

HS2

Getting the best out of the Professional, Business and Financial Services sector





High Speed Two (HS2) Limited has been tasked by the Department for Transport (DfT) with managing the delivery of a new national high speed rail network. It is a non-departmental public body wholly owned by the DfT.

High Speed Two (HS2) Limited,

Two Snowhill

Snow Hill Queensway

Birmingham B4 6GA

Telephone: 08081 434 434

General email enquiries: HS2enquiries@hs2.org.uk

Website: www.gov.uk/hs2

High Speed Two (HS2) Limited has actively considered the needs of blind and partially sighted people in accessing this document. The text will be made available in full on the HS2 website. The text may be freely downloaded and translated by individuals or organisations for conversion into other accessible formats. If you have other needs in this regard please contact High Speed Two (HS2) Limited.

© High Speed Two (HS2) Limited, 2017, except where otherwise stated.

Copyright in the typographical arrangement rests with High Speed Two (HS2) Limited.

This information is licensed under the Open Government Licence v2.0. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/version/2 OGL or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: psi@nationalarchives.gsi.gov.uk. Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Cover Image: Alamy stock photo



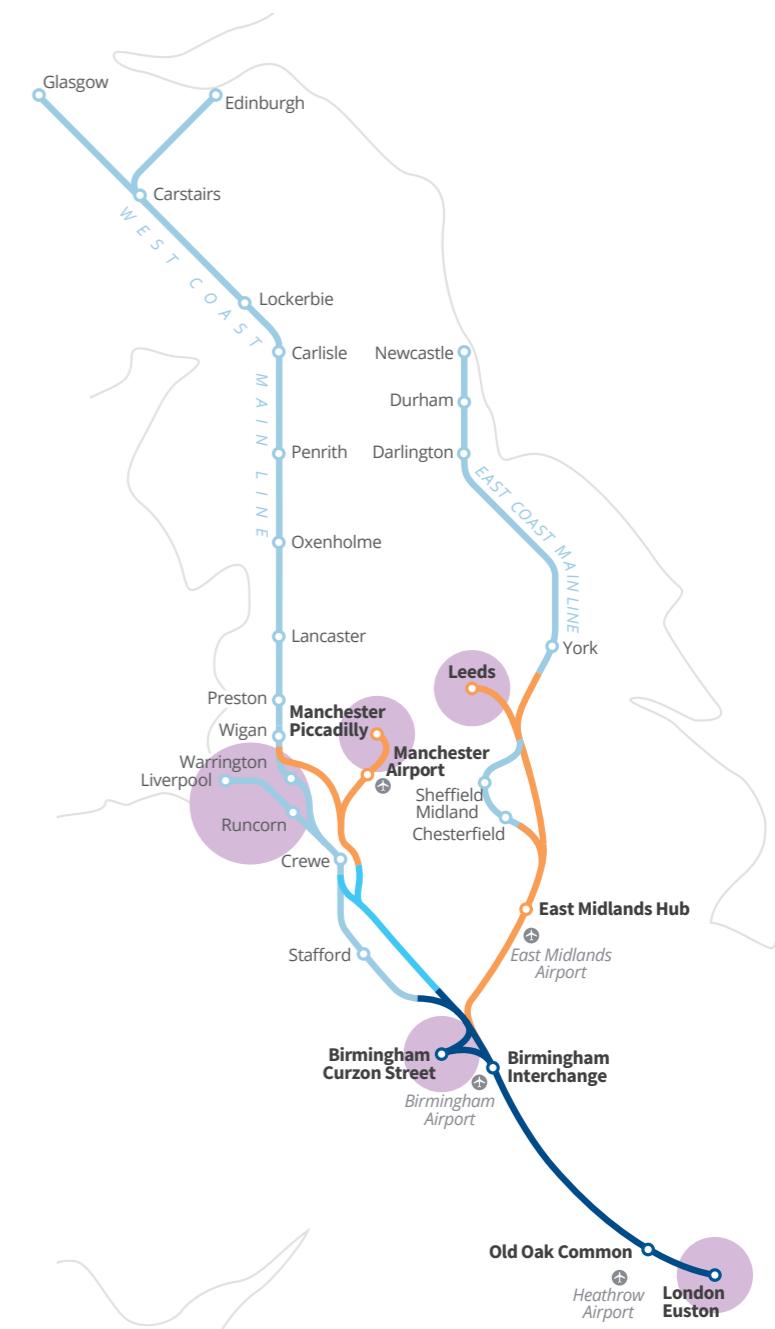
Printed in Great Britain on paper containing at least 75% recycled fibre.

All times compare fastest HS2 service (full network) with current fastest time.



HS2 Route Map

- Destinations served by HS2
- HS2 line (Phase One – Completed 2026)
- HS2 line (Phase 2a – Completed 2027)
- HS2 line (Phase 2b – Completed 2033)
- HS2 services on existing network
- Professional, business and financial services cluster



Leeds to



Manchester to



Warrington to



Liverpool to



Birmingham to



The Professional, Business and Financial Services (PBFS) sector is a major UK success story with significant clusters in the Midlands and the North of England

The UK was second only to the US in the share of exports of professional and business services in 2011 and the sector accounts for 11% of the output of the UK economy¹. London's status as a global financial and business services hub is complemented by significant clusters in the Midlands and the North of England, many of which will be connected by HS2 services:

- » In Greater Manchester, more than a quarter of a million people work in the PBFS sector. Manchester specialises in private banking, wealth and asset management, as well as being home to 20 private equity firms⁵. The City Region has major sub-sectors in legal and accounting services, management consultancy and real estate and important finance services support functions in parts of Bolton, Wigan and Stockport⁶.
- » In Cheshire and Warrington, the financial sector provides 15,000 jobs⁷. Significant employers include the head office of M&S Money⁸ and Bank of America Merrill Lynch employs around 1,000 people in Chester⁹.
- » Nearly 300 companies in the PBFS sector are headquartered in Birmingham¹⁰ and the sector employs around 100,000 people in the city¹¹.

Over 80,000 people work in the PBFS sector across the Liverpool City Region, accounting for around 13% of total employment in over 6,000 businesses. The City Region has strengths in wealth management, where data suggests that Liverpool has more funds under management than any UK city outside of London, and in maritime professional services such as maritime law and insurance³. More than 8,000 people work in the legal profession in the City Region⁴.

Relatively poor levels of transport connectivity can limit access to skills for PBFS clusters outside of London and the South

Cities and regions in the Midlands and the North find it harder to secure the same degree of scale and success as their counterparts in the South East. In the North the population is spread out across a number of cities and the density of employment in urban areas is lower than in the rest of England¹². This smaller scale of urban areas is compounded by poorer levels of transport connectivity compared to the South East. For example, a 52-mile rail journey from Birmingham to Nottingham takes 1 hour and 9 minutes. A comparable rail journey between Southampton Central and Reading of 50 miles is around 20 minutes faster¹³. Crowding is a growing problem – around one-fifth of rail passengers in the North are dissatisfied with the room to sit and stand¹⁴ – and services can be infrequent.

Slower, less frequent rail connections and congestion can limit the pool of skilled workers available to PBFS firms in the Midlands and the North and hinder the matching of skills to job opportunities. By contrast, PBFS firms in London benefit from a dense and well-connected public transport network to provide them with skilled workers. The City of London supports over 400,000 jobs and is the largest financial services cluster in the UK. Some 29% of the workforce of the City London is drawn from outer London and a further 32% commute from outside London¹⁵.

Leeds Town Hall



Image: HS2 Ltd

HS2, as part of a wider transport network, can help PBFS employers in the Midlands and the North to attract and retain the skills they need to succeed

Employment in the PBFS sector is heavily oriented towards highly skilled people and qualified people who have typically been educated to first degree level or above¹⁶.

HS2 will increase the number of skilled workers that businesses based in our cities can access – both directly on HS2 services, and by releasing capacity on the existing rail network for local commuter services. For example, the combination of changes to conventional rail services alongside new HS2 services has the potential to more than double evening peak seats compared to today's services from Manchester Piccadilly towards Stoke-on-Trent and Crewe and from Leeds towards Wakefield and Doncaster and almost double evening peak seats from London to Peterborough and further north to East Coast destinations when the HS2 network is completed in 2033¹⁷.

The UK is world renowned for the quality of its universities and research institutions. Cities and regions in the Midlands and the North account for 32% of the UK's research staff working in universities with high quality research across all subject areas, comparable to the 35% employed in such universities in London and the South East¹⁸. However, these regions can face challenges in retaining and attracting graduates. London attracted over one-fifth of all graduates who moved to work in a different city after graduation in the years 2013/14 and 2014/15¹⁹.

HS2 will make cities more attractive places to live and work by acting as a catalyst for ambitious regeneration schemes that are being developed by local places along the HS2 route. City centre living is especially attractive to young people. Large British cities have seen a trend towards city centre living since the 1990s, driven by increasing numbers of students and of graduates under the age of 35. Manchester's city centre population almost tripled between 2001 and 2011, driven primarily by young professionals²⁰. Young people are less likely to have full driving licences and drive fewer miles than previous generations of young people²¹. If these trends towards city centre living and lower levels of car use among young people persist, then rail travel is likely to become increasingly important to connect people to employment and leisure opportunities.

HS2 will unlock opportunities for PBFS businesses to reduce their cost base and tap into new market opportunities by relocating or expanding in the Midlands and the North

HS2 will provide fast, frequent and reliable connections between London and PBFS clusters in the Midlands and the North. This will allow PBFS businesses to expand their operations outside of the South East to take advantage of their cost competitiveness and growing regional markets for their services, while retaining access to clients in London.

A London location offers PBFS businesses access to world class market opportunities, skills, finance and knowledge. These assets and global appeal will ensure that London remains a leading global business centre. The UK benefits from

London's status as a 'world city' – economic growth across the UK's cities and regions is not a zero sum game²².

London is, however, ranked 75 out of 111 international cities assessed by KPMG for their cost competitiveness, and is the most costly location among the European cities to do business²³.

The potential cost savings on offer in regional centres across the UK are significant. If British businesses can take advantage of these opportunities, then they can become more competitive in global markets.

Prime office rents, London and UK regional cities, 2015

Source: CBRE/JLL

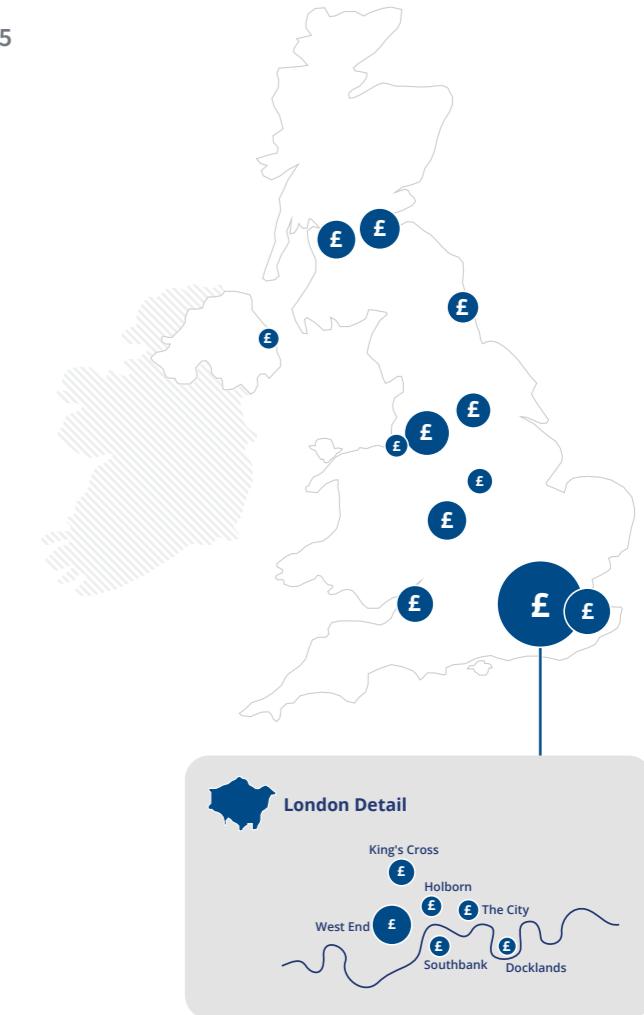
Regional Locations

Belfast	£16.00
Birmingham	£30.00
Bristol	£28.50
Edinburgh	£31.00
Glasgow	£29.50
Leeds	£26.50
Liverpool	£17.50
Manchester	£34.00
Newcastle	£24.00
Nottingham	£19.50
South East	£35.00

London

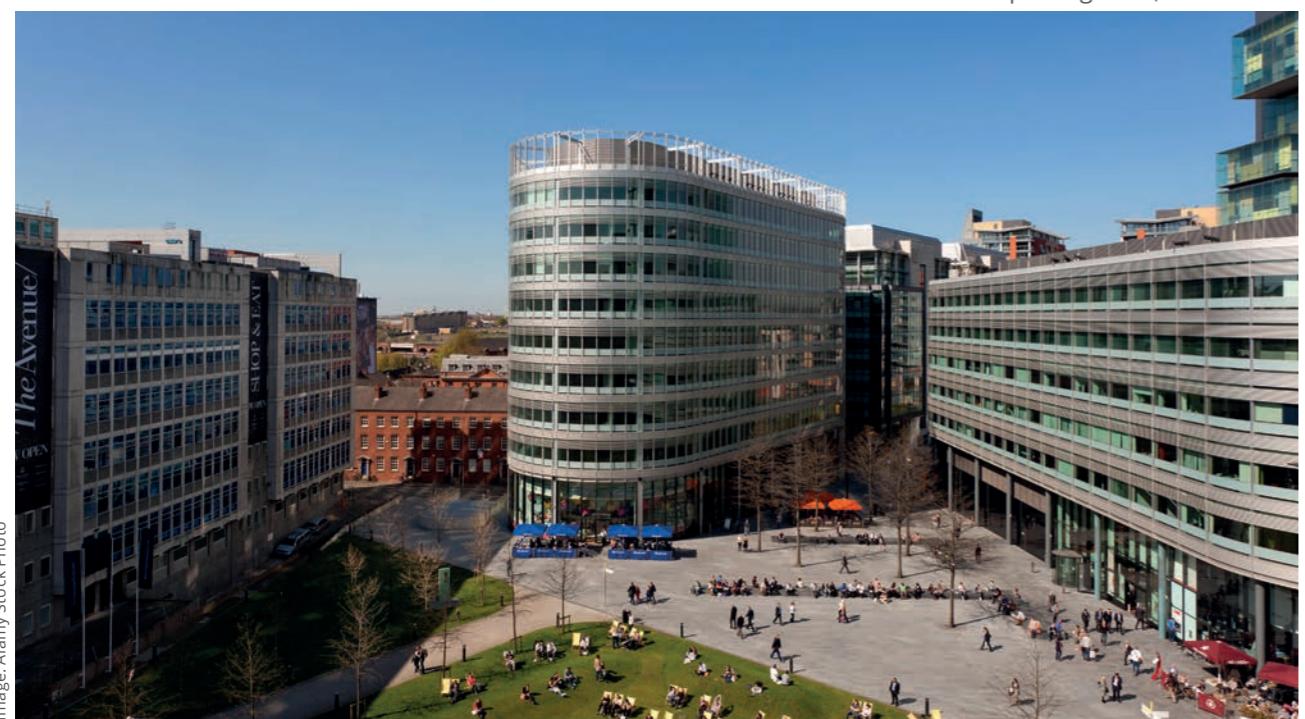
City	£68.50
Docklands	£45.00
Holborn	£69.50
King's Cross	£80.00
Southbank	£62.50
West End	£120.00

£ per sq ft



There are already signs of business and technology services firms relocating functions outside of the South East, suggesting that HS2 will 'push at an open door' by encouraging this trend:

- » Magic Circle law firm Freshfields Bruckhaus Deringer launched its Global Centre (Europe) in Manchester in 2015, and will double its floor space in the city²⁴. US law firm Hogan Lovells chose Birmingham for its new UK legal centre²⁵.
- » The 'big four' accountancy firms have been expanding their regional UK offices. KPMG opened a new office in Leeds in 2015, housing 700 staff. PwC generates 40% of its UK revenues outside London. EY has committed to spending £20 million on commercial property outside London by 2018. Deloitte is locating many of its 'centres of excellence' in the regions²⁶²⁷.
- » HSBC is relocating its UK retail and business banking operations, comprising 1,000 staff, to Birmingham²⁸. Deutsche Bank now manages over 600 clients from Birmingham who were previously managed in London²⁹. Insurance company Hiscox opened a new multifunction office in York in 2015, employing over 200 staff³⁰.
- » Global financial technology company Lombard Risk Management plc announced in 2016 the opening of a new Technology Centre in Birmingham and the creation of up to 140 new jobs over three years, as it expands in the UK. The Birmingham office will allow developers based in Birmingham to work closely with key businesses in London³¹.
- » Financial sector companies such as Bank of New York Mellon/Pershing, Deutsche Bank, Royal & Sun Alliance, Santander and Barclaycard have established back office operations in the Liverpool City Region³².



HS2 will bring PBFS businesses closer to international airports, providing improved access to global markets and export opportunities

As the UK prepares to exit the European Union, it is important that British PBFS businesses have ready access to clients in international markets. Airports connect UK businesses with the global marketplace. The UK runs a trade surplus in services with the rest of the world. Aviation connectivity is very important from the perspective of many key UK services sectors due to their high dependence on face-to-face contact and on visiting clients overseas. As such, connectivity facilitates exports of UK services, enabling UK entrepreneurs to have easier access to a variety of international customers³³.

HS2 will prove a game changer for access to global markets through improved accessibility of Birmingham Airport and Manchester Airport, which will benefit from dedicated stations on the high speed network. Heathrow Airport will also be a short interchange from the HS2 station at Old Oak Common in west London. East Midlands Airport and Leeds Bradford Airport will be accessible via onward connections from HS2 stations.

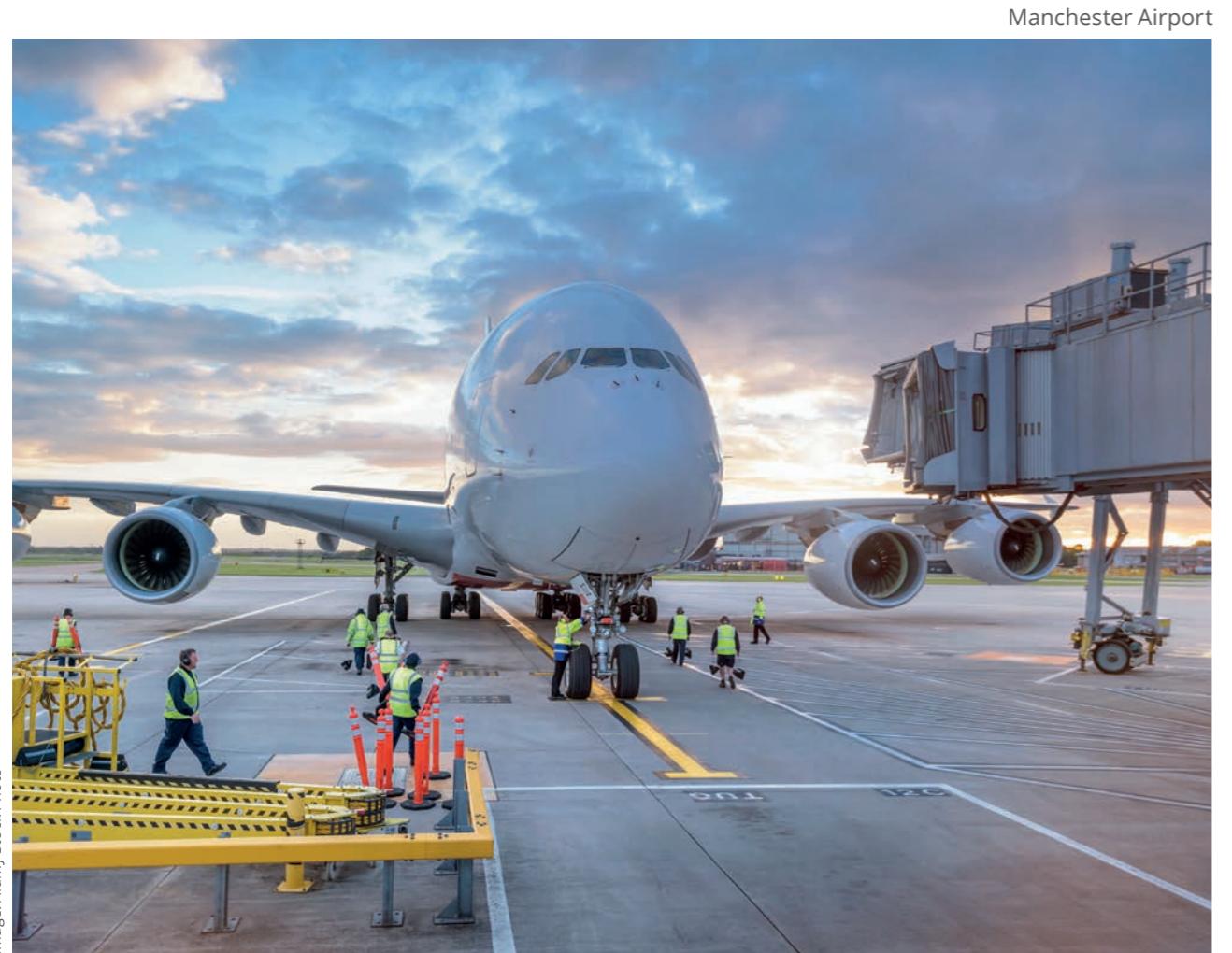


Image: Alamy Stock Photo

³ HS2 is capable of a journey time of 49 minutes for services directly between Birmingham and Leeds that travel entirely on the high speed line. The 2017 HS2 business case showed such services routed via Sheffield.

¹ Professional and Business Services Infographic, HM Government. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211843/professional-and-business-services-industrial-strategy-infographics.pdf.

² 'Leeds City Region: Financial and Professional Services', Leeds City Region LEP. Available at http://investleedscityregion.com/system/files/uploaded_files/Financial%20and%20Professional%20Services%20-%20Digital%20Version%20-%20FINAL.pdf.

³ 'Liverpool City Region Skills for Growth: Financial and Professional Services', Liverpool City Region LEP, 2014.

⁴ 'North Shoring: What Can Liverpool Offer You', Mayor of Liverpool and Liverpool Vision, 2014.

⁵ <https://www.investinmanchester.com/sectors/financial-professional-business-services>.

⁶ 'The Northern Powerhouse Independent Economic Review: Workstream 2: City Region and Local Area Profiles – Final Report', SQW, 5 February 2016.

⁷ 'The Northern Powerhouse Independent Economic Review: Workstream 2: City & Local Area Profiles' <http://www.sqw.co.uk/insights-and-publications/northern-powerhouse-independent-economic-review/>.

⁸ 'The Northern Powerhouse Independent Economic Review: Workstream 2: City & Local Area Profiles' <http://www.sqw.co.uk/insights-and-publications/northern-powerhouse-independent-economic-review/>.

⁹ <https://www.thecityuk.com/assets/2017/Reports-PDF/UK-based-financial-and-related-professional-Services-Enabling-growth-across-the-UK.pdf>.

¹⁰ 'Strategic Economic Plan Appendix A: Evidence Base', Greater Birmingham and Solihull LEP. Available at: <http://centreofenterprise.com/wp-content/uploads/2014/03/GBS-SEP-Appendix-A.pdf>.

¹¹ <https://businessbirmingham.com/birmingham-is-ready-for-business/sectors/business-professional-and-financial-services>.

¹² 'The Northern Powerhouse Independent Economic Review: Workstream 1: Analysis of the pan-Northern Performance Gap – Final Report', SQW and Cambridge Econometrics, May 2016.

¹³ 'Midlands Connect Strategy: Powering the Midlands Engine', Midlands Connect, March 2017.

¹⁴ 'The Northern Powerhouse: One Agenda, One Economy, One North: A report on the Northern Transport Strategy', Transport for the North, March 2015.

¹⁵ 'Research Brief: City Statistics', City of London Corporation, June 2016.

¹⁶ 'Sector Skills Insights: Professional and Business Services', UK Commission for Employment and Skills, Evidence Report 56, August 2012.

¹⁷ 'High Speed Two: From Concept to Reality', HS2 Ltd and Department for Transport, July 2017.

¹⁸ Research Excellence Framework 2014. Note: Research staff numbers refer to employed academics with research responsibilities. 'High quality' refers to universities whose research is rated 'very considerable' or 'outstanding' in terms of its impact beyond academia.

¹⁹ HESA Destination of Leavers from Higher Education survey.

²⁰ 'Urban Demographics: Why people live where they do', Elli Thomas, Ilona Serwicka and Paul Swinney, Centre for Cities, November 2015.

²¹ 'Young Adults' Licence Holding and Driving Behaviour in the UK: Full Findings', Ann Berrington and Julia Mikolai. RAC Foundation, December 2014.

²² 'Investing in city regions: How does London interact with the UK system of cities and what are the implications of this relationship?', Diane Coyle and Bridget Rosewell, October 2014.

²³ 'Competitive Alternatives, 2016 edition: KPMG's guide to international business locations costs', KPMG.

²⁴ <http://www.saccomann.com/legalconnections/north-shoring-the-growing-trend-of-london-firms-moving-operations-to-northern-61031214331>.

²⁵ <https://www.hoganlovells.com/en/locations/birmingham>.

²⁶ 'Regional growth lures the big four accountancy firms out of London', Financial Times, 26 February 2015. <https://www.ft.com/content/b163be46-68d8-11e4-9eeb-00144feabdc0>.

²⁷ <http://investleedscityregion.com/invest/case-studies/kpmg>.

²⁸ <http://www.about.hsbc.co.uk/~media/uk/en/news-and-media/rbwm/birmingham.pdf?la=en-gb>.

²⁹ 'The World's Most Competitive Cities 2015', Conway.

³⁰ <http://www.hiscoxgroup.com/news/press-releases/2015/02-12-2015.aspx>.

³¹ <http://businessbirmingham.com/media-hub/latest-news/global-fintech-company-lombard-risk-opens-new-technology-centre-in-birmingham/>.

³² 'North Shoring: What Can Liverpool Offer You', Mayor of Liverpool and Liverpool Vision, 2014.

³³ 'Discussion Paper 02: Aviation Connectivity and the Economy', Airports Commission, March 2013.

gov.uk/hs2

HS2

High Speed Two (HS2) Limited

Two Snowhill,
Snow Hill Queensway,
Birmingham B4 6GA
Freephone: 08081 434 434
Email: HS2enquiries@hs2.org.uk