

Unlocking Growth in The North

INVESTING IN NORTHERN
TRANSPORT INFRASTRUCTURE

Foreword — Many voices, one message

The potential for growth in the North of England is huge. We have clear world leading brands, facilities, technologies and sectoral capabilities. However, while the potential is clear, the economy across the North continues to face entrenched and difficult challenges. Analysis clearly demonstrates the lag compared with London and the South East, both in terms of productivity and job creation. This asymmetry is unsustainable.

The prize for the UK economy in a stronger North has been clearly articulated in detailed economic reviews from Government, Transport for the North and various think tanks. If the right investment and focus is put into Northern assets, we can deliver a significant boost for the UK economy: 850,000 jobs could be created with a Gross Value Added productivity increase of 15% on current levels. That is a prize that cannot be ignored, and, more significantly would provide the platform for the North to deliver its huge potential for the benefit of the UK economy as a whole.

Our companies - Addleshaw Goddard, Atkins and Grant Thornton - are significant stakeholders across the UK. We are a group of businesses that have invested in our footprint across the North. Between us we occupy 16 offices across the North with some 2,850 members of staff. The Northern Powerhouse initiative has spoken to us because it identified both the need to rebalance the UK economy and a path to unlock our towns and cities as centres of growth.

We have sought to contribute to the discussion about how we can grow the Northern economy. Over the last 12 months we have gathered our clients, friends and collaborators over a series of dinners to discuss this growth agenda.

The main messages coming from the dinners and wider conversations were emphatic. A better connected North will deliver a higher performing economic entity. Infrastructure projects have a catalysing significance beyond their stated purpose. As we have seen with HS2, Crossrail, Hinkley Point and Manchester Airport, large infrastructure projects can serve to attract global

audiences. Well-connected, accessible vibrant cities are magnets for inward investment. Enhanced freight connections help manufacturers to send their products to export markets more quickly and at lower cost. A high capacity transport network will mobilise the workforces spread across the core cities and wider heartlands.

But to trigger that investment, a long term strategic vision and investment plan is required to give confidence both to businesses looking to expand or establish themselves in the North, and for the supply chain to invest in the skills and significant mobilisation costs required to deliver the programme.

To deliver the transformational inclusive growth across the North, bold leadership is required. The power to set the programme and ensure its delivery must be placed in local hands. There is a role to play for all of us, whether universities, businesses, the different parts of our public sector or the voluntary sector; the time for debate and discussion must translate into clear prioritised investment plans which all stakeholders can get behind. It is clear our regional economy can contribute more to the UK's future economic vibrancy. The Northern Powerhouse Independent Economic Review, published over the summer, provides a compelling goal: we can transform our economy through creating 850,000 new jobs and £97bn GVA by 2050. But there is much to be done to make this a reality. This report sets out what our client engagement has told us are the core elements to be delivered.

We would like to thank all the companies and indeed the various expert witnesses that have contributed to our discussion and focus into this report. We present this because we believe that the business community can make an important contribution to this agenda.

- Paul Hirst, Addleshaw Goddard
- Tim Danvers, Atkins
- Dan Mansfield, Grant Thornton



Understanding the Northern Powerhouse

The North of England economy is a significant global player, brimming with talented people, organisations and an innovative technology hub. It is a vibrant part of the UK and is a magnet for tourists, students, businesses and investment.

The North contributes substantial and growing amounts to the UK economy and quality of life. In scale, the Northern Powerhouse economy is worth £289bn - more than that of Scotland, Ireland, Israel and Denmark. The North is home to 15.1m people, 1m businesses and 23 universities.

The business community in the North is a globally oriented network, exporting goods worth more than

The Northern Powerhouse Independent Economic Review recognises that the North performs less well on a number of metrics, including skills and educational attainment levels, low enterprise rates and poor transport connectivity. These all contribute to lower productivity levels; the North currently produces £4,800 less GVA (Gross Value Added) per person per annum than in London. This disparity in productivity compared with the rest of the country is long term and entrenched. It acts as a brake on future growth potential and the uplift in living standards we all aspire to.

The Northern Powerhouse initiative has been roundly welcomed by the business community across the North because it has been properly seen as being less

“We have made substantial investments into the Northern Powerhouse because we believe it has a first rate business proposition for our global manufacturing business. Hitachi now sits at the heart of a high skilled, knowledge led North of England. It is clear that a better connected and integrated North will drive significant additional economic gains.”

Nick Hughes, Sales Director, Hitachi Rail Europe.

£55bn each year. Across the North our towns and cities are seeing the benefits of investment whether from our companies, inward investors, the universities or wider public estate. However in any recognition of strengths, there must be an eye on the weaknesses to be addressed.

about geography and more about an opportunity. It is rightly seen as about aspiration for inclusive growth and transforming the economy of the North so that it can contribute more to the wider UK economy. Indeed, this commitment has sent a powerful signal to investors that the UK is more than London. This signal has provided confidence and visibility about our region that has spurred firms and investors to think about building and/or expanding their footprint in the North.



Understanding the Northern Powerhouse... *Continued*

“Network Rail welcomes the opportunity to work in partnership with Transport for the North to develop options to improve rail services in support of the transformation of the northern economy.”

Graham Botham, Principal Strategic Planner, Network Rail.



£289bn

Economy



15.1m

People



395,000

University Students (2015)



23

Universities



19%

Of UK GDP



1m

Businesses



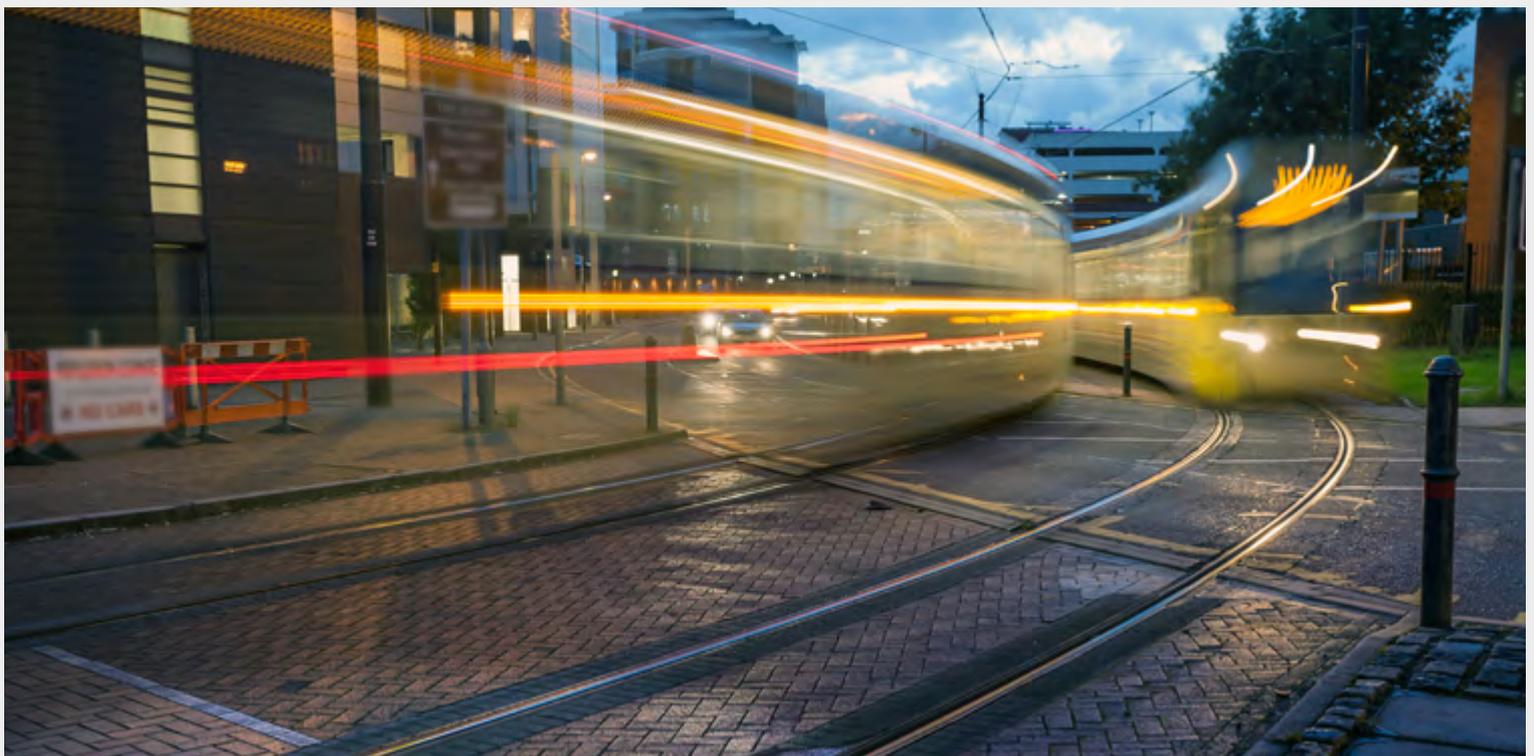
£1620

More spent per person per year in London compared to the North of England on transport infrastructure



£55bn

Exports of goods annually



Many voices

Over the last year Addleshaw Goddard, Atkins and Grant Thornton convened a series of roundtable discussions, bringing together a variety of stakeholders across the public and private sectors. We were focused on how to boost growth across the North. We were interested to look at the constraints impeding our City Regions.

These dinners have engaged over 100 people from a variety of organisations both large and small, from a variety of sectors, including manufacturers, consultancies, creative agencies and transport companies with representatives from across the UK and in particular the North. Over 4 dinners in Leeds, Sheffield, Manchester and York we tasked our guests with discussion on a number of themes, including skills and education, technology, inward investment, procurement, transport and connectivity and how we can better project the North on the world stage.

The contributions and expertise we brought together shared the ambition for the North and indeed the recognition that this mission is a long term endeavour. Equally, the recognition that partnership will be needed across sectors, across our City Regions and between the public and private sectors will be critical. The common points across all our events was the importance of improving transport and connectivity across the City Regions. It was clear that the businesses we engaged with were focused on the role transport plays in driving growth and indeed the value of significant infrastructure projects in the North.

The transport system was seen as not performing adequately for a number of reasons:

- 1 — Low frequency of services between cities and between cities and outlying areas;
- 2 — Poor quality of rolling stock in the North;
- 3 — Complex user experience when travelling between City Regions;
- 4 — Low capacity of services between cities, particularly at rush hour;
- 5 — Freight services are expensive and with insufficient capacity available on the rail network;
- 6 — East - West road connections have neither sufficient capacity nor resilience; and
- 7 — Services between cities operate at low speed - this is a serious constraint on business travel in particular.

More positively, there was common and vocal recognition of the valuable step forward that has been made with the establishment of Transport for the North under the leadership of David Brown and John Cridland. Similarly the group welcomed Rail North's role in specifying and now managing the Northern and Transpennine franchises for rail services across the region. These bodies have brought a greater degree of co-ordination, collaboration and indeed, if given the right level of support, will drive important investment into the services experienced by thousands of people over the coming years.

“Infrastructure can deliver dynamic change to an economy. Drax provides enough electricity to power some six million homes and since upgrading almost half the power station to run on sustainable biomass, Drax now provides enough renewable electricity to power some three million UK homes, half of our total capacity. Improving the capacity for freight services in the north will add further resilience to our supply chain whilst also creating capacity for other industries to support Government objectives of modal shift, specifically in how they move goods across the region which in turn will help to deliver improved air quality, benefiting all our communities.”

Graham Backhouse, Drax Power Limited.

Unlocking the Northern Powerhouse: *Connectivity*

The North has always been far more than just a location or point on the map. It has an international provenance, strong brands and cultural relevance. It is a place of fresh ideas, energetic partnerships and thrives on the pursuit to get things done. This passion and approach to partnership is exemplified by the successful bid to make Yorkshire the cycling capital of the UK, building on the success of the Grand Depart in 2014 and looking ahead to the UCI backed road world championship in 2019. 2 million people across the world will see the beauty of the landscapes, our towns and cities. This is a result of many organisations and leaders coming together to achieve an exciting and rewarding contribution to Yorkshire and the wider North.

This same logic of partnership and common goals lies at the heart of how we unlock the growth potential of the Northern Powerhouse. The North is greater than the sum of its parts. A united and connected North is a compelling and exciting shop window to the world that moves beyond competing cities and City Regions. According to the Northern Powerhouse Independent Economic

Our focus has been on the overdue investment in Northern transport and connectivity. The dinners we have convened have generated a list of key outputs that can propel the economic transformation we need to see. These include:

- 1 — Expanded labour markets come from better linkages across cities and settlements. Clients, colleagues and collaborators work together better where connectivity brings proximity, where distance is eroded by faster trains, with higher capacity and better user experience. This requires enhanced pan-Northern city centre to city centre rail links, east-west and north-south links. Here, Northern Powerhouse Rail and HS2 will be critical drivers of growth in the North. How those strategic national services integrate with local transport connections that enable users to navigate the networks coherently will be vital.
- 2 — Enhanced rail freight capacity. Currently our manufacturers and industrial consumers are

“Continued investment in transport connectivity, capacity and digitalisation is key to Siemens, which is a major employer across the North of England with eight major facilities in the region, employing over 6,000 people.”

Justin Kelly, Director of Business Development for Siemens UK.

Review, the North can deliver more than £97bn in real terms gross value added and 850,000 new jobs by 2050. These metrics compare very favourably to many of the Government’s existing priorities, such as Heathrow’s third runway or Hinkley Point.

Achieving the level of transformative change necessary in the North to hit these targets will demand a multi-disciplinary, multi-pronged approach. Our contribution to this discussion recognises that there is a range of vital components to a comprehensive and effective growth strategy for the North. It is clear that there is a persistent skills gap across the North with comparatively low educational achievement and limited job prospects which has a corrosive effect on attraction and retention of higher skilled workers. Creating an environment where highly skilled people want to live, work and build their families will be critical. Similarly, on other key metrics such as business formation rates and investment levels, the North has performed less well which restrains growth potential.

required to navigate persistent challenges and limitations due to capacity constraints on the network. This results in complexity, higher costs and greater burdens on the strategic road network. A vibrant manufacturing sector demands access to proximate airports and ports with enhanced road and rail links to aid export led growth and make the most of significant investments already made.

- 3 — Enhanced road infrastructure is required between cities and to connect conurbations with leisure and retail options. Current standards, reliability and capacity fall short of standards enjoyed elsewhere in the UK and amongst our international competitors. The Smart Motorway system will likely provide some relief, but long term solutions to congestion remain elusive.

4 — We have an opportunity to drive a step change in our passenger experience of transport in the North. Delivering a transport system that caters for the various modes available and the necessary interchanges is vital for the current and future generations making choices about how to travel. Importantly, a universal system supported by multi-modal, pan-North ticketing with straightforward fare structure is needed, but this must take us far beyond a 'Northern Oyster' to a system which fully exploits available technologies.

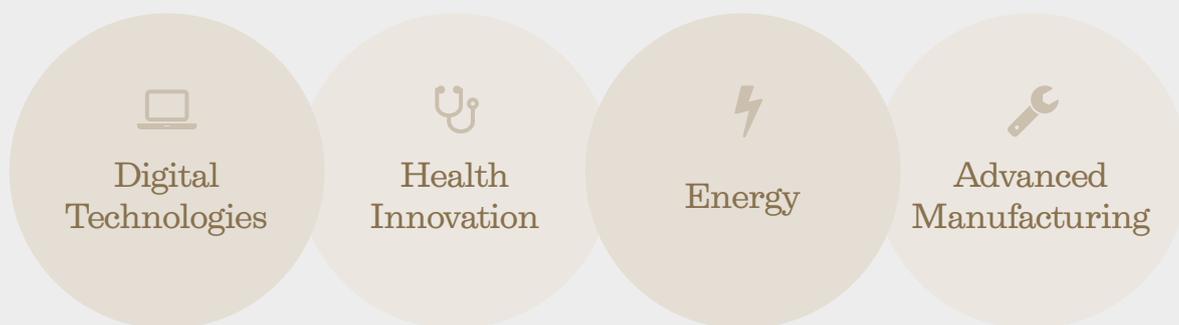
To deliver these key outputs demands close attention to two further points.

We must build a sustainable financial case and delivery model. It is clear looking ahead that we will need to reduce long-term dependency on public subsidy and leverage private sector investment. Other models, such as London's Crossrail that links business rates directly to new transport costs to part fund more key developments should be explored.

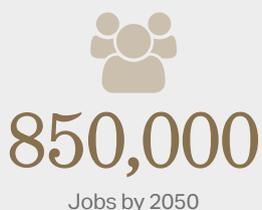
The typical methods for assessing strategic investments into the North need to be challenged and adapted to reflect the true economic value of wider economic benefits of the investment. This has happened in Scotland, such as on Borders Rail which has outstripped forecast demand. Typical Benefit Cost Ratios required by Department for Transport and HM Government more widely disadvantage investment decisions in the North.

Key headlines from the Northern Powerhouse Independent Economic Review:

Key sectors:



The prize:



One message

Collectively we can and will grow the North and rebalance the UK economy. This Government can put in place the pathway that will deliver inclusive, transformational growth for the North, and boost the UK's economic performance.

In fact, it is a national strategic necessity because as the UK competes on an increasingly unpredictable world stage, we need to ensure all our assets are performing to their optimum. The UK demands a high performing economy. As businesses, we stand ready to do our part and will work with all parts of our towns, cities and communities to deliver this necessary step change that can bring real, substantive inclusive growth.

- 2 — For Transport for the North to become the commissioning body for Network Rail in the North by 2018 and to have the appropriate decision making powers in relation to the funding allocations for both the railways and highways.
- 3 — The Northern and Transpennine Express franchises to be fully devolved to Rail North and for Rail North and Transport for the North to unite as a single body so that local elected leaders across the region are responsible for the decisions on transport infrastructure and services.
- 4 — North specific public funding settlements for operation, maintenance, renewal and

“A wide variety of investment projects are required to support the efficient movement of goods and freight across the North. These are often relatively modest in size but have the potential to unlock major economic benefits. They include rail links to ports, inter-modal facilities, improved highway access to sites and short stretches of new railway lines to relieve network congestion. Freight improvements offer quick wins, at an affordable price and with the scope for very significant economic returns.”

Dr Mark Brown, Development Director, Consulting & Rail, Amey.

We have identified five essential building blocks to develop the infrastructure required for the North to grow and progress into the future which reflect the two central messages that have emerged, ie:

- Devolution to local decision making bodies will drive growth; and
- A long term strategy and investment plan is required so that businesses can choose the North with confidence as a place to invest, and the supply chain can invest in the skills and set up costs required to deliver the programme.

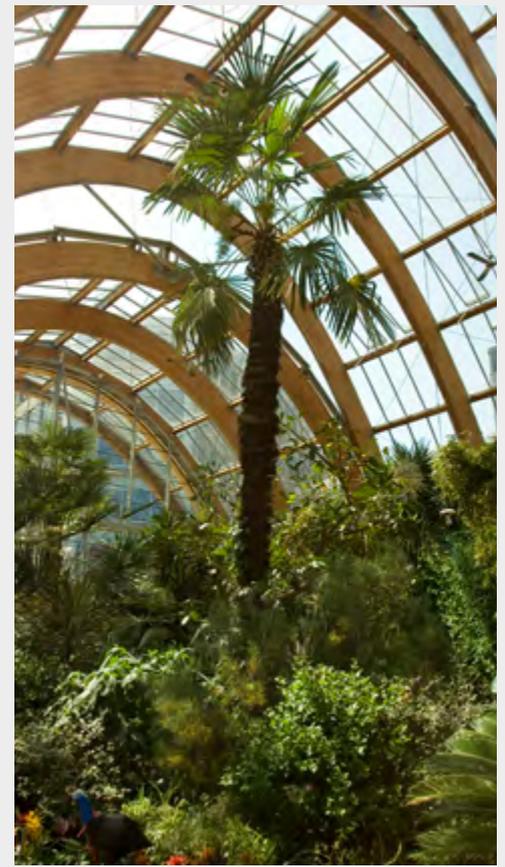
We call on the Government to ensure the delivery of the following essential building blocks:

- 1 — To establish Transport for the North as a statutory sub-national transport body responsible for specifying and delivering its long-term multi-modal strategy and investment plan.

enhancement of railways and the highways network in the North to be implemented for Control Period 6 and RIS2 to enable targeted investment and greater efficiency on where and how public money is spent on transport infrastructure in the region.

- 5 — To create momentum by pushing through the well-developed transport infrastructure schemes currently awaiting government approval.

Only with this commitment and the necessary investment will the North be in a position to make rapid progress towards its vision of closing the entrenched productivity gap with the rest of the UK and enabling our industries to compete on the world-stage.



Who we are

The companies that have participated in the dinners over the last 12 months include:

- ACT
- Albany Smith Management
- Amey
- Arcadis
- Arriva
- Bayern LB
- Carillion Rail
- Cheshire and Warrington Local Enterprise Partnership
- City of York Council
- Crossbow
- CRRCL UK Ltd
- DB Cargo UK
- Drax Group
- ESP Group
- European Investment Bank
- Extra Motorway Service Area Group
- FCP
- First Group
- Fore
- Fujitsu
- Harworth Group
- Heathrow
- Highways England
- Hitachi Rail Europe
- HSBC
- Keolis UK
- Leeds City Council
- Lloyds Bank
- Lombard
- MDT
- National Express
- Network Rail
- Nomad Digital
- NWBLT (North West Business Leadership Team)
- Northern Rail
- Peel Holdings (Management) Ltd
- Quatro PR
- Rail North
- RBS
- SFT
- Sheffield City Council
- Sheffield City Region
- Siemens plc
- Skanska
- SMBC
- Stagecoach UK Bus
- Transport for Greater Manchester
- The Peel Group
- Transpennine Express
- Transport for the North
- Virgin Trains East Coast
- West and North Yorkshire Chamber
- West Yorkshire Combined Authority
- William Cook
- WYG

Facilitators:



Paul Hirst
Partner

0113 209 2466
paul.hirst@addleshawgoddard.com

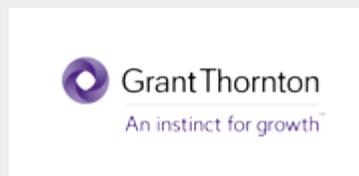
www.addleshawgoddard.com



Tim Danvers
Business Development Manager

01332 225 510
tim.danvers@atkinsglobal.com

www.atkinsglobal.com



Dan Mansfield
Principal Consultant

0113 246 5055
daniel.j.mansfield@uk.gt.com

www.grantthornton.co.uk

The building blocks of transformational growth in the North of England.

A five point plan.

- 1 — To establish Transport for the North as a statutory sub-national transport body responsible for specifying and delivering its long-term multi-modal strategy and investment plan.
- 2 — For Transport for the North to become the commissioning body for Network Rail in the North by 2018 and to have the appropriate decision making powers in relation to the funding allocations for both the railways and highways.
- 3 — The Northern and Transpennine Express franchises to be fully devolved to Rail North and for Rail North and Transport for the North to unite as a single body so that local elected leaders across the region are responsible for the decisions on transport infrastructure and services.
- 4 — North specific public funding settlements for operation, maintenance, renewal and enhancement of railways and the highways network in the North to be implemented for Control Period 6 and RIS2 to enable targeted investment and greater efficiency on where and how public money is spent on transport infrastructure in the region.
- 5 — To create momentum by pushing through the well-developed transport infrastructure schemes currently awaiting government approval.