

# HS2

## Getting the best out of Britain Executive Summary







Department  
for Transport

High Speed Two (HS2) Limited has been tasked by the Department for Transport (DfT) with managing the delivery of a new national high speed rail network. It is a non-departmental public body wholly owned by the DfT.

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## Chairman's foreword

Britain faces a paradox.

London is one of the greatest global cities. It will remain so, but we have to ensure that it does not become a victim of its own success. At the same time, whilst regional economies in the rest of the country have real strengths such as world class universities and research centres, as well as highly skilled manufacturing clusters and cutting-edge technologies, productivity still lags behind that of London and the South East. The danger is that those areas that already feel left behind will become even more so in the modern digital world.

The challenge, as the Government and others have clearly recognised, is: how do we bridge the gap?

Accessibility, or the lack of it, is one of the keys to resolving this national paradox.

The transport network around London has given the city easy access to the skills, products, professional services, and markets needed to succeed in the modern economy. But poorer connectivity between and within the Midlands and the North has made it more difficult for regional economies there to create that critical mass and realise their full potential.

HS2 will play a critical role in correcting that imbalance, particularly as it is fully integrated with the strategies for both Northern Powerhouse Rail and Midlands Connect.

A combination of more capacity and better connectivity will improve accessibility and, therefore, productivity in both regions – at the same time as helping to ease the pressure on London.

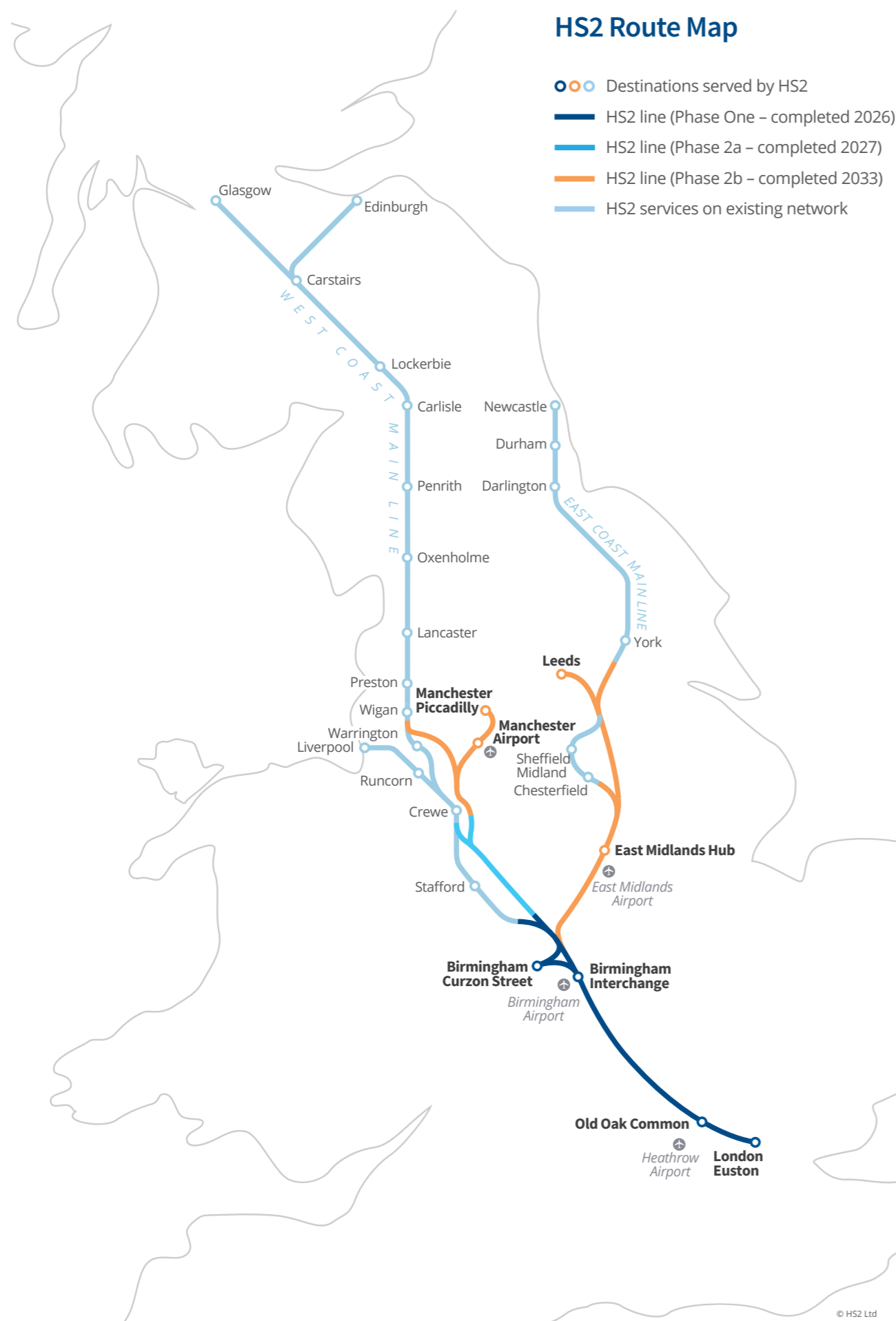
This report shows how. It is based on a series of workshops we held up and down the country. Each workshop brought together representatives from business, local authorities and universities, and I am grateful to all those who took part for their commitment and insight.

Two things struck me during the process. Firstly, the latent talent that exists in this country and, secondly, the increasingly strategic way these issues are being approached. The Government's Modern Industrial Strategy clearly reflects these priorities, as do the local economic strategies being developed up and down the country. Both will be increasingly vital to open the supply chains and market opportunities for British businesses in a post-Brexit world.

HS2 will itself offer significant opportunities to those supply chains and, through the new High Speed Rail Colleges at Birmingham and Doncaster, will leave a lasting impact on the UK skills base. Its longest lasting legacy, though, will be helping that process of joining up the dots between where we are now, and where we could get to as a country – the process of rebalancing the national economy to get the best out of each and every part of Britain.



**David Higgins**  
Chairman  
High Speed Two (HS2) Ltd



## Introduction

Britain has many strengths. In London it has a genuinely global city, and outside the capital it has cities and businesses that are centres of excellence and global leaders in:

- » financial and professional services;
- » creative industries;
- » digital technology;
- » high-tech engineering;
- » automotive production;
- » aerospace;
- » research and development;
- » pharmaceuticals;
- » chemicals;
- » environmental technologies and renewable energy;
- » university education;
- » the formation of small businesses; and
- » tourism.

These represent considerable and growing assets, on which the country can build as it prepares to exit the European Union. To make the most of them, however, we will need to tackle those issues which have been identified as potential barriers to future growth outside the South East.

As the Government and others have recognised, to succeed in the future, Britain needs a more balanced, more productive economy. We need to get the best out of Britain. We need to become more productive as a whole – and HS2 can help and, indeed, is already beginning to do so.

By adding badly needed new capacity, increasing the frequency and reliability of connections, and substantially reducing the journey times between and within regions in the Midlands and the North, as well as to and from London, HS2 will improve productivity by:

- » helping to create the critical mass of skills, services and access to the supply chains and markets that both individual cities and small and medium-sized enterprises (SMEs) need to succeed and grow by replicating the London effect;
- » making it more attractive for graduates to stay in the cities and towns of the Midlands and the North because regional growth will result in a wider range of jobs and long-term careers;
- » putting in place the infrastructure for existing economic hubs such as Birmingham, Manchester and Leeds to access the talent pool they need to grow by releasing capacity on the existing rail network, and to replicate the London commuting model;



- » laying the foundation for Northern Powerhouse Rail and Midlands Connect to further improve connectivity in the future;
- » freeing up capacity on the existing rail network that could be used to run additional freight services;
- » creating the context for businesses currently located in London to relocate or expand in less expensive, and therefore globally competitive, locations outside London to the benefit of both;
- » transforming access to Birmingham, Manchester and Heathrow airports, making it easier for businesses throughout Britain to access the international markets that will be so important post-Brexit;
- » making the North and Midlands a more attractive location for overseas companies wanting to invest in Britain;
- » transforming the ability of our leading research and development centres and universities to connect to cutting-edge manufacturers in high-tech engineering, the automotive and aerospace industries, amongst other sectors;
- » helping our legal, accounting and banking sectors to remain globally competitive by basing themselves in more cost competitive locations while retaining access to clients and markets in London;
- » reducing the time it takes for start-up businesses outside London to connect with investors, venture capitalists and mentors in the capital, so giving them the reliability and accessibility they need to develop long-term relationships.

In this way, HS2 will help address potential barriers to future growth outside the South East, for example:

- » our productivity rates are lower: it takes a UK worker five days to produce what an equivalent in the US, France and Germany produces in four<sup>1</sup>;
- » whilst SMEs in Britain employ the majority of the private sector workforce, we remain nearer the bottom of the international rankings for the percentage of start-up businesses that grow to more than 10 employees after three years<sup>2</sup>;
- » some cities find it difficult to hold on to graduates with the result that, for instance, 30% of firms in Manchester identify a lack of staff or skills as one of their top three challenges to growth<sup>3</sup>;
- » start-up firms outside London can find it difficult to access equity investment and venture capital; and
- » outside London and the South East, relatively poor connectivity and congestion deter the face-to-face collaboration that research and development and innovation depend on, as well as the access to the national and international markets, extended supply chains and professional services SMEs need to grow.

Productivity within the Midlands Engine and Northern Powerhouse regions varies almost as much as between the regions and devolved nations of the UK<sup>4</sup>. HS2 will help address those imbalances by spreading the benefits of better connectivity beyond those places with dedicated HS2 stations by working with Northern Powerhouse Rail and Midlands Connect to integrate its services with regional and local transport connections. That is in line with the Government's recently announced commitment

of £300 million to futureproof HS2 so that it can be used as part of the Northern Powerhouse Rail network and to support Midlands Connect ambitions<sup>5</sup>.

With that better transport connectivity, our cities and regions will be free to concentrate on developing their own, distinct specialisms and strengths, whilst simultaneously easing the pressure on London by freeing up extra capacity on existing commuter lines into the capital.

Salthouse Dock, Liverpool





### In the North West, HS2 will help close the productivity gap by:

- » easing increasing levels of crowding on rail links into Manchester both through the extra capacity it will itself provide, as well as the potential to more than double evening peak seats compared to today's services from Manchester Piccadilly towards Crewe and Stoke-on-Trent on the existing network<sup>6</sup>;
- » more than halving journey times between the North West and the West Midlands, so opening up new markets and new possibilities for collaboration and innovation, as well as increasing the reach of towns and cities such as Crewe, Wigan, Preston and Warrington;
- » helping Manchester and Liverpool take advantage of their cost competitiveness to attract office-based, high skilled jobs. Relocating a 50 person skilled legal back office centre from the City of London to Liverpool could achieve annual savings of £1 million<sup>7</sup>;
- » making it easier for people to enjoy the North West's 'quality of life' advantage – and, therefore, making it easier both for firms to attract and retain the talent they need and for tourists to access the area;
- » making it easier for Manchester's digital cluster and Liverpool's cluster of digital gaming businesses to access venture capital in London, and vice versa;
- » shrinking the distance between the region's advanced manufacturing sector and its supply chain, as well as the universities and research centres on which it depends;
- » improving access to and from the Cheshire Science Corridor with its strengths in scientific research in life sciences, chemical engineering, and energy and environmental technology<sup>8</sup>; and
- » making Cumbria more accessible to visitors from the South East and the Midlands for weekend trips, so helping to fill vacancies during the quieter spring and autumn 'shoulder seasons'.

MediaCityUK, Salford



Image: Alamy Stock Photo

### In the North East, HS2 will help close the productivity gap by:

- » helping the region achieve its target of 70% of new jobs being "better" to offer improved career opportunities for skilled people in the North East<sup>9</sup>;
- » making it easier for businesses across the region to connect both to each other and to other manufacturing plants, suppliers, universities and research centres in the city regions of York, Nottingham, Derby and Birmingham, as well as encouraging better connectivity to new sources of finance, particularly in London;
- » helping the collaboration needed to drive the developing knowledge based industries in the region, in particular the software technology, gaming and creative businesses based in Newcastle, the growing number of software companies in Sunderland and DigitalCity on Teesside<sup>10</sup>;
- » helping Newcastle and the rest of the region maximise their success in using its lower cost base to attract shared service activities<sup>11</sup>;
- » helping the SME sector in the Tees Valley region grow its role in supplying products and services to major manufacturers, not just in the region, but throughout Britain;
- » making it easier for the advanced manufacturing, automotive and medical industries in the region to connect to universities and research collaborators, as well as partners, clients and markets in the region, and the rest of Britain; and
- » better connecting the region's exporters, who make a major contribution to UK exports<sup>12</sup>, to markets abroad by cutting the journey time from Newcastle to Heathrow Airport by around 1 hour and 20 minutes.

Sunderland Software City



Image: MAKE it Sunderland



## In both the Leeds City Region and South Yorkshire, HS2 will help raise productivity by:

- » integrating with Northern Powerhouse Rail to ease the combination of congestion and poor connectivity across the region. This has been a contributory factor to a vicious circle in which, because companies can find it difficult to access the skills they need, they then find it difficult to grow sufficiently to provide the number of high skilled, high income jobs the region needs;
- » HS2 will directly provide additional capacity, as well as freeing up capacity on existing lines such as that between Leeds, Wakefield and Doncaster<sup>13</sup>. HS2 will improve connections from Leeds and Sheffield to the Midlands, and Transport for the North is exploring options to make use of the HS2 line for faster services between Leeds, York and Newcastle;
- » building on the growing specialisms across the region whether it is: York's food research sector<sup>14</sup>, alongside its traditional rail expertise<sup>15</sup>; the University of Sheffield's Advanced Manufacturing Research Centre<sup>16</sup>; or Leeds' significant success in attracting and growing professional and financial services, which includes being home to the UK's fastest growing legal sector<sup>17</sup>;
- » helping both the significant SME sector in the region and its growing technology and digital companies access growth finance in London – whether it is firms specialising in health technology, Big Data and FinTech in Leeds, or businesses with expertise in data management, analytics and telecommunications in Sheffield and Rotherham<sup>18</sup>;
- » helping Leeds South Bank succeed as one of the largest regeneration initiatives in Europe<sup>19</sup>;
- » making Yorkshire as a whole more accessible to tourists from the Midlands, the South East and London, and to international visitors; and creating a virtuous circle in which, because the region's graduates believe they can build and sustain a successful career in Yorkshire, they choose to stay – so providing the skills companies need.

The University of Sheffield Advanced Manufacturing and Research Centre



Image: HS2 Ltd

## In the Midlands, HS2 will help the region achieve its target of raising productivity to the national average by 2030<sup>20</sup> by:

- » reducing the journey time between the East and West Midlands from over an hour on heavily congested routes<sup>21</sup> to 20 minutes, making it easier for the region to operate as a single economic unit;
- » more than halving the journey time from Birmingham to Manchester and Leeds, as well as to other destinations in the North, making collaboration easier – such as that between the aerospace clusters in Derby, Birmingham, Wolverhampton and Coventry, and those in Lancashire, Cheshire and Scotland;
- » helping Nottingham – one of the UK's six Science Cities<sup>22</sup> – to maximise its research and science base and Leicester to grow its developing digital tech sector<sup>23</sup>;
- » adding substantial new capacity and freeing up extra capacity on existing commuter lines into Birmingham as well as to and from London, so helping the city build on its developing role as a financial, banking and professional services centre which has already attracted HSBC UK<sup>24</sup> and Deutsche Bank<sup>25</sup> to the city;
- » helping deliver the higher levels of knowledge exchange between universities and technology businesses in the region that has been identified as critical for success<sup>26</sup>;
- » helping increase skill levels in the region by making it more attractive for graduates to stay as well as creating a bigger catchment area for the region's employers; and
- » expanding the catchment areas for Birmingham Airport and East Midlands Airport, allowing them to offer a wider choice of international destinations for global businesses based in the Midlands, such as Rolls Royce, Jaguar Land Rover, Toyota and JCB<sup>27</sup>.

Britain is fortunate, both in having London as its capital city and in having so many centres of excellence in the Midlands and the North.

The key is how to maximise these assets for the future and, in the process, increase our national productivity. By delivering a step change in capacity, reliability and connectivity, HS2 can help achieve that national goal; help to get the best out of Britain.

- <sup>1</sup> ONS International Comparisons of Productivity, GDP per hour worked, 2016.
- <sup>2</sup> 'Small Business Finance Markets 2015/16', British Business Bank.
- <sup>3</sup> Greater Manchester Business Survey 2016.
- <sup>4</sup> 'Unlocking Regional Growth' CBI, December 2016.
- <sup>5</sup> <https://www.gov.uk/government/news/northern-transport-gets-further-funding-from-government>.
- <sup>6</sup> 'High Speed Two: From Concept to Reality', Department for Transport, July 2017.
- <sup>7</sup> 'North Shoring: What Can Liverpool Offer You', Mayor of Liverpool and Liverpool Vision, 2014.
- <sup>8</sup> Cheshire Science Corridor Enterprise Zone – Prospectus: <http://cheshiresciencecorridorez.com/wp-content/uploads/2015/05/5843-CSC-BROCHURE-MASTER.pdf>.
- <sup>9</sup> 'The North East Strategic Economic Plan', North East LEP, January 2017.
- <sup>10</sup> 'TechNation 2017', TechCity.
- <sup>11</sup> 'The North East Strategic Economic Plan', North East LEP, January 2017.
- <sup>12</sup> 'Tees Valley Strategic Economic Plan 2016-2026', Tees Valley Combined Authority.
- <sup>13</sup> 'High Speed Two: From Concept to Reality', Department for Transport, July 2017.
- <sup>14</sup> <https://www.biovale.org/our-region>.
- <sup>15</sup> 'Changing Britain: HS2 Taking Root', HS2 Ltd., October 2016.
- <sup>16</sup> <https://hvm.catapult.org.uk/hvm-centres>.
- <sup>17</sup> 'Leeds Legal Services: The UK Centre of Excellence for Legal Services Outside of London', Leeds Law Society, 2017.
- <sup>18</sup> 'TechNation 2016', TechCity.
- <sup>19</sup> 'Changing Britain: HS2 Taking Root', HS2 Ltd, October 2016.
- <sup>20</sup> 'The Midlands Engine Vision for Growth', Midlands Engine, September 2017.
- <sup>21</sup> 'Midlands Connect Strategy: Powering the Midlands Engine', Midlands Connect, March 2017.
- <sup>22</sup> 'Midlands Engine Strategy', HM Government, March 2017.
- <sup>23</sup> 'TechNation 2017', TechCity.
- <sup>24</sup> [http://www.about.hsbc.co.uk/~/\\_/media/uk/en/news-and-media/rbwm/birmingham.pdf?la=en-gb](http://www.about.hsbc.co.uk/~/_/media/uk/en/news-and-media/rbwm/birmingham.pdf?la=en-gb).
- <sup>25</sup> 'The World's Most Competitive Cities 2015', Conway.
- <sup>26</sup> 'A Science & Innovation Audit for the West Midlands', West Midlands Combined Authority, Greater Birmingham & Solihull LEP, Black Country LEP, Coventry & Warwickshire LEP and Birmingham Science City, June 2017.
- <sup>27</sup> 'Midlands Engine Strategy', HM Government, March 2017.