

Her Majesty's Treasury Spending Review 2025 Phase 2

Submission from High Speed Rail Group
February 8th, 2025

HS2 Realism

The High Speed Rail Group (HSRG) is a leading, purpose-driven industry body dedicated to advancing the UK's rail infrastructure, with a particular focus on high-speed rail and better-connected, new rail systems.

We unite a diverse group of organisations across the global high-speed rail and rail infrastructure supply chain, spanning major engineering firms, planners, designers and innovators in rail technology. Our mission is to support the UK Government's ambition for a greener, more efficient, and interconnected future through a rapid, sustainable rail network that drives economic growth and regional connectivity.

In the UK, HSRG members are building Phase 1 of HS2 and investing to create world class supply chains. From civil and structural engineering, including designing bridges and viaducts that navigate complex terrains, to the use of artificial intelligence to optimise operations and enhance safety, the project has played a pivotal role in developing a supply chain with highly specialised knowledge and skills.

This investment means that the UK is now considered a leader in the global infrastructure sector in areas like off-site manufacturing for the construction industry, minimising carbon emissions during construction, mitigating ecological impacts, as well as in tunnelling technology. Skills development and apprenticeships across all of these disciplines are bringing forward the next generation of talent in the UK.

Executive Summary

The High Speed Rail Group (HSRG) is committed to supporting the UK's rail infrastructure ambitions and more broadly, the Government's growth mission. This submission to HM Treasury advocates for a streamlined, cost efficient and deliverable path forward for HS2, focusing on maximising HS2's concession value at minimum viable scope and cost. This will maximise the project's economic benefits, accelerate delivery, and ensure a substantial financial return to the Treasury, while recognising current fiscal constraints.

The case for HS2

HS2 remains essential to addressing the UK's rail capacity and reliability challenges, driving economic growth across the entire country, improving regional connectivity, and supporting environmental targets. The project has already stimulated significant investment in the UK's supply chain, workforce skills, and infrastructure expertise.

However, HS2 is at a critical juncture and the current situation risks cutting HS2 short, short-changing the national account, and squandering its significant socio-economic benefits. To avoid this requires decisive action now to restore financial control and secure the projects long term benefits.

HSRG firmly believes it remains possible to contain costs while ensuring that the project's contribution to the growth of the national economy is delivered. After all, the project offers HM Treasury the prospect of a major multi-£bn return to its account from concessioning the HS2 infrastructure once it is complete.

HSRG's key asks:

Simply, we are asking Government to maximise HS2's concession value at minimum cost. Our asks include:

1. **Re-scope HS2 to a "Euston-Crewe Core"**, providing additional national transport capacity between London, the West Midlands and the North West

All of the strictly necessary HS2 infrastructure is now funded, with two exceptions that should now be funded by Government:

2. **Fund the connection from the West Midlands to Crewe**, without which HS2 adds to rather than relieves pressure on the over capacity West Coast Main Line
3. **Fund and deliver a streamlined, cost effective Euston Station** with a simple functional design that can be delivered ahead of the wider regeneration ambition for the area

These can both be provided at a significantly reduced cost, unlocking savings of around £4 billion (at 2023 price levels), compared to previous cost estimates.

4. **Extend safeguarding and land acquisition for HS2 Phase 2a** between the West Midlands and Crewe and conduct a rapid review to identify cost saving opportunities
5. **Bring forward a long term vision for rail**, deferring any decisions around additional HS2 extensions that have not yet secured Parliamentary powers
6. Undertake a preliminary market assessment to **explore financial payback options** for HS2 infrastructure investment, taking learnings from the HS1 concession model. HSRG estimates suggest that **a concession for a London-Birmingham & Crewe railway line could generate between £7.5 billion and £10 billion.**

Conclusion

HS2 is a critical national infrastructure project that must be delivered in a realistic and financially responsible manner. By focusing on a streamlined core route, identifying cost saving opportunities and adopting a suitable concession model, the UK can unlock the full socio-economic benefits of HS2 while returning a substantial return to the public account. HSRG stands ready to work with the Government and HS2 Ltd to ensure that HS2 is completed in an affordable and deliverable way going forward.

Introduction

1. Implementation of High Speed Two is at a critical juncture. HSRG is uniquely placed to provide HM Treasury with an informed view on how the project can be brought to successful fruition, paying due regard to the pressures on the Government account.
2. We believe there is scope to contain HS2 costs ahead while ensuring that the project's contribution to the growth of the national economy is delivered.
3. Construction work on Phase 1 is two years behind schedule and this is itself costly. Alongside cost management, setting the pace of delivery is an important theme of this submission.
4. Phase 1 must be completed to a budget agreed with HMT, and newly appointed HS2 Ltd CEO Mark Wild fully expects to be held to account in achieving this outcome. He has asked HSRG to support him in his planned project reset, and we have confirmed we will absolutely do that.
5. But before Phase 1 can be completed and brought into operation, Government will face planning decisions that cannot be deferred, in particular to avoid losing much of the project's benefit to those parts of the country to the north of Birmingham.
6. This submission makes clear that HS2 offers a unique opportunity to recoup a significant part of expenditure and return it to HMT's account.
7. On this score, HS1 set a precedent: ultimately it was delivered on time with Government funding, and, in short order (within 3 years of completion) a valuable concession was let. To achieve a similar result with HS2, Government decisions need to be set accordingly, with due regard to a downstream financial return. The questions of pace and timing, we suggest are important, alongside delivery to budget.
8. This submission makes clear how to avoid squandering the opportunity and diminishing the value of HMT payback. We set out the decisions needed to ensure the project delivers a major boost to productivity, to wider Government aims, and to national economic growth.

The Position Today

9. High Speed Two was set in motion by the (Labour) Government in January 2009, following on from the successful completion of the channel tunnel rail link – High Speed One – to time and budget. The aim? To add capacity to the national transport system, with the London-West Midlands-North West axis forecast to be ‘maxed out’ by the mid-2020s.
10. Given its scale, implementation of HS2 was broken into phases, with the first comprising a new railway from London to the West Midlands.
11. Implementation of this first phase has gone badly, and not at all the way the supply chain would have wanted. HSRG shares a now widespread agreement that the contractual arrangements adopted for Phase 1 need to be replaced. Indeed, HS2 Ltd had put this in hand with its planned revised approach for Phase 2a, the extension of the route from the West Midlands northwards to Crewe.
12. HS2 Ltd, the Government-owned company set up to deliver the project, lost control of Phase 1 costs. The project is running two years late. There is a productivity challenge still to be faced. Newly appointed CEO Mark Wild will be held to account in delivering Phase 1, and HSRG fully understands and supports this position. He has identified the key problems to date: starting construction without mature designs; civil engineering contracts that were too large and so left all the risk with Government and an unachievable 2019 baseline.
13. The Parliamentary Powers to construct Phase 1 came laden with obligations to third parties on an unexpected and unprecedented scale. As National Infrastructure Committee chair Sir John Armitt, told the Public Accounts Committee meeting on 15th January: “a desire to meet every concern and objection over HS2 causes delays and extra costs.”
14. The most recent project costs, as presented to the Public Accounts Committee, remain in 2019 prices. Because of inflation in materials prices over the last 5 years, outturn costs are going to be much higher than today’s (2019-price base) estimate of £67bn.
15. Subsequent HS2 phases have been dropped or delayed. Uncertainties about future workload have discouraged investment which could bring productivity gains in the supply chain. The reputation of the country’s ability to deliver infrastructure has been damaged. The project currently has a whiff of failure but we believe it is possible to turn a corner.
16. The Government has recently appointed new Chief Executive, Mark Wild, as HS2 Ltd’s CEO. His fundamental endeavour is to control costs and restore public and Government confidence.
17. He has made clear there is a need for a reset at HS2 Ltd and that it will take the whole of 2025 to achieve. He has met HSRG and explained that the current arrangements including main works contracts – will need to change. It was a tough message, but one the industry accepts is needed. We will work hard to support him.

18. Mark Wild needed to achieve much the same kind of turnaround with London's Crossrail project, which also looked to be in trouble with cost control and deliverability in 2016, yet has since been completed – and launched so successfully as the Elizabeth Line.
19. HSRG and its members remain confident that a similar turnaround is achievable with HS2 and that it will come to be seen as a greatly valued national asset. It is too late to change the HS2 core design, but we suggest here that the specifications for Euston station can and should be changed, made much simpler, and that the scope for a much more cost-effective way to extend project benefits northwards is viable too.

Phase 1: London-West Midlands

20. Critics of HS2 have often said that the project should have been started in the north rather than the south. But the most challenging – and most expensive part – of the overall project on a cost/mile basis – lies in the south, accessing central London, crossing the Chilterns. Here extensive tunnelling has been found necessary. It was right to address this part of the capacity challenge first. But the full costs of meeting local objections has extended well beyond HS2 infrastructure parameters, and into a web of ongoing planning obligations (as we explain in Section 4 below).
21. Other critics argued that the time savings HS2 will bring are not worth having. They overlooked the fact that HS2 was selected, after a thorough examination of all of the policy options, as the best way to provide more transport *capacity* given forecasts showing that the nation's rail and motorway system were together reaching saturation. All options – including simply raising charges and taxes affecting travel – were considered and evaluated. A new rail line, built to operate at higher speed, was selected as the best possible approach.
22. The nation's busiest corridor is the 'west coast'. Here the railway (West Coast Main Line) is shadowed by the M1/M40 and M6 motorways. They parallel each other and link London & the South East with the West Midlands, the North West, North Wales and Scotland. This corridor is central to the effective functioning of the national economy, and is, of course, the location of HS2.
23. With increased capacity comes the opportunity to ensure that the post-HS2 railway as a whole is able to perform more reliably, offering a transformed level of dependable customer service. Much of the capacity gain is experienced on existing lines, where the removal of non-stopping long distance services (switched to using HS2) will allow more and better local passenger services at intermediate stations.
24. It also means there is scope to increase capacity for railfreight, for which Government has set a target of 75% growth by 2050, with an interim target of 7.5% in England & Wales and a minimum of 8.7% in Scotland by 2029. The West Coast Main Line is the UK's busiest railfreight route, providing the West Midlands, the North West and Scotland with hugely important connections to the UK's major ports (Southampton, London Gateway and Felixstowe). As the UK economy seeks to expand, these connections will become even more important. Efficient logistics, just as much as the travelling public, demands predictable journeys, preferably quicker too.
25. The benefits of HS2 will be felt on motorways (the M1 and M6 especially) with fewer heavy goods vehicles. Multiple local communities along the west coast corridor will benefit from more frequent, more reliable trains, operating over a decongested West Coast Main Line from their local rail stations that can be transformed into transport hubs.
26. There need be no doubt that the extra capacity that HS2 was planned to provide is needed and will be taken up. Following West Coast Route Modernisation completed in 2009, for example, journey times were reduced, service frequencies increased, and as a result passenger numbers *trebled*. This is an elastic market for rail, with the scope to win further market share from domestic air travel (so freeing up slots at London's airports for

more valuable international flights), and providing a better alternative for long distance car travel too. Travel by electric train has a much lower carbon footprint than by electric car, and is far safer.

Planning

27. HSRG welcomes the Government's plans to address problems with the planning system. Major rail projects, uniquely, are progressed through the Parliamentary private bill process, overseen by 4-person committees of MPs. For the Phase 1 Bill, the outcome has been a specification with a very high proportion of tunnelling, quite different to the arrangements adopted for HS1 across Kent. These obligations have added significantly to the project's costs.
28. Separately, a set of onerous and costly obligations have arisen downstream of the Hybrid Bill enactment. The additional cost burdens arising for HS2 have been substantial.
29. HS2 Phase 1 faced 23 Judicial Reviews (nearly all unsuccessful). It also faced and had to fund a large number of downstream agreements. Chairman of the National Infrastructure Commission Sir John Armitt told the Transport Select Committee meeting on January 15th 2025, about "a desire to meet every concern and objection over HS2" having caused delay and extra costs.
30. There have been *over eight thousand* legal agreements put in place for Phase 1 following the granting of Royal Assent to its construction. Service Level Agreements were put in place with no fewer than 29 local planning authorities, with 21 remaining active.¹
31. The local planning authorities are given two options for resourcing and recovering costs. They may either utilise their own staff time and charge HS2 Ltd based on timesheets, or request the funding of full-time or part-time positions if these roles are dedicated exclusively to working on HS2 consents and related activities.
32. Nine agreements fund various positions within local authorities, where the number of funded roles vary from one role to 15. In total, current funded roles across Phase 1 total 32, with all associated costs charged to HS2. The remaining twelve use existing staff and charge HS2 based on timesheets and expenses. They are funded for between one and three years and can be extended by agreement. In addition to these funded positions, local authorities retain the ability to charge HS2 Ltd for other roles by submitting timesheets and invoicing accordingly.
33. HS2 has also entered into approximately 20 construction agreements (contracts) with utility companies for Phase 1, and there are a further 10 'Protective Provision Agreements' that DfT has entered into with utility companies as part of the Hybrid Bill Parliamentary process. Taken together these obligations have been the source of construction delays and price inflation.
34. So, alongside Government's work on reform of the planning process through the Planning and Infrastructure Bill, we call for a parallel investigation led by the newly formed NISTA with appropriate support. This should examine the Hybrid Bill process, which is uniquely applied to rail projects (but not major road schemes, for example). Unique to the rail sector too, is the need for accompanying assessments of so-called 'strategic alternatives'.
35. The Hybrid Bill process introduces uncontrollable downstream third party legally-enforced obligations. We don't believe its functioning is compatible with Government's

wishes to accelerate the delivery of infrastructure projects, nor with the industry's ambition to be able to deliver projects cost-effectively. It certainly doesn't reflect, in contrast to other European countries for example, any recognition that HS2 should be regarded as a public utility of national significance.

36. Meanwhile, the revised programme set out for HS2 in this submission should also inform the work of the Enterprise and Growth Unit in developing the 10 Year Infrastructure strategy.

Supporting Government's key policy ambitions

HM Government's growth ambitions extend across the whole country. HS2 is crucial to:

- Economic growth
- Jobs and skills
- Releasing transport capacity
- Unlocking housing growth
- Productivity gains
- Lifting regional economies

Economic growth

37. By providing a substantial increase in transport capacity into central London and central Birmingham, the economies of both cities will be boosted with an expansion of employment capacity in both cities. In London and Birmingham city centres, agglomeration benefits will arise, helping to fuel growth in the service sector economy where Great Britain excels.
38. The beneficial impacts will spread across the wide catchment areas of the two cities in South East England and the West Midlands. Opportunities to expand visitor attractions in both cities will also increase.
39. The economy of the Oxford-Cambridge arc will also gain a boost from HS2 and the East West Rail (EWR) project which cuts across London's radial transport links. The contribution of HS2 is to enable EWR to form part of an inter-connected network of high quality rail services, by freeing up capacity on the West Coast Main Line so that many more regional rail services can make station calls at Bletchley (junction with EWR) and at Milton Keynes, with today's non-stopping WCML trains having been diverted, in effect, to HS2. This facilitates much more frequent and faster journeys between, for example, Cambridge and Birmingham.
40. Faster connections between London and the major centres of North West England and West Central Scotland will stimulate the economies of Manchester, Liverpool and Glasgow, as well as other places where HS2 services to/from London will be provided. But the combination of speed and frequency gains will go to Birmingham alone amongst regional cities which is one reason why in this submission we set out how HS2 benefits can be spread much more widely at reasonable cost.
41. It should also be noted that other nations are seeing their high-speed rail networks as a vital component in attracting sustainable tourism: HS2 can do the same for Great Britain.

Jobs and skills

42. Investment in HS2 brings direct wins in getting people back to work, building skills across the construction and engineering sectors through major apprenticeship training schemes, and through investment in plant equipment and construction procedures with enhanced productivity.
43. The contribution of HS2 is substantial. The HS2 programme is supporting more than 31,000 jobs. More than 1,700 apprentices have started their careers on the project.

More than 4,600 formerly unemployed people have been supported into work on the programme.

44. Over 3,300 UK businesses are helping to build the new railway – including companies from every region and nation of the UK. Over 90% of contracts have gone to UK businesses, of which over 70% are SMEs.
45. While these statistics are impressive and indicative of the scale of the impact on the employment sector, with construction now at the halfway stage, they will decline over the next few years. But in the meantime, the construction sector skills and knowledge base have been strengthened by HS2 for the nation's growth challenges, as well as international business opportunities, that lie ahead.
46. The HS2 supply chain has created multiple apprenticeships across engineering and other skill areas. For example, in January 2025, a new skills bootcamp designed to fast-track careers in construction was opened at HS2's Euston site. Aimed at getting local people 'job ready' in just two weeks, the intensive course offers the full training and accreditation needed to start work as a plant machinery operator. The programme is free to London Borough of Camden residents over the age of 19 and is designed to support those who are either currently out of work or are seeking a career change.
47. This is intentionally a highly localised and much welcomed initiative. London has of course benefitted from multiple major infrastructure investment projects (Elizabeth Line, Thameslink, Olympics, Thames Tideway – as well as HS2), and so opportunities for employment and skill-building in construction has blossomed. But outside the south east, so far only Birmingham has seen infrastructure investment at such scale.

Birmingham Curzon Street HS2 station and surrounding development



Image: BBC

48. Not only does HS2 create construction jobs, but the wider labour catchments around its large-scale construction sites benefit from the demand boost given to surrounding enterprises too. HM Treasury should not underestimate the benefits to local economies from HS2 construction activity, especially in the Midlands, where there has previously

been no equivalent experience to the beneficial effects on the London economy, with its list of major infrastructure projects.

Releasing transport capacity

49. Capacity will be released on the West Coast Main Line south of Birmingham when Phase 1 opens from Old Oak Common, and frequent and fast HS2 services commence. This would mean extra capacity for additional services:
 - between *Rugby and Birmingham*, with better local rail services along this key West Midlands corridor serving the commuter belt
 - across the *English Economic Heartlands and Hertfordshire*. Services over the existing West Coast Main Line can be restructured when HS2 opens. With most long distance non-stopping service switched to HS2, more train capacity and better connections can be provided at (for example) Coventry, Northampton, Milton Keynes & Bletchley (important new interchanges, as noted above, with *East West Rail*, with its services to Oxford and Cambridge), Hemel Hempstead and Watford. London will gain more commuting capacity too, and the West Midlands could become a new, more affordable, housing choice for those with an employment base in London
 - other options for improved rail connectivity would also be possible, and while not all aspirations could be met, better rail connectivity could extend more widely if part of the capacity released on the southern part of the West Coast Main Line is used to improve *inter-regional connections*, for instance including improvements in longer distance connectivity for places as far afield as Mid-Wales as well as Shropshire
 - for freight, there is scope for *more railfreight paths* from the ports of Southampton and the expanding London Gateway (and from the channel tunnel) into the major distribution hubs of the Midlands 'golden triangle', removing in the process HGV traffic from the M25 and M1 motorways and the A34/M40/A43.
50. But without some investment beyond HS2 Phase 1, as discussed below, it will most likely not be possible to provide the extra rail services long sought after across much of Warwickshire and Staffordshire, for places that include Stafford, Lichfield, Tamworth, and Nuneaton.

Unlocking housing growth

51. Housing expansion is often constrained by impacts on the surrounding transport system and sometimes declined because of likely impacts on traffic congestion levels. HS2 is already providing a spur to city centre living, where public transport/active travel is a viable lifestyle option, and is an enabler of new housing development over a wide geography.
52. HS2 allows housing growth plans to proceed more speedily *across the English Economic Heartlands*, by virtue of the capacity released by HS2 Phase 1 on the southern section of the West Coast Main Line. This railway and its stations already exist, but capacity is of course finite and not all long distance and local/regional passenger services *and* railfreight can be accommodated. Building HS2 allows operation of local services that can support a string of new developments. This is an opportunity ruled out currently by the volume of non-stopping long distance intercity services. Housing

development that can rely on rail services to London and other employment centres takes pressure off busy, sometimes already congested, roads and can take away the need for investment in extra highway capacity, otherwise needed to support new housing plans.

53. Housing expansion in the *cities served directly by HS2* is already underway. In Birmingham, since Royal Assent was granted for HS2 Phase 1 in 2017, a major expansion of floorspace, both commercial and residential is already visible around the Curzon Street development site, with a +484% increase in the number of new homes planned.²
54. In London, the framework for Old Oak and Park Royal creates a new dense mixed-use area with capacity for 25,500 new homes, triggered by the HS2 station at Old Oak Common. No doubt, the anticipation of HS2 services is also a factor spurring the astonishing expansion of floorspace in central Manchester. Since 2018, Manchester and Salford has delivered 22,000 new homes, a period that will be remembered for the advent of high-rise living in the North West.³
55. HS2 should play a key part in the delivery of the Government’s plans to accelerate the delivery of new housing through the creation of a series of new and expanded transport hubs. These become feasible at the major cities served by HS2 and at places that will either gain new HS2 train services or which are served by railway stations where, once HS2 is operational, a better, more frequent train service becomes possible – as shown in the table below.

Transport hubs for sustainable housing growth

Major cities served by HS2	Places with planned HS2 services on existing lines	Places that could gain better rail services using HS2 released capacity
London (Euston)	Stoke-on-Trent	Rugeley*
London (Old Oak Common)	Stafford	Lichfield*
Birmingham (Curzon Street)	Crewe	Tamworth*
Birmingham (Interchange)	Runcorn	Polesworth*
Manchester (Piccadilly)	Macclesfield	Atherstone*
Liverpool (Lime Street)	Stockport	Nuneaton*
Glasgow (Central)	Warrington (Bank Quay)	Rugby
	Wigan	Long Buckby
	Preston	Northampton
	Lancaster	Wolverton
	Oxenholme (Kendal)	Milton Keynes (Central)

	Penrith	Leighton Buzzard
	Carlisle	Cheddington
	Motherwell	Tring
	Wilmslow	Berkhamsted
		Hemel Hempstead
		Apsley
		King's Langley
		Watford (Junction)

Note: asterisk denotes places that need the HS2 extension north to Crewe or some other rail infrastructure improvements to benefit

Productivity gains and regional economies

56. The expansion of transport capacity into city centres supports the potential for agglomeration benefits. This has been well-researched by the National Infrastructure Commission⁴ and by the Centre for Cities⁵, which showed that:
57. “The UK’s largest cities outside the Greater South East are principally responsible for both the North South divide and the UK’s poor productivity”⁶.
58. Our major regional cities have smaller labour market catchments than is typical in other European countries and lower levels of central city employment as a consequence. The London and Birmingham economies will both benefit substantially from HS2 (Phase 1) because HS2 helps address this effect. In the case of London, the full impact will however only be achievable once HS2 services reach Euston.
59. Productivity levels are very different in the two cities. Data from 2022 puts gross value added (GVA) per job in London at a level 45 per cent above the national average, whereas GVA per job in Birmingham 4 per cent was below⁷. HS2 Phase 1 should give a huge boost to the Birmingham and wider West Midlands economy, boosting city (and regional) productivity levels, estimated to be worth +£10bn over a ten year period from 2024⁸.
60. Child poverty is also an important indicator of economic well-being. While there has been a significant improvement on this score across London in the last 10 years, the Resolution Foundation found that in 2022-23, across the West Midlands, child poverty levels remained high, with 48 per cent of families in poverty In Birmingham, 47 per cent in Sandwell, and 46 per cent in Wolverhampton and Walsall. This is recognised as an area to be tackled as part of Governments’ growth strategy.⁹ The stimulus HS2 is already bringing to the West Midlands economy will undoubtedly help.
61. For the North West, if HS2 is left unfinished at Phase 1, there is no capacity gain and expansion of commuter services that would improve access to jobs and education is not feasible. For every HS2 service provided to the North West, an existing train service has to be taken out, because the rail network that HS2 trains must use between the West Midlands and the North West is already operating at capacity. Neither will service punctuality and dependability improvements be possible, in the absence of measures to relieve crucial network capacity constraints. Scope for agglomeration and productivity

benefits in the cities of the North West would be limited to the advantages that come from shorter journey times to London. This is still valuable. Better connectivity delivered by faster HS2 train services make it more attractive to locate businesses outside London, where rental costs are lower, enhancing national business competitiveness.

62. But inhibiting the scope for HS2 infrastructure to reach the North of England would be wasteful.
63. Two combined authority Mayors (Greater Manchester and West Midlands) came together in Autumn 2023 to address the implications of the previous Government's cut-backs to HS2. Their work was supported by private sector expertise (freely given) and was chaired by Sir David Higgins. In their economic assessment, it was estimated that the West Midlands and Greater Manchester economies could be £40-70bn larger if they were performing at the UK average or in line with peer cities in Europe which enjoy high-speed rail connections. With the UK's 'tax-to-GDP' ratio at roughly 35%, this suggested that c.£14-24bn in additional tax receipts could be generated annually if this regional economic performance uplift was achieved, releasing funding for a whole host of vital public services.¹⁰
64. In summary, HS2 will do all of the following:
 65. contribute significantly to the Government's economic growth aims
 66. stimulate productivity levels
 67. encourage private sector investment
 68. support sustainable housing expansion plans
 69. stimulate lagging regional economies, providing jobs in the North
 70. provide relief to congested motorways with fewer HGVs, with intermodal freight transferred to rail.
71. But each of these policy wins currently comes with a caveat of uncertainty and the risk of the extent of HS2 benefits being compromised, as we discuss in the remainder of this submission.

Returning value to the public account

72. We have summarised the way in which HS2 can make a central contribution to Government's growth agenda. There is no other capital project that will deliver such a significant economic stimulus by 2035. Neither is there the prospect of any other investment yielding up such a significant cash payback to HM Treasury. The precedent of the concession let for HS1 remains unmatched in terms of value.
73. Alongside HS2's contribution to the growth objective which has already started ahead of service introduction, it has a unique attribute: it offers an opportunity to secure a major private sector payback to the Government account. The scale of this payback depends on the number and quality of the train paths it creates.
74. As has been noted, some of the economic gains that were envisaged from HS2 cannot be delivered by Phase 1 shorn of its central London terminus. And those sections of HS2 that *are* proceeding currently will unfortunately not result in a net increase in network capacity where it is most needed – across the worst pinch-point in the west coast corridor, which is in Staffordshire. This lies in Phase 2a territory, beyond the reach of Phase 1.
75. The lack of a central London terminus weakens the value of HS2 train services, all of which, on current plans, will need to terminate at Old Oak Common in West London. This station, not designed to act as a terminus, can act as a partial, interim, stand-in for Euston, but it cannot reliably accommodate the full Phase1 service plan.
76. Onward connections into London will depend on a single route, the Elizabeth line, which provides useful connections west along the Thames Valley and into Heathrow Airport – connections which lay behind the original decision to include a station at Old Oak Common on HS2. Excellent though investment in the Elizabeth line has proven to be, sole dependency on its
77. use as the only feeder line for HS2 services would be unwise. It introduces an unwanted vulnerability to the dependability of HS2 journeys. And it risks overloading the already busy cross-London route.
78. At the other end of the Phase 1 route, the extension to Crewe (HS2 Phase 2a) allows services between London/West Midlands and the North West/Scotland/North Wales to be expanded. Without it, for every HS2 service that reaches North West England, an existing service needs to be withdrawn. This is because no more trains can be added to the West Coast Main Line pinch-point in Staffordshire. And the whole idea of HS2 is to add capacity to relieve existing network pressures.
79. One of the implications is that the HS2 plan for Birmingham-Manchester HS2 trains has to be dropped: there are no suitable services today that can be removed to release track capacity for them.

The value-for-money challenge

80. We have thought long and hard about how to overcome these two HS2 capability shortcomings at minimum cost to the public account.

81. The question we set for ourselves in this submission, and we ask Government also to consider carefully is this:
82. **“What is the minimum scope HS2 that best delivers a boost to the national economy, including by providing a sizeable cash return to the Treasury account?”**
83. First, we noted that it is the commercial value of the new HS2 train paths that will form the basis of any financial arrangement by which Government can recoup a significant part of its capital outlay on the project.
84. And secondly, the real world value of any HS2 train path is diminished if it means that any existing train path must be squandered.
85. The implication is this: setting the limits of HS2 infrastructure – and therefore the train path capacity it can deliver – needs to be determined not by hurried political judgement, but with care and a concern for timescale as well as budget.
86. We believe that the answer to the question posed is therefore this:
87. **“to complete those parts of HS2 for which Parliamentary powers have been obtained and a start has been made on preliminaries such as land acquisition.”**
88. These parts are those sections of route where some capital outlay has already been made, and where planning risks are substantially overcome.
89. This equates to a line that connects London Euston with Birmingham and Crewe, a scope that can form a truly valuable addition to the national rail network, with which it must of course be fully integrated.
90. Any and all of the other earlier plans for a wider HS2 network can be put aside for now. Although, as we point out below, inescapably there are choices to be made about whether to protect the possibility of long term (post-2035) additions to the Euston-Crewe core line.
91. This formulation allows prompt progression towards a post-completion, competitive tender for a London (Euston)-Birmingham and Crewe concession, to secure a financial return to HM Treasury without wasting potential value at the earliest opportunity.
92. That means that Phase 2a, or rather, as we describe below, an equivalent scheme built to a less costly specification, together with the Old Oak Common - Euston section of Phase 1 would need to be included along with the remainder of Phase 1 as a basis for a concession offer.
93. This is HS2 reduced to a coherent minimum, properly conjoined with the national rail network. In this form, the opportunity exists to provide dependable extra capacity between Central London and the West Midlands/the North. It requires only those sections of route for which Parliamentary powers already exist. Nothing more.
94. As we explain below, both of these segments of HS2 should be deliverable at lower cost than previously envisaged, with scope changes and revised contractual arrangements to secure cost management and control.

Timescales

95. To attempt a sale ahead of delivery of this coherent package would constrain the number and quality of paths on offer, inhibit bidders and risk significantly reducing the concession value payable to HM Treasury. Offering to the marketplace a Phase 1 railway without its Central London terminal at one end and with a connection into the worst pinch-point on the West Coast Main Line (WCML) at the other makes no sense. It would be a wasted opportunity to maximise the return to Treasury.
96. It would also be bad for passengers who, when travelling on HS2 would be subject to the same operational uncertainties that affect today's busy WCML. The purpose of HS2 is to add capacity and to ensure the reliable operation of rail services. The lost opportunity would extend beyond those choosing to use HS2 services to many of those communities that can be provided with better local rail services and to car users for whom the prospect of a major switch of HGVs from motorways to railfreight would be most welcome.
97. To attempt a sale when HS2 trains would operate from a temporary terminus at Old Oak Common, in the absence of a London terminus, risks losing two thirds of the passenger revenue on offer from a railway completed to Euston.¹¹
98. The implication is that Government funds to recommence (a revised version of) the Phase 2a scheme and to construct the now scaled-back Euston HS2 station need to be provided without further delay. The later these are delivered, the later would come any large-scale financial returns to the Exchequer.
99. It had been (from 2014 onwards) an aim to have Phase 2a delivery catch up with the much more expensive, higher cost/mile Phase 1 scheme. While Old Oak Common was always seen as a possible temporary terminus for a modest start-up trial service, it was never intended to act as a full-scale terminus.
100. The decision in Autumn 2024 to construct the HS2 tunnelled route from Old Oak Common to Euston was most welcome – as well as being a necessary precursor to being able to build the station at Old Oak Common where the tunnel boring machines destined for Euston have been stored in the meantime.
101. As of today, the tunnel boring machines (TBMs) are being prepared to commence the drives from the Old Oak Common station box. The operational requirements of the HS2 terminus at Euston have been scaled back, but are now well understood. The issue (discussed below) is how to ensure the station is delivered as soon as realistically possible given this is one of two outstanding segments of HS2 that are needed to ensure that the full market value of the concession (or other equivalent arrangement with private sector investors) can be achieved without delay.

Recouping a valuable financial return to HM Treasury through an HS2 concession.

102. The value of a concession let for a London-Birmingham/Crewe railway will only be known when the competition for it is run. One preliminary estimate puts its value at between £7.5bn – £10bn.¹²

103. The concession let for High Speed One (channel tunnel rail link) is a useful precedent. It provided a multi-£bn payback to the Government account when it was let on a concession basis, just a few years after it was completed and high-speed services were operating. There was in effect a Government commitment to core service levels which included a transformed commuter service offer for Kent (along with a 30% premium on fares), but there remained risk for the concession holder as well as opportunity (if additional train paths could be sold, using the route's spare capacity).
104. The HS1 concession was let competitively and achieved a price of £2.1bn. We are not aware of any other type of infrastructure investment or capital project that is capable of returning cash sums to the Government account like this. The HS1 sale price equates to around one third of its capital cost.
105. Government may choose to follow a different model to that selected for HS1. There are other ways to achieve a cash return to Treasury, and the choice of approach in essence rests on the private sector appetite for revenue risk. Or it could be left in the public sector as per Network Rail. But if a private sector path forward is adopted, the £ value returned to the Government account will depend on the net commercial value of the train paths created. A concession let without Euston and without a solution to the railway network's pinch-point in Staffordshire, it has been estimated, might offer only 30-40% of the value achievable with these limitations overcome.¹³

Sequencing

106. Rail Minister Lord Hendy, speaking to the Transport Select Committee on December 11th 2024, said, when asked about Phase 2, that Phase 1 must be 'fixed' first. While Euston HS2 station is a part of Phase 1, the scheme from Fradley Junction (near Handsacre village in Staffordshire) that extends HS2 to Crewe is designated as Phase 2a. Both of these parts of the project (Euston and Crewe) are currently stalled, but they both have Parliamentary powers and have already acquired properties.
107. We understand that Government will want to see evidence that HS2 is being brought under control. The reset planned by new CEO Mark Wild is likely to take the whole of 2025. This will bring, no doubt, a revised time-plan and budget, which needs to be reset from its current value which remains set in 2019 prices. Completion of Phase 1 will be in the 2030s (year unknown).
108. The powers to acquire further parts of the Phase 2a alignment elapse in early 2026. These must not be lost. The currently suspended safeguarding obligation should be reinstated.
109. To maximise the financial return to HMT, and to avoid any diminution of concession value, in calendar year 2025 there must be a return to a rational project delivery timeline, which includes key HS2 features – a central London terminus and a route extended sufficiently far north to bypass the Staffordshire railway pinch-point. At the same time, we recognise, CEO Mark Wild must not be distracted from the task of his planned project reset that HSRG fully supports.
110. This calls for a clear programme of action in 2025 with:
 - a. the re-set of the Phase 1 project in 2025 as planned, *alongside*

- b. the formulation of a plan to adopt and deliver a scaled-back version of the Phase 2a alignment, using existing planning powers where available, *and*
 - c. establishing a delivery route for a scaled-back version of the HS2 station at Euston.
111. Given prompt action on delivery of a scaled-back Phase 2a and a simplified Euston alongside successful completion of the Phase 1 railway following the necessary reset, we believe a hugely valuable HS2 concession could be let by 2035. There is no time to lose in establishing how best to complete the project into its best value format.

Cost management and cost minimisation

112. HS2 Phase 1 has required a very substantial capital outlay, we recognise. There has been significant inflation in construction prices since work started, so a large inflation-based step-up in construction cost inescapably lies ahead.
113. HSRG committed at its Steering Group held in January 2025 to support fully the reset of HS2 Phase1 being led by HS2 Ltd CEO Mark Wild.
114. Euston HS2 station and the West Midlands delta junction aside, it is too late to change the specifications of the *Phase 1* infrastructure, which is roughly half way through the civil engineering construction phase.
115. The parts of the scheme that have powers but are currently suspended are different.
116. HRSG proposes that both the route north *towards* Crewe (note emphasis) and the station at Euston should be built at minimum reasonable cost, to designs that support the integrity of the planned HS2 train services and nothing more than that. The era when HS2 was expected to deliver a whole ream of outcomes that are not essential to its purpose must be brought to an end. A lot of cost has gone into esoteric and unnecessary schemes, adjuncts to HS2 that have never been subject to value for money assessments: literally ‘nice to have’, but ruinous for budget management.
117. There are specification changes that can be made both for HS2 at Euston and for the ‘onwards towards Crewe past the network pinch-point’ sections of the project, as outlined below. The aim should be to have these two sections complete as soon as possible, aiming as far as possible to catch up with the timescale of delivery of the Phase 1 route between Old Oak Common and Handsacre.
118. Unless these critical parts of HS2 are provided, HS2 will not deliver a significant spur to the national economy north of the Midlands, will not be able to release capacity locally and nationally across the transport system, nor will it realise its potential concession value.
119. As of now, HS2’s budget is set and managed separately from that for the national rail network and it is surely right to continue with this separation.¹⁴ There are major renewals that Network Rail has in hand for the national network from Crewe northwards to Glasgow, replacing 50-year old electrification and signalling systems. The first part of the re-signalling works at the southern approach to Crewe has recently been completed¹⁵.

Onwards towards Crewe

120. The line north to Crewe was known as Phase 2a and Parliamentary powers for it were obtained on February 11th 2021. The most recent published cost estimate for Phase 2a is £3.72bn in 2015 prices.¹⁶ Works on this section were frozen in March 2023 but it is reported that £1.25bn has already been spent on it.¹⁷
121. HS2 Phase1 joins today’s national rail network near the village of Handsacre in Warwickshire. Here, its connection to the West Coast Main Line allows trains on HS2 from London to continue over existing tracks to Manchester, Liverpool, Preston and

Glasgow.

122. But this connection is made just shy of an existing railway bottleneck. For every HS2 train that joins the network at this point, an existing service has to be removed. There was a belated recognition of this far-from-ideal situation eleven years ago. To address this short-coming, HS2 Ltd decided to split the Phase 2 route onwards to Manchester into two sections, and accelerate delivery of its southern, less costly, component as far as Crewe.
123. The southern section from Handsacre to Crewe – Phase 2a – bypasses the network constriction and its planning was duly accelerated through the Parliamentary Bill process so that it too could be available at the same time as – or shortly after – Phase 1 was complete and available. Its Powers were obtained through the Hybrid Bill process and around 60% of the land needed for its construction has been purchased.¹⁸ This is a much simpler section of line to construct, across a rural area, with minimal tunnelling.
124. Ministers have recently told the Transport Select Committee that they are currently studying the choices, while:
“maintaining ownership of the current landholdings on the former Phase 2A route from Handsacre to Crewe while this work is underway.”¹⁹
125. Meanwhile, the Mayors of Greater Manchester and West Midlands Combined Authorities last year commissioned an examination of options along the corridor between the two city regions, which happen to be the UK’s 2nd and 3rd largest.²⁰
126. They concluded that for this section of HS2, it is appropriate to adopt a lower maximum line-speed than has been adopted for HS2 Phase 1, probably set at 300km/h. This is more in line with practice across Europe. It would mean incurring a modest increase in HS2 journey times, but it allows useful capital cost reductions.
127. Construction would be on ballasted rather than concrete track beds and this is itself cheaper and reduces the need for large-scale earth moving to form a suitably strong base for concrete. In a further saving, structure gauge clearances would be tightened now that it is clear that HS2 trains will all be built to a standard UK gauge. (This rules out future adoption of higher capacity bi-level trains for use on HS2; these are common in France but bring their own accessibility issues.)
128. The Phase 2a section of line is clear of any significant urban area, and has only one section of tunnelling, so its cost/mile is much lower than that for Phase 1. The two specification changes noted above offer further significant savings.
129. And we suggest there is more. The route northwards can be shortened to connect with the West Coast Main Line some 10 miles to the south of Crewe rather than on the approaches to Crewe station itself. Avoiding this section of HS2 line (about 25% of Phase 2a route length) that was primarily to be built on structure yields the potential for a further substantial cost saving (although no estimate is currently available).
130. A connection made further south, while being a money-saver, would need planning powers not provided in the Phase 2a Act. These might be best pursued by a local planning application using the Transport and Works Act processes, which can be speedier, but this does introduce some timescale risk. This option should be examined

right away – i.e. during 2025.

131. HS2 Ltd has already established a better approach to managing construction. For Phase 2a it had established and shortlisted suppliers with a 'Design and Delivery' contract which transfers risk, aligns incentives and helps ensure that the private sector delivers to timescale and budget. It remains ready to go, although will need to be re-tendered with a revised scope specification.
132. A capital cost reduction overall from these management and scope changes of around 35% should be feasible. Only an indicative cost for this revised version of the Crewe connection can be given, which we would estimate at around £4bn (in 2023 prices).
133. Improvements at Crewe station itself that were earlier envisaged to form part of the HS2 project, as well as points further north will be for Network Rail's budget. There is little doubt that the need for renewals of the fabric of Crewe station are now inescapable.
134. Currently a 50 year life essential renewals programme is in hand for the line northwards from Crewe with limited enhancements where they represent value for money. But these renewals, by providing a replacement signalling system (ETCS) and strengthened electrical power supply, allowing better, in some cases potentially faster, and throughout, more reliable, train services. This is crucial to the success of HS2 operations, where the entry onto HS2 of trains that have transited the 243 mile section of existing line from Glasgow to Crewe inevitably carry the greatest risk of out-of-turn timing presentation.
135. In summary, the aim will be to build and deliver this shortened and revised specification section of line around the pinch-point in Staffordshire without further delay so that the wider economic benefits especially to the North of England can be realised (as well as to the string of towns between Rugby and Stafford where local rail services can then be improved) at the same time – or soon after – the rest of the HS2 route south to London is completed. The original Phase 2a contract that allowed for risk transfer and brought forward design specification, will also benefit from marketplace appetite as current HS2 civil engineering works wind down.

Euston

136. Tunnelling works towards Euston from Old Oak Common were restarted in October 2024. The design includes provision of grade-separated approach tracks which allow for parallel operation of arriving and departing HS2 trains into the terminus platforms at Euston. This is what allows the station to support up to ten trains/hour (and possibly eleven) out of 6 purpose-designed platforms, all set at 400m length to accommodate long HS2 trains. Parliamentary powers for the construction of Euston HS2 station were provided for in the HS2 Phase 1 Act²¹.
137. This is a smaller station design than when Euston HS2 station was reviewed by the National Audit Office in 2023. Then the design was for a 10-platform station, with provision for over-site development, and its cost was stated by the NAO in 2023 to be £4.8bn.²²
138. Here we suggest what's needed is a plain vanilla design and specification approach to a smaller HS2 station: not a statement design, only what's needed for the expected high

volumes of passengers who need to be accommodated safely and carefully. With a unified concourse serving HS2 as well as Network Rail platforms, there is no need to plan for dedicated 'HS2' customer or retail facilities.

139. No cost has been published for a 6-platform Euston station, nor for a purely functional design. But by reference to the NAO 2023 estimate for a larger and more elaborate design, it might be in the range £2.75-3.75bn (2023 prices).
140. With a smaller footprint, the case for over-site development is reduced in respect of the HS2 station. In any event, assuming public sector funding of this scaled-back Euston HS2 station, the costs of facilitating it should not fall to HMG/HS2.
141. The wider Euston station area regeneration project includes updating the Network Rail station, upgrading access to London Underground platforms, creating a transport hub with enhanced provision for bus, taxi and cycle access, fashioning a major over-site development with both commercial and residential components and (no doubt) continuing to protect the Crossrail 2 alignment. Euston is surrounded by leading life science organisations, and creating the space for an expansion of floor-space for this key growth sector is an exciting ambition. HS2 will bring top class connectivity to the rest of the country for this site and its immediate catchment.
142. The opportunity to create a specialist business district at Euston has been triggered by HS2, and since October 2023, the presumption has been that the new HS2 station should be funded by the private sector, as part of the overall regeneration plan. Whether this is practicable without co-funding from Government has been questioned. This issue need not detain us here, because the presumption of Euston-specific private sector funding anyway sits uneasily alongside an HS2 private sector concession which would, of course, naturally include Euston station. And crucially, a separate funding package for Euston (assuming one could be achieved) risks delaying the start of Euston HS2 works which in turn risks pushing back the timescale for the start of HS2 services to/from central London and, so, critically, the concessioning of the HS2 infrastructure as a whole.
143. In short, we suggest it is not in the interests of HM Treasury to seek development-based funding for the HS2 station component of the envisaged wider Euston development. Meanwhile, significant contributions may well be appropriate for the planned major refurbishment of the Network Rail estate at the station (an approach that has been adopted successfully in other major Network Rail station enhancement projects in London).
144. What is needed now is for the *HS2 station design to be kept simple with its early delivery to be prioritised*. Steps may need to be taken to ensure that any aspects of the wider regeneration programme, for instance the costs of creating entirely new access routes from the west across the HS2 station site, are funded by the wider site regeneration programme and that any such works do not delay the implementation of the 'plain vanilla' Euston HS2 station.
145. At Euston, what is needed is a simple HS2 station, not an iconic design. Its specification and delivery should be separated out from wider regeneration/commercial plans to avoid unwanted delay to realising the benefits of HS2. The suggestion it could be funded

from the wider Euston development risks a lengthy delay, and complicates the opportunity to make a success of concessioning the line.

Longer term developments

146. Our submission is designed to ensure that places to the north of Birmingham as well as to the south benefit from HS2 investment. The approach outlined relies very substantially on planning powers already granted through the Parliamentary Hybrid Bill process. Longer term high-speed rail ambitions are put to one side for now.
147. Here we briefly summarise possible developments of the HS2 network beyond Euston-Crewe in later decades. This is needed even though there is no plan to implement them because completing the core sections of HS2 as described here will require decisions to be taken on whether provisions should be made for later high-speed rail extensions. The absence of a long term view can lead to unnecessary costs and a presumption of a need to safeguard, for instance, an expansion of HS2 service intensity in the decades that lie ahead. So this is about protecting options for future Governments, and any costs arising.
148. High Speed 2 had been conceived as a 'Y' shaped network. As the costs of Phase 1 have risen and risen again, ambitions have been progressively cut back. Twelve years ago, it was seen as a national network, with connections to Scotland achieved by operation of HS2 trains across the English border on existing lines.
149. The sections of planned HS2 route dropped at various stages are:
 - a. A spur to Heathrow Airport
 - b. A connection from Old Oak Common to HS1
 - c. The Eastern arm which connected the West Midlands with the East Midlands and Yorkshire with a terminus in Leeds and a separate onward connection towards York and the North East
 - d. The Golborne spur which provided a bypass of Warrington and connected HS2 from the south with the West Coast Main Line further north at Golborne (part of Phase 2b).
150. None of these further sections of route have obtained Parliamentary powers. But there have been land acquisitions in some places, and decisions could be taken on re-selling such properties (for which there is a due process to follow), so returning value to the public account.
151. Now part way through the Parliamentary Bill process is a surviving section of the Phase 2b project from Crewe to Manchester. The northern half of this part of Phase 2b has been entwined with a proposed 'Northern Powerhouse Rail' new line from Liverpool to Manchester via Warrington.
152. This was included in the examination of how best to connect the West Midlands and Greater Manchester in the study carried for the Mayors of the two combined

authorities.²³ This is the report that usefully identified ways to reduce the capital costs of Phase 2a (the Staffordshire Connector).

153. The matching component (the Cheshire Connector), which provides a new high-speed line from Crewe onwards to Manchester, does not form part of this submission. Its implementation would be costlier (it involves two new HSR stations and a lengthy tunnel under south Manchester). Its specification, in our view, is not separable from the wider development needs of the rail network in Manchester, which are considerable and include accommodating improved services made possible by the Trans-Pennine Route Upgrade (TRU), now underway. We take the view that a wider planning assessment of Manchester and the North West is needed, encompassing the national rail network; Greater Manchester's Bee network; Manchester Metrolink and aspirations for its expansion; and cover the need for railfreight as well as passengers.
154. But the question inescapably arises as to whether or not today's Government wishes to enable any future Government to return to implement any of the once-planned (or indeed other) extensions to HS2 in the decades that lie ahead. The costs of keeping such options open may include:
 - a. costs associated with land acquisition and retention (in advance of planning powers)
 - b. implications for other planned developments which may interact with identified future HS2 rights of way
 - c. the costs of passive provision for connections for later extensions to the (Parliamentary-approved) Euston-Crewe high-speed railway
 - d. additional infrastructure costs to provide or safeguard the possible later expansion of the network and of service levels over HS2: these might arise at stations and at depots, and also may affect the specifications of power supplies, systems etc.
155. There are just three areas where we believe HM Treasury should be aware such longer term development issues of some significance may arise with HS2 infrastructure being delivered as a Euston-Crewe project. These arise:
 - a. at **Euston**, where the possibility of increasing service frequency in future above the 10/11 trains per hour that can be supported by the 6-platform station layout would be triggered by either of the following developments:
 - i. addition of the *Eastern arm* which would accommodate high-speed services from the North East, Yorkshire, and East Midlands to London using HS2 (providing capacity relief to the East Coast Main Line and the Midland Main Line) – or a variant to it, such as a connection from HS2 to the Birmingham-Derby line
 - ii. route capacity increases *north of Crewe*, whether provided by line of route improvements or new infrastructure (high speed or conventional), especially into Manchester where the rail network and terminus capacity is under greatest strain, but also along the West Coast Main Line northwards to Liverpool, Preston, Carlisle and Glasgow
 - b. at **Birmingham**, both at the 'Delta junction' and at Curzon Street HS2 station, where decisions will be needed in due course as to how many platforms are to be commissioned. The plans allow for up to seven, but they are not all needed

(and not all are now being commissioned) unless capacity is also needed to provide additional high-speed services (such as Birmingham-Manchester, for example, which are precluded in the absence of Phase 2a/2b, and which are not facilitated by the approach to HS2 proposed here). This would similarly affect the question of whether to complete the west to north segment of the West Midlands 'delta' junction, currently stopped in part-built form, but which is also needed if Birmingham-Manchester or Birmingham-Glasgow HS2 services are to be accommodated in future, *and*

- c. at the planned depot facilities at **Washwood Heath** in Birmingham. Currently this is planned to be a single full train maintenance depot. There could be changes to the rolling stock deployment plan if train lengths are constrained by the absence of HS2 400m platforms (in Manchester in particular).
156. The Euston case (needing to accommodate more than 10/11 HS2 trains/hour in future) can be addressed by the long-standing 'Euston HS2 Stage 2' plan which would see some platforms from the less used western part of the Network Rail station at Euston taken out of use (once long-distance WCML Pendolino trains have been in effect replaced by HS2 trains) and rebuilt as additional HS2 platforms. But this may create some contingent costs for the redevelopment of the Network Rail station and its associated development in the meantime. Are these costs that Government is prepared to bear to protect the option for future HS2 growth?
157. This is a judgment that calls for some form of Government vision (if not plan) for the future roll-out of high-speed rail in the decades ahead.
158. The two issues in the West Midlands – at Curzon Street and Washwood Heath – depend on HS2 train service and fleet deployment decisions, as noted above. Meanwhile, confirmation that passive provision for future connections are or are not needed – northwards from Crewe, and in the West Midlands for either if two possible links the East Midlands – would be most helpful, and help ensure unnecessary contingencies need not be provided for.

Capital cost savings

159. HS2 scope changes for the Crewe connection and for a scaled-back and plain vanilla design for Euston station together yield savings based on very preliminary estimates of over £3-4bn (at 2023 price levels).

Conclusions

160. The HS2 project budget has been broken, and the Phase 1 scheme is running well behind schedule.
161. High Speed Group accepts and supports the need for an HS2 reset as planned by HS2 Ltd's newly appointed CEO, Mark Wild.
162. Our core message in this submission to HM Treasury is this: we are proposing Government should plan to maximise HS2's concession value at minimum cost. There is currently a risk of over-reaction and cutting HS2 short, and as a result, diminishing both the national economic growth stimulus HS2 provides, and short-changing the national account.
163. The notion that new high-speed rail infrastructure is affordable *for the whole nation* we are putting to one side for later consideration in Government's forthcoming 10-year infrastructure strategy.
164. Our submission highlights where costs can be saved going forward, where better construction management approaches can be adopted and where the scale of HS2 Ltd spillover funding of local authority planning/legal teams needs to be curtailed and public utility consequential expenditure better controlled.
165. We ask Government and HM Treasury in particular to note that:
 - a. The rationale for HS2 was always, and remains, to increase the capacity and reliability of the national transport system. We believe that alongside acting as the guardian of the public purse, HM Government should recognise the need to act as champion for this so significant enhancement of the nation's transport infrastructure.
 - b. The project will help drive the Chancellor's national economic growth aims. The prospects for North West England can be transformed by HS2 as well as for the West Midlands; those of North Wales and Scotland are boosted too.
 - c. High Speed Two, uniquely amongst the portfolio of Government capital projects, offers HM Treasury the prospect of a major multi-£bn return to its account from concessioning the HS2 infrastructure once it is complete, following the successful example of HS1.
 - d. HS2 can be (and needs to be) reset to an irreducible Euston-Crewe core. While Phase 1 has proven to be costly, all of the strictly necessary HS2 infrastructure is now funded with two exceptions that now *should be* funded by Government:
 - i. the connection from the West Midlands to Crewe without which HS2 adds to rather than relieves the pressure on the busy West Coast Main Line, and which is deliverable at much lower cost/mile than the original Phase 2a scheme
and
 - ii. Euston station, built to plain vanilla specification.

- e. For both of these sections, we have identified how these pieces of the HS2 jigsaw can be provided at significantly reduced cost. They have the necessary Parliamentary powers; land has been acquired and they should be progressed in the national interest without further delay. For these sections, we estimate cost savings over earlier plans to be as much as £4bn (at 2023 price levels).
- f. Other planned sections of HS2 that don't yet have Parliamentary powers we suggest should be set aside for now. In due course, NISTA and DfT/GBR should bring forward an updatable long term vision for rail.
- g. Between the West Midlands and Crewe, HS2 Phase 2a has extant Parliamentary Powers but they are time limited. Time is short. Decisions are needed by next year, making sure the cost saving opportunity is not lost for want of planning powers. Early work on-site such as boreholes etc need to be looked after. The case for shortening this section of line needs a rapid assessment with progression via a Transport & Works Order process if it is viable.
- h. The value of an HS2 concession to HM Treasury will be halved (or worse) without these two relatively short sections of route (into Euston station and to Crewe).
- i. The Euston-Crewe HS2 line will provide additional national transport capacity between London, the West Midlands and the North West. It will provide a major stimulus to Government's economic growth ambitions.
- j. National credibility has been damaged by the failure so far to deliver HS2 to timescale and budget. High Speed Rail Group fully supports the appointment of new CEO Mark Wild to HS2 Ltd, and recognises and supports the challenge he faces in delivering Phase 1 to budget. We endorse the reset he has called for.

166. We ask HM Government to instruct HS2 Ltd to extend safeguarding/land acquisition of HS2 Phase 2a without delay; and to instigate a rapid review of the scope for cost saving identified here, including by shortening the route; and to agree a re-specification of what's needed to deliver a line towards Crewe from Fradley with a reduced top line-speed

167. We ask HM Treasury to provide the funding needed to complete the Euston HS2 6-platform station, having extracted it from the wider development opportunity in the area and ensured its design is simplified to a plain vanilla approach

168. We ask HM Treasury and the Department for Transport to undertake a preliminary examination of market interest in whatever approach it wants to take to achieve a financial payback from its major public investment in HS2 infrastructure, learning whatever lessons are available from the earlier HS1 concession.

References

- ¹ The 29 Local authorities listed in relation to land acquisition are referenced in a schedule to the Phase 1 Bill, see source: http://data.parliament.uk/DepositedPapers/Files/DEP2018-0864/180822_Phase_1_Directions_LPA_guidance.pdf
- ² From Trains to Cranes: HS2 and the West Midlands' development boom, February 2024 <https://assets.hs2.org.uk/wp-content/uploads/2024/02/HS2-West-Midlands-Prospectus-Feb-2024-Web.pdf>
- ³ <https://www.thebusinessdesk.com/northwest/news/2128142-strong-residential-development-at-heart-of-manchester-construction>
- ⁴ <https://nic.org.uk/studies-reports/rail-needs-assessment-for-the-midlands-and-the-north/>
- ⁵ <https://www.centreforcities.org/reader/office-politics/the-impact-of-agglomeration-on-the-economy/>
- ⁶ <https://niesr.ac.uk/wp-content/uploads/2021/11/Centre-for-Cities.pdf>
- ⁷ Resolution Foundation <https://www.resolutionfoundation.org/publications/uneven-ground/>
- ⁸ From Trains to Cranes – see ii above
- ⁹ “Ensuring millions of children and young people are not held back is also crucial to economic growth.” <https://www.gov.uk/government/publications/tackling-child-poverty-developing-our-strategy/tackling-child-poverty-developing-our-strategy-html>
- ¹⁰ <https://www.midlandsnorthwestrailink.co.uk/>
- ¹¹ Demand forecasts suggest that two thirds of HS2 passengers would choose Euston, one third Old Oak Common.
- ¹² <https://www.greengauge21.net/gaining-a-financial-return-from-hs2/>
- ¹³ *Ibid.* See reference 11 which includes a preliminary analysis of possible HS2 concession value and also shows the likely reduced value to Treasury of a concession based on a curtailed HS2, rather than a Euston-Crewe line
- ¹⁴ As recommended in the National Infrastructure Assessment (published in Oct 2023) <https://nic.org.uk/studies-reports/national-infrastructure-assessment/>
- ¹⁵ <https://www.networkrailmediacentre.co.uk/news/new-digital-era-begins-for-train-traffic-control-through-crewe>
- ¹⁶ <https://assets.publishing.service.gov.uk/media/5a7f8672ed915d74e33f6f91/hs2-phase-2a-financial-case.pdf>
- ¹⁷ <https://www.constructionnews.co.uk/civils/hs2/hs2-cost-of-phase-2a-decommission-still-unclear-11-04-2024/>
- ¹⁸ <https://www.hs2.org.uk/in-your-area/assistance-for-property-owners/project-rescoping-phase-two-cancellation/>
- ¹⁹ <https://committees.parliament.uk/work/8581/hs2-update-following-northern-leg-cancellation/publications/oral-evidence/>
- ²⁰ <https://www.midlandsnorthwestrailink.co.uk/> Opportunity Through Connectivity: Catalysing economic growth through a Midlands-North West Rail Link, September 2024, Arup et al. This work was carried out *gratis* by a number of HSRG member companies and the study report was produced under the chairmanship of Sir David Higgins
- ²¹ And allowed in addition for a second stage (as needed) where additional platforms for an expanded future HS2 service could be accommodated with Network Rail freeing up some of its terminus capacity once longer-turnround, long-distance, train services largely switch from the west coast main line to HS2.
- ²² <https://www.nao.org.uk/wp-content/uploads/2023/03/high-speed-two-euston-summary.pdf>
- ²³ *Op cit* see reference 19 above