



Rail and the city regions

The value of rail in the city regions

To fully deliver on their potential, the city regions need efficient and effective local rail networks as well as good rail connectivity with each other and the wider world. Local rail networks make key town and city centres more accessible, increasing the number of people and firms which have access to their clusters of high value jobs, retail and cultural offerings. Longer distance rail links provide access to larger markets and are important in attracting investment and skills.

The importance of rail accessibility is seen in the growing concentration of jobs and economic activity around key rail nodes. Between 1998 and 2008, the number of financial sector jobs grew by 17% in core city central areas, the locations with best rail accessibility, compared to a slight decline across England as a whole. Overall, 61% of jobs in the North and the West Midlands are located within walking distance of a rail station. This has contributed to a boom in demand, with many stations, large and small, seeing as much as a doubling of passengers over the past ten years. Rail travel now accounts for over 20% of all peak trips using motorised modes into the largest regional centres.

The rail network also plays a key supporting role for manufacturing, logistics and other key regional industries with 60% of all GB rail freight tonnage originating in the regions of the North and the Midlands.

The opportunity and the obstacles to be overcome

HS2 will allow for the biggest re-writing of the national rail network since it was built, bringing the benefits of additional capacity, faster journey times and the opportunity for urban renewal around key stations and hubs. However, there is a need to ensure that:

- HS2 forms part of a wider upgrade of the rail network, in part enabled by released capacity;
- HS2 connects effectively with the international high speed network; and with new, or significantly enhanced, east-west links;

- All city regions are given the opportunity to maximise the benefits which HS2 can bring.

Despite the surge in regional rail demand seen over the past decade, the North and the Midlands have long suffered from relatively low levels of rail investment. Major schemes such as the Northern Hub, Birmingham New Street Station and Trans-Pennine electrification will help. However, planned investment in the regional rail networks of the North and the Midlands is still only a fraction of what will be spent in other parts of the country. Over the next five years, the North and the Midlands are set to receive £60 of Network Rail investment per head of population, compared to £220 in London and the South East, £210 in Scotland and £80 in Wales.

Lack of investment in rolling stock is another major challenge, with many regional services still being operated by slow, old and over-crowded trains. Despite on-going electrification schemes, government is yet to commit funding towards new electric rolling stock in the North of England, which means that the potential benefits from current investment will not materialise for some time.

This lack of investment has been driven, in part, by the largely centralised system which governs the rail network in England, with virtually all key operational and investment decisions being taken in Whitehall. Where local stakeholders have taken responsibility for local rail services - as in the case of Merseyrail Electrics and London Overground - service quality and passenger satisfaction have been transformed. This is because local stakeholders have a better understanding of the importance of rail services for local economies, are more responsive to local needs and opportunities and can manage available resources more effectively. There is also a need for more freedoms and flexibilities in the way in which rail services and rolling stock are procured and provided.

For example, devolution can facilitate better integration with wider local public transport networks and lead to more effective use of underutilised resources, as exemplified by some highly successful light rail conversions.

In this respect, the re-franchising of Northern, Trans-Pennine and London Midland train operations could provide unique opportunities to leverage the contribution of local stakeholders. The DfT is working closely with a consortium of local authorities in the North of England on the Northern franchise and a similar proposal is being put forward in the West Midlands. It is important that this level of engagement is sustained and allowed to develop into a more permanent devolution of rail powers.

How to maximise the economic growth impact of regional rail networks

1. **Support long term strategic investment in schemes such as HS2 (including phases one and two), urban regeneration around HS2 stations and a direct link between HS2 and the continental high-speed network**, which are vital to ensure that city region economies become increasingly competitive and support the rebalancing of the UK's economy.
2. **Step up investment levels on the classic network**, which should include large scale electrification, increased infrastructure and rolling stock capacity and a

modern fleet of trains. This will pay for itself many times over by driving growth in fare-box revenue and regional economic output. Failure to invest and short sighted service cuts may well prove more costly in the long run.

A modest increase in investment to the levels currently seen in Wales could make a big change to the pace of electrification and the quality of rolling stock. Spending on a par with Scotland, London and the South East would be enough to deliver a step change in connectivity and capacity across the North and the Midlands.

- 3. Devolve funding and powers over service specification and investment prioritisation to the local level.** This will attract a greater share of local finance and ensure that investment is delivered more effectively and best meets local needs.

What it would mean for passengers and local economies...

- More capacity and improved connectivity between the city regions of the North and the Midlands, leading to more integrated, productive and successful economies
- More effective spending of available funds, and in a way that best meets local needs
- Local rail networks that are better integrated with wider local public transport networks including local bus, light rail and modern tram systems
- Improved passenger experience
- Improved access to jobs and workers
- Improved access to affordable housing and commercial premises
- Reduced congestion
- Lower freight costs

What it would mean for government...

- Reduced operating subsidy over time
- Increased productivity, economic growth and tax revenues
- Increased match funding from local sources
- Lower government spending on other parts of the transport network, in particular new roads
- Improved value for money from public spending
- More balanced national economy