










High Speed 2 : Get Ready

A report to the Government by
the HS2 Growth Taskforce

**This document has been withdrawn.
See the [government's response](#).**

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Foreword

In this country, we expect the Government to fully justify the value of major new projects. We are right to demand this, but once the debate has been had, there comes a time for action.

As the Chief Executive of the London Organising Committee for the Olympic Games and Paralympic Games, I travelled the journey from initial scepticism to what I hope you will agree was a national triumph. The most powerful lesson I drew from the Olympics was the extraordinary capability we have in this country when we believe in something. When we focus on a clear set of objectives and go about delivering them collaboratively, with everyone working together, from across the private and public sectors, across the country and across political parties, we can achieve pretty much anything.

I assembled this Taskforce to examine what we have to do as a country to bring that same focus on results and pride in delivery to the HS2 project.

Our aim, quite simply, has been to lay out what needs to be done now to ensure we extract every penny of value from HS2 for the UK. Our conclusion is that HS2 could be much more than a railway. It could be an exciting and transformational opportunity, particularly for our cities in the Midlands and the North, to invest in our future economic growth.

This report makes clear that we must not take a 'build it and they will come' attitude to HS2. It is up to all of us in the Government, local authorities, HS2 Ltd and UK businesses to make the most of this unique opportunity.



I am indebted to my fellow Taskforce members for ensuring we kept to a high level of ambition, and to the many people we met around the country whose drive and passion demonstrates that Britain has what it takes to get the best out of this game-changing project if we tackle it together.

HS2 is a once in a generation opportunity and we have to act now to get it right.

Lord Paul Deighton
Chair of the HS2 Growth Taskforce

Executive Summary

The HS2 Growth Taskforce

The High Speed 2 (HS2) Growth Taskforce was created in summer 2013 to advise the Government on how to maximise the return from the investment in HS2¹.

This report sets out the main challenges that we can see in maximising the benefits from HS2, and our recommendations on what should be done to address these. We set out a range of challenges for the Government, local authorities, HS2 Ltd and UK businesses and workers; all of which stand to benefit from HS2.

We draw on our collective knowledge and experience in business, the public sector and academia, and our direct involvement in major infrastructure projects around the world.

This report is also based on the evidence we have gathered through engagements over the last six months in Birmingham, Manchester, Loughborough, Sheffield, Leeds, Liverpool and London. We heard evidence from local authorities, Local Enterprise Partnerships (LEPs), major employers, universities and other interested parties from these cities and from across the regions that surround them. We are grateful to all those whom we have met or sent us written submissions.

Our findings

The scale of HS2 is without precedent. It could catalyse far-reaching economic and social benefits, particularly to the cities of the Midlands and the North. So it is clear to us that we cannot expect to get the most out of HS2 simply by following “business as usual”. We must set our sights high, challenge the status quo and be clear about our goal of building a truly transformational piece of national infrastructure.

We have structured our report around four areas where we need to start to prepare now in order to maximise the eventual benefits of HS2.

Getting Our Cities Ready:

- HS2 can help rebalance the economy, kick-starting growth and regeneration in our cities. Our recommendations call on HS2 places to develop dedicated HS2 Growth Strategies to bring forward development earlier and to establish dedicated delivery bodies to coordinate investment around HS2 stations. The Government should support local authorities to deliver their HS2 growth strategies and provide national coordination through a central delivery body (which works with local delivery bodies). To ensure growth and regeneration around HS2 remains a priority, the Government should appoint a Minister with responsibility for overseeing this support and delivery of the strategies.



¹ The Terms of Reference and the Taskforce's initial report are available here: <https://www.gov.uk/government/policy-advisory-groups/hs2-growth-taskforce>

● **Getting Our Transport Network Ready:**

Creating connections, bringing people and businesses closer together, is what will enable the major economic benefits of HS2. The whole country, and particularly the city regions north of Birmingham, must benefit from a reliable, high capacity and well-connected transport network with HS2 at its heart. Our recommendations call on city regions both on and off the HS2 route to make detailed, long-term, local and regional transport plans that fully consider HS2 opportunities. Local authorities, LEPs, local partners and central government must collaborate to make the right investments happen, and the Government must clearly communicate its plans and ambitions for the rest of our railways post-HS2. Future decisions on investment need to be informed by thorough examinations of economic growth potential in each possible location.

● **Getting Our People Ready:**

We need to make sure we equip the UK workforce with the right skills both to build HS2 and to support the UK's future competitiveness.

The high-end skills needed for HS2, in areas like digital engineering and technology, will also be applicable to other industries. Our recommendations call on the Government to make railway engineering and advanced construction skills a national priority. We require a long-term pipeline of skilled people and the younger generation will need both good information and the right educational routes if they are to take advantage of the potential opportunities.

● **Getting Our Businesses Ready:**

There is a great opportunity for businesses across the UK to win contracts on HS2 and we need to make sure the right conditions are in place to support and harness innovation. We call on HS2 Ltd to set new standards for industry engagement and collaborative working, and on businesses to seize the opportunities available, supported by local authorities and LEPs.

We look forward to the Government's response to the challenge that we have laid down.



Our Recommendations

Getting our cities ready:

	We have found	Our recommendations
1	HS2 stations, and the land around them, offer a canvas for urban regeneration to transform our cities.	For each HS2 station there needs to be established an 'HS2 Growth Strategy' by the end of 2014 to explain how high speed rail will generate local jobs, growth and regeneration.
2	Successful regeneration projects have dedicated delivery bodies.	To deliver these HS2 Growth Strategies local authorities need to establish a locally led delivery body by the end of 2014. The Government should support them in bringing forward regeneration.
3	A "business as usual" approach to regeneration around HS2 stations risks cities failing to capture the benefits of HS2.	The Government should partner local authorities in the development and delivery of HS2 Growth Strategies. The Government should also establish a central delivery body to provide coordination and support to local areas.
4	Strong leadership is key to delivering successful regeneration around HS2 stations.	The Government should appoint a Minister with responsibility for HS2-related economic growth and regeneration.

Getting our transport network ready:

	We have found	Our recommendations
5	HS2 should be at the heart of an effective transport network which spreads the economic benefits of the project as widely as possible between our city regions.	Work to include detailed consideration of HS2 in existing Local Plans and Strategic Economic Plans should be well underway by the end of 2014, including relevant aspects of the HS2 Growth Strategy.
6	Some strategic benefits from HS2 will only be achieved if city regions collaborate better.	Collaboration across organisations and administrative boundaries must be strengthened to support transport planning around HS2.
7	There is growing awareness, but little certainty, of the transformational impact HS2 will have on railway services across the country.	The Government and Network Rail should set out by the end of 2014 their plan for defining how HS2 will affect rail services for cities off the HS2 route and for rail freight, and also their plans for a wider review of rail services.
8	HS2 offers significant growth opportunities to the rail freight industry.	The Government should invite the rail freight industry to set out how it could take advantage of the capacity released by HS2. Separately, the Government should evaluate the case for future-proofing HS2 to accommodate freight traffic and communicate its plans to do this.
9	It is important that we have the best possible understanding of the economic impacts of major transport projects, including HS2.	The Government must complete as soon as possible, and act upon, the review of how its transport appraisal methodology quantifies economic benefits. It should set out its plan and timetable for this work by the end of 2014. The Government should apply any revisions to its approach to any future extensions to HS2, alongside greater and earlier local engagement to understand local economic impacts.
10	Station location is critical to maximising the benefits of HS2. We must learn the lessons of other high speed rail projects to ensure we take the right decisions.	The Government's decisions on Phase Two station locations should be informed by a thorough examination of economic growth potential in each proposed station location.

Getting our people ready:

	We have found	Our recommendations
11	We already have a shortage of rail engineers. We need to grow the skills necessary to run our current railways and also to build, maintain and operate HS2.	The Government must make growing the railway engineering and advanced construction skills base a national priority and set out how the planned HS2 Skills College will contribute to this by the end of 2014.
12	University Technical Colleges have been very successful, but there remains an unwarranted belief that vocational learning is "second-best".	HS2 Ltd and University Technical Colleges, supported by the Government, should put in place specific HS2 links and curriculum options.
13	Railways have an image problem. Many people lack understanding of modern-day engineering, and parents and children do not understand that HS2 will open up opportunities for well-paid careers.	The Government, HS2 Ltd and industry need to develop an HS2 out-reach programme by mid-2015, formally linked into the education system.
14	HS2 has the potential to set a new benchmark for the quality of skills development and careers prospects it provides.	HS2 Ltd should design a procurement process which requires suppliers to meet the highest standards in terms of apprenticeships, job creation and skills development and set out its approach by autumn 2014.
15	HS2 should provide access to jobs and training for local people.	The Government and local authorities need to work together to agree and put in place new local models to link workforces to potential HS2 job opportunities.



Getting our businesses ready:

	We have found	Our recommendations
16	There are huge opportunities for UK businesses to win contracts for the design and construction of HS2. The procurement process must not create barriers for smaller businesses.	HS2 Ltd should set new standards for industry engagement and open procurement. Its procurement strategy should require main contractors to use open procurement tools to advertise HS2 opportunities and the process should be streamlined where possible to ensure there are no barriers for small businesses.
17	Businesses across the UK should engage actively with HS2, but need support from their local areas.	LEPs and local authorities should target businesses in their areas and set up dedicated advice and support centres to help them get ready for HS2.
18	There is great innovation to be found in UK companies and we need the right structures to harness this for HS2.	HS2 Ltd should make HS2 an exemplar project for collaborative working across businesses to drive innovation and achieve excellence in delivery.
19	HS2 should be a rewarding place to work, with good industrial relations which support efficient delivery.	HS2 Ltd must ensure strong working relationships with its contractors and workforces to deliver exceptional results. It should start discussions with employers and trade unions by the end of 2014 to agree a framework to deliver high standards in working practices and skills development.

Getting Our Cities Ready

We believe HS2 will improve the competitiveness of our major cities, but particularly in the Midlands and the North. It will enable them to compete with cities around the world. This is good for those cities which will have HS2 stations and for the nation's economy.

We have heard from civic - and business-leaders about the practical steps they think need to be taken now to prepare their cities and maximise the economic and social benefits from HS2. HS2 stations could have a transformational impact but only if local and national government break the mould of "business as usual".

Around HS2 stations, we must develop a way of working that doesn't rely on separate funding streams, short term budget cycles, or complex governance structures. This will require local authorities to develop dedicated HS2 Growth Strategies, make fast progress, bring forward construction, and provide strong local leadership. Above all, it will need a sharp focus on delivery. It will require the Government to support local areas to deliver growth and regeneration around HS2 stations.

Recommendation 1: For each HS2 station an 'HS2 Growth Strategy' needs to be established by the end of 2014 to explain how high speed rail will generate local jobs, growth and regeneration.

Creating opportunities for economic growth

In our initial report we asked what conditions needed to be in place to extract economic and social benefits from HS2 stations. Each local authority we asked said it had already developed a vision about how HS2 would transform the area.

However, to achieve success, progress would need to be made on some critical issues; having proper connectivity into and out of HS2 stations; greater collaboration between existing funding streams and longer term certainty; and the stations being integrated into the cities and surrounding areas. This, said the cities, would help them to attract inward investment.

Maximising the regional growth and regeneration benefits of HS2

We commissioned research to help us understand the scale of the challenge. The research from Atkins² found that most local authorities have strategic visions for how HS2 could stimulate local economic growth, but few have developed specific, evidenced HS2 plans. The report's findings lead us to conclude;

- Local areas are aware of the growth opportunities around HS2 stations, but they do not yet fully understand what local infrastructure or funding and delivery mechanisms will be required. Local areas are also finding it hard to align funding to support HS2-related growth.
- Even the very best authorities will be stretched to manage a project as complex and large as HS2, particularly when there are other infrastructure plans being proposed (such as the Northern Hub³) that will also have local impacts.
- Regeneration and development around HS2 stations need to be accelerated and delivered well before HS2 arrives, to ensure stations are designed to facilitate the flow of people and transport links. This should be planned and coordinated to minimise disruption and delay.
- Given the complexity of governance and delivery structures operating simultaneously in each place, a single dedicated partnership arrangement is needed for each HS2 station site.

² Atkins, Maximising the Growth and Regeneration Benefits of HS2, March 2014

³ The Northern Hub is a programme of targeted upgrades to the railway in the North of England. Scheduled to complete in 2019, it will allow up to 700 more trains to run each day and provide space for 44 million more passengers a year. For more information visit Network Rail's website; <http://www.networkrail.co.uk/improvements/northern-hub/>

Developing strategies for growth and regeneration around HS2 stations

Some local authorities are beginning to grapple with these issues head-on, like Birmingham, which announced its Masterplan for the Curzon street station in February 2014⁴. But there is a gap generally between where local authorities are now, and where they need to get to in terms of governance, integration of HS2 stations into Local Plans and funded delivery plans. As Atkins found, not all of the local authorities which will have HS2 stations have previously delivered regeneration schemes on the scale HS2 opens up.

Time is of the essence. Local authorities need to get started now, scoping out the physical and social infrastructure required to kick start regeneration and development around HS2 stations. They should identify how these investments will be delivered. In order to justify investment, they should also explain the potential for economic growth around these sites. We think this work should be brought together into locally owned 'HS2 Growth Strategies'. These strategies should be published by the end of 2014.



HS2 Growth Strategies should:

- **Identify the regeneration, development and growth potential around the HS2 station.** What are the benefits in terms of jobs and growth? What are the impacts on land values, business rates and tax receipts? How will early investment boost local and national economic productivity? What are the costs and benefits of bringing forward development?
- **Assess local infrastructure needs.** What physical and social infrastructure is required (e.g. housing and skills)? What are the connectivity requirements? How much will it all cost? When will they be delivered?
- **Identify funding.** How can existing local funding sources be used to deliver the infrastructure? How will regeneration and development impact on local land values? What is the potential for private investment? What tests would need to be met to justify upfront investment?
- **Inform existing plans.** What implications will HS2 Growth Strategies have on locally owned Master Plans, Local Plans and Strategic Economic Plans? What is needed to join these plans up and avoid HS2 being seen in isolation from the wider geography around them?
- **Be clear about how risks will be managed.** Will risk be transferred or shared with investors in HS2 sites? Will it be shared risk between central and local government?
- **Set out the role of a locally owned HS2 delivery body.** What form will it take? Will locally led bodies provide leadership, support decision-making across local and national organisations, have the powers needed to drive delivery (and be accountable for their use), address operational issues (like building capacity in the supply chain) and accelerate delivery?

⁴ The Birmingham Curzon HS2 Draft Masterplan sets out how the proposed HS2 railway will enhance the city's national rail connectivity, accelerate its economic growth potential and unlock major regeneration sites. <http://www.birmingham.gov.uk/birminghamcurzonhs2>

Recommendation 2: To deliver these HS2 Growth Strategies local authorities need to establish a locally led delivery body by the end of 2014. The Government should support them in bringing forward regeneration.

Maintaining a focus on delivery

We think every city which will have an HS2 station should establish a locally owned delivery body that can combine local authority planning powers and accountability with expertise. As international examples show us, a strong delivery body, such as seen in Bordeaux's Public Development Agency, can help provide the right climate for investment⁵.

These bodies should, like the Mayoral Development Corporation for Old Oak Common⁶, bring together local authorities, HS2 Ltd, local businesses and private investors – amongst others – to deliver development.

Old Oak Common and the Mayoral Development Corporation – a model for locally owned regeneration and delivery bodies

Old Oak Common is the largest strategic development and transport investment opportunity in West London. 'Old Oak – A Vision for the Future' set out the ambition and was the subject of public consultation between June and September 2013.

The Mayor has announced he will set up a Mayoral Development Corporation (MDC) for Old Oak Common to coordinate and lead the planned regeneration of the area. The MDC will assume planning powers for the area, assemble land, liaise with developers and secure regeneration within its area. In doing so, the MDC can emulate the success of the London Legacy Development Corporation, which continues to lead the post-Olympic regeneration of Stratford.

⁵ The Independent Transport Commission report "Capturing the Opportunity" notes that "the economic and spatial effects of this capacity release are likely to have a greater positive benefit than time-savings from faster trains." [<http://www.theitc.org.uk/docs/108.pdf>]

⁶ The Mayor has made a number of announcements in relation to these development plans, see for example: <https://www.london.gov.uk/media/mayor-press-releases/2013/12/sports-stadium-could-be-catalyst-for-transformation-of-old-oak>. A local authority perspective is available here: http://www.lbhf.gov.uk/Directory/News/Sports_stadium_could_lead_the_way_in_Old_Oak_transformation.asp

Integrating HS2 stations into their surrounding areas

Another key function of local delivery bodies should be to inform the station design and ensure its integration into the surrounding area. This is essential if these stations are to unlock regeneration and development potential. Not getting this right risks creating physical barriers and blocking regeneration. This is true for both the station and the route. The last kilometre will matter the most!

Cordoba

Cordoba station is now a crucial interchange between Madrid, Malaga and Seville on the Spanish rail network. Historically, the conventional railway station and track acted as a barrier between the east and western parts of the city, splitting it into two. Discussions about how to remove the physical barrier this created had been on-going since the 1960s, but the arrival of high speed rail transformed the design of the station. The stations and the areas around the railway are now integrated into the urban centre, attracting businesses, and creating a more vibrant hub.

Recommendation 3: The Government should partner local authorities in the development and delivery of HS2 Growth Strategies. The Government should also establish a central delivery body to provide coordination and support nationally.

Bringing developments forward to capture increases in land value

The Government needs to be a partner in helping local areas to develop and deliver their HS2 Growth Strategies. These strategies will help local partners and the Government to better understand the opportunities around HS2 stations sites. The Government should support local authorities in bringing forward regeneration and development as soon as practicable. The Taskforce believes these plans need to be acted on quickly, as capturing the fullest economic benefits from HS2 will require early investment.

Acting quickly means getting onto the front foot, being able to assemble land before prices increase, reducing the time spent constructing new developments and minimising what would otherwise be avoidable blight around HS2 stations.

We also help increase certainty, which will attract investors. To achieve this, the Government needs to help local authorities assemble land and prepare for construction earlier and, in doing so, help capture the increased value in land prices. We are concerned that without this support, local authorities may not fully deliver a site's economic growth potential for a number of reasons; a lack of resources or experience; local political factors; or poor relationships with developers and landowners.

We think the Government should help local authorities to make swift progress by urgently setting out what costs will fall within the budget for the HS2 railway. That way local authorities will be able to reprioritise their existing resources and identify how their HS2 Growth Strategies (and HS2-related transport investments) will be funded.



A central delivery body

The Government should also establish a central delivery body to support locally led delivery bodies. We do not think it is feasible for local areas to maximise the economic impact of HS2 without the offer of support from a central body. The role of a central body could include:

- Helping to develop and implement HS2 Growth Strategies;
- Offering expertise on commercial and investment opportunities;

- Ensuring integration of the HS2 station into the city and the wider transport network; and
- Helping to identify sources of investment, including from overseas.

We recognise that the nature of this support will vary depending on local circumstances, experience and readiness⁷. But we envisage it supporting local delivery bodies achieve their objectives and reflect local views, rather than impose solutions.

Funding

Regeneration and development comes at a cost. However the Taskforce is not saying that the cost of developing HS2 should increase.

Future investment in local areas needs to be carefully targeted and prioritised in order to maximise the vast economic growth that HS2 can offer. The development of comprehensive, locally led HS2 growth strategies for each area will be the key starting point. Only when local areas know what they want to deliver, and the costs and benefits involved, can investment opportunities for meeting the cost be properly explored.

We think existing funding that supports local growth can be better aligned to support HS2 growth strategies. This includes both central funding (such as the Local Growth Fund and existing funding streams) and local funding (such as retained business rates). There is also great potential for the private sector to exploit the obvious commercial opportunities that HS2 brings and drive regeneration and development.

Government should be an active participant in discussions with local authorities about their HS2 growth strategies⁸ – helping to explore the different options for financing of those plans – to support and enable local areas to successfully realise their visions.

⁷ Atkins, Maximising the Growth and Regeneration Benefits of HS2, March 2014

⁸ Atkins, Maximising the regional growth and regeneration benefits of HS2, March 2014

Recommendation 4: The Government should appoint a Minister with responsibility for HS2-related economic growth and regeneration.

The importance of strong and effective leadership

Everywhere we went, we heard from local leaders what they were doing to help their communities grasp that HS2 is more than a railway. In Manchester, consultation to inform a multi-billion pound investment around Piccadilly station has already been conducted⁹. This sets out a local vision for the area and identifies the opportunities to generate more jobs and create more new housing.

We would like to challenge the Government to demonstrate similar leadership. As was so successful with the Olympic and Paralympic Games, we want a dedicated Minister to be appointed to lead regeneration and development around HS2 at the national level. They should be supported by a team that has the capacity and skills to support local authorities in negotiating their way around Whitehall and in developing and delivering HS2 Growth Strategies.

Olympics and Paralympics

Strong and visible political leadership was vital in making the case for the Olympic Games in the early years when opinion was still divided. A new Ministerial position was created to foster support for the project based on the wider opportunities it offered to regenerate East London. This Minister provided national leadership while the London Mayor provided local leadership. Together they drove forward land purchasing and sourced funding. This national leadership model was mirrored in the way individual teams were brought together by governance and delivery structures (such as the Olympic Delivery Authority). This paved the way for a longer term legacy and to continue the regeneration of Stratford and its surrounding areas.

⁹ The draft master plan, setting out how Manchester Piccadilly Station would be revamped in preparation for both the Northern Hub and HS2, was published in August 2013 <http://www.manchester.gov.uk/mwg-internal/de5fs23hu73ds/progress?id=j2pQODZJO8>

Getting Our Transport Network Ready

Creating connections – bringing people and businesses closer together – is what will enable the major economic benefits of HS2. In this chapter we challenge local and national bodies to appraise the city and regional growth potential, to plan effectively and to integrate HS2 into our transport networks to benefit communities on and off the route.

We know that there is a strong, positive relationship between better connections and economic performance. We also know that the full impact of HS2 on the UK economy will depend on a number of wider factors¹⁰. So whilst being better connected creates a more attractive environment for all sorts of inward investment, having the right business environment to attract such investment is important too. This is why it is crucial that local areas are able to plan effectively for the arrival of HS2.

Recommendation 5: Work to include detailed consideration of HS2 in existing Local Plans and Strategic Economic Plans should be well underway by the end of 2014, including relevant aspects of the HS2 Growth Strategy.

Planning our transport networks for HS2

One of the overriding messages we've heard from local leaders is that HS2 offers great potential to promote balanced and widespread growth – but it will not work in isolation. We must connect HS2 (and the areas that it helps to prosper), to the places where people live and work. This will mean making HS2 stations strategic nodes that connect international, inter-city, regional and intra-city transport.

The focus from the Government and HS2 Ltd has, rightly, been on the HS2 route and its stations. That focus will be too narrow in the future. The Government, HS2 Ltd and local authorities must

act now to examine thoroughly how they will integrate HS2 into existing local and regional transport networks.

We didn't hear this message solely from those places with a proposed station. It was loud and clear from places that could benefit from capacity released on our existing network from services running from the high speed lines. Liverpool's leaders, for example, were excited to set out how the additional rail capacity from HS2 could support an expansion of the city's port. Places like Liverpool, Newcastle, Warrington, Chester, Holyhead, Bangor, Derby, Nottingham, Leicester, Stoke, Stafford and Milton Keynes (to name but a few), should all plan for the opportunities that HS2 will create.

¹⁰ HS2 Ltd: Literature review on the economic benefits of transport investment – implications for HS2, March 2014
<http://assets.hs2.org.uk/sites/default/files/inserts/Literature%20review.pdf>

Connecting HS2

Sir David Higgins' report looked at the importance of Crewe in unlocking early benefits to the North¹¹. Crewe is ideally placed to act as a hub station and connect HS2 into the surrounding regions. Its strategic importance was recognised by the old London and North Western Railway, which identified that it was the optimal place to build a major junction.

The extra capacity released by HS2 provides an opportunity to reconfigure services and better utilise the strategic location of Crewe to serve major centres in the North West such as Liverpool, Warrington and Chester, and also Stoke, Stafford and all the local stations which form part of the commute into the bigger cities, supporting regeneration in the process.

Crewe is also a natural gateway to North Wales. Additional connectivity at Crewe into North Wales supports the proposed strategic European freight corridor through to Dublin via Holyhead. This helps to unlock investment in North Wales's growing advanced manufacturing sector, including: the Energy Island Programme and Enterprise Zone developments; the £10 billion project for the Wylfa Newydd power station on Anglesey; Siemens Tidal Array Generation project; the new Menai Science Park; and major developments at the Deeside Advanced Manufacturing Enterprise Zone.

We believe that all local authorities and Local Enterprise Partnerships¹² (LEPs) touched by HS2 – whether directly or indirectly – should challenge themselves to think about how it will act as a catalyst for development and growth across their city regions. Detailed and long-term planning across all forms of transport – with HS2 at its heart – will be crucial. We believe detailed connectivity planning (with locally defined borders) should

feature both in the local authority-owned HS2 Growth Strategy (discussed in the previous chapter) and the relevant Local Plan¹³.

HS2 – and connectivity – should also feature strongly in the Strategic Economic Plans (SEPs) that are devised by LEPs and form the basis for bids to the Local Growth Fund¹⁴.

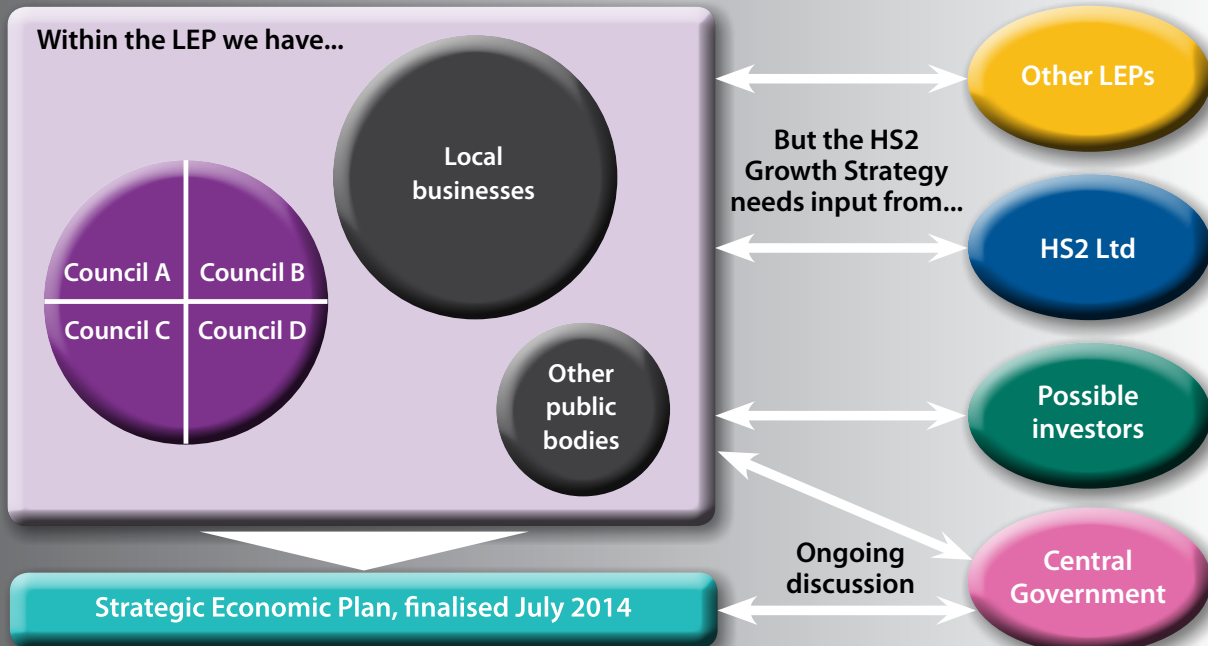
¹¹ Sir Davis Higgins' report "HS2 Plus" is available here: <http://www.hs2.org.uk/david-higgins-launches-his-vision-for-hs2>

¹² Local Plans are a local authority's vision for their area over a 15 year time horizon. Informed by business and economic needs, they cover issues like housing, infrastructure, retail, leisure and commercial development. Once formally adopted they have a statutory footing and there is a duty for all public bodies to co-operate over issues that cross boundaries.

¹³ Local Enterprise Partnerships are non-statutory bodies, formed at Government invitation in 2010 to bring local business and civic leaders together to provide the vision and leadership to drive sustainable economic growth and create the conditions to increase private sector jobs in their areas.

¹⁴ From 2015 the Local Growth Fund will be the main vehicle for funding local connectivity investments, including connectivity improvements to support HS2. LEPs must compete for 'Growth Deal' funding from an annual £2 billion single pot, using the evidence developed in their Strategic Economic Plans, which must be submitted by 31 March 2014.

An HS2 Growth Strategy needs to be reflected in the Local Plan, but also in the Strategic Economic Plan owned by the Local Enterprise Partnership (LEP). This can apply to areas without HS2 stations.



Local authorities and LEPs should keep all of their plans aligned, as together they should form a coherent vision for the wider area. For example, bids by LEPs that take full account of the detailed, cross-transport connectivity plans in HS2 Growth

Strategies and Local Plans should stand the best chance of attracting funding for priority local transport projects. We have been impressed by those local authority and LEP leaders that have already begun taking on these challenges.

Local leadership

The East West Rail Consortium was formed in 1995 with the objective of re-establishing a rail link between Cambridge and Oxford and improving rail services between East Anglia, Central and Southern England. Independent research forecasts that this scheme will generate around 12,000 new jobs and boost regional GDP by £38 million per annum.

The Consortium brings together eight local authorities, railway and regional stakeholders, local businesses and private sector partners, under a single Chair. Strong local leadership, knowledge of the route and determination to improve the economic prospects of their area have been critical to gaining approval for the scheme.

Local leaders have credited their success to the Consortium's single-minded determination in establishing a robustly evidenced business case to improve transport connections within the region and nationally.

Recommendation 6: Collaboration across organisations and administrative boundaries must be strengthened to support transport planning around HS2.

Collaboration to strengthen outcomes

A collaborative approach to planning and sharing information across organisations and geographical boundaries will be crucial. Those city regions that take a strategic local and regional approach – such as combined authorities¹⁵, which allow their participants to develop transport plans as a fundamental part of integrated growth strategies for their areas – will be best placed to deliver HS2 connectivity to passengers on time and on budget.

We think LEPs have a key role to play. But we have heard from LEP leaders themselves that inter-LEP engagement is patchy, and often relies on individuals' personal connections more than structured engagement¹⁶. The best LEP leaders see benefits in engaging with their counterparts to share mutually-relevant plans and ideas.

We believe that the wide and overlapping gravitational pull of major city regions calls for more joint working between LEPs to achieve their strategic transport goals for linkages to HS2. We would therefore like to see Strategic Economic Plans establish cross-references between themselves so that they can support joint investment by different LEPs in strategic transport projects that drive growth across wider areas of the country.

We would welcome the inclusion of this as a desirable criterion in any future assessment of Strategic Economic Plans. As well as co-ordinating between themselves, LEPs should also lead in sharing information and emerging HS2-related transport plans with central bodies. Bodies such as the Department for Transport, HS2 Ltd, Network Rail and the Highways Agency should stand ready to support LEPs in developing and refining these plans, sharing any relevant information. Whilst some areas such as Greater Manchester have already been proactive in setting up this kind of engagement, other areas need to follow their lead.

The Government is currently considering consultation responses on the proposed Phase Two station locations. Once it has made these decisions, LEPs should be given the flexibility to revisit the detail of existing Growth Deals where the station location has an impact. The Government should provide clarity to LEPs on this process, and on any future process beyond this year. For future Growth Deals, the Government should support LEPs to update the investment proposals contained within their Strategic Economic Plans based on the detail of HS2 Growth Strategies. This will enable areas affected by Phase Two to take account of HS2 as a key driver of growth.

¹⁵ A Combined Authority is a statutory body established by a group of local authorities who propose a pooling of responsibility and certain functions (minimally transport and economic development) in order to deliver growth more effectively over a wider, normally city region, area.

¹⁶ Atkins, Maximising the Growth and Regeneration Benefits of HS2, March 2014

Recommendation 7: The Government and Network Rail should set out by the end of 2014 their plan for defining how HS2 will affect rail services for cities off the HS2 route and for rail freight, and also their plans for a wider review of rail services.

HS2 and the rest of our railways

We have received a clear message from local leaders about the far-reaching and positive impacts HS2 could have on the rest of our railways. Some places expect to experience faster and more efficient services thanks to 'classic compatible' trains running from the HS2 network onto existing lines. Others could see improved regional and commuter services as a result of capacity freed up by HS2, with potential for significant economic impacts¹⁷.

Individual places are anxious to see whether and how they will benefit. So far the Government has only been able to offer broad assumptions about loss or gain of services¹⁸. If cities and businesses are to make the most of released capacity to support economic growth and city regeneration, they need to know what to expect in terms of the nature and frequency of rail connections – and they need to know in time to plan and deliver investment, development or services¹⁹. We recognise that this is an enormously complex task.

We recommend the Government sets out, by the end of 2014, its plan and timescales for defining how the post-HS2 network will work. We urge the Government and Network Rail to engage local areas in how released capacity should be used. The Government and Network Rail should provide an update on any work and produce its findings (e.g. potential options for service patterns, capacity, connections and frequencies) as soon as possible. And, in the same way as decisions on infrastructure investments are made, the Government should prioritise economic performance – hand in hand with affordability – in the future design of rail services.

Overall, we think that both the Government and Network Rail should be far more ambitious in their thinking about how HS2 will transform our rail network, rail franchises, passenger and freight services, and open up new commercial opportunities. We are pleased to see Sir David Higgins recognising this in his report.

European experience teaches us that developing a view of the future evolution of our railway with HS2 will be crucial to extracting maximum benefit²⁰. We recommend that before the end of 2014 the Government publicly communicates its plans to exploit these opportunities and begins work as soon as possible. Doing so will enable HS2 to act as a catalyst for a better rail network across the whole country.



Recommendation 8: The Government should invite the rail freight industry to set out how it could take advantage of the capacity released by HS2. Separately, the Government should evaluate the case for future-proofing HS2 to accommodate freight traffic and communicate its plans to do this.

HS2 and rail freight

As well as benefits for passengers, capacity released on the main network by HS2 will help tackle some of the pinch-points across the network that hold up freight movement. This will open up opportunities to help our rail freight industry grow. In its Strategic Case²¹, the Government estimated that HS2 could provide space for an extra twenty paths for freight on the West Coast Main Line alone to help to meet growing demand²². By allocating capacity to rail freight services, HS2 could take 500,000 HGV lorry journeys off our major motorways each year, boosting the economy by £45 million annually²³.

The Government should invite the rail-freight industry to set out how it could take advantage of released capacity on the existing rail network. Once the industry has put forward its case, the Government and Network Rail can then decide how to balance additional passenger services with additional freight services. In addition, the rail freight industry should engage with relevant LEPs so it can be involved in local transport planning negotiations.

The rail freight industry has also expressed an interest in using high speed lines for freight services. This is a complex area, but we recognise the potential benefits. The experience of Eurostar teaches us that light freight using suitable rolling stock can travel on high speed rail. Any affordable opportunity should be explored. We recommend that the Government evaluate the case for future-proofing HS2 to accommodate freight traffic and publicly communicate its plans to do this.

¹⁷ The Independent Transport Commission report "Capturing the Opportunity" notes that "the economic and spatial effects of this capacity release are likely to have a greater positive benefit than time-savings from faster trains." [<http://www.theitc.org.uk/docs/108.pdf>]

¹⁸ Network Rail, Better Connections: Options for the Integration of High Speed 2, August 2013, <http://www.networkrail.co.uk/improvements/high-speed-rail/>

¹⁹ Atkins, Maximising the Growth and Regeneration Benefits of HS2, March 2014

²⁰ Independent Transport Commission, Capturing the Value of High Speed Rail, Learning from Europe: The Lille Symposium 2014, March 2014, <http://www.theitc.org.uk/docs/115.pdf>

²¹ The HS2 Strategic Case, published by DfT in 2013, <https://www.gov.uk/government/publications/hs2-strategic-case>

²² Rail freight is forecast to grow 2.9% year on year to 2043 and is increasingly shifting from bulk goods (e.g. coal and aggregate) to fast moving consumer goods (forecast to grow at 6% pa to 2043). (Network Rail, Long Term Planning Process: Freight Market Study, October 2013).

²³ WSP Group, <http://www.wspgroup.com/en/WSP-UK/Who-we-are/Newsroom/News-releases1/2013/hs2-could-save-carbon-and-money-in-increased-freight-capacity/>

Recommendation 9: The Government must complete as soon as possible, and act upon, the review of how its transport appraisal methodology quantifies economic benefits. It should set out its plan and timetable for this work by the end of 2014. The Government should apply any revisions to its approach to any future extensions to HS2, alongside greater and earlier local engagement to understand local economic impacts.

Appraising major transport investments

There is increasing debate over the degree to which it is possible to appraise robustly the fullest economic effects of major transport schemes, such as HS2. Capturing all of the potential economic benefits to individual places and assessing what these mean for national economic performance is an ambitious aim, but we believe it should at least be possible for the Department for Transport's current approach to be broadened. For example, its current approach fails to capture the full value of dynamic changes in land use, regeneration and the concentration of certain, high-value businesses into

more productive "hubs", which will undoubtedly be elements of HS2's local impact. Experience from past major transport investments, none of which have been on the scale of HS2, tells us that a benefit-cost ratio derived from the Department for Transport's standard approach has been overly conservative in attributing the benefits projects eventually deliver to the transport intervention. We don't think that the Government's current business case for HS2 is any different; the benefits set out do not fully capture the 'real prize' HS2 offers the country.

The Jubilee Line Extension

It would be impossible to imagine the economic success of an area like Canary Wharf without the Jubilee Line Extension. But this project almost never happened.

The Jubilee Line opened in 1979, with four kilometres of new tunnelling through central London. An ambitious business case to extend the line eastwards to Stratford and the Docklands was accepted by the Government in 1989. The projected benefits were one and half times the investment. However, by the time the associated hybrid bill had achieved Royal Assent, changes to the design and route of the project meant that the forecast benefits were revised down to less than the costs. The scheme arguably only survived because of the substantial developer contributions which were promised. The £3.5 billion project opened in December 1999 and retrospective academic studies, using standard Department for Transport appraisal, now estimate the benefits at almost double the latter forecast, at £1.75 of benefits for each pound spent²⁴.

A number of methodologies have been developed by organisations and individuals outside of central government, which aim to identify different ways to appraise wider economic and societal benefits from major transport investments. This is an evolving area of work. KPMG recently contributed their attempt to estimate the regional benefits of HS2²⁵. Separately the Royal Town Planning Institute has reinforced the need for an improved approach, saying that “policy-makers need to deliver a visionary narrative of the real benefits that transport infrastructure-led schemes will make...”²⁶

We endorse the Government’s on-going participation in this debate and its work²⁷ to look at whether it is possible to devise tools to overcome the limitations in its current approach.

We encourage it to produce, and act upon, the work’s findings as soon as possible. We also believe there is room to encourage further debate. The Government should engage local areas at the start of any assessment to understand the local impact of a proposed transport scheme. It must use information from local areas to produce credible judgements of potential growth at the local and national level.

Any revised appraisal should be applied to future decisions on whether and how to extend the high-speed rail network, for example, to Scotland²⁸. Given the Government’s express interest in creating a truly national network, we urge the Government to ensure that the design of Phase Two does not create undue barriers to further extension.



²⁴ OMEGA Centre, University College London, Project Profile : Jubilee Line Extension, 2009 http://www.omegacentre.bartlett.ucl.ac.uk/studies/cases/pdf/UK_JLE_PROFILE_120909.pdf

²⁵ KPMG, High Speed Two (HS2) Limited, HS2 Regional Economic Impacts, 2013 <http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Market Sector/Building and Construction/hs2-regional-economic-impacts.pdf>

²⁶ RTPI, Transport Infrastructure Investment: Capturing the Wider Benefits of Investment in Transport Infrastructure, 2014 http://www.rtpi.org.uk/media/816110/capturing_the_wider_benefits.pdf

²⁷ DfT, Understanding and Valuing the Impacts of Transport Investment, 2013 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253860/understanding-valuing-impacts-transport-investment.pdf

²⁸ On 1 November 2013 the Government announced work to look at the broad options for improving journey times and capacity north of the Y network and to Scotland, <https://www.gov.uk/government/news/next-phase-of-work-for-high-speed-2-and-scotland>.

Recommendation 10: The Government's decisions on Phase Two station locations should be informed by a thorough examination of economic growth potential in each proposed station location.

Economic potential of Phase Two station locations

If we are to truly help our cities to achieve their economic potential, we need to ensure that HS2 stations are located (and designed), to maximise economic growth.

Choices between city centre, hub or parkway stations are hugely important. Each potential location is unique and will offer different opportunities according to its specific economic and logistical characteristics. We believe there is no 'one size fits all' solution and each HS2 Growth Strategy will need to reflect the opportunities which its location affords.

We strongly recommend that the Government, in making decisions on Phase Two station locations, should undertake a thorough examination of local evidence to assess economic growth potential in each possible location. Analytical contributions from local areas on growth potential should be scrutinised and taken into account where possible.

Important factors for the Government to consider will include:

- **Opportunities for local connectivity.** International examples demonstrate that

multi-modal access to and from stations is a major factor of success²⁹. Both Lyon and Lille have reaped the benefits of transforming their high-speed rail stations into the main hub of the urban transport system³⁰. Equally, out of town stations with good connectivity, like Germany's Montabaur, can be successful too. But stations with poor public transport connectivity to urban areas, such as TGV-Haute Picardie, Le Cruesot and TGV-Lorraine, have demonstrated poor local economic impacts³¹.

- **The nature of the local economy and opportunities.** High speed rail services can have the greatest impact in service sector-led areas where the extra connectivity becomes an enabler for economic growth³². It makes sense to locate HS2 stations near places that offer the greatest opportunities for regeneration and growth.
- **Accelerating delivery of local plans.** HS2 stations can act as a multiplier or accelerator of local development plans. The strength of the local vision, and the readiness of a local authority to seize this opportunity, need to be considered alongside the potential of any particular site.

²⁹ HS2 Ltd: High Speed Rail - International Case Studies Review, March 2014
<http://assets.hs2.org.uk/sites/default/files/inserts/International%20case%20studies%20review.pdf>

³⁰ HS2 Ltd: High Speed Rail - International Case Studies Review, March 2014
<http://assets.hs2.org.uk/sites/default/files/inserts/International%20case%20studies%20review.pdf>

³¹ HS2 Ltd: High Speed Rail - International Case Studies Review, March 2014
<http://assets.hs2.org.uk/sites/default/files/inserts/International%20case%20studies%20review.pdf>

³² HS2 Ltd: High Speed Rail - International Case Studies Review, March 2014
<http://assets.hs2.org.uk/sites/default/files/inserts/International%20case%20studies%20review.pdf>



Getting Our People Ready

Getting our people ready for HS2 is an intrinsic part of maximising its impact. We want to make sure we have the right workforce in the UK to build, run and maintain HS2 and that jobs are spread throughout the economy. We need to up-skill and grow our rail and construction workforces so that we can be confident of having a pipeline of the right people with the right skills both now and in the future. Through HS2, we also need to make our young people, their parents, schools and colleges aware of the careers available in rail engineering and advanced construction. The high-end skills in digital engineering and technology that will be needed for HS2 will also be highly transferable to other industries; in this way, HS2 can be a platform to support the UK's engineering renaissance and boost our international competitiveness and reputation.

Recommendation 11: The Government must make growing the railway engineering and advanced construction skills base a national priority and set out how the planned HS2 Skills College will contribute to this.

Bridging the skills gap

The National Skills Academy for Railway Engineering (NSARE) has published research³³ showing that we do not have enough people with the right skills in railway engineering. This is a risk to planned railway infrastructure projects and orders for new trains over for the next five years. HS2 will make the challenge even more acute.

Some initiatives are already underway to address rail skills gaps, notably through NSARE's work with industry. The new National Training Academy for Traction and Rolling Stock is an example of this. The Government needs both to learn from this work and build on it.

³³ Forecasting the Skills Challenge", http://www.gmedia.uk.com/PDFs/NSARE_Forecasting%20the%20Skills%20Challenge_January%202013.pdf

Railway engineering: a national skills challenge

- Less than 20% of the existing workforce have a Level 4 qualification or higher (equivalent to a certificate of higher education/HNC).
- Around 10,000 additional people are needed to deliver what is planned on the rail network for the next five years alone.
- The current railway engineering training capability (capacity and quality) is not sufficient for future requirements.

And the problem is set to get even worse...

- Over 40% of the workforce is 45 and over, rising to over 55% for train building and maintenance.
- In some specialist disciplines the shortages are even more acute. We need to grow the electrification and train building and maintenance workforce by 40%.
- In total, around 30% of the rail workforce (around 30,000 people) will need to learn new skills to deliver what is needed for future projects.

The HS2 dimension

HS2 Ltd has begun research to understand how the skills requirement for HS2 fits into this picture. Initial indications show that:

- For construction, at least 50% of the jobs will require skills at NVQ Level 3 (equivalent to 'A' Level) or above. The majority of our construction workforce only has skills at level 2.
- In construction skills terms, there is an important gap in digital engineering and off-site manufacturing techniques, which HS2 will need.
- HS2 will bring a considerable rolling stock requirement. The current and planned UK workforce does not have capacity to manufacture the trains for HS2.

These skills gaps are not confined to rail. Modern construction techniques like digital engineering and Building Information Modelling (BIM) allow us to design and build infrastructure in a factory environment, reducing construction time by at least 30%³⁴.

As the research shows, these skills will be needed for HS2 and they are in short supply. We must start training more people in these skills now to meet this demand. The Construction Industry Training Board (CITB) has an important role to play.



These skills are highly transferable, and what people develop to meet the HS2 need will be valuable for other industries such as nuclear, aerospace and automotive. Professor John Perkins's review³⁵ has already highlighted the need to address engineering skills provision more broadly and the development of people with transferable skills through HS2 will be of benefit to many sectors, as well as to the individuals themselves.

The challenge is not just getting the skills base right for HS2. What we do now and in the coming years will help prepare the rail industry for the long term. NSARE will be a crucial partner in any future work and whilst being relatively small in size it has established itself as the rail industry's 'go-to' organisation for training and skills. Industry also needs to be directly involved to ensure we address the skills gaps across the whole rail sector – not just HS2. We think the recently formed Rail Supply

³⁴ Data from Laing O'Rourke

³⁵ BIS, Professor John Perkins' Review of Engineering Skills, 2013 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254885/bis-13-1269-professor-john-perkins-review-of-engineering-skills.pdf

Group, which brings together government and industry stakeholders, can help the Government to achieve these objectives. Specifically, we think the Government should, by the end of 2014:

- Undertake a detailed stocktake of current skills and skills gaps in both railway engineering and advanced construction to assess readiness for HS2, working with NSARE, CITB and industry to make sure all the latest information is brought together in one place.
- Set out how it will support NSARE so that it can properly factor HS2 into its work programme.

We were pleased to hear that the Government intends to establish an HS2 Skills College to help to address the skills gaps. However, this cannot be a stand-alone institution – it must work as part of a skills network, bringing training opportunities to people across all areas of the country, for both new entrants and the existing rail and engineering workforce. The Government should, by the end of 2014:

- Explain what the new HS2 Skills College will offer and how it will extend its presence across the country. We believe it should be part of a network of providers that offer a cohesive programme of skills development with clear pathways to employment through direct employer links. The importance of transferable skills also needs to be recognised.
- Set out how its industrial strategy can help to address skills shortages arising from HS2. This could include exploring the potential for a new strategic partnership focused on rail.

Throughout this work, ways in which greater workforce diversity can be achieved must also be considered. The UK has the lowest participation of women in hi-tech industries in Western Europe,³⁶ for example, and skills development activity for high speed rail needs to explore how greater participation across under-represented groups can be encouraged.

³⁶ European Commission Eurostat, High Tech Statistics, Data from December 2013 http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/High-tech_statistics?

Recommendation 12: HS2 Ltd and University Technical Colleges, supported by the Government, should put in place specific HS2 links and curriculum options.

We need to attract more people into rail and engineering careers to meet the HS2 skills challenge and to do this we must tap into our vocational education system, including University Technical Colleges (UTCs). We should embrace the scale of HS2 as an opportunity to promote vocational routes more strongly and remove the unwarranted stigma that vocational training is 'second best'. UTCs offer a valuable route into well paid and respected careers.

To ensure we are supporting and fully exploiting the UTC network, the Government should challenge HS2 Ltd and UTCs to develop curriculum options that train more people in the skills needed for HS2 and to establish formal links and partnerships with the new HS2 Skills College by the time it opens.



University Technical Colleges: using the network

University Technical Colleges are for students aged 14 to 18 and specialise in technical studies. They are all supported by industry and sponsored by a university. Students can either go on to a higher level apprenticeship in employment or to university.

They provide an impetus for students who may otherwise not have followed an engineering or technology career route and can be an important part of giving us the skills we need for HS2. There are currently 17 UTCs open, with a further 33 in development due to open in 2014 and beyond.

Recommendation 13: The Government, HS2 Ltd and industry need to develop an HS2 out-reach programme by mid-2015, formally linked into the education system.

We need to engage children, their parents, schools and FE colleges in addressing our longer term skills challenges. HS2 is not all about greasy overalls and hard hats; it is as much about producing 3D-modelling and using software to design complex constructions. The Government and HS2 Ltd need to get this message across by developing links into schools and promoting the careers that HS2 and modern engineering can offer. There are already examples of local good practice, but high quality materials should be available to every secondary school in the country to inspire the next generation.

The Government needs to attract young people from a diverse range of backgrounds and a properly targeted and well thought through outreach programme can help to deliver this. We will not be able to maximise the potential of the future workforce if we continue to have very low participation levels for women in engineering, for example.



HS2 and the Birmingham Baccalaureate

HS2 Ltd has been supporting Birmingham City Council in developing a programme aimed at preparing local teenagers (14-15) for the work place. In the HS2 sponsored project, students formed a project team which evaluated four possible routes between Birmingham and London for a proposed new high speed rail network.

HS2 Ltd has provided guidance on what the students needed to consider when making their decisions. HS2 has proved to be a good way to contextualise the real world of work whilst providing opportunities to build employability skills.

Recommendation 14: HS2 Ltd should design a procurement process which requires suppliers to meet the highest standards in terms of apprenticeships, job creation and skills development and set out its approach by autumn 2014.

Spreading jobs throughout the economy

HS2 is big investment. Getting value for money is, of course, crucial, but we want to make sure that the money is spent in a way that creates the widest possible benefits and spreads the job opportunities across the country.

The approach to procurement is being developed now, with some early contracts already out to tender. HS2 Ltd have told us that they want to emulate the success of projects like Crossrail and make UK based jobs and apprenticeships³⁷ a key feature in their contracts. These principles are not new, but the scale of this project offers HS2

Ltd an opportunity to take this a step further. This could include setting quality standards for apprenticeships as well as quantities and ensuring key suppliers develop local capability and invest in their people. A requirement for direct employment, where major contractors must take staff on to their payroll rather than relying on sub-contractors or freelance workers is an option to consider.

Sustainable procurement can also help to ensure value for money and lower operational costs. We want HS2 Ltd to be ambitious in its approach to environmental sustainability and the Olympics provided some useful lessons in this area³⁸. We challenge HS2 Ltd to explain how it will exceed the outcomes achieved by previous best practice projects.



³⁷ Government Press Release, published 6 February 2014 <https://www.gov.uk/government/news/crossrail-rolling-stock-and-depot-contract-to-be-awarded-to-bombardier>

³⁸ Department for Environment, Food & Rural Affairs and Olympic Delivery Authority, Guide: Sustainable procurement for construction projects, 2013 <https://www.gov.uk/government/publications/london-2012-legacy-sustainable-procurement-for-construction-projects>

Recommendation 15: The Government and local authorities need to work together to put in place new local models to link workforces to potential HS2 job opportunities.

HS2 has the potential to provide a wide variety of jobs for a range of people across the UK. A strong procurement approach can set up the opportunity but to ensure these benefits are realised on the ground we need to find a way to link local people quickly and efficiently to HS2 jobs. The Government needs to build on examples of local co-ordination, taking into account the wide geographical scope and scale of HS2, and taking advantage of the lead-in time available. Employability frameworks are a model to be considered.

We recommend that the Government and local authorities agree a plan to co-ordinate work across Job Centre Plus, the third sector, local workforce representatives and other stakeholders to link the local workforce better to potential job opportunities. This should be reflected in HS2 Growth Strategies or LEP area development plans at least six months before job opportunities are expected to materialise.

The Regional Employability Framework (REF) for the North East was developed in response to the region's high levels of unemployment. It is a model to support individuals into sustainable employment and increase the economic activity rate.

Promoting inter-agency co-operation and partnership working has been fundamental to the successful implementation of the REF. It is based upon a partnership network of regional organisations such as Jobcentre Plus, North East Employer Coalition, Voluntary Organisations Network North East, Public Health North East and the Alliance of Sector Skills Councils.

The DWP National Employer Service Team works with national employers across the UK, helping to shape recruitment practices. Working in partnership with major employers like Morrisons has led to good results in finding opportunities for unemployed people.

Getting Our Businesses Ready

HS2 offers UK businesses an opportunity to bid for contracts worth around £25 billion³⁹. Successful bidders will be able to make long term investment in their capability and skills base, further driving jobs and growth. HS2 should be our best example yet of UK businesses successfully competing for contracts, working collaboratively and spreading innovation through the supply chain. Businesses have to seize the opportunities HS2 opens up and the Government must make sure the right structures are in place to enable this. We cannot afford to look back in five years' time at a missed opportunity. We challenge our businesses to get HS2 ready.

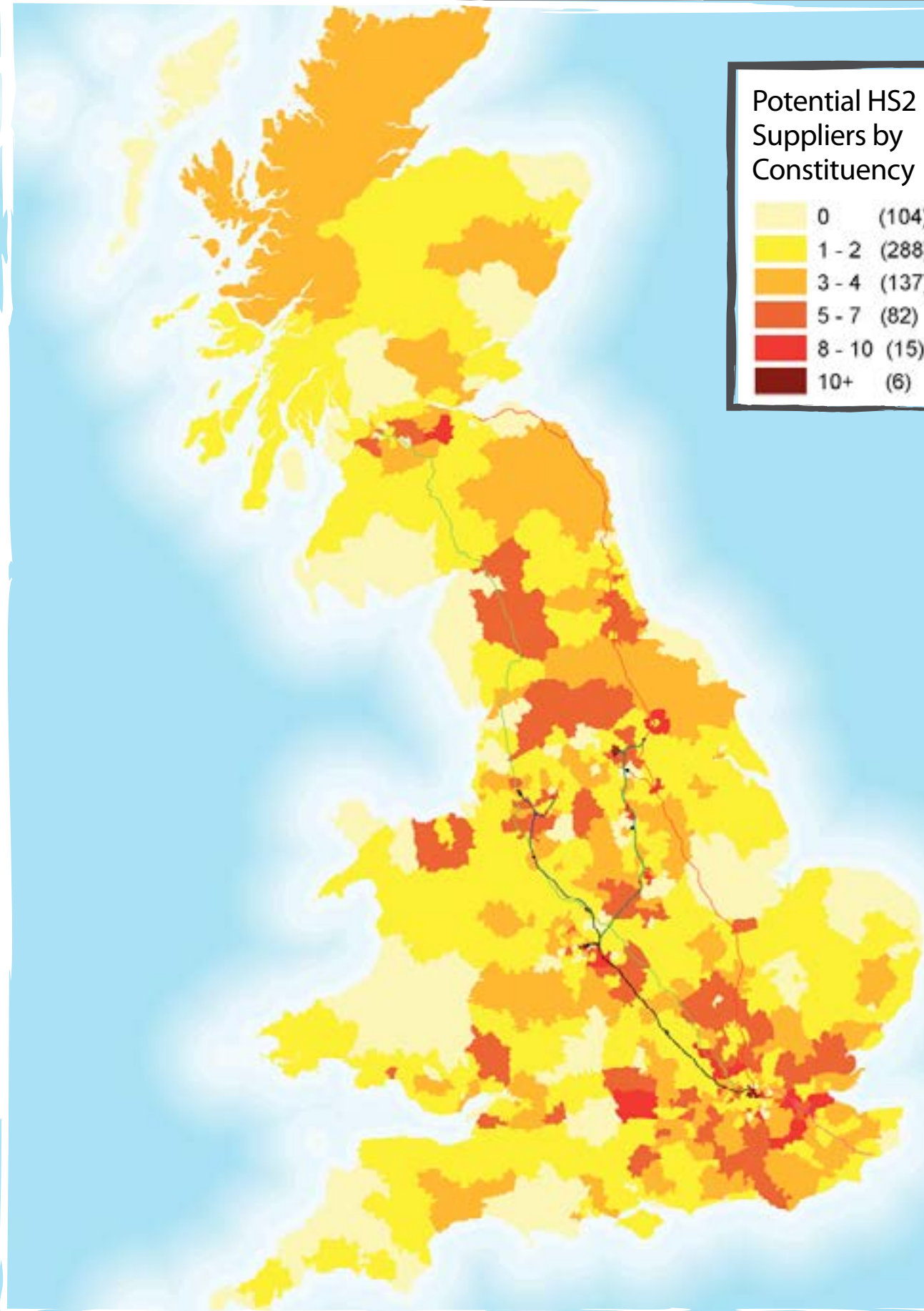
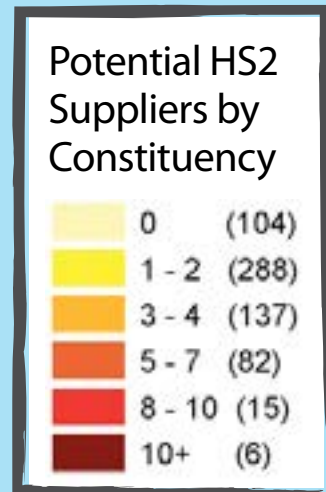
Recommendation 16: HS2 Ltd should set new standards for industry engagement and open procurement. Its procurement strategy should require main contractors to use open procurement tools to advertise HS2 opportunities and the process should be streamlined where possible to ensure there are no barriers for small businesses.

Establishing the right environment for businesses

HS2 is a great opportunity for businesses big and small. Initial analysis of the potential supply chain for HS2 gives an indication of how widespread the opportunities could be, as shown on the map opposite.

HS2 Ltd has begun a programme of engagement with potential suppliers but we think it can go further, working with LEPs across all regions as an exemplar of early market engagement. The Rail Supply Group, which brings together both government and industry, has recently been established to strengthen the capability and competitiveness of the UK rail supply chain and HS2 Ltd should align its industry engagement work with the work of this group.

³⁹ The HS2 Strategic Case, published by DfT in 2013, <https://www.gov.uk/government/publications/hs2-strategic-case>



Open procurement and small businesses

Britain has around 4.8 million small and medium sized enterprises that excel in a range of specialist fields; around 890,000 operate in the construction sector.⁴⁰ Small businesses in particular have emphasised to us the importance of being able to access HS2 opportunities in a simple way. To support these ambitions, open procurement tools, like *CompeteFor*⁴¹ can open up existing supply chains both to ensure that opportunities are spread as widely as possible through the UK supply chain and to drive value. HS2 can take this approach even further than previous examples of good practice, like the Olympics.

To ensure this occurs, we believe HS2 Ltd should include in its procurement strategy a requirement for all direct suppliers to use *CompeteFor* or a similar tool to advertise opportunities over a given threshold which have arisen as a result of winning HS2 contracts. We are not looking to break existing supply chains, but rather to ensure that new requirements arising as a consequence of the project are advertised as widely as possible.

HS2 Ltd should also build on best practice to ensure that the procurement process is as simple as possible and streamlined to ensure that smaller businesses are not hampered in the bidding process. This could include measures such as standardised pre-qualification questionnaires or online prequalification and exploring ways to ensure prompt payment requirements filter through the supply chain.



⁴⁰ Federation of Small Businesses, Small Business Statistics, 2013 <http://www.fsb.org.uk/stats>

⁴¹ *CompeteFor* is a free service that enables businesses to compete for contract opportunities linked to major public and private sector buying organisations. See <https://www.competefor.com/>

Recommendation 17: LEPs and local authorities should target businesses in their areas and set up dedicated advice and support centres to help them to get ready for HS2.

Local authorities, LEPs and local partners should also take steps to support local businesses to engage with the long term opportunities HS2 offers. The support they offer could vary from supporting businesses to comply with the procurement requirements, to accessing the skills and other support they will need to win contracts. The 'Fit for Nuclear' programme in Sheffield is an example of this.

We want all LEPs, supported by local authorities, to lead work in their areas to set up advice and support centres to help local businesses get ready for HS2.



Business readiness – the 'Fit for Nuclear' programme

The 'Fit for Nuclear' programme delivered by Sheffield City Region's NAMRC (Nuclear Advanced Manufacturing Research Centre) is dedicated to helping UK businesses become suppliers of choice to the global civil nuclear industry. It aims to ensure businesses are ready for future growth opportunities and to support UK companies to be ready to address future supply chain requirements. This includes identifying potential companies that could supply the nuclear market, supporting companies to close capability gaps and matching company capabilities to client needs.

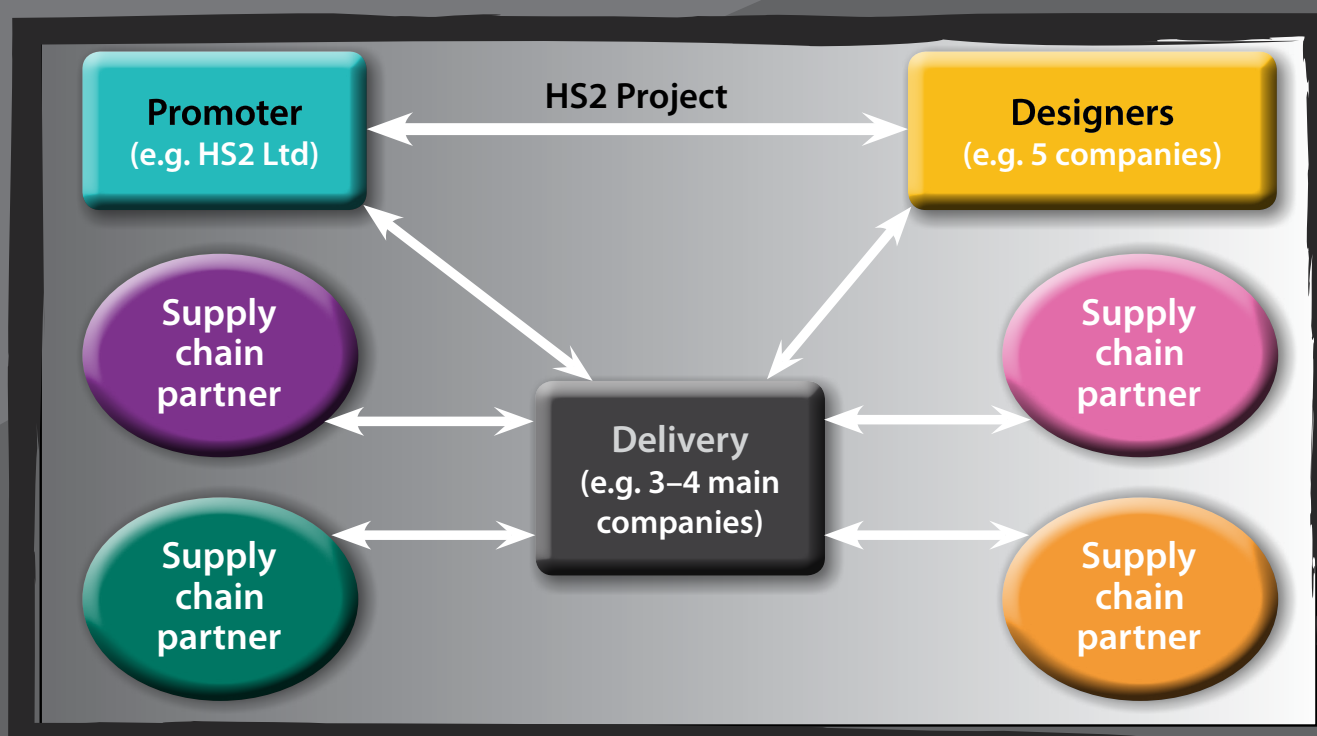
Recommendation 18: HS2 Ltd should make HS2 an exemplar project for collaborative working across businesses to drive innovation and achieve excellence in delivery.

Excellence in delivery

Much of the HS2 contract spend will be in technology-led areas; £4 billion in railway systems and around £7 billion in the design and manufacture of rolling stock. Delivering this much technology efficiently will require innovation from businesses. The best way to foster this innovation within HS2 will be to develop a collaborative environment where contractors (ranging from small and medium sized enterprises through to multinational companies) agree to come together to share ideas, drive innovation and break down barriers. This requires the creation of an environment where companies can share ideas and innovative approaches openly with confidence that they will get the appropriate credit. An example of how a collaborative delivery structure could look is below:

Collaborative approaches between all partners are a factor in ensuring delivery is both on-time and on-budget. We don't want to pretend this is an easy task. It will require a huge cultural change within industry – marked by a shift towards sharing more intellectual property and challenging traditional ways of working. But HS2 opens up an opportunity to set new standards.

To make this a reality, collaborative delivery must be part of the terms and obligations placed on contractors, which HS2 Ltd need to hard-wire into their procurement processes. For this to work, HS2 Ltd will also have to be rigorous about maintaining this approach through to completion of the project. Exploiting cutting edge techniques and working collaboratively can help to accelerate the delivery of HS2. Sir David Higgins's report looked at the schedule for constructing HS2 and the practical and technical considerations but from a growth perspective, delivering the line more quickly has huge benefit.



Recommendation 19: HS2 Ltd must ensure strong working relationships with its contractors and workforces to deliver exceptional results. It should start discussions with employers and trade unions by the end of 2014 to agree a framework to deliver high standards in working practices and skills development.

Getting businesses working most effectively together is only the first part of the answer. In getting delivery right we can learn from past successes on projects like the Olympics and Heathrow Terminal 5, where early agreements between all partners were an important factor in on time and on-budget completion.

HS2 Ltd should expect its contractors to offer their workforces top quality working practices and skills development. Whilst framework agreements have been used before, HS2 is an opportunity to do this on a much wider scale and act as an exemplar. This approach can both improve overall efficiency in the construction of the railway by minimising the risk of delay or disputes and benefit the workforce as a whole by facilitating opportunities for skills development, such as entry onto apprenticeships.

HS2 Ltd should start discussions with employers and trade unions by the end of 2014 to agree a framework covering how it will deliver high standards in working practices and skills development.



Terminal 5: A framework agreement

For the construction of Heathrow Terminal 5, a framework agreement was put in place at an early stage between the client (BAA), the main contractor, other major employers and the unions. This agreement enabled all parties to work together with a commonly agreed set of principles, to identify and resolve issues early, minimising delays and disruption.

Common standards were set to enable a consistent approach to issues such as training and development and to ensure a fair deal for workers. This approach broke new ground and was recognised at the time as being an important factor in the success of the Terminal 5 construction project.

Next steps

We have set out in this report our recommendations to the Government, local authorities, HS2 Ltd and the UK businesses and workers who stand to benefit from HS2. We have taken nine months to gather evidence and marshal our thoughts. Our experience and what we have heard tells us that the important thing now is to shift to a focus on delivery; on making growth happen.

Our final recommendation is that we would like to see the Government, local areas, businesses and workers respond by acting on the challenges set out in this report;

- We think the Government should set out in detail what it will do, by when and who will be charged with delivering and overseeing our recommendations. Given the scale of the challenge, leadership and accountability at the highest level is needed;
- We would like local leaders to deliver a public and firm commitment to creating their own HS2 Growth Strategy, supporting local businesses and workers, and making sure their cities are HS2 ready.

Should the Government wish us to, the Taskforce members collectively offer to reconvene at some appropriate time in the future to review progress against our recommendations.

Finally, we would like to thank all of those who hosted us, talked to us and sent us their thoughts. There wasn't always agreement on every point. But those differences of view, and the passion with which they were conveyed, helped us arrive at our recommendations. They also confirmed that we are all in collective agreement that HS2 is a once in a generation opportunity to transform our major cities if we act now.



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Chair and Commercial
Secretary to HM Treasury



Sir Howard Bernstein
Deputy Chair and CEO,
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