Select Committee on Economic Affairs

Uncorrected oral evidence: Rethinking HS2—follow-up

Tuesday 28 January 2020

4.30 pm

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Members present: Lord Forsyth of Drumlean (The Chair); Lord Burns; Viscount Chandos; Lord Fox; Baroness Harding of Winscombe; Lord Livingston of Parkhead; Lord Skidelsky; Lord Stern of Brentford; Lord Tugendhat; Lord Framlingham.

Evidence Session No. 2 Heard in Public Questions 14 - 21

Witnesses

I: Maria Machancoses, Director at Midlands Connect; Barry White, Chief Executive of Transport for the North.

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Examination of witnesses

Maria Machancoses and Barry White.

The Chair: Mr White and Maria Machancoses, I think you listened to the earlier part of the session. We have run a bit over time, but it is quite a big subject and I hope you do not mind if we extend your time as well. I hope we will not cause you any trouble—catching a train or anything of that kind. The first question is from Viscount Chandos.

Q14 Viscount Chandos: At what point do you believe that HS2 ceases to be justifiable? Should it be done at any cost?

Barry White: First, in the previous evidence it was said that there was a general belief that it might cost more than £100 billion. The NAO report on HS2 says £88 billion and Michael Byng said £106 billion. Clearly, there is no project one would do at any cost, but we believe, from a northern perspective, that the benefits that HS2 brings go far beyond the time-saving benefits for those who travel on the train. The wider economic impact of investing in HS2 is critical to rebalancing the UK economy.

Viscount Chandos: The cost-benefit ratio has fallen significantly on the revised cost estimate. What would you argue is the minimum acceptable ratio?

Barry White: Your report on this matter highlighted some of the challenges in the cost-benefit analysis approach that is currently used. I would argue very strongly, and I believe there have been various announcements or hints about this, that the cost-benefit analysis approach should be reviewed and perhaps overhauled in some ways.

To give you a simple example, HS2 combined with northern powerhouse rail could bring the London to Edinburgh journey time down to a point, saving perhaps an hour over the current journey time, where a lot of the current air traffic could shift. There are 22 BA flights a day between London and Edinburgh, plus easyJet and Ryanair. With the right journey times from London to Edinburgh, as an example, there could be a huge modal shift from domestic air to rail.

Viscount Chandos: But the £88 billion to £106 billion gets us to Manchester, not Edinburgh.

Barry White: It gets you to Manchester and Leeds, but if you are travelling on HS2, coming north on the eastern leg, you will reach York on the HS2 track. Going north from York to Newcastle—northern powerhouse rail intends to improve the east coast main line—then from Newcastle to Edinburgh on the existing east coast main line. One train could run the whole journey, so those two interventions, in effect—northern powerhouse rail and High Speed 2—could provide a link between London and Edinburgh much faster than today’s link. That is why speed is still important: it would enable people to make a better choice than is available today between domestic flights and travelling by rail.
Madrid to Barcelona is a really good example of a similar distance—I think it is 600 kilometres—where the introduction of high-speed rail services on that corridor led to a huge modal shift. I think it was something like 10% by rail and 90% by air, and within a matter of three years that shifted to almost 50:50.

The point I am making is that the cost-benefit analysis approach does not really capture the environmental benefits, such as giving people real choice between domestic air travel and travelling by rail.

**Viscount Chandos:** You have already said, “including northern powerhouse rail”, in your answer, and I suspect you would not be a dog in the manger and say that Midlands Connect and the investment there should be discriminated against, so do you agree that it does not really make sense to look at this other than as the £150 billion that Lord Berkeley mentioned? In other words, a round £100 billion and another £50 billion for the Midlands and NPR?

**Barry White:** I am happy for Maria to comment on the Midlands, but we continue to press for £39 billion for northern powerhouse rail over 15 years, from 2025 through 2040. Some of that is new track and some is upgrading the existing track. Between Sheffield and Manchester, it will be upgrading the existing track, whereas we would like to see a new line built between Manchester, Bradford and Leeds. The effect of that will be combined with HS2. Bradford to Birmingham today takes 131 minutes, but with that combined effect of HS2 and northern powerhouse rail, that would drop minutes to 42 minutes.

**The Chair:** That is from where to where?

**Barry White:** From Bradford to Birmingham.

**The Chair:** And what is it from London to Edinburgh, because you gave that example?

**Barry White:** London to Edinburgh today is just over four hours.

**The Chair:** You were making a big case on Edinburgh to London with HS2, and the saving in time would be 42 minutes?

**Barry White:** No, London to Edinburgh, HS2 would save roughly an hour.

**The Chair:** I have 42 minutes as the figure.

**Barry White:** That might be just HS2 by itself, but combined with northern powerhouse rail and the updated east coast main line—

**The Chair:** Does that not make the point that the big savings in journey times are on the east-west connections in the Midlands and not north-south connections?

**Barry White:** I think that too much of the debate has been purely on London to X or Y.

**The Chair:** It was a point you raised.
Barry White: Yes, but the combination connecting Leeds and Birmingham, which the eastern leg of HS2 does—it is one of the main purposes of the eastern leg of HS2—takes that journey time down to something like 45 or 48 minutes.

The Chair: I am sorry to interrupt, but we are looking at this from the point of view of our earlier report, which showed that there were spectacular reductions in journey times between towns in the north and the Midlands, and not between Scotland and London. Sadly, Lord Darling cannot be here today, but he was the Transport Minister and he made the point that the danger here is that, if a project goes over cost, the bit at the end—your bit—gets cancelled and you end up with a fast link from London to Birmingham.

One of the things that has puzzled the Committee is that in the north, where we are saying to the Government, “Look, ring-fence the money that is needed for the Midlands and the north and get on with that now”, there is pushback saying, “No, we do not want that, we want to go with HS2 even though the costs are out of control and there is a risk that it might not happen and it may mean that we get it later”. That is the bit that I find, and the Committee finds, quite difficult to understand. Will you deal with that?

Barry White: There are three things needed in the north. As people have already said, lots of the existing network needs investment. There are congested areas of the north: the central Manchester corridor causes delays right across the north of England, and there is some work that is quite advanced that could be moved into construction quite quickly. There is lots of investment that would just make day-to-day commuter journeys better, which is undoubtedly a very big part of what is needed, but that is needed year-in and year-out as part of the five-yearly settlement with Network Rail under control periods, and it needs to continue.

We are arguing that when the Government announce their infrastructure strategy in response to the national infrastructure assessment carried out by the commission, they should commit funds to both HS2 and northern powerhouse rail. We rely on 80 kilometres of HS2’s track, as currently designed, to deliver northern powerhouse rail.

Lord Burns: As described earlier, it is possible to envisage, in a sense, building that extra track as part of the northern powerhouse rail. The issue for a lot of people is that if we are really interested in the north, let us do the northern powerhouse part and the bit that is missing that you had previously hoped would be delivered by HS2. There is no reason why it cannot be done as part of the northern powerhouse package of measures. Without HS2 we cannot do what we want to do in the northern powerhouse but, as has been pointed out, we could still do the bits of HS2 that are needed to complete the northern powerhouse project.

Barry White: Last time I was here to give evidence on this subject, I was very clear that, if HS2 did not exist, we could still deliver northern powerhouse rail.
**Lord Burns:** It would cost more.

**Barry White:** Yes, it would cost more, and we would have to redesign elements of it. What we are pressing for, though, is for both HS2 and northern powerhouse rail to be built, because that combination is even more powerful.

Q15 **Lord Burns:** I asked earlier about what really matters to local communities. Is it about getting people to work and the normal journeys that people make, for which there are many things now causing so much difficulty both in the Midlands and in the north? Is that not a priority over the issue of saving time on that longer journey between Birmingham and London? What does that bit add compared with the really difficult problems that people now have in commuting, where the lines that they really need for commuting purposes are serving them so badly?

**Barry White:** Undoubtedly the current rail network in the north has suffered from decades of underinvestment. Therefore, tackling that on a rolling basis is important. I have given some examples already, but the real congestion hotspots that make journeys unreliable need to be tackled. That would help with the day-to-day journeys that are so important and would help to transition people and give them the option to travel by train rather than by car. These are really important elements of future investment in the north.

**Lord Burns:** They could live further away from their place of work, if there is a decent local set of railways operating.

**Barry White:** The argument for northern powerhouse rail, and for HS2, is that the settlement is over and above the normal settlement for Network Rail. It is not that one has to stop and the other continue. Network Rail, in upgrading the existing rail network, needs to continue those year-in, year-out investments. We are starting see some of them in the north, but we need to see them accelerate.

**Lord Burns:** I have one last question. What I share with Lord Darling is that we have both worked in the Treasury and we have some idea of what happens with these major projects when they begin to spin out of control, which is that the later stages of them tend to be sacrificed. I think that is why both of us have been asking this question. Surely, if what you are really interested in is improving the north, that is where you would begin before the money runs out. You would think about doing the final stage of the exercise when you have those things that you really need, which is to be able to get people to communicate and connect in the cities of the north and the Midlands.

**Barry White:** Clearly, we have not seen the Oakervee report, so I do not have the insight that Lord Berkeley has about the deliberations as part of Oakervee. My understanding, from various leaks and everything else, is that, given the consenting process that we have, even if we wished to turn the clock back and start from the north to the south, phase 1, practically speaking, is the bit that is most ready to proceed. I hate the phrase
“shovel-ready”, which means everything and nothing, but it is the phase that is most ready for construction to start.

Lord Burns: Perhaps, rather than shovel-ready, I will say that they are ready to spend the money.

Barry White: Certainly the construction industry is mobilised to be ready to start phase 1 when or if the button is pushed. From that point of view, phase 2a still needs to finish its consenting process, and phase 2b, which is the final bit of the western and eastern legs, would have to go through a hybrid Bill process. The new lines for northern powerhouse rail would have to go through a similar consenting process.

I think it is a big challenge for us as a country. The ability to take one hybrid Bill through Parliament at a time is a major limiting factor in how quickly any project can progress.

The Chair: You have been very patient, Ms Machancoses. Would you like to comment?

Maria Machancoses: I shall start by saying thank you for inviting the Midlands to the debate. Something that I think was also picked up by Lord Grocott this week is that, when you talk about HS2, it is really important that you consider what the impact will be on what is already happening with HS2. The Baroness had an amazing and important question on that today. The Midlands is at the heart of it all. In the Midlands, we have been talking about HS2 for the last 10 years. It is almost in our DNA; it is rooted well into our thinking, in terms of economic revival rather than transport, which is a phrase that Andy Street keeps using.

I would like to give you a sense of what HS2 means and what the rethinking on HS2 means for the Midlands. We have been working on this, as I said, for 10 years. We understand that HS2 is not just about sorting out the problems of the now; it is about the biggest infrastructure programme on the national railway that would allow us to have the capacity not just for the next five or 10 years, but for the next 100 years. We got that right from the outset. That where the debate starts about what value for money means when you are investing in national infrastructure not just for the next five to 10 years but the next 100.

In the Midlands, we understand that it is about whether you want to have more east-west connectivity, whether you want to create a much bigger commuter network—not just the status quo, not longer trains or longer platforms—and whether you want to really embrace the environmental challenges. We are very precious about our commuter network; we want to expand it big time.

We do not want just a sticking-plaster approach. In the Midlands, we understand that you cannot do a thing with Birmingham New Street; it is full. You can add an extra service, maybe the digital railway, maybe another connection, but that is just not good enough for the Midlands. That
is why HS2, from a transport perspective, will allow us to reconfigure the local network, not just for passengers and commuters but for freight.

We in Midlands Connect have been working for the last five years gathering evidence and data. In the last 10 years, rail passenger numbers have doubled in the West Midlands. New Street is now the fifth busiest station in the country—the only one outside London, by the way. So we really get it. We are jealous of the south-east, not because we do not like it but because it has always understood the importance of investing for the short term, but with the long term on the side.

**The Chair:** We get that as well, but can you explain why you need a train that travels at 400 kilometres per hour to do this?

**Maria Machancoses:** Speed is really important.

**The Chair:** Why?

**Maria Machancoses:** I will tell you why. I will not go into the debate on 300 or 400 kilometres per hour; I am not an engineer, believe me. When it comes to the Midlands, our connection to the north is very important, too. HS2 is not just about speed. I think everybody has acknowledged that the whole argument of HS2 focusing on speed is not good. For us, it is about capacity and east-west connectivity.

HS2 is also important in the Midlands when it comes to speed because, as Barry says, our connectivity to the north at the moment is, frankly, really poor. If you want to create transformation and a game-changer in how the cities of the north and the Midlands communicate with each other—not just in terms of transport but socially and economically—and to create an attractive environment where investors can see the benefit of investing in an area because of the proximity to many other hubs and economic activity, this is where the speed debate is important for the Midlands and the north. It is not the only argument, but it is still important.

**Q16 Lord Fox:** Continuing on Lord Burns’ line, I am still struggling to understand this point—I am looking at the north rather than the Midlands. It appears to me that you are prepared to risk the benefits you have set out very eloquently for the north by continuing to piggyback that with the Birmingham to London part of HS2. It is not clear to me why you continue to link those, when that linkage could put the bits you seem to value most in jeopardy. I still do not understand what it is about the rest of HS2, if you like, that is so important that it absolutely has to happen alongside the other stuff, which you have articulated very well as being very important.

**Barry White:** Connectivity to London remains really important. Some 30% of the Civil Service is based in London and the south-east, which is roughly pro rata with the population, so 70% of the Civil Service is outside London. However, 70% of the senior Civil Service, the decision-makers, are based in London. We think that is an example of where greater connectivity between London, the Midlands and the north, with high-speed trains, could allow more decision-makers to be based outside London.
Likewise with business. HSBC has moved a huge element of its corporate headquarters and functions to Birmingham on the back of that enhanced connectivity, so in terms of rebalancing the UK economy, and letting businesses make choices about where they are, that connectivity will be important. London will continue to be the global financial centre that it is, therefore that connectivity is really important.

The Chair: I should declare an interest. I chair a bank whose main operations are in Birmingham. I find the service between London and Birmingham very fast and very efficient. How is that going to change?

Just to add to your point about London to Edinburgh, I travel on a plane up and down from Glasgow or Edinburgh every week. I am not sure whether you are familiar with W.I.L.L.I.E.S—work in London, live in Edinburgh. The planes are full of financial people who get on the plane and come down to London. They all fly to London City, because there is a fast connection. Some of them use the trains, but the point is that the effect of having that good, fast connection has not resulted in businesses going from London to Edinburgh; it has been the opposite.

The evidence we had from the French in our earlier inquiry was that the TGV resulted not in businesses going from Paris outwards, but the other way around. Are you worried about that?

Barry White: I have been what you describe as a Willie myself, having lived in Edinburgh and worked in London and having had a flat in London while doing so.

The Chair: So you know what happens.

Barry White: I used to fly into City Airport. I would have far rather had the choice of having a three-and-a-bit hour train journey from Edinburgh to Old Oak Common and then getting on Crossrail into the city from there.

The Chair: It would have taken longer.

Barry White: Actually, when you look at the end-to-end journey times, with security, check-in and everything else, once you shave an hour off that journey, you start to get a very competitive and compelling offer from rail.

Maria Machancoses: Can I come in and highlight what HS2 has done for the Midlands? Again, your report highlights very clearly that the wider economic benefits have been underestimated, or have not been captured properly. We completely agree, which is why we welcome the Oakervanee review. The Midlands is the only part at the moment that has phase 1 approved, with Royal Assent. The moment that decision was made, believe you me, the investment in the West Midlands in particular has been unprecedented. What we want everybody in this Committee to understand, as well as in the Department and the Treasury, is that HS2 cannot be looked at in isolation.
Barry highlighted HSBC, but there is also PwC, the University of Birmingham and hundreds of companies. It is the whole regeneration of Digbeth. This is already in the making. It is happening, as we know. Negotiations with private investors are already happening and, by the way, that energy, the level and scale of investment, is happening.

Investment is happening and will continue to happen, we hope, in Birmingham, in Nottingham, in Stafford and in Stoke. It is the scale of investment that makes all the difference. That is why HS2 is being seen as a catalyst. We have regeneration plans and investment proposals all across the Midlands on the back of HS2 arriving. It is very hard to draw back and start messing about with the certainty for those investors.

Q17 **Lord Livingston of Parkhead:** I am more of a “live in London, watch football in Glasgow”—it is slightly different. Having been Trade and Investment Minister, I was involved quite a bit in, for instance, getting the taxi in Coventry. I have to say that links to London did not come up in any conversation. I agree with the Lord Chairman that London to Birmingham is actually pretty good.

My question is for the Midlands. I understand why you want HS2, because, frankly, the lack of infrastructure investment in the Midlands in general has been appalling, so you want that rather than another cross-London link. However, if I said to you, “You have £25 billion, choose what you are going to spend it on”, would you spend it on HS2 or on a raft of other projects around the Midlands?

**Maria Machancoses:** I think the question itself is wrong, because—

**Lord Livingston of Parkhead:** It is the question.

**Maria Machancoses:** I will tell you why. It is constantly assumed that the Midlands and the north have to choose between one and the other. Will the south-east be challenged, “Jubilee line upgrade, or Crossrail or Crossrail 2”?

**Lord Livingston of Parkhead:** It should be.

**Maria Machancoses:** I am just saying that £25 billion could be spent in a phased approach, which is actually what the chairman Allan Cook suggested.

**Lord Livingston of Parkhead:** Where would you spend the first £25 billion?

**Maria Machancoses:** We know, and we have very clear plans for what we want to deliver in the Midlands to meet the short-term needs of our commuter network. However, we know that very quickly, in 10 years’ time, we will be asking exactly the same question. We will come out with exactly the same debate and by then it will be even more costly. Of course, we understand what we want in the next five to 10 years—

**The Chair:** Can you answer Lord Livingston’s question?
Maria Machancoses: Yes. The question is similar to what Barry has stated. We have very clear plans for how you could deliver both, so I would say short-term gains, but with the long-term gain also in sight.

Lord Livingston of Parkhead: Where would you put your £25 billion first? Midlands Connect has £25 billion—your money, your decision—where would you spend it first?

Maria Machancoses: On both.

The Chair: Half and half, or—?

Maria Machancoses: Yes, because the phasing—no, hold on, let me make it clear. The Midlands engine rail programme understands the capacity requirements, or the east-west connectivity requirements, and what we could do with HS2. Do not underestimate the amount of planning activity that is taking place.

The Chair: The problem for the Committee is that we are actually on your side.

Maria Machancoses: That is good to know.

The Chair: We really want to see development in the north, and Lord Livingston and Lord Burns asked this question because this is a project whose costs are completely out of control. When we asked the former chairman, Terry Morgan, how much it was going to cost, he said, “Nobody knows”. Therefore, as the first part is going to be in the south, not in the north, and it will be behind time, we are concerned that you will lose out. What everyone is trying to find out is whether you agree with the Committee that money should be ring-fenced for the north, that those projects should go ahead and that HS2 has to be looked at in that context.

You heard Lord Berkeley say earlier that if you have £150 billion, you can do both; this is while it is on paper. The concern is that the costs will run out of control and then all these bits that are so important and that provide better value for money—that was the Committee’s view in our previous report—will get axed. That is the issue.

Lord Tugendhat: Before I ask the question I am due to ask, let me just make a philosophical point. In a country like this one—or France, where the dominant capital city has been dominant for a very long time—regardless of anything else, the better the communications, the more it will favour the centre, because the centre is so dominant and everybody will want to go there. In a country like Italy, which also has quite fast speed trains but does not have a dominant capital city, although it does have a dominant region, the result of high-speed trains is not to move development from the north to the south in Italy; it is to increase it in the north. So the impact, the result, of speed is not to distribute wealth, productivity, headquarters or anything else; it is to further enhance the dominance of the dominant city.
**Maria Machancoses:** I agree with you. I come from Spain, where the high-speed network is terrific; we are very proud of it and there are lots of lessons to be learned from it too. You are saying that the Midlands does not have the means to attract that level of investment on its own and that we will always have to link into London. Otherwise, the Midlands will not be attractive enough for investment of the scale that we get in London. I do not think we would agree with you on that.

We are quite ambitious in our proposals, and Birmingham is already benefiting from that level of investment. We are very proud of our connections to London but, as I said, we are still positioning ourselves at the heart of the future railway network. We like that USP in the Midlands and want to be at the heart of the network. By doing that and strengthening it further, we think we will become a very attractive place to invest.

I am not talking just about Birmingham but about cities such as Nottingham, Derby, Leicester, Stoke and Stafford. At the moment, to be frank, they feel that we continue to get investment but not at the same scale. HS2 is not the only thing that will make it happen, but it is certainly a catalyst for that level of attraction of interest. We need to empower the regions to feel confident that we can do this.

**Lord Tugendhat:** My point is that speed is all very well but, unless other measures are taken to reverse the preponderance, the speed will work one way. Only if you take other measures to reverse the preponderance will the speed work in favour of the provincial cities.

**Maria Machancoses:** Absolutely. That is why we say that it is not all about speed. We are making that very clear. It is about capacity and creating new connections to tap into new markets. Believe me, there is very little we can do with the existing network, at least for the next five years, unless we start seeing some confidence that we will have the infrastructure to allow us to do that more substantially, rather than continuing with the status quo.

**Barry White:** As Maria says, the fast links between West Yorkshire, Leeds, Bradford and the Midlands are one of the major elements through which HS2 can help deliver benefit. If we were starting everything again—

**Lord Fox:** Is that the 80 kilometres of HS2?

**Barry White:** No. HS2 goes all the way to Leeds and comes up from the Midlands and Birmingham on that eastern leg. We are using a little of that track to connect Sheffield to Leeds on northern powerhouse rail. If we were starting again, would we advocate to start in the north and the Midlands and build those links first? We probably would, but we are not starting again.

The bit that is ready to start build is ready to go. From that point of view, we can argue long and hard about decisions that could have been taken 10 years ago, but the consenting process for the eastern and western leg of
what is called phase 2b has not begun yet. It is some way off being—dare I say it—shovel-ready.

**The Chair:** I do not want to repeat the same arguments, but the decision that was taken 10 years ago was based on a cost that was considerably smaller than it is now.

**Q19 Lord Tugendhat:** I have a different question, which is really a matter of fact rather than opinion. What conversations have you had with the Government since the conclusions of the Oakervee review were leaked? Have you been given any assurances on the future of the project? That is a matter of fact, not opinion. What is the answer?

**Barry White:** We have written to the Prime Minister, the Chancellor and the Minister for Transport outlining our support for the whole network. On assurances given, we have not had any official feedback on the Oakervee report. There have been lots of leaks in the press about what it says, but I do not know what it says and the Government have not given us any assurances on what their response to Oakervee might be. We await their response in due course.

**Maria Machancoses:** In the Midlands, we are in exactly the same position, but we feel very strongly about hearing the views and outcomes of the whole Oakervee review panel. It is only fair to listen to the whole panel and its outcomes, since it has been set up by the Government. We await the publication of the final report, not just leaks, because we are also keen to make sure that people understand the wider economic benefits of HS2—as I said, they are not well understood at the moment—and the impact that any changes to the existing scope will have on the Midlands.

It is really important that you are aware that Midlands Connect continues to develop and get support from the Government in developing our programme. As I mentioned earlier, we know exactly what we want to happen to our commuter network in the next five years, but we know that that will very quickly become another problem in 10 years’ time. That is exactly where we are with the Government.

**Lord Stern of Brentford:** Obviously cost-benefit ratios depend on cost and benefit. We have spent quite a bit of time discussing the cost and there seems to be some consensus that it is above £100 billion. We have not spent much time on the benefits, so I would like to focus some questions on that.

I was part of the Eddington review on infrastructure a while ago when I was in the Treasury. We brought in some very good economic historians and looked at the role of infrastructure in fostering growth in the history of the UK and other countries. It seems to have a fairly powerful effect, but that is a very broad argument. Will this system of infrastructure increase productivity and the benefits in relation to cost? Could you take us through the arguments? You said that all this investment is coming. How far will productivity be increased? What will it really do to the growth story in the Midlands and the north? How will that feed into the benefits side of the
cost-benefit ratio?

**Maria Machancoses:** As I said, we completely agree that something needs to change radically so that the hub projects are appraised and benefits are costed, particularly from the Midlands perspective. Let me give you an example. It is about what is happening not only in the West Midlands and Birmingham but around UGC, Birmingham Interchange station, Birmingham Airport, the NEC, Toton, Stoke and Stafford. We have lots of evidence and testimonies from private-sector investors that I am happy to share with you. They are already saying that the level of investment they will make in the region will be at a different scale because of the expectation of the connections and capacity that HS2 will allow for the future—because of confidence.

**Lord Livingston of Parkhead:** Could you tell us what type of investors you are talking about?

**Maria Machancoses:** For example, the power station near Toton station is operated by Uniper. That power station was going to be decommissioned anyway, regardless of HS2. However, the arrival of HS2 just a few miles away from it is creating a global debate at Uniper about what that means in terms of the scale of investment. If you put an investment next to a national infrastructure programme that will connect that part of the community, the supply chain and all the rest of it to other parts of the country in a much better way, the debate about the level and nature of investment will be different.

**Lord Stern of Brentford:** We have done the cost side. We are trying to understand the quantitative elements in the benefits side. Better infrastructure generally gives more investment, but that does not mean that any infrastructure will do that. We are asking whether this particular form of infrastructure, HS2, will drive the investment, innovation and productivity benefits more effectively than other forms. That is the question. Can you help us quantitatively on that?

**Maria Machancoses:** I do not have my quantitative figures here. I am not the economic expert on the Midlands; I deal more with connectivity. I urge the Committee to start bringing Midlands voices who are already experiencing this kind of economic activity.

What I will say on our discussions so far about the benefits that HS2 will bring to the rest of the Midlands is that one of the untapped areas in helping productivity is the work we have done on release capacity. There is very little understanding of what release capacity will do to towns and cities that are actually nowhere near HS2. We did a piece of work about the released capacity of HS2 that looks across the whole network in the Midlands and into the north.

More than 73 stations would benefit from new connectivity, more frequent connectivity or less overcrowding as a result of HS2. Some of those towns and cities at the moment cannot relate at all to how HS2 would benefit them not only from a transport perspective but from the wider economic
benefits. They can start telling the story about how our towns and cities could connect better to Bristol or the north because of the released capacity. Their housing and their economic proposals become of a different scale to what they are the moment.

We have a lot of evidence, and I am happy to present that to you. There is more to be told about HS2 than meets the eye at the moment, particularly in the Midlands, because so much work has been done. What will it do? It will release capacity in the interests of freight, east-west connectivity, productivity and investment. The East Midlands is still the lowest investment area in the country when it comes to infrastructure. It understands the importance of bringing agglomeration benefits to the area, the supply chain, the huge manufacturing base, innovation, universities and how becoming more connected and better connected to the north and to the south is part of that investment.

Lord Stern of Brentford: I have one quick question. I do not know whether your responsibilities cover air transport. There are very simple measures that are cheaper but maybe not environmentally friendly, such as direct flights. Where does that fit? Certainly when I had the role of trade in new investment, that was the big thing. Are we talking about integrated transport rather than just—

Maria Machancoses: Absolutely. That is why we welcome the fact that Lord Berkeley’s report acknowledges the Midlands. Midlands Connect is an organisation, not a programme, which was set up to develop research and recommend the biggest strategic transport priorities for the Midlands. It was set up the moment it was announced that HS2 was coming to the Midlands.

How do you make the most of it? How do we become HS2 ready? That is why we understand. When you ask me about £28 billion or £50 billion and what we would do, we tell you “both”—we understand that one is to happen first—to make the most of HS2 when it arrives and to alleviate some of the pressures that we are already experiencing in the short term.

Lord Burns: Can I ask once again about the issue of separating it? I am struck by the argument you have just made about the number of stations that could be connected.

Maria Machancoses: I have it here. I can share it with you.

Lord Burns: The bit we are still searching for is how much of that is dependent on HS2. Perhaps I have not been listening properly. How much of that is dependent on HS2 and how much of it is about the additional infrastructure that is being built around it? How far could that still go ahead if HS2 for some reason was scrapped? Your ambition would still be to have this connectivity within Birmingham, you would still want to develop those stations, and you would still want to connect people. What extra part of it would have to be undertaken if there was no HS2? If you want to connect Birmingham with Bristol, I am slightly struggling to see which part of that is dependent on HS2.
**Maria Machancoses:** We have a lot of ambition to grow our commuter and connectivity. The work we have done, which has been presented to you, is about what you would prioritise. The Treasury and the Government always want to know how you prioritise interventions, and that is what we have done so far. We have a clear understanding of which schemes will use the released capacity of HS2, which schemes will use HS2 infrastructure to benefit from better connectivity, and which schemes’ connectivity and investment business case will be much more enhanced because of that link to the national network. There are other schemes we want to do.

Today, the Government announced £500 million towards the development and reopening of new lines. Of course that will always be the case. Ultimately, we need to be serious about how we plan long term and how the strategic plan is done with national infrastructure at its heart. This is what HS2 is. The Midlands understand that. We would love the Committee to come to the Midlands to see what is happening in Birmingham, Nottingham, Stoke and Stafford because the railway is part of the argument. The social and economic activity that has happened because of that announcement is second to none. We cannot ignore that. We urge the Committee to start acknowledging that, because it is important for us in the Midlands.

**The Chair:** Lord Burns, are you satisfied with that answer?

**Lord Burns:** I think I have got as far as I can.

**The Chair:** Do you want to add to that Mr, White? Can I put a slightly cheeky point to you? I am not as polite as Lord Burns. I am listening to you and thinking, “Why are you resisting this idea that we should do the infrastructure in the north and perhaps save the money on this very expensive train?” Is it because you think you are going to get the money only if HS2 actually happens, that it is the gravy train that brings the money into the north, and that if it is cancelled the whole thing collapses and the Treasury will say, “Tick. We’ve saved that money”, and you will not be able to get the spending on infrastructure? Is it in the back of your minds that you should hang on to what you have rather than risk losing it?

**Maria Machancoses:** When you have to deal with authorities all the way from Lincolnshire to Herefordshire, as we do, that argument just does not work. If you talk to Lincolnshire—

**The Chair:** It is not an argument; it is a fear. If I were in your position, that would be my worry.

**Maria Machancoses:** It is not a fear, because we know that the work we have done is evidence of how the region responds to the announcement that has already had Royal Assent. It is not fear; it is saying, “How do we take this forward?”

**The Chair:** It already has Royal Assent?

**Maria Machancoses:** Phase 1 has Royal Assent. That was three years ago.
**The Chair:** That does not mean it will happen. I can think of lots of things that have Royal Assent that are not going to happen.

**Maria Machancoses:** But it has triggered a lot of thinking and planning at local level by—are you with me?—the local authorities, the planning authorities and housing. It is not fear; it is about what happens to all of that.

**The Chair:** So you do not buy Lord Berkeley’s point that if you have £150 billion you can do it all, and you do not worry that once the project starts—it is all on paper at the moment—the costs could go up and you might lose out and you are having to wait longer for all these stations to be sorted? You do not worry about that.

**Maria Machancoses:** Construction is already under way in our area. If you look at interchange, the civils have already started there. If you come to Curzon Street, the enabling works are already happening. The whole land-use planning around the station has gone through planning committees—

**The Chair:** So there are lots of things that are shovel-ready in the north.

**Maria Machancoses:** In the Midlands.

**The Chair:** And in the Midlands.

**Barry White:** And in the north.

**Maria Machancoses:** This is an area where we said that we need to show you more of what is happening. This is not just about the railway itself; it is about what is happening all around it.

**Q20 Lord Fox:** On the question of cost setting, do you agree that the validity of this project is seriously under review because of costs? Do you agree that there should be cost savings, and where would you point us to get those cost savings?

**Barry White:** The National Audit Office report that was published in the last week or 10 days set some quite big challenges for HS2 in terms of risk management and how it approaches the costing of the project. There is a clear onus on HS2 to improve some of its systems to manage its costs much more tightly.

I would challenge HS2. To give you one example, the Manchester Airport station is a bit like the Canary Wharf example that was given earlier. Manchester Airport believes it could be built at a much lower cost than the station specified by HS2. Manchester Airports Group is building an airport terminal at the moment and has a fairly good handle on what a terminal-type structure and multistorey carparking should cost.

While we are very supportive of the implementation of HS2, we are very happy to challenge HS2. Indeed, a report has been written by Bechtel looking at the alignment coming into Manchester and the station layout.
and asking whether that could be done more cost-effectively and partly in box section rather than tunnel.

There are lots of challenges that could be raised with HS2 about cost, but we do not want to see a dilution of the benefits. The speed coming north from Birmingham to allow the connectivity as described between Manchester and Birmingham, Bradford and Birmingham—

Lord Fox: I think I have got that.

Barry White: But it is really important, because economically that is transformative. A 45-minute journey time between two major cities allows them to start to work together economically in a way that is just not possible at the moment.

Lord Skidelsky: I want to follow up the chairman’s point about the extent to which HS2 underpins the whole hopes of the regeneration of large parts of the country. Presumably you could make the argument that if you are promised £150 billion and suddenly you are told that it is going to be only £75 billion, that will have a dreadfully negative effect on all investment plans for the next 15 or 20 years. That is what I call a good Keynesian argument. You set up certain expectations, and then if they are dampened suddenly, you—

Maria Machancoses: Absolutely. I agree with you. Those expectations are already there. They are live. They are not paper. There are negotiations with investors, and investors know that this is not a five-year investment programme but a 20-year investment programme. It is not because of the railway but because of the regeneration plans around it too. It is very important not to underestimate the impact that HS2 has in a much wider—

The Chair: I am conscious of time.

Q21 Lord Tugendhat: We have been meeting for almost two hours, and the word “environment” has not been mentioned. It must have been when I was out of the room. It has been mentioned only once then. Environmental groups argue that HS2 will lead to the destruction of natural habitats and cause unacceptable damage to protected species. Do you agree? If you do, what can be done to prevent that?

Barry White: I hope that me describing how the ambition is for people to choose to travel by rail rather than by air is a key environmental issue. As a country, 22% of our transport emissions come from air travel, so I argue that we have talked about the environment in the broadest sense. Any infrastructure project will affect the local environment to some extent, so it is incumbent on those developing it to mitigate to the greatest extent possible, but if we are going to build, whether it be a road or a railway, there will be some impact on local biodiversity. I know HS2 has set out very clearly what it is doing to mitigate that impact.

Maria Machancoses: I completely agree. It is also about scrutiny and challenge. Any transport infrastructure investment has an environmental impact. It is how you mitigate it and make it completely radical and new
that is important. There are so many things you can do along this corridor that foster new biodiversity and new life, such as concepts about the green corridor. We keep saying that we have great engineers, firms and construction companies and we are proud of our universities and our innovation. Scrutinise through the life of a project, but let us make it make it exciting and work rather than keep knocking the critical element of it.

Again, we would like to see more thinking on that, in the same way that we hope this Committee suggests a complete review of the cost-benefit ratio regime. The Midlands and the north have heard about it for years now, so we welcome this kind of approach.

**The Chair:** From the evidence we have had from Mr White and from you, I think you are underestimating the impact on the environment, which is mitigated if the speed is less because you can wiggle around things as opposed to going straight through them. The evidence we have is that there is significant risk to five internationally designated wildlife sites, 693 local wildlife sites are at risk of being destroyed, there is a severe impact on and degradation of four nature improvement areas, 108 ancient woodlands are at risk and a range of species is at risk. These figures have been disputed, but they are from the Wildlife Trusts.

Given that one of the arguments put forward is that this is a green project, it is significant that there has not been a lot of support from the green lobby. That is a significant impact, which is mitigated if the speed is reduced.

**Maria Machancoses:** We are taking those quite seriously, and I know that the Wildlife Trusts has said that it wants to talk about how to mitigate rather than whether HS2 should go ahead. It made that very clear in the last report. Where we come from—again, I am here in my capacity as Midlands Connect—we also need to look at the impact on freight and how you could get more freight off the roads and on to the railways. The released capacity of HS2 on the conventional network would allow us to do much more in that space. That is another argument that is not being fully captured in the argument for HS2.

**The Chair:** In fairness, HS2 has said that it will mitigate getting rid of all these ancient woodlands by planting 7 million trees. I understand that it planted trees but did not water them and they all died. Do you think that enough is being considered on these environmental questions, which Lord Tugendhat quite rightly raised?

**Barry White:** I cannot give particular examples. I do not know whether it has planted that number of trees.

**The Chair:** It has not. It says it will along the route.

**Barry White:** I hope that if it did plant them it would make sure that they were watered. Fundamentally, yes, you have to take those mitigation actions.

**The Chair:** I am just making the point that, listening to your answers and
looking at what has happened, it seems that the environmental aspects are not really being given the priority they should be given if this project goes ahead.

**Maria Machancoses:** Scrutiny is crucial, and mitigation is a step up in that sense.

**The Chair:** Thank you very much. This has been really interesting session. We all look forward to hearing what the Government say.