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# **LIVERPOOL COULD BE FIRST TO PAY BILLIONS FOR LINK TO HS2**

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**A high speed rail link to HS2 for Liverpool is essential if the Chancellor's decision to build a Northern Powerhouse is to succeed, according to a report from the independent think tank ResPublica.**

In ***Ticket to Ride: How high speed rail for Liverpool can realise the Northern Powerhouse***, ResPublica says northern cities need a dedicated High Speed link to HS2 if they are to reach the level of economic success that the Chancellor wants. Report authors say Liverpool and other Northern cities will be left behind if HS2 doesn't go beyond favoured cities and locations.

The cost of extending HS2 to Liverpool would be less than £3 billion and **for the first time in the UK up to two thirds of cost could be self-financed by City Region through the local retention of taxes.**

The Mayor of Liverpool, Joe Anderson, said: "The need for Liverpool to be connected to both the other cities of the north and London is huge if we as a city are going to play our part in generating money, jobs and continued growth through the Northern Powerhouse.

"Our funding plan would make up the bulk of the price with £2 billion coming from keeping hold of locally raised taxes, rather than sending them to the Treasury. Using this mechanism would allow both ourselves and the wider economy to move closer to prosperity."

ResPublica's proposal would see a dedicated high speed rail line linking the Liverpool City Region into the HS2 route to the north of Crewe, and connecting it to Manchester Airport and Manchester Piccadilly on high speed track. This link in turn will also be the westernmost branch of the planned east-west "HS3" or "TransNorth" route running from Liverpool to Hull and reconnecting the great cities of the north.

## **THE FUNDING PLAN**

Establish a local payback mechanism, via a Tax Increment Financing scheme, to allow the City Region to fund up to two thirds of the cost of the Liverpool-Manchester link. The City Region can credibly make a contribution of up to £2 billion to the cost of this line, paid for employer's National Insurance contributions in the City Region from any additional jobs that are generated over and above its structural jobs growth trend, together with the capitalisation of revenue from the Mersey Tunnels tolls.

While the current plans for HS2 would create a new stream of wealth, cities like Liverpool, Newcastle, and Hull face being left behind. And the fragile Northern recovery, which cities

like Liverpool have worked hard for, would be much harder to achieve, putting them back decades economically.

Director of ResPublica, Phillip Blond, said: "High speed rail offers a real chance to make the Northern Powerhouse work but it has to connect the cities of the north with each other, as well as London.

"If we don't extend the North South HS2 into an East West HS3 – the real benefits and gains from high speed rail will be lost.

"Both HS2 and HS3 could start in Liverpool and with the city able to find most of the funds there is no reason for the government to ignore this detailed and transformative proposal."

Currently, rail lines in the Liverpool City Region are crowded and the government's proposed limited link from Liverpool to HS2 running from Crewe on old classic lines, while cutting journey times, would not allow Liverpool to grow. This would severely constrain the Liverpool Superport project which needs extra East West rail capacity to take advantage of the potential trebling of freight into Liverpool as a result of recent investment.

ResPublica highlighted Spain and South Korea as two examples where a limited high speed link to the capital for favoured provincial cities failed to stop economic disparity between the capital and the regions because all that was achieved was a swifter path for economic flight to the centre.

Mr Blond added: "Without a proper link between northern cities the chance to make them grow and prosper will be lost, leaving HS2 achieving only a small part of its potential.

"Liverpool, Manchester, Leeds, Sheffield, Hull and the other great cities want to work together to succeed and they should be given the tools to do so. HS2 needs to be extended into HS3"

The report also found that Liverpool should strengthen its ties with Manchester, marketing themselves as a joint destination for both business and tourism and generating further growth.

Report co-author Duncan Sim said: "We need all the cities of the north to be linked up properly in order to create the Northern Powerhouse, desired by so many. Starting a high speed line in Liverpool would see a connected network of cities which would create trade, jobs and higher wages across the North."

Also among the 12 key recommendations in the report are proposals to increase Liverpool's growth and economic prosperity to help achieve the jobs increase that could self-fund the new line:

- Create a City Region Business Senate in Liverpool, made up of business people, private sector bodies, social enterprises and civic groups, to help decide on future economic policy for the area.
- Support the newly created post of a City Region 'Metro' Mayor with a new institution "TRANSFORM LIVERPOOL" to advise their office on how region-wide policy can be implemented, without it fragmenting between warring city local authorities. The chief executive should of national or indeed international standing with experience and achievements outside the City Region, to ensure new approaches and fresh thinking.
- Better integrate public services in across the whole City Region to combat worklessness, mental and physical health, crime and the other complex dependencies that grievously harm the economic and social potential of the City Region.
- Undertake an independent review of the economic opportunities and challenges facing the Liverpool City Region which would allow further strengthening of the area's economy.

- Redraw the enterprise zone in Liverpool, creating a new Enterprise Zone in Liverpool city centre where there is obvious scope for business growth and new business formation in sectors such as the creative and digital industry.
- Build links between the private sector and universities in a bid to retain highly trained young people within the region and stop the ongoing “brain drain” of graduates.
- Use new transport links and improved marketing to raise Liverpool’s visitor numbers and become the UK’s third most visited city, rather than the fifth place it currently occupies.

Report authors found that new thinking was needed if Britain’s new high speed rail network is to benefit the whole of the country.

Backing the report, **Louise Ellman MP for Liverpool Riverside and Chair of the House of Commons Transport Select Committee**, said: “Liverpool must benefit fully from the important national investment in HS2. These proposals are well thought out and must be seriously considered.”

**Angela Eagle, MP for Wallasey**, said: "This report rightly highlights the strong economic performance of the North West in recent years, and its potential for further growth in the future. But without a connection into the high speed rail network this growth will be cut off. “The resources of the North West have long been under-appreciated, but its assets such as the Port of Liverpool are of national economic significance. The Port’s freight potential, and the dynamic business community in Liverpool, mean that businesses around the country will benefit from connecting Liverpool into the high speed rail network, and this report makes a powerful and incisive case for that investment.”

**Geoffrey Piper, CEO of the North West Business Leadership Team**, said: “I urge Government and Transport for the North to support the plans set out in this report for early introduction of a High Speed link out of Liverpool. This link is crucial for maintaining Liverpool’s economic recovery and employment growth. “ResPublica’s report recognises the key role which transport plays in driving growth in the local economy – implementation of their recommendations would be good for all Liverpool’s business and industry sectors and for the whole City Region.”

**Robert Hough, Chair of Liverpool City Region Local Enterprise Partnership (LEP)**, said: “This report makes a strong economic case for Liverpool to have a direct High Speed Rail connection through HS2 and HS3. The Liverpool City Region has a vital role to play in rebalancing and bolstering the national economy and this connection is fundamental to sustaining the business and employment growth seen here in recent years. “High Speed Rail is also a significant move towards the integration of Northern cities and the realisation of the Northern Powerhouse vision.”

#### **CASE STUDY LIVERPOOL SUPERPORT**

The vision of Liverpool Superport is to “bring together and integrate the strengths of the ports, airports and freight community ... for freight and passenger operations within the Liverpool City Region” to create “a key driver of its economy”. Liverpool Superport includes any assets within a one hour drive of the Port of Liverpool, and is defined by the Local Enterprise Partnership as “the cluster of assets, capabilities and investment” making up a multimodal freight hub. There are several ports in the Superport area, including the Port of Liverpool and a further nine ancillary ports. This also encompasses Liverpool 2, a new deep water container terminal at the Port of Liverpool which will enable the Port to handle larger vessels. This is particularly important due to

the Panama Canal doubling its capacity and increasing the size of ships that reach Liverpool. This will enable increased trade with fast growing economies such as Brazil and Mexico.

Other assets of the Superport include:

- \* The Mersey Gateway Project, a new £600 million six lane bridge over the River Mersey between Runcorn and Widnes, providing a strategic transport route linking the Liverpool City Region and the North West and scheduled to open in autumn 2017. Beyond the immediate connectivity benefits, the project will realise regeneration and development potential on a number of local sites to the advantage of a number of core sectors, including advanced manufacturing and the Superport vision, plans for which are currently being drawn up by Halton Borough Council;
- \* Liverpool John Lennon Airport, which handled more than four million passengers in 2014 and has significant freight potential due to motorway access and 24 hour operation;
- \* Several rail freight terminals, most notably the Seaforth Rail Freight Terminal which serves the Port of Liverpool (significant growth in port to rail freight is planned for the future);
- \* The Mersey Multimodal Gateway (3MG), a distribution centre with direct access to the West Coast Main Line, the River Mersey, the Manchester Ship Canal, and important links to the South including via the M62 and M56 motorways, which will serve as a national, regional and sub-regional freight facility. The site currently occupies half a million square feet, but there is space for it to expand to 3.5 million square feet.

### Notes to the Editors

The report is written by Phillip Blond, Bridget Rosewell and Duncan Sim. Phillip Blond is the director of ResPublica. He is a renowned author and policy writer. Bridget Rosewell is one of the UK's most influential economists, with an extensive track record in advising public and private sector clients on key strategic issues. She is a Senior Adviser at the consultancy Volterra. Duncan Sim is a Senior Policy and Projects Officer at ResPublica. His research covers public service reform as well as broader policy areas including transport, planning, and health and social care.

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