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The Rt. Hon. Grant Shapps

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(Sent by email -
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Dear Secretary of State

Re: Integrated Rail Plan – Transport for the North Statutory Advice

The Transport for the North (TfN) Board has now considered the Rail Needs Assessment (RNA) published by the National Infrastructure Commission (NIC) in December 2020. This statutory advice conveys the Board's strong concerns about the Commission's assessment and our agreed recommendations about the way forward. There is clear cross-party support from all parts of the North for this position.

Given the imminent timing of the Integrated Rail Plan, we are seeking an urgent meeting with you and TfN Board representatives before final decisions are taken. The opportunity to discuss this advice, which outlines constructive proposals for how we work together to finalise the Integrated Rail Plan, could help build consensus on the way forward.

This is a pivotal year for rail investment in the North. We share an ambitious objective with government for a modernised and public transport network fit for the next century and beyond. Rail is at the heart of that ambitious vision to level up opportunity, decarbonise transport and act as a catalyst for growth. We strongly welcomed the government's commitment to both Northern Powerhouse Rail (NPR) and HS2 following the outcome of the Oakervee Review last February. That ambition is not reflected in the proposals from the NIC, which would result in a widening of the productivity gap. Given the clear limitations of the NIC assessment, the Integrated Rail Plan will be a clear test of the Government's commitment both to HS2 and NPR.

The North welcomes the NIC's conclusion that significant rail investment is required to connect the regional economic centres of the Midlands, the North and Scotland. Working together, HS2 and NPR create a new network of regional connectivity essential to creating a shared economic area for 25 million people across administrative boundaries. However, what was intended as an integration and sequencing report has instead pitched schemes against each other to fit pre-determined funding envelopes. All the packages in the RNA represent a levelling down of ambition and investment, compared to the commitments made by government to level up.

By including the rising costs of HS2 Phases 1 and 2a in the assessment, investment in the North's rail network has effectively been de-prioritised to pay for the nationally important HS2, where benefits will flow across the country, including to London and the South East. In this case, northern ambition would be the casualty of major schemes already in construction in the south. As we have made clear to Sir Peter Hendy's Union Connectivity Review, there is no straight choice between long distance and regional connectivity when the North's transport network acts as a bottleneck on travel between England, Scotland and Wales.

The consequence of government accepting the NIC's advice would likely lead to ongoing underperformance and regional imbalance, with the North and Midlands not achieving their full potential and with significant implications for Yorkshire and the North East. We also have significant concerns about the "adaptive pipeline" approach, potentially deferring key network decisions for years. This would deter wider investment in our towns and cities, and would act against levelling up and the network approach at the heart of developing Northern Powerhouse Rail. As the NIC did not sufficiently take account of local and regional economic work, such as growth strategies, it missed the importance of schemes to regeneration and our regional connectivity.

The NIC could have adopted an approach more aligned with government policy and our shared ambition – to commit now and accelerate delivery in the North. A different approach to funding and a more challenging approach to driving efficiencies would have meant their work more genuinely explored sequencing and phasing rather than pitting schemes against each other to the detriment of NPR. There is limited analysis of the performance and capacity of the network which has meant that hub stations are underplayed, without which the rail network cannot function and the connection between the major schemes and local rail is limited.

The way forward

Our position is unchanged. We advise a renewed strong government commitment to HS2 and NPR, as well as the long promised but delayed east-west schemes in the Hope Valley and on the Trans-Pennine Route between Liverpool and York, and the East Coast Main Line in the North East. After 10 years we are still debating what is required for HS2 whilst 7,500 miles of High Speed railway is being built around the world. The Government's commitment will give Northern leaders and businesses confidence they can plan for future investments, as well as bolster our supply chains; SMEs; and freight and port operators, boosting inward investment, productivity and international competitiveness for the UK.

We advise that the Government's final Integrated Rail Plan should not adopt any of the constrained packages recommended by the NIC. Instead it should consider how, with necessary adjustments, NPR and HS2 and other critical rail investment on the conventional network could be delivered in line with government commitments. With more flexible thinking on funding and a greater focus on integration and cost effectiveness, the opportunity remains for an

affordable, deliverable programme of investment across the North of England which is critical to the levelling up agenda in the UK.

Our Board is clear that there is a wealth of strong economic evidence to support such a decision, which align entirely with government objectives and the changes recently outlined in the Green Book. In the coming weeks, we will finalise the business case for Northern Powerhouse Rail with your officials, providing clear evidence of the scale of economic potential from an integrated HS2/NPR network.

Given the limitations of the RNA, we advise that government should:

- Decide whether UK connectivity is important enough to take the “strategic choice” over the next 30 years to maintain its commitments on NPR and HS2 – giving a clear signal to the North and private investors that levelling up will be delivered.
- Agree with TfN’s assessment that opportunities exist for greater integration, cost reduction and efficiency of delivery to ensure cost effective decision making and delivery is achieved.
- Confirm that options exist to extend the available funding envelope through a combination of extending the fiscal remit, repurposing existing funding streams and a clear choice to rebalance long term budgets from road to rail and active travel – these options are set out in the Annex in more detail.
- Work with the sub national transport bodies and Network Rail to create a pipeline that the Midlands and North can confidently plan for and invest around to drive growth, and quickly build develop a stronger track-record of delivery for the industry, maintaining confidence in local investment and wider employment and skills opportunities.
- Ensure that the final Integrated Rail Plan is agreed with the North, and its implementation is supported by strengthened decision-making and a sponsorship role for TfN Board, building on the proven track record on NPR decision making and the work of the Rail North Committee.

This advice comes at a time when funding for TfN’s work is being cut and Members are expressing deep concerns about the potential dilution of local input, in a structured and cohesive way across the north, to key investment planning and decision.

The Board recognises that the government remains committed to delivering Northern Powerhouse Rail and HS2 in full as a crucial element of its stated ambition to level up the UK. Whilst flawed, the NIC’s work has now revealed the remaining obstacles to achieving that ambition. We stand ready to work with the Department, Network Rail and HS2 Ltd to finalise the Integrated Rail Plan in line with our shared objectives.

Our Board is keen to work in a constructive way on this pivotal issue for the North and UK. As always, we would welcome you, or your ministerial colleagues, attending any of our future Board meetings.

I am copying this letter to our Board, your departmental officials, the Chancellor, Sir John Armitt and Andrew Gilligan. As this is in response to the public NIC report, our Board have asked that this advice be made public.

Yours sincerely,



Barry White
Chief Executive

Enclosed in support:

Further detailed statutory advice on the Integrated Rail Plan.

1. Statutory Advice – Integrated Rail Plan

1.1 The TfN position on HS2, NPR and TRU was established in the Strategic Transport Plan adopted in February 2019, were strongly reflected in both the submission to the Oakervee Review in October 2019, and in the submission to the NIC’s call for evidence. Following the publication of the Oakervee Review in February 2020, the government reconfirmed its commitment to HS2, including both legs of Phase 2b.

The TfN Board has previously agreed that the North’s requirements from the IRP should be as follows:

- Commitment to investment in the North with HS2 and NPR in full and support for full delivery of TRU outputs including freight, as part of a 25-year programme to transform the North of England’s rail network to deliver our economic and environmental objectives.
- An agreed programme of accelerated investment in both NPR and the conventional network before 2030¹.
- The remainder of the NPR network to be completed alongside HS2 Phase 2b, in line with the phasing scenarios agreed at the TfN Board in November.

1.2 A genuine needs assessment would have sought to answer the question of what is required to deliver long term UK connectivity, and how should that investment best be delivered and made affordable. The NIC assessment falls short of that ambition, resulting in enforced choices and a weakening of the core principles of both the Strategic Transport Plan and the government’s approach to levelling up. The NIC could have adopted a different approach and one more aligned with government policy. The increased focus on the strategic case, and the longer appraisal period, might have fundamentally changed both the NICs approach and their conclusions and there is no regional impact statement of their conclusions. We suggest that the IRP must include a regional impact statement.

1.3 In line with the new Green Book, the starting point for the Integrated Rail Plan needs to be what rail investment is required to “level up” the UK. The following sections set out the key concerns and offer concrete proposals for the Integrated Rail Plan.

2. TfN Assessment of the Rail Needs Assessment

2.1 The Rail Needs Assessment sets out a clear case for rail investment to transform connectivity between the economic centres of the North and the Midlands. It confirms TfN’s assessment in the Strategic Transport Plan that the strongest economic returns are from regional connectivity

¹ TfN advice to the NIC in September 2020 set out the agreed priorities for an early programme of investment that could be delivered before 2030.

between the economic centres of the Midlands and the North of England.

2.2 However, the evidence base considered by the NIC is limited and has not taken into account the most recent analysis showing clear economic opportunities from connecting the cities of the North East, Yorkshire and the Midlands². The NIC do not appear to have considered connectivity between key underserved markets such as Yorkshire to Birmingham. Nor has it accounted for the wider regeneration impacts within city regions as set out in the HS2 Growth Strategies, or the emerging economic evidence for the Northern Powerhouse Rail network currently being finalised with DfT officials and due to be completed in March 2021.

2.3 In presenting the different elements of NPR and HS2 as a series of competing packages of investment, the RNA then underplays the importance of the overall network with HS2, NPR and the conventional rail network providing an integrated set of services. This has meant the thinking behind, and value of, the rail network as a whole has been missed. NPR in particular has been carefully designed from the outset to be a fully integrated network. Rather the NIC report presents the following:

- A “base case” of completing HS2 West, TRU, Midland Main Line Electrification to Sheffield and a programme of upgrades only, including a £15bn early programme of electrification, digital signalling and other enhancements to ensure the conventional network is better able to work with HS2.
- Two “regional connectivity” packages at +25% and +50% funding, which would add new line and further upgrades for NPR, with HS2 East only between Birmingham and the east midlands. In the +50% Scenario, NPR appears close to the preferred network, including new line Leeds Manchester via central Bradford and a new line to Liverpool via Warrington, but at the expense of a significantly scaled down Eastern leg of HS2.
- Two “long distance” packages, again at +25% and +50% see HS2 East and HS2 West completed largely in full with much more limited east-west investment, focused on upgrading the existing Leeds to Manchester line, and some improvements to the North East and Liverpool. This is in effect an abandoning of the NPR network and would do little to deal with current capacity and reliability issues.

2.4 The funding assumptions for HS2 are at the heart of this assessment. The NIC adopted a starting point for HS2 of £46bn of funding, which was the 2018 allowance for HS2 in their National Infrastructure Assessment. This is despite the government committing to HS2 in full in February 2020, post the Oakervee Review, which set out a revised

² High Speed East: The case for an integrated new rail network serving the Eastern Leg (Volterra, 2020)

budget of nearly £90bn. This commitment pre-dated the NIC starting their work.

- 2.5 Northern regional investment then becomes the balancing factor, or 'shock absorber' to soak up HS2's increased costs. The Baseline and +25% scenarios both decimate planned investment in the north in order to fully fund HS2 from Euston and Old Oak Common on to Birmingham and Manchester.

The NIC's 2018 assessment, based on their view, allocated £24bn for Northern Powerhouse Rail. Our estimates based on the published document suggest, in order to absorb HS2's increased costs, that:

- In the NIC Baseline scenario, the allocation for NPR has been reduced from £24bn to around £5-6bn.
- In the NIC +25% regional scenarios, the NPR network described could represent a budget of around £17-18bn, still significantly below the previous £24bn.

The result is a significant lowering of ambition for the North than both the government's stated commitments on HS2 and NPR, or indeed the NIC's own "High Speed North" report published in 2016.

3. Economic Implications

- 3.1 The resulting assessment is inevitably focused on affordability at the expense of how to achieve the required outcomes through greater integration and an efficient pipeline of investment. The resulting packages create very significant challenges for the economy and connectivity.
- 3.2 The NIC proposition is to complete most of the western leg of HS2³ and, at best, a partial element of the eastern leg. This would in effect expect Yorkshire, the North East and Eastern Scotland to be largely reliant on upgrades of the existing network for connectivity to the East and West Midlands and London.
- 3.3 Early opportunities for investment are identified, through a package of decarbonisation and digital signalling could bring early benefits, particularly if supplemented by "quick win" capacity, reliability and resilience projects. The NICs proposals are much less ambitious than TfN's own proposals which identified a number of candidate schemes for early intervention, with freight and importance of connecting local communities largely side lined, and proposed a rolling programme of investment in the North, led by Network Rail and supported by TfN. On

³ The scenarios leave open the question of how HS2 West will be integrated with the West Coast Mainline to provide direct faster connections to Cumbria, Lancashire and Scotland, as well as the local and regional services needed for wider connections for border and coastal communities. This needs urgent clarification.

freight especially, the critical role of NPR, and its integration with HS2 to create additional, much needed capacity on the UK's constrained national rail network is underplayed; creating additional rail freight paths is essential to support the rebalancing of post-Brexit port activity and to allow more freight imports to use northern ports in ways that will help reduce long-distance HGV transfers, and decongest the country as a whole. This will provide associated carbon, air quality and health benefits. The active promotion of Freeport models by UK Government make the case especially compelling and urgent.

- 3.4 This is likely to have significant economic, social and environmental implications for the Midlands and the North, particularly those parts of Yorkshire, the North East and the Midlands most likely to benefit from the connectivity offered by the eastern leg of HS2. The NIC's own analysis shows the limited benefits of each of the packages for delivering more balanced growth and levelling up the UK. Without the full HS2 Phase 2 and major improvements to the ECML corridor north of York, neither the required transformative journey times nor frequencies would be met.
- 3.5 The NIC propose a 'core and adaptive approach', suggesting that government only commits to parts of schemes initially. Whilst the NIC is right to highlight that the rail industry faces huge challenges to build a pipeline of work in the face of rising costs and poor track record on delivery, such an approach will not give private investors and developers the confidence to invest. The "adaptive pipeline" approach effectively reduces the risk to the Treasury at the expense of business, investors and places, who are asked to take a "strategic gamble" about how and where to invest. The inevitable consequence will be to hold back investment, growth and job creation at the most critical time for the economy.

Integration Opportunities

- 3.6 Our expectation was that the NIC would have considered integration opportunities in more detail. TfN's submission to the Rail Needs Assessment identified a number of key station hubs, corridors and schemes where multiple schemes are proposing related work designed and delivered separately. These opportunities to create a single, integrated programme to maximise efficiency and minimise the impact on both passengers and freight include:
- Integration of HS2 Phase 2b delivery with NPR in the Liverpool - Manchester-Leeds corridor.
 - Electrification of Sheffield station and the Midland Mainline for NPR and HS2 as a single programme of delivery.
 - The corridor between Leeds, York and Selby, including the proposed junction at Garforth and the eastern approaches to Leeds station.

- 3.7 It is also important to consider the need to achieve the strategic integration of the wider network and improvements within the north, including to regional routes and connections to Scotland and Wales; steps that should ensure the greatest number of communities can see real benefit⁴.

4. Funding

- 4.1 The NIC could have taken a more strategic approach to funding scenarios to achieve a suitable fiscal envelope that matches the government's existing commitments on major schemes and therefore allows the North's needs to be met, by:
- Being clear from the outset that the rising and delayed costs of HS2 Phases 1,2a and 2b are a government commitment and the cost of £90bn would need to be accommodated in all scenarios; and taking that position as the starting point for what additional investment is required Using the NIC's own 2018 report, the full £90bn is affordable within the headroom in the fiscal remit between 2035 and 2045.
 - Recognising that HS2 is a national project that will have national benefits, it therefore needs a national approach to funding, not one reliant on reducing proposed investment in the north.
 - Identifying other available spare capacity within the fiscal remit, including the implications of recent TfL decisions (£26bn was allocated for Crossrail 2 in the original 2018 assessment⁵).
 - Presenting strategic choices about future spending decisions across transport modes. For example, the RNA assumes that a fixed 55% of the future strategic transport budgets (beyond 2030) will continue to be invested in roads. Rebalancing road and rail investment in that period could free up £1bn per year for 15 years for major projects that can contribute to decarbonisation⁶.
- 4.2 Together these measures illustrate how a different approach could have identified an additional £85bn of funding for strategically important rail projects over and above the NIC's £88bn Baseline, allowing HS2, NPR and investment to enhance the existing network across the north of England to be built in full. What the NIC describe as a 'strategic bet' is in fact a 'strategic choice'.
- 4.3 Ultimately government could decide to increase the fiscal remit from 1.2% of GDP if required. The recently published National Infrastructure Strategy signalled an intent to review the fiscal remit in 2021.

⁴ TfN's submission to the NIC set out the wider opportunities of accelerating the upgrade of stations at Preston and Carlisle for example improving services to Blackpool and Cumbria.

⁵ This was in addition to c£71bn for TfL the NIC set out between 2020 and 2050

⁶ This would still provide c£5bn per annum for roads, from 2030 through to 2050 totalling £100bn, with a similar sum going to general rail investment.

5. Delivery mechanisms, the “adaptive pipeline” and cost efficiencies

- 5.1 The NIC should have considered the efficiency benefits of a long-term investment pipeline, rather than the adaptive pipeline approach proposed. The NIC rightly highlight past failings of the centrally overseen delivery bodies, but the response should be to challenge those bodies to radically improve their delivery approach, not just accept that’s how it is. The delivery mechanisms need to be set up with a strong client function maintaining a clear focus on improving value for money against historic norms. There are significant efficiency gains to be achieved from a single, integrated long term pipeline of work⁷.
- 5.2 In addition to efficiency gains there are also choices that can be made on both the specification and options in order to reduce costs. The co-clienting model for Northern Powerhouse Rail provides the opportunity to consider these choices alongside setting efficiency and cost challenge for the delivery bodies. There are compromises to be made to allow the network to be delivered in full and these should be considered jointly.
- 5.3 TfN does not have all the information required to fully assess the efficiency gains from creating a single integrated pipeline. However we can be confident that a strong client function sitting above the delivery bodies (Network Rail and HS2) can drive a change in approach to improve value for money through cost challenge (as is currently happening on NPR from TfN), developing a clear pipeline and exploring the clear opportunities for integration identified in TfN’s advice to the NIC which we have also shared with DfT officials.

⁷ The Rail Industry Association estimate that a long-term rail strategy and industry pipeline could reduce industry costs by up to 30% (RIA Manifesto 2050, November 2019).