



The Business Services Association
130 Fleet Street,
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BSA Submission to the independent review of HS2

October 2019

The Business Services Association - the BSA - is the industry body for those delivering service and infrastructure projects across the private and public sectors. A list of our members is attached as an Annex. They include large and small businesses, charities and social enterprises.

The sector includes construction and infrastructure provision, ICT and digital services, facilities management and other project delivery. Research has shown 70 per cent of services are provided business-to-business and 30 per cent for the public sector. The sector employs 3.3 million people across the UK, accounting for around 1 in 10 jobs. As such it is an important driver of inclusive economic growth across every region of the UK.

The BSA has long called for continued efforts to upgrade and extend the UK's physical and digital infrastructure, both to improve connectivity and for the stimulus they give to industry supply chains across the UK. HS2 forms a vital part of this. It represents significant commitment and investment in a modern Britain, not only in improving connectivity but also in enabling a rebalancing of the UK economy and securing the future of the construction and infrastructure sector.

HS2 is a flagship infrastructure project which is intrinsically linked to many other infrastructure projects being developed by regional transport bodies, such as Northern Powerhouse Rail. These projects will stimulate investment, jobs and regional growth, particularly in the North of England and the Midlands, for decades to come. As Andy Burnham recently said, the projects are "vital if we are to truly rebalance our country's economy"¹. HM Treasury analysis shows that successfully rebalancing the economy will add £44bn in gross value added in the North by 2030². Furthermore, HS2 is central to achieving the Government's 2050 net-zero carbon reduction targets. The BSA would like to see a renewed and reinvigorated cross-government backing for HS2, reflecting the commitment shown by industry and regional leaders in the Midlands and North of England.

Upgrading UK infrastructure

The underlying belief behind the Northern Powerhouse concept is that city regions and their surrounding areas, acting together in aggregate, can produce economic and social outcomes which are greater than the sum of their parts. Improved connectivity is fundamental to this, in part because of the physical transportation of goods, but in particular because of the effect on the most precious component of any service-based economy: people.

¹Manchester Evening News - 21st August 2019 - <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/hs2-rail-andy-burnham-reaction-16791475>

²HM Government and Transport for the North - The Northern Powerhouse: One Agenda, One Economy, One North - March 2015 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/427339/the-northern-powerhouse-tagged.pdf

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If BSA members with offices and operations across the North and the Midlands were truly able to agglomerate these operations, they would be able to improve productivity substantially. In particular: they would be able to deploy their skills base to best match the specific needs of clients; offer improved opportunities to employees; recruit as one unit rather than requiring applicants to select an office to apply to; offer career progression opportunities more easily; and help staff improve their work/life balance. In turn, this would help in attracting and retaining talent and create more jobs outside of London.

To this end, the BSA supports Transport for the North in their call for a strengthened role for them in the design and implementation of HS2 Phase 2b, so that it can be integrated fully into Northern Powerhouse Rail, as well as other regional transport bodies such as Midlands Connect. To see the benefits of a rebalanced economy, through better connectivity, realised as soon as possible, we would like the Review panel to consider the potential advantages of reprofiling the current HS2 programme to accelerate the development and construction of the northern routes.

Beyond improving connectivity, HS2 is also a key part of upgrading and modernising the UK's rail infrastructure, much of which remains largely untouched since the Industrial Revolution. It is about building a resilient, modern railway that will be sustainable for the next 250 years, whilst helping to address the huge costs associated with an antiquated network that struggles to cope with today's challenges, including a rising population and climate change. A modern transport network underpins the ability of UK plc to export, to remain competitive overseas and to attract investment.

The digital drivers within the HS2 project will also be transformative. From using advanced virtual and augmented reality to model the route to delivering world-class BIM implementation, HS2 is utilising cutting edge technologies and digital practices, helping these practices to embed and become 'business as usual' within the construction and infrastructure industry and beyond. Transport, in particular, is undergoing a technological revolution that will usher in the next generation of vehicles and digital railways and HS2 is key to accelerating this. Better transport connectivity also goes hand-in-hand with better digital connectivity across the country, driven by increasing demand outside of London and the South East.

Investing in the construction and infrastructure industry

The significance of HS2 to the future of the UK construction and infrastructure industry should not be underestimated. The public perception is that work on HS2 is yet to begin, however in reality enabling work is already underway at key locations along the route and the industry is already investing in the project, carrying out essential ground investigation, setting up regional offices and creating thousands of jobs and Apprenticeships to deliver the project.

The construction and infrastructure industry is of key strategic importance to the UK economy. Ensuring the UK has a resilient and competitive construction industry to meet future demand and deliver the full infrastructure pipeline for government should be considered as part of this review. The industry is relying on the certainty of the scale and flow of work that HS2 brings in order to invest in projects and in modernisation.

The Farmer Review (2016) found current levels of investment in industry innovation to be very low³. This is something the industry as a whole is looking to address and to this end the construction sector deal has a strong focus on digital tools. Significant and sizeable projects committed to using modern methods of construction and digitisation, such as HS2, give industry more confidence to invest and a platform through which to embed digital ways of working, bringing in a large number of organisations

³ The Farmer Review of the UK Construction Labour Model - October 2016 - <http://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/Farmer-Review.pdf>



from across the sector and their supply chain partners. In turn, this helps to accelerate the modernisation of the industry.

Modernising the construction and infrastructure industry is also vital to addressing the skills shortage it faces. The size and demographics of the workforce are a real challenge, with the Farmer Review predicting a 20-25% decline in the available labour force within a decade⁴. If realised, this would significantly hinder the industry's ability to deliver the current pipeline of national and regional infrastructure projects.

As one of the most iconic projects the UK has seen in a generation, HS2 has the potential to attract new entrants, particularly from younger generations. The National College of High Speed Rail is deeply rooted in industry and, alongside on-site training run by providers, will train new entrants in modern methods of construction, such as offsite manufacturing. These skills will be vital for the delivery of HS2 and other national infrastructure projects in the pipeline. Having a stable skilled workforce also enables the industry to redeploy people to other key schemes more effectively, preventing delays caused by capacity constraints.

Unlocking local growth and social value

HS2 will bring about significant investment in local economies and help to drive truly inclusive growth, particularly in the North of England and the Midlands. Organisations involved in the delivery of HS2 are already setting up offices and creating jobs for local people. In the Midlands, for example, one BSA member is creating 1200 opportunities for staff and 7000 for operatives. Companies will look to bring in SMEs and local businesses into their supply chain, including sub-contractors and building suppliers, helping to scale up these businesses. The scale and longevity of the project will boost local economies for at least the next decade.

We do expect to see growth not just in the construction sector but also in the wider business services sector as a major project such as HS2 will also require estates and facilities management expertise, cutting edge digital and communication services, and support from business and professional service providers. This brings diverse opportunities into the jobs market, will draw in more local businesses as suppliers and sub-contractors and bring further investment into the area.

As well as creating jobs for local people, many infrastructure and service providers undertake a range of community projects, bringing additional social value. These can range from working with local schools and offering opportunities to local people to develop employability skills through training and work experience, to getting involved in community projects. For example, Balfour Beatty VINCI has already secured £1m in funding to train local people in the West Midlands Combined Authority region in order to prepare local people for roles on the HS2 programme.

Key to seeing the potential for local inclusive growth realised will be partnership working between local leaders, business partners and communities. For example, the Northern Powerhouse Partnership helps to develop consensus among businesses, civic leaders and others about how the north of England can be more successful. It is led by influential business figures, prominent city leaders and representatives from local transport bodies.

Carbon reduction

HS2 will provide a national transport system fit for future generations. Beyond the socioeconomic benefits, the project is also central to achieving the government's 2050 net-zero carbon reduction targets. The UK needs a viable low carbon alternative to address the congestion and capacity shortfall

⁴ Ibid.



on existing infrastructure. High speed rail has lower emissions per passenger-km than other modes of transport - only 36% of emissions generated by conventional rail, only 12% of a private car, and just 5% of air travel⁵.

By increasing capacity and reducing travel times, HS2 will enable more passengers, freight and goods to be transported by rail rather than road or air. Research by Eurostar shows carbon emissions on a two-hour high speed rail journey can deliver a carbon saving in excess of 90% compared to flying the same route with today's technology⁶.

Sustainability has been at the forefront of work on HS2 to date. HS2 became the first infrastructure project in the UK to be awarded a BREEAM (Building Research Establishment Environmental Assessment) Infrastructure Scheme Certificate for its sustainability strategy. This is another demonstration that HS2 is committed to creating the most environmentally sustainable high speed rail in the world.

Taking HS2 Forward

The BSA would like to see a renewed and reinvigorated cross-government backing for HS2, reflecting the commitment shown by industry and regional leaders in the Midlands and North of England. To see the project taken forward successfully, the Review panel should set a clear primary objective for HS2 and work from there. This may be to address capacity issues, rebalance the UK economy, support infrastructure pipelines, or a combination of these - but an order of priorities is key to deciding what to do next. It also means that, as things change over next 20 years, decisions can be taken along the way, helping to maintain momentum and avoid costly delays.

Such a priority order of objectives will help to determine whether the phasing of construction work needs to be amended. However, the BSA recognises that such phasing will also depend on progress already made (and therefore relative ease of construction) as well as the relative importance given to different parts of the route.

There are undoubtedly lessons to learn from other rail projects, including HS1 and Crossrail, as well as from major project delivery in other sectors, in terms of financing, project management and industry/contractor engagement. Using tried and tested solutions, alongside innovative construction methods, will help to de-risk the project, including for the market. Working collaboratively with industry from the outset, as HS2 has done to date, will help to identify challenges quickly and develop strong relationships to overcome any issues in a timely manner.

Strengthening the business case and focusing on the life cycle costs and benefits of HS2 will also help to assure investors and wider stakeholders as to the long-term value of HS2 to businesses, citizens and the UK economy. The BSA recommends using the HM Treasury 'better business case framework' to help support a vision and decision making⁷.

⁵ HS2 Ltd - Rebalancing Britain: From HS2 towards a national transport strategy - October 2014 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/374709/Rebalancing_Britain_-_From_HS2_towards_a_national_transport_strategy.pdf

⁶ Eurostar press release - 7th February 2018 - https://mediacentre.eurostar.com/mc_view?language=us-en&article_id=ka30N000000kDmaQAE

⁷ HM Treasury - Guide to developing the project business case - 2018 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf



Annex 1. List of BSA Members, October 2019

3SC	Incentive FM
Accenture Plc	Interim Partners
AECOM	Interserve
Amey Plc	Invicti
Aramark	ISS UK Ltd
Atkins	KBR
Atos	KPMG
Baachu	Kier Group Plc
Balfour Beatty Plc	Maximus UK Ltd
BAE Systems	Mears Group
BAM Construct UK	Mitie
Barclays Corporate	MTC
Bellrock Ltd	NatWest
Bevan Brittan LLP	NCG
Bouygues Energies and Services	New Street Executive Search
BT Group Plc	OCS Group UK Ltd
Capita Plc	P3
Catch 22	Pinsent Masons LLP
CBRE Ltd	PricewaterhouseCoopers UK
Change, grow, live	Robertson FM
CH & Co Group	Salisbury Group
Clyde & Co LLP	Seetec Group Ltd
CMS Cameron McKenna Nabarro Olswang LLP	Serco Group Plc
Community Models	Sharpe Pritchard LLP
Compass Group Plc	Shaw Trust
Connect Assist	Sodexo Ltd
Corndel Ltd	Sopra Steria Ltd
CSG	Space Solutions
Cyber Prism	Spend Network
David Macbrayne Ltd	Strictly Education
Deloitte	TerraQuest Solutions Ltd
DWF LLP	The Challenge
Elior UK Ltd	The Gap Partnership
ENGIE UK & Ireland	The Grichan Partnership
EY LLP	Total Solutions Cleaning
Fujitsu UK	Trowers & Hamlins LLP
G3 Systems Ltd	VINCI Facilities
G4S Plc	VPS Group
GoodPeople	Wand Consulting
HP	Wates Group
IBM	Willmott Dixon