

## CABINET – 1 MARCH 2016

### DEVELOPMENT OF A RAIL STRATEGY FOR LEICESTER AND LEICESTERSHIRE

#### REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT

#### PART A

##### Purpose of the Report

1. To present the outcomes of joint work undertaken by Leicestershire County Council, Leicester City Council and the Leicester and Leicestershire Enterprise Partnership (LLEP) to develop a draft Rail Strategy for Leicester and Leicestershire (including HS2) and to request approval to undertake engagement on the draft.
2. Consequent on the outcomes of work to develop the Strategy and also in light of the most recent Government announcements in respect of the HS2 Toton Station in Nottinghamshire, the report also sets out proposals for the Authority to revise its formal position on the HS2 eastern leg.

##### Recommendation

3. It is recommended that the Cabinet:
  - a) Notes the contents of the draft Rail Strategy and in particular the four key priorities contained therein as follows:-
    - i) Maximising the benefits from increased investment in the Midland Main Line railway infrastructure and services;
    - ii) Ensuring that the interests of residents and businesses in Leicester and Leicestershire are reflected in the planning and implementation of the eastern leg of HS2;
    - iii) Seeking the necessary investment commitments to improve direct fast rail connectivity to key regional and national destinations, including to Coventry and Birmingham; and
    - iv) Ensuring that rail access is a consideration in the planning of new developments;
  - b) Notes that the work undertaken in preparing the draft Strategy has highlighted economic benefits that would arise from the implementation of eastern leg of HS2 with the East Midlands Hub station being located at Toton;
  - c) Agrees to amend its formal position on the eastern leg of HS2 to one of support in principle, subject to the Government confirming the route as

quickly as possible to give certainty to residents and businesses, and working constructively with this Council and others to ensure:-

- i) That the adverse impacts of the HS2 route through Leicestershire previously highlighted by the County Council are minimised;
  - ii) That the published route of the HS2 line running under East Midlands Airport and the proposed East Midlands Strategic Rail Freight Interchange is maintained;
  - iii) That the HS2 proposals provide the necessary rail connectivity and track/station capacity to allow for the operation of direct, 'classic compatible' rail services from Leicestershire stations, via Toton to/from destinations in Northern England;
  - iv) The prompt delivery of improvements to the Midland Main Line (MML) railway to achieve sub-60 minute journey time to London, including:
    - to improve line-speed (including track straightening at Market Harborough);
    - to improve line capacity; and
    - to improve electrification;
  - v) That there is no diminution of rail services to London on the MML post-opening of HS2, in terms of journey time, frequency of services and general standard of rolling stock;
- d) Agrees that an engagement exercise take place on the draft Strategy, to include rail industry bodies, business groups and adjoining authorities;
  - e) Notes that following on from the engagement exercise a final version of the Strategy will be presented to the Cabinet for approval prior to its adoption by the County Council as a formal Policy Document; and
  - f) Notes that work to reinvestigate the potential reopening of the Leicester to Burton freight line to passenger traffic is still ongoing and a separate report will be submitted to the Cabinet once the work has been completed.

### **Reason for Recommendations**

4. To enable work to finalise the Strategy to be progressed, including an engagement exercise on the draft document. To revise the Council's position on HS2 in the light of prevailing circumstances.

### **Timetable for Decisions (including Scrutiny)**

5. It is important that the development and adoption of the Strategy as County Council policy is progressed expeditiously so that this can be used to inform discussions with the Department for Transport, Network Rail, HS2 Ltd. and other bodies about the future rail network and services serving Leicester and Leicestershire.
6. Following the engagement exercise, the draft Strategy will be presented for consideration to the Environment and Transport Overview and Scrutiny Committee prior to the final version being submitted to the Cabinet later this year.

## **Policy Framework and Previous Decisions**

7. The third Leicestershire Local Transport Plan (LTP3), approved by the County Council in March 2011, contains six strategic transport goals. Goal 1 is to have a transport system that supports a prosperous economy and provides successfully for population growth.
8. On 20 February 2013, the County Council resolved to express its concerns about the direct impact of the *initial preferred line* of the HS2 route on the proposed Strategic Rail Freight Interchange adjacent to East Midlands Airport. However, this concern was subsequently overcome by a proposed redesign and extension of a tunnel shown underneath the airport in the *initial line*. (The Government has yet to confirm and publish the 'final' route of the eastern leg. See paragraph 29 below for further discussion on the eastern leg.)
9. In November 2013, the Environment and Transport Overview and Scrutiny Committee considered a draft response to the Government's HS2 Phase 2 route consultation. The Committee raised significant concerns about the proposals, which were subsequently reported to the Cabinet.
10. The Cabinet considered the County Council's formal response to the Government's HS2 Phase 2 route consultation in January 2014. The response:
  - expressed an in principle position that an HS2 Station at Derby (as opposed to Toton) would be preferable, requiring the re-routeing of the line of HS2 away from Leicestershire as a consequence; and
  - included a significant number of detailed comments, including comments relating to the potential impacts on local communities and the environment of the route through North West Leicestershire.
11. The Enabling Growth Action Plan, approved by the Cabinet in March 2015, identifies the development of a rail strategy as a priority for the County Council.
12. The LTP3 Implementation Plan (2015/16), which was approved by the Cabinet in March 2015, contained an action to take forward work to develop a rail strategy.

## **Resource Implications**

13. Work to develop the draft rail Strategy has so far cost around £40,000. This will be split between the County Council, City Council and the Leicester and Leicestershire Enterprise Partnership (LLEP). This has been found from within existing budgets.
14. The majority of actions required to implement the Strategy will require the County and City Councils to act in a facilitating and lobbying role, rather than as direct funder or promoter of schemes. However, it is likely that it will be necessary to engage ongoing specialist consultancy support to ensure that maximum benefits can be gained from the Strategy.
15. The Director of Corporate Resources and the County Solicitor have been consulted on the content of this report.

## **Circulation under the Local Issues Alert Procedure**

The report has been circulated to all members of the County Council via the Members' News in Brief Service.

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## PART B

### Background

#### *Economic and strategic planning context*

16. As set out in its Strategic Economic Plan (SEP), the LLEP has significant economic growth ambitions. The SEP recognises the importance of the distribution sector to the area's economy (including the proposed East Midlands Gateway Strategic Rail Freight Interchange).
17. Together, the County and City Councils and the seven district councils are working to prepare a Strategic Growth Plan, seeking to identify the strategic approach to accommodating the area's future growth needs to 2050.
18. The economic value of effective rail connectivity is now widely acknowledged and has been demonstrated comprehensively by work undertaken by Network Rail and HS2 Ltd. The shortening of journey times and direct services between key cities is vital to support growth. The effective and efficient movement of freight by rail is also vital to the area's economy.
19. Despite having generally very good strategic road connectivity, Leicester and Leicestershire have relatively poor rail connectivity. Whilst the passenger service to London is frequent from Leicester, the strategic connectivity to other regional and national centres of economic activity, such as Birmingham, Manchester and Leeds, is weak.

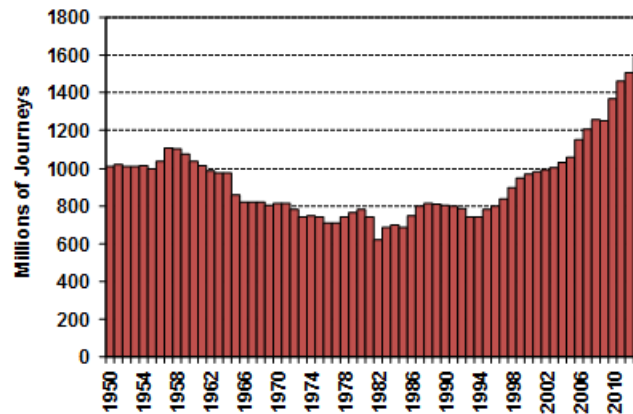
#### *Classic Rail<sup>(1)</sup> Context*

20. Rail privatisation in the mid-1990s saw a radical change to the way that the industry in Great Britain was operated and funded. From a nationalised industry, it became a complex inter-action of public and private bodies, structured around a competition and regulation model. Key bodies include:
  - **Department for Transport (DfT):** amongst other things, it sets strategic policy direction and funding levels for the railways and procures rail franchises and projects.
  - **Office of Rail and Road (ORR):** an independent body (working within the framework set by the DfT), which, amongst other things, regulates Network Rail's activities and funding requirements.
  - **Network Rail (NR):** it owns, operates and manages the main rail network in Great Britain, including the setting of timetables. Its role is not just to ensure that train operating companies have safe and efficient access to the existing network, but to plan for the future development of the network.
  - **Train Operating Companies (TOCs) and Freight Operating Companies (FOC):** private companies, TOCs (e.g. East Midlands Trains) bid to the DfT for franchises to run specific routes for a set period of time. In running those services, TOCs lease trains from rolling stock companies and pay track access charges to NR, from whom they also lease and manage stations. FOCs operate in a broadly similar way, although there is no franchising process involved.

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(1) The term used to describe the conventional rail network as opposed to the High Speed network.

21. Since privatisation, usage of the rail network has grown markedly. As Figure 1 below shows, rail passenger numbers have doubled since 1994.



**Figure 1: Rail Passenger Journeys**

22. This trend is set to continue going forward, putting ever increasing pressures on rail capacity (line and train). For example, in its East Midlands Route Study Network Rail is forecasting increases in overall passenger numbers of between 30% to 40% by 2023 and between 50% to over 100% by 2043.
23. There has also been a very significant increase in rail freight traffic. In recent years 8 to 9 per cent of freight moved in Great Britain has been moved by rail, adding further to the capacity pressures on the country's rail network.
24. In response to these pressures, significant investments have already been made to upgrade the country's rail network, including locally the work to upgrade the line via Melton Mowbray to Hinckley to accommodate larger freight containers (delivered through the Strategic Freight Network Fund). In the short to medium term, further investments are planned, including to the Midland Main Line, and it is also possible that the line via Melton Mowbray and Hinckley could be electrified to enable the more efficient movement of freight (with passenger traffic benefits as well).
25. The rail industry is moving towards a longer-term approach to future planning, with Network Rail now undertaking studies that look forward to 2043. A further significant change is that these studies are increasingly focusing on what type of rail network and services the country *needs* to achieve its economic growth potential rather than simply seeking to identify what network and services *can be made available*.

#### *HS2 context*

26. The Chancellor's 2015 Autumn Statement confirmed the Government's commitment to the delivery of HS2.
27. When the project was first announced the greatest focus of interest was on the proposed speed of the trains. Now, however, far greater emphasis is being placed on the need for HS2 to help to meet future rail capacity needs. Taking the Midlands Main Line as an example, Table 1 below highlights that even with HS2 eastern leg in operation, passenger figures at key stations in Leicester and Leicestershire are estimated to be above current usage levels. Without the

additional capacity that HS2 would provide, it is very likely that in future passengers attempting to board trains in Leicestershire would increasingly experience levels of overcrowding similar to that currently being experienced at stations further to the south (e.g. at Kettering and Wellingborough).

Station	Passengers per day		
	2014	2043 <b>NO</b> HS2 eastern leg	2043 <b>WITH</b> HS2 eastern leg
Loughborough	1,900	4,100 (+116%)	2,300 (+20%)
Leicester	7,500	16,100 (+115%)	9,200 (+22%)
Market Harborough	1,250	2,660 (+112%)	1,800 (+43%)

**Table 1: Example of Forecast Future Rail Demand**

28. Construction of HS2 is planned in phases. Phase 1 from London to Birmingham is scheduled to open in 2026. The Phase 2 works will deliver two separate routes. The western leg will run via Crewe to Manchester; as announced by the Government in November last year, the section of that leg as far as Crewe is now due for completion in 2027 (six years earlier than originally planned), with the remainder of the western leg due to open in 2033.
29. It is currently understood that the eastern leg of HS2 (to Leeds) will also be completed by 2033. The previously published consultation route passed through but did not directly serve Leicestershire, but the final route of the eastern leg has yet to be confirmed. However, the HS2 Ltd has confirmed that Toton will be the location for the East Midland Hub Station, meaning that the eastern leg will inevitably have to pass through the County.
30. In the light of this confirmation and also of the now identified potentially significant economic benefits that an HS2 eastern leg routed via Toton could bring to Leicester and Leicestershire (see paragraph 40 below), it is considered that it is no longer valid for the County Council to continue to press for an alternative HS2 station in Derby (as per the position adopted by the Cabinet in January 2014). Rather it is proposed that the Authority should now adopt a revised formal position, one that supports the HS2 East Midlands Hub Station being located at Toton and accepts in principle the routeing of the eastern leg through Leicestershire.
31. It is important, however, that Government and others work constructively to:
  - a. Make the decision on the final alignment of the route quickly, so as to remove uncertainty for individuals, communities and businesses along the route and to enable prompt engagement by HS2 Ltd. with them about potential compensatory measures;
  - b. Ensure that the design of the station (including its track layout) provides for, and must not fetter, the identified economic opportunities for Leicester and Leicestershire. This is covered in more detail in paragraph 41 of this report.
  - c. Ensure the route includes a tunnel under the East Midlands Airport and the (now approved) East Midlands Gateway Strategic Rail Freight Interchange, so as to minimise the impacts of HS2 on that part of Leicestershire;

- d. Ensure the impacts on local communities and the environment, as set out in the County Council's formal response to the Government's HS2 Phase 2 (as detailed in the report to Cabinet in January 2014) are satisfactorily addressed.

### **The need for a Leicester and Leicestershire Rail Strategy**

32. Whilst the LTP3 Strategy has proven to be effective in many respects in enabling growth, it has little focus on rail. Given the economic importance of effective rail connectivity; the complexity of the rail industry; HS2; and the long term planning approach now being adopted, it is important for Leicester and Leicestershire to be as best placed as is possible to seek to secure future investments in the area's rail network and services. Otherwise, the area could find itself at significant economic disadvantage in comparison to other parts of the country.
33. Having an adopted Leicester and Leicestershire rail strategy in place will help authorities in the area to best support economic and housing growth; to engage with and influence the classic rail industry at this, a pivotal moment, in planning the services that are needed over the next 30 years and the infrastructure required to support them; and will strengthen the Authorities' position in engaging in the planning for HS2 Phase 2.

### **Overview of the draft Strategy**

#### **General**

34. A copy of the complete draft Strategy is appended to this report. This has been prepared by a firm of specialist rail consultants.
35. The Strategy takes an evidential approach, focusing primarily on economic benefits (which remain a key driver for the Government's infrastructure investment decisions). A computer model was used to test the potential Gross Value Added (GVA) uplift that could be achieved through new and enhanced services providing improved rail connectivity between Leicester and Leicestershire and other cities elsewhere in the country.
36. The draft Strategy identifies four key priorities for Leicester and Leicestershire:
  1. *To maximise the benefit from the Midland Main Line services (MML)*
37. Following last year's 'pause', the recently announced plans include a phased electrification through Leicestershire in the period 2019-23. Maximising the benefits means:
  - Using the opportunity from the later implementation of electrification to put in at the same time the capacity needed for Leicester and Leicestershire's long term growth as a part of the project. (This includes work identified already by Network Rail to support rail services in the longer term, including 4 tracking between Syston and Wigston, additional platforms at Leicester, and grade separation of North-South and East-West traffic flows through the Leicester area.)



- Securing the journey time improvements to achieve a sub-60 minute journey time between Leicester and London on non-stop services, including the works to straighten the track in the vicinity of Market Harborough Station.
- Ensuring that new rolling stock of appropriate quality is procured for the electric services.

38. It is estimated that enhanced MML services could generate around £7m GVA per annum to the area's economy. Conversely, any proposed diminution of the service – e.g. slower journey times – could cost the area's economy around £4m per annum. It is therefore important that the Authority continues to work with Leicester City Council and other partners to ensure that services on the MML post HS2 remain fast and frequent.

## 2. To achieve the best result from the implementation of HS2 Phase 2

39. Work undertaken to develop the Strategy has shown that there is the potential for the HS2 project to deliver significant economic benefits for Leicester and Leicestershire (see paragraph 40). Achieving the best result means:

- Ensuring that the *perceived* risk of lengthening journey times between Leicestershire and London does not occur. The perceived risk arises because existing MML trains are projected to lose nearly half of their passengers to HS2. However, forecast growth in passengers will mean that existing levels of demand will be exceeded even with HS2. Nevertheless, Leicester and Leicestershire should seek assurances from the Secretary of State that Leicester's fast services will be protected.
- Securing through 'classic compatible'<sup>(2)</sup> direct services from Leicester to destinations in the north via HS2. The journey time reductions available are substantial (up to an hour on many station pairings). It is recognised that Leicester and Leicestershire in themselves may not justify the business case for these services, but if services are provided through Leicester from key economic development areas in the South Midlands and Thames Valley, the proposition is substantially strengthened, especially if alliances with other LEPs and Local Authorities can be achieved, including with Transport for the North, creating a "string of pearls" (a route of directly linked cities).

40. It is estimated that the benefits to the area's economy of direct services from Leicester to other cities via HS2 lines could be around £40m GVA per annum.

41. In order for these opportunities to be realisable in practice, it is *essential* that the HS2 proposals:

- Provide for direct rail connectivity between the Midland Main Line and the HS2 eastern leg, such that 'classic compatible' trains can operate directly from stations in Leicestershire, via Toton to/from destinations in Northern England (e.g. Leeds and Newcastle); and
- Include the necessary platform capacity and track layout to enable direct Leicestershire-Northern England train services to operate through Toton,

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(2) Trains that are designed to operate on the classic rail network but also at high speed over HS2 lines, meaning that they are able to operate direct services between cities operating over both types of network.

without detriment to the wider operation of the HS2 network or to the disbenefit of services to other places in the East Midlands.

### *3. To improve radically direct fast connectivity to key regional and national destinations*

42. As noted, Leicester and Leicestershire have poor rail connectivity. The computer model used to test potential GVA identifies priorities for development. Using this prioritisation, radically improving connectivity means:
- Faster journeys to places such as Coventry and Birmingham.
  - New direct services to Coventry, the Thames Valley (e.g. Reading), Manchester and West Yorkshire.
43. Some examples of the estimated potential GVA benefits of direct connectivity include:
- To Swindon and Bristol = around £20m GVA per annum; and
  - To Manchester = around £9m GVA per annum.
44. Economic benefits will not only accrue to Leicester and Leicestershire, but to other destinations along these routes as well (e.g. Reading would experience uplift in GVA as a result of having significantly enhanced rail connectivity to the East Midlands). The importance of this is that these connectivity enhancements become of not just regional importance, but of national significance as well, strengthening the Authority's position in any future negotiations with Government about rail infrastructure investment.

### *4. To ensure that rail access and development are planned together*

45. As rail continues to play an increasingly important role, access to the rail network will become correspondingly more important. As passenger numbers increase, with corresponding increased numbers of journeys to/from stations, road congestion around urban central stations will increase and rail car parks will become full. Ensuring joined-up planning means:
- Better spatial and transport planning around stations, and some intervention to increase railway car parking within the limits imposed by the siting of the stations.
  - Planning new development with access to the rail network as a key consideration.
  - Identifying potential new strategic access points to the rail network. This could involve long term consideration of "Parkway" sites (i.e. a site that does not necessarily serve a local population but acts as a convenient out-of-town station for inter-urban rail journeys).

## **Strategy Implementation**

46. The draft Strategy contains an action plan to deliver the draft Strategy's priorities. In the vast majority of cases the developments outlined in the strategy require the County and City Councils to act in a facilitating and lobbying role, rather than as direct funders or promoters of schemes. Partnerships are vital for making long term

development happen, and require the County and City Councils to bring together for each project the support of LEPs (including elsewhere along relevant rail corridors) and devolved bodies, HS2 Ltd, Network Rail and the Department for Transport. There is a need for Leicester and Leicestershire stakeholders to be active in political lobbying and rail industry development work.

47. Work to develop the Strategic Growth Plan should provide opportunities to explore how best to coordinate future land-use and rail planning.

### **Proposed way forward**

48. Subject to the views of the Cabinet, it is proposed to undertake an engagement exercise on the draft Strategy, as part of which the draft document would be shared with the Department for Transport, Network Rail, HS2 Ltd, other key rail industry bodies and neighbouring authorities. The purpose of this engagement would be to gain their views and also to begin to use the draft Strategy as a lobbying tool over the coming months and years.
49. It will almost certainly be necessary for the parties involved in the Rail Strategy's development to engage ongoing specialist consultancy support to ensure that maximum benefits can be gained from engagement with the rail industry. This will be funded from the Department's scheme development resources and discussions are ongoing with the LLEP and Leicester City Council to secure joint funding for this.

### **Equality and Human Rights Implications**

50. The proposals contained in the draft Rail Strategy are aimed at facilitating strategic growth to meet the social and economic needs of the residents of Leicester and Leicestershire. No detailed assessment has been done at this early stage, but as and when any rail schemes are taken forward the County Council will seek to work with Network Rail (and any other relevant bodies) to ensure that any necessary Equality and Human Rights Impact Assessment are completed.

### **Environmental Impact**

51. None arising from this report. As and when any rail schemes are taken forward the County Council will seek to work with Network Rail (and any other relevant bodies) to ensure that any necessary Environmental Impact Assessments are completed.

### **Background Papers**

Cabinet report – September 2009 Leicester to Burton Railway Line

<http://ow.ly/YtBwo>

Cabinet report – March 2011 Third Local Transport Plan (LPT3) (2011-2026)

<http://ow.ly/YtBAF>

County Council minutes HS2 – February 2013

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=3720&Ver=4>

Environment and Transport Overview and Scrutiny Committee minutes – High Speed Rail (HS2) Consultation: Proposed Response on Implications for Leicestershire  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1044&MId=3889&Ver=4>

Cabinet – January 2014 High Speed Rail (HS2) Phase 2: West Midlands to Leeds  
HS2 Consultation: Proposed Response on Implications for Leicestershire  
[http://politics.leics.gov.uk/Published/C00000135/M00003986/AI00036653/\\$5HS2.docA.ps.pdf](http://politics.leics.gov.uk/Published/C00000135/M00003986/AI00036653/$5HS2.docA.ps.pdf)

Cabinet – March 2015 Enabling Growth Plan  
<http://ow.ly/YtBKa>

Cabinet – March 2015 Local Transport Plan Draft Implementation Plan 2015-16  
<http://ow.ly/YtBVs>

## **Appendix**

Draft Rail Strategy for Leicester and Leicestershire