

Public Accounts Committee

Oral evidence: Department for Transport Recall, HC 850

Thursday 15 October 2020

Ordered by the House of Commons to be published on 15 October 2020.

[Watch the meeting](#)

Members present: Meg Hillier (Chair); Gareth Bacon; Olivia Blake; Sir Geoffrey Clifton-Brown; Dame Cheryl Gillan; Shabana Mahmood; Sarah Olney; and James Wild.

Transport Committee Member present: Huw Merriman, Chair.

Gareth Davies, Comptroller and Auditor General, Matt Kay, Director, National Audit Office, Lee-Anne Murray, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-149

Witnesses

I: Bernadette Kelly, Permanent Secretary, Department for Transport; Ruth Hannant, Director General, Rail Group, DFT; Clive Maxwell, Director General, High Speed and Major Rail Projects, DFT; and Gareth Davies, Director General, Aviation, Maritime, International and Security, DFT.

Examination of witnesses

Witnesses: Bernadette Kelly, Ruth Hannant, Clive Maxwell and Gareth Davies.

Chair: Welcome to the Public Accounts Committee on Thursday 15 October 2020. We have called back officials from the Department for Transport to give us updates on various major projects under its responsibility. We are going to be looking particularly at how covid-19 has affected transport. We are also going to ask for updates on HS2 and Crossrail—two very troubled rail projects—and about other transport issues.

Talking of other transport issues, I would like to kick off with Sarah Olney MP, who is going to ask about a vital bridge in London.

Q1 **Sarah Olney:** Thank you very much, Chair. Hammersmith bridge in my constituency is a vital link, particularly for residents in north Barnes, who depend on it to access facilities, including healthcare, education and work, on the far side of the Thames. It has been closed completely to all pedestrians and cyclists since August, and to motor traffic since April last year. The Secretary of State for Transport suggested recently at the Conservative party conference that the Department for Transport has finally agreed to provide the funds for the permanent repairs. I would be really grateful if the permanent secretary could confirm that and put it on the record.

Chair: Sorry, I forgot to introduce our witnesses today. We have Bernadette Kelly, who is the permanent secretary at the Department for Transport, and Ruth Hannant, who is the director general for the rail group at the Department for Transport—a lot of questions to you today, Ms Hannant. We also have Gareth Davies, who is the director general for aviation, maritime, international and security at the Department for Transport—not to be confused with Gareth Davies, the Comptroller and Auditor General, so we need to be very clear who we are addressing our questions to—and Clive Maxwell, who is the director general for high speed and major rail projects at the DfT. You will get a number of questions, too. Ms Kelly, would you like to answer Ms Olney's question?

Bernadette Kelly: The short answer is yes, I can confirm it. I don't have the exact figure in front of me, but we are now providing some funding to repair the bridge. Baroness Vere, our Lords Minister, is chairing a taskforce aimed at bringing all parties together—TfL, the borough and local stakeholders—to ensure that we are able to make progress on short-term solutions to improve people's access, given the problems with the bridge, and a long-term solution for the bridge itself. Yes, we are now taking that in hand.

Q2 **Chair:** Did your Department receive any submissions from the Mayor of London or Transport for London suggesting how to deal with the bridge?



HOUSE OF COMMONS

How did you deal with those?

Bernadette Kelly: I would need to check. I am fairly sure that there will have been correspondence between us and TfL on the bridge—there certainly has been in the past. I'm afraid I don't have details of that correspondence to hand, but if that is a particular matter of interest, I can provide that.

Q3 **Chair:** I would be grateful if you could. Picking up Ms Olney's question, this has been a long-running concern for Londoners. Why has it taken so long to tackle?

Bernadette Kelly: It has been a long-running concern. A lot of the problem is that the bridge seems to have fallen into something of a no-man's land, in terms of who is responsible for its maintenance and repair. It is officially a borough responsibility, but clearly it is a very significant bridge and thoroughfare. What the Secretary of State was announcing was that we have acted to try to ensure that there is a decisive plan to deal with the bridge.

Q4 **Sarah Olney:** It is really wonderful news that the Department for Transport is going to put some funds in. I wonder whether you have a timescale for when a confirmation of the precise amount and structure will be made. When will there be a formal statement?

Bernadette Kelly: I do not have confirmation with me this morning, but I will happily write to the Committee and provide some further details.

Chair: Thank you. If we can get that as soon as possible, that would be very helpful.

Q5 **Sir Geoffrey Clifton-Brown:** Good morning, Ms Kelly and our other witnesses. My question is on the timing of Hammersmith bridge works. There is a real problem in London. It is not just Hammersmith bridge; there are roadworks narrowing Wandsworth bridge, and Chelsea bridge is one-way. There is becoming a congestion problem in getting over the bridges in central London. Does your Department have any plans to look at this problem, and at the timing of the repair of Hammersmith bridge?

Bernadette Kelly: Clearly, we are looking at the timing of the Hammersmith bridge repair. As I say, we have now set up a taskforce and committed funding to ensure that that is addressed. The wider issues you describe fall more naturally into the responsibility of Transport for London, who are normally responsible for flows of traffic and connectivity in central London. We do not have a plan for that, because I don't think it would be appropriate. That would be something that TfL would have a plan for.

Q6 **Gareth Bacon:** Of course, the bridges in London are all strategic, really, because if one goes down, as Sir Geoffrey just said, it has knock-on effects everywhere else. My understanding is that most of them are borough responsibilities, which is wholly unrealistic because they simply do not have the financial power to do anything about it. Hammersmith bridge has demonstrated that very clearly.



HOUSE OF COMMONS

Given that they are strategic routes, should they not be the responsibility of Transport for London? If you agree that they should be, I know full well what the Mayor of London will say, which is "We don't have the financial wherewithal to look after them, either." Is this something the Government are looking at in the long term? If they are not, then this is something that we could see again and again.

Bernadette Kelly: You raise an important point. Clearly, we don't want to find ourselves in the situation that we are in in Hammersmith. We are reacting to a critical situation. You are right that Hammersmith bridge is normally a borough responsibility, and I assume that is true of all other bridges. As you say, TfL has responsibility for transport and traffic throughout the city. It has been one of those areas that has been slightly confused, and Hammersmith has exposed that.

I can't give you an immediate answer as to what the long-term plan is. That would be a matter we would need to discuss with TfL and the boroughs to determine what an appropriate allocation of responsibilities is.

Q7 **Gareth Bacon:** Is it something you are discussing at the moment? If not, why not?

Bernadette Kelly: I think we are discussing it in the context of Hammersmith bridge. I am not aware that there is an immediate plan to provide an all-bridges solution to this.

Q8 **Gareth Bacon:** That might be something you want to take away and look at. Hammersmith bridge has given us a clear indication of the consequences. This has been a long-running saga. If the same were to happen to other bridges, you could see London grinding to a halt.

Bernadette Kelly: It is certainly an interesting point. I suspect there is work going on to determine which other bridges may be at risk. I am sure that information exists. I am happy to take that away.

Chair: It is a significant issue. Somehow, in the 20 years or more since the Act was drawn up, I think the Committee would agree that the bridges seem to have ended up in the wrong place, in terms of policy positions, practically. To have major strategic bridges run by boroughs is not feasible; obviously, there needs to be money attached, as Mr Bacon has said. I now turn to Olivia Blake MP.

Q9 **Olivia Blake:** I will focus on franchising. How much has it cost to support the railways through covid-19, and how much it will cost through the emergency recovery measures agreement?

Bernadette Kelly: I can give broad figures for that. These are, to various degrees, estimates, but I am happy to give our latest estimates to the Committee. As far as the emergency measures agreements are concerned, our estimated total costs, which are not assured or audited, so the figures will change as we get more detail, are around £4 billion since the beginning of the financial year. There was some backdating into March, so since they started, it is around £4.2 billion. That excludes a small management fee. I think £4.3 billion is the approximate total cost since



HOUSE OF COMMONS

EMAs came into force. As I say, the figures are all unaudited, and I am sure in time we will be able to provide more detailed and assured figures than that.

It is much harder to give you a single figure for ERMAs, because all will depend on what happens with demand and revenue in the next six months. Clearly, there is a huge degree of uncertainty about that. If I were to give you a range, I would say it is probably £3 billion to £5 billion for the remainder of the financial year. Obviously, the ERMAs run for 18 months, so I am talking about not the lifecycle of the ERMAs, but the remainder of the financial year. Those are the orders of magnitude, in terms of what those contracts have cost.

Q10 Olivia Blake: Thank you. I would appreciate more clarity as it appears. What is your view on why the railway is so expensive to run, and how you might be able to control costs?

Bernadette Kelly: Obviously, the principal factor driving these very large sums has been the collapse in demand and passenger revenue. That is overwhelmingly the source of this. There is a wider debate to be had on rail reform, which we are certainly having very actively, about how to ensure that the railway is more efficient, and how you reduce costs across the railway. I am sure there is a huge, long discussion to have about that, but what is really driving these numbers on EMAs and ERMAs is the collapse in passenger revenue.

Q11 Olivia Blake: Do you think that covid-19 is an opportunity for Network Rail to do lots of maintenance work? What is your view on that?

Bernadette Kelly: That is a very good point, and it is absolutely one that Network Rail have also identified. Particularly in the early period of lockdown, they were continuing with as much frontline work as possible while maintaining social distancing, but they were also bringing maintenance work forward wherever they could, to take account of the fact that far fewer trains were running. In the first period of the current financial year, they were able to increase their spend on maintenance and so forth by 13% over what would normally have been expected or budgeted for the period. I am afraid I don't have the financial number for that, and it may be that Ms Hannant has some more details, but they have been actively bringing forward maintenance spend to take account of fewer trains running and fewer passengers travelling.

Ruth Hannant: Absolutely; that is right. For the first six months of the year—up to the end of the sixth rail period—I think Network Rail were between £160 million and £170 million ahead of their plans for spend on operations, maintenance and renewals. That reflects quite a significant amount of work that they were able to bring forward when the railways were less busy.

Q12 Olivia Blake: That is useful. My next question is to Ruth Hannant and Bernadette Kelly. What is the status of the Williams review?



HOUSE OF COMMONS

Bernadette Kelly: Work is continuing on the Williams review. I will ask Ms Hannant to say a little bit more, as she is leading that work. It is very active. Clearly, we had to pause some of the work that we were doing on long-term rail reform in the immediate lockdown period when covid first hit. We were flat out at that point, putting EMAs in place and responding to the immediate crisis, so there was a slowing down and a pause for a few months while we responded to all the covid-related pressures. However, since early summer, we have been very much picking up the baton on that work. Ruth and her team are now working very closely with Keith Williams to conclude the work on rail reform. I know my Secretary of State is very keen to do so. Before I hand over to Ruth, I will say that the emergency recovery management agreements that we have put in place have also been designed expressly with a view to being a bit of a pathfinder for some of those wider reforms as well. We are trying to make progress through those contracting arrangements in real time.

Ruth Hannant: Absolutely, Bernadette. Obviously, at the point when the pandemic hit us, the rail review was in its final stages. As Bernadette says, we had to pause work for a short while to focus on our response to the pandemic, but we have been doing a lot of work since then with Keith and with Ministers to look really closely at how the pandemic has affected Keith's recommendations. Obviously, the priorities that Keith set out are ones that Ministers still very much agree with, in terms of the need for us to look at having more of a guiding mind for the railway. We are looking at how we can pivot the railway to act more in the interests of passengers, fares reform, workforce reform and greater efficiency. We are developing the White Paper to respond to where we find ourselves with the pandemic. Ministers said last month that we will be publishing that, but not until the course of the pandemic is clearer.

Chair: Thank you, Ms Blake, for now. We are delighted to welcome Huw Merriman MP to the Committee. He chairs the Transport Committee and is guesting with us today.

Q1 **Huw Merriman:** Thank you, Chair, and the members of the Committee for having me. I do not have that long, so I will ask short questions; hopefully I can get short responses in return.

Can I start with the ERMA—the next contracts? There is a provision for termination payments. Can you just explain how those will be calculated?

Ruth Hannant: I am happy to take that. The Department's intention is that operators should not be penalised for the effect of the pandemic on their business, but they absolutely should not be relieved of any losses that they would have suffered if the pandemic had not occurred.

To ensure that we are acting in a reasonable way, we have put in place a very comprehensive process. We have worked with LEK to develop a model that will generate a projection of financial performance had the pandemic not occurred. We have shared the assumptions within that model with all nine operators that have moved on to the contracts, and they have been given the opportunity to seek clarifications and make



HOUSE OF COMMONS

representations about that. We have a panel of departmental officials and experts who are reviewing those representations and, where relevant, they will make adjustments to the methodology and the calculations as a result.

That process is still under way. I am sure that you will understand that as a consequence, I cannot really speculate on where it will get to. However, a decision on the actual termination sum will have to be concluded by 13 December. If the operators do not agree, then they can revert to their previous financial terms at that point—their previous franchising agreement.

Q2 Huw Merriman: To drill into that, there are nine train operators. How many do you envisage will be required to pay back to the Department a termination payment?

Ruth Hannant: I don't think I can really comment on that at the moment because of the live nature of those discussions. Obviously, there were a number of franchise operators who were facing financial difficulties.

Q3 Huw Merriman: So it could be none.

Ruth Hannant: I would not expect it to be none, no.

Q4 Huw Merriman: You can't give us a figure, but you would expect it to be greater than zero.

Ruth Hannant: Absolutely.

Q5 Huw Merriman: If the train operators do not accept the figure that the Department calculates, do they have any dispute mechanism? Can they go to court, for example, or is it, "Accept our figure, or get back on the franchise"?

Ruth Hannant: The payments are an amount that they would pay to the Department for our relieving them of their previous liabilities, obviously. We have set up a fair, objective and reasonable process, and if they don't agree with the number that comes out of that process, it is open to them to reject it and go back to their previous financial terms. Obviously, they could decide to pursue litigation, but we would hope that they wouldn't, because we believe the process is very fair.

Q6 Huw Merriman: But it could be mucky on that basis. They could end up disputing it. Rather than accepting, "Well, tough—you have to go on the franchise", they could go to court and take legal action against the Department.

Ruth Hannant: They could choose to do that, but as I say, we would hope that they wouldn't, because our process is reasonable. However, they would revert to their previous franchise terms in the meantime.

Q7 Huw Merriman: Staying on the ERMA's, my understanding is that rather than the 2% management fee for running the railways, the train operators will now get 1.5% under these new terms.



Ruth Hannant: That's correct.

Q8 **Huw Merriman:** Some of that 1.5%, I understand, is performance-related on "punctuality, passenger satisfaction and financial performance". How much of the 1.5% is geared towards those performance measures?

Ruth Hannant: In developing the ERMAs, we have actually switched the balance between the fixed-fee element and the performance element. Two thirds of the overall 1.5% potential fee will be based on performance, which is 1%.

Q9 **Huw Merriman:** Realistically, because we will see if London is about to go into lockdown measures again, the train operators can't take such big macro risks. Are those performance measures quite soft? I mean, regarding "passenger satisfaction", there aren't that many passengers on the railway. On "financial performance", the Government are actually paying, or the taxpayer is. It feels quite soft because of the economic situation.

Ruth Hannant: Perhaps I could explain a bit more about those measures. Of the performance fee, 25% is based on the broader operational performance: delays, cancellations, short formations of trains and those kinds of things that are within the operator's control. A further 22.5% is based on passenger experience: the quality of the service they are delivering and passenger satisfaction.

I agree that there is a smaller number of passengers travelling at the moment, but it is important that they are provided with a satisfactory service. A further 30% is around financial performance based on the efficient use of what is currently public money, what they are doing to build revenue and how they are demonstrating greater efficiency, and a further 22.5% is around collaborative behaviours. One of the important things we are trying to do through the ERMA as part of a move to reform is to encourage operators to work more collaboratively with Network Rail, with the Department, and with other stakeholders.

Q10 **Huw Merriman:** In your view, are those performance measures, and the penalties they could forfeit, more stringent than the franchise agreement model at the moment?

Ruth Hannant: The balance of the performance measures is different from what we have in the franchise agreements. Most of the incentive there was through revenue, and the operators were incentivised that way. So it is different. The level of performance incentive is greater in the ERMAs than was explicitly the case in the previous franchises, which were more linked to a revenue incentive.

Q11 **Huw Merriman:** Chair, do you mind if I ask for some figures related to what has been paid, the EMA? Let's go back to the contracts that ran from March to when?

Ruth Hannant: 20 September.



HOUSE OF COMMONS

Q12 **Huw Merriman:** You mentioned there—the figures were not absolutely precise—a figure of around £4 billion. How is that calculated, or rather who calculates how much it costs to run the railway for those six months?

Ruth Hannant: We agree a budget with each operator for each period, based on their costs capital and revenue forecasts. Then we make a payment on the first working day of the period reflecting that. At the end of the period, a reconciliation takes place based on their accounts for that specific period to reflect the actual payments and revenue in that period. That is paid two months later, and that is part of the reason we do not yet have a final figure for the EMAs: we have not done that final consolidation.

Q13 **Huw Merriman:** Have they been paid the 2% fee?

Ruth Hannant: No, and they will not be paid that for some time, because obviously we need to work through what the performance-related element of that would be: the 0.5%. We will not make that payment until they have shared with us their accounts for the financial year. That payment will probably not come until midway through next year.

Q14 **Huw Merriman:** But if those figures are accurate—if they say, “This is how much it costs us to run the railway,” and they have spent that money but have not received any fee for doing so, then either they are running at a loss—in which case they have generous lenders—or they have potentially been overpaid.

Ruth Hannant: They are not running at a loss, because the fee element is a payment on top of the costs of running the railway. That is the fee we are paying them for what they are doing. They are not running at a loss at the moment.

Q15 **Huw Merriman:** If you are a franchise operator, then the costs are not fixed at the running of the railway. There is a head office to run, and so on. If they have got nothing coming through because they have not received their 1.5%, then that separate company is running at a loss. It is not unreasonable to suggest that they might have been overpaid, in which case even with the 1.5% they may be required to pay amounts back to the Government, because you may disagree with their figures. Is that still there to be discussed?

Ruth Hannant: Because of the reconciliation that we do, which is related to the payments on the base fee, rather than the fee element, in terms of elements that they might need to repay, obviously those are resolved close to the period in question—within two months of that. As for the actual fee element, that will depend on their audited results, which will come later.

Q16 **Huw Merriman:** How confident are you that you really know how much it will cost to run the railway? Obviously, for GTR, that has always been a management model: you have always paid them to run it, and they have paid everything they receive. You pay them what it costs to run, but for the others, it is a franchise operation, and they have taken the risk and reward, so are you confident that you can properly get under the skin of the figures, where they say, “This is how much it costs,” and that you can



HOUSE OF COMMONS

audit it?

Ruth Hannant: Absolutely, because that was initially part of the EMAs, and it is now part of the emergency recovery measures agreements. Operators are required to share with us all of their financial information and statements, so we can absolutely audit the information they provide.

Q17 **Huw Merriman:** You said that Williams was active and that it had paused for work on covid, but that report was due in September 2019, and by the time covid and lockdown came—I accept that it was not just March, and that there were already concerns you were working on before that—it was already hopelessly late, and it has not arrived. When I looked at the new set of interim contracts, I suggested that was just one set of interim contracts replacing a previous set of interim contracts. Some thought that that was unfair—that, actually, there is much more to it, because it is all about new franchising—but all it is, really, is 18 months or a bit longer to come up with the new model, is it not?

Ruth Hannant: There are quite significant elements within the emergency recovery measures agreements that enable us to take forward reforms. We are able to do a lot more in terms of ensuring that the operators work with Network Rail. It gives us greater opportunities to ask the operators to work with the Government, so we can push to drive efficiencies and move forward things like fares reform. I think there is actually quite a lot within the emergency recovery measures agreements that enables us to drive reform forward more quickly.

Q18 **Huw Merriman:** I suppose the suggestion I am making is that we have been waiting for Williams for quite a long time—we have been waiting for a long time, and there has been a lot of promise—but it has not arrived. I understand that covid is here, and now these new contracts suggest the promise of a new operating model that we have not really seen the detail of. We are basing it on promise, I suppose.

Ruth Hannant: Absolutely. I understand that, and I can understand your frustration; indeed, this is something we have been talking to the industry about for a considerable period. However, given the implications of covid for the industry and the very significant effects that has had on industry revenue, and potentially on passenger demand, it is very important that we properly work through what that means and ensure that the model we ultimately put forward in the White Paper is one that is effective for the situation we now find ourselves in, rather than the one we were in six months ago. I do think it is very important that we work that through. That is something we are doing very actively now with Keith Williams, and Ministers have said that they will publish their approach to the railway in a White Paper in due course.

Q19 **Chair:** It seems like the Williams review is now Williams 2, doesn't it? Chapter 1 never quite got written, finished, dotted and crossed, and now we are on version 2. Is that a fair summary?



HOUSE OF COMMONS

Ruth Hannant: I think a significant amount of what Keith originally recommended is likely to be relevant for the future, but we do just need to look and make sure it reflects the situation we find ourselves in now.

Q20 **Chair:** We were reflecting that it is a bit like the defence review: we are waiting for different titles with the words “transport” and “review” in—different names—because it has been kicking around for a while. However, we look forward to the White Paper.

Bernadette Kelly: May I make one additional point? By the way, I fully understand the impatience regarding Williams, and I think my Secretary of State shares that impatience to make progress. Unfortunately, a global pandemic is quite a significant distraction, but we are hoping to make progress very soon.

Just as an additional bit of background to the concern that I think is behind your questions, which is that, somehow, these contracts have been very generous, if you look at the level of the owning groups, pretty much all the UK-based owning groups have accessed Bank of England lending facilities. I think that tells us something about the degree to which they are experiencing very tough financial pressures, just like other parts of the economy.

Chair: Thank you for that, permanent secretary. I am now going to bring in Sir Geoffrey Clifton-Brown.

Q21 **Sir Geoffrey Clifton-Brown:** Can I ask a question to you, Ms Hannant about Network Rail’s maintenance, and it may be that Ms Kelly wants to come in on it? We are running the railways at the moment on a very light basis, and that should give an opportunity to catch up on the backlog of maintenance so that when the economy recovers and passengers start using the railways again, they will have a railway that is up to date, in terms of maintenance.

Ruth Hannant: I think we are currently running with about 89% of services, so although there is a lower level of service than would normally be the case, we are still running with a very high level of services. That has been the case since earlier in September. We started to increase the level of 50% of service operation from May onwards.

As I said earlier, Network Rail have absolutely taken advantage of the opportunity to bring forward maintenance activity, and they have done that to the tune of between £160 million and £170 million over the first part of the year. They have absolutely been taking advantage of those opportunities and are continuing to do so.

One of the things that we are actively working with them on at the moment is where, because of local lockdowns or other issues, we find ourselves, over the remainder of the year, needing to reduce service levels for whatever reason. We are working very actively with Network Rail to ensure that, if that occurs, they take advantage of the opportunity to bring forward maintenance activity.



Q22 Sir Geoffrey Clifton-Brown: Can I move on to a different subject in relation to these ERMAs? You have provisions for the TOCs to call on a certain amount from their parent companies. Have those provisions been fully examined so that the parent companies are living up to expectations?

Ruth Hannant: Absolutely. As I set out earlier when I was talking to Mr Merriman about the termination fees, that is what we are looking to ensure. We don't want to penalise anybody for the effects of the pandemic, but to the extent that the parent companies were in financial difficulty before the pandemic, or would have been without it, we want to make sure they are held to obligations that would have arisen.

Q23 Sir Geoffrey Clifton-Brown: In answer to Mr Merriman, you said that there are different elements to these ERMAs, and I want to examine one or two of them. How will the TOCs be reimbursed for the capital investment that they made? That falls into two categories: the investment that they actually made and the investment that they might have been expected to recover in future years from fares. How will that be dealt with?

Ruth Hannant: I'm sorry; I'm not entirely sure I understand your question. I apologise.

Q24 Sir Geoffrey Clifton-Brown: TOCs make investments in rolling stock and occasionally things like car parks—Great Western has in my constituency. Great Western would have been expecting to recover the cost of that car park in future years from the fares that it gets. This is not happening in GWR's case, but if it were to be reimbursed for those investments, how would it happen?

Ruth Hannant: Obviously, the finances of the individual operating company remain as they were previously. Any investments that were made within the operating company are still there, and the financial risks around them now fall to the Government. As you outlined previously, the actual liability of the owning group is limited to the amount of parent company support that they put in. To the extent that they were in financial difficulty before the pandemic, we would expect, as part of the termination negotiations, to be discussing with the operators the amount of parent company support that might need to be returned to the Government. In terms of the other elements, that would form part of the actual operating company structure that remains in place.

Q25 Sir Geoffrey Clifton-Brown: Right. Back to Mr Merriman's question on this severance payment. I am still not quite clear how that is to be negotiated. You offer them a price, and they either accept it or don't accept it, but there must be some sort of negotiation that goes on, or an appeal or something. How does that mechanism actually work?

Ruth Hannant: As I set out, what we have developed a financial model, which has been developed independently. There are a whole load of assumptions within that model, which we have shared with the operators. They have had the opportunity to question and challenge. They have also



HOUSE OF COMMONS

had the opportunity to provide evidence on actions that they perhaps would have taken, had the pandemic not occurred, to manage their costs and other things. We have had a very transparent process. *[Interruption.]*

Sir Geoffrey Clifton-Brown: Sorry, the bell will stop in a minute.

Ruth Hannant: Apologies.

Sir Geoffrey Clifton-Brown: No, it is not your fault at all. Do you want to just rewind that? It is a really important question.

Ruth Hannant: Yes. What I was saying is that we have a transparent process, which we put in place with the operators. We have a financial model that very clearly sets out a range of assumptions for future revenue flows, for the actions that operators might have taken to deal with their particular costs, and for particular agreements they might have had with Network Rail or others. It is a very comprehensive model that has been put in place and has been shared with all the operators. They have had the opportunity to comment on the model in its generality, but also on the specifics of their own situation. We are assessing with an expert panel the responses that they are putting in, and that will influence the overall amount that we determine.

Q26 **Sir Geoffrey Clifton-Brown:** I am sorry—I want to press this again. I know that Mr Merriman tried this as well. This is a very complex process involving a lot of money. In a sense, the Department has the whip hand over this. If operators have made all their representations and still do not agree, what is the mechanism for coming to a fair settlement?

Ruth Hannant: Ultimately, if they do not agree, I think the Department will determine what we believe the appropriate amount is. This is a large amount of money in play, as you say. It is also a large amount of taxpayers' money that is in play. We are supporting the railway, as Ms Kelly set out, to the tune of multiple billions of pounds.

Q27 **Sir Geoffrey Clifton-Brown:** I understand all that. But if, at the end of that complex process, there is a simple disagreement between the Department and the TOC, how will that be resolved?

Ruth Hannant: Ultimately, if we disagree with the operator and they do not want to accept the number that we have set out, it is open for them to not continue with the ERMA and to revert to their previous franchise terms.

Q28 **Sir Geoffrey Clifton-Brown:** But if the previous franchise terms were unprofitable, isn't that a bit unreasonable? Is there no arbitration mechanism? I suppose that, ultimately, they could go to court, but that is a long-winded process. Should there not be some sort of arbitration process built into this?

Ruth Hannant: We have not included an independent arbitration process in this. What we have done is set out a process that we believe is very fair and very robust, and we have ensured that operators have the opportunity to challenge that process and to challenge that modelling, but ultimately



HOUSE OF COMMONS

we have to be fair across all the numbers of operators and to have a process that treats them all evenly and equally. We think that that is the fairest and most robust approach.

Q29 **Sir Geoffrey Clifton-Brown:** I suspect that unless you have an arbitration process built into it, this is going to end up in some court cases, isn't it?

Chair: Ms Kelly? You are a veteran of legal action in the Department for Transport.

Bernadette Kelly: Legal action is always an issue and always a prospect in all our franchising and contractual arrangements. It is a feature, I guess, of the tension that is built into our commercial arrangements with train operators. As Ms Hannant described at length, what we are trying to do is devise a process that is fair but also robust. In the end, our principal interest in this particular matter is to protect the taxpayer and to ensure that money that is due from train operators is identified and paid. As I say, we have built checks and balances into that process, so I hope the operators will feel that it is a reasonable process.

Obviously, I hope that where we will end up is with a set of agreements, but it is possible that that won't be possible in all cases, and we will have to deal with that if it happens. But as I say, I slightly fear that, were we to have had many checks and balances, you would equally be challenging us and saying that we were giving too much leniency to the operators to challenge it. What we are trying to do here is to strike a balance.

Sir Geoffrey Clifton-Brown: I accept that it is a complex process.

Chair: Thank you very much indeed. I am now going to bring in Gareth Bacon.

Q30 **Gareth Bacon:** I am going to ask you about Crossrail and the tale of woe that has become Crossrail over the last couple of years. Since August 2018, I have counted six announcements of delays, one following another. The cost has escalated from £14.8 billion to £18.7 billion, so an increase of £3.9 billion. What has caused this? Why has a project that seemed to be on track and on budget until 2018 spiralled out of control?

Bernadette Kelly: I am conscious that I have spoken to the Committee at great length about some of these questions before, so I am not sure how far to deep-dive back into those issues.

Gareth Bacon: Since you were last here there has been another—

Bernadette Kelly: I can certainly talk about what has happened since I was last here.

Chair: Shall we start there, and Mr Bacon can probe back if he thinks he needs to?



HOUSE OF COMMONS

Bernadette Kelly: Why don't we go with the most recent events? If you then want to go back, I am very happy to do that. Clearly, the NAO has done a report as well.

The most recent announcement was in August, when Crossrail confirmed that a further estimated £1.1 billion would be needed to conclude the project and that the opening date of the central section would be the first half of 2022. That £1.1 billion is an increase on the £2.15 billion that I talked about before to this Committee, which was the sum announced at around the end of 2018, when the scale of cost overrun on the project became apparent.

I have used language before about how incredibly frustrating, difficult and disappointing all of this is. That is as true now as ever. I could talk about the progress that is being made on this project. There are lots of milestones and things being achieved. A number of factors are driving the further and incredibly disappointing cost increase. I believe Crossrail has written to the Committee to explain them.

Firstly, we are now changing the governance of the company, but the team leading the project continues to uncover problems from the past, such as work that had not be completed and assured in the way that it should have been. That has dogged the last couple of years of work. The specific problems that they are now identifying that are driving the cost increases are that it is proving to be more expensive to complete and hand over the shafts and portals to TfL. Station work is also having to be re-phased, which is adding to costs, and there have been covid impacts—the stop and delay that happened as a consequence of immediate construction work stopping when the pandemic hit.

A combination of those factors is driving the further cost increases we are seeing. We are taking steps. I am happy to expand on that now or in response to questions. The key thing we are now doing with TfL is changing the way that this project is being delivered for its final stages, recognising that the big task is now integration; it is actually opening the Elizabeth line. TfL will have to run and open that line, and TfL now need to be responsible and accountable for driving the project to a conclusion.

That is why we have full agreement and active support from the new commissioner. He has introduced new governance agreements. He is now the SRO for this project. We are still working very closely, but there will now be an Elizabeth line delivery group, which he will chair and that will drive the concluding stages of the project.

- Q31 **Gareth Bacon:** I will come on to the governance in a moment, because I want to probe you a bit on that. What risks remain to the project? It seems to me that one of the problems is that too much was taken at face value for too long, which is why suddenly—it was very sudden, in July or August 2018—it was all going off the rails, if you will forgive the bad pun. Now we are going to drag it back on track. What risks remain? Obviously covid is a risk, but what other risks are you aware of, and how are they being managed?



HOUSE OF COMMONS

Bernadette Kelly: Can I first say that, on your broad point, I agree? Unquestionably, what caused the really big problems that we saw crystallising in 2018 was not that the project was not going brilliantly and then suddenly went badly. It is just that there were all sorts of problems accumulating in the project over a very long period of time that were not understood and not being addressed. That became apparent in 2018, and obviously lots of action was taken at that point, including new leadership to bring the project back on track. It is a complicated picture.

In terms of continuing risks, I might ask Ms Hannant to say a bit more. Clearly, these cover completion and handover, and integration risks are now the key things that the company is driving. Dynamic testing of the trains is going on now inside the system. A trial run will start soon.

Ruth Hannant: I agree with that, Bernadette. Obviously, as you move into trial running and trial operations, one of the reasons for those periods in the project is to properly test that the system works before passengers are allowed to use the railway, so there is clearly an ongoing risk that other issues might emerge there. The current management team have done a huge amount of work over the last couple of years, which is why we have seen, as Ms Kelly said, some of the delays that have since arisen in terms of really getting to grips with the project.

Issues have arisen as they have gone through assurance, in particular. There were things that they thought were completed, but when they looked at the assurance, they found problems that needed to be addressed. From our discussions with them, I think they believe they now have a clear sense of what work they need to do to finish this.

Q32 **Gareth Bacon:** Sorry, discussions with who?

Ruth Hannant: Discussions with TfL and the sponsor board for the project. We have a monthly discussion with the Crossrail leadership. One of the changes that we introduced post the problems that arose in 2018, and with the new leadership, was that we have been going also to the Crossrail board itself and having a monthly report from the non-executives and the chair direct to sponsors, which Ms Kelly and I have on a regular basis. So we have been able to challenge them as well. We have very regular contact with the Crossrail leadership and not just with TfL.

Q33 **Gareth Bacon:** You mentioned governance changes. My understanding is that TfL is wholly responsible for delivery. Is that correct? What has essentially changed, though? Crossrail Ltd was a wholly owned subsidiary of Transport for London, and Transport for London was chaired by the Mayor of London. The delivery arm was always Transport for London, wasn't it? So what has really changed that is going to improve it?

Bernadette Kelly: We had had a shift from a joint sponsorship model to a model that puts more accountability very firmly with TfL, as opposed to Crossrail.

Q34 **Gareth Bacon:** On the joint sponsorship model, my understanding was that the Department for Transport was effectively the purchaser, so you



HOUSE OF COMMONS

have sort of commissioned the work, and TfL were responsible for delivery.

Bernadette Kelly: No, I do not think that is quite right. Effectively, we and TfL are joint clients and funders, and Crossrail is the delivery arm.

Q35 **Gareth Bacon:** Yes, but as I say, Crossrail is a wholly owned subsidiary of TfL. So now Transport for London are wholly responsible for delivery. Is that right?

Bernadette Kelly: Fundamentally, they are—

Q36 **Chair:** Can you perhaps walk us through it? We know what the old model was. It was joint sponsorship of Crossrail Ltd. Can you explain exactly, step by step, what the difference is now that it is under TfL?

Gareth Bacon: As you do that, can you explain to me why it is better than it was before?

Chair: Exactly. Explain it in simple terms so that we all know.

Bernadette Kelly: The fundamental objective here—it goes to your, “Why do you believe this is better?”—and the real task now is to turn this into an operational railway, which TfL will then be responsible for running. So it is really giving them the levers and the accountability to ensure that that happens. The key change is this. We previously had Crossrail Ltd as a wholly owned subsidiary, as you rightly described, reporting to the joint sponsors, TfL and the Department. Now, the board of Crossrail Ltd has been effectively dissolved and instead we have an Elizabeth line committee, which the deputy Mayor chairs, and an Elizabeth line delivery group, which the commissioner for Transport for London chairs. It is that latter board which will really be responsible for driving the final stages of the delivery of this project.

Q37 **Chair:** Can you explain the Department for Transport’s role on that board, just so that we are absolutely clear about where the line is drawn?

Bernadette Kelly: We have appointed a special representative to the Committee, Kathryn Cearns. In terms of our relationship, we are not formally on the delivery group, but what I have done is written to set out for the commissioner what we, as ongoing funders of the project, expect to see, and that we expect the commissioner, who is the SRO for the project, also to report to the Department. For example, he will come regularly to my investment committee to report on progress, and there will be reports to Ministers, as and when those are needed, as well.

As I say, the commissioner is now the SRO for the project. Were you to have another hearing on Crossrail, I would expect him to be sitting alongside me as the SRO for the project, which is different from the arrangements we have had in the past. So it really is all about giving TfL and the commissioner the accountability but also the focus to drive the final stages of the project and to get it open.

Chair: I think Ms Hannant wants to chip in.



HOUSE OF COMMONS

Ruth Hannant: Whereas, previously, Crossrail had its own board, and the chief executive of Crossrail reported to that board, he will now report directly to the commissioner, alongside Andy Lord, who is in charge of London Underground. So actually you have Mark Wild and Andy Lord both reporting to the commissioner, who will then be able to make the necessary trade-offs very directly about what needs to be done to bring the project into passenger services safely as quickly as possible. I think it really clarifies the accountabilities and governance in a way that Crossrail's own board has been talking about with us for some time. This is something we have been working on for the last six months in terms of thinking about what is the right governance for the project at this stage in its delivery.

Q38 **Gareth Bacon:** You talked about the board being chaired by the commissioner and how a committee is chaired by the deputy Mayor for transport. We have heard about what the board does. What does the committee do?

Bernadette Kelly: I think the committee is a higher-level group. The day-to-day delivery of this is now the responsibility of the delivery group. The Elizabeth line committee, as I say, will provide challenge and scrutiny in the way that a board would do, and in fact in the way it did do when Crossrail Ltd was still formulated in that way.

Q39 **Gareth Bacon:** Is that fulfilling the challenge function of the Mayor of London?

Bernadette Kelly: The deputy Mayor will chair it, so that is probably a fair description.

Ruth Hannant: The committee is akin to the previous board, whereas the delivery group is more the executive group. So in terms of the delivery group we will have Andy Byford, the commissioner; Simon Kilonback, the finance director in TfL; and then Andy Lord and Mark Wild. The Elizabeth line committee will have some non-executive members as well and will obviously have Kathryn Cearnas as the Department's special representative.

Q40 **Chair:** What are Kathryn Cearnas's qualifications?

Ruth Hannant: Kathryn was previously one of our board representatives on the Crossrail board. She is a chartered accountant, and she has very extensive experience in both the public and the private sectors. Because our interest in the project now is significantly financial, we wanted our representative to have that sort of background.

Q41 **Gareth Bacon:** So you have cleaned up the governance somewhat, and you are now confident that things are in much better shape and that the project will be delivered more smoothly than it was previously. Is that a fair summary?

Bernadette Kelly: What we have done is have two big shifts in governance, in a sense, in the last couple of years. The first was all the changes we made towards the end of 2018, where we basically brought in



HOUSE OF COMMONS

new leadership and much stronger oversight of the project. We also introduced—this was vital and goes to your earlier point—much, much greater transparency, real transparency, about what was actually going on with the project.

Those were big changes. I think they have driven a very different operating culture, and certainly much greater clarity and understanding of what is going on on this project. What we are now at is, as it were, the final, final stages of this project. We have changed the model again, so that TfL can make those trade-offs, as Ms Hannant has said, and can drive this now to a successful opening.

Q42 Gareth Bacon: Now that TfL are more empowered on the delivery side of things, how are you going to ensure—how is the Department going to ensure—that taxpayers' money is properly safeguarded going forward?

Bernadette Kelly: Absolutely. That is why we have appointed a special representative and why we have agreed a whole set of conditions with TfL. As I say, I have written to the commissioner, setting them out, quite recently, and I am very happy to share those conditions with this Committee. I was setting out what the Department expects from him as SRO in terms of his reporting and accountability to us. And as I say, regular reviews by the investment committee etc. will be part of this, in the same way as we run our other major projects.

Chair: Thank you, Mr Bacon. I am going to bring in Mr Huw Merriman on one quick point, and then I will bring in Sir Geoffrey Clifton-Brown.

Q43 Huw Merriman: Would it be fair to say that TfL have got a heck of a lot on their plate in terms of the covid pressures on revenue?

Bernadette Kelly: Yes, I would say they have. I would say we all have, but yes, I am sure TfL would agree that that is the case.

Q44 Huw Merriman: I share that view, and on that basis I find it extraordinary that the new commissioner would want, or indeed be enabled, to take on board Crossrail before it has been completed.

Bernadette Kelly: Well, I would want the commissioner to speak for himself, and I think he has gone on the record on a number of occasions. He has been very clear since he was appointed that he has two immediate and urgent priorities. One of them is completing Crossrail. So he has welcomed these changes. He is very, very keen to see these governance changes. We have not imposed them. Quite the opposite; we have agreed them. He has been enthusiastic; he has been an advocate for these changes. So he is not in any way resistant. This is a responsibility that he wants to take, because he sees opening Crossrail as critical to the future of TfL.

Q45 Huw Merriman: My point is not that it has been foisted upon him but that he has actually asked for it. Doesn't it behove those who act as the audit—the check and balance—to say, "Hang on, you're taking far too much on now. You've only just come on board. You've got the firestorm that is TfL finances, and now you're going to complete the opening of an



HOUSE OF COMMONS

incredibly difficult project”?

Bernadette Kelly: Again, I hesitate to speak for the commissioner, but he would say, I am sure, if he were here, that opening Crossrail is critical to TfL’s financial sustainability as well as, obviously, critical to travellers in London. So he sees it as part of his bigger responsibility.

Q46 **Huw Merriman:** But given that, often, the taxpayer is the lender of last resort in this situation, and the Department has already stepped in to help out TfL, has anyone in the Department pointed out, “You might be taking too much on and you’ll sink”?

Bernadette Kelly: I think it is a matter for the commissioner and the Mayor to determine what the commissioner should take on. In parallel with resolving the governance changes, we are in a discussion and a negotiation with TfL about how the further funding shortfall is to be resolved.

Chair: We will come to the Transport for London budget in a moment. We now go to Sir Geoffrey Clifton-Brown.

Q47 **Sir Geoffrey Clifton-Brown:** Ms Kelly, can I be absolutely clear on this? Who is responsible for any further cost overruns?

Bernadette Kelly: We are in negotiations with TfL at the moment—those negotiations have not yet concluded—about how the £1.1 billion funding deficit identified in August is now to be met. That is the subject of an ongoing discussion between ourselves and TfL. I have said before, and you won’t be surprised to hear me say again, that the Government’s position in the discussions is that London should be paying for this. But of course there are different ways in which that can happen.

Q48 **Sir Geoffrey Clifton-Brown:** Clearly, it would not be appropriate to ask you where you think that would fall, but when do you expect that negotiation to be concluded?

Bernadette Kelly: We are well advanced on that, I would say. I don’t want to give you a firm date, but—

Q49 **Sir Geoffrey Clifton-Brown:** But roughly. Are we looking at the end of the year, the end of the financial year—

Bernadette Kelly: I would expect—end of calendar year is a reasonable expectation. As I say, I don’t want to be held to a date, but we are in—

Q50 **Sir Geoffrey Clifton-Brown:** What happens if that figure still does not prove to be the final figure? Who will bear the final cost overruns?

Bernadette Kelly: Then we will have a further negotiation. As I say, our position on the £2.05 billion and our position on the £1.1 billion is that we need to find a sensible and pragmatic way of getting the project completed. That is clearly the sensible and rational thing to do. What we are looking for is financial arrangements that allow London, in time, to pay back any costs of overruns.

Q51 **Gareth Bacon:** Why are you negotiating? Why are you not just telling?



HOUSE OF COMMONS

TfL is bankrupt. Without DfT stepping in and bailing it out for a second time—it is not entirely their fault; it is because of covid—they will not be able to function at all. Following on from Sir Geoffrey's question, surely it is just a question of you have the money and they don't.

Bernadette Kelly: Look, we have been joint sponsors of this project. One of the things that has marked the last two or three very difficult years has been a spirit of joint endeavour and close collaboration between us and TfL. I actually think that has been critical to getting it back on track, and that is the same spirit that is now informing these funding negotiations, but as you would expect, we take a robust position on behalf of the taxpayer in those.

Chair: You put it positively that there is a joint endeavour. This Committee has been pretty critical in reports of the project, and the Department for Transport has had its fair share of that criticism. I think it was a joint endeavour—very much—if we reflect what this Committee's position has been in the past.

Q52 **Sir Geoffrey Clifton-Brown:** I have one final question. I am sorry to go over this; it is slightly old ground. You and I have discussed this in the Committee before. When I visited Crossrail in 2017-18, I was clearly not given the full picture, and the true depths of the problems of Crossrail emerged very quickly afterwards. Various chief executives have come and gone. They were paid bonus payments. Were those bonus payments properly due?

Bernadette Kelly: I think you are talking again about historic payments to a previous chief executive. The Department had no role in the payment of those processes. They were determined by the remuneration committee for Crossrail, which took the view at the time that it did that they were properly due.

You know, it is an interesting judgment with hindsight. I think your observation from your visit goes to the earlier point; the real problem with this project in that period—2017, early 2018—was that things were going wrong, but those things were not being escalated, identified, acknowledged, reported in any way, and that is the fundamental problem there.

Q53 **Sir Geoffrey Clifton-Brown:** Have you and your Department really learned the lessons from what went wrong with the governance of Crossrail Ltd and in transferring those into HS2?

Bernadette Kelly: I believe we have. I could talk for probably a very long time—longer than you would let me—about lessons learned.

Sir Geoffrey Clifton-Brown: Just a short answer will do.

Bernadette Kelly: I have talked before, and I will happily talk again. This has been something that has consumed my Department and a vast amount of my personal time and energy over the last two years. It has been an extraordinarily difficult process, dealing with Crossrail and dealing with High Speed 2, which no doubt we will come on to. I have been



HOUSE OF COMMONS

determined that we absolutely learn every single lesson from the mistakes that we have seen happen. It is something of a personal crusade almost of mine now, within the Department and within Government, that we understand better what goes on in major project delivery, that we learn the lessons, and that we now set things up in a way which is more likely to ensure our future success.

I could talk about all the work we have done. We published a report with 24 lessons. We have had a huge project delivery improvement programme. We have fundamentally changed the way we scrutinise projects within the Department, and we are changing the delivery and governance of Crossrail and of HS2.

Q54 Chair: I want to turn to the knotty issue of the Transport for London budget. Obviously, there was a six-month settlement at the beginning of the pandemic because no one was travelling. How much extra funding has TfL requested for the next period, and how long is the proposed second period?

Bernadette Kelly: We are in the process, as you can well imagine, of a very sensitive negotiation on the next period. I am afraid I can't talk about sums of money while we are in that process. You will understand why that is. It is quite a sensitive subject of negotiation right now.

Q55 Chair: Okay, but are there any circumstances in which the Department would not provide Transport for London with the money to continue operating?

Bernadette Kelly: What we are doing is, as we did for the first six-month period, having a serious and intense negotiation. We all recognise that the sensible outcome here is to ensure that Transport for London can continue to run its services. We are discussing exactly what financial arrangement is necessary to enable that to happen.

Q56 Chair: What conditions are you looking to attach to it?

Bernadette Kelly: Again, I cannot talk about conditions while those discussions are under way. I can talk in broad terms. Last time, for the first round of funding, for the period which is concluding soon, we were looking at conditions around maximising service levels, collaboration around communications and messaging on social distancing, and how that was to be operationalised around managing demand and increasing revenue. Those are the sorts of areas we are looking at now.

Q57 Chair: That is a nice way of glossing over the fact that you include, among other things, the requirement to have a full, normal service—I can see that there might be a service level agreement on how much is provided for the money you are providing—but also things like suspension of free travel for the Freedom Pass and 60-plus cardholders during peak times, and the suspension of free travel for under-18s, the latter of which is a very significant intervention. What was the rationale around the suspension of free travel for under-18s?

Bernadette Kelly: That has not happened.



HOUSE OF COMMONS

Chair: Well, it has not happened yet, but it was a part of the handcuffs to the last deal.

Bernadette Kelly: Ultimately, these are all decisions for the Mayor.

Q58 **Chair:** Are you saying that the Mayor has the freedom to decide on whether free travel for under-18s should be suspended?

Bernadette Kelly: Clearly, the first agreement set out some conditions around things that we expected the Mayor to do to ensure that demand management and revenue raising—

Q59 **Chair:** To be clear, that included the removal of free travel for under-18s.

Bernadette Kelly: There were arrangements there. Ultimately, it is a matter for the Mayor, but it was agreed that, subject to things being operationally possible, this was a measure that the Mayor needed to look at.

Q60 **Chair:** You are saying that the Mayor has the freedom to continue free travel for under-18s. That is not quite how we hear it.

Bernadette Kelly: Discussions are continuing about whether those concessions should continue or not.

Q61 **Chair:** Right. That has not been implemented yet. I should declare that I have skin in the game, in that I have a child under 18 who currently benefits. More importantly, like many colleagues on this Committee, I have many constituents who have chosen schools on the basis of free travel for under-18s. As we understand it, that will be introduced after half-term, so on or around 2 November. But you are telling us, Ms Kelly, to be absolutely clear, that that is still in negotiation with this next funding round. Have I misheard you, or is that what you are telling us?

Bernadette Kelly: There are ongoing discussions, which are part of the existing agreement around that particular issue. Because of where we are now in the process of negotiating, they will be going on there as well. I want to put this in some overall context. As I said, we have been seeking, in agreeing a funding arrangement with the Mayor, to ensure that sensible steps are being taken as part of that to manage demand where it is appropriate to do so and to increase revenues where it is appropriate to do so. Part of the view that Government have taken is, in general, where people in London enjoy free travel in ways that nobody else in the country does, it is not necessarily appropriate for the taxpayer to continue supporting that level of provision. Therefore, the Mayor needs to consider whether they can be afforded within the funding agreements.

Q62 **Chair:** So, what you are saying is that it is a political decision. You have carefully worded that in your experienced permanent secretary style.

Bernadette Kelly: I think your own questions indicate to an extent that this is quite a politically sensitive issue. Therefore, yes, I think it is a matter for a political decision by the Mayor.

Q63 **Chair:** As a constituency MP—to take my hat as Chair off for a moment—I



HOUSE OF COMMONS

am clear that many young Londoners travel and their parents have chosen schools and colleges on the basis of this travel. For some of them, it is not possible to backfill the cost. They have not planned their lives on the basis of paying this. What you are telling me is that this is still up for negotiation. Just to be really clear, it is not signed, sealed and delivered, nor it is a direct requirement of Government that the under-18s travel is suspended.

Bernadette Kelly: I can say that there is not a signed, sealed and delivered plan. It is a matter of ongoing discussion.

Q64 **Chair:** Do you know how long it takes? Maybe you don't, because you are not Transport for London—I get that—but do you know how long it takes to switch the Oyster system so that under-18s do not get the free beep—

Bernadette Kelly: I cannot give you chapter and verse. I know it is quite complicated.

Q65 **Chair:** So if you have not decided now, can the Mayor or can anyone implement it in time?

Bernadette Kelly: Clearly, whenever a decision is taken, there would be a lead time for implementation, but I cannot give you details.

Q66 **Chair:** So it might not happen straight after half-term. It is just there are lots of people writing to me and to other London MPs, asking very specific questions about the timing. What you are saying is that if there is an agreement made this week—I am just going to go on to the detail of this week's discussions—there could be a time lag on implementing any decision on under-18s transport.

Bernadette Kelly: Whatever decisions are taken, there will always be a time lag on operationalisation.

Q67 **Chair:** But you do not know what that is. I am not suggesting that you should know what that is, but you can't tell me right now whether it is one week, two weeks or three weeks?

Bernadette Kelly: I cannot tell you right now.

Q68 **Chair:** I will leave that to London colleagues to ask Transport for London, which is not my responsibility, but theirs. Can I just be clear that we are up against a deadline? There were reports in *City A.M.* last week, "Time is running out for Transport for London...with cash from its last bailout set to dry up in nine days." That was on 8 October. This weekend is crunch day for a decision. Is that right?

Bernadette Kelly: Certainly, negotiations are continuing urgently.

Q69 **Chair:** Urgently. What happens if you cannot reach an agreement by the end of this week?

Bernadette Kelly: I am hoping that we will be able to find a sensible way to conclude the negotiations. I don't really want to speculate.

Q70 **Chair:** Okay, but what are the consequences? To go back to my first



HOUSE OF COMMONS

question, are there any circumstances in which the Department for Transport is not going to support Transport for London to continue to operate, given its passenger numbers are reduced—as for other passenger authorities around the country? I am using Transport for London partly as a proxy.

Bernadette Kelly: It is a negotiation. Clearly, we are very focused, both in the Department and Government, and in TfL, on getting to a sensible conclusion of this negotiation. I don't want to speculate—

Q71 **Chair:** Okay. The last one was six months because at that point, in the beginning of the pandemic, nobody knew how long it would be. We now know that this is going to be going on. As the Prime Minister said, we don't have a vaccine—don't bank on that—and he is very clear that it will go on beyond March. What period of time are you looking to negotiate this next settlement on?

Bernadette Kelly: The immediate focus is on the period to the end of the current financial year, recognising there is still enormous uncertainty, even in that period and certainly beyond. We are focusing, as I say, on a financial settlement for the remainder of the financial year, but we are recognising that whatever agreement may be reached for that needs to be looking to a longer-term settlement that is both sensible in terms of taxpayer investment but also starts to put TfL on a sustainable financial footing. It is a sort of bridge. We are looking initially at a shorter-term agreement because of the level of uncertainty, but are recognising that there is a longer game here that we need to resolve as well.

Q72 **Chair:** We recognise that part of the longer game is the spending review for your Department and part of the long game is covid, but also, there is going to be an issue here—we have challenged your colleagues at MHCLG about this—that if you do not give certainty on the funding, it is very difficult for, in that case, local authorities to plan and, in this case, for Transport for London to plan. Are you mindful of that? Are you trying to give some sort of framework of certainty for a longer period than six months? Planning, maintenance and all the normal activities cannot be planned unless Transport for London knows what money it has got.

Bernadette Kelly: I completely agree and that is exactly a point, as you would expect, that TfL are making very clearly in these discussions—that they need certainty to be able to plan and run the transport network. Yes, what we are trying to do is get enough stakes in the ground in the short term to ensure that TfL can do that, but recognising that it is going to take a little longer than this weekend to understand what the longer-term financial settlement needs to look like.

Q73 **Chair:** The thing is that it is as long as a piece of string. We will never know quite what happens.

What are your negotiations like with the Treasury? This is your opportunity to bid to Mr Scholar and Rishi Sunak.

Bernadette Kelly: We have, as always, an excellent relationship with the Treasury.



HOUSE OF COMMONS

Chair: Right, okay. You haven't got a bad mark with them for saying that, but that is perhaps not much information. Maybe Mr Gareth Bacon will have better luck getting more elucidating answers. Then I am going to go to Sarah Olney. I am afraid it is a bit of a London pile-in, as you might expect.

Q74 **Gareth Bacon:** It is a bit of a London pile-in, isn't it, Chair? I have three subject areas, but I am conscious of time so I will ask the questions all in one go and then maybe pick up afterwards, depending on your answers.

The first is on the under-18 free travel. I completely understand the point the Chair was making. I also understand the Department's position. It is a benefit that Londoners have enjoyed for two decades. I think you have echoed the question I was going to ask: do other people in the country get it? I believe they do not. Do you have an approximate cost for providing the under-18 free travel? That is the first question.

The second one is on the congestion charge. In the last bail-out, the Mayor was asked to restart the congestion charge, because it had been temporarily suspended. He was also asked to go away and work up proposals that would look at the feasibility of extending it and increasing revenue, and he did not do that. He simply announced that he was going to extend the opening hours for it and extend it through to the weekend. Was that within the bounds of the agreement, and is anything likely to be done about that in the next agreement?

The final question relates to timing. I think in common with what the Chair has picked up, I have picked up from a fairly well-placed source the understanding that TfL may be planning on issuing tomorrow a section 114 notice, which would hand back control of TfL to the Department for Transport. That gives you a rather pressing deadline to hit; it means you are going to have a fairly busy afternoon, I would have thought.

Can you comment on any of those three issues, please?

Bernadette Kelly: Your actual question on under-18 travel was a specific one about the approximate cost. I don't have that figure to hand, I am afraid. Your observation is correct: it is not a benefit that applies elsewhere in England.

Q75 **Gareth Bacon:** Does the Department have that figure to hand? I appreciate you don't have it—

Bernadette Kelly: I suspect I could find a figure; I am afraid it is just not one that I have—

Gareth Bacon: Perhaps that could be circulated to the Committee afterwards.

Bernadette Kelly: I would need to find out; I would need to go and investigate. I just don't have it to hand.

Decisions on the congestion charge are decisions the Mayor has made, in the context—



HOUSE OF COMMONS

Q76 **Gareth Bacon:** The question was more about whether it was in line with what the agreement required. The agreement required him to produce proposals and he did not; he just went out and announced something.

Bernadette Kelly: Well, the Mayor is ultimately responsible for those decisions and he is entitled to do things if he wishes to. The agreement was not seeking to prescribe all the decisions that the Mayor can take in the normal course of events. He still has that responsibility and that ability to do so. What it was doing was setting out some of the things that we needed to see in order to be confident that demand management and revenue collection were going to be—

Q77 **Gareth Bacon:** So it was a suggestion rather than a requirement.

Bernadette Kelly: Again, these decisions were decisions of the Mayor, taken in the context. Your last question was: what happens tomorrow? I don't think your characterisation of section 114 is quite right, actually. It does not give the Department for Transport control of TfL. I think what that provision does—it relates to the solvency of Transport for London.

Q78 **Gareth Bacon:** Yes, does it declare insolvency? That means that there will be no option other than for you to stand in—

Bernadette Kelly: What it actually does, as I understand it, is that it requires steps to be taken to reduce costs, which would mean reducing service level, so it is not a transfer of responsibility. I think there is quite an important distinction between those things. As I say, negotiations are under way.

Gareth Bacon: Yes, we know that. Thank you.

Q79 **Sarah Olney:** Obviously, London MPs have learned this morning that London is now moving into tier 2—high risk—for coronavirus. That means that Londoners are being advised not to travel on public transport. TfL gets 80% of its revenue from fare income. First, can you just confirm something? As Mr Bacon mentioned, you are going to have a busy afternoon concluding the negotiations, but can you just confirm that you are going to take this new status of London as a tier 2 region into consideration when you consider the impact on TfL's overall income?

Bernadette Kelly: I am pretty sure that tier 2 does not mean that people will be advised not to travel on public transport. That is not the case. On the tier 2 restrictions, I am sure members of the Committee are at least as familiar as I am—

Q80 **Chair:** It is certainly about working at home if you can.

Bernadette Kelly: But that is already a guidance point—that people should work at home. It is not the case there will be any active messaging saying that people should not use public transport as a consequence of London being put into tier 2. Existing guidance on transport and use of public transport will remain, so that does not have quite the effect I think you describe.



HOUSE OF COMMONS

On your broader point, we are absolutely conscious in the current negotiation, and indeed it is part of the reason why the negotiation is covering a short period of time, that there is massive uncertainty, driven by uncertainty about how covid will play out, what that will mean for the numbers of people travelling and what that will mean for revenues, so what we are trying to do is develop a solution and a kind of funding mechanism that allows that uncertainty to be taken into account.

- Q81 **Sarah Olney:** Thank you for clarifying that. It was obviously my misunderstanding, but nevertheless I think the anxiety of Londoners everywhere, and particularly London MPs and London leaders, is what the long-term impact will be. You mentioned that the potential impact of a section 114 is cutting services. As we seek to recover from covid—we look forward to doing that one day—to what extent is it a priority for the DfT to ensure that TfL can maintain its previous level of service in the long term?

Bernadette Kelly: This is a debate, from the Department's perspective, that spreads right across the transport network: what is going to happen to demand in the longer term, and what does that imply for service levels, particularly where those are funded by the taxpayer? I do not think it is a London-only question; it is exactly the same question we face on the train network and on other forms of transport. All I can say at the moment is that all the things we are putting in place—the arrangements we are putting in place—are designed to reflect that uncertainty. It is a bit like the ERMAs that we talked about earlier: the reason why we are no longer asking or expecting train operators to take revenue risk is that we recognise that, in the current environment, and given the current level of uncertainty, that is not something they can do.

An industry will now grow in forecasting what future demand for transport will look like, because we have got, in a sense, a shortish term—a short to medium-term—issue of what happens on covid and what that means on people's restrictions and movement, and then we have the longer term issue of what the new normal will look like if commuting patterns change. Both of those things are very uncertain.

- Q82 **Dame Cheryl Gillan:** Following on from Ms Olney's questions, how will you deal with the differential? In Buckinghamshire, the Metropolitan line finishes in my constituency. Of course, we have always had the democratic deficit that the London Mayor has control over TfL and we have no vote or say in that, but if there is a tier 3 lockdown in London while Buckinghamshire is still in tier 1—or any variation of that—how will that affect the operation of the underground, which is relied on by many of my constituents?

Bernadette Kelly: The way we have been approaching this, and the way we are approaching it, is that the restrictions are on people's behaviour or on the things that people are being asked to do. We are not planning, as it were, to try to close borders or stop the transport system operating. The transport system will continue to operate because clearly there is no feasible way to have differential travel service patterns between counties,



boroughs or whatever. We are then relying on people to observe the restrictions and behave accordingly. That is the route to deal with it, rather than trying to change the way we operate the transport network, which I do not think we could possibly do in a way that would work.

Q83 Dame Cheryl Gillan: So you can undertake to provide my constituents with a full service on the tube, notwithstanding whatever tier they are in.

Bernadette Kelly: There will be decisions to be taken in the longer term. Is 89% exactly the right service level to be continuing to operate the train service on? The conversation thus far with TfL and the agreement has been that they are maintaining service levels. If there is going to be a very, very long period, you need to balance the benefits of keeping close to full service levels against the costs of doing so, but I think it will be done at the system-wide level rather than in a complex geography.

Chair: Dame Cheryl, we are coming back—

Bernadette Kelly: Can I just make a general point, though? Our overriding goal in all of our covid response has been to maintain capacity, even when, right at the beginning, we had very few people travelling—

Q84 Chair: We do know that. Of course you are talking to a group of people—apart from the London ones—who travel a lot on national rail and see that capacity.

I want to finish on this, if I may. You say people can still travel, and of course that is true, but venues are closing and I just double-checked the guidance which says that you are not expected to travel unnecessarily, so there will be less travel. I hope you will take that into account. We were talking earlier about the ERMA's and the relationship with the TOCs. There is a contrast between the bail-out for the TOCs compared with the situation for Transport for London, where there seem to have been stringent conditions back in May and there are still negotiations going on, and still—as of now, going into tier 2—Londoners do not know what the situation is about the finances of their transport body. There is not exactly a parallel there. I mean, they are parallel situations—

Bernadette Kelly: I think the parallel could equally be characterised as being remarkably similar. We are in very difficult negotiations with the ERMA's right now on termination payments; we are in negotiations with TfL on what the appropriate financial settlement is for the next few months—

Q85 Chair: That is on the financial side, but there are a lot of very specific conditions. I mean, the transport operating companies haven't got the same conditions. When you were talking about them earlier, it was very woolly, if I may say so. I do not mean that pejoratively, but they were much vaguer than the very specific requests that the Department made of Transport for London on things like travel for under-18s.

Bernadette Kelly: I think Transport for London is a very different operation than the train operators are, I guess—

Q86 Chair: You mean there is a Mayor, and there is not a Mayor?



HOUSE OF COMMONS

Bernadette Kelly: And different conditions apply. As I say, everything in the first settlement is predicated around a set of higher-level things that we are trying to achieve and secure agreement to, including around demand management, revenue-raising, service capacity levels and consistent messaging.

Q87 **Chair:** Okay. Finally on the timetable, you are hoping that by this weekend—or, depending on how good Mr Bacon's source is, very soon—to sort out a deal, in the next day or two, with Transport for London for the next six months. You talked about placing markers for the longer period. What is the timetable for that longer-term broad framework, even if you have not got the detail worked out?

Bernadette Kelly: We are talking here about the immediate term: the immediate next step is to hopefully reach agreement very soon on the financial settlement—

Q88 **Chair:** If you do not do that very soon, there is going to be a big problem, isn't there?

Bernadette Kelly: What we have already been doing and will continue to do is to work through in the next few months, as I say, what a longer financial settlement will look like, or should look like, for TfL.

Q89 **Chair:** So, end of the year? January? Or will it be the 11th hour again, or the 12th hour?

Bernadette Kelly: I am not a huge fan, for obvious reasons, of 11th-hour deals, but sometimes that is what happens, for all sorts of reasons that I am sure you understand. We have already done a lot of work on both sides to explore what some of the challenges are—such as cost base—and choices are available. So I would hope that we can resolve the longer-term settlement in a slightly less 11th-hour way, but I cannot give you a date.

Chair: So, no 12th-hour—I think it has gone beyond the 11th hour on this one, let's be honest, if it is the next two days in which we have to get this sorted.

I will leave it there and I will turn to Dame Cheryl Gillan to go broader geographically and talk about High Speed 2.

Q90 **Dame Cheryl Gillan:** It would not be a hearing with the permanent secretary for Transport without my talking about HS2.

Ms Kelly, the Minister made the first six-monthly report on 13 October and in point 3 he says that "the Prime Minister and Secretary of State for Transport made clear the importance of a tighter grip by the government on the delivery of the project and of the need for full transparency."

Could you let the Committee know how that sits alongside what I believe are some 300 non-disclosure agreements that HS2 has signed? Could you explain to me—I gather you have been informed about this—why the FOI log on the website does not appear to have been updated since 28 November 2018? And can you tell me why you would have non-disclosure



HOUSE OF COMMONS

agreements with everything from the Infrastructure and Projects Authority and the British Geological Survey to the water companies and a whole load of local authorities, all of which feels to me like HS2 is hiding something? Could you comment on that, please?

Bernadette Kelly: Can I just make a general point? I think that the commitment—the very clear commitment—on greater transparency made as part of deciding to proceed with the project has been fundamentally about reporting to Parliament and the public on the progress of the project. That is obviously what the six-monthly report published on Tuesday aimed to do, and I expect that you and other Members may well wish to ask questions. So it is really about building confidence in this project by ensuring that there are regular updates to Parliament on how it is progressing. I think that transparency in the broader context and the commitments that Ministers have made have been very focused on really shining a light on overall progress on the project and how it has performing against that.

I cannot comment on the 300 disclosure agreements. Disclosure agreements can be put in place for all sorts of reasons, often commercially sensitive ones. I might ask Mr Maxwell if he is able to say a little bit more about that.

Clive Maxwell: Sure. I cannot comment on all 340, but I know that in certain circumstances HS2 Ltd will use non-disclosure agreements when talking to other parties about, for example, potential route changes or changes to the line of route where there may be commercial consequences if that information were to become public—about the ownership of land, for example, or other services—so to be able to have the kinds of fruitful discussions they want to have with other parties to understand things, there may be constraints about that. I give that as an example, but I am afraid that I cannot give you chapter and verse on all 340 that you say are in place.

Bernadette Kelly: On your final point about the FOI disclosure record, I will certainly investigate that immediately. I am concerned that it is not up to date and will make sure that it is. There is certainly no intent to hide.

Q91 **Dame Cheryl Gillan:** Can I probe a little more? You do not appear to know much about the non-disclosure agreements. As I pointed out, there were some quite interesting organisations, including Historic England and the water companies. There is a great deal of concern about the potential damage by the HS2 works to a rare habitat, the chalk streams. Don't you think that these issues and matters should be in the public domain? Looking at this list, which has now gone up to 340, can we have a full list of all the NDAs? And could we have some analysis of what they are about and what is actually being hidden from Parliament and the general public?

Bernadette Kelly: I think the non-disclosure agreements are ones that the company has entered into, which is why we do not have detailed information now. I am very happy to explore that and talk to the company



HOUSE OF COMMONS

about it. As a general point, there are valid uses for non-disclosure agreements. I would not expect them never to be used. It is generally good practice for all public bodies to use them only when they are really necessary. That is a conversation we can have.

Q92 Dame Cheryl Gillan: Thank you very much, but 340 does seem excessive.

Can I now move on to land and property? In that same report on 13 October, the Minister reveals that some £3.6 billion has been spent on acquiring land and property, and 1,250 properties have been acquired to date across the three phases of HS2. But the majority of this is in phase 1: £3.3 billion has been spent on acquiring property in phase 1. Do you have the final estimated cost of your property acquisitions? Mr Maxwell, yesterday in the meeting I had with you, I understood you to say that only 75% of the land that you need in phase 1 has in fact been acquired. Could you comment on that as well, please?

Clive Maxwell: In that meeting yesterday, I think it was Mark Thurston who referred to the 75%, but you are right: that is the figure that I am aware of—it is about that. To date on land and property in phase 1, the progress is in line with the budget that has been reset and made public. No pressures are being reported by HS2 Ltd against that budget head at the moment, which is why it is not referred to in that sort of way in the report.

Q93 Dame Cheryl Gillan: Could you update us on the budget for property acquisition? The 13 October statement from the Minister said that you spent £3.6 billion, and that sounds to me as if there is an enormous amount of property to be acquired before this project can be completed. That will happen over a period of time, and land and property prices will go up. Can you give us the latest estimate of what the total property acquisition costs are going to be?

Clive Maxwell: I do not have a figure at hand as to exactly what the figure is. I can write to you with that figure if you would find it helpful. What I am saying is that the company is not reporting any pressures against the budget, which they are expected to spend. You are right that there is still a considerable amount of property to be purchased for phase 1—it is about 25% of the total.

Q94 Dame Cheryl Gillan: On a scale of one to 10, can you tell me where we are on the purchase of that 25%? That seems to be an enormous amount at this stage after a project has been in train for 11 years.

Clive Maxwell: I would put it slightly the other way around, if I may, which is to say that to date, to some extent, HS2 Ltd has been buying property when it needs it. It realises that purchasing property clearly creates difficulties for the local community. It needs to do that early enough that the contractors can get onsite and progress works, but it has also been keen not to buy it much earlier than absolutely necessary because that causes inconvenience and disruption, so there is a balance to be struck there. It now needs to get on in purchasing the rest of that. If I



HOUSE OF COMMONS

write to you setting out where it is on the budget, I could also give you some information about where it is on the profile of the activities, in terms of both the acreage and the numbers of properties, if you would find that helpful.

- Q95 **Dame Cheryl Gillan:** I would find that very helpful. I think it would be helpful to the Committee to be able to have a full spreadsheet on what property remains to be acquired and what your total budget is for property acquisition on phase 1, because having spent £3.3 billion on three quarters of the property purchases, it will be interesting to know what budget you have for the 25% remaining purchases. That would be helpful.

Moving on, on cost pressures, the Minister says in the 13 October statement that the top budget for this project is now £98 billion, but that is at 2019 prices. Can you let me know when you are going to update the cost of the project, and how it now sits with the £800 million cost pressure that has developed because of the asbestos discovery?

Bernadette Kelly: I will say a little, but I may ask Mr Maxwell to fill in the detail. I do not think we have an immediate plan to update the 2019 prices. These typically happen relatively infrequently; I think the previous prices, which we were working to until quite recently, were 2015 prices, so that is itself the result of a recent updating. I am not sure if we have a particular plan, or whether there is a Treasury theology about exactly the right moment to do that, so that is probably as far as I can take that.

On the cost pressure, the important thing about the figures set out—the £400 million on enabling works and the £400 million related to Euston reported in the written ministerial statement this week—is that these are cost pressures on the point estimate, a figure of £35 million, that we have set for this project. They are effectively cost pressures that will be met by the contingency, which is within the budget that has been set for this project, so they are not additional costs above and beyond what has been announced; they are pressures within the project that one would normally expect to see at this stage, and are covered by the contingency that has been provided for this project. Clive, I do not know if you want to say some more on that?

Clive Maxwell: There are two or three points. The first is to say that because of the length of this project in terms of time, the budgets are set in a fixed price base, and that price base has been upgraded to a 2019 price base, as Ms Kelly has just indicated. I would not expect that price base to be changed very soon; I would expect it to remain the case for some time. What we will need to do, of course, is keep under review the estimated cost ranges for those bits of the scheme not yet in delivery in a particular phase, and I would expect that as and when the Government bring forward proposals for a hybrid Bill for the western leg, that will also need to clearly set out the price range—the cost range—expected for that part of the project. Even though I would expect the price base to be held constant, those cost ranges will, of course, continue to be reviewed.



HOUSE OF COMMONS

On the cost pressures to which you referred, I would note that these are identified trends against a point estimate, as Ms Kelly mentioned. On projects such as this, you would expect to have significant contingency held above that point estimate for events that take place or cost issues that arise. The first step of the company of HS2 Ltd is to find ways to mitigate those cost pressures wherever possible, so they are flagging where those pressures are. I should explain that the enabling works are the activities that are carried out before construction can start. It often involved dismantling old buildings. One example of that would be the cost of finding a different material, such as asbestos, in some of those buildings. Asbestos is just one example. Another issue would be archaeological findings being found along the line of route that were unexpected and that added to cost. It is that sort of clearance activity that is under way.

There may be ways to look at mitigating some of those sorts of cost pressures for enabling works when they arise—for example, by looking to move works between different contractors. But the fact is that if you want to build the railway, you do not have any choice about dealing with the underlying issues. You need to do that, so I would expect a significant proportion of those cost pressures on the enabling works to be seen.

In the case of the works at Euston and the cost pressures identified there, there are still big choices to be made about the design of the station. No doubt, as we look at those choices, one of the considerations will be ways in which those cost pressures can be mitigated.

Q96 Dame Cheryl Gillan: Just three more quick questions. From the statement on 13 October, I understand that HS2 is going to establish a new environmental sustainability committee. In order to keep track of this dreadful project, a ministerial taskforce has been established. How often has the ministerial taskforce met? What has been its achievements? Isn't it rather late in the day to be establishing an environmental sustainability committee when such environmental damage is already being created by this project?

Bernadette Kelly: The ministerial taskforce is, I think, distinct from the environmental sustainability committee. The ministerial taskforce is looking at the totality of the delivery of the project. I will ask Mr Maxwell to confirm how many times it has met. It is meeting monthly, effectively.

Clive Maxwell: I think it has met five times. It is meeting pretty much every month, and it has been doing that since the notice to proceed.

Q97 Dame Cheryl Gillan: And the minutes are published where?

Clive Maxwell: I am not aware of whether they are published or not. I would have to go away and check.

Q98 Dame Cheryl Gillan: It would be good to have minutes published, so that we can see what it has achieved.

Bernadette Kelly: I think the six-monthly report is also an attempt to try to set out the progress and achievements.



HOUSE OF COMMONS

Q99 **Chair:** The six-monthly report does not take away from the normal transparency that we would expect to see, and we have already heard that there are problems with the FOI information not being on the website. Will you undertake to go back and be transparent?

Bernadette Kelly: We can certainly look into that.

Q100 **Dame Cheryl Gillan:** While I am on the information and the board minutes, when I went on the website earlier today, the board minutes were published, ostensibly up to June, but when you clicked on “June”, you got the board minutes of 27 May. They appear to be on there twice, so I really would like some attention paid to detail and to the amount of information that is being put out there, because it seems that, despite the protestations from the Prime Minister and the Secretary of State for Transport, this project is still being managed in a very sloppy way.

Two more questions, if I may. I wanted an update on the National College for High Speed Rail—how successful it has been and how much it has cost the taxpayer to date. How many students have been through it? How have they graduated? Are they employed by HS2? I’d like a general update on the National College for High Speed Rail, which is of course an integral part of the project, according to the Government.

Bernadette Kelly: I don’t have an update on the college. Obviously, the college has experienced very significant difficulties—I am aware of that. The responsibility for the college and its funding sits with the Department for Education. I can talk to the Department for Education and provide an update. I cannot give you the detailed information that you are seeking. I am aware that there have been significant difficulties and that funding has been provided.

Q101 **Dame Cheryl Gillan:** There have been significant difficulties—you are correct—so it would be good if you could obtain for the Committee an updated position. I would be very grateful for that.

Lastly, in an earlier response to one of my colleagues you said that an industry will grow in forecasting the use of public transport. HS2 has gone ahead without taking into account any changes in the use of public transport. How can you continue to justify this project going ahead at this vast cost—it is a minimum of £98 billion, and growing—when you have not established that the future use of public transport will be at a level that will make this railway viable in any way, shape or form? Is it not true that even if it gets built, people are not going to be able to afford the tickets to travel on it, if indeed they want to travel on it?

Bernadette Kelly: Obviously, we are aware of this question. It is one that I know my Secretary of State has also addressed in a number of contexts, and Ministers have also done so. The key thing to emphasise is that HS2 is not a project about the next five or 10 years. It is a project that we expect to be still delivering for passengers in 100 years and 150 years. Therefore, the conscious decision was taken to continue with the project because it is a very long-term project and it is long-term investment in future infrastructure and future economic activity. That is the driving factor. You could not ever build any long-term project if you were constantly being



HOUSE OF COMMONS

driven by shorter-term changes and fluctuations in demand, which are inherently uncertain.

The other thing to say is that although we do assess the case for these very long-term projects, we do build in quite a big sensitivity analysis because we recognise that there is uncertainty inherent in any kind of long-term demand forecasting, and that has been true for HS2 as well. The overriding argument is that this is a railway for 100 years, not a railway for five years. It is almost a decade before it will be open, so it really is an investment for the long term.

Q102 Dame Cheryl Gillan: But Ms Kelly, isn't it your duty as officials to advise Ministers on what your future projections are and what the new normal is going to be? Given that covid is such a cataclysmic event that is intervening, I presume that you are making recommendations to Ministers as to the viability of this project. Is that the case, or are you just continuing—

Bernadette Kelly: What happened at the point of notice to proceed, which was as the pandemic was hitting, was that we tested those forecasts and made sure there was a strong sensitivity analysis.

Q103 Chair: Dame Cheryl is asking about now. Have you revisited any of that since covid?

Bernadette Kelly: Much as I wish it were otherwise, we do not actually know what demand will be like in six months or six years.

Q104 Chair: So the answer is no, you haven't. That is not a criticism; it is just a simple question.

Clive Maxwell: In July the Department published a route map for updating transport analysis during these uncertain times. That was in July this year. It has been consulting people about the best ways of trying to reflect some of that uncertainty, including some of the underlying economic situation as well as any particular behaviour issues, and also some of the broader issues around transport appraisal—for example, the length of appraisal periods and things like that for our sorts of projects. The plan is to update the Department's guidance on that in February next year. That will be an opportunity to do that. My own guess is that at that point we will still remain very uncertain about whether—

Chair: That is whetting our appetite and, no doubt, the appetite of our sister Committee, the Transport Select Committee, to look at that in detail. I look forward to that February date. Dame Cheryl, anything else?

Dame Cheryl Gillan: As you can tell, Chair, I remain a fan of the project—not!

Chair: Dame Cheryl, what you don't know about HS2 would fit on the back of a postage stamp.

Dame Cheryl Gillan: I don't think so. I am still rooting for having it cancelled.



HOUSE OF COMMONS

Chair: You are doing a good job of keeping the Department on their toes. I am sure they would agree with that, much as they might not like it.

Q105 **Sir Geoffrey Clifton-Brown:** Ms Kelly, thank you for the mechanism to regularly report to Parliament after pressure from this Committee. Can I ask a really fundamental question? In order that we are not comparing apples with pears, can we have an absolutely clear basis on which the figures are being reported to Parliament? You talked in your earlier reply to Dame Cheryl about 2015 baselines and 2019 baselines. Here we are in 2020 and we need a really clear basis, possibly agreed with the NAO, as to how you are going to report these figures to Parliament for each of the phases. Are they all going to be on the same basis, or is each phase going to be on a different basis?

Bernadette Kelly: I completely take your point. It is something that we have been really concerned to try and get clarity around as we were shifting from one price base to another, and also as we were resetting the project. It is extraordinarily important that we all understand what numbers we are looking at and that we can look at numbers on a consistent basis.

Q106 **Sir Geoffrey Clifton-Brown:** Can I suggest that you have a discussion with the Comptroller and Auditor General to work out a basis so that we are all absolutely clear and transparent about what the basis will be?

Bernadette Kelly: At the moment we are using, consistently, 2019 figures in all of the reporting Departments.

Q107 **Sir Geoffrey Clifton-Brown:** The basis could be consistent throughout the project so that we do not get a change—

Bernadette Kelly: There will be a point in the future where using 2019 prices is not helpful, because they will be out of date, but that is a conversation we can have in the future, and we can certainly talk to the NAO about it.

Q108 **Sir Geoffrey Clifton-Brown:** Okay. Are you still, as a Department, committed to taking HS2 from Old Oak Common to Paddington?

Bernadette Kelly: Paddington?

Sir Geoffrey Clifton-Brown: Euston—I am sorry.I might have said St Pancras. That would have stumped you.

Bernadette Kelly: Yes. There are extensive works going on at Euston right now, and if the Committee would like to see them you are welcome to do so—but that is the case.

Q109 **Sir Geoffrey Clifton-Brown:** So Euston is causing problems; when are we likely to see a clear plan for Euston? Lots of negotiations are going on with TfL and Network Rail and so on. When are we likely to see a clear plan?

Bernadette Kelly: It was recognised in the Oakervee report, and Mr Maxwell is actually taking forward work to ensure that we have a clear



HOUSE OF COMMONS

plan for Euston. We have set up a partnership board now, actually, chaired by Sir Peter Hendy, partly recognising that some of the big challenges for Euston relate to the integration with the existing railway station; but I might ask Mr Maxwell to say some more.

Clive Maxwell: I am conscious this Committee asked us to write back to you in November, and we will do that, updating you further. I can tell you what that will say, in a sense, which is that we have that work going on, that Ms Kelly has referred to, following Doug Oakervee's review. I would characterise it, first of all—the setting up of the Euston partnership board, chaired by Sir Peter Hendy, brings people together in a much more organised way to try and make some decisions and trade-offs between those different parties involved at Euston; but also there is significant engineering work going on, looking at design opportunities. There have been three tranches of that. There is some work that has been done to look at the tunnel approaches to Euston, which Doug Oakervee flagged up as something that needed further understanding and investigation. That work has been done.

We had that independently reviewed by engineers—put together by the Institution of Civil Engineers for us. We have also had work going on looking at the elevation of the platforms for HS2, alongside the elevation of the platforms for Network Rail, which is one of the practical issues that we are having to grapple with on the site. It found that there weren't really any alternative choices around that. Then we have some significant work going on looking at some of the design choices, and in particular how best to run the build project—around a single stage or two-stage build. Those are the sorts of things that are being done at the moment. So, hopefully early next year—to answer your question as to when we need to get to a full—

Q110 Sir Geoffrey Clifton-Brown: That is really helpful. We are short of time today. I am sure the Committee would wish to return to the subject in detail. On Ms Gillan's point about property acquisition, having served on the phase 1 Committee for far longer than I would have wished to, the really expensive property acquisitions in London—are you satisfied that your total property acquisition budget, which presumably includes a lot of that property needed to deal with Euston, is still in the right ball park?

Clive Maxwell: The estimates and the forecasts that I have seen about the property costs on phase 1 lead me to believe that the budget that is set there, for phase 1, looks about right. Actually, having said that I would write to Dame Cheryl, in doing so we can confirm roughly where some of those numbers are getting to, if that would be helpful. As with all parts of a budget, there is a point estimate and a certain amount of contingency around it as well, but looking at it as a whole it is not one of the areas I am most worried about.

Q111 Sir Geoffrey Clifton-Brown: Just to round up, on the railway as a whole, can you give us an update on phase 2a? When are we likely to get the go-ahead for that?



HOUSE OF COMMONS

Clive Maxwell: Phase 2a is currently in the Department. It has gone through the petitions process and we are waiting for the relevant report back from the House of Lords, which has been looking into it. Then it needs to find its way through Parliament, and for the Department and HS2 to start on the delivery of that.

Q112 **Sir Geoffrey Clifton-Brown:** Phase 2b, and the amalgamation and interconnection with Northern Rail? Can you tell us where we have got to with that?

Clive Maxwell: Phase 2b, so Ministers have made a commitment to bring forward a hybrid Bill for the western leg. So Doug Oakervee's review recommended splitting out the two parts of phase 2b, saying that as a stage and a project it was just very big and complex, and it was worth splitting them out, so Ministers have agreed to bring forward that hybrid Bill for the western leg, and to do that early in 2022. That is for the western leg. All of phase 2b is being looked at as part of the integrated rail plan, which Ministers have announced, and that is due to report later this year.

Q113 **Sir Geoffrey Clifton-Brown:** Are you still committed to the eastern section of phase 2b?

Clive Maxwell: The Government are committed to bringing the benefits of high-speed rail to the east midlands and to Yorkshire and beyond. There is nothing new to say on that.

Q114 **Chair:** So that's a yes.

Clive Maxwell: The IRP is looking at the best way in which to do that, around the scope and the delivery of that.

Q115 **Sir Geoffrey Clifton-Brown:** But are you still committed to it or not? It is one thing to be having discussions. It is whether you are committed to it or not.

Clive Maxwell: I don't have anything new to say on that. Ministers have been clear about their commitment to bringing the benefits of those high-speed services to the east midlands, to Yorkshire and beyond.

Q116 **Chair:** Right. You are clear it is high speed. The first time you answered that question, you just said how to bring the benefits. But you mean high speed.

Clive Maxwell: The benefits of high-speed services.

Sir Geoffrey Clifton-Brown: Chair, there are lots of other questions I could ask, but I think in the interests of time, we have covered that.

Chair: Do you want to move on to roads?

Q117 **Sir Geoffrey Clifton-Brown:** Roads. Can we just deal with RIS2 as a whole? Is the budget for RIS2 still there? You are well over-subscribed in RIS2. How are you going to allocate it?



HOUSE OF COMMONS

Bernadette Kelly: Yes, the budget is still there, and the delivery plan—I forget exactly when, but it was quite recently—set out the schedule of projects that sit within RIS2. I am conscious that we are heading into a spending review, but RIS2 stands.

Q118 **Sir Geoffrey Clifton-Brown:** Good. So that means that my road, the A417, is going to go ahead.

Bernadette Kelly: That is certainly the basis on which we and Highways England are operating at the moment. There have been some delays to the DCO—I suspect you will be more familiar with the detail of those than I will—related to some National Trust objections to a green bridge and so on. That has caused Highways England to need to do some further consultation. All that is having an impact on the timescale for delivering the project, but Highways England is still very much committed to that project.

Q119 **Sir Geoffrey Clifton-Brown:** Is the Government still committed to it?

Bernadette Kelly: Yes.

Sir Geoffrey Clifton-Brown: Good.

Bernadette Kelly: We own Highways England, so the deal is that they only commit to things that the Government are committed to.

Q120 **Sir Geoffrey Clifton-Brown:** Just to get it on the record, because as you said, I do know a great deal about the detail of all this, are you still committed to expecting a construction start date in 2023 and completion in 2025?

Bernadette Kelly: I don't have detail on start date. I know the previous open-for-traffic date was given as '24 to '25. I would prefer not to nail my colours to the mast on that, because I think now that there has been a delay that would need to work through in the scheduling of the overall project, as a consequence of the issues around the DCO consultation on that, so there is probably some sort of uncertainty around the open-for-traffic date, but certainly I know Highways England is working hard to make progress on this as quickly as possible.

Q121 **Sir Geoffrey Clifton-Brown:** Thank you. While we are on RIS2, can you give us a quick update on the A303 project?

Bernadette Kelly: I have written to the Committee; the reason I have written to the Committee is that it is particularly sensitive at the moment, because it is subject to a DCO decision by my Secretary of State.

Chair: We have the details.

Bernadette Kelly: I have written a letter setting out where we are. As we are in that kind of quasi-judicial phase on a very sensitive project—

Q122 **Chair:** So there is nothing to add to that letter. Is that what you are saying? Is there something that you could add in private?



HOUSE OF COMMONS

Bernadette Kelly: There is nothing further to add to what I have set out in the letter.

Q123 **Sir Geoffrey Clifton-Brown:** Assuming the DCO goes ahead as planned, the time schedule is on track.

Bernadette Kelly: Highways England is getting on with the work for this project in the normal way. What we have had to do is extend the consultation on the DCO because of the archaeological find. Inevitably, that will have a bearing on the overall timetable for the projects. You can't wish away several months of additional consultation, so they will need to work that through, but they are carrying on with the work in the normal way, in advance of that DCO decision.

Q124 **Sir Geoffrey Clifton-Brown:** Could you just keep the Committee updated on that?

Bernadette Kelly: Of course. I realise the interest.

Chair: There is a lot of interest from MPs in that—not least Sir Geoffrey, but not just Sir Geoffrey.

Dame Cheryl Gillan has a quick question and then we are going to go to Gareth Bacon.

Q125 **Dame Cheryl Gillan:** Yes, to take you back to HS2 again, the statement on the schedule said, "some works have been delayed and at some sites COVID-safe practices have necessarily reduced productivity to a limited degree." When you are writing to us, could you let us know exactly how the schedule has been affected and what knock-on effect that will have on to the monetary basis of the project? Obviously, that will result in revised estimates.

Clive Maxwell: You are right to pull that point out of the report. The report also notes that it is not yet possible to estimate what some of those knock-on impacts on cost might be, if there are any—I would probably expect that there would be from that sort of knock-on effect. But because the costs are not as straightforward as, say, having to buy something else or do something else and pay for that—it is an impact on schedule—working out what those costs might be is not something we are able to do right now. We have committed to doing that in the six-monthly report. If I think we have got numbers that are firm enough to give you information on that before then, we can write to you, but I would not want to promise that I could provide something that I cannot at the moment.

Q126 **Dame Cheryl Gillan:** Could you at least let us know what methodology you are using and how you are approaching it? That would be helpful.

Clive Maxwell: Yes.

Chair: We understand how prices are fluctuating in the current situation.

Q127 **Gareth Bacon:** Aviation—the missing piece of the puzzle. The Department has been very interventionist with rail up to this point but the opposite with aviation. In response to the report produced by Mr



HOUSE OF COMMONS

Merriman's Committee, the Department said in September that it would publish an aviation recovery plan this autumn. Why has it taken this long to do it? Do you have a date for when you will publish that?

Bernadette Kelly: We do still have plans to produce an aviation recovery plan. I might ask Mr Davies to say a few words on that

Gareth Davies: There have been three phases of work on the aviation sector since the crisis began. Initially, in the early period of March when demand started to fall with about 98% reduced volumes through airports, it was around the response. The focus then was essentially twofold. First, we were repatriating British nationals—a number of British nationals were, as you know, stranded on cruise ships and around the world—so we worked with the Foreign Office to repatriate 38,000 people, working closely with the airlines. At the same time, we put in place critical air services, making sure, for example, that we had connectivity from Northern Ireland at Derry airport and Belfast City airport through Aer Lingus and, I think, Loganair. So phase one was very much the response.

Then around March-time we moved into the restart. At that time, the debate was all around, "Is it safe to fly on planes?". We had a debate on whether you should keep the middle or aisle seats free. We worked with our scientists and the Government's chief scientific adviser to put together health advice with the industry to ensure that essentially, as the travel guidance changed around the word, people could start to fly again. That was our main focus on the restart work. Towards the end of that period, we brought in the quarantine and travel corridors policy, which we can go into in more detail if that would be helpful.

We are now working with the industry on the recovery plan. This is around the longer-term issues facing the industry. We announced last week the global travel taskforce, which is focused on a stable position to give travellers confidence to be able to travel. We are very conscious of the uncertainty created by the travel corridors policy, which was put in place to enable large numbers of people to be able to travel over the summer in a safe and secure way, but we know that we need to move to a stable basis for that. We are working both with the industry and internationally through ICAO.

The second part of the recovery plan will also touch on a longer-term perspective on the issues facing the industry. Regional connectivity is important, and at the start of the crisis we had the collapse of Flybe. We need to look at how we connect up different parts of the Union. Also, there are the longer-term issues around noise, air pollution and decarbonisation.

Q128 **Gareth Bacon:** I suppose the key question is: how much money are you going to be putting into this? What will the financial package be?

Gareth Davies: I would look at the financial support we have given the industry right the way through the crisis. So if you look at the Bank of England CCFF scheme, airlines have accessed £1.8 billion—that is over 11%—of the funding made available. Airlines have confidentially also accessed some of the other schemes, such as the CLBIL scheme, and



HOUSE OF COMMONS

there are 55,000 employees of airlines and airports who have accessed the furlough scheme. So that has been a substantial support for the industry over the period.

I know in the media lots of comparisons are made between the support this Government have made and that other Governments have made, and obviously there are different political priorities around the nature of state intervention. But whereas in other countries there have been sector-specific packages, ours have been cross-economy. So when you compare and contrast some of the numbers, some you will see from other countries will include, for example, the cost of furlough schemes and loan support for those airlines. Very few countries have put money into equity support, for example.

Q129 Gareth Bacon: As we move forward through what we hope will be the recovery process, the airline industry, like everyone else, will need help. We had a detailed report from Manchester airport, which I assume was also sent to the Department, and one of its suggestions was to extend business rate relief throughout the next financial year. Are you looking at that?

Gareth Davies: We are looking at all options to support the industry, but the most important thing that we can do for the airline industry is to enable people to travel again. The biggest problem, as we have seen right across the transport network, has been the collapse in revenues. Most airlines over this period have been operating with almost zero revenues, if not negative ones, if they had to pay out ticket refunds. When I speak to the airline chief executives and the airports, the main thing they want is to get passengers back and the importance of doing that in a safe and secure way.

I am conscious of Mr Merriman's articles this week on the role of test and release, for example. How do we create a secure environment for people able to travel, while continuing to protect both the passengers' health and, critically, the health of the UK population, given the second wave of covid we are seeing right across the world? That is important.

Q130 Gareth Bacon: That is a good point and where I was going to go next. One of the things that put people off airline travel, particularly in the summer when that was still possible, was the quarantine regulations that the Government brought in. With the best will in the world, those were not universally supported. One way around that, of mitigating them, would be to test at airports, to limit the amount of time that people have to shield afterwards. Where are the Government in terms of looking at that going forward?

Gareth Davies: May I touch on the quarantine and travel corridor policy? I recognise that there is a live debate on this, and there certainly was one at the time. I would like to make a couple of points. First, we are one of the few countries to keep international travel open right the way through the lockdown period. Even now, if you look at countries like the United



HOUSE OF COMMONS

States, Australia or New Zealand, some have complete bans on non-residents entering the country. We did not go down that route.

In June, when we brought in the quarantine policy, that was the point at which infection rates were falling and low in the United Kingdom. We did not want to create the risk of reinfection from abroad—that is why we brought in quarantine—but we were also recognising global connectivity and global travel, hence the travel corridors policy. We always said, countries could go on the list or be taken off the list, depending on the state of infections in that country.

That is the way in which we worked on this through the summer but, as you say, we want to move to a system that gives passengers confidence in the ability to travel. Lots of people were caught by the changing travel corridors—who is on the list, who is off the list—over the summer. We want to move that. That is important.

We have been working closely with scientists, because the science of this is critical. There are lots of calls for testing at airports—tests on landing—and then release. The problem with that is that testing on arrival will not identify the non-symptomatic passengers. Because of the way in which the viral load builds up, typically—

Chair: We don't need a lesson on the virus.

Gareth Davies: Sorry, Chair. The reason why I was touching on that was that I know a lot of people of have been asking, "Why can't we just test at the airport, at the point of landing?" That is not a safe and secure way of doing it. We are working with the industry. The Secretary of State for Transport and the Secretary of State for Health announced last week the global travel passports, which is work on the practical implementation of a test-and-release scheme. We are looking exactly at the specifications of the test, when the test would need to happen and the logistics around delivering that, while making sure that we protect NHS test volumes—for frontline workers—because we don't want to divert resources.

Q131 **Gareth Bacon:** One thing is about the travel corridors and where people have to quarantine from when they get back. I don't want to go over the whole remit of that particular policy but, for example, in Portugal for a large part of the summer there were very few cases in the Algarve, but a spike of cases in Lisbon, which is something like 300 km away from the Algarve, and yet Portugal was on the quarantine list. That would have hit people going back and forth. Going forward, will the Government look at a slightly more granular policy in this area?

Gareth Davies: Yes. We have already announced what we call the islands policy. We have seen that with Greece, where we have a different approach to the Greek islands from the mainland. The critical judgment that we have to make is the extent to which we can assure ourselves on regional policies essentially—the ability of people to move between and use different airports. While, for example, the Algarve might be low, have people who fly from the Algarve only been in the Algarve? What is the



HOUSE OF COMMONS

extent of movement within the country? Obviously, it is easier with islands—you have a specific airport you can attach the restrictions to—but we are looking at how we can best do this in the best granular way.

Q132 Gareth Bacon: Mainland Europe is what it says on the tin—it is mainland Europe, and you can drive around it. If one country in mainland Europe, such as Spain, might not be on the quarantine list, when Portugal is, there is nothing at all to stop people from driving across the border and flying here. Without a level of flexibility in the policy, the policy itself starts to unravel.

Gareth Davies: These are judgments. You are totally right. If people want to work their way around some of the restrictions, that is always possible, given the nature of the way in which the common travel area in Europe works. It is about judgment, feasibility and the ease of doing that, and the ability of then operationalising that through Border Force.

Q133 Gareth Bacon: I would like to touch on a couple more areas, Chair, and then I will stop. We are primarily focusing on recovering from covid, for obvious reasons, but we have also left the European Union. Aviation is critical to the future economic prosperity—or not—of this country. Is the recovery strategy that you are talking about going to play a part in maintaining our position as one of the leading aviation nations in the world, as we leave the EU?

Gareth Davies: Totally. As a Department and a Government, we have always said that aviation is of critical importance, not just for the economy but socially, connecting family and friends around the world. We have an incredibly strong aviation industry. We have the third best network in the world and the first in Europe. We want to maintain that connection. That is critical to exports and prosperity.

That is part of the recovery plan that we need to look towards in terms of not just how we recover from covid, which has obviously had an incredibly tough impact on the aviation industry, but also some of the longer-term challenges that we have talked about before. I have mentioned things like decarbonisation, noise and NOx. What is important for the aviation industry, which is reflected when I speak to industry members, is the Government providing that long-term support for passengers and for people in the country as well, and the role that aviation can play.

Q134 Gareth Bacon: The final question from me is about the airline insolvency legislation that was announced about a year ago. What impact has covid had on that? If none, can we expect it soon?

Gareth Davies: You know the scale of the impact on airline finances. I was speaking to IAG. They are burning around £170 million in cash a week, and easyJet, similarly, is around £50 million. A number of the airlines have had to have significant recapitalisation. IAG and easyJet have been successful, as have Virgin, recently.

Covid has completely changed the financial position of the airlines, but also their long-term prospects. As Bernadette said earlier on with rail, we



HOUSE OF COMMONS

don't know what the future demand profile for aviation will be. We have had significant growth over the last decade of 30% or 40%-plus in the United Kingdom. The big exam question now is the extent to which this is a blip, for want of a better phrase, or a short-term adjustment, which will fall back to trend, or whether there are going to be structural changes. If you look at IATA's analysis and the debates around the world of business travel, then, frankly, using things like Zoom might reduce the demand for day trips to Europe. We just don't know.

That is a long way of saying that we need to look at the insolvency legislation in the context of what is happening with covid. Given the state of the airlines' balance sheets, we need to reflect in that context, but we need to have proper reflection. We can't just take forward what we were planning to do before.

Q135 **Gareth Bacon:** So is it fair to say it is going to be at least paused, possibly completely reappraised?

Gareth Davies: The airline insolvency legislation is critical. Having been through Monarch, then Thomas Cook and Flybe at the start of this crisis, it is clear that the current legislation environment is not fit for purpose in terms of the powers that we need for the CAA, but also for the Department and the ability to repatriate customers. The nature of that, and the policy levers we use, need to be revisited in the light of covid.

Q136 **Huw Merriman:** On testing for passengers, the key is what day during the quarantine period the testing is actually going to be done to make any difference. Did the Secretary of State commit yesterday at the ABTA conference to testing on day 5?

Gareth Davies: We are looking at options about exactly what day.

Q137 **Huw Merriman:** I am conscious of time, so has he not committed?

Gareth Davies: That is what we are working on, but we want to balance the ability to release people as quickly as possible with the accuracy that we get from the test results.

Q138 **Huw Merriman:** You touched on my article. I hoped it would be day 5; otherwise, who would pay the money to get out of quarantine when it has almost ended? The absolute key point here, which the industry is hanging on, is when will we know what day the testing is going to be made?

Gareth Davies: The taskforce is committed to get back to the Prime Minister at the end of this month with its recommendations.

Q139 **Huw Merriman:** Right, but when are we expected to know? The Prime Minister will then know, but when will we get a decision on that?

Gareth Davies: I can't say when that will be. Obviously, everyone has said, and I think we said publicly, that we recognise the importance of moving quickly on this. This is not a long-term report. This is about action and implementation.

Q140 **Huw Merriman:** I know, but you have touched on it. The aviation



HOUSE OF COMMONS

industry is on its knees. Some weeks back, the Secretary of State promised that, in weeks, he would say when this was going to be, but we just got a commitment to do something else later. That is obviously his responsibility, not yours, so I will leave it there.

The question that I was supposed to ask is about decarbonising transport. In March, the document “Setting the Challenge” said that the Government will publish the final plan in autumn 2020. Is that still due to be the case?

Bernadette Kelly: Work is still ongoing on that, but as you will understand, as with some other work, we have had to slow things down because we have been flat out in responding to the pandemic. There is a lot of work still ongoing on decarbonisation. Autumn is a slightly flexible timeframe.

Q141 **Huw Merriman:** I looked this up, and the astronomical autumn ending is 21 December and the meteorological autumn ending is 30 November. In reality, is it likely to go into next year?

Bernadette Kelly: Look, I think there must be a distinct possibility, given that we are also in the throes of a spending review, and one of the areas that is likely to be in play there is future investment in decarbonising transport. So autumn is not impossible, but I think it is more likely that the new year is a realistic timeframe for us.

Huw Merriman: So it is likely that the decarbonisation plan will be 2021. That brings me to my last question—

Q142 **Chair:** Can I just come in on that? Obviously, around the country—not least in London—low-traffic neighbourhood experiments are being put in place. More cycle lanes and pedestrian spaces are being put in, and whole high streets are being pedestrianised. Is that something that you are taking into account in the plan?

Bernadette Kelly: Active travel, do you mean?

Chair: Well, active travel, but also decarbonising transport. You are taking vehicles off the road in order to make space for pedestrians and bikes, among other things. Is that going to feed into the review? Is that another reason that it may be late?

Bernadette Kelly: I don't think that is necessarily driving a later review. It is just the accumulation of—

Q143 **Chair:** Isn't that useful information that might drive it? You can see real-life experience.

Bernadette Kelly: You are entirely right. Clearly, we will be learning things from what has happened over the previous months, in terms of shifting modes, which is one of the big things in the transport decarbonisation plan. Place-based approaches are also one of the big things of that action plan.

Q144 **Chair:** How are you capturing that information?



HOUSE OF COMMONS

Bernadette Kelly: We will be processing it. The people in my Department running those schemes will obviously be gathering information on impact etc.

Q145 **Chair:** And what is the timeframe for capturing it? A couple of weeks doesn't necessarily show whether it works or not. Six months might not show it. Do you have any idea?

Bernadette Kelly: I am just trying to understand exactly what information you have in mind, Chair.

Q146 **Chair:** For example, if you have a low-traffic neighbourhood, as we have seen across London, by forcing traffic on to main roads, rather than side roads, you can have a fringe impact on bus services and cause higher pollution on main roads, while benefiting other areas. You can drive more people on to bikes, but possibly not so easily in the winter. Do you look at the demographics? There is all that data and information. Have you got any rough timeframes of when it is useful for you to collect?

Bernadette Kelly: It is a dynamic process—a learning process, in a sense. I believe that we are finalising some further active travel awards to places. In looking at that second round of bids, one of the things we are reflecting and building on is the experience of the first round. What we don't want is perverse things happening that drive transport in a bad way. You want the benefits of cycling and walking, but you don't want the disbenefits of shopping centres being closed—

Q147 **Chair:** Or buses going slower.

Bernadette Kelly: Or buses not being able to travel. It is a learning process, and it is happening all the time. It is not a fixed point in time. Our second-round bids reflect our experience from round one.

Q148 **Chair:** Okay. Hopefully, the bits of your Department are speaking to each other. I say that with hope—

Bernadette Kelly: Totally.

Chair: You say "totally", but I don't have great certainty. It doesn't always happen in Whitehall—we know that.

Q149 **Huw Merriman:** I have only one more question. I take my hat off to you. There is so much going on. A year ago, I reflected on the fact that there are only a small number of civil servants in the Department managing things, compared with the tens of thousands in the agencies you manage. Therefore, it is very hard to deliver reform when you are constantly firefighting on so many fronts, and then covid came along. Are you able to manage with what you have right now? I know that is a bit of a loaded question, but please be open and honest.

Bernadette Kelly: I take it as a positive that you appreciate all the hard work that people in my Department are doing. I won't deny that it has been an extraordinary challenge for us as an organisation to respond to this. We have had to get hundreds of people overnight doing almost entirely different work on covid and making sure our response was



HOUSE OF COMMONS

everything that it needed to be. Elsewhere in the Department, in the modes, people have had to shift their focus very significantly, so it has been a massive task.

I think people have responded extraordinarily well. I am very proud of the work that the Department and all my officials have done over the past six months, often while working remotely in the central Department—not so much in the agencies.

We are recruiting fast. We are having to grow our numbers to deal with the scale of challenge that we face. One of the conversations that my directors general and I are having every week is: how do we ensure we have the capacity to do everything we need to do? Have we got our people focused on the most urgent priorities? That is a constant process. It is something that, as a team, we spend a huge amount of time on.

It has been a pretty exhausting period, and it will carry on being so. I would always like more resources and capacity, and we are trying to bring that in. We are also doing our very best and getting the very best out of the people we have.

Chair: Thank you very much indeed. I thank our witnesses for coming in person. It is not quite our first time, but for some of you it is your first time in this odd hybrid way. I thank your civil servants for the work they are doing. We may not always agree, and we may challenge you on things, but we know that civil servants in your Department and across Whitehall have been working very hard to try to make sure things are kept on track, even though that is not always possible in the current difficult conditions.

We have a number of points that we may well write to you about. As you have heard from us today, we have laid some markers about our concerns and the concerns of our sister Committee, the Transport Committee, through its Chair, Huw Merriman MP. We will continue to pursue those with you through individual work from the National Audit Office, and we reserve the right to call you back. You have given us a few dates there, and we will start plotting them in the diary. We look forward to seeing you again soon in person, we hope. In the meantime, please stay safe and well. Thank you very much indeed.