

Higgins Report Launch
Manchester
17 March 2014

This morning here in Manchester, I want to launch my Report into the deliverability of High Speed Two by setting out why, I believe, High Speed Two has the potential both to transform the North as a whole, and our nation by rebalancing our economy, providing lasting jobs and acting as a catalyst for change.

But let's start by reflecting on how the case for High Speed Two started.

The concept of High Speed Two has been born out of years of planning and a bipartisan approach and it is essential to maintain this for a project that will span 4 – 5 Parliaments. It was launched publicly by the nation's rail infrastructure company, Network Rail, in 2009 and this is important because Network Rail, as the organisation that oversaw the completion of the West Coast upgrade which finished in 2008, recognised in its New Lines Study which was published in 2009 that new additional rail capacity for West Coast was now essential to meet forecast growth. Without a new rail

link, the existing West Coast Main Line would become full by the mid-2020s and, furthermore, there would be no opportunities to increase the expected levels of increased freight on the rail network.

Separate to this review, in 2006, the 3 northern Regional Development Agencies under the umbrella of the Northern Way established the Northern Way Transport Compact to support work on transport priorities and to identify measures to support the North's economic growth. Over the next 6 years this group, with the full support of its members, published the Transport Compacts Work. One of the early wins has been the Northern Hub strategy already underway here in Manchester. But the report also concluded that there is a broad consensus around two other points:

- that high speed rail would be transformational to the North's economy;
- and the need to enhance the trans Pennine corridor.

The upgrade of the West Coast simply revealed the true extent of the latent demand and growth nationally which over the past decade has averaged 5% per year even through

the economic downturn. But if that defines the problem that HS2 is the answer to, it is also clear that any solution for the nation's transport infrastructure must stand the test of time in the same way that West Coast has for 170 years. The Victorians, in a frenetic period of the 19th Century, built a national rail network. As the first new main line railway to be built north of Watford in 100 years, High Speed Two must satisfy this same criteria to, not only stand the test to time, but to be the right answer.

High Speed Two needs to address the two challenges of capacity relief – primarily Birmingham to London – and connectivity between northern cities and the North and London.

Phase One of High Speed Two addresses the capacity challenge. Phase Two must address connectivity and therefore must be integrated with existing and future transport services and also looking to maximise the value added to the local and national economy.

And so, 5 key principles against which High Speed Two can be judged by the public

- Stand the test of time
- Be the right strategic answer
- Be integrated with existing and future transport services
- Maximise the value added to local and national economies and
- Be a catalyst for change both locally and nationally.

High Speed Two is a massive and complex infrastructure project and is a very substantial investment by the nation and our future and therefore must stand scrutiny but also have bipartisan support. The Prime Minister, the Rt Hon David Cameron MP, speaking in mid-2010 in Yorkshire, said that our economy was heavily reliant on London and the South East and that such a narrow foundation for growth was fundamentally unstable and wasteful and he was determined that should change.

There could be no starker reminder of the need to rebalance the economy than here in the great cities of Manchester and Leeds with no FTSE 100 companies based in either city with 75% of all FTSE 100 companies based either in London or

within the London commuter belt. The last 14 years of transport funding and planning in London have been within the control of a publicly elected Mayor and has shown how transport investment has changed from being a cost centre to a strategic investment that drives growth. The city has already benefitted from, or is planned to benefit from, around £80bn worth of investment in London centric rail investment, including the successful investment that enabled the delivery of the Olympics and expansion of the city east of Canary Wharf.

And so to the outcomes of my 8 week review of High Speed Two.

My approach was guided by the five principles: that any changes I proposed should make HS2 better able to stand the test of time; make it more the right strategic answer: enable it to better maximise the value for local and national economies; be more of a catalyst for change; and., above all, maximise the benefit for the existing network by being properly integrated into it.

In practical terms what that means is:

[Maximising Slide]

- on Phase Two working with Network Rail, Government, and, above all local leaders across the North as a whole to produce an integrated plan that will maximise the benefit of HS2 not just North/South, but also East/West from Liverpool to Hull;
- it also means creating an interchange station at Crewe that not just brings together high speed and conventional rail, but also road transport to the benefit not just of Crewe, but the entire region;
- it also means making Old Oak Common a major interchange in north London linking long distance and commuter services to the north and west;
- and, finally, it means doing Euston properly. Euston deserves better. It should rank alongside St Pancras, Kings Cross, and what is beginning to take shape at London Bridge but we all know it doesn't.

Taking those one by one.

HS2 has the potential to transform the North - not just individual cities, but the region as a whole, but only if we have the ambition to think big picture. So far the focus has tended to be on individual places, and individual stations. I think we need to think broader than that -

[Integration of Phase Two Slide]

and properly co-ordinate HS2 not just with the existing network, but also the plans for its improvement during the time HS2 will take to be built. That would create the real possibility of improving journey times not just North / South, but also East / West from Liverpool to Hull. That opens the door to the North not just becoming more attractive to businesses that want to escape the pressure cooker of commercial property prices in the south, but also to the north beginning to harness the full potential of its skills base, its universities and its diverse identities. Less than half a percent of commuters into Manchester come from Leeds - and vice versa - and yet they are only forty miles apart.

That is why I am proposing that the government consider how to bring all the relevant voices together - HS2, Network

Rail and the civic leaders across the North - to devise a co-ordinated, prioritised plan.

That, I believe, should not take that long to devise, but as a statement of intent I also am asking the government to consider accelerating Phase Two by bringing forward plans for a new interchange station at Crewe.

[Crewe Slide]

It is not for me to pre-judge the response to the recent consultation, but I believe it is the right strategic answer because it would allow Crewe to act as a transfer station - a concept that is familiar in the rest of Europe, but less so here. If plans were accelerated, then I believe the North could benefit six years earlier than planned. 2027 - thirteen years away.

This creates the possibility of improving on the existing Phase two schedule, not just for Crewe, but also, possibly, for the rest of Phase Two, though I don't want to make too much of that until we see how quickly a plan for the north as a whole can be produced and agreed.

In Phase One, HS2 again can be, in line with our principles, a real catalyst for change - but, again, the key is political will, not just at a national, but, also, a regional level. And, again, the key is to recognise that HS2 is not an end in itself. It has to be seen as one element in a comprehensive approach.

Old Oak Common Slide

Not many of you, I suspect, will have heard of Old Oak Common, never mind be able to place it on the map, but, if we, collectively, make the right choices, it is destined to become not just a major inter-change for the country, but also a long over-due source of re-generation. This is that part of London's equivalent of Stratford in the east of the city. A once in a generation opportunity. No-one would want to, or should stand in the way of that, but to make it work will demand some tough decisions.

[Euston Slide]

And the same is true of Euston. Let's be honest. The existing station is nobody's favourite. It is getting close to its sell by date - except nobody would want to buy it. In the next ten years Network Rail would have had to do something

about it anyway. So let's do it properly. Let's produce a station which connects with the local community; meets the needs of HS2 and the existing network: and makes the most of private sector investment on one of the last great development sites in London. This is the time not just to restore the grandeur of the Euston arch, but something that rivals St Pancras and Kings Cross, something to be proud of.

But if we need to, produce something that stands the test of time at Euston, the same standard needs to be applied to the proposed

HS1 / HS2 link slide

HS1 / HS2 link. In terms of a cost effective solution it is the best. The problem is that it impacts on existing passenger and freight services, and the local community. It is an imperfect compromise. I recommend that the government should re-consider and think about an alternative. In the short term the train paths, I believe, could be used to better effect for connections to places such as North Wales and, given the short distance involved between Euston and St Pancras, the impact on passengers of cancelling the link

would be minimal, even when compared with cities such as Paris which have existing high speed services coming into different stations.

The rest of Phase One, I believe, is both necessary - and deliverable. And I say that all too aware of the main challenges involved. These I would list as:

[Phase One Schedule Challenges Slide]

clarity about the parliamentary process; clearing the hurdles we face at Old Oak Common; getting the Crossrail connection to the West Coast mainline right; and making the right decisions on Euston.

[Slide: A realistic and robust timeline]

The simple truth at the heart of this, as any, project is that there is a direct connection between certainty, time and cost. The more certainty there is about the timescale, the more possible it is to control cost through economies of scale.

That is why getting clarity over the duration of the parliamentary process is key. I recognise, and applaud, the

leadership and courage all sides have shown to get us to this point - and that is why not getting Royal Assent before the election I do not think is a problem, but the more clarity parliament can provide, the more I can reduce contingency, and, therefore, the ultimate cost.

Euston, Old Oak Common and tunnelling are the other main challenges in Phase One - challenges, I believe, with the right approach we can meet.

That is why I and my team, after eight weeks of exhaustive study, have concluded that the Phase One budget is enough.

[HS2 Review Validates Slide]

We have tested assumptions, and indeed ended up with a bigger contingency figure than we started with and adjusted some items here and there, but we have reached the firm conclusion that the budget is enough to deliver Phase One in total. Phase two being too early in its development to properly assess

[Budget Settlement Slide]

Our starting point was the original budget for both the infrastructure, track, and the trains, rolling stock, split between the two phases - without any contingency.

We then

[Forecast Cost Phase One Slide]

tested each line item on the Phase One budget and, where we thought necessary, adjusted accordingly. And then

[Contingency Slide]

we added in the contingency, which, given the continuing uncertainty at this stage of the project amounts to about a third of the project, and we reached our conclusion that the budget is about right. Of course the easy thing to do would have been to reduce the contingency budget, but, given the uncertainty, particularly over the parliamentary timetable, that would have been irresponsible to do so.

But we felt we had to go further and compare the budget, not just to the original HS2 budget, but also comparable projects.

[HS1 Slide]

HS1 is the most comparable, even though the route is longer, it will carry more passengers per train, and be faster - even so the budget stands up well.

[HS1 / ODA Slide]

But what about those indirect costs - all the central costs such as project management, consultancy and accommodation – you can see where we have adjusted the allocation up.

[Train Costs Slide]

And finally, at the sharp end, have we allowed enough for train costs - a figure we adjusted. The answer seems to be yes.

[Summary Slide]

So the bottom line is this.

- the budget for Phase One is enough;
- but we need a robust and reliable timetable;

- and that means, above all, clarity over the parliamentary timetable;
- but there are also critical decisions necessary to unlock the real potential at Old Oak and for Crossrail
- and we need to recognise both the huge opportunity to do Euston right and that the proposed HS1 / HS2 link needs re-thought;
- in the North we should go to Crewe earlier and think much more holistically about how we maximise the potential of HS2, not just North / South, but also from Liverpool to Hull
- and that there is, at least, the possibility of delivering Phase 2 two to three years earlier, if the North speaks and acts with one voice.

As a country we face a choice. On the one hand is the status quo: ever increasing pressure on transport, the cost of housing and commercial property in London and the South East; poor connectivity to and within the North. On the other are the strategic opportunities offered by HS2 and the potential it unlocks. An incremental approach can only make

marginal improvements, and often at the cost of unacceptable disruption to the existing network for decades to come. We shouldn't kid ourselves otherwise. If done right, HS2 can provide an answer that stands the test of time and addresses the issues of congestion in the South, and lack of connectivity in the North. The cost, and impact, are issues that have to be recognised and acknowledged, but so, too, does the cost and impact of doing nothing. Without HS2 the people of this country will continue to face the failures of our transport system on a daily basis. With it they will begin to see a strategic answer that can deliver real benefits within the foreseeable future. That is why, I believe, HS2 is a project which, despite the issues it raises, is in the national interest.