Balfour Beatty

Shaping Regional Rail

Boosting jobs, skills and growth across the North

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The UK stands at a pivotal moment in shaping its future economy - and nowhere is the opportunity clearer than in the North of England. Home to over eight million people, world-class universities, advanced manufacturing clusters and a fast-growing digital sector, the North has the potential to become one of Europe's major growth corridors. Unlocking that potential requires more than ambition; it demands transport networks that reliably connect people, skills and businesses.

Decisions taken now on how we design, fund and deliver regional rail will determine whether that potential is realised. Well-connected rail networks do more than move people - they expand labour markets, open access to apprenticeships and enable sustainable growth. Without this connectivity, young people without cars struggle to reach work or training, businesses hesitate to invest, and communities risk being left behind.

Recent government commitments on Northern Powerhouse Rail signal growing alignment between national policy and long-standing regional priorities on east–west connectivity. The opportunity now is to ensure that appraisal, funding and delivery models are capable of translating that intent into sustained economic impact across the North, rather than incremental or fragmented upgrades.

While rail is central to unlocking the North's economic potential, it cannot deliver these outcomes in isolation. To maximise return on investment, rail must sit at the heart of a wider, connected system aligning with buses, rapid transit, active travel, station-led development and local place strategies. Only an integrated approach will deliver the scale of labour-market expansion, modal shift, and productivity gains the North needs.

Recent investment has focused on maintaining reliability and tackling immediate challenges. Essential renewals have kept services running, yet key routes - Manchester, Leeds, Bradford, Sheffield, Newcastle - still face capacity constraints, delays and fragmented timetables. These frictions drag on productivity and limit the North's contribution to national growth. Compare this to East West Rail (Oxford–Cambridge): despite a stronger economic case in the North - connecting two major cities, three airports and advanced clusters - appraisal frameworks continue to undervalue northern schemes.

Other countries take a different approach. Germany, the Netherlands, Japan and the US West Coast start by defining the growth outcomes they want, then design rail to deliver it. In Japan, private operators like Tokyu Corporation use land value capture - developing land around stations and reinvesting property value uplift into rail expansion. This generates non-fare income, cross-subsidises operations and shows how transport can fund itself while driving wider growth. Across these examples, infrastructure is treated as a strategic investment in economic capacity, rather than a cost to manage.

Regional authorities in the North have set out a clear vision for rail-led growth. The next step is stronger collaboration across government, industry and local partners to turn that vision into delivery at scale. The Government recognises and is taking steps to address the challenge with reforms to the Green Book reforms which have improved value assessment. But there is scope to go further and capture the full economic potential of major schemes. Planning for maximum growth rather than incremental upgrades would allow the North's networks to make their full contribution to UK prosperity.

The Government's plans for Great British Railways (GBR) are welcome. The transition to GBR is a critical moment to put these priorities on the table. With modernisation, renewal and decarbonisation programmes underway, decisions in the next few years will shape the region's economic trajectory and the UK's future.

Balfour Beatty was delighted to host a roundtable with senior representatives from regional authorities, transport bodies and industry partners in the North to explore these themes. This note builds on that discussion.

Overview of recommendations

Adopt a growth-first economic impact approach

1. Revise the Green Book: Embed long-term value metrics including productivity gains, regeneration, and land value uplift into the 2026 update.
2. Pilot regional growth assessments: Launch a "Northern growth appraisal pilot" with combined authorities to test new frameworks, focusing on value rather than journey-time reductions.
3. Embed social & economic impact: Use input-output modelling alongside traditional cost-benefit analysis to capture indirect economic and social benefits such as jobs created and SME growth.

Enable diversified funding models

4. Scale Land Value Capture (LVC): Develop frameworks around stations, using private developers to fund rail expansion via property value uplift.
5. Open-book partnerships: Negotiate shared-risk contracts between public bodies and private capital, leveraging Office of Rail and Road 2025 Rail Network Investment Framework insights to reduce investor risk.
6. Transit-oriented development hubs: Identify station sites for mixed-use development that co-funds rail infrastructure through shared revenue or joint ownership.

Set up a North-focused Rail Growth Commission:

7. Create a North-focused Rail Growth Commission: Create a Commission aligned with Transport for the North, tasked with long-term rail strategy, delivery oversight and linking investment to wider economic growth.

Embed social value from day one

8. Co-design long-term skills and employment plans: Embed skills pipelines, career pathways, and SME supply-chain opportunities into project design.
9. Commit to a multi-decade investment pipeline: Legally backed long-term infrastructure plan to give industry confidence in investing in workforce development, decarbonisation, and innovation.

A new framing: from affordability to value creation

Unlocking that transformation begins with reframing the central question. Instead of *"What can we afford?"* the starting point should be *"What growth outcomes do we want, and what infrastructure delivers them?"*.

The challenge is that the UK's appraisal system is not designed for that question. The Green Book framework remains anchored in short-run journey-time savings and incremental cost–benefit ratios. These metrics may be appropriate for localised improvements, but they are not suited to structural economic change. They systematically favour already-successful regions, undervalue regeneration, and discount long-term benefits such as increased labour market participation, higher productivity, or sustained investment uplift. Under today's rules, many of the transport projects often cited as examples of transformational investment, such as the Jubilee Line Extension, Thameslink, and the Elizabeth line, would likely not have cleared appraisal, despite their unquestionable contribution to national economic performance.

A more strategic model is needed. One that recognises:

- **Value creation, not just additionality.** Large-scale connectivity projects generate new economic activity, not only redistribute existing activity.
- **Long-term outcomes, not short-term returns.** Productivity uplift and investment confidence often materialise over decades, not electoral cycles.
- **The economic cost of inaction.** Delayed investment is not neutral; it leads to lower tax receipts, suppressed business formation, and reduced workforce participation.

Revised appraisal frameworks in Scotland and international practice in Japan, France, and Canada show that this shift is both feasible and beneficial. The upcoming 2026 Green Book update provides an opportunity to build on HM Treasury's own recognition of these challenges, clamping down on short-termism and ensuring that regional investment is judged against both national and local priorities, with a clear focus on long-term social, environmental, and place-based outcomes.

Rethinking appraisal around long-term growth naturally raises the question of how projects are funded. Modern funding models, capturing land value uplift, enabling mixed-use development, or sharing risk transparently, can unlock private capital, stretch public investment, and ensure that rail investment drives real regional outcomes. Once growth outcomes become the starting point, funding models follow naturally.

Our recommendations in this area are:

Revise the Green Book: Work with HM Treasury to embed long-term value metrics including productivity gains, regeneration, and land value uplift, into the 2026 Green Book update. This presents a timely opportunity to embed regional equity and the full economic impact of infrastructure investments into decision-making.

Pilot regional growth assessments: Launch a "Northern growth appraisal pilot" with combined authorities to test new appraisal frameworks, generating data to support value-based investment rather than journey-time reductions to address the fact that appraisal systems disadvantage the North in transformational investment.

Embed Social & economic impact: Use input-output modelling alongside traditional cost-benefit analysis. This approach maps how spending on a project flows through the wider economy, showing the indirect economic and social benefits, such as jobs created and local business growth, rather than just the direct transport effects.

Modern funding models: unlocking private capital and aligning incentives

Once growth outcomes become the starting point, funding models follow naturally. Rail is not uninvestable; it requires a structure that aligns incentives, manages risk, and links investment to economic impact. International experience shows that the most successful regional systems combine strong public leadership with private co-investment.

In the UK, scaling approaches such as land value capture (LVC) for rail infrastructure is already under discussion. These conversations should be accelerated to resolve legal, planning, and financing hurdles, ensuring growth opportunities are not missed. An ICE briefing paper notes that only around 10% of the uplift near Crossrail stations was captured, highlighting the potential for improvement[1].

Proven models include:

- **Land value capture** (Japan, Hong Kong), where property value uplift around new stations directly contributes to funding the infrastructure itself.
- **Transit-oriented development (TOD) hubs,** integrating stations with retail, housing, and commercial assets to enhance revenues and passenger experience.
- **Open-book partnerships,** transparently sharing risk and aligning incentives around delivery, performance, and lifecycle costs.
- **Equity or revenue-share models,** attracting long-term private capital by giving investors a stake in the success of the system.

For the UK, these approaches do not replace public funding but can stretch it further, introduce discipline and innovation, and give local authorities - particularly mayoral combined authorities - a stronger, more strategic role in shaping growth where it will have the highest impact.

Despite strong economic cases, private investment in rail remains politically sensitive. Lessons from road projects, such as the Lower Thames Crossing, demonstrate that viable private funding routes are possible with political backing. Overcoming this perception is critical to unlocking innovation, scaling investment, and avoiding flat cash constraints in CP7 and Rail Network Enhancement Pipeline (RNEP) budgets.

Our recommendations in this area are:

Scale Land Value Capture (LVC): Learn from the Japanese model (e.g. Tokyu Corporation) to develop LVC frameworks around stations, using private developers to fund rail expansion via property value uplift.

Open-Book partnerships: Negotiate shared-risk contracts between public bodies and private capital, leveraging the Office of Rail and Road's recent Rail Network Investment Framework Deep Dive 2025 improvements to reduce investor risk[2].

Create transit-oriented development (TOD) hubs: Work with regional and local authorities to identify station sites (e.g. Bradford, Leeds, Manchester) where mixed-use development can co-fund rail infrastructure through shared revenue or joint-ownership models, an approach endorsed by bodies such as the National Infrastructure Commission, Centre for Cities and the Urban Land Institute as a proven driver of growth and investment.

Industry structure: integrated, stable, and outcomes-driven

Funding alone cannot unlock the potential of regional rail. The current industry structure - heavily fragmented and shaped by a commercial model from the 1990s - is ill-suited to twenty-first-century challenges. Fragmentation creates misaligned incentives: operators focus on franchise performance rather than long-term network growth, infrastructure managers prioritise asset maintenance over passenger outcomes, suppliers face uncertainty that discourages investment in capability and innovation, and local authorities struggle to integrate transport with wider land use, housing, and regeneration plans.

A more integrated, stable, and outcomes-focused system is essential. This requires a single guiding mind: a clear system leader accountable for long-term strategy, investment, and delivery. The organisational design of Great British Railways (GBR) is a pivotal factor. To deliver northern priorities effectively, GBR must avoid becoming a large, centralised bureaucracy. Instead, it should be agile, customer-focused, and aligned with devolved authorities, enabling effective collaboration between national strategy and regional delivery. Furthermore, devolution in London, Greater Manchester, and the West Midlands has repeatedly shown that local leadership produces clearer priorities, faster decision-making, and stronger alignment with economic objectives.

For regional rail, an effective model would:

- Place strategic decisions with a single system leader, responsible for long-term network outcomes.
- Empower local and regional authorities to shape service patterns, growth priorities, and development opportunities.
- Provide the supply chain with multi-year, stable investment pipelines, enabling capability-building, workforce development, and innovation.

1 https://www.ice.org.uk/download-centre/briefing-paper-increase-private-infra-investment

2 https://www.orr.gov.uk/rail-network-investment-framework-deep-dive-2025

- Judge performance on economic value and passenger outcomes, rather than short-term contractual metrics.

The industry has begun moving in this direction, but the scale of the opportunity and the complexity of the challenge requires a deeper, structural shift.

To deliver this vision, we recommend establishing a North-focused Rail Growth Commission, aligned with Transport for the North (TfN) but explicitly tasked with long-term economic strategy, rail infrastructure planning, and delivery accountability. This body would complement TfN's transport planning role without duplicating it, creating a stable forum for prioritisation and long-term decision-making.

Key design principles:

- Integrate with Great British Railways (GBR) to provide a stable, devolved voice for investment priorities.
- Include representation from mayoral combined authorities, sub-national transport bodies (STBs), and the rail supply chain, ensuring a long-term forum for coordination.
- Guarantee that mayors and STBs, as proposed in the government's A Railway Fit for Britain's Future consultation, have a statutory role within GBR, giving them a formal voice in strategy.
- Assign clear responsibility for prioritising projects, monitoring delivery, and aligning investment with regional growth objectives, providing certainty for multi-decade industry investment in skills, innovation, and capability.
- Incorporate insights from the Office of Rail and Road's 2025 Rail Network Investment Framework review on risk allocation and investor guidance, ensuring investor confidence and streamlined governance.

Our recommendations in this area are:

Create a North-focused Rail Growth Commission: Create a Commission aligned with TfN, tasked with long-term rail strategy, delivery oversight and linking investment to wider economic growth. It should feed directly into GBR and include mayors, combined authorities, STBs, and supply chain representatives to provide a stable, long-term forum for prioritisation and delivery.

Social value: from compliance to capability building

Modern regional rail is about more than moving people: it has the power to transform communities and life chances. Social value in regional rail is often delivered through apprenticeships and local employment schemes, but in practice it is piecemeal and inconsistent. Elevating social value means treating it as a strategic lever to create lasting economic and social capability, embedding skills, career pathways, and supply-chain opportunities that deliver measurable impact across the North.

When planned and delivered thoughtfully, transport projects can embed enduring benefits across the regions they serve:

- Develop skills pipelines aligned with long-term industry demand, ensuring training addresses real future needs.
- Create clear career pathways that allow apprentices and new entrants to progress beyond entry-level roles.
- Anchor local employment in broader regional strategies, rather than treating it as a contractual obligation.
- Integrate supply chain opportunities for regional SMEs, fostering growth, innovation, and the ability to export capability.

These outcomes require social value to be designed from the outset, not tacked on after procurement. Local leaders, industry, and training organisations should co-create strategies that align with regional priorities and long-term growth objectives. The payoff is transformative: more resilient labour markets, deeper community investment, and genuine levelling up that endures well beyond the construction phase. The recent Core Valley Line commissioning in South Wales shows the tangible impact of a locally focused rail authority. By aligning governance, investment, and community engagement, the project delivered exceptional outcomes in jobs, skills, and regional growth, providing a model the North could replicate.

Our recommendations in this area are:

Co-design long-term skills and employment plans: Work with Combined Authorities and industry to build skills pipelines, local employment guarantees and SME supply-chain opportunities directly into project design. This shifts social value from a compliance exercise to a driver of long-term economic capability across the North.

Commit to a multi-decade regional infrastructure pipeline: Establish a long-term, legally backed investment pipeline for regional infrastructure, including rail, building on the 2025 Spending Review to give industry confidence to invest in skills, decarbonisation, and innovation.

A transformational opportunity for the North

Taken together, these elements point to a clear conclusion: the North has the scale, ambition, and economic rationale for a transformational rail network that integrates its major cities into a single, connected labour market. The frequently cited concept of an "Elizabeth line for the North" is not a luxury; it is a practical, economically rational response to a region defined by short distances, high densities, and latent demand.

A fast, frequent, and reliable network linking the North's five major urban areas would:

- Significantly expand labour markets.
- Boost productivity by reducing travel friction.
- Attract inward investment by increasing workforce catchment areas.
- Reduce inequality by giving people genuine choices about where to live, work, and train.
- Provide a foundation for skills development and industrial growth over decades.

The moment is urgent. Delay risks losing momentum, eroding confidence, and missing a once-in-a-generation opportunity to transform connectivity and economic potential in the North.

Conclusion: a once-in-a-generation opportunity

Regional rail, delivered strategically, is one of the highest-value investments a country can make. It expands opportunity, deepens labour markets, attracts investment, and strengthens national cohesion. In the North of England, the conditions for success are already in place: demand, ambition, talent, and economic potential.

The opportunity now is to ensure that the system - government, industry, and investors - is structured, funded, and guided with the clarity required to turn potential into reality. Achieving this will require the right governance, long-term funding, modern appraisal frameworks, and coordinated delivery across local, regional, and national levels.

The moment is here. The opportunity exists to deliver a rail system capable of unlocking the region's full economic potential and supporting sustained growth across the UK. The question is whether the system can rise to the challenge and put in place the policies, investment models, and structures needed to realise it. The stakes are high: effective delivery could transform connectivity, productivity, and opportunity for millions of people for decades to come.

About Balfour Beatty

Balfour Beatty is the UK's largest construction and infrastructure provider and one of the Government's 40 strategic suppliers. Founded and headquartered in the UK, we are proud to be a British business, employing over 13,000 people nationwide and 27,000 globally – primarily in the US and Hong Kong.

We finance, develop, build, maintain and operate the critical national infrastructure that underpins daily life and supports economic growth – from Hinkley Point C and Sizewell C to the M25 and the Elizabeth Line.

In rail, Balfour Beatty is a leading delivery partner at the heart of the UK's network. We manage, maintain and enhance thousands of miles of railway that are vital for local connectivity, national resilience and long-term growth. We hold a 40% stake in the Central Rail Systems Alliance (CRSA), a decade-long partnership delivering track renewals, crossings and related infrastructure across the London North West, London North East and East Midlands routes.

Since 2010, we have delivered track renewals on the London Underground for Transport for London – trusted to work safely and efficiently in one of the world's most complex urban networks. We are also delivering flagship elements of HS2 Phase One alongside our joint venture partner VINCI, including the complex West Midlands section and Old Oak Common, the project's landmark interchange station in West London.

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