

Summary of Session: 13 November 2014 – HS2 and Linking North and South: What does £50 billion buy? And what of HS3?

1. Introduction by Duncan Sutherland, Sigma Capital Group and HS2

As Group Regeneration Director at Sigma Capital Group, Duncan has been working with Local Authorities and developers to realise large scale, long term regeneration projects and has been a key figure in developing the Partnership model with Liverpool City Council, Salford City Council and Solihull Metropolitan Borough Council.

Duncan works closely with the government promoting this innovative approach to achieving regeneration and was appointed a Non-Executive Director of Scottish Canals by Scottish Ministers. More recently Duncan has been appointed in a similar capacity by the Secretary of State for Transport to the board of HS2 Ltd, the new high speed railway to be built between London and the north.

England's towns and cities must be prepared for HS2 with the main benefits likely to be station-centred regeneration schemes. The ideal way to get economic growth is regeneration of the stations and surrounding areas. Encouraging early investment to come forward is key, so that when HS2 comes along, the investment and the housing in place and the rail line just plugs in.

2. Key points in Presentation

Duncan Sutherland introduced HS2 to the Forum by saying that HS2 had started out with an engineering focus but now had to move forward with much better messages; around the economy and connectivity.

What is HS2 really about? A government balance sheet until the bill – Act of Parliament – then it becomes a delivery vehicle. Headline: £42.6 billion (£21.4b phase 1, £21.2bn phase 2) Contingency of £14.2bn risk. There will be 9 new stations, but has a far wider constituency, not just serving the nine.

Phase 1- London to Birmingham

- They are through the consultation phase now with 14 design changes; community consultations and consultancy discussions having taken place.

- The Hybrid Bill at the end of 2013 was the largest Parliamentary Bill ever due to the Environmental Statement.
- Select Committee for Birmingham going south. Petitioners (land owners, developers, schemes in pipeline) are being heard and dealt with in order to reduce the number by end of next year; in advance of 2016 Act of Parliament. Compulsory Purchase Orders would then be sought – ‘Right to build a railway’; looking at 16/17 start on site. £300m for pre works along route, with 2026 still as the opening date – but of course would like it to be sooner.
- Euston, Old Oak Common, Birmingham (50% city council owned) Airport interchange – land opportunities.

Phase 2

- Stoke (Crew argument – Crew is quicker – announcement after election by Secretary of State.
- Sheffield – Meadowhall or City Centre?
- Leeds – need to decide where the station will go.
- Liverpool

What is the reason for investment?

- **Speed:** a misnomer – not about speed. North of Birmingham, yes; but south of Birmingham it is all about capacity.
- HS2 will bring Nottingham within 36 minutes
- HS3 – the west east connections bring economics closer together.
- **Capacity:** Upgrade or new lines with release of capacity on existing lines.
- Liverpool deep water port connections with rail.
- **Economic Growth** and rebalancing: 400,000 jobs.

Lessons

- Kings Cross St Pancras: £10 billion (Stratford £3.8 bn) A footfall of 40 million people per year with 43% of those being non-travellers using the retail and facilities.
- Lisle, France: Had worst regional economics with traditional industries gone. Now 2nd largest economy in France. The Mayor delivered growth – it is a centre with satellites. Macon, France – little economic growth; no focus.
- **Connectivity** – Liverpool and Merseyside
- **Control of land** around stations: otherwise speculations and land price increase.
- **Infrastructure:** Place, investment, facilities.

- **Local Partners – LCR** (and department of transport). Core Cities, GLA, Network Rail, Local Strategies; business plans and partnerships. Mayoral Development Corporation package, with a long term strategy to return money to government.

3. Key points in discussion

- Lessons were learned from an engineering story:
 - HS1 – commercial client – capacity growth. Saw stations as economic drivers and Euro Star to be a success – Win Win – LCR and the local areas all win. Lessons on how to make things happen on the back of railway.
 - Ebbsfleet very difficult with Byzantine agreements done too far in advance; restrictive planning consents; all prevented organic growth.
 - Landowners good.
 - Make something happen quickly.
 - Stratford – wouldn't have been an Olympics there without HS1.
 - Government must be prepared to let people make money and then that generates growth – government not to try and grab all the money.
 - Everybody thought we were the private sector which was good.
 - Look at in the context of Europe and that Kings Cross contingent on a railway, as is Stratford/Westfield/ Old Oak Common. Understand the process and that the railway is creating a market.
 - Lisle was a dead town isolated from the capital of France; Malmo likewise isolated. PM bent railway into Lisle – grasped opportunities; there is a need to future proof.
- There are many projects to study and draw down from, including: Crossrail, Camden, GLA, Euston; Vauxhall – Nine Elms, Northern Line extension and Wood Wharf, E14. There are a variety of delivery mechanisms in place, as well as organic growth, development packages, and public/private sector bodies. The phases, and shifts in market are in need of a sophisticated response.
- Macro rebalancing: Is there enough regeneration capacity for it to shift, or will it end up back in London?
- London is overheating; it is not a UK City but a Global City. The Midlands is half an hour from London; the Powerhouse – Leeds, Manchester.
- Cities are about bringing people together and irrelevant of technology changes people will still want to meet and interact socially; if anything interactions and travel are increasing.

- Google and UCL are investing in new campuses around Kings Cross, etc – and employees need to stay central.
- This is a market facing piece – the market belief. St Pancras finest triumph; Kings Cross missed two economic cycles; Ebbsfleet tragic missed opportunity. Play to real strengths and let the market come to the table. Old Oak Common can see the £ signs.
- What is the story, the narrative role of the British state? There is an absence of strategic national planning; are we trying to grow the North or grow London? France has a regional planning structure.
- There is a shared frustration of Kings Cross infrastructure agreement with government. Equity back up pot and enable infrastructure. Stratford lesson – masterplan taken over by Olympics and got dislocated. The village is a piece of city that does work; early moves and market facing. Funding agreements in place with developers – Prescott agreed there was an economic case. Local authorities and secretary of state could see something could happen. HS2 will work off the back of this – something will happen. Consensus. Government back boards.
- Incomplete places: Canary Wharf – Scale of opportunity – Jubilee line. Delivery will occur over next 2 economic cycles. Patience; Push; Knowledge economy.
- The French model has 50% investment from private equity - Government doesn't have the money.
- In Hong Kong a development company run the railways and they are amused by us. This has to be about value capture – Public owned company – piece of government – it has the highest credit rating. Government/developers – how much contributed by developers to the railway?
- There needs to be active participation – make the equity work – but the treasury won't look at returns over a six year period.
- Government joint venture - First TGV in France Parc 2 – easier to sequester land. We don't have all the land and we need to pool it.
- Mayoral Development Corporation – In Manchester Howard is focussed to deliver. MDC in Birmingham? 2 things – planning powers and CPO powers.

- Localism – not one size fits all. Incredible drive for Metro Mayor – Leeds/ Sheffield devolution Metro Mayor – a figurehead. Birmingham will continue to struggle, nurse and nurture. Inevitably, some will do better than others.