I apologise; I do not think I expressed the challenge very clearly. We have described what a northern powerhouse looks like in economic transformational terms. The independent economic review undertaken in 2016 described it as a level of uplift in economic activity akin to a trebling of the level of employment within the principal centres by the midpoint of the century.

To a degree, that is achieved by improving mobility across the north. We are starting to see in the north something that we saw around 20 years ago in London, where locational and residential decisions are taken by individuals on the basis of their access to opportunity. We discussed before that Northern Powerhouse Rail, if we are able to deliver it, can transform the potential of places that sit between our principal cities to reach the opportunities in those cities.

For example, the town of Huddersfield sits between Manchester and Leeds. At present, its residents are frustrated by a railway service which does not serve them as well as it could, because that rail service is also trying to run as fast as possible between two cities. If we remove the city-to-city connectivity from that rail line through a segregated railway, Huddersfield starts to present itself as a real locational choice for individuals, couples and families with talent so that they can look through their careers to trade across two northern cities rather than one. I think that it is a choice that many northern residents would value over time.

The Chairman: That is a good, positive note to end on. I am very grateful. I am sorry that we were interrupted by a Division.

Mr Wood, you said that you proceed on the basis of evidence. This Committee always proceeds on the basis of evidence. Without anticipating any of the Committee’s conclusions, I am certain that it wishes the north—although I regard it as the deep south myself—well in its efforts to improve its infrastructure.
Speaking personally, I admire the robustness with which you have defended the line today against some pretty persistent questioning. I hope that we will be able to produce a report adding to our previous report in the not-too-distant future. Thank you very much for giving evidence to us today. It is much appreciated.