



N A B A R R O  
CLARITY MATTERS

**YORKSHIRE POST**

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HS2

Yorkshire Business Survey

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Report



# HS2

## Yorkshire Business Survey

### Contents

Foreword	03
Business appetite for HS2	04
Economic benefits for the region	06
Timescales	08
Alternatives to HS2	10
Station locations	12
Blight and compensation	13
Conclusions	14
Methodology and acknowledgements	15

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We are an ambitious partnership. We have 109 partners leading more than 300 lawyers offering a broad range of corporate legal services to major national and international clients. The firm's headquarters are in central London with a network of offices in Sheffield, Singapore, Brussels and Dubai.

We draw on longstanding relationships with an international network of selected firms for our cross-border work and have a strong European alliance.

You can find out more about us at [www.nabarro.com](http://www.nabarro.com).

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#### HS2 experience:

Nabarro has been advising landowners, developers and public authorities on the impact of HS2 for the last three years.

HS2 is an exciting and ambitious infrastructure project that has the potential to bring enormous benefits to people and businesses in the regions as well as the UK economy as a whole. However, HS2 will also come at considerable cost, both in terms of the capital cost of construction and the likely blighting effect it will have on land in its path until its acquisition for the project.

Nabarro has market leading experience advising landowners and others affected by rail schemes: we were involved in HS1 (the Channel Tunnel Rail Link) in the 1980s and 1990s, were a petitioner on Crossrail between 2005 and 2008, and we have been advising landowners affected by HS2 ever since the substantive proposals were announced.

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# Foreword

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HS2 is the largest single infrastructure project ever contemplated in the UK – indeed it is estimated that it will be the biggest construction project in Europe.

Its projected cost of £50bn (including contingency) dwarfs the costs of the Olympic Games. It also represents the biggest investment in the UK's railway infrastructure since the Victorian era.

The battle lines have already been drawn between those who consider the project to be essential to the UK's future prosperity and those who consider it to be a vanity project that will split communities, damage the environment and deliver few of the promised economic benefits.

In listening to the arguments it became clear to Nabarro that whilst the public sector and big business have largely been heard loud and clear, the views of small and medium sized enterprises have been less well communicated. To learn the true opinions of those affected, we commissioned a survey to take the temperature of the broader business community in Yorkshire and the Humber.

In preparing our questionnaire we looked at key economic levers concerning infrastructure, procurement, supply chain and the timescales for delivery, reflecting the once in a generation opportunity presented by HS2.

The results summarised in this report make interesting reading and show that HS2 has some way to go before it has won the hearts and minds of the SME community in this region.

We hope you find this report interesting and we would like to express our thanks on behalf of the Nabarro HS2 working group, to all those who participated in this survey for giving their time and sharing their views.



**Martin Mc Kervey**  
Partner  
T +44 (0)114 279 4053  
m.mckervery@nabarro.com



**Christopher Bowes**  
Partner  
T +44 (0)114 279 4006  
c.bowes@nabarro.com

The risks of not going ahead with HS2 significantly outweigh the risks of doing so.

Those words, published last month by Parliament's all-party Transport Select Committee, go to the heart of the continuing debate about the merit of high-speed rail services between Yorkshire and London.

The findings of this useful survey from Nabarro, in partnership with the Yorkshire Post, underline the need for ministers to do a much better job of selling the economic case to a sceptical business community in Yorkshire.

The Yorkshire Post has argued that if Britain does not find a way to increase capacity on the creaking rail network, whether it be for additional passenger services or freight trains, then the entire infrastructure will grind to a halt by the middle of this century because of an absence of political foresight and backbone.

The sooner HS2 is built, the quicker it can deliver the economic dividend that underpins its business case.

The danger is that if work begins in London the line will never reach the North. More needs to be done to explain the benefits of building HS2 super-stations at Leeds and Sheffield, and promising to begin construction in the North will only help to win over the critics.



**Jeremy Clifford**  
Editor  
Yorkshire Post  
T +44 (0)113 238 8046  
jeremy.clifford@jpress.co.uk



**Bernard Ginns**  
Business Editor  
Yorkshire Post  
T +44 (0)113 238 8959  
bernard.ginns@ypn.co.uk

# Business appetite for HS2

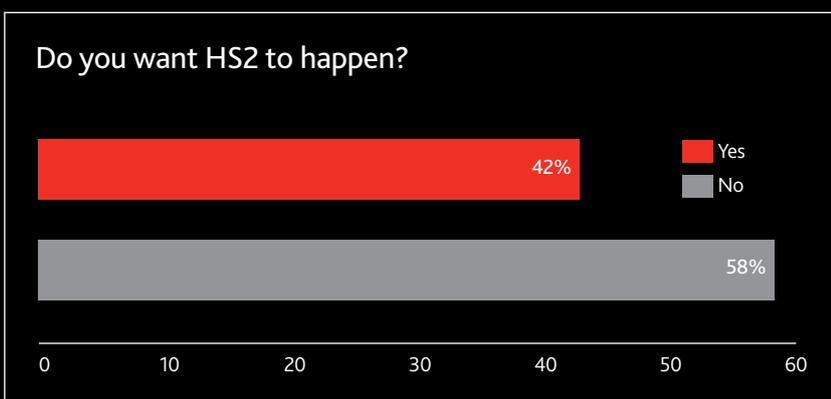
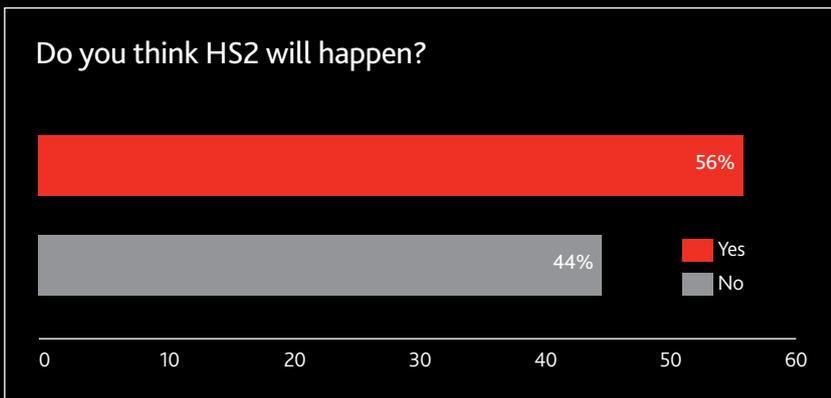
Despite the links between infrastructure and economic growth being well evidenced, the UK has a poor track record when it comes to infrastructure investment. The World Economic Forum's Global Competitiveness Report 2013 ranks the UK tenth out of 148 for overall competitiveness but only twenty-eighth for overall quality of infrastructure.

Against this background, we sought to learn whether business believed that the HS2 project would actually go ahead, and whether there was a strong appetite for HS2 amongst the business community if it did.

When asked about their attitude to HS2, only 34% were positively disposed to it, 54% were negative towards it, and 12% were indifferent.

**58%**  
of respondents **did not** want HS2 to happen and an even higher number (62%) felt that Yorkshire **did not need** HS2.

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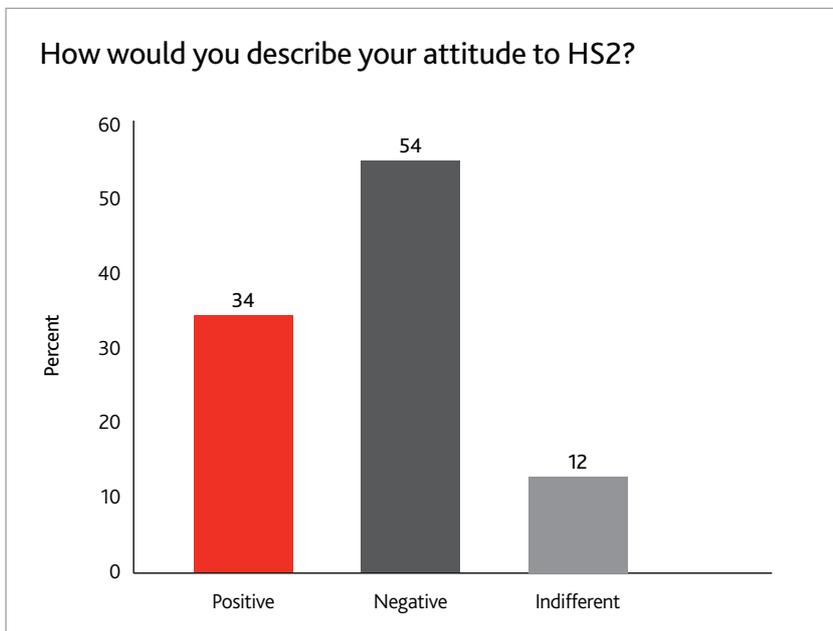
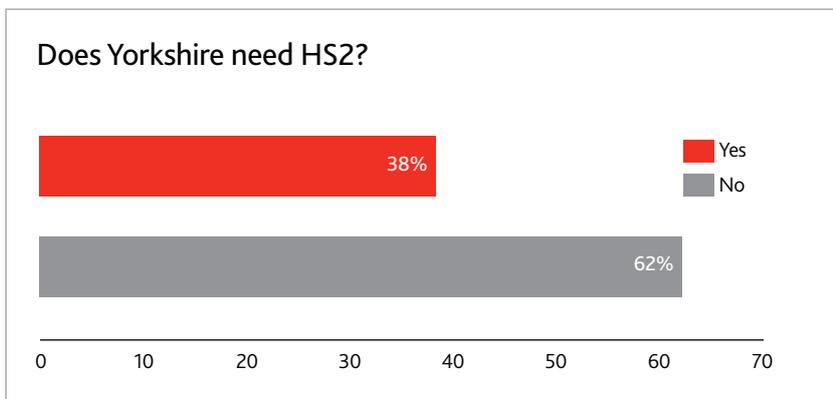


“If HS2 goes ahead the UK needs to take advantage of the manufacturing opportunity that this provides.”

Keith Ridgeway, Professor of Design and Manufacture and AMRC Research Director,  
The University of Sheffield

“I believe that HS2 is a hugely important strategic investment that will bring a wide range of benefits, by acting as a catalyst for growth and helping to rebalance the economy between North & South.”

Gerald Jennings, Portfolio Director,  
Land Securities Group PLC



It therefore seems clear that the businesses we surveyed are sceptical about the benefits that HS2 will bring to the region and remain to be convinced that it creates an opportunity for them to exploit.

“The Government is backing the wrong horse. Instead: invest heavily in the trans-Pennine Woodhead Pass and other roads; increase spending on local commuter lines and our two mainline railways. These developments would bring advantage to all in our region, compared to the heavily flawed HS2 project which should be cancelled forthwith.”

Stuart Green, retired founder and MD of a stockholding company in the Sheffield steel industry

# Economic benefits for the region

A large part of the business case for HS2 is said to be the economic opportunities created for the regions through which HS2 will pass.

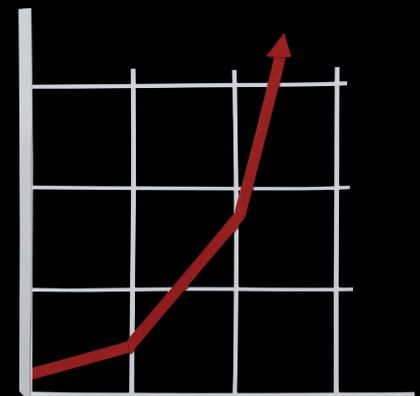
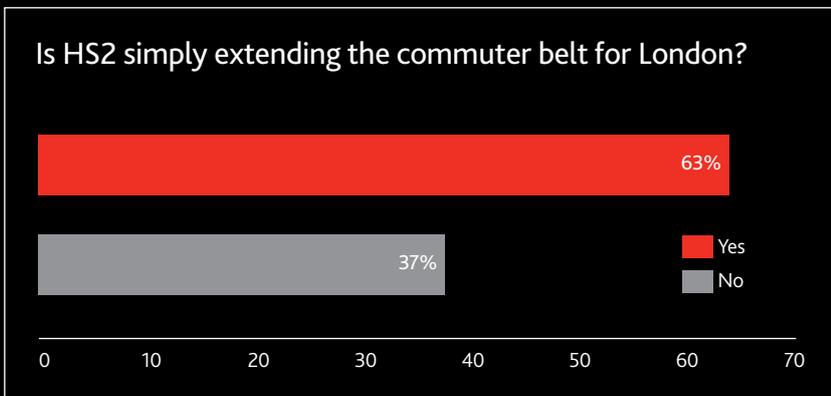
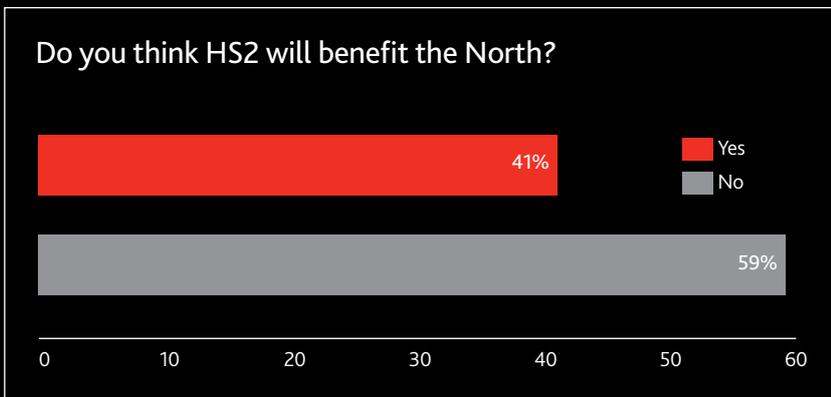
A report by KPMG, carried out for HS2, argues that the project could boost the country's economy by £15bn per year and that the regions will be the biggest winners from the project. As examples, the report says that HS2 will give the Birmingham City Region economy a yearly boost equivalent to 2.1–4.2% of the City Region's GDP. For Manchester city region the figure is 0.8%–1.7%, for Leeds City Region, 1.6% and for Greater London 0.5%.

However, notwithstanding KPMG's analysis (which was published before this survey was conducted), businesses in the region do not appear to consider that HS2 will create economic opportunities for them with 60% of respondents to our survey saying that the debate about HS2 had not created uncertainties for their businesses and 88% of respondents thinking that the cancellation of HS2 would not lead to economic loss for their businesses.

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**88%**  
of respondents thought that **cancelling HS2** would **not** result in **economic loss** for their business.

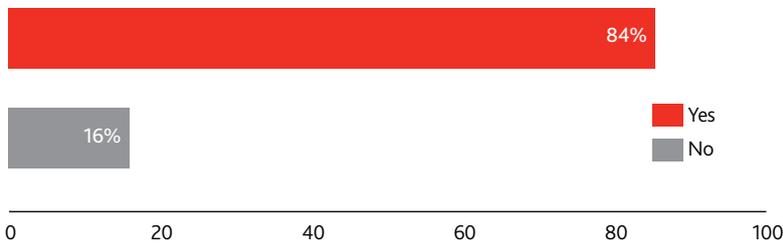
**69%**  
of respondents said they did not think that the **lack of a dedicated high speed rail north of London** would put the UK at a competitive disadvantage.



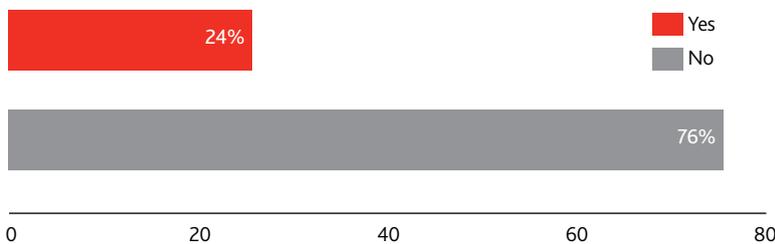
“I believe HS2 is a great opportunity for the Sheffield City Region and it is incumbent on businesses’ to align themselves to be able to deliver part of this game changing investment. However, Government must use smart procurement to allow access to regional supply chains.”

Simon Carr, Managing Director,  
Henry Boot Construction Limited

To ensure the UK-based supply chain benefits and jobs are created should HS2 Ltd drop the ‘cheapest tender wins’ approach to awarding contracts?



Do you see any supply chain opportunities for your business?



“There are no sound economic arguments for its build and there are many unknown factors and investigations required to prove the economic case.”

Kevin Parkin, Managing Director,  
Knight Warner Limited

The HS2 supply chain is considered a key issue. At the launch of the initial report of the HS2 Growth Taskforce last year, the Secretary of State for Transport, Patrick McLoughlin said “with more than 95% of Crossrail’s budget to date being spent in the UK, I am determined that HS2 will replicate and build on this success for British businesses”.

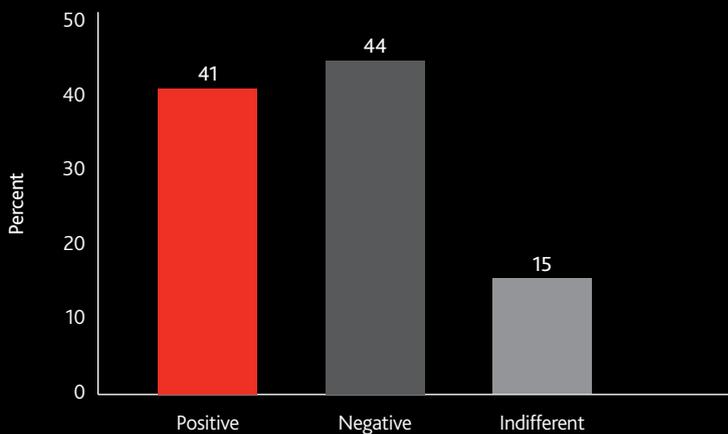
Despite this, a surprisingly high 76% of respondents could see no supply chain opportunities for their businesses, though an overwhelming majority (84%) felt it was important - to ensure UK-based supply chain benefits and job creation - that procurement decisions should not be driven solely by the “cheapest tender wins” approach to awarding contracts.

It is clear that HS2 needs to work hard to convince UK business that the procurement strategy will deliver supply chain opportunities for UK based suppliers.

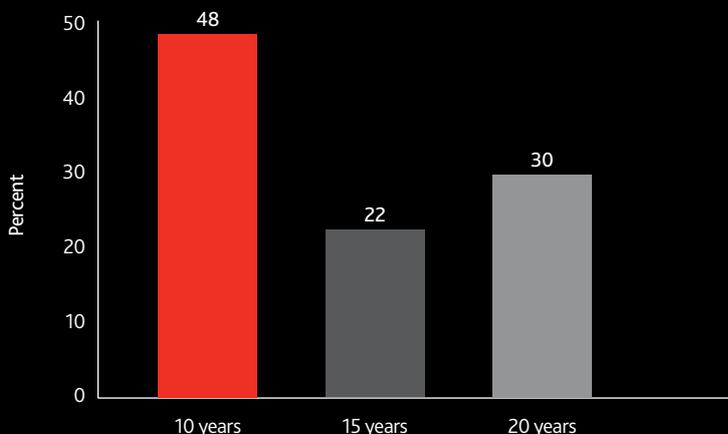
# Timescales

The current programme for HS2 anticipates that phase 2 – the Y shaped stretch of lines from Birmingham to Manchester and Leeds – will not open until 2033 (phase 2 representing 215 miles of the total 335 miles of new track in the HS2 proposal). By comparison, Isambard Kingdom Brunel built the 150 miles of the Great Western Railway from London to Bridgewater in six years in the nineteenth century, whilst the Chinese recently constructed 2500 miles of track in just two years.

If HS2 was arriving in 10 years rather than 20 how would you feel?



Given that the 2012 Olympics were delivered in seven years, how many do you think the HS2 project should take?



The survey found there was a clear view that **construction of HS2 should start at the same time in the north** as the south to bring economic benefits sooner, with

# 65%

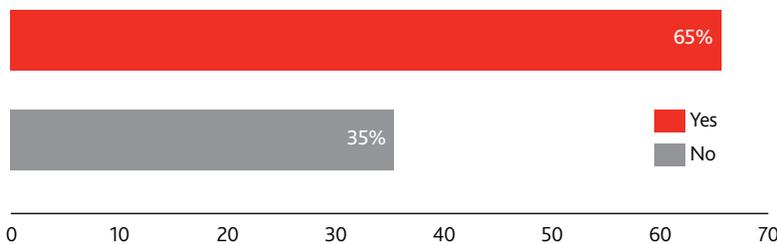
of respondents considering that construction should **start at both ends.**



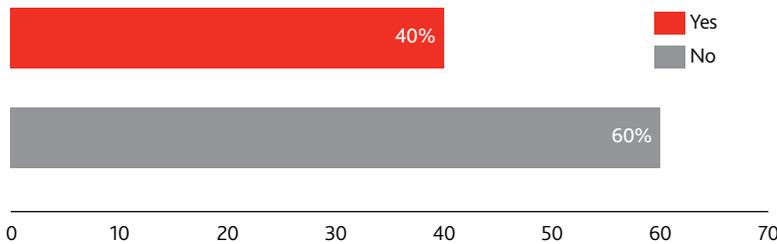
“I personally would like the work to start simultaneously in the North & South. This would not only give a clear message that the Government is serious about infrastructure but speed up the build time and reduce time associated costs. It is also pleasing to see a slight redress in the amount of investment per capita from London & the South East to other regions.”

Simon Carr, Managing Director,  
Henry Boot Construction Limited

Should the construction of HS2 start at the same time in the North as the South to bring economic benefits sooner?



Has HS2 already created uncertainties for your business?



Against this background, if HS2 was to be given the go ahead, the majority of the respondents to our survey felt the current timescales for delivery are too long, with 48% believing it should be delivered within 10 years.

The views about timescale already seem to have been taken on board by the promoters of the project with the newly appointed Chairman of HS2, Sir David Higgins, saying “I will look at whether it can be done quicker and how realistic is the cost plan”.

“The timescales indicate that inflation, over-runs and inefficiencies will compound and the cost will become prohibitive. A better idea would be to start HS2 simultaneously in three Northern locations and gradually work South.”

Kevin Parkin, Managing Director,  
Knight Warner Limited

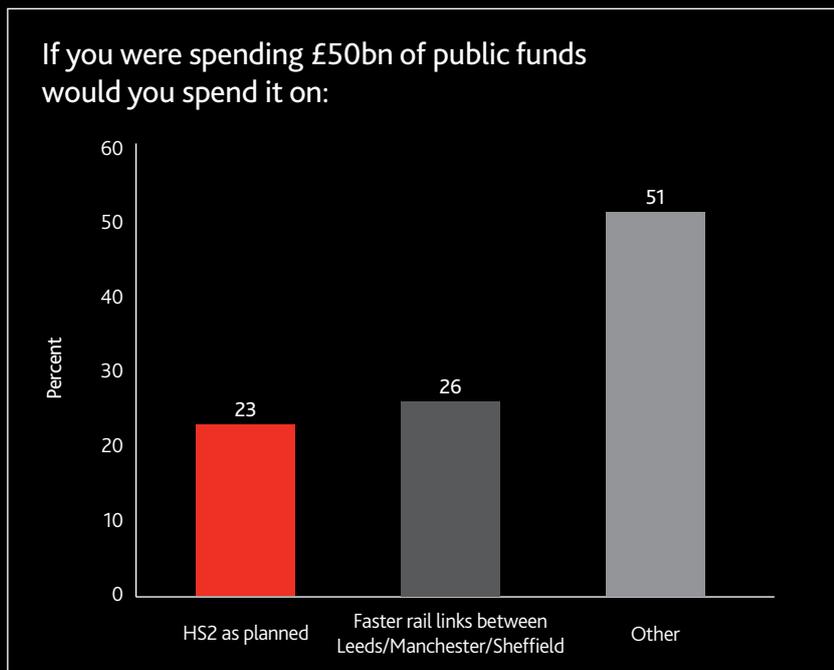
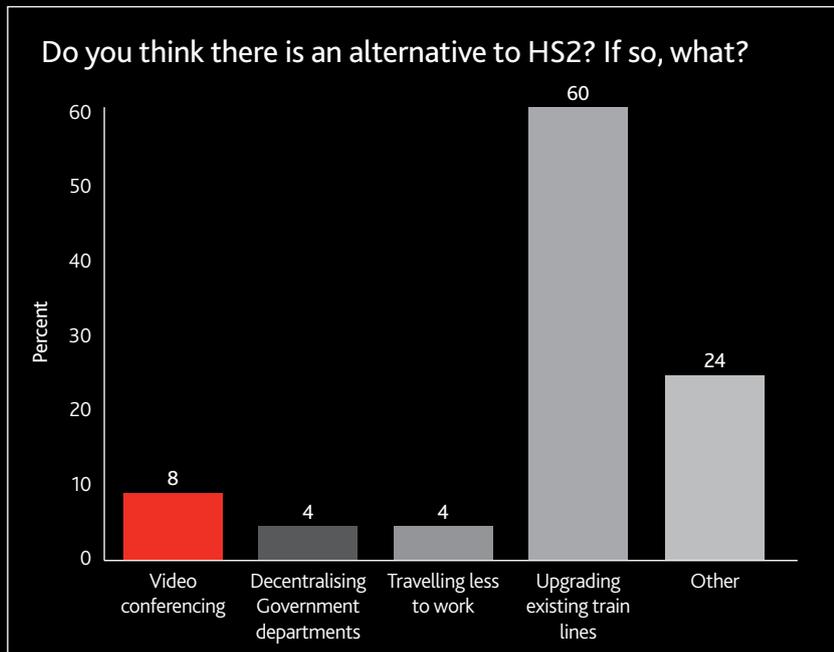
# Alternatives to HS2

The Government has said that building HS2 is central to future economic prosperity.

*"It is a challenging project and as I have said many times before the easy thing would be to do nothing. But this Government is committed to HS2 because it is vital to Britain's future."*  
Secretary of State for Transport, Patrick McLoughlin.

**60%**  
of respondents felt that **upgrading** existing train lines was the **best** alternative, with video conferencing identified as the next best **option** to HS2.

10



“The journey from Leeds to Manchester is three times as long as it should be, Birmingham is a couple of hours away and Liverpool might as well be overseas. This is where the investment is needed, London is already well served and the service there will not benefit from being a little faster.”

Jonathan Straight, Chief Executive,  
Straight PLC

Our survey asked whether respondents felt there were better alternatives that would similarly benefit Britain’s economic future.

When asked about the use of the projected cost (£50bn), 26% felt building faster links between Leeds / Manchester / Sheffield would be a better use of the money, whereas only 23% thought HS2 should be constructed as planned.

The remaining 51% of respondents felt the money should be spent on other things including the NHS, roads, addressing youth unemployment, shale gas developments, carbon capture, renewable energy, upgrading the motorway network, improved broadband, development area grants to encourage investment in the North, education and dedicated freight lines.

11

“The country could build 12 new nuclear power stations for the price of the HS2 or if we were looking for improvements in transport then we could invest in the Sheffield airport or a motorway between Sheffield and Manchester alleviating all the traffic around the Leeds area. The possibilities are boundless.”

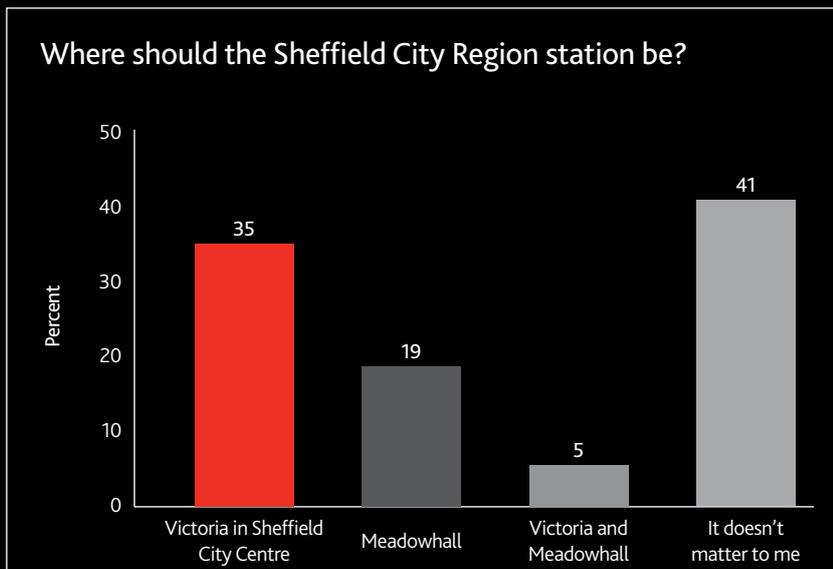
Graham Honeyman, Chief Executive,  
Sheffield Forgemasters International Limited

# Station locations

The redevelopment of the area around Kings Cross - St Pancras that followed the construction of the HS1 (Channel Tunnel Rail Link) terminus demonstrates the long term regeneration benefits that rail projects can bring to an area. As noted above, research carried out for the Government and HS2 shows the economic benefits expected to be achieved by cities that have direct access to HS2.

**41%**  
of respondents were indifferent, but of the remaining 59% who expressed a view, 35% favoured the **Victoria Station** location, 19% favoured **Meadowhall**, and 5% thought there should be a station at **both** locations.

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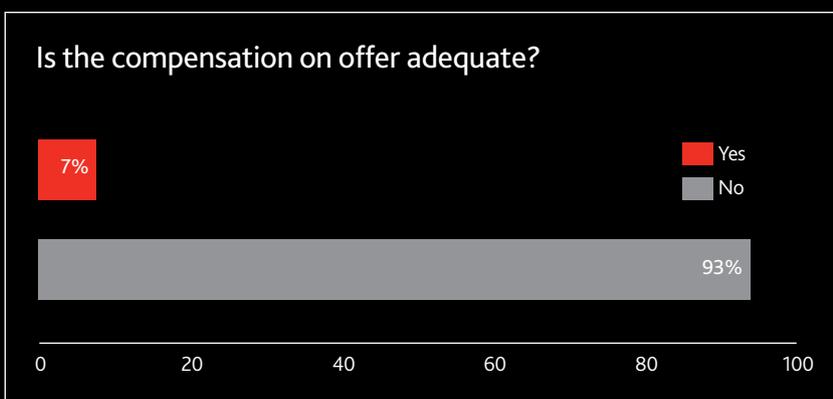
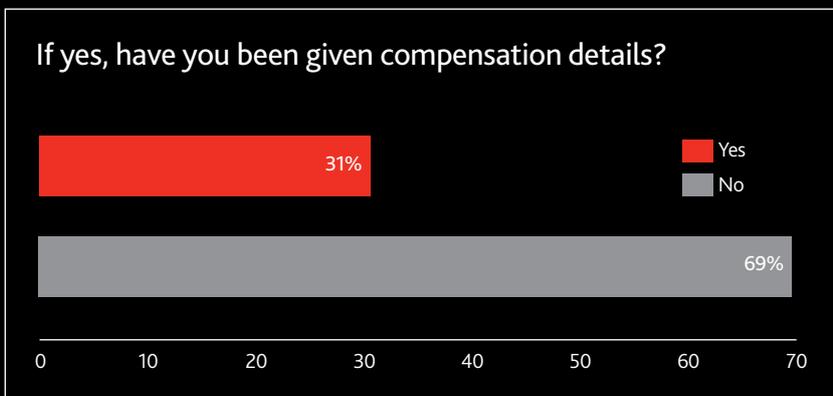
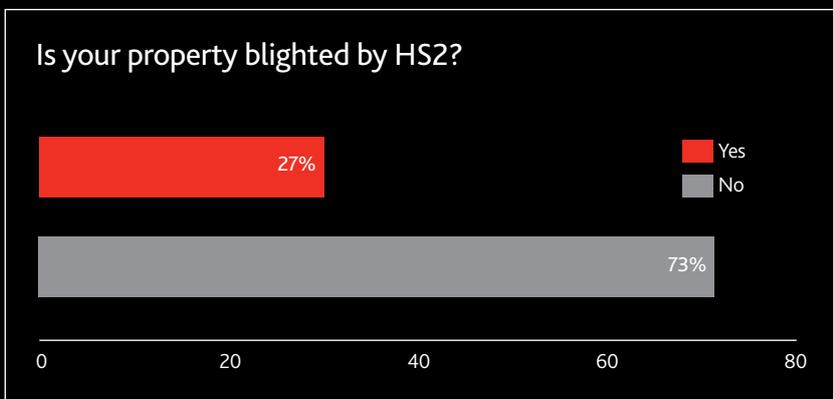
Within this region stations are proposed at both Leeds and Sheffield but whilst the station proposal in Leeds is close to the traditional commercial centre of the city, the proposed Sheffield location is at Meadowhall some distance from the city centre. As a consequence within the Sheffield City Region there is an ongoing debate as to whether the station should remain at Meadowhall, should be moved to a site at the former Victoria Station close to the city centre, or there should be two stations.

Our survey asked where the Sheffield City Region station should be located. 41% of respondents were indifferent, but of the remaining 59% who expressed a view, 35% favoured the Victoria Station location, 19% favoured Meadowhall, and 5% thought there should be a station at both locations.



# Blight and compensation

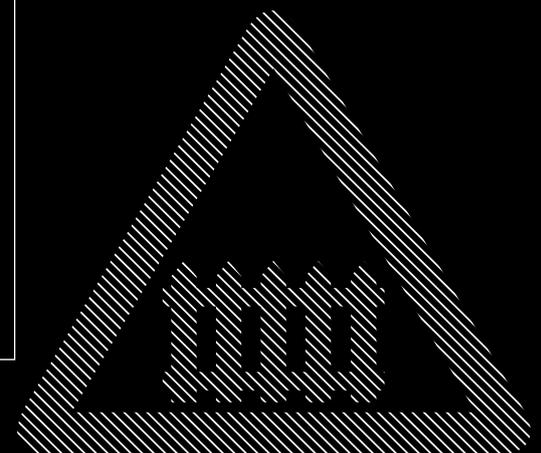
The blighting effect of HS2 has been acknowledged by the promoters of the project who have established an exceptional hardship scheme for certain categories of landowners who have an urgent need to sell their property in advance of the commencement of the land acquisition phase. However, the majority of landowners will not qualify for compensation under this regime and most will have to wait until HS2 is ready to acquire their property – potentially restricting their ability to sell or invest in property on a timescale that suits them.



Unlike the Chilterns and parts of Cheshire where the blighting effect of HS2 has been a major part of the HS2 debate, only 27% of respondents to our survey felt their property had been blighted by the proposals.

Only **31%** of those respondents that said they **were blighted**, had been given details of the **compensation** to which they would have been entitled.

**93%** felt the compensation was **inadequate**.



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# Conclusions

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Although environmental concerns were expressed by some respondents to the survey, and blight was an issue for some, the principal concern for most respondents was the huge cost and the fact that alternatives were perceived to be cheaper/represent better value for money.

The timetable for delivery was also seen to be a problem, with 20 years being seen as much too long to complete the project.

Given the rich industrial heritage of the region and the expertise in heavy engineering (including the rail sector), as well as in advanced manufacturing, it was surprising to see that so few of the respondents saw clear supply chain opportunities for their businesses. This may reflect the early stage of the project and the relatively long gestation of HS2, as well as the fact that such opportunities may not arise for some time, but given the scale of the project we were surprised that businesses were not more enthusiastic about potential opportunities.

The overwhelming conclusion at this point of the HS2 debate in this region is that SMEs as well as some big businesses remain to be convinced about the benefits of HS2 either to the region in general or to their business in particular.



# Methodology and acknowledgements

On 11 November 2013 an online survey was launched by Nabarro and the Yorkshire Post and was promoted to businesses in Yorkshire and the Humber through the Yorkshire Post print and web editions and via business organisations across the region. The aim of the survey was to give businesses in the region the opportunity to share their thoughts on whether HS2 will deliver economic benefits to the region, as well as how their own individual businesses might be affected.

177 people completed the survey and the breakdown was as follows:

**82%**

were a business or commercial organisation

**86%**

were based in Yorkshire

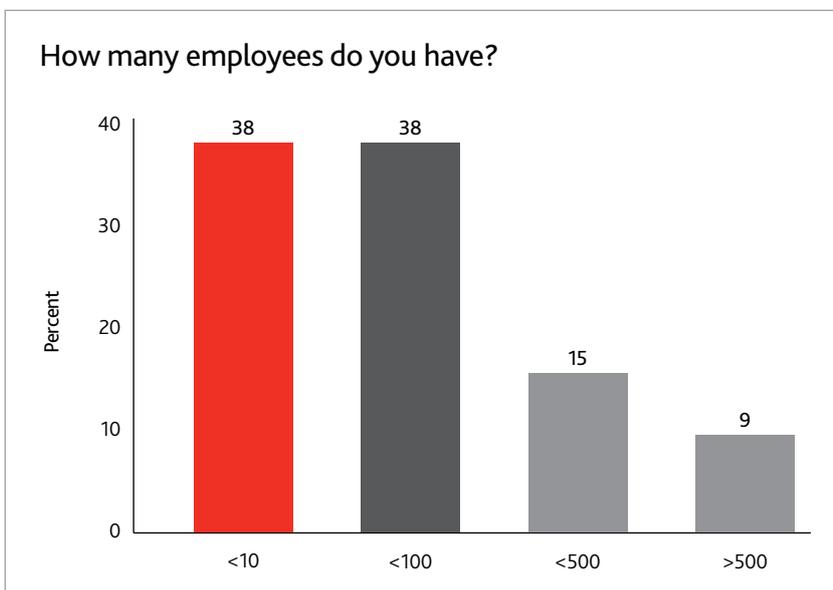
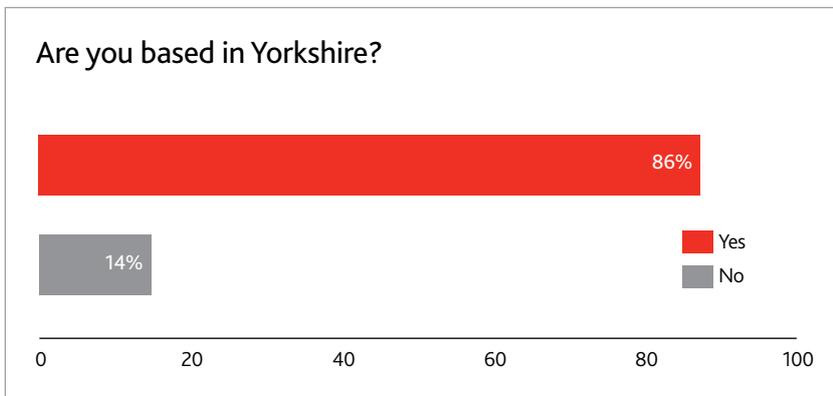
**76%**

were from companies employing 100 people or less

The findings were launched on the 21 January 2014 in Leeds and will be fed in directly to the HS2 Growth Task Force.

We are grateful to all those who participated, for giving their time and sharing their views.

15





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## YORKSHIRE POST

### Nabarro offices

#### London

Lacon House 84 Theobald's Road  
London WC1X 8RW  
T +44 (0)20 7524 6000

#### Sheffield

1 South Quay Victoria Quays  
Sheffield S2 5SY  
T +44 (0)114 279 4000

#### Brussels

209A Avenue Louise 1050 Brussels  
Belgium  
T +32 2 626 0740

#### Singapore

Marina Bay Financial Centre Tower 3  
12 Marina Boulevard 35-01  
Singapore 018982  
T +65 6645 3280

You can find out more about us at  
[www.nabarro.com](http://www.nabarro.com).

#### Nabarro LLP

Registered office: Lacon House, 84  
Theobald's Road, London, WC1X 8RW.

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