

Transport Committee

Oral evidence: [Work of the Secretary of State for Transport](#), HC 86

Wednesday 15 November 2023

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Members present: Iain Stewart (Chair); Jack Brereton; Paul Howell; Karl McCartney; Grahame Morris; Gavin Newlands; Greg Smith.

Questions 1–79

Witnesses

I: Rt Hon Mark Harper MP, Secretary of State for Transport; Jo Shanmugalingam, Second Permanent Secretary, Department for Transport; and Alan Over, Director General for High Speed Rail Group, Department for Transport.



Examination of witnesses

Witnesses: Mark Harper, Jo Shanmugalingam and Alan Over.

Q1 **Chair:** Welcome to today's session of the Transport Committee. Welcome to the Secretary of State. For the purpose of the record, will you introduce yourself and your team, please?

Mark Harper: Certainly. I am Secretary of State for Transport. I will let my team introduce themselves, if I may, Chairman.

Alan Over: I am director general for high-speed rail at the Department for Transport.

Jo Shanmugalingam: I am the second permanent secretary.

Q2 **Chair:** Welcome, and thank you for your time this morning.

My colleagues and I wish to cover a large number of subjects, but I will start with a broad overview of the work of your Department in the Session ahead.

There was a welcome surprise in the King's Speech, with the publication of the draft rail reform Bill. Many had expected that it would not see the light of day. I will turn to that in a moment.

We also very much welcome the Bill on self-driving vehicles, which was a recommendation in our recent report.

There are a number of other matters on which we and industry—and you—have called for legislation, such as consumer enforcement powers in aviation, marine autonomy, and the establishment of a road safety investigation branch. Are we going to see any progress on those in the Session ahead?

Mark Harper: Let me cover those in turn. I shall deal with the overall structure at the end.

We were very keen to move rail reform forward. The reason we chose to have draft legislation scrutinised—there may well be a role for the Committee in due course—is that it is technical legislation that is obviously of huge interest to the industry. We judged that that scrutiny, and the detailed work done with stakeholders, will enable the Bill to be in really good shape when it is introduced, so that it can be given a swift passage through the House. I think that that is the right decision.

On the structure for the rest of the Bills—those that we have introduced, and those that we have not—as you know, and as I have, I think, said on previous occasions when questioned by members of the Committee, demand for legislative space almost always exceeds supply. Therefore, we have to make choices. We are unlikely to see progress in this Session on the things that you mentioned that His Majesty did not mention in the King's Speech. We chose the things that we thought more important.



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You mentioned the Automated Vehicles Bill, and we think that it is very significant. It has the potential to deliver a significant improvement in road safety. All the companies involved in that technology, and the car manufacturers, are focused on using it to deliver safer roads, not just for drivers but for more vulnerable road users—pedestrians and cyclists. There is also a big economic benefit for the country, and it will make Britain one of the best places in the world, if not the best, in which to invest in this technological development. That has certainly been the response of stakeholders. I think that the Bill will generate billions of pounds of economic value to the country and tens of thousands of jobs.

I accept that not everyone will agree with the choices that the Government have made about which things to put ahead of others, but we think they were the right choices for delivering economic value and benefit, and road safety, to the country.

Q3 Chair: I have no quibble with what has been brought forward, but the King's Speech always has an addendum: "Other measures will be laid before you." Is there any chance for these other areas? Do you have a reserve list, on which you could move quickly if parliamentary space came up?

Mark Harper: Clearly, there are other things that we would like to do, but it will depend on the availability of legislative time, on other things that happen, and on other pressing matters for the Government. As we have discussed before, those are not entirely decisions for me; they are for the Prime Minister. It will depend on what else happens. There are things that, if there were space and if it were available to the Department, we could progress.

If I am being honest, given that we are in the last Session before a general election, there is limited time. We have set out proposals across all Government Departments in the King's Speech. We have two Bills and a draft Bill and will make progress on them. The Department will focus on that. We may get good news later, but realistically those things are what we will be progressing in this parliamentary term.

Q4 Chair: What is your expected timetable for publishing the draft rail reform Bill, having the scrutiny, and proceeding to full legislation?

Mark Harper: I clearly want to make progress on that as soon as we can. I hope that in the very near future we will be able to finalise with the House authorities and your Committee the scrutiny process for the Bill. I would like to make quite rapid progress. I do not want to start picking dates out of the air, but the Bill is in good shape and we know what we want to do with it. We want to make progress at an early opportunity and I think that the Department will be in touch with the Committee about further discussions in the near future.

Q5 Chair: If it is deemed that this Committee will conduct the scrutiny, we will expedite that as quickly as we can. Is there a realistic chance that we will carry out that scrutiny and then proceed to full legislation in this



Session?

Mark Harper: The first of those we absolutely will do. I think it unlikely that we will be able to proceed to full legislation in this Session, but scrutiny of the draft legislation is important—for two reasons. First, inevitably in these processes, however well we have drafted the Bill, the scrutiny process—the contributions of members of the Committee and of the witnesses we will listen to—will produce improvements to the process. That is always what happens, so the legislation that is introduced will be better. We will not have time in this Session to proceed to getting the measure on the statute book. The important thing is to get it scrutinised and in as good a shape as possible so that when it is introduced neither House will feel it needs significant amendment.

Q6 **Chair:** We understand that the legislation is fairly simple and short—about 10 clauses. There has already been a consultation on it. What else are you hoping to achieve by further scrutiny?

Mark Harper: Given the debate over it, people's views about it are not that straightforward. There is still quite a difference of opinion about what people are trying to achieve with the legislation, and there are different views from different parts of industry, so the scrutiny process is valuable.

As to the size of the legislation, as you know, the legislative process does not get massively faster just because a piece of legislation is not enormous. The process, with the stages it has to go through in both Houses, and the rest of the legislative timetable, mean that there is a period that any Bill, even it is quite modest and well formed, will take. It means that you cannot rush these things unless they are of an emergency character, which this clearly is not.

Q7 **Chair:** Can you summarise where there is a difference of opinion in industry about what GBR should do?

Mark Harper: I think it is about the exact structure of the corporation that will be set up. There will be a debate about the extent to which Ministers are still accountable. The Government have some views about that. There is clearly a balance to strike between bringing track and train together, making operational day-to-day decisions, and recognising that, certainly at the moment and probably for a number of years, there is still an important role for the taxpayer, given the 25% to 30% revenue reduction in real terms that the industry has faced.

The Government have to remain accountable for the spending of that significant amount of taxpayers' money, so there is still a debate. Realistically, there may be those in industry who wish all this stuff to be done away from the Government, but, when you are spending billions of pounds of taxpayers' money, Members of Parliament expect Ministers to remain accountable. There is a balance to strike. Potentially, how you then move as the industry attracts more passengers back and becomes more financially sustainable: you could potentially change the level to which Ministers would have to remain accountable.



There is some complexity around governance and accountability, and those matters are not straightforward. If we do not get them right, we will end up coming back. For example, you will be questioning me or a successor about how these things work and if I do not have the power to influence them you will rightly say, "Why can't you deal with these things?", and we will not be able to. We have to get it right and that is why it is important to listen not just to industry players but Members of Parliament about the level of accountability that you would expect the Secretary of State to have, recognising that that level of political control has consequences as well. Getting that balance right is probably the most important decision that needs to be made. I think it is one on which you would want full input from the Committee.

Q8 Chair: GBR was supposed to be up and running by March next year. When is the earliest that you now expect it could exist in its full form?

Mark Harper: There are two things. First, the GBR transition team is up and running, and has been for some time. As you know, and as we made clear—I made it clear in my Bradshaw address as well as on several occasions when I spoke to the Committee—we have not waited for legislation; we have got on and done the things that we can do without it. The GBR transition team has been working on trying to bring track and train together, to the extent that we can do it without legislation. There is better engagement, both within the Department and with our arm's length bodies in the industry. A lot of that work is under way—a lot of the development work on single-leg pricing and rolling out more pay-as-you-go; and the work that we are doing internally, within government, on looking at the industry on more of a single P&L basis to bring together revenue and costs and make sensible business-based decisions.

Clearly, the legal changes that need to take place, to move my legal powers for franchising and contract issuance to the new body, cannot take place until the legislation is passed, but a lot of the thinking and working and the underlying changes to join this stuff up either has taken place or is taking place at the moment, and does not require us to wait for the legislation.

Q9 Grahame Morris: I want to pick up on a couple of points.

For some reason I keep wanting to call it the William Shatner review—I can't get it out of my mind—but it is now about five years, isn't it, since the Williams review and about two years since the Williams-Shapps plan. As you said, Secretary of State, there is a driver here, which is public money. The Committee was told that the estimate was a saving of about £1.5 billion a year if we ended fragmentation and had better integration of track and train operating companies. Do we have any estimate of the likely cost of delaying the process and having pre-legislative scrutiny before we have a Bill?



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Mark Harper: I think I would go back to the answer I gave to the Chairman's question. Quite a lot of the work on the bringing-together piece can happen without legislation.

Q10 **Grahame Morris:** Ticketing, for example.

Mark Harper: In the Department, we are already in a process where my officials, people who work for the arm's length bodies, for Network Rail, and those who have been brought together in the transition team are already working more closely together.

I have seen for myself, for example, that some of the decision making and advice that I get is better informed because of bringing that together. We have already seen it, for example, in the decisions that Network Rail makes about when it chooses to do engineering work. We have already started looking more closely at the revenue implications. You may have seen that in some places we have trialled engineering works during the working week, because in some parts of the network, now, weekends are actually busier, as leisure traffic has rebounded more quickly.

Some of the cost savings and revenue improvements that were outlined will already have happened. As I have said, some of the reform cannot be delivered without legislation. That is the contracting and franchising powers. We are getting on at pace with quite a lot of the reform. Some of it requires legislation but we are getting on with the thinking, and the working-together piece. We are delivering some of those savings already. Of course, there is still a lot of work to do because we have still seen a significant reduction in revenue post pandemic.

Q11 **Grahame Morris:** Presumably, the public purse is going to miss out on some additional revenue that would be generated by that integrated, less fragmented service, because of the time that will be taken to implement it.

Mark Harper: The decision people have to come up with, or the argument—and I am not sure that it is easy to put an objective measure on it—is about the extent to which, once you pass legislation and you have a legal structure in which you put people, that drives just the structure. How much difference does that make compared with bringing teams together and getting them to work together? I argue that the bulk of that is to do with management and leadership and does not depend on legal structures. There are some bits that have to be done with legislation—the franchising powers—but I think we can deliver quite a lot of the bringing things together and the joint operation ahead of the legislation; and we are doing so.

Grahame Morris: I would like to ask you about that under minimum service standards. Are we going to come back to that?

Chair: We will come back to that. I think Jack wants to ask about this first.



Q12 **Jack Brereton:** Welcome, Secretary of State. I want to ask you further about what you mentioned on revenue issues. Obviously, on the latest ORR figures, revenues from the rail industry are at 78% of pre-pandemic levels. Will you be looking urgently at contractual reforms to help operators to attract more people back on to the rail network?

Mark Harper: Yes, we will. You mentioned the ORR numbers. They confirm that there is still significant revenue reduction post pandemic. We have seen some bounce-back—more on leisure services than business and commuter services. It is imperative that the industry should focus on getting more passengers and driving up revenue. There are only two ways in which you can make the rail industry sustainable—driving up revenue or reducing cost. Taking cost out means reducing services. I, and I think the industry, would rather we grew revenue.

We are looking at our contracting model. As you know, the current contracts that were introduced as a result of the pandemic, and the issues that we had with franchising ahead of the pandemic, mean that the risk for revenue sits with the Treasury. The cost risk sits with my Department. We pay most of the operators that were previously franchise operators a small management fee for running the services. That does not give them the incentives to attract passengers back. We want to move to new contracts, which the Department is working on and talking to industry about, with which we can increase the incentives to attract, and give the operators some revenue risk and benefit, so that they are incentivised to bring customers back to the railway using some of the innovation and marketing nous that we saw in the past, which was part of the reason we significantly increased rail passenger numbers post privatisation.

Q13 **Jack Brereton:** As you say, there is no incentive at all at the moment for those operators to grow their revenues and attract more people on to the rail network. How quickly do you think we can move forward with proposals to move risk and reward back to them?

Mark Harper: I would hope we could make some progress in the next few months. We know that the change to the model will work because we have seen success with some of the open access operators that do have that revenue and cost risk sitting with them. I hope we will be able to make progress in a number of months. We will not be able to go, in one go, from the current model to a full model where all the revenue and cost risk sits with operators, because I do not think the starting position would be sustainable with that huge gap, but we certainly want to do it as fast as we can. I hope that we can make noticeable progress in the next few months.

Q14 **Jack Brereton:** Are the Treasury supportive of that?

Mark Harper: Yes, they are. As I think I said at the time when I did my Bradshaw address, when I set out the objective of a single P&L, to bring together revenue and costs to make sensible business judgments, that



direction of travel had the full support of both the Prime Minister and the Chancellor. I think that the Treasury is very keen not to continue with the revenue risk, but obviously it needs to make sure that the revenue and cost balance is genuinely moved away from the taxpayer, and that the private sector is not given the benefit of the revenue with the cost still sitting with the Government. The important thing with the contracts is to make sure that the risk is properly transferred. I think that will have to be done in stages. I am very keen to take the first step on that in the coming months.

Q15 Grahame Morris: I want to return to the point you made, Secretary of State, about your legal powers in terms of franchising, contracting, and so on, in the context of the Strikes (Minimum Service Levels) Act 2023. How has the Department for Transport taken the Transport Committee's recommendations into account in formulating its proposals?

Mark Harper: We listened very carefully to what the Committee said, but as you know we did an extensive consultation. We listened to feedback from the Committee, and from industry. We listened to what trade unions had to say and we tried to strike a balance in both the primary legislation and the secondary legislation that has been laid before Parliament, between the right of workers to go on strike and what we can sensibly achieve for passengers. I think that we have struck a sensible balance for passenger rail services to operate at 40% and for the infrastructure piece to have the key route strategy. Not everyone will agree with it. It will not have achieved exactly what anyone individually wanted. We are striking a balance here. We think we have got it right. Obviously, Parliament will have the opportunity to debate the secondary legislation ahead of Christmas.

Q16 Grahame Morris: I want to come back to something that has happened quite recently—a ministerial statement that the minimum service levels are discretionary. It said that employers will have the discretion on whether to use MSL regulations, as the parent primary legislation, the Strikes (Minimum Service Levels) Act, does not create a statutory duty for employers to issue work notices. If that is correct, how does it sit with what you were saying earlier about your statutory powers in respect of not just franchising but issuing directions to some of the existing train operating companies? I am particularly thinking of those like LNER and Northern that are directly operated. Will you direct them if their local management says, "We do not want to use the provisions of the minimum service levels Act"?

Mark Harper: We have been very clear that this is a legislative tool that is available to employers in order that they can deliver their responsibilities to run services. They have to make judgments—and I think they are properly made by the managers of the business: they have to look at their workforce and, if there is an industrial dispute, at the number of people going on strike. They have to look at what level of service they can operate without using minimum service levels. As you know, the way the legislation is structured, with work notices, is quite



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detailed. Detailed operational knowledge of the business is required, and I do not think that Ministers will be successful in trying to manage the detail of individual businesses. It is a tool that is available for those companies.

Q17 Grahame Morris: It is not your intention, Secretary of State, to direct them to use the legislation to its fullest.

Mark Harper: No, we have been clear that the legislation is available for those businesses to use. I would just say, we have always been very clear with minimum service levels. They are an important tool to balance the right to strike with the important services delivered to passengers. It is very much the Government's wish that the legislation never has to be used. In that light, I was very pleased that we settled the industrial dispute on Network Rail. I am very pleased that, since I was last here, we have seen the welcome development of the RMT agreeing to put the offer that has been on the table for some time to their workforce, with a ballot to take place and close by the end of this month. It is very much my wish, and the Government's, that the industrial relations be resolved, and effectively that the legislation never has to be used. It is a backstop but we do not want it to be used. I would much rather we resolved the industrial disputes and were able to get on with delivering services.

Q18 Grahame Morris: We heard from a number of witnesses when the Committee did an inquiry on minimum service levels proposals that the freight operators in particular were quite happy with the existing mechanisms and did not want to be part of the minimum service levels provision.

Can I ask a question in relation to an issue that arose with the Regulatory Policy Committee? You mentioned that there had been extensive consultations with various industry bodies, the trade unions, and so on, but why was the revised impact assessment for minimum service levels not submitted to the Regulatory Policy Committee with enough time to allow them to assess its effectiveness before the regulations were laid before Parliament?

Mark Harper: Two things: on your first point about the freight industry, we are very clear that we are not forcing companies to use minimum service levels. They are tools available for them to deliver service. If in the industry industrial relations are resolved and companies do not need to use minimum service levels to deliver services, that is great. It is a backstop measure.

On your point about the pace of introducing the secondary legislation, and the impact assessment, there was a decision for Government. The balance we wanted to strike was getting the legislation into Parliament, because, thinking back to last year, we wanted to get the legislation operative before Christmas. There are a number of industries in this country—hospitality and retail—where a very significant proportion of their annual revenue is concentrated into a quite small part of the year. I



hope that if we get the right result in the industrial relations ballot that the RMT has in November it will not be necessary, but I wanted to make sure that if it should be required because there was a dispute ahead of Christmas, which would have a very significant impact on the retail and hospitality sector—lots of workers in those industries are relatively low paid and would suffer enormously from that loss of customers—the rail industry would have the powers. There was a balance to strike and that is why we wanted to move at pace.

Q19 **Grahame Morris:** I do recognise and appreciate the efforts that have been made to resolve the dispute. As you point out, Network Rail and a number of the train operating companies are settled. It is welcome news, particularly in the light of their withdrawing the closure of ticket offices, that it looks as if we are moving to a settlement. I am sure that the whole Committee would welcome that. Just to push you on that, you seem to be pretty clear that it is not your intention to apply penalties to any of the companies, where you are in a position to do it, if they do not apply the provisions of the Act.

Mark Harper: No, it is a tool available to the companies to use, but I am certainly not going to penalise them if they do not feel it is appropriate in running their business and delivering services to their passengers and customers.

Q20 **Chair:** Lastly, on industrial relations, you rightly say that there has been a welcome move in relation to the RMT and train operators. There is a separate ASLEF dispute. Is there any progress on that?

Mark Harper: No, in the sense that there is an offer on the table. There was an offer on the table for both of them. I was very pleased to see the RMT's joint statement with the industry—that they felt able to put that to their members. I think the structure of that deal is very welcome, and I hope their members accept it so that they can get a pay rise and start having some sensible conversations at the level of train operating companies about further reform. That would be very welcome.

As far as the train drivers are concerned, as you know—I am sorry if this is a bit repetitive—there is an offer on the table. I think it is a fair and reasonable offer. It would take the average pay of a train driver from £60,000 for a 35-hour, four-day week to just under £65,000 for the same working week. I think most people would think that was quite reasonable. The most important thing is that it is on the table, and I hope ASLEF put it to their members. If the members get the choice and reject it, we will have to see where we are then, but at the moment there is, most people think, a perfectly fair and reasonable offer on the table. I genuinely do not understand why ASLEF will not put it to their members. It seems to me the members should be allowed to make that decision and I am very pleased that the RMT have decided to do so. It is the right thing to do.

Q21 **Chair:** And there is no mood music coming from ASLEF that they might be moving.



Mark Harper: I have not heard any such mood music. I would urge them to do so. I think it is reasonable to let members of a trade union look at the offer that is on the table and make a decision about it, and then we can see where we are. It is unfortunate if they do not. As I said, I am really pleased that the RMT decided to move. We have already resolved this with the smaller unions and the train operating companies. If we can resolve it with that, and it is only the train drivers left, that will clearly be a big step forward; but I would urge ASLEF to put the offer to their members as well, and we can then all focus on the important thing, which is getting more passengers on to rail and getting people to have confidence in the rail service; that is in the interest of the travelling public, the taxpayer and everybody who works in the industry, and that is what I would urge people to do.

Q22 **Chair:** I would like to turn to HS2, as you might expect. It has been a controversial project, on which there is a range of views across the country and, indeed, in this Committee. The decision taken last month has attracted a lot of comment. We will scrutinise it, and its consequences, in some detail, and we are due to see HS2 Ltd and the HS2 Minister in a couple of weeks.

I should like to start with the consequences for the rail network north of Handsacre, the northern point of HS2. We have received considerable evidence that, because the west coast main line north of Handsacre is full, or very nearly full, the decision effectively means there can be no growth in passenger or freight services north of Handsacre. Have you factored that in?

Mark Harper: The first point is that we do not agree with that contention on the current balance between demand and supply. In making the decision to deliver phase 1—it delivers a significant improvement in demand on the southern section of the west coast main line—we looked carefully at the demand forecast.

There is no objective, magic way of understanding what that looks like. The reason this is challenging is that there is a difference in the two parts of the west coast main line. The southern part is more congested and will hit capacity much earlier than the piece north of Birmingham. We factored that in, which is why the almost doubling of supply from Euston to Birmingham is very significant.

The problem goes back to the pandemic. Demand growth on the west coast main line pre-pandemic was broadly a straight line, and the reasonable assumption would have been that it will continue. With the pandemic, there was a massive discontinuity as we drove people away from rail, for perfectly sensible, well-evidenced reasons, and it has not rebounded as fast as we would hope.

In trying to project 10, 20 or 30 years into the future, it is worth remembering that we were not delivering any trains to Manchester until 2041.¹ There is a debate to be had about how fast demand will come



back, and different people have different views. We looked extensively at modelling and assumptions about demand. There is no objective answer, and there is a huge difference between the assumptions of demand growth about when you hit capacity.

We took the view that there was an earlier need to deliver increased capacity on the southern section of the west coast main line—that was part of the justification for continuing with phase 1. We do not think we will have that capacity constraint anywhere near that same time on the northern part, so there is a choice to be made about how to deploy the £36 billion that is freed up.

Our judgment—I absolutely accept that not everybody will agree, and that is fine; everybody can have different views—was that, redeploying that money on to other transport projects such as conventional rail, the strategic road network or local roads would deliver more benefits more quickly to more people than continuing with HS2.

It is worth saying that we will continue to deliver and are able to accelerate the delivery of some of Northern Powerhouse Rail. We are still making available £12 billion to do the line from Liverpool to Manchester. We have started conversations with stakeholders about how that will be delivered. We have made commitments about stations and lines to Bradford, so a lot of the east-west connectivity in the north is going ahead.

I have heard different arguments about what people think demand on the northern part of the west coast main line will be. People will have different views. We reached our view, balancing growth and alternative uses of the money. That is the Government's position. I accept that not everyone will agree with it, but we think we balanced those judgments in the best possible way. I accept there will be different views.

Q23 Chair: You say you cannot make an objective prediction of demand in the medium to long term. HS2 is not a project for the next few years. It will be there for decades, if not centuries. Is it not a bit premature to close off anything north of Handsacre and sell the land? You are making a decision now that will have consequences for many decades without knowing what the future demand will be. Isn't the decision premature?

Mark Harper: No, I don't think so. In politics, you have to make choices and to balance different outcomes. In a world where there is an infinite amount of money and you do not have to make choices, maybe you could do that and do some of the other things we have set out in Network North while continuing to deliver HS2.

In the real world, where we have to make choices and there is a limited amount of taxpayers' money, the risk is that you crowd out alternative

¹ Correction by witness: That we were not delivering any trains to Manchester until 2041 using HS2 Phase 26 infrastructure.



transport investment. The judgment that the Prime Minister and I reached, agreed by the Cabinet, was that it was a better use of resources to implement the other transport investments earlier.

At some point, people may want to come back to it, but we have to make decisions based on the best information we have today. The world has changed. As we set out at the time, there have been a number of challenges in delivering the project. The costs have increased significantly and the benefits have reduced. We have seen dramatic changes in how people choose to travel, some of which will be permanent. I do not think we will ever return to a world where people travel for business and commuting in exactly the same way as they did before. People now have more choices, and that is a permanent change. That was one of the factors that supported our decision.

You said in your opening that people have different views, and they absolutely do. We saw that when we announced the decision. Our view is that it is the right decision. We have made an argument for it. Not everybody will agree, and that is absolutely fine. We have laid out why we made the choice, and people can accordingly judge whether it is the right decision.

Q24 Chair: Can you not at least safeguard 2a so that if someone wants to revisit this they will still have that option?

Mark Harper: The problem with that argument is that, first, there is a cost to the taxpayer. The land has been purchased with taxpayers' money. If you hold on to it you are not able to free up the money you would get from carrying out a carefully thought-through programme of selling it.

It also has a blighting effect. If you say that the route is going to continue, it has an impact on decisions that people take about investments and alternative uses of the land. We have had a lot of pressure in some parts of the network to be clear about what we are doing and to release safeguarding on things we are not going to develop, because people have alternative plans and alternative things that they want to do.

If there were no costs to keeping all the options open, your argument would be much stronger, but keeping things in place has a cash cost—money tied up that you are not releasing—and a significant blighting effect. You forgo a lot of decisions that the private sector could take because you are keeping these options available. It has a real impact on other decision making.

It is also fair to tell people what the Government's decision is, and they can then get on with making decisions not just on what you are not doing but on the alternative developments you are making. People can then invest and grow.



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One of the things that came through clearly from my visit to Bradford immediately after the decision was announced was that the leader of the council and the mayor now getting a station and improved connectivity has a real-world effect on their ability to attract inward investment—international and local—to their city and region.

Being able to say that you are not doing something and switching investment to another project has real-world benefits, and there are costs in leaving things as they were, keeping options open that some Government in the future might want to take.

That is why we made the decision. Not everyone will agree, but we think we have set out the rationale very clearly.

Q25 Chair: Will there not also be a cost to the other work you will have to do along that section of the west coast main line, starting with changing the plans to Handsacre junction compared with what they would have been had 2a been in place?

We have heard that there are other options for improving capacity along that stretch of the west coast main line. We heard from Richard Bowker that when he did the west coast main line upgrade a Stafford bypass was looked at. That was not required.

There are going to be costs. Surely you cannot do nothing with the west coast main line north of Handsacre, given that we have heard from the Rail Freight Group and many others that they may not have even the current capacity to run freight trains. The line is full, or will be very nearly full. You have choked it off, unless you are planning something else.

Mark Harper: Those things all come back to the contention that it is full. When we were going through the work to make the decision, that was not the case. How quickly you think you hit capacity massively depends on the assumptions you make over a long period about growth in traffic. There is no objective measure of that. It will partly depend on economic growth, but it will also depend on how people use the rail network.

In the end, you have to make a judgment. If you are the Government, having to make a judgment about very significant investments of public money and alternative things to invest money in, you have to make judgments. We are now able to invest in Northern Powerhouse Rail and east-west connectivity in northern England, and that will have economic returns that we think will be significantly higher than we would have got from delivering the second phase of HS2.

I do not know who will be proved right. We have to make judgments based on the best data that we have. There is no objective answer to these questions. There is no definitive thing. You have to make a judgment, and we have made a judgment that cancelling 2a, 2b and HS2 East and reinvesting every single penny in alternative projects will deliver



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better financial returns to the country and transport projects that benefit people sooner than otherwise.

That is the judgment that we made. Not everyone will agree with us, but we think it is the right decision for the country.

Chair: I might return to HS2 questions, but I want to bring in other colleagues.

Q26 **Greg Smith:** The HS2 project has consistently had difficulties with cost control. The costs have ballooned considerably. I entirely welcome the decision to scrap it north of Birmingham, but that still leaves cost control problems with phase 1.

The Sunday Times exposé showed how HS2 Ltd had deliberately withheld costs from the Department, which explains how a lot of the costs ballooned.

You have stripped HS2 Ltd of the Euston section, rightly putting it out to the market and private sector investment.

If you must persist with phase 1, and you know my view on that, how can you have confidence that HS2 Ltd can deliver phase 1?

Mark Harper: Given our previous questions on the Committee, I am not surprised about your views on phase 1, Mr Smith, which are perfectly understandable.

There have been a number of allegations in the media, although they pre-dated my time in the role. Some of them have been independently looked at, including by the National Audit Office, and shown to be unfounded. Some allegations are live and are being looked at by HS2's investigative function. As there is a live investigation, it would not be right for me to comment on them specifically, except to say that if it is found that things have gone on that require a response from the Government there absolutely will be one. We will take whatever steps we need to take, but it would not be right to pre-judge that.

On your point about the company's cost control performance, I agree that things needed to change. That is why we have implemented some changes. I have been very clear with the company. I have met the whole board twice regarding the need to focus on cost control as well as delivery of the project. Sir Jon Thompson, who is very experienced in delivering big projects, is the chair. We are hiring a new chief executive, stepping up to be executive chairman, supported by the deputy chair. He has been very clear about what he is implementing to improve cost control.

As we have set out in the HS2 report, we have implemented further controls so that the company is on a shorter leash in issuing contracts and its accountability to the Department. We have strengthened the Department's oversight of the company.



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The company provided the completion estimate before we made the decision to cancel the second phase of the project, so it must now go back and look at that. I have been clear that it needs to deliver at the bottom end of that range and that there needs to be revised focus within the company, not just on delivering the project but on the costs. We will work closely to hold it to account.

On Euston, it is the right thing to do. There are not many projects in central London where you can deliver such a significant piece of development. It is right that it has now become a development-led project. We will set up a development corporation to maximise the benefit. It will still deliver a station, but it will be a descoped station. It will not have to deliver as much capacity because we are not delivering phase 2. It will be delivered by the private sector, with that extra gain that will be developed. As it is being developed by a development corporation, which has much wider powers, that is how you can achieve that.

It is the right decision. It would have been the right decision in any event to take it away from HS2 and deliver it through a development-led corporation. That has been welcomed by members of the Euston Partnership, the local authority and other partners. It is the right decision.

Q27 **Greg Smith:** I do not think that there is a difference between us on Euston, but may I dig a bit deeper into how costs will be controlled on phase 1?

There will be nervousness in the communities I represent and in others along the line of route—certainly between Old Oak Common and Curzon Street—that when cost control comes into it the low hanging fruits are often the ones that are snaffled by Government or HS2 Ltd. That will naturally lead to a nervousness about mitigations and promises that have been made to those communities, many of which, including those from the Act, have never been delivered.

Can you give a commitment that you will not permit HS2 Ltd or its contractors to seek to cut mitigations or things that are supposed to be happening on the ground to try to lessen the impact on people's lives?

Mark Harper: It is fair to say that one of the things that drive up the costs of projects is the high standards that we in this country expect when delivering these projects. We can debate whether that is sensible, but it is the case.

You know from the work you do in representing your constituents so ably that as the legislation was going through Parliament concerns were expressed and legal commitments were given to communities about what was going to be delivered. As far as I am concerned, those are legal commitments and they need to be delivered by the company.



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There is clearly work that the company needs to do as it works with its contractors in delivering the work cost-effectively and sensibly, but it absolutely needs to deliver on the legally binding commitments that it made as the legislation was going through Parliament. That is one of the things we will hold it to. We will not try to use as low-hanging fruit the important commitments made to local communities. You can take those commitments as still being on the table. I am confident that you will no doubt scrutinise and represent your constituents and that if you see any evidence of the commitments not being delivered you will bring them to my attention at the earliest opportunity—and you should absolutely do so.

I am very clear: legal commitments that have been given need to be delivered.

Q28 **Greg Smith:** You know, Secretary of State, that I do that with the rail Minister almost daily. The essence of my question is not in the specific cases—I shall not take up the Committee's time reeling them off—but on the core principle, which I think you have answered: there will be no rowing back, on a cost basis or anything else, from the mitigations that have been promised.

Mark Harper: If we made commitments as the legislation was going through Parliament about how we would deliver it to ensure we did not impact local communities any more than absolutely necessary, those are commitments that have been put in the legislation and they will be delivered.

Q29 **Greg Smith:** Will we get a full-fat reappraisal of the business case for just phase 1?

Mark Harper: I think my answer would be that it depends what you mean by a full-fat reappraisal. The permanent secretary produced an accounting officer estimate, which she published. The Committee will be aware that she will be scrutinised in her accounting officer capacity by the Public Accounts Committee tomorrow, where no doubt she will be asked about that in more detail.

She has produced an accounting officer estimate and set out the fact that phase 1 still meets the test of propriety and value for money, which she has a legal responsibility to do in her assessment to Parliament.

As we deliver the project, we continue to keep it under review. That is part of the reason we have been very clear about the need to deliver at the lowest possible cost, commensurate with the commitments that have been given, on which we will hold the company to account. We set out in the HS2 report some of the governance changes put in place to strengthen the accountability of the company to the Department.

Alan Over: The permanent secretary and I would want to publish an update to the business case in the course of next year, subject to the Secretary of State's agreement. That will set out the revised scope and a



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fuller analysis of the costs and benefits and how we try to optimise the scheme in conjunction with Network Rail across the west coast corridor and deliver the benefits.

Q30 **Greg Smith:** Okay. I understand that.

Pivoting back to the Euston question, but on a wider point, is there a plan B if private investors do not come along? I agree with the base principle of the development company, but I would probably come at this from the other end of the scale and argue that had there been an ask for private investment on the whole project it probably would never have happened because nobody in the private sector seemed to want to touch it.

Is there a plan B if the private money does not come forward and everyone leans back and says, "Not for me, thanks"?

Mark Harper: I don't think I am going to get into answering hypothetical questions. I will give you my assessment based on what I know so far.

You will know that there was media speculation—erroneous speculation that in a sense was quite helpful—that we were not going to go to Euston. There was a clear sense that going to Euston was the right thing to do, both in a rail sense and in a business sense. Sometimes you only realise how much people want to do something when it is suggested that it will not happen, and then all the people who want it to happen make it very clear that it needs to happen.

So far, the interest in delivering Euston with the development corporation has been extensive. I met the Euston Partnership. The local authority is very enthusiastic. The existing development partners are enthusiastic and there has been a broad welcome.

The Government have to be careful about how much we discuss the detail, because a hard commercial negotiation will take place to ensure that the taxpayer gets the best possible deal.

I would be reasonably optimistic, having looked at the other projects that have been delivered. The most obvious comparison is with the Battersea and Nine Elms project, where we levered in £9 billion-worth of private capital and successfully extended the Northern line, delivering a new underground station by the private sector.

That is a good indication of what is possible. All the information we have had so far leads us to believe that there will be significant interest in the project and that we will be able to deliver it in the way we have set out. That is the way we will approach it.

If that proves not to be the case, we will come back and look at it, but that is the basis on which we are proceeding. All the information I have received suggests that that will be successful, and that is the right way of delivering the project.

Q31 **Greg Smith:** In getting phase 1 completed quicker and at a lower cost,



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would you consider taking off HS2 Ltd and its contractors the East West Rail element that they are charged with building? There is a simple reason that the first phase of East West Rail will not open on its original timescale, and that is due entirely to the bit that HS2 Ltd is charged with building in the area known as the Calvert box. It is the only bit between Bicester and Milton Keynes where the track is not down.

Mark Harper: That has not come across my desk. I will ask whether Alan wants to add anything. It is not something I have looked at.

On the general point about getting HS2 to focus on getting stuff delivered at the lowest possible cost, we are absolutely doing that. That decision has not come across my desk.

The fact that you have raised it with me—I will ask Alan whether he wants to add anything—means that I will ask officials to come back to me and have a look at it, but at the moment nothing has indicated to me that we should do that.

Alan Over: The two companies work closely together to try to get the scope delivered as efficiently as possible. The main delay has come from a problem with a gas utility that did not pass its safety test. The two companies have worked together to get that reinstalled and retested. We recognise that that part of the scope on the east-west rail line being delivered by HS2 Ltd's contractors has delayed that section, but that risk could have emerged regardless of who was clienting the work. I don't think that the accusation that it was because HS2 Ltd was overseeing it is fair.

Q32 **Greg Smith:** I understand that answer. I am grateful to the Secretary of State for it.

We have two wonderful human beings who have given me and my constituents a lot of time, Sir Mark Worthington and Lord Jackson—the residents commissioner and the construction commissioner. They visited Buckinghamshire and other parts of phase 1. They have seen the problems on the ground. I know that they report problems back to HS2 Ltd's board, but nothing ever changes.

In the spirit of helpfulness, will you consider giving those two commissioners more power directly to intervene, as opposed to just raising the concerns that they hear from me, other MPs and councillors and communities up and down the line of route, so that they can bring about meaningful change within the organisation?

Mark Harper: I would say two things. First, I am very pleased that you found the engagement of the two holders of those two roles with both you and your constituents so welcome. Of course, as well as the engagement that they have directly with the company, I know that they meet the rail and HS2 Minister. They are asking the company to do things, but if they find that they do not happen it is open to them to raise



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those concerns with the Minister, who can then intervene with the company.

From a democratic point of view, if they find that they are not getting appropriate traction and attention from the company, I hope that they will raise those concerns with the rail Minister so that he can take appropriate steps. As you have said, one of the things we have to be careful about here is that we do not add. We are not going to take stuff away, but if we are going to start adding costs to delivering the project, that needs to be done by people who are accountable. If the two individuals you have mentioned, in the offices that they hold, are finding that the company is not paying sufficient attention, they should raise those concerns with the rail Minister so that he can take appropriate steps to ensure that the company is paying attention and listening to the concerns that they are raising on behalf of your constituents and others along the line of route.

Q33 Jack Brereton: As you know, I am very supportive of the decision that was made by the Government, particularly on phase 2a. The statement has been published this morning to update Parliament. That does not yet contain any further updates on the business case. For some time, we have been asking for an updated business case for HS2. When can we expect that?

Mark Harper: There are two halves to that question. You heard from Alan, in his answer to Mr Smith, about the work that is going to take place on the business case.

The second thing that is relevant here, which we have referenced in the HS2 report, is that the company has provided an estimate at completion for phase 1, but that was based on the structure of the project before the decision that we announced on 4 October. Obviously, there is quite a significant change in the project, including the impact on phase 1. The way in which we are going to deliver Euston station has changed and the scope of Euston station will change, because of the change to the number of trains that we are going to run. We are also going to change what we will have to do at Handsacre and Fradley.

We have asked the company to look again at the estimate at completion, based on the changes that we have set out. We have also been clear with the company that it needs to look at aiming to deliver at the lower end of the range, not at the upper end.

We have set out in the report that the Government's position is that we do not currently agree with the way in which the company has set out the estimate at completion. There are some differences of opinion between the company and the Department about the extent to which you can still deal with some of the costs that are yet to come. Further work is going on at the moment.

Q34 Jack Brereton: We have heard from witnesses that it is a relatively



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simple task to update the business case. Can we expect that for the next update to Parliament?

Mark Harper: Alan, can you give us that bit on the timing?

Alan Over: It should be there or thereabouts. We have to work through the revised train specification and look at the infrastructure and reassess the costs. That will take a number of months. I think that we are aiming for the first half of next calendar year, so it would be there or thereabouts in relation to the next scheduled parliamentary report. You will need to give me a bit of leeway, if that is okay.

Mark Harper: On the timing point, if it is helpful, we can look not at getting the work done earlier but at getting a better estimate of how long it will take to do it. I can write to the Committee to give the indicative date for the next HS2 report and when we think that we can deliver it. Clearly, if we can deliver them both at the same time and, effectively, incorporate them, that will be very helpful.

If I write to the Committee, we can do a bit of work on the timing. We will see whether we can give the Committee at least an indication, if not a commitment, on the timing, if that will be helpful to the Committee. I do not want to do that here and now. Let us do a bit of work on it. If we make a commitment or give an indication, I would like it to be one that we can deliver, rather than let people down. If you can give us some time on that, we will write to the new chairman.

Q35 **Jack Breerton:** I would like to ask a further question about the Handsacre junction. The original design set out in 2013 was for it to connect with the fast lines of the west coast main line, but that was revised by HS2 in 2019 to connect with the slow lines of the west coast main line, which would have reduced capacity in that location. Are proposals now being developed to revise that design further so that it will connect to the fast lines? Will the stump that would have connected to phase 2 be removed from the design?

Mark Harper: If I do not provide enough detail or I get any of this wrong, I will ask Alan to chip in.

On Handsacre, the plan is now to connect to the fast lines of the west coast main line. We have given that commitment. Because of not delivering 2a and 2b, there will be changes to the part of the line that goes to Fradley. That will need to change. Work on both of those pieces is under way. Have I got that right?

Alan Over: Yes. There are options to review how we get the best throughput through the west coast main line, including Handsacre, Colwich and how we deal with Manchester and the stations. That is the first element of the technical review that we are doing, alongside the West Coast Partnership, HS2 Ltd and Network Rail, so that we get a whole-industry view on that. Similarly, we will look at the Fradley junction and options as to whether that should be retained or removed.



Q36 Jack Brereton: We still have works, sites and compounds up and running on the phase 2a route. Lots of infrastructure has been retained there and has yet to be cleared away. Seeing all that still there is causing quite a lot of distress for the community. The fact that that equipment is still in place is having an impact on landowners. When can we expect the equipment and compounds on phase 2a—as well as the security, which is a significant cost to the taxpayer—to be removed?

Mark Harper: We have been clear that we will release the legal bits, on safeguarding and so forth, in a number of weeks. We have also been clear that we will sell land that is owned on that phase in a sensible, careful way, mindful of delivering value to the taxpayer.

Of course, there are legal obligations for those people whose property was compulsorily purchased. Under the blighting scheme—the Crichel Down rules—they are able in some cases to have first go at repurchasing that property at the current market rate. There is a proper process that we need to do there.

I will see whether Alan can add anything on the operational piece of it—on machinery and so forth. If not, I will write to the Committee.

Alan Over: As you will be aware from looking at the local area, there is a significant amount of work there. We are working rapidly with HS2 Ltd to come up with a close-down plan. That needs to match tempo with proper process and to make sure that we look at the works that are in progress. Some of the environmental mitigations are midway through construction. We have to decide whether or not to complete them. The same is true of the utility works. There is a cost-benefit analysis that we need to do quickly on whether it is best to finish them off or to move out of them.

There is some stuff that we can remove quickly, relating to boreholes and ground investigation work. We will retain responsibility for security for the sites until they are made safe and returned to alternate ownership. Where there are opportunities for rural landowners, for example, to make meanwhile use before that is sorted out, we will encourage the company to look favourably upon those.

When you put that together, it would be misleading to assume that we can make an on-the-ground presence go away very quickly. Our initial estimate is that it can be done in the course of two years. That is still being worked through. I know that you would look and wish for that to be done more quickly. We will update you as soon as we have the close-out plan and consult communities appropriately in relation to that, through HS2 Ltd.

Q37 Jack Brereton: I think that there is an urgency to get some of this done, particularly given the decision and the timeframes of weeks that were alluded to. That has set expectations high in terms of getting this done very rapidly.

One of the key things has been the lack of communication. Parish



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councils throughout Staffordshire have said to me that, basically, there is zero communication coming out of HS2 now. There is radio silence. What is going to be done to make sure that the very valid questions that are being asked by stakeholders and parish councils are addressed?

Mark Harper: I will ask Alan to come in in a second.

On the overall point, from what Alan said, and from what you have said about what you have seen to be communicated, something that we could do earlier is make sure that the overall plan—in other words, what the company has to do and the work that it is doing to pull that together—is communicated early. I will direct that. Alan will take that away and work with the company on getting that.

We can definitely do that soon, to say, effectively, what we have said this morning—recognising that, tragically, not every person in the country will be gripped by this hearing, I am afraid. We will make sure that we communicate that directly.

On the detail, Alan will say a word or two about how we can communicate with local communities.

Alan Over: We need to work up that plan and make sure that it is reasonable, so that we do not set false expectations. The point on urgency is understood by us and the company. We can differentiate those things that can be done relatively quickly, and with low impact, from the stuff that I described, with work in the course of construction that will take longer to unwind.

Your point about how we communicate this to you in communities is well made. That is the right undertaking—that, as soon as we and the company are happy that there is a reasonable plan that strikes the balance between rigour and urgency, it will be well communicated. We will have to test the effectiveness of the communications on the ground as that is implemented.

There is some stuff that we can do, and to which the Government are committed, in relation to safeguarding and not objecting to planning developments. That deals with moving alternate use of that land forward. The process of selling back the land to the original owners or to alternatives will take time. Meanwhile use will be an important component of that, where we can secure it.

Mark Harper: To finish that answer, it is worth saying that it is the flip side of the question that Mr Smith asked me. We need to make sure that we leave the route that we are now not doing in good shape. In the same way as we are not going to not deliver our legal commitments, we need to make sure, as Alan said, that we make a proper, well-thought-through judgment on things that are partially completed about whether it is better for the local community to finish something and to leave behind



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something in good shape. We need to make sure that we do not cut corners on doing that work.

Early on, we can tell people what we are doing. When we are in a position to set out some deliverable timescales that we are confident we can hit, we can communicate them to people. From what you have said, it sounds like we can at least make sure at an early stage—quickly—that everyone is aware of what is going on. We will come back and communicate with people when we have some specific things to say and commitments we can then deliver on. It sounds like there is an early case of work; then we need to keep engaged with you and local communities to make sure that people know what is going on.

Q38 Jack Brereton: In particular, it needs to be case by case. Those landowners, particularly the farmers, want that land back as soon as possible for the next growing season, for example.

As you have said, there are different stages. Some landowners have gone through the process. Some are in train, in terms of the compulsory purchase process. What is being done to look at the alternatives and different options? In some cases, it will not necessarily be possible to transfer the land back immediately. For some who are part way through that process, there needs to be a mechanism to get the land back to those individuals.

Have you looked at compensation options for some of those property owners? Could there be ex gratia payments for those who have been most severely affected by these impacts?

Mark Harper: There are three things. First, on your point about farmers, a while ago I met Minette Batters, the president of the NFU, who raised some of the concerns from farmers with me. I raised those both with my team in the Department and with HS2. The rail Minister has continued to have such meetings. We have had good engagement with the NFU, which has been raising some of these issues on behalf of farmers. That has been very effective.

One of the things that the Department is doing at pace is working with HS2 on the guidance on how it should behave in transactions that are in progress but have not completed. In the short term, it is looking at those on a case-by-case basis to see what the right outcome is. For example, if HS2 has made a commitment to purchase a property, and if there is a whole bunch of other transactions that depend on that and the person wishes to go ahead with it, we will complete that purchase, other things being equal. There may be cases where it has not completed and the person does not wish to complete the transaction. We are looking at those, talking to the individuals affected and trying to make the right decision in all the circumstances in individual cases. As I said, we are working at pace on some guidance on how we deal with those cases.

In cases where land has been compulsorily purchased or purchased through the blight scheme, there are some rules that exist—the Crichel



Down rules—about the circumstances in which the original owners are able to purchase that land back at the current market value. We will follow those through. There was some nonsense in the media suggesting that we were going to have some sort of fire sale. That is nonsense. We are going to do this in a proper way, following the rules and procedures, with a proper focus on delivering value for the taxpayer.

The final point that you mentioned was compensation. Land that was compulsorily purchased was paid for, of course. An uplift was paid to reflect the fact that it was being compulsorily purchased and owners were given an allowance towards their moving costs. That land was purchased and that money was paid at the time. If the land is bought back, it will be bought back at the current market value. I can see why people may wish there to be further money, but I think that they have been properly compensated according to the law for the purchase of their land in the first place. If they purchase it back, there are some clear rules about how that works. We are working up that guidance at the moment. It will be made available to people in due course.

Q39 Jack Brereton: We have heard, particularly from phase 1, about how long-winded and legalistic the process has been. In some cases, it has taken years and years to go through that process. What is going to be done to speed this up and make it quicker, to get that land back to the people who need it?

Mark Harper: There are some very fair points there. When some of these property issues where you have had disputes—and, effectively, HS2 has been paying professional advisers on both sides—have come to Ministers, both the rail Minister and I have tried to deliver sensible judgments on how to balance them.

We will try to move as quickly as we can, but I have looked at the detail of some of these property transactions and there are important things that have to be dealt with.

Two things are potentially in conflict. There is pace, but there is also making sure that you do these things properly. You want to do them properly and fairly for the individual landowner or resident. There are some rules that we have to follow, but there is also the taxpayer interest, where the taxpayer has already purchased some of this land, in getting proper value for the taxpayer. We will move as fast as we reasonably can.

Inevitably, legal and land transactions will probably never go as fast as the layperson would like, but your injunction on pace is a very good one when it comes to the guidance that we will agree with the company.

One of the things the rail Minister and I will look at before we sign off that guidance is whether we are achieving the maximum pace that we can, mindful of the other legal and value-for-money things that we have to deliver.



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Chair: We need to speed up a bit with questions. Can answers be a bit brusquer, please?

Q40 **Jack Brereton:** I want to ask you briefly about road safety audits. You will remember that I asked you about this previously, in April. I also asked the former HS2 CEO about this issue in May. The Chair of the Committee wrote to HS2 on 19 September to raise issues around road safety audits and our concerns, particularly with reference to an example in Staffordshire. We asked for a response by 18 October. This Committee has still not received any responses from HS2 regarding some of these very serious concerns about the process that it has been following around road safety audits. Could you put some pressure on HS2 to respond to this Committee and to give us answers to the questions that we have been asking?

Mark Harper: The short answer is yes. I do not know whether Alan is able to add anything to that.

Alan Over: No.

Mark Harper: Yes is the answer. We will pick that one up. In this specific case, yes. We will also make it clear to the company that it should treat questions from Members of Parliament generally and from this Committee in particular with the level of importance that they deserve and that it should speed up its responses.

Jack Brereton: There are other things, but I will hand back to the Chair.

Chair: I am conscious of time. We have spent a good amount of time on HS2. There will be many other questions that we want to ask, which we will pick up in future sessions.

To manage people's time and expectations, I indicate that I would like to conclude the session by 11.45 am.

Q41 **Paul Howell:** A number of us are due in the Chamber before then, Chair, so we will try to expedite things.

I have one final question on the HS2 element. The decision was quite a shock—that is one way to phrase it. It has an impact on the whole supply chain of many businesses in the sector. What are you doing to give those businesses a clear direction on what is happening next and where they can reposition themselves, if they need to?

Mark Harper: You make a very good point about the impact on the supply chain. One of the strong points that we made is that the Prime Minister made it very clear that every penny that we are saving from cancelling phases 2a, 2b and HS2 East is being reinvested in alternative transport projects. Clearly, there is going to be a change, but conversations have taken place with, for example, the contractors in the rail industry and those involved in delivering the civil construction. Clearly, some of those companies will also be people who will benefit



from the £36 billion. Thirty per cent. of that money is being spent on alternative rail projects. There are significant road projects.

The supply chain is doing two things. First, we are still delivering phase 1. We have cancelled the other phases, but it is worth remembering that the phase that is under way at the moment and is absolutely on track to be delivered between 2029 and 2033 is still the largest construction project in the country. For those companies involved in delivering phase 1, we are still delivering phase 1. For those that were hoping to deliver the second phases, there is now a range of other projects, both rail and road, that they can get involved in delivering. From the conversations that I have had, I know that they are looking at those opportunities and seeing where they can change the focus of their businesses to pick up the opportunities that are coming down the line. Some of them will be coming down the line more quickly.

Q42 Paul Howell: I appreciate that. A lot of these companies are still sizeable companies, where a supply chain gets managed for quite a timeline in front.

I want to move from what has happened on HS2 to what is now going to happen on Network North. I will put a number of questions around that. I will start by asking how this was developed. What was the engagement to put together the Network North paper? What was the involvement with National Highways, Network Rail and so on to put that structure together? How much were local leaders involved or not involved at that stage? Because it came out at pace, there were some factual errors and some clarity was subsequently required. What have you done to try to sort the end? Can you explain to us how you got to where you got to in the first place?

Mark Harper: A considerable amount of work was done within government, from No. 10, my Department and the Treasury—the people you would have expected to be involved in developing this. It was done in a certain amount of confidentiality. A limited number of people were involved in doing it, but they were the right people—people inside my Department with expertise on HS2, as we were making decisions about that, on rail and on roads.

The two organisations that you mentioned, Network Rail and National Highways, are both delivery organisations. They are arm's length bodies that work for the Department. They will be involved in delivering the projects. I briefed the heads of both organisations just ahead of the decision being announced. They are working through how they will deliver the parts of the Network North schemes that they are responsible for delivering. The right people in the Department, who have expertise in the rail system and the road system, were involved in developing the Network North paper.

On your final point—what was in it—I would say two things. Quite a significant amount of money in the Network North scheme—about a third



of it—is going to mayors and local leaders for their transport priorities. I know that people like to make a point about this, but we were conscious that, for normal people, talking about various billions of pounds does not really mean very much. Therefore, in the document we set out some indicative, illustrative schemes—the sorts of things that that level of money can buy—which we thought was helpful.

In the end, a third or so of Network North is going to elected mayors. The schemes that will be delivered will be what they think are the priorities for the people whom they represent. I think that that is a good thing. Not everyone agrees with devolution, but the Government strongly support it. I think that that is a good thing to do.

A number of schemes are being delivered by Network Rail and National Highways; they are both getting on with those. There are also amounts of money that are going to local authorities below the level of regional mayors. Again, those amounts of money will go to those councils and they will deliver the schemes that they think are important. Across the time horizon of money being available, those schemes will be delivered at different time periods.

Q43 Paul Howell: Moving on to the whole deliverability piece, if you like, I would be interested to know how much management will be done by the Department, in overseeing that and making sure that things are happening.

The way in which it has been presented is unfortunate, in terms of clarity. I will use the north-east as an easy example. There are things mentioned in the north-east. Dualling the A1 is mentioned. The Leamside line got a mention. The Ferryhill station got a mention. What is going to be in these devolved pots? What is the specific funding that is coming from separate Government pots? It would be useful to make that difference as clear as possible. Is the funding of the A1 different from the funding that is going to the north-east mayor, when appointed, for their devolution? I offer that as an easy example. How do we get that clarity out?

Similarly, some of these projects—I will use the A1 again—have been promised many times. Secretary of State, how do you give people confidence that it is actually going to happen this time? How quickly can you get some spades in the ground—something that gives the residents of the north-east, or wherever we end up talking about on Network North, some confidence that this time it will happen?

Mark Harper: You raise two points. On the first one, we have been clear in the document about the money that is going to regional mayors, the money that is going to local authorities and the schemes that are being delivered by Network Rail and National Highways, as the deliverer of the strategic road network. The document has been published, but subsequently my officials have been working with officials of the relevant organisations—elected mayors, councils and whatever—to set out some of that information. For example, we have already set out the money that



is available to local transport authorities for buses in the north and midlands. That announcement was made a few weeks ago, so councils have the detail of that.

There will be further announcements in the near future—for example, on how we are splitting out the £8.3 billion for the quality of local roads, which is the largest-ever investment in the local road network. From the work that motoring organisations have done, we know that that is the top priority for 96% of drivers. We will be setting that out in due course.

On the confidence that people can have, first, it is worth saying—to put things in context—that the phases of HS2 that we cancelled were not going to be delivered for two decades. To be quite frank, this money is not all available next year. If you gave it to people to spend next year, they would not be able to spend it sensibly.

Q44 Paul Howell: I am sorry to interrupt, Secretary of State, but you may as well cover one of my future questions. Can you give us any sense of the timeline of that spending?

Mark Harper: I was just coming to that. People are seeing some of the benefit already, in decisions that we have already set out. One of the early decisions that we were able to make was to extend the £2 bus fare cap all the way through to the end of next year. That was due to come to an end in November. It would have gone up to £2.50. We have used some of this money to extend that to the whole of next year. That means that bus fares are falling in England, outside London, whereas they have gone up in Wales, London and Scotland. We think that that is a really big cost of living measure. We have already announced the—

Q45 Paul Howell: Sorry to interrupt. Specifically on bus services, can you try to give some sense of how much of that basic funding is going to end up protecting services as opposed to growing new services?

Mark Harper: We announced some basic funding going to local transport authorities in the north and the midlands. We have slightly flexed what they can spend it on, so they can use some of it to protect services. The balance of that spending will be a decision for locally elected mayors and council leaders, which we think is the right place to make those decisions, rather than them being made in central Government.

The other thing on confidence about schemes is the work we are doing with stakeholders. For example, the rail Minister has already met the mayors of Greater Manchester and Liverpool, Manchester Airports Group and others to talk about the rail line in Northern Powerhouse Rail between Liverpool and Manchester. Both he and I have met leaders in Bradford.

That work with stakeholders, to start fleshing out some of the detail, the timelines and so forth, is under way. Work is under way with my Department and the Treasury on the profiling—the timing of the availability of that money and how we deliver it.



There is a lot of working going on and more details are going to be coming out all the time about how this money is going to be available. People will see very rapidly, as they already have with buses, that some of that money is delivering benefits to people already in the early timeframe faster than it would have done if we had continued to deliver phase 2 of HS2.

Q46 Paul Howell: On decision making and expediting decisions, clearly you will have, ranging from the small to the large, different business cases for different things and for many things around the country, some of which will be almost in the easy pile: for the small one, the business case is as good as there and can be signed off. Some of the bigger ones might be well progressed as business cases. How are you going to prioritise to make sure that you get out as many things as possible?

I agree with you fundamentally on Network North and on the potential for all of this to affect people at very local levels and their specific local forms of transports, as opposed to just the big arteries. How do you work that? Some of these business cases—Ferryhill station, for example—have been sat there for some time. I am sure there are many others like it that could touch people's lives very quickly.

Mark Harper: Two things. A third of the money is being spent by mayors and local leaders, and we have been able to spell out to them what they are getting. We will give a bit more granularity about the profiling of that as fast as we can so that they are then able to start working up the business cases for those projects.

To be clear, we are still going to go through the same processes as we normally do for business cases, with proper work on the schemes and value for money. You would expect us to do that. That work will be under way.

On the schemes that have been driven by National Highways and Network Rail, one of the reasons we made the decision we did on HS2 was that there are some very good schemes that had had a lot of work done on them but simply were not deliverable because we did not have the funding. A very good example is a scheme we are delivering in the east of England through capacity enhancement on the rail network in the Ely area. It has been well worked through by Network Rail—a very good return on investment that delivers benefits to passenger capacity and freight capacity—but we simply could not have afforded it, it did not go above the line, but we can now deliver it.

Projects are at different stages but we can now progress them. Just yesterday, we set out £400,000 to start doing some of the development work on Bradford. Increasingly, people will be able to get the money to do the development work on these schemes and move them forward to the next phase of the project. Those will obviously happen at different paces, depending on how developed they were already.



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As I said, the money is available over a long period, but some of it is already delivering benefits today.

Q47 **Paul Howell:** What are you trying to achieve with the overall strategy? What were your thoughts on the balance between road and rail and all modes of transport—any modal shift that you are trying to encourage within that, with the influence that devolution is pushing it so hard?

Mark Harper: Yes. Two things: on rail, the fact that we were doing HS2 meant that we were skewing a huge amount of resource specifically not just to rail but to one rail line. The overall decision rebalances that considerably. At a top level, looking at it between mode, around 30% of the £36 billion is going to be spent on other rail projects, with the balance on road schemes, whether strategic or local ones.

That is sensible because most people get around the country on the roads, as drivers, cyclists or users of buses. Buses are the most popular form of public transport; twice as many journeys a year are taken on buses as on trains. Rebalancing towards roads for a range of road users is sensible. It more meets what people do, rather than where the spending was before. That rebalancing is very sensible.

Again, not everyone will agree with us, but that more meets the demands of the regular person—what they use every day, be it a bus or a car. We will be spending more money on that. As with the road funding, when we set that out, people will see real improvements to the quality of local roads, which impacts everybody every day of the week. People will welcome that.

Q48 **Paul Howell:** I agree. If I say to my constituents, “Okay, you’re going to get a railway line in two years,” they will say, “Yes, but how am I going to get to work for the next two years?” We need to get the buses improved. We need to get that whole integration. I am quite pleased with that—whether it is a hidden benefit, it is a benefit, I believe, that comes out of the modal shift that will come out of that space. I just want to put that on the record.

That has to fit in the risk portfolios and the rail network enhancement plan. How does that fit together, and at what point can you give us confidence that all the ducks are lining up in terms of how this will be managed, who will control what and the differences between your control, your Department’s control and local leaders at different levels?

Mark Harper: On the schemes that are rail schemes or the strategic road network, clearly both National Highways and Network Rail are working through the commitments in Network North and will fit those into their usual processes. As I said, a number of those schemes had already had a lot of work done on them and are well worked through, but they simply were not affordable without having made the decision we did.

Where they are new schemes or they are schemes responding to stakeholder requirements—in the midlands, for example, there is a very



clear sense of improvements to be made on some of the roads there, but there had not been a scheme worked up—those will be done in the usual way. Our normal processes for controlling spending on National Highways and Network Rail will play in. Both of those organisations are working at pace to develop them.

Q49 Paul Howell: We have talked about Northern Powerhouse Rail options over time, option 1, option 2, option 3. Where does Northern Powerhouse Rail fit into this now?

Mark Harper: Northern Powerhouse Rail will still be absolutely critical, really important. One thing we are now able to do potentially is to deliver some of the components of Northern Powerhouse Rail more quickly. One of the things on top of the £36 billion-worth of savings is the clear commitment we have delivered on the £12 billion that is available for the Liverpool to Manchester line. It needs some work on the design of the scheme because it will now need to change to reflect the fact that it has not been built off the back of the HS2 infrastructure. As I said, some of the conversations with the elected mayors, local authority leaders and Manchester Airports Group have already taken place at official and ministerial level.

There are parts of Northern Powerhouse Rail that had not currently been planned to be delivered—some of the electrification at Sheffield and Hull, for example. Those areas are now brought into Northern Powerhouse Rail. From a sense of east-west connectivity across the north, there is some very good news. Of course, significant amounts of money are going to the north-east—benefits that were never going to the north-east if we delivered HS2. That is a very significant amount of extra investment for your constituents and others in the north-east from the decision to cancel the second phase of HS2, which I hope they will welcome.

Q50 Paul Howell: I hope so, too. The only slight question is that a lot of what you have said is about decisions that will come through the north-east mayor, for example, but it is not just the north-east; it is mayors for Yorkshire and various others that are not in place yet. We need an assurance that projects that can be pushed and promoted through the next five or six months can still happen and that we do not necessarily need the mayors to be in place. Some will absolutely need that because of the scale of the strategic impact.

Mark Harper: Certainly where Network Rail and National Highways are responsible for delivering the projects, that work will be under way. Clearly, it is important that elected mayors make the decisions about prioritising spending. If there are new projects that they wish to do, they need to make the decision. Where the Department or our arm's length bodies are responsible for delivering them, that work will carry on.

Q51 Karl McCartney: Secretary of State, I heard you talking before—your grasp of reality when it comes to the people utilising roads. I will be asking questions dealing with supply changes to the automotive industry



and for the road industry. The Climate Change Committee has held sway for far too long, in my view. Largely unelected, it is one of the worst quangos that we have. They have really pushed the Government and your Department, previously, down the road of EVs—BEVs—being the only answer for road transport. Many of us think differently.

With the recent announcements of the Prime Minister, have you become more realistic? Do you see a potential future for synthetic fuels or for those that are replaceable, maybe taking a potential viewpoint like Japan, looking at hydrogen as a major form of energy for their road vehicles?

Mark Harper: Let me try to answer your question fully, mindful of the Chair's injunction not to do it overly lengthily.

On the first point on climate change, the Government are very clear. We have some legally binding commitments and we are sticking to them. Not everyone agrees with that, but we are sticking to our overall commitments. But we want to do it in a way that is mindful of the impact on our constituents.

Our view is very clear. If you do not take people with you—we have seen this elsewhere in Europe—you do not end up delivering your climate commitments at all. In order to deliver them, we needed to make some changes, which the Prime Minister set out.

On your point about technology, the zero emission vehicle mandate we have published is technology neutral. It is about zero emissions. I will pick up one point that Mr Smith has raised with me before, relevant to synthetic fuels. But it is technology neutral. For cars and vans, the industry, largely—I know not entirely—has decided to deliver that through battery electric.

Q52 **Karl McCartney:** Largely in the UK because the regulatory framework pushes them in that direction, Secretary of State, not the rest of the world.

Mark Harper: Not just in the UK. No, that is not correct. Big US manufacturers are also delivering that. Ford, for example, you must have spoken to—

Q53 **Karl McCartney:** They have just brought out a brand new V8 engine, so how does that work with battery electric vehicles?

Mark Harper: You mentioned road vehicles. Certainly for HGVs, there will end up being a mix of battery electric and hydrogen. I have been to manufacturers and looked at both.

For mobile off-road machinery—some of the big construction equipment—there is a very clear case for hydrogen. I recently was at a fantastic British manufacturer, JCB, looking at the hydrogen technology, from a carbon point of view but they are also doing some work on the non-carbon emissions because that is also very important and is also legally binding. My chief scientific adviser and the team from the Department



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have been engaging very closely with JCB to understand what their technology is capable of. That is very important. We are very open-minded about that.

On your point about synthetic fuels, they are not zero emission at the tail pipe but—

Q54 **Karl McCartney:** Let us be clear about where that phrase comes from—the Climate Change Committee.

Mark Harper: But Mr Smith has been very clear with me in conversations in this Committee and outside about looking at that over the lifecycle. I am very keen that our legislative framework is based on evidence and on science. One of the things I have asked my officials to do, including my chief scientific adviser, is to provide me with some advice about the science so that we can look at whether there is anything we need to do to ensure we are not skewing things in favour of one technology or the other, if certain technologies are capable of delivering the same outcome. I have not had that advice yet but I will look at it with an open mind.

Q55 **Karl McCartney:** Will you then share it with this Committee because we would love to see that, particularly when you look at the lifecycle of lithium and how that is mined? It does not just pop out of the ground as a pure metal, does it?

Mark Harper: No. At future sessions of the Committee, I am very happy to be scrutinised on that once I have had the advice. What we are trying to do here is achieve some objectives. I am very clear that the way we will deliver our objectives is by driving innovation and use of technology. There are ways that we will hit our objectives that have not yet completely been designed. I do not want to shut off any form of innovation and technology that can help our climate and our non-carbon emissions if it is capable of doing it in a sensible way. I am very open-minded about it and we will look at what the science and evidence tells us.

Q56 **Karl McCartney:** Considering the raw materials and the energy that have been used to make and maintain the 35 million vehicles on our roads in the UK currently, do you accept that putting something different into the fuel tanks of those ICE vehicles, for the next 20, 30 or 40 years, might be a really good, positive way forward for your constituents and mine, who, perhaps, do not earn as much as the early adopters, who all have BEVs?

Mark Harper: You raise a very good point that highlights the fact that our zero emission vehicle mandate is about new vehicles. We have no intention of forcing anybody to do anything with their existing vehicles. You make a very good point for domestic owners—

Q57 **Karl McCartney:** Do you accept that point?



Mark Harper: Let me finish the answer. For car owners and truck fleets and other fleets, there is a perfectly reasonable argument to make. Given that many of those cars will remain on the road for a considerable time, what do we do in the interim? If we can deliver cleaner fuels that can be dropped into existing vehicles that give a carbon and other emissions benefit, why not do that? But that is not necessarily a replacement for, at some point in the future, when people renew those vehicles, wanting to move to a zero emission technology. Clearly, many of those cars will be on the road. So, we should absolutely look at how can we make them cleaner in the interim. I know a lot of work is going on to develop that technology.

Karl McCartney: I am pretty sure that those who look after the fleets of ambulances, police cars and fire engines will be very pleased to hear what you just had to say.

Q58 **Gavin Newlands:** I suspect I will be taking you in a slightly different direction from Mr McCartney.

Congratulations on keeping your job. I have a number of issues to get through, so I will try to make this a quick-fire round, if I can. Is it something I said?

Ford has been mentioned, and it was critical in respect of the phasing-out of internal combustion engine vehicles, suggesting it might put further investment—and, therefore, jobs—in the UK at risk. On moving or deferring the phase-out of ICE vehicles, what impact will that have? Or have you calculated or estimated the impact it will have on emissions in those years when you have deferred it?

Mark Harper: Let us be clear on what we did and did not do. All we changed was what we were expecting for the 20% of vehicles that will not be zero emission in 2030; that is reducing to zero in 2035. We were previously going to say that those had to have a significant zero emission capability.

Something that has changed between setting that target and the Prime Minister's speech is that it is now the case that the carbon performance of plug-in hybrids, in the real world where they are not plugged in very much, is not as good as it is in the lab. A number of ICE vehicles have either similar or better carbon performance. So, it would have been a bit mad to tell people they had to buy a less good hybrid car than a petrol or diesel one. That is what we have changed.

It will have some impact and that is why we are looking at whether there is any more that we need to do in that period. But it is worth just saying we have also published the zero emission vehicle mandate, which is the most ambitious mandate of any significant country in the world. That was welcomed by the automotive sector, once they saw it and noted that we had listened to the various concerns they expressed during the consultation, and by the charge point industry, who welcomed the certainty that it provides to rolling out charge points across the country.



Q59 **Gavin Newlands:** Yes, not a great start to the quick-fire round. I do not disagree with a lot of logic behind—

Mark Harper: Your excellent questions deserve full answers.

Q60 **Gavin Newlands:** But I did not hear an answer. You said there might be an increase or a change to the emissions. Surely, the Department has estimated what that change will be. You will have estimates for emissions with the road map or with the path to net zero by 2050. If you do not have a full answer to that, how will the change to a deadline affect the mix of internal combustion engine cars and zero emission vehicles on the road in 2030, 2035 and 2040—again, assuming you have gamed that out as well?

Mark Harper: The point is it depends on where the technology goes. The fact is, in the real world, we would have required vehicles to have a significant zero emission capability. The fact is, in the real world, many plug-in hybrids do not actually deliver better performance than ICE engines. It may well be a theoretical difference but I am not sure there is a significant difference in the real world. That is the first point.

The second point to make is, even with the change that we have set out, a number of very significant vehicle manufacturers—I think specifically of published statements from Nissan and Ford—are committed to having achieved 100% zero emission capability of their vehicle fleets by 2030, in any event. So, it is entirely possible that, by the time we get to 2030, it will have been a significant transition anyway, ahead of where the legal position is.

We will have made a significant transformation of our new vehicle output by 2030. I am not sure focusing on what may or may not happen between 2030 and 2035 for the 20% and reducing the remaining part of the fleet is a terribly fruitful area of inquiry.

Q61 **Gavin Newlands:** With respect, it is just about knowing where the Department thinks the sector is going to be at those times. What are its current assumptions? That is really what I am driving at. If there are figures within the Department on both those questions, if you furnished the Committee with them we would be grateful.

Mark Harper: Yes.

Q62 **Gavin Newlands:** Regarding the take-up of the new generation of vehicles, obviously we welcome the figures. Every time the figures come out, they are increasing, which is great. I am an electric car owner myself. I bought my car through a Scottish Government incentive scheme, which was a zero-interest loan. A colleague has currently applied for a used zero-interest loan through the Scottish Government to buy an electric vehicle. Other countries are wrapping up incentivisation to electric vehicles. Are there any plans for the Government to incentivise take-up?



Mark Harper: At the moment, as you said, there has been significant growth in the purchase of electric vehicles. There are significant incentives for fleet purchasers and through company car incentives. When people are making judgments about purchasing vehicles, they make judgments about the total cost of ownership, which is a mix between the capital cost of the car and the running cost. Electric vehicles have lower running costs and a lower total cost of ownership.

Q63 **Gavin Newlands:** With respect, I totally understand and agree with that, but the capital cost is still a significant hurdle for lots of people.

Mark Harper: It is, except for the fact that almost no purchasers of new vehicles actually buy them. Almost every new vehicle is purchased through some kind of finance product, whether it is a lease or a personal contract purchase scheme where people do not lay out the capital cost; they lay out a monthly payment. They will also have monthly payments for the running costs of their vehicle. So, if the sum of those two monthly payments for the capital, effectively, and the running cost is at or lower than the equivalent petrol or diesel engine, asking the taxpayer—because that is what these incentive schemes are—to pay for them does not seem a very sensible use of public money.

Q64 **Gavin Newlands:** We will have to agree to disagree on that. I am not expecting you to announce the elements of the autumn statement. Have you made representations to the Chancellor to remove the gap between VAT on charging—5% VAT on public charging?

Mark Harper: You are absolutely correct in the first half of your question. I am not going to make any comments about the Chancellor's autumn statement. That is a matter for the Chancellor and it would be very unwise of me to do so.

Q65 **Gavin Newlands:** I am sure the Department lobbies the Treasury on that.

Mark Harper: The point you make has been raised previously. At the moment, of course, the vast majority of people who charge vehicles do so at home. Over time, as public charging becomes more significant, the issue you have raised may become more prominent. The Treasury is very well aware of the issue you have raised. I am sure the Chancellor will have that as one of the things he thinks about as he is putting together his judgments for the fiscal event that is taking place next week.

Q66 **Gavin Newlands:** I am always seen by your Ministers as being very negative, so I will say something positive. The increase in charge points in England—12% in the last three months, I think—is obviously very welcome. Obviously, none of us is going fast enough to cope with the demand, but that is the biggest jump in the Department's figures in some time.

However, there is always a negative. We opened the rapid charging fund over two years ago and it is still not open for applications, as far as I am



aware. Why?

Mark Harper: On the first half of your question, you are right; the figures are very welcome. The publication of the zero emission vehicle mandate was important, not just for the automotive companies that you mentioned but for the charge point industry and its investors. My understanding is there is around £6 billion of private capital going into the charge point sector.

The fact that we have published the zero emission vehicle mandate and it will be legislated on this autumn, Parliament willing, gives them the confidence to roll that out, together with the very important announcements that the Prime Minister made in his speech in September, setting out the work that the net zero department is doing with the distribution companies about speeding up connections to the grid. That is very important.

We are putting public money into two areas, one of which is on-street charging, but I will not go into it at length because you have not asked about it.

The second one is the strategic road network, making sure we can invest in the charging available there. That is under way. There are some complexities about ensuring we get that right and do not adversely impact private investment. So, there is work under way on that. I hope to be able to make announcements about that shortly.

Q67 **Gavin Newlands:** Two DfT schemes are taking an age to deliver—Project Rapid and the ZEBRA bus scheme. Is it still the Government's intention to set an end date for the sale of zero emission buses between 2025 and 2032? If so, when can we expect the publication of the UK's road map to achieving an entirely ZEB fleet, as promised to the Committee in response to the buses report?

Mark Harper: I do not agree with your characterisation of things having gone very slowly. Our overall performance, as a country, on reducing our carbon emissions is the most impressive of any G7 country in the world. It is singularly better than our European neighbours. Our overall performance stands the test.

I will set out what targets we are going to set for buses and other things in due course. I am not going to pluck a date out of the air. We will set them out and, of course, Chair, we will set them out to Parliament first.

Q68 **Gavin Newlands:** I do not have time to dig into the details that I would like; we are rapidly running out of time.

The NAO figure for this current year, 2023/24, was £108 million for active travel in the DfT budget. There is £165 million in the Scottish Government budget for active travel. That is £1.91 a head in England and £30.10 a head in Scotland. When I raise these figures, I usually get city deal and other projects and spend that incorporates active travel, so



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those figures do not reflect it. But that is the same as the Scottish Government; we have similar schemes. There is actually more than that being spent in Scotland, but that is just out of the specific active travel budget. Why are you not spending anywhere near enough for the modal shift to get people walking and wheeling?

Mark Harper: Two things: first, we will have spent £3 billion over this Parliament on active travel, which is the largest investment any Government have ever made in active travel ever.

The second point is that you are absolutely right—and the reason you keep getting that answer is that it is the correct answer. There is the money the Department spends through Active Travel England specifically on that.

Gavin Newlands: And Scotland.

Mark Harper: But there is also a significant amount of money delivered by regional mayors. That is not the position in Scotland, because you do not have regional mayors with very significant budgets. Our regional mayors spend money on active travel schemes, but it comes out of their budget and is not included in the departmental numbers. National Highways directly spends its own money on active travel schemes and supports active travel schemes delivered by others.

If you take all that together, it is a very significant amount of money and it is more money than any Government have ever spent on active travel. Our record on it is a very impressive one and bears a great deal of scrutiny.

Jo Shanmugalingam: The NAO recognised, and we are really pleased with, the early impact of Active Travel England and what they are doing to support local transport authorities better to design all road schemes to enable active travel in all its forms, as well as better flowing of all forms of traffic.

Q69 **Gavin Newlands:** Fair enough. There is still a significant gulf in the funding north and south of the border. In handing back to the Chair, I would like to welcome your strong support for devolution, as you stated in an earlier answer. I will remember that when the Government are trying to stick their oar into Scottish devolved issues like the A75. With that parting shot, I will pass to the Chair.

Chair: Thank you. I do not want to get into constitutional policy just at the moment.

Gavin Newlands: Why not?

Chair: Grahame, you wanted to come back.

Q70 **Grahame Morris:** Earlier, in response to a question from one of my colleagues about the supply chain, your answer focused on the



construction sector and contractors.

Mark Harper: Yes.

Q71 **Grahame Morris:** We have heard many times that this is the biggest investment programme in rail since Victorian times. I, and other members of the Committee, and presumably MPs more generally, have received representations from the UK-based train manufacturing companies, notably Alstom and Hitachi, voicing their concerns about the hiatus in their order books, given the scale of public investment. Why can the DfT not provide a steady pipeline of work that will provide high-paid, highly skilled jobs in areas and regions like mine?

Mark Harper: Your point about the rolling stock industry is a very well-made one. It is a very important industry and one that we strongly support. It is the case, if you look at the very significant investment in rolling stock since privatisation, much of which has been manufactured by UK-based manufacturers.

The problem is that rolling stock has a very long life. We can have an argument about the past. But the fact is the way it was procured in the past by private companies means a lot of it got built and will not need to be renewed for a long time. That does raise an issue about capacity.

The Government are working closely with those manufacturers. One of the commitments I have given is, first, my officials are working closely with them on giving them sight of clarity around which companies are likely to procure, and when those schemes are likely to happen. We will set out publicly by the end of the year the road map for procurement, not just from a departmental point of view but from a Government point of view. It will cover procurement and the funding in place to pay for it, which has been welcomed by those manufacturers because it will give them certainty about what work is coming down the road. That deals with your issue about transparency.

Q72 **Grahame Morris:** Recently, a press release indicated that LNER, the main east coast operator, was procuring 10 tri-modal trains to supplement the existing Azuma fleet. My understanding was that part of the rationale of standardising the Azuma fleet, which is made at Hitachi in the north-east, was that it minimised maintenance costs. The maintenance crews did not have to tool up for a number of different variants and types of trains. It made sense to do that. There was less time spent in maintenance and more time on the track. It struck me as a strange decision.

You probably will not like this but I had a look at the company donations. Alstom and Hitachi do not donate to any political parties, but the company that makes those 10 tri-modal trains donated £150,000 to the Conservative party. Is there any linkage there?

Mark Harper: The short answer is no.



Q73 **Grahame Morris:** Were you aware of that?

Mark Harper: Donations to—I was not actually aware of that. Donations to political parties are published in the usual way. As you will know, decisions about procurement and decisions like that are not made by Ministers. Ministers set the overall framework for procurement and value for money, but there is a properly set-out process where officials make those decisions. The advice that comes to Ministers is based on normal commercial considerations, done in the usual way. I was not even aware of the particular facts you mentioned, so they clearly were not. But Ministers do not make individual contractual decisions about handing out contracts to individual companies, quite rightly.

Q74 **Grahame Morris:** Absolutely right. It would be extremely unacceptable, if that is the word, if that had any influence on decision making in procurement. Is there an attempt, given the nature of the industry and how important it is—it is quite an embryonic industry—to try to share out the work to ensure in Derby and other major cities, and in Paul Howell's constituency, where there are huge employers, a constant supply of work for them?

Mark Harper: Clearly, Government want to make sure, as I said, that we are transparent about the overall pipeline. As to who wins that work, that is a competitive process because it is important that we also have value for money for the taxpayer. It is the taxpayer at the moment who is effectively funding all this work because of the fact that the rail industry is losing a significant amount of money because of the lack of passenger traffic since the pandemic.

These are competed contracts. We will do what we can to give certainty about the overall pipeline of work. But, on the individual bit, companies have to make their pitch and win those. To be fair to the companies, that is what they expect to happen. They have to put their most competitive bid forward to try to win them.

Grahame Morris: I understand, okay.

Chair: Gavin, do you have a quick supplementary to wrap things up?

Gavin Newlands: It would not be particularly quick at this point, Chair. Thank you anyway.

Q75 **Chair:** Thank you. I am conscious of the fact that we wanted to cover many areas this morning, but time has eaten up our capacity.

I want to conclude with two other quick areas. First, looking for some reassurance, there are volcanic threats in Iceland at the moment. When this happened in 2010, it caused massive air disruption around the world. Do you have any information to share about the likely threat to air services if this volcano does erupt?

Mark Harper: You are right about what happened in the past. The Department is obviously keeping a very close eye on it. My



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understanding—and I will ask Jo to come in, if she wants to add anything—is that this volcanic issue is not like the previous one. I will not try to repeat the name of the volcano, because I will get it wrong.

Chair: I was avoiding it, too.

Mark Harper: The previous one was of an explosive nature, which caused all that dust and particulate matter in the air that had the impact on aviation. I understand that if this one erupts it is likely to lead to magma flowing but is not likely to have the same impact on aviation. We are, of course, monitoring it carefully, working with the airline industry, but we are not expecting it currently to have that impact. Is that correct, Jo?

Jo Shanmugalingam: That is exactly right, yes; we are monitoring it very closely.

Mark Harper: Yes.

Q76 **Chair:** Thank you, that is helpful and reassuring. Finally, if I can turn to internal departmental matters, you have had a few team changes this week. I understand it has now been announced that Baroness Vere has moved to the Treasury and Lord Davies of Gower is coming in.

Mark Harper: That is correct.

Q77 **Chair:** Have you decided to shuffle the portfolio of responsibilities for each of your team yet?

Mark Harper: I have decided to do that. Because the announcement about Baroness Vere's move was made only late yesterday, I have not yet finalised those portfolios. The most helpful thing, Chair, if I may, once I have done that, which will be in the very near future, is that I will write to the Committee to let you know which Ministers are responsible for which areas of policy, because there will be changes. That will help you, no doubt, when you wish to call Ministers in the Department for scrutiny.

Q78 **Chair:** That would be very helpful, thank you. I thank you for your time this morning and for answering our questions. Inevitably, there will be areas that we wish to follow up on.

Mark Harper: Of course.

Q79 **Chair:** We will do so in writing and we look forward to our upcoming session on HS2 with the Minister and executive chairman in a couple of weeks.

Mark Harper: We will wait for your letter with any detailed areas that you wish to pursue. When we reply, we will cover the areas that I referred to in our previous exchanges, where I said I would write. We will send you one response, if that is okay.

Chair: That will be helpful. Thank you.