

High Speed Rail

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Summary

This paper assesses evidence about the extent to which job creation associated with HS2/HSR may help to bridge the North-South employment divide.

It shows that the forecasts of the regional employment implications of HS2/HSR produced by government or by supporters of the project are subject to serious qualifications. Consequently it is very difficult to sustain the prediction that, overall, the employment impact of HS2 would reduce the North-South divide.

Introduction

1. This paper assesses evidence about the extent to which job creation associated with HS2/HSR may help to bridge the North-South employment divide.

2. This is an important issue. Transport Secretary Philip Hammond claims the high speed rail network will "change the social and economic geography of Britain; connecting our great population centres and international gateways". Hammond further suggests that linking England's main cities via high speed rail, with further links to Scotland, could help break down the north-south divide. "Bringing those economies in closer reach of London, allowing them to benefit from London's magnet effect in the world, is going to help solve some of the most intractable postwar social and economic problems Britain has faced." [1]

3. Similar arguments are made by other supporters of HS2. The *Yes to High Speed Rail* campaign claims that "A new high speed rail network could help the Midlands and the North by increasing the connectivity between major urban economies, helping transform the cities of the Midlands and the North into a single economic area". [2]

4. The debate about the job creation impact of HS2 falls into two parts:

- Job creation from regeneration schemes linked to the construction of HS2, concentrated around stations.
- Job creation arising from the wider impact of HS2 on the economy.

5. The next two sections of the paper will comment on each of these. A further section will then bring them together with other data about North-South employment disparities, allowing several conclusions to be reached.

Jobs from regeneration

6. Current government estimates of job creation associated with HS2 are as follows:

- 9000 construction jobs
- 1500 operational jobs of which 340 are in London and 420 in Birmingham
- 30,300 from regeneration around the stations, of which 22,000 in London (Euston and Old Oak Common), and 8,300 in Birmingham (Curzon St and Birmingham Interchange). [3]

7. Of these the construction jobs are temporary, and the operational jobs are small in number. The regeneration-related employment is more significant, but 70% of these jobs will be in London. It might be hypothesised though that if and when the full 'Y' route is built to Manchester and Leeds, further regeneration-related employment might arise at stations at Manchester, Leeds, South Yorkshire and a station in the East Midlands . It is not possible to do more than guess at the scale of this but if these were on the same scale as in Birmingham, this would be an additional 33,000 jobs. This would change the North-South balance of the jobs 'created' to the advantage of the North and Midlands.

8. However, as the government admits, many of these will not actually be new jobs, but relocations from elsewhere. Moreover, they are not necessarily directly attributable to HS2: while their location is a direct consequence of the location of HS2 stations, they will depend heavily on other public and private investment.

9. This is reminiscent of the case of Lille in France, where there has been major regeneration investment around the HSR station. Lille is frequently cited by supporters of HS2 as showing the scale of job creation resulting from HSR, but in practice HSR has at best been only one element in a much bigger regeneration 'package'. [4] In a similar way, claims of 22,000 jobs made by CENTRO in the West Midlands are dependent not only on the direct impact of HS2 but on an associated package of regional transport investment. [5]

10. The experience of HS1 is also relevant. The *Yes to HS2* campaign quotes a report by Colin Buchanan and Partners to suggest that HS1 might 'help to deliver' 100,000 jobs. [6] On the one hand, were these estimates to be realised, the impact of regeneration employment driven by the UK HSR network (HS1 plus HS2) would reinforce the North-South divide, with many more jobs in the South than the Midlands and North. On the other hand though, these projections are subject to all the above qualifications as to whether they are new jobs and to what extent they depend on HSR. Moreover, there is so far little if any evidence on the ground that these jobs are materialising in the manner envisaged [7] .

11. To sum up this section:

- Current claims about the causative role of HS2 in creating employment through regeneration are exaggerated.
- When subjected to critical appraisal, evidence from comparators such as Lille and HS1 also suggests that employment claims for HSR are inflated.

Wider employment benefits

12. Government claims that the wider economic benefits of HS2 would be of the order of £4bn npv [8] . However, neither the employment implications of these claimed benefits, nor their regional distribution, are estimated. Thus any claims that these wider economic benefits of HS2 will contribute to narrowing the North-South divide do not rest on any evidence produced by government.

13. Instead, when supporters of HS2 make claims on this issue, they rest on other evidence. One widely cited source of this type is research undertaken for Greengauge 21 by KPMG.

14. Table 1 shows employment gains and losses by region attributed to HSR by KPMG for the period 2021- 2040 [9] . It will be seen that the data shows substantial gains by Northern and Midland regions (with the exception of the East Midlands) and substantial losses in the Southern regions. It must first be noted that these projections assume a far larger HSR

network than that currently envisaged by government’s proposals, even taking together the HS2 ‘Y’ + HS1, and therefore much larger impacts, with a bias towards the North.

Table 1 Job gains and losses attributed to HSR by region 2021 – 2040

North and Midlands	000s	South	000s
East Midlands	-25	London	-59
West Midlands	68	Southeast	-71
Yorks and H	49	East	-40
Northwest	62	Southwest	-48
Northeast	46		
Scotland	64		
	264		-218
Net South-North redistribution		482	
North-South divide reduced by 24,000 jobs a year			

15. Moreover, there are several important methodological reasons to question the robustness of this data:

- The time period over which the projections are made is very long. It must be assumed that if government considered that this kind of projection was valid, it would either have produced its own data, or endorsed the Greengauge /KPMG data. It has done neither.
- There may be an ‘upward bias’ in KPMG’s calculations of the role of rail investment in driving employment location. [10]
- One of the factors on which the employment shift from South to North appears to be based is that London may be too big to make further agglomeration gains. This can however be questioned on the grounds that key economic sectors such as banking and finance are not subject to such constraints. [11]

16. To sum up this section: government has not produced figures on the regional employment implications of the claimed wider economic impact of HS2, while some figures which are widely cited are subject to major reservations.

Comparing claims against a benchmark

17. Bringing together the findings from the previous two sections shows that:

- Regeneration-associated employment driven by HS2 is small in scale: 30,300 jobs over a 12-15 year period, about 2,000 a year, of which 70% are in London. If these orders of magnitude are extended to the ‘Y’ this rises to 66,000, ie maybe 4,500 pa, of which two thirds are in the Midlands and North [12].
- The wider employment impacts, as calculated by KPMG, are more substantial, suggesting a reduction in the North-South divide of about 24,000 jobs a year, but this is on the basis of a hypothesised HSR network about twice the size of the HS2 ‘Y’, so a truer comparative figure might be in the region of 12,000 jobs a year.
- Together, this could, in the most optimistic scenario, amount to a reduction in the North-South employment gap by 16-17,000 jobs a year.

18. Such an impact is, as we have suggested, subject to major methodological concerns. However, let us put these to one side for a moment, and ask to what extent even this highly optimistic scenario would reduce the North-South employment gap. Asking this question highlights an important absence from the much of the debate about the impact of HS2 on North-South employment disparities: to wit, any benchmark of the scale of existing regional disparities against which to measure claimed impacts of HS2. There are good reasons for this. The claims made for HS2 and for HS1, by government and by consultants such as Buchanan and KPMG, are very long term. Many employment experts would rightly be reluctant to make such projections.

19. It is therefore not possible to suggest a benchmark which is directly comparable to the data which has been discussed above. It is suggested, though, that a comparison can be made which, despite these limitations, still offers a valuable contribution to this debate.

20. Table 2 shows estimates by Cambridge Econometrics of employment change by region over the recent past and short term future. This shows that the current period is one of job losses or small increases in the North and Midlands, and large job gains in the South. The North-South divide is currently widening annually by about 62,000 jobs. The 16-17,000 pa reduction in the divide which is the most optimistic scenario for the impact of HS2 would not come anywhere near stemming the current widening of the jobs divide, let alone start to close it. This seriously questions any statement that HS2 could bring ‘transformational change’ to the economic geography of the UK.

Table 2: Employment change by region 2010-2015 [13]

North and Midlands	000s	South	000s
East Midlands	1	London	145
West Midlands	21	Southeast	66
Yorks and H	23	East	54
Northwest	7	Southwest	72
Northeast	-21		
Scotland	-6		
	25		337
Net North-South redistribution 312,000			
North – South divide WIDENS by 62,000 jobs a year			

Conclusions

21. This short paper has produced evidence which questions assertions that employment growth attributable to HS2 will reduce the North-South employment divide. It shows that:

- **The forecasts of the regional employment implications of HS2 produced by government or by supporters of the project are subject to serious qualifications. This is especially the case regarding the wider employment impacts.**

- **When these qualifications are taken into account, it is very difficult to sustain the prediction that, overall, the employment impact of HS2 would reduce the North-South divide. This is consistent with the weight of wider evidence, relating to both the UK and other countries, that the geographical impact of new transport investments is likely to principally benefit the largest cities (in this case, the London region) [14].**

· Even on the most optimistic – and highly unlikely - scenario for supporters of HS2, any reduction in the jobs gap would fail by a large margin to stop the North-South divide widening at its current rate, let alone produce ‘transformational change’.

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[1] The Guardian, 3 and 4 October 2010.

[2] <http://www.campaignforhsr.com/the-north-south-divide>

[3] HS2 Ltd, High Speed Rail: Investing in Britain’s Future - Consultation. DfT 2011.

[4] <http://hs2theregionalimpact.wordpress.com/2011/05/09/french-lessons-is-hs2-a-cost-effective-tool-for-regional-regeneration/>

[5] <http://hs2theregionalimpact.wordpress.com/2011/02/10/how-will-high-speed-rail-impact-on-the-west-midlands-economy/>

[6] In fact, Buchanan suggests HS1 might ‘drive’ the delivery of 70,000 regeneration jobs over 60 years. <http://www.colinbuchanan.com/uploads/cms/files/147e7dfc-2a53-4267-83d7-72bdde92062e.pdf>

[7] In Ashford, where ‘huge economic benefits’ were claimed, unemployment has fallen more slowly than in towns not served by the high speed line - <http://blogs.telegraph.co.uk/news/andrewgilligan/100082403/high-speed-rail-more-doubt-over-the-economic-case/> .

[8] The £4bn figure is for Phase 1. These ‘wider economic benefits’ are in addition to potential benefits for rail travellers such as business time saving and improved reliability.

[9] High Speed Rail in Britain: Consequences for Employment and Economic Growth. Greengauge 21, 2010. The projections are from a base date of 2007. 2021 is the date when it was envisaged that the HSR network would become operational.

[10] Laird J and Mackie P, 2010, Review of Methodologies to Assess Transport’s Impacts on the Size of the Economy, Institute for Transport Studies, University of Leeds for The Northern Way.

[11] Ibid. If this is the case then the impact of HS2 will be to make the North a more accessible market for London businesses in these sectors.

[12] If however regeneration-related jobs from HS1 are added in, the majority are in the South.

[13]

http://www.camecon.com/UK/UKRegions_Local_Cities/PressReleaseUKRegionsLocalAndCitiesSectors.aspx

[14] See for example Eddington, R, 2006, The Eddington Review of Transport . London: Department for Transport; De Rus, G, 2008, The Economic Effects of High Speed Rail

**Investment, Discussion Paper 2008/16. OECD-ITP Joint Transport Research centre.
Paris: OECD.**

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