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## HS2 and Economic Development

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My talk will give my own take on the relationship between the plans for high-speed rail lines as proposed by the UK government and economic development. It will

1. comment on the claim that HS2 will regenerate the local economy and steer economic activity away from London and the South East and towards the Northern English regions
2. examine the claim that people around the HS2 station proposed at Toton will benefit economically
3. have a look at the model for financing the HS2 project and of estimating project costs
4. outline uncertainties and risks regarding who will fund development and infrastructure associated with HS2 (for example additional road capacity or public transport links)
5. indicate further ongoing and planned consultation and research

It will **not** scrutinize the cost estimates for the HS2 project in detail, do more than sketch the economic impact of operational factors such as rail journey times between destinations, or present models of economic development. I am not competent to comment on these issues.

### Will HS2 regenerate regional and local economies ?

**claim :** Proponents of HS2 claim that it will rebalance the British economy away from on over-reliance on London and the South East, benefit the Northern English regions, and regenerate local economies.

**response :**

1. some international evidence that centres served by a high-speed rail line (with stations) have attracted investment and seen economic growth, but also examples of little or no impact of an HS station e.g. Kassel in Germany, where the HS hub has led to some regeneration in the immediate vicinity of the station but otherwise the HS station is a transit hub
2. a hub and spoke HS network tends to benefit the centres at the hub at the cost of those at the spokes – in our case, this could mean that B'ham benefits but cities further north do not
3. centres on the HS line may benefit – but at the cost of those off the line (see recent KPMG report )
4. evidence that where an HS line connects two regions uneven in their development, the more highly developed benefits at the cost of the less highly developed – in our case, this would mean that London and the SE would benefit at the expense of the East Midlands

5. poly-centric spatial and economic structure of the East Midlands (Leicester, Derby, Nottingham, Lincoln etc as economic hubs) does not lend itself to a boost from a single HS station. The region is in this respect more like Germany than the WMs or the NW with B'ham and Manchester as the respective centres
6. however, strong sectors in the regional economy (above national average) include transport equipment (mostly in Derby) and construction, which could benefit from equipment orders, material sourcing (e.g. cement), contracts during construction, better business connections to facilitate exports
7. then again
  - the real rail journey times between N'ham and other cities (B'ham, London etc) may be uncompetitive, even longer than currently
  - and it is unlikely there will be through services to cities in other European countries from the East Midlands hub station proposed at Toton sidings
  - the logical place for an HS station to build on the strengths of export sectors would be Derby, not Toton
8. low skills base has been a key issue for the East Midlands economy for many years, and HS on its own will not address this; in fact without a skills strategy and significant and sustained (public) skills investment, recruitment to any higher-skilled jobs created as a result of HS2 is likely to draw on a very wide geographical area
9. The London and the South East economies have outperformed the other English regions for many decades (by all the usual indicators such as GDP, GVA, jobs created, unemployment figures etc), indicating a structural issue requiring structural economic interventions to rebalance rather than a single transport infrastructure project
10. there is agreement among economic geographers that good transport infrastructure matters, but far less agreement about what kind of infrastructure brings economic benefits, especially whether inter-regional or intra-regional is more likely to bring benefits
11. institutional capacity : much neglected as a factor but potentially critical in securing (or not) economic benefits. Unlike the WMs or the NW, our region – or sub-region - does not have a fit-for purpose governance structure to lobby for benefits, receive and utilize any additional funding or even to reach agreement on what would constitute a benefit and how to achieve it. Instead, we have 6 (or 8 if we count Leicester and Leicestershire) principal Local Authorities and at least 6 Local Planning Authorities, one (or 2 if we count Leicestershire) Local Enterprise Partnerships, no PTE etc

### **Will people around the HS2 station proposed at Toton benefit economically ?**

**claim :** HS2 will create a large number of jobs in the area and generally boost local economies

#### **response**

1. higher-skilled jobs may be created as a result of better connectivity, especially for export-focused sectors – but recruitment not necessarily from the local area
2. lower-skilled jobs may be created during construction – but how many long-term jobs will there be ?
3. the HS2 station could attract economic development which undermines existing centres e.g. a retail park - the Meadowhall nightmare – or business park . In principle, this could be controlled through the planning system – see e.g. emphasis on protecting and enhancing the “viability and vitality of town centres” in the NPPF. In

practice, however, LPAs' lack of resources is likely to mean that a developer's big cheque will be a persuasive argument

4. a transport study of the '3 cities' area – one of the DasTS studies – concluded in April 2010 that intra-city movements were far more significant than inter-city movement, especially for those on lower incomes and with lower educational qualifications

### **How secure is the funding for HS2 ?**

**claim :** Funding is earmarked and secure to the level of Crossrail and as a continuation of that stream

**response :**

1. The actual cost is still in dispute – although conflicting estimates often don't compare like with like e.g. some take transport links to HS2 into account, others don't
2. Finance is to be raised on the global money markets, creating significant risks over many years and the possibility that the HS2 project will be designed according to where global lenders expect the highest returns rather than according to where economic (or any other) needs should be met

### **Are there risks associated with funding associated development ?**

**government view :**

It is up to local authorities and other local or regional players to decide what kind of additional infrastructure or services (e.g. bus services) they need and want and to raise the necessary funds, although government may make pots of money available for local players to bid into

**response**

This approach creates a significant risk that HS2 will not be integrated into the rest of the rail network, that public transport access will be patchy or poor, that local bus services will be sacrificed to service HS2, and that Local Authorities will incur significant financial risks to fund infrastructure (especially roads)

### **Sources**

research by the centre for regional economic development at NTU – for figures and patterns regarding the East Midlands economy

Prof John Tomaney's evidence to the 2011 Transport Select Committee enquiry into HS2 – for international evidence on inter-regional connectivity

recent KPMG report