

Consultation Response

London Chamber of Commerce and Industry Response to All-Party Parliamentary Group for High Speed Rail, *Rail Capacity Inquiry*

13th March 2012

Introduction

- 1 London Chamber of Commerce and Industry (LCCI) is a not-for-profit organisation, representing over 2,300 companies in Greater London. We are the capital's largest and most representative business organisation with a membership ranging from small and medium enterprises to multi-national companies. Our members operate in a variety of sectors reflecting the true make-up of the London business spectrum.
- 2 We promote and defend the interest of London's business community, representing our members to the Mayor and the GLA, national government, the opposition, international audiences and the media.
- 3 LCCI believes infrastructure is central to guarantee sustainable and long-term economic growth. The lack of capacity on our roads, trains and airports is affecting our ability to expand and compete globally, whilst damaging our international reputation and limiting the UK's capacity to attract and retain investment.
- 4 LCCI has canvassed its members extensively and according to the LCCI survey in August 2009, 85 per cent of businesses in London see transport as 'very important' or 'somewhat important' in encouraging a business to locate in the capital.
- 5 LCCI produced a detailed report in July 2011, *Connecting opportunities: making the most of HS2*, which provided a number of proposals to optimise the opportunities from high speed rail (HSR). A copy of the report is attached to this response.
- 6 Countries that have invested in HSR lines have experienced a set of benefits that go beyond the capacity increase. In terms of transport, HSR lines have also reduced congestion on the wider transport infrastructure network, shortened journey times and created opportunities for a modal shift from air and road to rail. At the same time, HSR has increased connectivity, opened up new goods and labour markets and enhanced business competitiveness. It has also shown potential to reduce regional and local disparities whilst creating regeneration opportunities.
- 7 Consequently, LCCI strongly supports the Department for Transport's commitment to the construction of a second UK high speed network, linking London to the West Midlands and cities further north. It is imperative that the project is seen as a national strategy and not as a stand-alone project.

What capacity do you believe Britain's railways will require in the future?

- 8 There are three different rail markets which need to be addressed in planning future capacity: the local/regional market serving the needs of commuters to Greater London and other major conurbations; the inter-city market linking towns and cities with each other as well as major airports and continental cities; and the freight market which should serve the major container ports at Southampton, Felixstowe and the new London Gateway.
- 9 The current railway network is predicted to face increasing demands, especially on core routes connecting London with major British cities such as the West Coast Main Line (London-Birmingham/ Manchester/ Liverpool/ Glasgow), East Coast Main Line (ECML) (London-Sheffield/ Leeds/ Newcastle/ Edinburgh), the Great Western Mainline (GWL) (London-Reading/ Bristol/ Cardiff/ Swansea) and Midland Main Line (MML) (London-Nottingham/ Leicester/ Sheffield/ Leeds).
- 10 For instance, Network Rail expects passenger numbers to increase by between 45 per cent and 89 per cent on the WCML, by between 34 per cent and 77 per cent on the MML and by between 36 per cent and 78 per cent on the ECML by 2036¹. The WCML Rail Utilisation Strategy notes that by 2024 the West Coast Main Line will effectively be full, particularly at the southern end of the route².
- 11 National rail strategies must also consider the wider use of the network as well the impact on personal and business rail travel. Rail freight is an integral part of the UK supply chain and the Freight Transport Association expects rail freight to almost double in the next two decades³. This demand will place a further strain on the current infrastructure that it cannot feasibly cope with.

What is the best way of providing capacity and future-proofing Britain's rail network?

- 12 LCCI believes that HS2 in conjunction with upgrades to major national routes such as the WCML are essential to providing the additional capacity that will be needed from the rising demand that is expected on the passenger and freight routes.
- 13 The level of extra capacity needed cannot be achieved with longer trains, schedule changes, increasing speeds on national routes to 125mph or the planned upgrades and electrification of the existing lines. These upgrades and improvements will be insufficient to accommodate the projected demand.
- 14 The main benefit of a new high speed line would be the dramatic increase in rail infrastructure capacity. As each stage of HSR construction is completed, long-distance services would be transferred on to the new lines, freeing up capacity on the conventional routes. This additional space will be particularly beneficial for commuters to and from other destinations, such as Milton Keynes and intermediate stations, such as Rugby. HS2 will also be able to increase capacity because of higher speeds and acceleration, making it possible to accommodate more services. In short, HS2 would not only benefit passengers from those cities served by the line, but also users of conventional lines due to the increased capacity generated and an improvement in connectivity.
- 15 However, HSR cannot be financed at the expense of nation-wide electrification and upgrade projects. To ensure the expected capacity enhancement (amongst other benefits), high speed lines need to be properly connected to a wider transport network which is modern, efficient and reliable. Furthermore, the recently completed renewal of the WCML will be virtually life expired in 30 years and most of the route will then need renewing. Although there may be faster means of renewal by then, it would be advantageous if alternative routes such as HS2 are available to avoid the severe disruption caused during the last upgrades.

¹ Network rail (2009), Network Route Utilisation Strategy: Scenarios and Long Distance Forecasts, p. 63.

² *ibid*

³ See The Importance of Rail Freight, at http://www.fta.co.uk/export/sites/fta/_galleries/downloads/rail_freight/importance_of_rail_freight_0408.pdf (last visited 12 March 2012).

16 Finally, to ensure the full capacity benefits are realised it is vital the HS2 project is viewed as part of a national transport connectivity strategy rather than a stand-alone project. HS2 must be easily accessible from different parts of the region where the station is located, rather than only from those cities on or close to the line. Therefore, high speed line stations will need to become multi-modal transport interchanges, seamlessly linking HS2 with other transport modes, including classic rail, tube, trams, buses and roads, whilst seeking a careful calibration of high speed and conventional rail routes and timetables.

What will the effects of providing extra capacity be, beyond addressing journey supply?

17 HSR will provide a number of benefits in addition to increasing rail capacity to meet the projected demand. It would alleviate capacity on other transport modes, improve connectivity on the wider transport network as well as derive economic and employment benefits across the UK. LCCI's predominant preoccupation with rail is as a means to provide economic growth.

Economic Growth

18 The 2006 Eddington Study⁴ evidenced the relationship between a comprehensive and high-performing transport system and sustainable economic growth. Journey time savings and increased connectivity enable effective competition by broadening the labour and goods markets at reach, and reducing operational and time-related costs.

19 The quality of transport links is a key contributing factor to a city's attraction as a location to do business, which is why HS2 must link city-centres to city-centres. A conservative estimate of the monetary value of transport benefits, including journey time savings, by HS2 Ltd on the proposed Y-shaped route values it at £38.3 billion⁵ (of which £25.2 billion are benefits to businesses). This evidences that it is a significant and necessary investment.

20 Quicker journeys would bring the country's main economic centres closer together, increasing the North's connectivity with the South East, as well as providing a direct rail link to major international markets across Europe through the HS1 connection. This is all to the benefit of the UK and London economy as we become a more attractive investment proposition and trading partner for European businesses.

21 If connected properly to the wider transport network HS2 will spread development opportunities further-afield as businesses' catchment areas are increased. HS2, by bringing customers and consumers within easier reach will expand businesses target markets, leading to opportunities for higher turnover and profits and stimulating overall economic growth. Additionally, businesses would have access to more competing suppliers, reducing, for instance, supply chain and transport costs.

22 Furthermore, evidence shows that when companies from similar industries cluster together, they benefit from shared knowledge and common research and development, as well as opening-up new networks and connections. This process, known as agglomeration, creates in an area a variety of knowledge and skills essential for its development and enables economies of scale in the production and distribution of goods, reducing overall manufacturing and logistical costs for business.

23 There would also be benefits for labour markets from improved connectivity, as reduced journey times would allow workers to commute from longer distances. As a result, employees would be able to travel from further afield to labour-efficient areas, increasing their chances of finding employment. Meanwhile, businesses would gain access to a wider, more diverse and specialised pool of labour, making it easier to match the existing skills available with business needs.

24 More directly, the building of HS2 would create jobs and skills around construction, engineering, project management and other related industries. This skills base can provide future opportunities for the UK to

⁴ Eddington, Sir Rod (2006): The Eddington Transport Study: Transport's role in sustaining the UK's productivity and competitiveness, HM Treasury and the Department for Transport

⁵ DfT (2011), p. 12. This figure includes other transport user benefits such as the value of improved reliability and reduced crowding

export the learnt experience for future infrastructure projects that would add significant value to the UK economy as well as utilising the skilled employees of Crossrail.

Modes

25 Studies based on international evidence have confirmed that distance and journey times are the most important determinant of mode choice. As currently proposed, HS2 would significantly decrease journey times; central Birmingham would take 45 minutes from London, whilst Leeds, Manchester and Liverpool would be between 1 hour 15 minutes and 1 hour 40 minutes away.

Air

26 HSR should decrease the number of domestic flights which would help capacity constraints in the aviation industry. Demand for air travel has been growing, with a five-fold increase over the last 30 years, and is expected to continue to grow to between four and six hundred million passenger journeys by 2030⁶. HS2 could help reduce the number of short-haul domestic and European flights, allowing Heathrow to meet the significant demand to emerging markets. This would be done most successfully if the shift from air to rail is optimised by serving airports directly with high speed trains.

27 Therefore, to maximise connectivity and value HS2 needs to be fully integrated into Heathrow airport to allow passengers to use rail whilst transferring through the UK's international hub gateway to emerging and developed markets. It is important to note that a reduction in short-haul domestic and European flights would not reduce air travel as demand for more flights and new destinations at Heathrow is far outstripped by supply of landing slots.

28 Capacity constraints at Heathrow have led to a reduction in the overall number of destinations served, from 227 in 1990 to 180 today. Moreover, the lack of capacity also leaves it with no room for any contingency which has a direct negative effect on the airport's reliability, passengers' travel experience and, consequently, Heathrow's and the UK's competitiveness. It is worth noting the UK aviation industry employs 234,000 staff, contributes £18.4 billion to the UK Gross National Product and £7.8 billion in taxation to the Exchequer.⁷

Road

29 HSR should also help alleviate road capacity problems by transferring journeys to a different mode. According to a British Chambers of Commerce survey of business leaders (2010), when asked about the existing road congestion 60 per cent said it was due to a lack of alternative modes of connectivity. HS2 could provide this alternative to the benefit of both business users and leisure passengers.

30 As noted above, with more than half (57 per cent) of HS2's passengers expected to switch from classic rail, HS2 would alleviate capacity pressures on conventional rail lines allowing more frequent cargo transportation. Congestion on the roads currently costs British business £17 billion per annum⁸, and as road congestion from cars and vans increases, rail's competitive advantage will grow. Also, greater regulatory restrictions on lorry drivers through the working time directive and drivers' hour's regulations, as well as rising road vehicle fuel costs, together with a shortage of lorry drivers are all leading to a growth in the use of rail freight as an economic alternative.

Site redevelopment

31 LCCI supports the Government plans to redevelop Euston rail station to accommodate high speed trains. This long-due redevelopment would include new residential and business buildings, and the regeneration of

⁶ DfT (2003), The Future of Air Transport, aviation white Paper cm 6406; cited in Greengauge 21 (2006): The Impact of High Speed Rail on Heathrow Airport, p. 2

⁷ British Air Transport Association <http://www.bata.uk.com/> (last visited 12/03/12)

⁸ See The Importance of Rail Freight, at http://www.fta.co.uk/export/sites/fta/galleries/downloads/rail_freight/importance_of_rail_freight_0408.pdf (last visited 12 March 2012).

public spaces around, and inside the station which would make the area more attractive to pedestrians and rail users, whilst contributing both directly and indirectly to job creation.

Conclusion

32 To conclude, with 70 per cent of all UK rail journeys starting or ending in the capital, and passenger demand for rail services into central London during morning peak expected to grow by 34 per cent between 2008 and 2031⁹, London is particularly sensitive to diminishing rail infrastructure capacity. LCCI believes a new national HSR line will enable London and the UK to develop a fast and efficient transport network that is vital to maintaining a prosperous business environment.

⁹ Network rail: *London and South East Route Utilisation Strategy: Draft for Consultation* (2010) p65