

**Evidence from the Liverpool
Chamber of Commerce**

March 2012

[I]. INTRODUCTION.

1. High Speed Rail is a key business priority for the private sector in Liverpool City-Region. Members of Liverpool Chamber and partners across the private and public sectors wish to see direct high-speed rail connectivity for Merseyside in light of its future growth ambitions, development programmes and the wider economic context set out in this paper.
2. The latest economic forecasts show that GVA and employment growth in Liverpool City-Region are likely to outstrip that of the UK by 15% and 14% respectively above baseline to 2025. This is expected to result in 'a substantial impact on net (inbound) commuting... (with implications for aligning)...the skills, occupational and transport requirements of those currently out-of-work with new jobs and planning for increased in-migration and population increase'.¹
3. Liverpool's growth is underpinned by major development programmes in the port, renewable energy, visitor, cultural, construction, digital and knowledge sectors. This will lead to increased demand for both passenger and freight movements by rail. Further upgrades to the conventional network and timetabling alterations alone will not deliver adequate capacity for the city-region's future transport requirements in support of this growth.
4. We view High Speed Rail as a cost-effective solution in the long run which will meet rising demand for long distance commuter services by introducing additional passenger capacity to complement the conventional rail network. This will generate a three-way substitution effect in favour of: (i) long-distance passenger travel from motorways to rail; (ii) increased capacity for local commuter services on the conventional network and the associated increase in local patronage by passengers otherwise travelling by road, and; (iii) a modal shift of freight transport from road-bound HGV to rail. As such High Speed Rail will make sustainable transport choices both the more physically-convenient and cost-effective option for users and in so doing will support not only economic growth but also the transition to a low carbon economy.
5. The Chamber believes that the continued pressure on housing, infrastructure, transport networks and the natural and built environments in the South-East of England is leading to increasingly high costs of public maintenance and development. This is both unsustainable and unacceptable given the growth prospects of

¹ The Mersey Partnership (2012) (hereafter TMP): *Economic Review 2012*. p.47.

alternative and equally competitive sectors available for investment in Liverpool and other northern city-regions. We therefore view HSR as a key driver of the Government's rebalancing agenda which aims to improve the resilience of the UK's economy by establishing the sources of its prosperity on a broader diversity of economic sectors and a more distributed spatial geography.

6. The remainder of this paper aims to demonstrate the business case for direct HSR connectivity for Merseyside. It does so by focusing on specific commercial aspects and developments in Liverpool City Region which will drive future demand for long-distance rail travel for both passengers and freight. It will also outline network capacity constraints along the West Coast Main Line which, in light of current rail utilisation trends, will severely inhibit the city-region's ability to meet its growth and development objectives unless additional capacity in the form of HSR is delivered to time, cost and quality. Failure to do so will lead to rising ticket prices for rail travel as a crude demand management measure while forcing increasing numbers of commuters to opt for car travel over rail. The undesirable consequences of such pressure on the road network are well-documented elsewhere and will not be discussed at length here.

[III]. THE FUTURE DEMAND FOR HIGH SPEED RAIL SERVICES IN LIVERPOOL CITY-REGION.

7. Major commercial developments across Liverpool city-region are expected to transform the local economy during the next twenty years. These are increasingly receiving suitable acknowledgment at the national policy level² and will generate significant levels of additional demand for rail services along the WCML which conventional network upgrades are unlikely to be able to deliver in sufficient measure.
8. Liverpool's Merseyrail network carries over 100,000 commuters per day amounting to over 39M rail trips annually.³ It is the busiest commuter complex outside London and is currently operating at close to full capacity.⁴ Even the most conservative forecasts for employment growth in the city-region will significantly increase the demand for local rail services⁵ which in turn will require a seamless interchange with national rail services on the Northern and West Coast mainlines.
9. The following key drivers of economic growth in Liverpool City-Region will lead to both a direct and derived demand for HSR connectivity to London and onward European destinations:

² Heseltine, M. and Leahy, T. (2011): Rebalancing Britain: Policy or Slogan? An Independent Report (commissioned by the Prime Minister).

³ The Local Transport Plan Support Unit (2011): *The Third Local Transport Plan for Merseyside (LTP3): Building a New Mobility Culture*. Citations in-text include the Countywide Household Travel Interview Survey (CWS) and the LCR Transport Model. Hereafter 'Merseyside LTP3 (2011)'.

⁴ Network Rail (2011): *Route O – Merseyrail Route Plan*.

⁵ Merseyside LTP3 (2011).

- 1) The Low Carbon Economy.
- 2) The Irish Sea Offshore Wind Farm Programme.
- 3) The SuperPort Development.
- 4) The City of Liverpool Cruise Terminal (CLCT).
- 5) The Port of Liverpool Deep Water Container Terminal.
- 6) The Mersey Enterprise Zone – Liverpool and Wirral Waters.
- 7) Cultural and Visitor Economy.
- 8) Extension of the Liverpool Echo Arena and Convention Centre.
- 9) The Knowledge Economy.
- 10) International Trade.

1). Low Carbon Economy.

The transition to a Low Carbon economy is a legally binding requirement facing businesses in Liverpool over the longer term to 2050.⁶ Reducing transport-related carbon emissions associated with both passenger and freight movements is a key strategic priority⁷ for which increased and improved rail services in general⁸ and High Speed Rail in particular have been identified as a core solution delivering the lowest level of carbon emissions per km travelled in comparison with road and air transport.⁹ Liverpool has grasped both the challenges and opportunities presented by the transition to Low-Carbon transport provision across the city-region¹⁰ and considers the availability of a direct High Speed Rail connection to other major UK cities as an essential strategic business priority that will facilitate the city's vision for low carbon growth a new mobility culture.¹¹

2). The Irish Sea Offshore Wind Farm Programme.

The UK government has recently re-emphasised the importance of Offshore Wind development at UK ports.¹² Crown Estates has identified a total area of 2,200km² for a number of wind farms within the Irish Sea zone for which the port and maritime support infrastructure in Merseyside has been identified as the key founding platform for future manufacturing and offshore development. Centrica PLC was awarded exclusive development rights in 2009 and expects to invest £18bn in the Irish Sea Zone beginning with construction activity in 2016. This will create significant opportunities in the manufacture, assembly, installation, operation and maintenance of 1000 wind turbines over a 20 year horizon with a potential generation capacity of up to 4.2GW. The scale of the UK's offshore wind programme is expected to lead to the creation of 140,000 new jobs nationally at least 3,000 of which will be locally based in the Merseyside area.¹³ The Chamber considers this to be a lifetime opportunity for the growth and prosperity of business in the renewable energy and it's supporting sectors in Liverpool City-Region.

3). SuperPort.

The SuperPort scheme consists of an integrated development strategy to link the city-region's key maritime, aviation, logistics, transportation and distribution assets within a larger infrastructure cluster. It aims to support a full range of commercial and environmental developments including skills, regeneration, property, renewable energy, digital technology and knowledge-led innovation. The scheme comprises the Port of Liverpool, Manchester Ship Canal, Mersey Gateway (port and bridge), the Mersey Multi-Modal (3MG) freight distribution

⁶ The Mersey Partnership (hereafter TMP) (2009): *The Economic Impact of UK and EU Climate Change Legislation on Liverpool and the Liverpool City Region*. Available at www.merseyside.org.uk.

⁷ Merseyside LTP3 (2011).

⁸ DfT (2010): *Low Carbon Transport: A Greener Future*.

⁹ Greengauge21 (2011): *High Speed Rail (HSR) and Carbon Emissions: Evidence Base*. Factsheet available at www.greengauge21.net.

¹⁰ Merseyside LTP3 (2011).

¹¹ Ibid.

¹² Department for Energy and Climate Change (DECC) (2010): *Offshore manufacturing sets sail for UK ports*. Press Release available at www.decc.gov.uk.

¹³ TMP (2010): *The Low Carbon Economy Action Plan: Delivering Economic Growth 2011-2015*. Available at www.merseyside.org.uk.

centre and Liverpool John Lennon Airport. It is expected to create 21,000 new jobs and contribute £6.1B in GVA to the city-regional economy by 2020.¹⁴

4). City of Liverpool Cruise Terminal (CLCT).

The Liverpool Cruise Liner Terminal has recently received approval from Government to operate as a 'turnaround' facility which would see cruise trips commencing and terminating in the city of Liverpool rather than serving merely as a port of call for ships en route to other destinations¹⁵. The impact on visitor numbers to the city region will be highly significant. 12,000 passengers a year are projected to come to the city to embark or disembark from cruises in 2013 and this is expected to rise to 56,000 by 2016, many of whom will travel from London and the South-East¹⁶. The experience of cities such as Boston that have similarly exploited historic assets in this market have pointed out that cruise liner operations provide fertile ground for the development of supporting supply chain activity in stevedoring, revictualling and shipchandlery – all of which are now taking firmer root in this city¹⁷.

5). The Port of Liverpool Deep Water Container Terminal.

Peel Ports Ltd. is extensively redeveloping the Port of Liverpool which includes the creation of a £300 million in-river berth. The new container terminal will increase freight throughput from 700,000 containers per annum to 3 million. The port operator has been successful in winning Regional Growth Funding for dredging the river channel and has recently invited tenders for this work to proceed. In addition to over 4,000 new jobs that this will generate the collateral effect will see most of the additional freight moving onto rail as it serves a national hinterland¹⁸.

6). The Mersey Enterprise Zone – Liverpool and Wirral Waters.

In March 2011 the Government announced that one of ten named Enterprise Zones was to be sited in Liverpool City Region in order to accelerate employment and stimulate investment¹⁹. The area currently under consideration along the Liverpool and Wirral waterfronts is made up of land with £10bn of planned residential, business and leisure developments across 150 hectares known as Wirral Waters and Liverpool Waters. When complete the developments will provide an attractive opportunity for domestic and international inward investment. Liverpool City Council has unanimously granted planning permission to the Liverpool Waters outline proposal. Wirral Waters has received similar approval. Wirral Waters is also anticipated to host a large, new International Trade Centre which is expected to attract inward investment and business location from the Far East and the Americas. The benefits from Enterprise Zone status will accelerate these developments and lead to an early employment boost from new companies locating to the City Region.²⁰

7). Cultural and Visitor Economy.

The visitor economy is notably significant for Liverpool City-region. In its current standing tourism supports approximately 27,000 jobs, £1.3B in tourist expenditure and 5M business trips per year.²¹ More importantly it helps to sustain a wider demand for culture, sports and leisure facilities which, in the form of key attractions such as the Golf Coast, Liverpool and Everton football clubs and new conference, cultural and heritage attractions, are essential for both productivity growth and the local quality of life.²² Most importantly there are strong commercial prospects, plans and ambitions for the sector's growth over the next 20 years for which visitor numbers will be vital in order to provide the impetus for unlocking its emerging potential. Given the right economic circumstances, the city-region is on track to create an additional 14,000 jobs by 2020, a 45% growth in the number of 'bed nights' spent annually,

¹⁴ TMP (2011): *SuperPort Action Plan: Delivering Economic Growth 2011-2020*.

¹⁵ Merrick, R. (2011) *Liverpool River Mersey Cruise Liner Terminal moves a step closer*. Liverpool Daily Post, 25 March 2011.

¹⁶ TMP (2011): *SuperPort Action Plan: Delivering Economic Growth 2011-2020*.

¹⁷ These points were raised at a reception hosted in Boston by the State Governor of Massachusetts in honour of Liverpool Chamber on 14 Sep 2011.

¹⁸ Ibid.

¹⁹ HM Treasury and Department for Business Innovation and Skills (hereafter HMT and BIS) (2011): *The Plan for Growth*.

²⁰ See www.liverpoolwaters.co.uk and www.wirralwaters.co.uk.

²¹ TMP (2009): *Liverpool City-Region Visitor Economy Strategy to 2020*.

²² Ibid.

visitor spending of £2 billion per year and the attainment of a 'top 50' place in the ICCA rankings for international conference business (up from 86th in 2008).²³ The last five years have also witnessed an unprecedented expansion in the number of internationally branded hotels which rely on demand for overnight accommodation from inward and transitory tourist markets.²⁴

8). Extension of the Liverpool Echo Arena and Convention Centre.

The Arena and Convention Centre at the Kings Dock in Liverpool is an award-winning conference and entertainment facility located on the Liverpool waterfront. It is a key landmark and visitor attraction sitting alongside the Grade I listed Albert Dock complex and World Heritage Site on the eastern bank of the river Mersey in the heart of Liverpool city centre. The Arena has attracted nearly 2.25 million customers since opening in 2008 and plans have now been revealed to extend this facility through the development of an adjoining 8,100 sq metre exhibition centre. The projected increase in custom for this new facility will be 250,000 delegates at over 50 events per annum²⁵.

9). Knowledge Economy: Agglomeration.

By reducing the overall time for travel between key cities of the UK and Europe, HS2 will increase the spatial potential for agglomeration benefits across the growth sectors identified above. We expect skilled workers to consider prospects offered by the city region's four universities and considerable knowledge assets such as the Daresbury and Liverpool Science and Innovation Parks to be increasingly accessible and attractive in the longer term – especially when viewed in light of wider quality of life and cost of living advantages offered by the city.²⁶ A number of Government departments and high profile organisations such as the BBC are already relocating to the North West in view of favourable property rents, reduced overheads and the quality of life offered by the regional cities of Liverpool and Manchester²⁷.

10). International Trade.

Liverpool's recent experience as European Capital of Culture 2008 and the only UK city to benefit from a dedicated pavilion at the World Exposition in Shanghai 2010 has placed the city on a global platform in competition for visitors and investment with other world-class cities.²⁸ Liverpool city and the Chamber of Commerce are developing links with major commercial centres such as Shanghai, Boston, Atlanta, Vancouver, Barcelona, Derry and Cologne with a view to attracting businesses, tourists, students and professionals to the city-region. Liverpool's property, visitor and shipping markets are also linked closely with Northern Ireland and the Republic of Ireland. The return of growth to these economies is expected to result in a considerable upsurge of investment and visitors to both Liverpool and other onward destinations including London, Manchester, Glasgow, Edinburgh and Birmingham.

²³ TMP (2010): *The Liverpool City-Region Destination Management Plan*.

²⁴ HotelSolutions (2009): *Liverpool Hotel Futures 2009: Refreshing the Agenda*.

²⁵ Liverpool Arena and BT Convention Centre (2011): *Liverpool to build new waterfront exhibition and events complex*. Published at <http://www.echoarena.com/news/> - 22 Mar 2011.

²⁶ The New Economics Foundation (NEF) (2008): *Measuring Regional Progress: Regional Indicators of Sustainable Economic Wellbeing (R-ISEW) for all English regions*. This analysis places the Quality of Life in the North West at the highest level of all English regions. See Appendix 2, p54.

²⁷ BBC (2011): *BBC North and the move to Media City UK: The Real Story*. Available at http://www.bbc.co.uk/aboutthebbc/therealstory/bbc_north.shtml.

²⁸ Booth, R. (2011): *Liverpool developer lures Chinese investors with 'Shanghai Tower'*. The Guardian, 4 Oct 2010; Bartlett, D. (2011): *Liverpool makes massive impact at Shanghai Expo*. Liverpool Daily Post, 11 May 2010.

[III]. CAPACITY CONSTRAINTS.

10. The main train operator providing north-south links to Liverpool City region has seen an increase of 107% in annual passenger journeys on the West Coast mainline during the last six years. Passenger journeys grew from 14M to 29M per year between 2005 and 2010.²⁹
11. In spite of recent improvements to WCML infrastructure through the Route Modernisation Programme it is widely expected that this network will again be operating at full capacity by 2024.³⁰ The upgrade was completed in December 2008 at a cost of £8bn³¹ and resulted in years of disruption, delays, lost activity and huge sums in compensation payments to passenger and rail operators which added billions in hidden costs to the project's stated costs. In a globally competitive world Liverpool's businesses cannot sustain such disruption. HS2 therefore serves as a critical locum for future infrastructure maintenance and development along the conventional network.
12. Industry operators and businesses have informally suggested that capacity is already severely constrained with unacceptable levels of crowding on a rising number of services between London and Liverpool – particularly during peak hours from 3:00pm -7:00pm and increasingly during the periods immediately preceding and succeeding this travel window. Our members' experiences suggest that full network capacity is in practice likely to be reached within the next five years – a full decade in advance of official industry forecasts.³²

[IV]. FREIGHT.

13. Rail paths from the Port of Liverpool are currently underutilised owing to a lack of onward access for freight on the WCML. In light of the priority afforded to passenger-related traffic freight trains are regularly diverted onto passing loops at frequent intervals in order to provide free access to passenger services. This prolongs journey times which in turn affect the cost, reliability and commercial perceptions of the efficacy of rail-bound freight in comparison to road haulage.
14. We believe in the currently subdued economic climate that demand for rail paths is significantly suppressed. In the wake of the economic recovery demand for the available space will rapidly increase. Additional freight demand is also likely to arise as a result of developments at the Port of Liverpool and the wider SuperPort programme described above.

²⁹ Virgin Trains Ltd. (2011): *Virgin's Pendolino fleet clocks up 100 million miles*. Press Release, 25 May 2011.

Available at http://mediaroom.virgintrains.co.uk/2011_05_01_archive.html.

³⁰ Network Rail (2011): *West Coast Main Line: Route Utilisation Strategy*. p. 140 (hereafter WCML RUS 2011)).

³¹ House of Commons (2010): *Railways: The West Coast Main Line*. Background Note.

³² Liverpool Chamber of Commerce (2011): *Transport Committee Minutes*, 7 June 2011.

15. Further demand for freight paths along the WCML to Liverpool will result from the Atlantic Rail Corridor Development (ATRCD). This is a pan-European initiative seeking to maximise the connectivity of the Atlantic coastline states of the EU by using existing and improved rail infrastructure to provide economic alternatives to road-based freight transport. The ATRCD also provides opportunities for the transshipment of freight in instances where this is the most appropriate economic/environmental solution. The Port of Liverpool has been identified as a key gateway for this project.³³ ATRCD is closely aligned with the redefining of the Trans-European Networks (TENs) by the European Commission which was reflected in EU Transport White Paper 2011.³⁴ European access to the UK's Atlantic ports (including Liverpool) will increase the use of the WCML via the Channel Tunnel. The recasting of TENs and changes in freight distribution practice across the continent will also add further demand to the forecast flows and stocks of freight growth in Liverpool City-Region. A High Speed line to provide extra passenger capacity is therefore important in order to facilitate additional freight movements along the conventional network.
16. While Liverpool's main port is adequately equipped to transport containers by rail the lack of available paths along the West Coast Main line restrict its ability to exploit this mode to its full potential. For example the privately-owned railheads at Seaforth docks are capable of accommodating freight trains of up to 450m in length. Longer trains of 775m can also be readily assembled in order to optimise existing freight path capacity as outlined in the WCML RUS³⁵. Rail links between the Port of Liverpool and the WCML near Runcorn are adequately cleared for direct freight transit to W10 specification. An additional W10-cleared path to the WCML will also become available upon completion of the Chat-Moss electrification. However the lack of sufficient onward paths along the main section of the WCML is currently constraining the potential for transporting containers by rail which are consequently moved by road-bound lorries instead. As highlighted by the Port of Liverpool Access Study³⁶ this limitation is holding back the potential for rail to meet the growth in container traffic at the port. This restraint is in turn redoubling pressure on what is already a severely congested road network in to the port with its associated impact on the quality of air, road surface, noise and congestion in a densely populated area of the city.³⁷ By releasing additional capacity on the conventional network HS2 will allow rail freight to respond to the growth in port-related container movements.

³³ See www.atrcd.com.

³⁴ The European Commission (2011): Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system. White paper on Transport.

³⁵ WCML RUS (2011), p.104.

³⁶ Access to the Port of Liverpool Study (2011). Available at www.sefton.gov.uk/default.aspx?page=11487

³⁷ Gleeson, B. (2012): *Managing the environmental consequences of expansion at the Port of Liverpool*. Liverpool Daily Post, 09 March 2012.

[V]. CONCLUSION.

17. Liverpool Chamber reiterates support for the HS2 programme. We view High Speed Rail as a long-term strategic development priority that will deliver inter-generational benefits for both passengers and freight by expanding capacity across the wider rail network in the UK. It will drive and facilitate the growth and regeneration of Liverpool City-region while supporting its transition to a low-carbon economy. We advocate an early commitment to the construction of a high speed spur to directly serve Greater Merseyside and intend to continue engaging with the Department for Transport on the issues raised in this paper.

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