

Public Accounts Committee

Oral evidence: High Speed 2: 2022 Spring Update, HC 51

Monday 16 May 2022

Ordered by the House of Commons to be published on 16 May 2022.

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Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Mark Francois; Kate Green; Sarah Olney.

Gareth Davies, Comptroller and Auditor General, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-138

Witnesses

[I](#): Bernadette Kelly CB, Permanent Secretary, Department for Transport; Clive Maxwell, Director General, High Speed Rail Group, Department for Transport; and Mark Thurston, Chief Executive Officer, HS2 Ltd.

Examination of witnesses

Witnesses: Bernadette Kelly, Clive Maxwell and Mark Thurston.



- Q1 Chair:** Welcome to the Public Accounts Committee on Monday 16 May 2022. Today, we are once again looking at the progress of the high-speed rail project—usually known as HS2—which is, as watchers of the Committee and followers of the project will know, one of the country's largest and most expensive infrastructure projects. We have raised concerns over a number of years about its cost, the transparency and how the scheme will be delivered. We have had updates recently: the leg to Leeds has been scrapped, and there are rumours of other aspects of the scheme being changed. Today we want to get to the bottom of where we are at in the scheme's progress, and of what is and is not happening.

I am delighted to welcome our witnesses: Bernadette Kelly, the permanent secretary at the Department for Transport; Mark Thurston, the chief executive of HS2 Ltd; and Clive Maxwell, the director general for high-speed rail and the senior responsible owner for HS2 at the Department for Transport. Welcome to you all. I could say that it is groundhog day; we seem regularly to have you three in front of us.

Before we get into the main session, I just want to get a couple of updates about Crossrail from you, Ms Kelly. We have been told that it is opening next week. Is that still the case, and can you tell us exactly which bit is opening and whether Bond Street station will be opened?

Bernadette Kelly: Yes, that is the case. I am very pleased to confirm that it will open for passengers next week, on 24 May. That is a fantastic milestone after many years—decades, even—of hard work on the project. My understanding is that Bond Street will open later in the year. I think there is some exit, but no entry; it is not in full usage as of next week. Reading, Heathrow and Shenfield services are expected to start from the autumn, and full services by May next year. As I said, the big opening is next week for the central section, and the public will be able to see what all the fuss has been about. As the Committee knows—you have had a chance to visit—it is a truly impressive achievement.

- Q2 Chair:** It is very impressive, including the gold leaf—I wonder how much that cost the project. Before we go to Mr Francois, I want to check on the funding issue. Additional funding was required as there was a gap in the funding, and Transport for London and the Department had not bottomed out who was going to fill that gap or how it was going to be filled. What has happened to that funding gap?

Bernadette Kelly: My understanding is that, currently, some £200 million of the agreed loan still is in play and working through the system. There is still a gap, as you say; the latest estimate suggests that it could be around £174 million— **Chair:** As of February.

Bernadette Kelly: Yes. That figure obviously changes over time, but that is the size of the potential gap. I expect we will need to resolve that with TfL in the course of the capital negotiations and the emergency funding negotiations that we have had and will need to have again. We will need to determine how any remaining gap that cannot be closed needs to be funded. As you will know, and as I have emphasised to this Committee, our starting



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position as HMG is that we would expect London to fund that, but as I said, that will need to be resolved in a wider capital negotiation.

- Q3 **Chair:** Okay. There have been very fraught capital negotiations over the last couple of years. Are you pretty clear at this point that TfL will fund it?

Bernadette Kelly: As you say, we have no agreed plan on this, but we will put pressure on TfL—as you would expect—to fund any remaining gap as far as possible. Those discussions will, as I said, need to be resolved in the context of the wider capital settlement for TfL.

Chair: They will be hoping that their fare box increases—although of course they need capital, not revenue, at this point. I call Mr Francois.

- Q4 **Mr Francois:** Ms Kelly, you said that Bond Street—the one bit of the central section that is not opening—would open in the autumn. Can you be any more specific and explain in simple terms why the other stations are opening in May but that one is not?

Bernadette Kelly: I think what I said was that it opens later this year. That may mean the autumn, but I cannot be any more precise than that— that is as much detail as I have. The CEO and the commissioner would be able to explain this better than I can, but we have always known that Bond Street was the most complicated and difficult part of the entire project. We have known for some time now that it is going to be the most difficult part to complete and get open. It has just been a matter of working through and resolving all the outstanding challenges on Bond Street in these final stages of the project, but an awful lot of progress has been made. I know that TfL is continuing to work flat out to make sure that Bond Street can be fully opened as soon as possible.

- Q5 **Mr Francois:** To use an American phrase, there is no fundamental showstopper; we are not talking about a delay going into next year or further on.

Bernadette Kelly: Not to my knowledge. I think it is just about generally driving through all those outstanding issues around construction and completion that need to be seen through. I have certainly not been briefed that there is a massive question mark at all; it is just a question of getting on, and getting it to completion and over the line. I'm sorry, I have not come briefed in detail on Bond Street, but if there is more to share, I will happily write to you to set that out.

- Q6 **Mr Francois:** We would be grateful. As an Essex MP, I declare an interest in the Shenfield end. Is there anything more you can say about when that is likely to open?

Bernadette Kelly: I think what I said was that we hope Reading, Heathrow and Shenfield services will open in the autumn.



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Q7 **Mr Francois:** The autumn of this year?

Bernadette Kelly: Yes, that is what my briefing says.

Mr Francois: Okay. Some people argue about when the seasons start.

Bernadette Kelly: They do, but I think this autumn definitely starts in this calendar year.

Q8

Mr Francois: In that case, I will not push my luck—it is before Christmas?

Bernadette Kelly: I think so. As I said, if there is any correction or detail that I can provide, I will happily do so, but that is what my briefing notes tell me.

Q9

Mr Francois: By that stage, you would in theory be able to travel across the whole of Crossrail from one end to the other.

Bernadette Kelly: I think there is a final stage, with full services by May 2023, so I think it is probably slightly more complicated than that.

Chair: I think Mr Francois is looking for a date in his diary for cutting the ribbon at the Shenfield end of the project.

Mr Francois: I am not, but funnily enough, I know someone who might be.

Q10 **Kate Green:** As I understand it, Crossrail is initially opening from Monday to Saturday. When is it envisaged that Sunday running will start?

Bernadette Kelly: Seven-day services are expected to start in September.

Chair: Thank you for your very precise answer on that—even though autumn is still an undefined time in the civil service. On a different subject, I call Sarah Olney MP.

Q11 **Sarah Olney:** Yes, my favourite subject: Hammersmith bridge. We are very pleased in the local area that the stabilisation work is commencing, but for the bridge to be reopened to motor traffic, which is a matter of interest to a much wider area, we need to embark on the strengthening work. My understanding is that we do not yet have an agreement on how that is to be funded. Is the Department's intention still for the bridge to reopen to motor traffic and for the strengthening work to be undertaken? If so, what progress has been made in agreeing the funding for that?

Bernadette Kelly: As you say, the work on stabilisation is under way now. Indeed, I am pleased to say that the DFT's contribution to that has been paid this month. As you say, we need to do the wider strengthening to get motor traffic over the bridge again. We have always said that we are committed to funding up to a third, subject to the business case. It will obviously be a more significant project than the stabilisation work and will cost more. At the moment, the London Borough of Hammersmith and Fulham is working hard on that business case, and we are awaiting it so that we can have the discussion about funding.

Q12 **Sarah Olney:** Are you providing all necessary support to Hammersmith and Fulham for that?

Bernadette Kelly: I believe so, yes. This is a shared endeavour—we understand that—and we, TfL and the borough continue to work closely together on it.

Q13 **Sarah Olney:** Has there been any progress in thinking about taking the maintenance of bridges away from local authorities? The big problem we have had is that Hammersmith and Fulham was never going to be able to fund the extent of repairs required.

Bernadette Kelly: I think we have had this conversation. I do not really have a lot to add to what I think I said to the Committee before, which is that we do understand that when there is a problem of this scale, London boroughs are not really well placed; although it is formally their responsibility, the scale is too great for them to bear. There is no formal plan for shifting that. You would go either to TfL or HMG, I guess, if that responsibility did not stay with the boroughs, but there is no plan to do that. It is much more likely at the moment that we deal on a case-by-case basis.

Q14 **Sarah Olney:** Thank you. The Queen's Speech touched on Great British Railways last week, but there are no plans for legislation. Is that because none is required or because there is legislation coming later?

Bernadette Kelly: We are working very hard on legislation, and I think the Queen's Speech indicated that. We are in the programme, working very hard on legislation, which is required to set up GBR, and to ensure that it has the necessary powers and that we are able to make other changes to existing legislation to implement the reforms. We are working flat out on the legislation, and will introduce it as soon as it is ready and the parliamentary authorities allow.

Q15 **Sarah Olney:** Do you expect that to be in this Session?

Bernadette Kelly: Yes.

Q16 **Sarah Olney:** I am hearing a lot about planned strike action on the railways this summer. What is the DFT doing to work with the train operating companies and the unions? How likely is it that strike action will take place this summer?

Bernadette Kelly: Unfortunately, strike action on the railways is not a particularly unusual or exceptional event. The discussions that are going on with the unions will be discussions between the employers and the unions—obviously Network Rail and the train operating companies. As a Department, we are not directly involved in those discussions.

Obviously this is a very difficult climate. It is always difficult for rail, but now we have a twin challenge of needing to drive through reforms and modernisation—making the railway more responsive, passenger-friendly and efficient—and the very high inflationary environment. It is difficult. Our request to the unions is that they do not take forward disruptive strike

action, which will have an impact on passengers, but clearly there is a possibility. As I understand it, action is being taken forward on balloting by some of the unions. We are working closely with the industry to understand what is likely to happen.

Q17 Sir Geoffrey Clifton-Brown: Network Rail has quite a big debt attached to it, including pension liability. Will all that be rolled over to Great British Railways?

Bernadette Kelly: The rail pension is, I think, separate. It is not currently held by Network Rail. The rail pension scheme sits outside; it is regulated by the Pensions Regulator, as other pension schemes are. The industry has been looking at ways to reform that scheme, because it is unaffordable in its current shape and form. The Pensions Regulator has been challenging the industry on that basis for some time. As a consequence, the industry has come forward with proposals. I do not think a decision has been taken on where that sits, but I do not think it would necessarily sit with GBR.

Q18 Sir Geoffrey Clifton-Brown: Will Network Rail's other debt simply be rolled over?

Bernadette Kelly: Other debt? Are you thinking about outstanding infrastructure liabilities?

Sir Geoffrey Clifton-Brown: Yes, all that. Well, I was really thinking about the debt that it had rolled up over the years, going right back to British Railways. It has always had a debt.

Bernadette Kelly: Yes. Can I come back to you on that? I confess that I do not have a ready answer. Let me write to you, please.

Sir Geoffrey Clifton-Brown: That would be helpful. Thank you.

Q19 Chair: Let me see if I can pin you down a bit more. This is a big bit of legislation. On the face of it, it is a crowded Session, although some Bills are in the very early stages. Do you know when you are aiming to get this legislation through? Once it is through, how long it will take to deliver GBR?

Bernadette Kelly: We want to introduce it as soon as possible after the summer, but again that is as soon as it is ready and as soon as parliamentary authorities allow. I suspect I am not the only permanent secretary in Whitehall at the moment who is hoping and planning to get their legislation in immediately after the summer recess.

Chair: This is your chance to make a pitch, Ms Kelly.

Bernadette Kelly: Obviously it is a challenging Session, but we are working hard towards that goal. We are keen, if we can, to get the legislation passed in the current Session.

In the meantime, there is a great deal that we can do to make progress on Great British Railways and the reforms that we need to make. We are already standing up a Great British Railways Transition Team—a kind of

shadow organisation—with a view to trying to start implementing some of the reforms ahead of legislation. Obviously there are some things that we simply cannot do without parliamentary authority, but where we can make progress sooner we are doing so. We are doing that as well in the changes that we are making on things like ticketing and more flexible fares. It is not as if we stand still while a Bill goes through Parliament.

Q20 Chair: When will people be travelling on a GBR train?

Bernadette Kelly: I can't remember the— We have a date in 2024 for full stand-up of GBR, assuming we have all the parliamentary authorities, from memory—

Chair: If all goes smoothly, that is the earliest date.

Bernadette Kelly: Yes, but again I can check the date.

Chair: We would expect that. I say, "If all goes smoothly"; they are rather laden words.

Bernadette Kelly: As I know from setting up bodies in previous roles, it takes time both to get through the parliamentary process and to do the myriad organisational things.

Chair: Okay; on a very fair wind, that would be the earliest date. We will now move on to our main session on the serious business of checking where we are at with HS2 and national rail plans more generally. Over to Kate Green MP to kick us off.

Q21 Kate Green: You last gave the Committee evidence on HS2 in July. Could you update us on the progress that has been made since then? We are obviously aware of the written ministerial statement in March that provided the six-monthly report. What successes do you feel have been achieved, and what areas of performance have been cause for concern?

Bernadette Kelly: Of course. It is always a pleasure to speak about the progress and success of HS2 in this Committee. I will have the first go, and then I will hand over to Mr Maxwell and Mr Thurston, who are doing all the heavy lifting on this.

Since we last met, we have published the most recent updated report—in March, as you say. We continue to make progress on the delivery of the scheme and on the broader policy context. From the Government's perspective, the publication of the integrated rail plan in November was an important part of progress. We secured funding for the Network Rail integrated station in the spending review. We deposited the western leg hybrid Bill in January, which was a major step forward. We have seen the award of a £2 billion rolling stock contract to the joint venture of Hitachi and Alstom. I think HS2 Ltd was able to issue all the CP notices that it needed to by the parliamentary deadline of 23 February—I know that exercised the Committee last time we met. There was the launch of the third tunnel boring machine and many other things that I will leave my colleagues to take credit

for. Those are just some of the very top-level headlines, but I am sure that Mr Maxwell and Mr Thurston can say more about where we are in terms of detailed progress.

Clive Maxwell: In terms of the policy framework and the sponsor's requirements, the extra thing I would add to Ms Kelly's introduction is about the work on the environment and the issuance of the first environmental sustainability report and vision, which has given an opportunity to set out some of the ambitions around carbon and biodiversity, and the commitments made on both. Mr Thurston is probably better placed to talk through the actual activities on the ground and HS2 Ltd's response.

Mark Thurston: Thanks. We are on site for phase 1 in over 300 sites now, with a workforce across the country of about 24,000 people, right across all phases of HS2. We are approaching our 900th apprentice, which is something that we are very proud of. As Ms Kelly said, the two TBMs that are in the Chilterns—the Committee went to the Chilterns site before the last hearing—are the best part of three miles under the Chilterns. The one at Long Itchington is due to come out the other side of its tunnel length later this year, and we will reuse that machine.

We are on site and getting the viaducts built into Birmingham. There has been good progress at Old Oak Common station, as we were saying just before the Committee started. All our enabling work is about 90% complete on phase 1, and a big milestone for us in February was the end of powers in the phase 1 Bill, which meant that we had to issue all the notices for compulsory purchase, as Ms Kelly said; that was a big step forward. Getting the trains contract away was a big deal for us, and we have been working with the joint venture Hitachi-Alstom since November.

On phase 2a—the section between Birmingham and Crewe that sometimes gets forgotten—it is just over a year since Royal Assent. We are well down the road of getting close to being able to appoint the delivery partner that will work with HS2 Ltd. We will bring a partner organisation that deals with the design and project management to support us. There has been reasonable progress in the first year on enabling works and some of the early works. We should have ordered the advanced civil works for phase 2a this summer, and we will go to market later this year for the main civil works of phase 2a. That is making great progress. We are well placed for the hybrid Bill for 2b west—Crewe to Manchester—to have its Second Reading before recess.

On your question about the challenges that we have suffered, the NAO is helping us to close our accounts now—some £5.4 billion for the year, so it has been our biggest year yet, and in the next three years, it will be even higher than that. We will almost hit peak over the next three to four years. There have been some challenges with protestors, which we continue to work through—less so on phase 1 now, but more on phase 2a; they are moving further north.

We are getting all the design finished for the civils. The civils work and the progress we have made on the ground have been quite good. The weather has been pretty kind—we might expect to lose 10 to 12 weeks, either side of the end-of-year period, to climate with major earthworks, but actually we only lost a couple of weeks, so we have made good headway in the ground. Getting the design finished for the work and getting a lot of the consent from third parties through—whether that is local authorities or the Environment Agency, among others—is an area where we have been in a lot of effort.

Again, when we set the budget for phase 1 in 2019, that was before we left the EU and before covid. Both those issues have presented their challenges, with new things that we have had to navigate our way around, whether securing resources, materials and the like, or lorry drivers. There have been a lot of issues. To credit the supply chain, they have found a way of working around. Momentum is everything now, and we have the momentum on civils. In the background, we continue to procure all the systems. With the stations coming out of the ground, civils is now the first full year complete, and we are in our second year of major civils; the other focus of the team is getting all the railway systems procured, which will play out over the next 18 to 24 months.

Q22 Kate Green: Will the costs and uncertainties that you referred to, and the changes in circumstances while you have been working on phase 1, have a knock-on effect on plans for phase 2a and indeed for phase 2b?

Mark Thurston: It is important for the Committee to remember that we set separate funding envelopes for the three phases. They are ringfenced so that money does not move between phases. On phase 1—the Minister made reference to this in his report to Parliament—he and we are concerned about cost pressures—

Chair: We will come on to that.

Mark Thurston—across the programme. But they are pressures that we will have foreseen, and that is what the contingency is for. Actually, our contingency draw to date, relative to the progress we have made, is quite modest, so we are still very comfortable that the overall funding envelope for phase 1 is sufficient.

Q23 Kate Green: Ms Kelly, you mentioned that the hybrid Bill has been deposited in respect of the western leg. What is the position now on the Golborne spur and, given the continuing uncertainty about that bit of the route, why has the Bill been published before the route has been confirmed?

Bernadette Kelly: First, it is worth saying that ensuring that HS2 services go to Scotland has always been a key part of the economic and strategic case for HS2. That absolutely remains the case. The Golborne link is the way that that is currently configured in the Bill—it is how we join the highspeed network to the west coast main line. Sir Peter Hendy's Union connectivity review last year, however, identified some challenges around

the Golborne link and suggested that there might be possible alternative ways to achieve the goal of ensuring that HS2 services can reach Scotland. At present, Golborne is in the Bill. It remains a part of the Bill. No decision has been taken on its future. Equally, in the integrated rail plan, the Government did acknowledge that there is a case in strengthening Union connectivity to consider alternatives, as Sir Peter recommended.

Q24 Kate Green: How is that process of consideration being conducted?

Bernadette Kelly: I will ask Mr Maxwell to say a few more words on that now.

Clive Maxwell: At the moment, Ministers are considering the options on whether to retain the Golborne link in the Bill or not, and are looking through what that would mean for the overall operation of the network in the future. They will need to take a decision on that. It is a political decision, a policy decision to be taken by Ministers, on the basis of advice and looking through what it means for the train service specification and in particular what the alternatives to the Golborne link might be, which are some of the things that Sir Peter Hendy flagged up in his Union connectivity report. He identified in particular some of the opportunities for having faster services to Scotland by having a different form of connection—one which goes further north, for example. The Government will want to look at the benefits and costs of those alternatives and to weigh those things up.

Kate Green: Sir Geoffrey also wants to ask some questions about that. I will then come back on the Leeds link.

Q25 Sir Geoffrey Clifton-Brown: The integrated rail plan made little positive comment about the Golborne link. There is no separate business case for it, but there has been speculation that it offers poor value for money. Can you confirm any of that? Have you done any specific financial studies of the Golborne link?

Bernadette Kelly: We know what it costs. The cost estimate of £17 billion to £22 billion for the western leg includes the Golborne link, and Mr Maxwell can give a bit more detail on the cost. It is part of the overall business case. I think it is fair to say that there is not a self-standing business case for the Golborne link; it forms part of the business case for the western leg as a whole.

We would need to look at the impact of the alternatives, on both the funding envelope and the business case. You won't be surprised to hear that obviously we and the Treasury—certainly the Treasury—would expect us to maintain the cost envelope for this within the existing range.

Q26 Sir Geoffrey Clifton-Brown: So when will this process be completed? When will the process of evaluating whether you will have the Golborne link or go for one of the alternatives be completed?

Clive Maxwell: If Ministers wanted to change the Bill, they would presumably need to get on and do that as the Bill is going through

Parliament. There are some precedents for this. If you look back at the phase 1 Bill, I think there were actions taken around the Heathrow link, for example, and the links to High Speed 1, so it's not without precedent to think about changes, but I should stress that Ministers have not taken any such decision. They need to consider the options and the case for taking out the Golborne link, and allowing time for consideration, for example, of what those alternatives could be.

The business case for the western leg for phase 2b does model a scenario without the Golborne link, to give some comparisons there, so it takes into account the cost savings and also the reduction in benefits of not having the Golborne link. It does not go on, however, to look at what the benefit case would be of having an alternative to the Golborne link, because that work's not ready for that assessment yet.

Q27 Sir Geoffrey Clifton-Brown: If there are going to be changes, it will need to be when precisely? When will you need to make a decision on this without holding the whole programme up?

Clive Maxwell: For me, an important consideration would be getting on and making a decision before petitioning starts in a serious way on that part of the line of route.

Sir Geoffrey Clifton-Brown: Okay. Thank you.

Q28 Chair: Can you give us a figure for what money would be saved if it was scrapped?

Clive Maxwell: It is between £2 billion and £3 billion.

Q29 Kate Green: What would be the consequences, particularly for the frequency of services to Scotland, of scrapping the link?

Clive Maxwell: What the Golborne link facilitates is the increase in services from one train an hour to two trains an hour. However, it's worth stressing that if Ministers were to decide to take out the Golborne link, the key question would be what they intended to do instead of the Golborne link and how the performance of that link would compare with the Golborne link.

I think there are probably three things to take into account there. There is certainly the number of services, which you referred to; there are also questions about the speed; and the third thing to think about would be the reliability of those alternatives. Peter Hendy sort of pulled out some points about the speed benefits of going to a different sort of link. There might be reliability benefits if you're cutting out more of the Network Rail network.

Q30 Sir Geoffrey Clifton-Brown: To come back to Mr Maxwell, as I understand it from my colleagues—the hon. Members for Altrincham and Sale West and for Leigh; I can't remember the other one, but will tell you in a minute—the idea of the Golborne link is to facilitate the link between HS2 and the west coast main line.

Clive Maxwell: That is correct.

Q31 **Sir Geoffrey Clifton-Brown:** Why can that not be facilitated at Crewe and save your £2 billion to £3 billion?

Clive Maxwell: There will be the ability for trains to go on to the west coast main line at Crewe under the phase 2a plans. It will only allow one train per hour under current timetabling arrangements and things like that, so it's about increasing the capacity and also speeding up those services. Also, the Golborne link on its own provides about 10 minutes of service benefits.

Q32 **Sir Geoffrey Clifton-Brown:** The missing Member was the hon. Member for Warrington South.

The hon. Member for Altrincham and Sale West had a further question about the Manchester airport site. It seems pretty daft, on the face of it, to build a railway serving Manchester airport but not to have the station actually adjacent to the airport. Can you say any more about that?

Clive Maxwell: The station is very close to the airport, and I think it would be seen as providing services to the airport, and also having a large catchment area in that part of Cheshire and south of Manchester that people could use that station from.

Q33 **Sir Geoffrey Clifton-Brown:** The point that was put to me by the Member for Altrincham and Sale West was that you would do far less environmental damage, and it would be much more convenient for passengers—you say it's close, but I gather it's not that close. You would probably need a bus or something to get people from the station, as proposed, to the airport, whereas it could be conveniently sited on airport land considerably closer than is being planned at the moment.

Clive Maxwell: I would say that the location of the station and the route alignment that is in the hybrid Bill has gone through extensive consultation, and large numbers of sift processes that Mark's organisation would have run, to work out that that is the best place to put it, taking into account those sorts of environmental factors.

Q34 **Kate Green:** Is that affected if the Golborne link is abandoned?

Clive Maxwell: It would depend on what the alternatives were and how you are going to connect.

Q35 **Kate Green:** It seems that there is rather a lot of uncertainty.

Clive Maxwell: No, in the sense that the commitment to the station at Manchester is a commitment that is there, subject to Manchester coming forward with the right funding arrangements for it.

Q36 **Kate Green:** A commitment to a station at Manchester airport, or at Manchester?

Clive Maxwell: Both.

Q37 **Kate Green:** That is baked in, whatever the route.

Clive Maxwell: Both are in the Bill, yes. Both are very much in the Bill.

Q38 **Sir Geoffrey Clifton-Brown:** But as my colleague says, there is a “V”— the Golborne link, and the main bit going up to the airport and then on to Manchester Piccadilly. If you abandoned the Golborne link, would it not enable you to shift the alignment and bring the station closer to Manchester airport?

Clive Maxwell: I don’t think so. I will go away and check, but I don’t think so, no. The alignment has been chosen on the basis of extensive sifting and consultation exercises, so it is locked into the Bill.

Q39 **Kate Green:** And we will be able to see, whatever decision is made, a full analysis of the cost savings, which you have already alluded to, but also the assessment of the benefits of the selected route over other potential routes.

Clive Maxwell: I would expect the Government, if it were to decide not to do a Golborne link for some reason—it said it is considering it and no more than that—it would want to set out the arguments for doing that.

Q40 **Kate Green:** During the course of the passage of the Bill?

Clive Maxwell: Yes.

Q41 **Kate Green:** I would like to turn now to the plans for running HS2 services to Leeds. Given that we now know that there will not be the plan as envisaged to run a single HS2 line right the way up to Leeds, what solutions are you considering at this stage for that part of the east coast route?

Bernadette Kelly: First, I have to say that we have not cancelled the eastern leg. It often gets described as that, but the IRP did commit to building HS2 to the east midlands, servicing Nottingham and Derby. We have been very clear since the IRP that the Government remains absolutely committed to running HS2 services to Leeds. What remains undecided are the exact means of doing that. That is subject now to a further study, which is the £100 million allocated in the IRP to look at options for running services to Leeds, and to looking at the mass transit system that it needs. I am not able to say more at this stage about exactly how the work will run—that is something we are working through now—but we hope to be able to say more about how that study will be taken forward. I am sorry that I cannot share more with the Committee at this stage.

Q42 **Kate Green:** Are you able to give us any indication of timescale for that process and for when we might have a decision?

Bernadette Kelly: We are keen to crack on, absolutely, and we obviously know that it is very important to Leeds that we are able now to set out exactly how that work is going to happen. I always have to be a little cautious in giving any firm commitments, but I hope we will be able to do so very soon.

Q43 Kate Green: Will that also be a point in time at which you will be able to give us a formal cost range for HS2 east?

Bernadette Kelly: I would be very surprised, based on the fact that the whole purpose of allocating £100 million is in order to do significant design and development work. It is that work that will enable us to get to much firmer costings for different options, so I very much doubt it. I think it is more about setting out the scope of the work, and that work will then need to culminate before we are able to put further details of costings and so forth on it.

Q44 Kate Green: Does the decision to do further work on the way in which that Leeds link will be delivered have any impact on other dependent infrastructure projects?

Bernadette Kelly: I am not absolutely sure. Obviously, we are managing interdependencies all the time right across our rail infrastructure portfolio, so there may well be some. But as I say, it is normal that there will be interdependencies in that part of the plan, and the work will be to ensure that we are managing those. Moreover, while we are doing work on options for taking services to Leeds, we are not holding back our ability to get on and make progress elsewhere in delivering the rail infrastructure commitments that we have. It is certainly something that we will be seeking to balance.

Q45 Kate Green: So, for example, the east midlands electrification continues.

Bernadette Kelly: Absolutely. Other projects are continuing, and we are progressing them as fast as we can. I think we allocated another £249 million for midland main line electrification between Kettering and Market Harborough just before Christmas. What we are trying to do, as I say, is progress parts of the portfolio wherever we can where they are ready to go and when we have funding.

Q46 Sir Geoffrey Clifton-Brown: Good afternoon, Mr Thurston. We are looking forward to our visit to Euston, but in the absence of a visit, may I ask you a few questions about it? First, you have produced a new design through Arup, which has cut down the number of stations to 10, I believe.

Mark Thurston: Platforms.

Q47 Sir Geoffrey Clifton-Brown: Sorry, not stations; you only contracted for four stations. Will that limit your ability to run the full 17 trains an hour service?

Mark Thurston: No, it won't. The modelling we did assumed that the standard service would be 16 trains an hour, but there would be capacity for a 17th train if we wanted to run one.

Q48 Sir Geoffrey Clifton-Brown: Great. The projected costs, which you gave us at the last hearing last year, was £2.6 billion, but you now have a contingency of £0.4 billion. According to your latest costing works, are you

likely to be able to sit within the £2.6 billion, or will the contingency be enough? Where are we with the latest costings?

Mark Thurston: Do you want to take that one in the round?

Clive Maxwell: It is worth taking a bit of a step back, just to explain where those designs have come from. The origin of the design change is quite useful to know. I think you know that there was quite a big step forward when HS2 published the images of its latest design for Euston station. As you say, they are based on a 10-platform station but, more critically, they are based on doing it in a single stage rather than two stages, to help tackle the cost pressure that had been identified. They allow for the integration with the redevelopment of the Network Rail station, which is important given Ms Kelly's comment about the fact that the spending review committed some funding towards the development of those plans. They also provide for oversight development over the HS2 station.

Reaching that milestone has been challenging. It has required lots of revision and iteration of design. That has required some nugatory work, which will be recognised in HS2's accounts later this year. Now that this stage has been reached, it is a good foundation on which to work to drive the affordability and to get on with the job in hand. We can talk through some of the next steps that need to be taken to take that design forward from about 30% maturity to about 60% by early next year. That is also the opportunity to drive cost down.

On the costs themselves, we flagged in successive six-monthly reports a cost pressure of about £400 million. That refers to HS2's own view about the point estimate costs that were on the station, without taking into account risk. The shift to a 10-platform station is likely to be able to bring that cost pressure down. I do not want to score those numbers yet until the designs are matured further, but we expect in the run-up to the consolidation point, which is the next contractual stage at Euston in the middle of next year, we will be able to give updates on how that number is going and the steps taken to bring that number of £400 million down, as well as the risk provision required around Euston.

Q49 Sir Geoffrey Clifton-Brown: Can I stick with you, Mr Maxwell, because some of these questions are not really for Mr Thurston? Could you say a little about the new Euston partnership of Network Rail and HS2 Ltd, and even extending to the boroughs and Transport for London? That is a very big project.

Clive Maxwell: We have two things in place, actually. There is an executive version of this, which is about Network Rail and High Speed 2 Ltd coming together to work on this project in the most integrated way possible, to share resources and to think about this in an integrated whole. We have that sort of set-up. In addition, we have a Euston partnership board, which oversees a lot of the work and brings together that different range of stakeholders that you talked about. That is chaired by Sir Peter Hendy. The Department plays a key role on it, as does HS2 and Network Rail but also

Camden, the GLA and others, and our master development partner, Lendlease. We have a range of different fora and bodies to allow us to bring these things together and to do it in as integrated a way as possible.

Q50 Sir Geoffrey Clifton-Brown: This is a big integration that you have to do. As Mr Thurston told us last time, HS2 will open at Old Oak Common to Birmingham, but on the timescale, can you assure us that all this partnership work will not delay the current timescale for integrating Euston into Old Oak Common?

Clive Maxwell: The opening into service date that we have for Euston remains 2031-36. We very much hope that choosing to go for that 10platform single-stage build will allow us to do it earlier within that range, but we will wait and see where we get to as we work through the delivery plans. There is an opportunity here for HS2 to work together with Network Rail in joint teams, allowing work on the conventional station to be done very often at the same time as the work on the HS2 station, which would accelerate those plans. Yes, there is a demanding amount of work to get through here, but we are confident about being able to do it within that range.

Q51 Sir Geoffrey Clifton-Brown: There is another party involved here, and that is the underground. Ms Kelly's note to us on 5 April made it very clear that one of the benefits of all this will be greater integration between Euston Square and Euston. How much disruption will there be to underground passengers in all this?

Clive Maxwell: Mark might need to come in to say a bit more about that. I can get you some details on the numbers of people and the period for which they will be affected. There is certainly a lot of work going on, through the partnership board, to make sure that those impacts are—as the delivery plans are worked out—properly thought through and, in particular, planned for, so that customers and passengers of those services can find them and so on around the sites.

Q52 Sir Geoffrey Clifton-Brown: On the partnership, the latest report on HS2 that we have from the Minister says that there will be a significant gain to the taxpayer from the development of Euston. Do you have any sort of provisional number for that? All we hear about is the cost of HS2, but it would be really useful, as a public communications strategy, to say, "Well, not only is this one of the biggest developments in London that will deliver x number of houses and social houses, but it will give a benefit of x billion." Do you have any of that information yet?

Clive Maxwell: We have worked up some of that information in the decision to appoint a master development partner. The scheme allows that master development partner to buy plots off the taxpayer, and that is where the taxpayer returns come from.

We have some modelling of what those returns might be, and I expect we will be able to publish those when we get closer to the full business case for

that part of the scheme over the next year or so. I do not want to guess what the numbers will be—the designs iterate the number of plots, the number of homes—until that work has been taken forward.

Q53 Sir Geoffrey Clifton-Brown: Do you anticipate that you should be able to publish that information within a year?

Clive Maxwell: Certainly some information, yes. There is a decision taken for the taxpayer to fund some of the enabling works that are required at Euston to support that oversight development.

In simple terms, it is about the columns, piers and piling required to support offices and homes above and alongside the station, which you would not otherwise need. The decision to do that has been based on the strong value-for-money payback to the taxpayer of selling those plots and reaping the rewards from it.

Q54 Sir Geoffrey Clifton-Brown: One of the caveats, if you like, that the Minister made in his report, Mr Thurston, was the tunnelling between Euston and Old Oak Common, and from Old Oak Common until the line reaches the surface. The report says that if that were to be delayed, it could cause a considerable delay to the whole system. Can you give us any sort of technical information on that?

Mark Thurston: What report are you referring to, Sir Geoffrey?

Sir Geoffrey Clifton-Brown: It is the Minister's six-monthly report.

Mark Thurston: Apologies; I misheard you. The bottom end of the route is where we have most scheduled pressure because we effectively have to build a box at Old Oak Common, in which we are going to sit the station, and then we have to create the facility to drive north and south with two tunnel drives. The area that the Minister referred to, and which you have touched on, is exactly where our most scheduled pressure exists on phase 1 for civils. We know that, and that is why a lot of effort is going in there.

We are making good progress with what are called the diaphragm walls—the concrete walls around the outside of the box. Once they are complete, the 3.5 km conveyor system that we have installed will take all the material away from site so that it does not go on to the public highway. Our expectation is that we can start that conveyor system later this summer, and then the next three to four years will be crucial to really making progress in that hotspot on the route.

Q55 Sir Geoffrey Clifton-Brown: Thank you very much. May I ask you the same question about the tunnel going into Birmingham New Street?

Mark Thurston: Birmingham New Street is on viaducts. The challenge with Birmingham is getting in. The railway is above ground, and that creates a different challenge because it is more about logistics. The work has started.

The one tunnel that you might be referring to is the Bromford tunnel, which is probably next in our areas of critical path. Work is going on to get consent for the Bromford tunnel. Once we get that away, the focus becomes about building the viaducts into Curzon Street itself.

Q56 Sir Geoffrey Clifton-Brown: What is the timing of these tunnels? You have limited tunnelling machines. You have made great play about how the ones in the Chilterns are getting on. Presumably they have to be moved.

Mark Thurston: With the exception of Long Itchington, all the tunnel drives have their own machines. We have 10 drives to do in all. The first three are away, and the fourth starts this summer at West Ruislip. They are all coming on stream over the next 12 to 18 months.

Q57 Sir Geoffrey Clifton-Brown: You are going to have 10 tunnelling machines?

Mark Thurston: We have 10 tunnel drives that we have got to do, yes.

Sir Geoffrey Clifton-Brown: Right. Goodness!

Q58 Chair: Just to be clear, when we visited you, you said you were going to be selling them on afterwards. Is that right?

Mark Thurston: Did I say that?

Q59 Chair: Maybe I misremembered.

Mark Thurston: I don't remember saying that.

Q60 Chair: What is the plan to deal with the machines? Do they get buried in the ground?

Mark Thurston: Long Itchington is a good case in point, because it is quite a short tunnel. It is the one where we are protecting the ancient woodland. We use the same machine, so we pull the conveyor system back out. We take the cutter head out and it gets refurbished. It goes to the next face, and then we go through the next drive. Most of these machines, by the time they are finished—the two machines the Committee saw at South Portal, Cecilia and Florence, are going to be in the ground for about three years—are pretty tired, frankly, so most of them get used for scrap or recycled.

Q61 Chair: Okay, so there is no money to come back from those machines. They are sunk costs.

Mark Thurston: If there is, it would have been agreed with Herrenknecht, the supplier, to make sure they can reuse them as part of the way we buy them in the first place.

Q62 Sir Geoffrey Clifton-Brown: Mr Maxwell, has there been any nugatory spend because of change in designs, which have been acknowledged in the accounts?

Clive Maxwell: At Euston, yes. The need to review and keep iterating those designs is a fairly common thing on a project of this sort of scale, but at

Euston the need to find a plan that looks affordable, can be built and is deliverable has incurred some nugatory spend. That will come up in HS2's accounts. That is correct.

Q63 Sir Geoffrey Clifton-Brown: When will we see those numbers?

Mark Thurston: I think the NAO are in week three of four at the moment. As I was saying to Ms Kelly outside, we hope to publish our accounts in Parliament before summer recess—that is what we have done in the last few years—so they will be in the public domain within six to eight weeks.

Q64 Sir Geoffrey Clifton-Brown: This is to either Ms Kelly or Mr Maxwell. The same question on the east coast leg of HS2: what is the nugatory spend there?

Bernadette Kelly: There is bound to have been some spend at all stages. I think we are talking about something of a different order of magnitude when we look at Euston, because obviously very significant design and development work had gone into the 11-platform station.

Clive Maxwell: I am not the expert, but I think from an accounts perspective it is different because the works at Euston are capitalised and therefore appear differently in accounts from those that are in an earlier stage of the programme, which in the case of High Speed 2 score against the RDEL for the Department—the revenue.

Q65 Kate Green: Could I ask about Manchester Piccadilly station? You mentioned a few moments ago that there was a commitment in the hybrid Bill in relation to the western leg to both Manchester airport and Manchester station. Can you explain the analysis that has been conducted of the costs and benefits of the solution for Manchester station that is now envisaged?

Clive Maxwell: I am very happy to. In short, Manchester Piccadilly is intended as a surface station for High Speed 2 and Northern Powerhouse Rail services.

The Department has looked very extensively, with HS2's help, at what the alternatives were and at doing that underground. It would have meant digging a very large underground box and cavern to accommodate all those platforms, and that would have cost very large sums of money. It would also have led to huge amounts of disruption in central Manchester.

I think the estimates we had were up to £5 billion extra for that station, so the Department, Ministers and the Government took the view that that was not the right thing to do, and that instead a surface station with a turn-back facility should be used, allowing trains to go in one way and come back out the other way.

Q66 Kate Green: What would have been the benefits? I appreciate what you say about the costs of the underground solution, but what benefits have been lost by going for the surface solution?

Clive Maxwell: The most obvious one is that if you are building on the surface, you can't use that surface space for other types of development, and that is one of the things that Manchester has been interested in doing. As I say, the disbenefits of doing it—the very much higher cost of building it underground and the disruption involved—outweighed that.

Q67 Kate Green: What assessment has been made of the capacity of the western leg to free up additional capacity, particularly for freight services through Manchester?

Clive Maxwell: There are assessments in the business case of some of those benefits. I am afraid I don't have them. I will have to write to you to set out what the numbers are and things like that, but it does take account of the impacts or benefits of other local services in and around Manchester.

Q68 Kate Green: Both for passenger services and freight services.

Clive Maxwell: My understanding is that it includes both, but I will go away and check that and write to you with the numbers.

Q69 Chair: Thank you, Ms Green. I am going to ask you, Mr Thurston, about the costs and schedule for the bit that you are working on now. The Minister, in his update to Parliament, has highlighted concerns about the rate of increase in costs—I will come to Ms Kelly on the contingency in a moment. Do you agree with his concerns about that? What has led to those increases in cost?

Mark Thurston: Yes, of course we share his concerns. We have seen cost pressures continue to emerge since his last report. Let's not forget that we set the budget for HS2 back in 2019 and a lot has happened in the world since then, and we have seen that pressure play out on HS2, as we have on other projects. But a lot of these things were foreseen.

We have got a handle on what we think our covid costs are, and we expect to be able to absorb our covid impact costs within the contingency provision that we have. We have seen issues with, as has already been talked about, protestor action, some problems with design, and getting consents through. These are all things that were foreseen and we have drawn some contingency down as far as—

Q70 Chair: You haven't taken any contingency for the covid costs, have you?

Mark Thurston: We have not drawn any Government contingency yet; that's right.

Q71 Chair: But you are planning to.

Mark Thurston: We are going through a process with our supply chain of checking both the direct and indirect costs of covid. The direct costs are a bit more straightforward, and that is with the Department to sign off.

Q72 Chair: It's just that you said it has been a difficult couple of years. We all acknowledge that. What else has gone up? Construction costs are going up

across the board. Covid costs you can draw down from the contingency from the Department if you identify them separately. What else in the last couple of years has been a cost pressure that you would not have expected in 2019, if it is not related to covid? I am just interested to know what else.

Mark Thurston: Just to be clear, there are things that we would have expected.

Q73 Chair: The known unknowns.

Mark Thurston: Known unknowns. The challenges of getting utilities finished is a good example, and getting all the designs through. A lot of the consents have been taking more time than we thought. Things that we envisaged would be challenges for us in the base estimates are signed off, and we have drawn a modest amount of contingency to deal with those thus far. It is worth remembering, if you think about how the risks manifested themselves in phase 1, that we have now issued all the notices. Some 90% of the enabling works is complete, so we can see a tail of work to complete there.

In the next 24 months, we will have already broken the back of the civil works. That is where the most expensive element of the work is, so, again, we can start to get more confidence about the risks that are outstanding there on civils. In the second half of the project, in the last five years, or '25 to '30, that is going to be what I would call time-related costs. That's about bringing more systems together and then integrating the systems to deliver the railway. That will be a different set of risks for the final few years.

Q74 Chair: The Minister highlights this increase in contingency drawdown—an increase of half a billion pounds since his last update. It has gone up from £0.8 billion to £1.3 billion. You say that that is high profile now, but you expect to recoup some of that in the later phases. Or do you just expect to have a smoother line in the later phases?

Mark Thurston: I would expect to see a slightly more lumpy draw on contingency at the front end. It is about 13% to date. Against the target price that the company committed to the Government, we are about 39% spent. We have only drawn 13% contingency. On a straight-line basis, we are relatively comfortable, but by no means complacent, that we need to continue to actively manage the risks, as well as find ways of offsetting costs. We do a lot of work with our supply chain to find efficiencies and other cost-saving opportunities to offset some of the cost pressures that the Minister refers to.

Q75 Chair: Just to be clear, on the covid cost contingency, when do you think you will be putting those claims in to the Department?

Mark Thurston: I think some have gone in. It's imminent work. We have said to our supply chain and all the main contractors that there is no entitlement for any covid-related costs after April this year. So that's looking back from April into last year. The challenge is the proof of burden that we

have put on them, and they are bringing those forward. We are obviously validating those ourselves.

Q76 Chair: Can you give us an example of something that is a direct covid cost to do with the supply chain or staffing, just so that people know what it is?

Mark Thurston: We have 300 sites and maybe 15,000 people in the field. On all of the distancing measures that we have had to put in place, which we all had to come to terms with in society, we had to do that to a greater or lesser extent at all of our sites.

Q77 Chair: Basically—I am just trying to pin it down exactly—it is slowing it down because you had to have distancing.

Mark Thurston: Not necessarily slowing it down. It could be putting measures in to protect the workforce to keep them safe so that we maintain the timeframe pressure that we've got.

Q78 Chair: Like, for example?

Mark Thurston: Everything, from all the hygiene measures and the welfare—

Chair: I am just thinking that hygiene measures—masks and so forth—don't add up to £400 million.

Mark Thurston: No, but you asked me about direct costs.

Q79 Chair: So what is the ballpark figure for the direct contingency costs of covid?

Mark Thurston: We have said that the direct cost is between £100 and £150, and the indirect cost is a much bigger number, somewhere between £150 and £400. So we have got a range—

Q80 Chair: Millions? Just to be clear for people listening.

Mark Thurston: Millions. The indirect costs of the contractors are much harder to demonstrate.

Q81 Sir Geoffrey Clifton-Brown: Mr Thurston, can I just challenge you on that? In the Minister's report—

Chair: Can you give us a reference? We have all those different paginations and subheadings.

Q82 Sir Geoffrey Clifton-Brown: It is under "schedule", just before "delivery". At the top of the page, it says: "On COVID-19 costs, HS2 Ltd's assessment of the likely financial impact of the pandemic on delivering Phase One remains estimated within the range of £0.4 billion to £0.7 billion." That points to a much higher figure than the one you have just given us.

Mark Thurston: The two numbers I have given together come to between £400 million and £700 million. That is our estimate at the moment, and it hasn't changed since the Minister's report in March.

Q83 Sir Geoffrey Clifton-Brown: But when will we get a finalised answer on that?

Mark Thurston: We are working on it now. As I say, some of the direct costs are already broadly agreed and the Department needs to sign those off and agree them with the Treasury. We are working through them with the contractors on the indirect costs. It is slightly harder for them to justify, but my expectation is that we will break the back of that work this year.

Q84 Chair: Ms Kelly, in terms of the rate of contingency drawdown, is the profile what you would expect at this point, as a general contingency, not just covid?

Bernadette Kelly: I think it is broadly what we would expect, as Mr Thurston indicates. He is probably more expert at commenting on what you would expect at different stages in the project. The Minister expresses concern because we are all concerned on a permanent professional basis about managing cost pressures on this project.

Obviously, any increase in drawdown on the contingency is unwelcome, but on the other hand, we have deliberately set a funding envelope for this project that includes close to £10 billion on top of the point estimate. We have set a stretching target cost within that for the company to meet, and we continue to work very hard with HS2 Ltd to ensure that all cost pressures are managed as effectively as possible and as many savings are identified as possible. In a sense, what you are seeing now, in terms of the drawdown of contingency, is far greater transparency around that than has probably been the case in projects in the past within Government.

Q85 Chair: Transparency is what we are after because we recognise these are challenging projects, but it is taxpayers' money. Mr Maxwell?

Clive Maxwell: Do you mind if I add a couple of points? First, it is important to have the management information, not just for transparency for this Committee but between our organisations. We get to see in great detail how contingency is being drawn down, where the pressures are emerging and that sort of thing. In a sense, it is about knowing about these things well in advance of getting to a point where you withdraw the majority of the contingency or something like that. For me, that is the first point.

Secondly, the thing is to set out, rather as Mr Thurston did, where you are at any given time on the programme. The big bulk of work at this stage is around the main works civils and the mobilisation of those. That is the most expensive part of the programme in many ways, so you might expect a disproportionate amount of contingency to be drawn relative to that.

The other thing we are doing earlyish on in a programme is about either retiring or crystallising risk around cost estimates. With the estimates around rolling stock costs, for example, that was a good contract and we got it away with some efficiencies. In other cases, when you are contracting it will turn out you got those cost estimates incorrect and there are cost pressures that

arise from it. Those sorts of risks get retired and they fall away as you get through the first couple of years of the programme.

Q86 Chair: What's your relationship with the Treasury on this, Mr Maxwell? Presumably, Mr Maxwell, you are the point man from the Department. Do you have a Treasury minder who watches every step you take?

Clive Maxwell: I do. I worked for many years—for the first two thirds or so of my career—for the Treasury—

Chair: Ah, so he's got an insight into your Department, Ms Kelly.

Bernadette Kelly: Always welcome.

Clive Maxwell: I work very closely with Treasury colleagues. As you would expect, they reinforce the need for cost discipline on all of these sorts of things, and we work very closely with them.

Q87 Chair: What challenging conversations have you had with them? That was a nice civil servant answer, if I may say, but have you had any robust discussions where there were concerns at the Treasury about the cost?

Clive Maxwell: We were asked earlier in the session about some of our concerns about the programme. One of the points put down was about inflation and Mr Thurston has referred to that. At HS2, because of its length in terms of time, the cost basis and all the numbers we have been talking about today are in 2019 prices.

The funding envelope and the target cost are not set in nominal—they are set in 2019 prices. So talking to the Treasury about inflation—I am sure they are doing that across the economy at the moment—is a hot topic at the moment; it's certainly an important thing for us.

Bernadette Kelly: Yes, and I was talking to senior Treasury colleagues just last week about that, actually, and there was recognition that, given the particular challenges of this project and given that it is set in 2019 prices, we will need to have a conversation about exactly how some of the unanticipated inflationary pressures are to be handled. In the meantime, of course, we continue to look to Mr Thurston and HS2 Ltd to mitigate those as far as possible.

Q88 Chair: Just to be clear, that is the main contingency; none of that comes out of covid, even as an indirect cost—the cost increases because of inflation. You could argue that it's partly to do with covid and the impact on the economy—

Bernadette Kelly: I think the setting of this, the philosophy of the 2019 prices, is to understand that for a project of this scale and duration, inflation is a sort of external risk, rather than one that can be dealt with by the contingency—

Clive Maxwell: And I don't think we would be looking to score within our covid costs here other ongoing inflationary pressures.

Q89 **Chair:** I would hope not. I was hoping that might be the answer—

Bernadette Kelly: Yes, we try to keep these things separate—

Q90 **Chair:** Because we are very clear as a Committee that covid can't be the excuse for everything. I just wanted to make sure we nailed that—

Bernadette Kelly: No, we're not blaming covid for inflationary pressures.

Q91 **Chair:** Good. I thought that probably would be the case, but it's just good to hear it.

Mr Thurston, we know that there are huge increases in the costs of construction materials, supply chain issues and so on. You are talking to your supply chain about driving this down, so first, how successful is that being, and secondly, how hard are you being on the supply chain, because actually it can be a very big pressure on a small specialist company if they are hit by those costs, which are unavoidable? Are you sharing the cost, or are you taking the hit?

Mark Thurston: The pressure probably manifests itself in two areas. One is on labour, and actually, to date, it has not been as acute as it has been on materials. Materials is where it has swung quite considerably, even just this calendar year.

Q92 **Chair:** Can you give us an example of what is expensive now, where the costs have gone up and down—swung, as you say?

Mark Thurston: As a case in point, steel has been through two pretty big price hikes this year. We are now paying somewhere around £800 a tonne for steel, which is about £350 more than it was only a few months ago. So you are seeing 30% to 40% swings in the cost of raw material. Timber would be another one.

Q93 **Chair:** Have you been able to hedge on any of that, or have you not got the capacity for that? We have seen some of the storage facilities you have. Are you buying it as you need it?

Mark Thurston: The reality is that this has all happened pretty fast, just since the beginning of the year. Of course, a lot of the contractors have secured material well in advance and we have been able to stockpile material. Nevertheless, we continue to need to use it. We are only the first year into the five-year civils programme, so we are going to need a lot more aggregate and other materials to serve the rest of the railway. To Mr Maxwell's point, this is going to be a real issue for us. And that's not an HS2 issue, of course—

Q94 **Chair:** Just to be clear, if a company—effectively, to hedge the market—stockpiled steel, you are paying the cost that they paid for it. You have got an open-book approach to that, have you?

Mark Thurston: We would see what was paid for it, absolutely; we ask the contractors. But again, we are using the contractors as a club, because of course, with the volume we need, there is an opportunity to secure the

supply and get economies of scale—because of just the sheer quantum of material we are going to need. This is very much a live debate we are having with our contractors. There is also how we calculate the inflation impacts. There is a way, under the contract, we have to do that. So this will continue to run, I think, in one direction with us and the contractors and then—to the point that my colleagues have made—in the other direction with Treasury for some months yet.

Q95 Chair: Back to Mr Maxwell on the issue of other stations. In the Minister's report, he talks a bit about Euston and a lot about Birmingham, and Old Oak Common is mentioned. But there are a lot of stations along the way. I think Solihull gets a mention somewhere—in one of the letters. There are many bits of correspondence that Ms Kelly has had with this Committee. We have also had quite good evidence from various chambers of commerce saying—as we have raised before—that if we have got certainty, we will see investment around other stations, but without certainty we won't. And as Ms Green highlighted, we have seen bits of the project disappear, and there are queries about other parts of the project. Do you recognise that? What is your assessment of how it's going with the other stations that you're not—

Clive Maxwell: Well, if you look at phase 1, we have four stations. And I think, in all those locations, we are seeing a strong mobilisation of interest from the local authorities or the other development partners locally. I will give a few examples of the sorts of things going on. At Old Oak Common in west London, we have extensive contacts with the Old Oak and Park Royal Development Corporation about the best ways of using publicly owned land, for example, around that site. At Interchange, there are opportunities about making more land available for development by having multi-storey car park facilities for High Speed 2. There is potentially some funding available to do that, working again with the local development partners, and at Curzon Street in Birmingham, there is work on the tram extension to make sure it can serve Curzon Street effectively and create some real commercial development opportunities around the station. Place by place, we see quite a lot of examples of that under way at the moment.

Q96 Chair: What about phase 2? Obviously, there are lots of potential changes there and we are having lots of discussion about it, but businesses will be wanting to make long-term decisions where they can. Do you recognise that there is a challenge if you do not get that certainty nailed down soon?

Clive Maxwell: Again, with the bits of the route that are more mature on phase 2—whether Crewe or, in particular, Manchester Piccadilly—people are starting to develop plans and thinking around those. I think there is a natural link between the maturity of the plan for the railway and how far the investment proposals have gone.

Q97 Chair: You sound quite relaxed about investment around stations—*[Interruption.]* You look to Ms Kelly as though that isn't allowed in the Department for Transport.



Clive Maxwell: There are often some challenges about the way in which you work with local authorities to get the best deals on those sites. They need to be able to come forward with local transport plans that make the most of the connectivity, for example, and I think we are seeing that around the west midlands. You also need to make sure the land is being used most effectively. You need local leaders who can come together in the right sort of way to make that happen, and they often need to be plugged into other sources of Government funding to support some of those works, for example. There is a big job to be done; I am just saying that you can see the mobilisation taking place in those phase 1 opportunities, those phase 1 places.

Q98 Chair: There were a lot of interesting phrases in Ms Kelly's letter to us of last December—"The Government intends that the programme will act as a catalyst for wider growth" and all those things, which we will go into in a bit more detail—but realistically, where are you? How are you really working with other Departments? Is this a priority for them to put money into? *[Interruption.]* Ms Kelly is nodding.

Bernadette Kelly: It is a very valid question. It is something that Mr Maxwell and I have been discussing quite a bit recently, because we are now at that stage in the delivery of this project where we want to make sure that, where it can, the whole of Government is mobilising its resources as well to ensure we catalyse the wider benefits. As we see around Birmingham, the investment happens, but there is an ongoing role for us as the owner of this project and of the benefits of this project in ensuring that the rest of Government is supporting that work as well. We have been talking a bit lately about how we work with colleagues, especially in DLUHC and BEIS, to ensure we get those benefits through.

Actually, I am hoping that, with some of the new levelling-up mechanisms that are being put in place—directors of levelling up and so on—we can utilise that focus and that resource to ensure that, in places where HS2 presents really big opportunities, we are using all the levers of Government to land those.

Chair: You got a levelling up mention. I am sure that is a point in the scorebook for your Secretary of State.

Bernadette Kelly: It is a serious point, actually. This is a great opportunity, as we know, and we should be using our resources, capacity and people to help do that.

Q99 Chair: We hope you will also be evaluating it. When these Committees have looked at some of these projects, we were a bit uncertain about the evaluation, but I will not get into the whole levelling-up agenda in this session.

Mr Maxwell, you mentioned a multi-storey car park at Old Oak Common. This is supposed to be a very green project that is taking cars off our streets.

Clive Maxwell: Interchange is actually in Birmingham.

Chair: Sorry?

Clive Maxwell: Interchange in Birmingham is the site of the multi-storey car park.

Q100 **Chair:** Sorry, I misheard, but aren't we supposed to be taking cars out by having HS2? Isn't that one of the points of it—to make it greener?

Clive Maxwell: One of the options on the table is to think about how you could construct the car parking facilities in phases, so you only need to build the amount you actually need, rather than going out and assuming up front that you are going to have high numbers of people using cars. That would allow you to reduce the amount of car parking overall, as well. The other important thing at Interchange is to make sure, again, that you have connectivity with the west midlands local transport arrangements there, and with the people moving across the site to connect to the airport and the conventional rail services.

Chair: To get integrated travel. Thank you very much.

Q101 **Sir Geoffrey Clifton-Brown:** Mr Thurston, I would like to drill down into some of these costs to see exactly where we are, particularly on phase 1. Particularly apposite to the Chair's question on inflation—I am sorry, I am on the affordability section of the Minister's report, as I was before. I may have misled everybody by giving the wrong title of the schedule; it was actually affordability.

The report says that £14.9 billion has been spent; that £12.7 billion has been contracted; and that there is £0.8 billion for land and property provisions. That is £28.4 billion, out of a total estimated cost of £44.6 billion, leaving a balance of £16.2 billion. How far is the taxpayer protected in terms of what has actually been spent? Obviously, what has been spent has been spent, but in terms of the other chunk—the £12.7 billion and the £0.8 billion—how far is the taxpayer protected from inflation, or are the contracts that have been let sort of cost-plus, allowing the contractors to add on for inflation?

Mark Thurston: The contractors will charge us their costs and where there are inflationary pressures they will come through into the scheme. The reality is that, as Mr Maxwell has referred to, at some point we have got to look at the actual nominal cost of inflation as it is playing out today. We have had some predictions for this year and next year, and actually we have agreed a funding window with Treasury through to the spring of 2025. We are trying to get a handle on what the likely inflationary pressure in that window is, because, of course, this project is now stood up on all fronts and it draws an amount of cash every day. We need to make sure that what we agree with Treasury will be enough, recognising that the funding duration that we agreed with Treasury was pretty much based on the 2020 spending review, and of course the world has moved on considerably since then. That

will be something that we will have to square away with both the Department and Treasury over the course of the next few months.

Q102 Sir Geoffrey Clifton-Brown: That's not quite the answer to the question that I asked. Maybe I phrased it badly, so let me try again. In terms of the work that you have actually done and the work that you have contracted for, how far is the taxpayer protected?

Mark Thurston: The work that was done is sunk cost, so the taxpayer is protected. Where we have contracted works and we have agreed a price for the work—so, it is fixed, effectively—then the taxpayer is protected.

However, there are elements of the work where we pay actual cost; we have got transparency of that, and we pay it on an emerging basis. That is where we then don't have the protection I have just referred to, and we will need to agree with the Department and Treasury how we will deal with that inflationary pressure.

Q103 Sir Geoffrey Clifton-Brown: That leaves you with a balance of £16.2 billion, but the Minister's report identifies several other costs: £1.7 billion for future cost pressures; £0.9 billion for further cost pressures; £0.8 billion for additional main civils; £0.4 billion for a contingency on Euston station; £0.2 billion on HS2's budget for changes to Network Rail infrastructure; and obviously the pandemic. And then you will get a little bit back from the savings of the excellent contract that you have let on maintenance and repair. I calculate that, if all those figures came about, you will have used up £3.6 billion of your £4.3 billion contingency—sorry, £5.6 billion is yours; £4.3 billion is the Government's. Are we really saying that at this moment the £5.6 billion looks sufficient to build this railway?

Mark Thurston: No, we're not saying that. We're saying that there is significant pressure under that contingency based on what we have seen to date, but that is what we work on as a matter of course all the time. What we are saying is that with the combined total of the contingency—both Government-retained contingency and the HS2 Ltd contingency—all our forecasts, eight years out before we complete, based on the target date, are that there is sufficient funding, based on 2019 prices.

Q104 Sir Geoffrey Clifton-Brown: Is it possible for any of the three of you sitting here to tell us what the latest estimate for building phase 1 is going to be?

Mark Thurston: We run that number every month and we report it to the Department every quarter, and it remains within the funding envelope of £44.6 billion.

Q105 Sir Geoffrey Clifton-Brown: That is the £44.6 billion, plus the £5.6 billion, plus the £4.3 billion—

Mark Thurston: No, that is all inside; that is all in. That includes the £44.6 billion and the assumed level of contingency spend.

Q106 Sir Geoffrey Clifton-Brown: Without resorting to the Government contingency?

Mark Thurston: No, it includes the Government contingency.

Q107 Sir Geoffrey Clifton-Brown: So this railway will cost, or might cost, around—doing the maths—sort of 50-something billion?

Mark Thurston: No, no—let me just be clear. The £44.6 billion includes the £9.9 billion-worth of contingency, both company and Government. And our forecast at the moment is that we will deliver the project within that estimate.

Q108 Sir Geoffrey Clifton-Brown: Including Euston?

Mark Thurston: We have yet to agree Euston, but we have assumed that it's in there at the moment. To Mr Maxwell's point, we have yet to get to a point of cost certainty on Euston, but our assumed forecast for Euston is in that number.

Q109 Chair: You have not bottomed out yet?

Mark Thurston: We have not bottomed it out yet. That is the work that Mr Maxwell mentioned, where we have more design work to do.

Q110 Sir Geoffrey Clifton-Brown: That is including the £2.6 billion and the £0.4 billion contingency. That is what you are really saying. And that is as far as you have got at the moment.

Mark Thurston: Yes.

Sir Geoffrey Clifton-Brown: That is fair enough.

Mark Thurston: Our expectation is that by this time next year, we will have much greater certainty about the cost of Euston as well.

Chair: I hope so.

Q111 Sir Geoffrey Clifton-Brown: Last time, when you talked to us about cost, we were talking about the construction costs, systems information and then getting the railway ready for operations. Can you, basically— you can't accurately, probably—give us a rough-and-ready figure? Of that £44.6 billion, how much is in each of those three categories?

Mark Thurston: Yes, I can do that. For all the civils and enabling works, in total, it is about £20 billion; the stations are £6 billion, so—to do the maths live—that's £26 billion; the systems are another £5 billion, so £30 billion; there is about £9 billion of contingency; and then we have other costs like land and property, costs of the company and so forth. I can send you that—I thought we sent you a breakdown last time actually—

Sir Geoffrey Clifton-Brown: You did, but I was just wondering whether that is still accurate.

Mark Thurston: It has not fundamentally changed in terms of what elements make up the £44.6 billion.

Chair: We would be worried if it had fundamentally changed. It is always worth pegging these things down.

Mark Thurston: Not at all.

Q112 Sir Geoffrey Clifton-Brown: That is really helpful. Thank you for that. May I go on to my next section? You had this deadline that we talked about earlier in the hearing, 23 April, to acquire property. There is some unhappiness among colleagues—notably the Member for Aylesbury—that you have acquired more property than you need, because you did it to beat that deadline. If that is the case, when will you be able either to not acquire that property, if you have served a notice on it, or to sell it on?

Mark Thurston: For the record, the powers expired on 23 February—not April—just to be clear, which is five years after Royal Assent. We need about 70 sq km of land, all up, for phase 1. To date, we have acquired about 56 sq km of that. We are in possession of that, so we still have about 12 or 13 sq km still to acquire. We are starting the conversation with the Department now—literally in the past few months—about what it would mean to start to dispose some of that land. The way that the Act is built, the Government, effectively, dispose of the land when the railway opens, but that would mean that the Government hang on to the land for a lot longer in some cases than they need it. For all sorts of reasons, there is a compelling case, where it makes sense to do so, to release the land back on to the open market.

Q113 Sir Geoffrey Clifton-Brown: So what you are actually saying is that every bit of land that you served a notice on, you are going to acquire. Just so everybody is quite clear about that.

Mark Thurston: Yes.

Q114 Sir Geoffrey Clifton-Brown: That's fair enough. Then there is the usual complaint from my colleague the Member for Stafford about land that has been acquired and actual paying for it. May we have a reasonable assurance from you—we had all this through the Committee—because when people have their properties acquired, they need to be paid for them, because they often need to buy another house, or whatever?

Mark Thurston: Of course. We have spent over £2.6 billion to date on land and property. Our track record of paying on time is very good. There are always cases where people will suggest that we have delayed, but we would not delay paying unless we were not certain—the other responsibility we have, of course, is to ensure that what we pay for the land protects the taxpayer and is value for money, and it is often the case that we end up in some dispute about what the valuation of the land is and that we will not settle on that valuation until we think it meets the VFM test.

Q115 Sir Geoffrey Clifton-Brown: There is some unhappiness with local liaison in Buckinghamshire. For example, my colleague the Member for Aylesbury



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says: "HS2's opaque communications structures are causing unnecessary legal actions to take place. Bucks Council repeatedly asked for information from HS2 Ltd to determine their s17 application for lorry routes in Buckinghamshire. HS2 declined to provide this information despite both the Council and MPs requesting this information. The Council did not determine the application based on lack of evidence, and subsequently HS2 launched a legal challenge. HS2's attitude is to say nothing and fight in court, costing the taxpayer more money fighting these unnecessary legal costs." That was certainly the case when we were on the Committee. Some of the local liaison, particularly in congested areas where a lot is going on, with a lot of people, is perhaps not as good as it ought to be. Will you comment on that?

Mark Thurston: We certainly have had a long-running conversation with the authorities in Buckinghamshire about lorry routes and about how we serve the will of Parliament. Much of what we can and cannot do with lorry routes is enshrined in the Act, through the undertakings and assurances. We have had, frankly, some very difficult conversations with Buckinghamshire about what they are prepared to allow us to do, because we need to get schedule 17 consent from the local authority to run lorries.

Where we have struggled to break through, we have gone to the Planning Inspectorate, which has seen in our favour, so we are continuing to run lorry routes so that we can build the railway. I think that will continue to be a point of contention with us, and a point of dialogue between us and Buckinghamshire, for some time.

Q116 Sir Geoffrey Clifton-Brown: Is there any scope for improving your local liaison?

Mark Thurston: There will always be, on both sides, scope for improvement. We have found the relationship with Buckinghamshire very difficult. We are a very physical presence. There are many sites in Buckinghamshire and it is obviously very rural there. The trick for us is to find a way, with our contractors, of building the railway that does not unduly damage or impact on the livelihoods of local people. That is a tough one to square in some cases. It is part of the dialogue that we are having with folks in Bucks. We have sought independent assessment of our proposals from the Planning Inspectorate, which has seen in our favour.

Q117 Sarah Olney: I just want to talk about the departmental and HS2 benefits management and evaluation plan. Do we have any timescale for when that will be published?

Clive Maxwell: I think we said that we would publish a plan this year. That remains the case, so we expect to do so later in 2022.

Q118 Sarah Olney: What about local growth action plans? How will they fit in?

Clive Maxwell: Again, we expect to publish a local growth action plan later this year. Work is under way, and I expect to see that happen.

Q119 Chair: In December, you said, “next year”. We are now in May. Could you narrow that time down a bit?

Clive Maxwell: I don’t think it will be before the summer recess—put it that way—so it will be the second half of the year.

Chair: Okay—by Christmas.

Clive Maxwell: Yep.

Chair: Of this year. Carry on.

Q120 Sarah Olney: Local chambers of commerce and the British Chambers of Commerce have been asking for a lot more detail for quite some time, because a lot of different regional boards want to make plans and the shifting sands of HS2 are making that very difficult for them. Do you expect to incorporate some of their concerns or respond to those concerns when you publish?

Clive Maxwell: Yes, what I see on phase 1, as I said earlier, is a lot of activation and mobilisation, and some good relationships developing with local authorities and other local players. It depends a bit on the structures locally. As I mentioned, in several places LEPs are taking a big role. In other places, it is development corporations and in others the local authority. There is a mixed market out there in terms of the people we are working with. It is fair to say that in later stages of the route, those relationships and plans are less mature than the ones around phase 1, but I think that flows from the fact that the railway is coming earlier to phase 1 than to those later phases.

Q121 Sarah Olney: You mentioned earlier—or maybe Ms Kelly mentioned earlier—that you have not yet had much engagement with the Department for Levelling Up. Sorry if I have misunderstood.

Bernadette Kelly: No, that’s not true. We constantly talk to them about this, so I would not want to overstate that at all. We are well joined up with key colleagues for the purposes of this project—colleagues in DLUHC and BEIS.

Clive Maxwell: I chair a growth and benefits board, which brings together senior colleagues from most of the Departments that have an interest in this. DLUHC plays a big role, and there is Homes England, BEIS, the Department for Education, the Department for International Trade and the Treasury. It is actually bringing people together. The interest and activity coming through from that has increased as the project has got more into the delivery mode—in line with the folk Mark is leading on the ground, building the railway. The interest in playing a part in planning, around those station places in particular, has increased.

When you start to look at some of the investment timescales, people will often tell me that they need a six to seven-year timescale to do an awful lot

of these commercial ventures. If you date it now—2022—we have time for the phase 1 places to work within those sorts of time horizons.

Q122 Sarah Olney: Is there any additional funding in the local growth action plan?

Clive Maxwell: The answer to that is no. We talked about working with the Treasury earlier. There are other sources of Government funding that Ms Kelly talked about. In many cases, it is about making sure that the application of those other sources of funding is aligned with HS2 and that we can see those opportunities coming up. Another challenge for the programme is that a lot of these activities, especially for the later phases, are beyond the normal funding horizon that the Government works to. In the case of the western leg, you are talking about opening from '35 and '41. Even if you wanted to start your investments five years before that, it is still a long time away.

Bernadette Kelly: Absolutely, as Mr Maxwell says. We will be looking to places to think about how they can deploy CRSTS funding—the integrated transport five-year settlements that we have agreed with various places—and other funding sources available to them in a way that optimises local growth benefits generally and as a consequence of HS2.

Sarah Olney: We are obviously talking in very general terms right now. Maybe next time we can talk about some of the specifics.

Bernadette Kelly: They get more specific the closer HS2 delivery gets, so obviously you see a very different picture in the west midlands and around Birmingham from what you may see in other parts of the network that will not see the benefits so soon.

Clive Maxwell: Just to make that concrete with the two examples in the west midlands, I have a team at Interchange that is working very closely with the local development partners on multi-storey car park arrangements, access roads, the very specific contractual arrangements and things like that; ditto at Curzon Street. There is a lot of work being done around the precise interfaces for building a tram at the same site as an HS2 station and organising the work packages and things around those. It becomes very granular and specific when it starts to work like that.

Q123 Sarah Olney: Mr Thurston, obviously there are quite a lot of commitments around skills and employment, and you referred earlier to apprentices. I think you said that you have 900.

Mark Thurston: Getting close to that, yes.

Q124 Sarah Olney: That is obviously excellent news. Are you confident that HS2 will be meeting its targets in relation to skills and employment?

Mark Thurston: Yes, definitely. I think it is one of the success stories of the programme so far. Since Royal Assent, there have been 214 workplaces, including 102 places for the Social Mobility Foundation. We have a jobs



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brokerage system, so all our contractors can access and put all their vacancies in one place. If you want to work on HS2, we have made that very universal. We have specifically worked with the London Borough of Camden on a jobs brokerage scheme around the Euston area. I could talk about all the work we are doing in STEM and school reach-out right along the line of route from London to Birmingham.

We had a good week with the Minister on site during National Apprenticeship Week earlier in the year, and when I go on my travels, visit sites and meet some of the young people who are joining the project, there is real excitement about the opportunity to work on HS2—not just for us, but with the wider supply chain. Again, the really heartening thing is that we are increasingly building a workforce further north, in the midlands. Typically, London and the south-east has been quite spoilt in that regard.

There is also much greater diversity to the workforce, because we are bringing a lot more women and colleagues from the BME community into the arena of infrastructure. There are lots of green shoots there, and in the fullness of time we will probably look back and see HS2 as a project that has moved the needle in the way that we go into the community and make the project very accessible to local people.

Bernadette Kelly: You can see this in the supply chain. I think Balfour Beatty in Finchley have set up a skills academy. As I have said before in this Committee, we are working closely with HS2 and the National College for Advanced Transport and Infrastructure. I will shortly be meeting the eight vice-chancellors of universities in the midlands to talk about opportunities flowing from transport investment—of which HS2 is a huge part, but not the only part of what we are doing—and how we can ensure that we are closing the loop between investment opportunities and highquality jobs as young people graduate from those universities and colleges. It is a work in progress and will continue to be for a long time, but we are very much committed to ensuring that we get the kind of skills dividend and investment that this project was designed to support and enable.

Mark Thurston: Just to reply to your point about that, we have been doing a lot of work with the local chambers. I think about 2,500 businesses around the country have now worked on HS2; 90% of those are British businesses and about 70% are SMEs. We are very much aware that, as all this money goes into this project, it finds its way into communities and the economy with a sort of multiplier effect. Our interaction with the British Chambers and local chambers has been a force for good in that regard.

Q125 **Sarah Olney:** You said earlier in our discussion about inflation that materials are more of an issue than labour, but are labour or skills shortages presenting any kind of challenge for HS2?

Mark Thurston: We have done a lot of work in that area, both for the company and for contractors. The skills academy that BBV has put in place in the midlands, for example, is trying to take people from nonengineering

and construction walks of life and train them up using simulation techniques and other things to get them into the sector. It is an area in which we are not complacent; we have not seen the pressure with people in the way we have with materials, but we can never be complacent. We are about 24,000 people. We think we will peak at around 34,000, so there are still another 8,000 to 10,000 people to join the project in the next three to four years.

Crossrail is finishing with a tail in the next six months and the Tideway project is through most of its tunnelling, so other projects are coming to an end. There is a community around that. I chair the infrastructure client group, and we work with other clients to make sure that we understand the wider demands—certainly for specialist skills—across the sector.

HS2 is an opportunity to bring more digital techniques into the way we do engineering and construction in infrastructure. Interchange is a great opportunity, and some of the work we are doing with our contractors at Old Oak Common brings many more digital-based techniques for construction, which does not need as many people and gives us an opportunity to bring a much more diverse workforce into play.

Q126 Sarah Olney: Are you confident that the level of sign-ups for your apprenticeship programmes will feed into the extra 10,000 people that you talked about for the peak of 34,000? Can you already see that pipeline, as it were, for when you need them?

Mark Thurston: Certainly. We have a target of 2,082 limited, and we are already approaching, across the project, 900 apprenticeship starts. My view is that that might prove a modest target. We are bringing into HS2 a cohort of around 25 apprentices every year, but we might have 1,200 applications. Frankly, having started my own career as an apprentice, it is good to see that kids want to leave school and see that as a pathway into the workplace, rather than just going to university and following an academic route. Following a vocational route like that is good. All our contractors and consultants have embraced that, and there are lots of good signs there.

Q127 Sarah Olney: Are you on target to hit your net zero targets, both for construction and operation?

Mark Thurston: We made a commitment last year to get to net zero, as a company, by 2025. I have said that I want the organisation to be a net zero entity, and we are making good strides there. Cannily, covid and hybrid working are helping us there with our carbon footprints and organisation.

We are about to launch our first diesel-free site, and we have said we will have all diesel-free sites by 2029, so there is a lot of work going on with our contractors and designers on how we take embedded carbon out of the built environment. Ultimately, as you say, the headline that we have committed to is that the railway will be net zero when it is running in 2035, which will be a combination of how we have taken embedded carbon out of the assets and how we then provide renewable sources of supply.

It is early days. We are developing our plans; in fact, we have set up a board sub-committee to focus on this specific issue. We have only been at it for about a year, frankly; obviously, we have more time. A bit like with the skills agenda, when we at HS2 have had a laser focus and have started to measure this stuff, we have invariably got the results. I think there is lots of good work going on between the company and our designers and contractors in finding ways of reducing carbon—be it in steel, concrete, or products—and compensating for the carbon through other means, including offsets and the like. I think, in the fullness of time, this will be one of the things for which HS2 will arguably be seen as a bit of a flag-bearing project that really put the natural environment and carbon at the heart of its thinking. We are by no means the finished product, but we are making good progress.

Q128 Sarah Olney: How much capacity—particularly funding capacity—is there to support biodiversity gains, particularly in the earlier phases? We have talked about net zero, but what are we doing to improve?

Mark Thurston: It is a bit of a policy question, so I might ask Mr Maxwell to say something. As you know, we have no net loss as a commitment in both the phase 1 and phase 2a Acts. We are looking at ways in which we can exceed that within our funding envelope, but of course there is every expectation that we will have a requirement for net gain in the phase 2b Bill.

Clive Maxwell: I do not have much to add to that. As Mark says, for the first two phases, there is a commitment to no net loss, but we are happy to look—and we are looking—at what the opportunities are to go beyond that. For the western leg, phase 2b, the plan is for a net gain of 10%.

I should say that there is a bit of a link between your questions on biodiversity, in some cases, and some of the carbon points. What we are seeing coming through some of the work on biodiversity is the opportunity for some of those changed ecosystems and habitats to act as carbon sinks and things like that. You can get carbon benefits arising from the biodiversity activity, which is quite an important part of the modelling.

Mark Thurston: I think we are at something like 900,000 trees planted on phase 1 alone, against our target of 7 million. Again, there is a whole environmental project going on inside HS2, investing in the natural environment—recognising that there is some impact in the natural environment in building the railway, but nevertheless making sure that we put back much more than we inherited so that the legacy is positive, in the way you asked.

Q129 Sarah Olney: Finally, you have mentioned today and previously, when we came to visit you, the extent to which protestor activity is causing delays and costs. What is the latest estimate of the cost to the project of managing or combating that activity—however you would describe it?

Mark Thurston: “Combating” might be an appropriate word. We are at about £122 million spent to date, all up, in terms of the impact of protestors. Our forecast is that that will probably be somewhere between £150 million and £200 million by the time we are finished. We have seen the action move further north. We have a particular evacuation going on this week, as a case in point, where we had illegal possession of one of our sites. We have a route-wide injunction that we are pursuing, which will be heard in the courts next week, in fact.

We are taking all the measures we can. Frankly, we have got more organised with the Department. Mr Maxwell runs a cross-Government forum that involves the CPS as well as the police forces. We anchor all our police interaction with Thames Valley and then they co-ordinate for us with forces along the ground. Obviously, we have a big security capability as well now. We have become, I guess, more sophisticated ourselves in trying to deal with this, with things like taking slightly more land than we might otherwise need to make sure that the protestors do not get close to our sites. We have seen tunnels and structures and other things get constructed—very unsafely, frankly—as well as some of the behaviour we have had to put up with.

Q130 Sarah Olney: Mr Maxwell, what is the Department doing to support HS2 in managing protestors?

Clive Maxwell: As Mr Thurston says, I run an illegal protest working group that brings together all those parties to try to make sure that different bits of Government are aligned. The operational side of all that is for HS2 Ltd to work with their local police forces in the way that we have just heard. And of course there are discussions across Government about legislative changes and things like that that would give the police more powers to be able to tackle these sorts of protests in the future.

Q131 Sarah Olney: You are referring to some of the stuff that was mentioned in the Queen’s Speech. What specific areas of that legislation are going to help?

Clive Maxwell: I will probably need to write to you to set that out in more detail, if that is all right.

Sarah Olney: That’s fine. Thank you.

Q132 Sir Geoffrey Clifton-Brown: Mr Maxwell, can I follow up the question that Ms Olney has just asked? Mr Thurston said that you have a wholeline injunction. Does that mean that you can enforce aggravated trespass on a civil basis, and do it quicker and easier than if you had to argue each case on the basis of a criminal incursion?

Clive Maxwell: In simple terms, yes, I think, but it is HS2 Ltd that has the injunction.

Mark Thurston: In essence, it is getting the power from the courts to deal with this on a line-of-route basis. What we have had to do thus far—

Q133 Sir Geoffrey Clifton-Brown: It means that you don't have to argue each individual case; you simply have to argue for possession.

Mark Thurston: That's the intent. But it is a live process; it is not concluded yet.

Q134 Sir Geoffrey Clifton-Brown: Thank you. I have two very simple questions. The Minister asked you to look at cycle proposals to provide a wider active travel network. How are you getting on with that whole programme?

Mark Thurston: Again, this is a collaboration between the company and the Department. We have built tens of kilometres of haul road thus far to keep our trucks away from the public highway. As we narrow the fence line, as we get closer to building the railway, we can liberate those temporary roads back into some form of local cycle path for active travel. We are doing some work with our contractors on design and how that integrates. We have an urban integration design team, and the Department has some funding for this anyway. We are trying to join the dots to see if we can get maximum value there, so that in legacy, as the railway concludes, we leave behind not just the railway but opportunities for people to walk and cycle alongside it.

Clive Maxwell: In some ways, it is a sort of micro-example of the question I was asked earlier about how you join together different bits of policy. Where there are other sources of funding in the Department, we are applying those where appropriate and finding opportunities to do so.

Q135 Sir Geoffrey Clifton-Brown: Very good. Mr Thurston, what is your policy for providing very fast wi-fi throughout the entire route?

Mark Thurston: On the trains?

Sir Geoffrey Clifton-Brown: Yes.

Mark Thurston: That's a good question. I will have to confirm what is in the train spec, but my expectation is that it will be pretty seamless wi-fi from end to end—for the whole journey.

Sir Geoffrey Clifton-Brown: I am sure it will, but I just wanted to check, given that the people who are likely to travel on this railway are people who are likely to need a lot of wi-fi. It would be useful to know that.

Mark Thurston: You are not on the train for very long though, because it goes quite fast—much faster than the current trains.

Sir Geoffrey Clifton-Brown: That's true.

Chair: You might have a productivity issue.

Sir Geoffrey Clifton-Brown: You might have cut the time to Manchester in half, but they are still going to be on it for over an hour. You can do quite a lot of work in an hour.

Mark Thurston: I will write back to you. I am sure it will be high-integrity wi-fi by the time the trains open.

Kate Green: That will make a nice change on the route to Manchester.

Q136 **Sir Geoffrey Clifton-Brown:** With no interruptions, hopefully.

Ms Kelly, or maybe Mr Maxwell, the real question is this: it would be terrible if we went to all this expense and trouble to build this railway and then it wasn't used to its maximum capability, so have you revisited the business case, particularly in the light of covid? Have you done some predictions of what the use of this railway is likely to be?

Bernadette Kelly: I will start, and then I am sure Mr Maxwell will be able to give a more detailed answer. We have had this discussion on a number of occasions. I start with the point that this is a railway built for the next 100 or 200 years, not the next 10 or 20, so inevitably that brings a degree of uncertainty around future demand. It is actually too early. Across the Department, we are looking very closely at the impact of covid on all modes of travel. Our view at the moment is that it is too early to determine what the long-term impact might be on changes in travel behaviour. We are fairly confident that recovery will be strong, but there are bound to be some behavioural changes in the margins. Although we are looking very closely at this in the context of our capital investment portfolio, we don't think we are currently in a position to start making any sort of forecasts.

HS2 is going to be supporting leisure and business travel more than commuting travel. We already know that, on the railway, leisure travel is coming back really fast—it is bouncing back very strongly. From surveys we have done of business, the sense is that long distance travel by rail is still going to be very attractive and important to them in the future, so it is reasonable to suppose from that that the demand for the use of this railway will be strong. Obviously, it is also a function of wider growth in the economy, population growth and all those much bigger underlying factors.

Clearly, this is something we need to think about as we update business cases, but at the moment we are confident that there is plenty to point to the fact that this will be a very well used investment for what we hope will be decades into the future.

It is also worth saying in our existing business cases we always do lowdemand scenarios as part of our sensitivity modelling. We always have a range of forecasts built into business cases, and that will be true as we update business cases in the future.

Clive Maxwell: Just to pull out a few points, as Ms Kelly says, this is a long-term project. Over those sorts of time periods, we tend to find it is the broader economic performance of the country that has the most impact on demand. When you look at the three groups of potential travellers on HS2 that our business case is based on, in the case of long distance or city-to-city leisure, we are seeing really strong pick-up in the market. In the case of long-distance business travel, that has not returned to where it was, but some of the survey results suggest that businesses intend for that to go back again, albeit not quite as high as it was. The third category is local

commuter services, which factor into the business case but are not as important as some other categories, and certainly not as important as they are to some other types of rail projects. That is the work under way.

The most recent business case published was on the phase 2b western leg. That includes some of the demand sensitivities that Ms Kelly referred to in terms of modelling the different impacts of different scenarios.

Q137 Sir Geoffrey Clifton-Brown: Presumably you have the option of running fewer trains to start with, and to build them up as demand builds.

Clive Maxwell: Not just the option, but the service specification indicative plans at the moment are to start small and increase the numbers of services, and work with the west coast partner to do the planning around what the best service configuration is. You can change that over time. It is not something you can do overnight, but with the right sort of planning, you can change your service patterns and things like that to reflect demand.

Q138 Sir Geoffrey Clifton-Brown: Will this be a seven-day-a-week service?

Clive Maxwell: I think the modelling assumes that it is, as far as I know, and running from quite early to quite late.

Chair: Hopefully not many engineering works.

Sir Geoffrey Clifton-Brown: Not for a year or two anyway. Thank you.

Chair: Thank you very much, Sir Geoffrey. I thank colleagues and our witnesses very much for your time.

Bernadette Kelly: May I just put something on the record? I may have inadvertently suggested earlier in response to a question that we conceded that any spend on the eastern leg of HS2 was nugatory. That is absolutely not the case. I just want to be emphatic about that. The point I was making is that it is normal when developing projects to look at options. In the case of the eastern leg and services to Leeds in particular, we will not know the outcome of the study until we carry out that further work, but I do not want any suggestion on the record that it is my Department's position that we would concede that at all.

Chair: Thank you. We always appreciate it. It is not so easy to have a correction in the moment, so hats off to your team behind you who caught that one. It saves us all a lot of to-ing and fro-ing with letters.

I thank you very much for your time. We might not put a full report out on this because it is a recall and we do not have a National Audit Office Report with numbers, but as you know, we continue to watch closely what you are doing, Mr Thurston, and what is coming next, Mr Maxwell. This will be a subject for this Committee for decades—when we are all not here.

Sir Geoffrey Clifton-Brown: Some of us might be.

Chair: I shouldn't speak for everyone. I thank you for your time.



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