

Transport Committee

Oral evidence: [Rail investment pipelines: ending boom and bust](#), HC 575

Wednesday 16 July 2025

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[Watch the meeting](#)

Members present: Ruth Cadbury (Chair); Steff Aquarone; Dr Scott Arthur; Catherine Atkinson; Mrs Elsie Blundell; Olly Glover; Alex Mayer; Baggy Shanker; Rebecca Smith.

Business and Trade Committee member present: Charlie Maynard.

Questions 285–373

Witnesses

I: Lord Hendy CBE, Minister for Rail, Department for Transport; Alex Hynes, Director General for Rail Services, Department for Transport; and Alan Over, Director General for Major Rail Projects Group, Department for Transport.

Written evidence from witnesses:

- [Department for Transport](#)

Examination of witnesses

Witnesses: Lord Hendy, Alex Hynes and Alan Over.

Q285 **Chair:** Welcome to this morning's evidence session. This is the final evidence session of our inquiry into rail investment pipelines. I welcome Charlie Maynard MP, who is guesting with us this morning from the Business and Trade Committee. Welcome.

We will put questions to the Rail Minister on the full range of issues that we have been exploring during our inquiry. It is good to welcome Alex Hynes, Lord Hendy and Alan Over for the second time in a week. Would you like to introduce yourselves?

Alex Hynes: Good morning. My name is Alex Hynes. I am the director general for rail services at the Department for Transport.

Lord Hendy: Good morning. My name is Peter, Lord Hendy of Richmond Hill. I am the Minister of State for Rail at the Department for Transport.

Alan Over: Good morning. I am Alan Over, director general for major rail projects at the Department for Transport.

Q286 **Chair:** Why are rail investment pipelines so important? Lord Hendy, as a former chair of Network Rail, what do you understand by an investment pipeline and why is it important?

Lord Hendy: There are two reasons why it is important. Investment in the railway is important because the railway produces connectivity, which creates economic growth, jobs and homes. That is the basis of Government investing in the railway. That is why everybody wants railway investment. A pipeline is important because you need a forward-looking, transparent programme of investment that gives the supply industry the confidence to plan, invest and deliver. For both reasons—the outcomes and the supply industry—it is important to see a pipeline.

The pipeline has to be credible. One of the reasons why this Government have placed such an emphasis on long-term planning is that pipelines that are published but not funded, or that lack transparency, frankly, don't help very much. The Committee will know, just as we know, that the last Government produced at least two plans where the funding was extraordinarily uncertain, and therefore the plan had no veracity of any sort. The most notorious, of course, was the last one, which was Network North. That was a list of projects, none of which were funded and therefore they had no credibility.

This Government aim to do things very differently by having a long-term infrastructure strategy setting out a cross-government commitment to infrastructure delivery. The spending review has funded rail enhancements across a number of years and, of course, the Committee already knows that the operations, maintenance and renewal settlement



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in Network Rail is done in five-year periods. Those things are important, both for the outcomes and for the supply industry.

Q287 **Chair:** We have heard throughout the inquiry that rail investment in this country is characterised by boom and bust. You may not agree with that assessment, but why do you think the industry takes the view that we have been beset with boom and bust over recent decades?

Lord Hendy: To start with the facts, the control period settlement for Network Rail for CP7 was £43.1 billion, which is operations, maintenance and renewal without enhancements. That is very similar to CP6, which was £47.9 billion. Enhancements have been pretty steady at £2 billion. The recent spending review on average over the next four years is £2.1 billion. That excludes the major projects, which Alan can talk about. It excludes Northern Powerhouse Rail. It excludes HS2. Of course, HS2 is a phenomenally large project itself; the spend is around £7 billion a year.

In numbers terms you cannot substantiate boom and bust, but there are some choices made in what the money is spent on and over what period of time. I think you must have heard from Andrew Haines, for example, that the amount of money being spent on climate resilience in Network Rail is far higher in CP7 than in CP6, which is right because climate change is real, and it is affecting the infrastructure of the railway. That means that other categories of spend in the control period are less.

When you hear from individual suppliers and individual categories of suppliers that they don't like what is happening in CP7, I think they have to realise that the railway needs to spend money on different things as the railway evolves. There is less signalling in CP7. There is less track work, but there is a lot of spend on climate change. I think it is times five or something compared with CP6. I'm not even sure we got that right. It probably should have been more. If we have more summers like this one, people will be begging Network Rail to spend still more.

There is a difference in how much money there is in total, and you could well argue that the total spend on railway infrastructure, including HS2 and the major projects, is probably greater than it has ever been, and what it is spent on in detail. Alan, do you want to come in on the major projects?

Alan Over: I agree with how you characterised HS2. That is a big, lumpy investment. There are questions about whether we can do more to set out a longer-term plan on the major projects side, which we might discuss in the course of this hearing.

Q288 **Catherine Atkinson:** Lord Hendy, there is a very obvious relationship between a steady investment pipeline and maintaining a skilled workforce. The Department has acknowledged that in written evidence. You wanted to be focused on facts. The National Skills Academy for Rail reports that there has been a 9.4% reduction in workforce over the last year, which has been largely attributed to capital spending uncertainty. I



fully support and acknowledge the focus on long-term planning across the board, but that doesn't appear to be being applied in rail, does it?

Lord Hendy: I will hand over to Alex in a moment. In the money that I just talked about, you have to look at the total spend. At the moment, HS2 has 30,000 people working on it, which will not turn up in the NSAR's figures but are real for people working on railway infrastructure.

Alex Hynes: The figures from the National Skills Academy for Rail are concerning. What that data shows is that in 2001 we employed about 250,000 people in rail. That dropped last year to 220,000. We have been clear that a steady investment pipeline is required to deliver a skilled workforce for rail.

Interestingly, 2021, when we employed 250,000, was the last time we had a multi-year spending review. Some of the people who have given evidence to this Committee have talked about needing to know on a three-year horizon basis what the future looks like. That is one reason why we are so pleased that the spending review settlement, and indeed last week's announcement by the Secretary of State for Transport, set out funding certainty for four years for the rail network enhancements programme, which is a significantly better place than we have been for a number of years. Not only has the spend gone up a bit, but we have been given greater certainty.

We are in the process of producing a whole-system infrastructure and rolling stock strategy. We agree that the current rail industry is too fragmented. It is one of the reasons why we are creating Great British Railways. The boom and bust that some people refer to is actually most acute in rolling stock. We have not had a rolling stock strategy in this country for 30 years. Rolling stock decisions were primarily made by the franchise bidding process, which doesn't exist any more. That is one reason why the creation of Great British Railways as a directing mind can help us with our infrastructure and rolling stock strategies, but we are not waiting for Great British Railways. We are doing that work now. I have a small team in the Department working on that with the industry. We recognise that we can do a better job than we are doing. I met with the National Skills Academy for Rail on Friday. I met their chair and chief executive and was able to take them through all the steps we are taking to make things better.

Catherine Atkinson: My colleague has further questions on this point, so I will leave it to him.

Q289 **Baggy Shanker:** We have touched on this, but I would like to explore it a bit more. The Rail Industry Association told us that companies typically need around three years of certainty of work in order to invest in important things like apprenticeships and graduate schemes. They tell us that they just do not have that at the moment—there is a lack of that. You have just spoken about the recent changes, but do you think you are doing enough to support the profession and people coming into the rail



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industry, as well as giving certainty? Can you expand it a little bit more to recruitment drives and advertising and encouraging young professionals to join the sector?

Lord Hendy: I think Alex has just said it really. The published list of schemes, both for rail and for road, arising from a multi-year spending review is quite a lot of what the supply industry needs in order to sort itself out and look to the future for work.

The only thing I would say about it is that you have to refer back to my opening remarks about what is being funded and the change in the nature of some of the work that is being funded. The traditional signalling market, for example, is not seeing like-for-like re-signalling, which is very expensive and usually produces in the end no extra capacity because all the bells and whistles get cut out due to the cost, whereas the jobs in the future and the skills that we need are increasingly moving to digital signalling. They have to respond to that. I am pretty sure that the market can see it, frankly. I went down to Chippenham to dig a trench or put a spade in the ground for a new signalling facility for Siemens. Clearly, they recognise that the nature of the signalling market is changing.

I think we should look again at the major projects. Alan, can you speak about HS2 and the level of apprenticeships there?

Alan Over: We are close to the target of 2,000 apprentices that we set for the whole scheme. HS2 Ltd is at 1,800 or 1,850 now. That is an impressive bit of work by them and the supply chain. Ideally, we can move those on to successor projects, but if they are not available they are highly skilled people who can apply themselves across construction and across systems in a wide range across the rail industry and beyond.

Alex Hynes: The Rail Industry Association provided evidence to this Committee on 7 May. I think there is a degree of validity in what they said. Since then, of course, we have had the spending review outcome and the announcement by the Secretary of State on all the road and rail projects that will be delivered over the next four years. If you go on to the Department for Transport's website today, you can see all that laid out. We have visibility now of all the capital expenditure in rail for four years, plus the nine months of the financial year we are in. That is beyond the three-year visibility that organisations are asking for in workforce planning. Those two recent developments—the spending review and us publishing the pipeline of road and rail projects—have made a big difference to the ability of the supply chain to plan.

Q290 **Catherine Atkinson:** In light of the delay that the companies and the supply chain have had to manage to navigate, waiting for the spending review and the announcement since, what support is being given considering that so many of them feel that they have gaps in their order books and have real difficulties in surviving while waiting for clarity as to their future work?



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Lord Hendy: It's tough. The economy was not in a good state in the last days of the last Government, and the railway had very little certainty about what it was doing. There is an issue, as there always is about the changeover in control periods. There is usually a temporary dip in the amount of work, created by the need to do new five-year contracting.

I think this Government have actually delivered on what they said they would do, which is to re-establish a fiscally sound method of management. What has been published in the spending review gives four years' worth of certainty, which is pretty good stuff. We can all recognise that we would rather not have been in the position we were in when the Government took office, but that was the position. The best thing we can do is to publish what we are going to do, at which point the supply industry can get its act together.

I am not surprised either—as I am sure Alex and Alan are not—by the RIA's response. We have been living hand to mouth for quite a long time. The certainty given by the Government's announcement, even though there are people who would have liked projects in there that have not been able to be funded, does now enable the supply industry to move on.

Alex Hynes: Certainly supply chain considerations are actively considered at every meeting that I go to between the Department for Transport and Network Rail, to manage the rail network enhancements pipeline. We recognise that we want to try to smooth the work. We want a vibrant supply chain so that we have competition, which means we get good prices.

On rolling stock manufacture, for example, we are currently in the market for new trains in three places: Northern, TransPennine and Southeastern. We are already thinking, "Well, what about next year?" That is why we need a smooth pipeline and the joined-up rolling stock and infrastructure strategy, which we are genuinely very excited about. Having a more strategic approach to the management of rolling stock and infrastructure is a huge opportunity, not just for Great British Railways to get better value for passengers and taxpayers but for the supply chain.

A good example is that we have the ability to build about 1,000 carriages per annum of rolling stock in this country, but we normally buy only about 500 a year. That is the long-term average demand. What the rolling stock manufacturers are saying is, "Our factories don't need to be full all of the time, but slow and steady wins the race." That is why we need the strategy.

Q291 **Catherine Atkinson:** As they are not building them yet, is there anything more that needs to be done to ensure that the supply chain still exists by the time the work starts?

Alex Hynes: For example, the previous Government intervened in terms of Alstom in Derby to support the additional trains for the Elizabeth line. That was a good example of an investment that made sense for



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passengers and taxpayers as well as for the supply chain. Of course, this Government have welcomed the recent investments by First Group and Arriva in additional trains for their open access business, which is really helping the Newton Aycliffe site in the north-east.

Q292 Catherine Atkinson: But we had nearly 1,000 years of welding experience combined walk out of the doors at Alstom before that was put in place. It is just about trying to ensure that we still have those skills when the works starts, isn't it? Doesn't that still need more support?

Alex Hynes: I think that will flow from the strategy. Obviously, we will engage thoroughly with the manufacturers to make sure that once we have produced the strategy it makes sense for them. If it makes sense for the manufacturers, it means that we will get good prices. The boom and bust doesn't actually give us good value for the taxpayer because we end up overheating the market ourselves, and then we don't get good prices.

Q293 Catherine Atkinson: I was just surprised that in citing the figures it was saying they do not justify the boom and bust happening, but aren't we in a period of bust right now?

Lord Hendy: To be fair, Alex clearly said that rolling stock is an exception to that, and the associated supply of traction power, simply because that market has been terribly fragmented for over 30 years. I do not think it has helped the manufacturers, nor the people with the skills, but that is what we aim to remedy through the strategy that Alex is talking about. It is a very exciting prospect for the rolling stock industry. If we go back far enough, I remember that after the train companies were first put into franchises there was something like a three-year period when there were no rolling stock orders at all. That was devastating for the supply market, but of course the nature of the franchising process was the antithesis of long-term planning. We have to get back to that planning.

You are right to press the point. At the end, there are people with real skills and real jobs, but from where we are now Derby has the Elizabeth line trains, as Alex said. Newton Aycliffe has work for the moment, including the new EMR trains. The Siemens factory at Goole is doing the Piccadilly line. The best thing we can do is to get on with the long-term strategy, set it out and liaise with the manufacturers. Then they, the people who work for them and the railway can be certain of what it is going to get in the future.

Catherine Atkinson: Thank you.

Q294 Chair: Can I pick up the point on skills? We often think of apprenticeships, and many parts of the rail industry do quite a lot on apprenticeships, but I want to pick up the wider issue of capability because there is a lot of crossover with James Stewart's report on HS2. He said that we really need an infrastructure capability plan and we need



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to look at public sector pay levels because the converse of the shortage is that people are paid large amounts of money on consultancy when vacancies cannot be filled. In several examples, both in this inquiry and when looking at HS2, and in some of the evidence we heard from you both last week, adequate skill levels, not just at the base level but at the middle and top levels, are just not there. Is there a strategy? Is there likely to be a strategy for an infrastructure capability plan to address those failings?

Alan Over: The model we use, which is to deliver through arm's length bodies, in large part gives more pay flexibility for them to pay more than you would be able to do across the civil service. That is one of the reasons for the separation. It creates other challenges too.

Recent work between us and the Treasury has tried to make sure that Mark Wild at HS2 has the pay flexibility he needs to bring in the calibre at the top team. Mark himself talked about the balance between internal staff and the use of contractors and consultants. There is a place for both, but you have to get it right. The country has a powerful capability in professional services and engineering services, but we need to drive good value for them. As Mark Wild said, and I agree, one of the benefits of a smooth pipeline is that you can get the rolling of the experience as well as the skills. We can buy in stuff from overseas, and much of this is a global market so if we do not give the people that we have taught how to build railways, or who have learnt it the hard way, railway building here, they will go and do it offshore. Equally, we can attract that talent in.

As much as the ability to buy the right capability, which is crucial in leadership roles and in some technical engineering and estimating and design, we need to provide a pipeline that allows us to roll those skills from one of our big projects to the next. That is in industry. It is in our arm's length bodies between Network Rail and GBR in the future, in HS2 Ltd, in National Highways and across Government where we commission big infrastructure. It is true in the Department as well, where there is now much more emphasis on the project profession. We need to keep building that capability. There is good work by the civil service in recognising the importance of the profession and investing in it through the Leadership Academy and the work that NISTA is leading. Some of the lessons have to be learnt the hard way in practice. It is how we capture and share those and generate our next set of project leaders by getting experience on things we are doing at the moment.

Lord Hendy: The Government's 10-year infrastructure strategy will produce both further evidence of the need for people with these skills and an encouragement for people to get them. You cannot underestimate the value of everybody being able to see a long-term future in big projects. One of the reasons for having such a 10-year plan is that we have choices of people to run these big projects and they have appropriate skills.



Chair: Considering people with an excellent career pipeline, I am going to move to Olly Glover.

Q295 **Olly Glover:** I think that is an over-generous review, Chair, but thank you very much. Much of the Government's written evidence talked about the need to balance giving certainty to industry on the one hand with allowing Government flexibility, for example through the spending review process. That approach contrasts quite markedly with approaches taken in some other countries. For example, during 1987 Switzerland got political consensus around a whole series of infrastructure interventions needed to deliver a national vision for an integrated timetable, which has led to some of the highest public transport uptake rates in Europe. Which of those two approaches do you think is more useful for railway infrastructure? Is Great British Railways likely to enable a change of approach from what we have at the moment?

Lord Hendy: The truth is that we are spending public money. We are spending large quantities of public money. I have a lot of conversations with the people I know throughout the transport industry. They say, "Well, if it wasn't for politicians, we'd all know what we were doing." You would, but you would not have any money to do it. It is hopeless if you are going to try to pretend that the transport industry will do okay on its own when, actually, you are appealing for large quantities of public money. If you are appealing for large quantities of public money because the people in our businesses believe that they are doing the right things, then the Government of the day clearly need to have significant influence in the choice of what they do with it.

This is not a new issue. It has been an issue ever since the money needed to invest in railway infrastructure has largely come from public funds, which is a very long time. If you look back at the history of the railways, nobody has been remotely solvent running a railway since the end of the first world war, so it is not a new issue. Even in the 1930s a lot of the major schemes were funded by public money and the Government of the day made a choice about where to fund them.

We know that the industry needs certainty. I think what has been set out in the spending review is a decent bit of certainty after a long period of relative uncertainty. Four years is not bad. A lot of the answers to the Rail Industry Association and its supply chain will at least be clear at a reasonable level about enhancements and what the Government are now intending to do, and it is funded for that period of time.

Could you look at it over a much longer time? You can in aggregate. A 10-year infrastructure strategy will give certainty, as we have just talked about, to people who want to train the managers, project directors and so on, and more certainty for the construction workforce. Are we likely to get long-term, granular lists of railway infrastructure which are committed to by successive Governments? Well, only if public policy doesn't change, and public policy has a habit of changing. I think the railway industry has to live with a bit of that uncertainty. The difference



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with this Government is that successive Governments said they were going to do something for the midlands and the north and produced schemes that drew lines on maps but were not funded. This one is setting out things that are funded, so that will do.

There is a tension. We are never going to not have such a tension. The other thing you have to recognise is that even the state railways of Europe were equally hit by covid. Alex and I were talking on the way in about the really fundamental change in the railway market since covid. Leisure is up continuously; business travel is down; commuting is still slowly returning. It would not be right to carry on with the huge and detailed list of things that were created pre-covid. Nobody has raised with us recently the Croydon area remodelling scheme, but that was on the basis that the Brighton main line was full, pre-covid, with commuting. It is not currently very high in the list of priorities because the market has changed. You would not want us to carry on with things that were not the right things to do in circumstances where we had better things to do, and they were things that are right post covid.

Q296 Olly Glover: I get the point about the changed market, although the figures I have seen for most European countries are that their rail use is now above pre-pandemic levels, whereas ours are still significantly below. Perhaps it is the relationship between the two and which comes first, the lower demand or the improved product. That is the other dilemma.

Lord Hendy: Of course, the other thing is that in practical terms those railways did not have a prolonged industrial dispute with most of the staff for two years, which depressed the revenue. They have bounced back faster and we are coming back faster now because the Government have solved that problem.

Maybe the other thing, which I will turn to Alan about, is that really big projects are different, of course. We were here last week for two and a half hours talking about the biggest project. We were talking about the difficulties created by Governments changing their mind, sometimes at extraordinarily short notice, which is damaging, clearly. You want consensus for those because the construction period lasts for far longer than one Government. We are all familiar with that. When I greeted the new mayor in 2008, he said, "What can I do?" I said, "You can open all the projects that were funded by the previous mayor," and so it proved. And it is true here. In these mega-projects the construction period itself spans several Governments. What you want is real consistency and that has been part of our problem.

Alan Over: I agree. On major projects you are looking at a 10 to 20-year conception to delivery. Some of that is too long at the back end, and we need to work on that, which requires alignment across multiple Governments and multiple Parliaments. Different political cultures achieve that in different ways. Some countries have a climate where it is more possible to set out the long-term national interest in a way that is less politically active.



As Lord Hendy says, for maintenance and renewals and, at smaller scale, enhancements it is right to have some flexibility. The advice should come from the operators, but the politicians need to make the decisions on how much to fund and what the priorities are. Major projects are always going to attract very significant political interest because of the cost and the benefit—both sides of the equation. People want them to serve the country and serve local areas. They know that it is a 50 to 100-year decision. Once we have committed to something, though, we could adopt a protocol that it should not be changed except for exceptional circumstances. I have to act as a civil servant and say that any decision is subject to the policy and decisions of the Government of the day, and those priorities can change.

For the TransPennine route upgrade, East West Rail, Northern Powerhouse Rail prospectively, and HS2, ideally you would have a more stable plan and pipeline so that you could roll the capability and skills that we have just talked about. As importantly, you can roll the experience and the lessons and learn how to do them better and get progressively more efficient, so that you get more rail miles for your euro, your yen or your renminbi. We need that for the pound as well. Other jurisdictions have managed to have that pipeline, as Mark Wild would call it, and I think it is something we should examine. Lord Hendy correctly—

Chair: We have a number of questions coming up on that very topic. Rebecca has a specific question about a specific issue, as I'm sure most people do.

Q297 **Rebecca Smith:** I was going to bring this in much later, and I may well come back to it if I feel that there are more angles to explore. Ultimately, you have just talked extensively about long-term national interest and about the need for a pipeline for key infrastructure projects. You listed all the ones we always hear about in the north and the midlands.

The great big gaping hole in this plan is the Dawlish rail resilience line. I know the excuse is that it is a very expensive project, but every Government over the last 10 years has known that it needs finishing. Quite frankly, with all due respect, if you live in the south-west, that is a national infrastructure piece. Any south-west MP is going to be looking at what you have put forward. The 10-year plan is great, but it is missing. We need assurance that, as far as you, the Department and the Government are concerned, the south-west is as important as the rest of the country. Ultimately, you have described capacity issues at Croydon and the impact of covid. The distinction with the Dawlish line is that it is not about capacity but about existence. If we do not get that funding, the very line is at risk. It is an existential problem which also wastes all the public money that has already been spent. I would be really interested to know why it is missing and what you can say to reassure constituents right across the whole south-west that it really matters.

Lord Hendy: I absolutely recognise the passion behind what you say. The parts of that project that have been completed were the parts that



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put back the strength of the sea wall following the damage in 2014. The piece that is left is what you do about cliff stabilisation, which is different. I have seen some comments in the media that mixed up the two.

I can't remember where I saw it, but there was some suggestion that somehow the monitoring of the cliffs was some optional activity, which it is not. The monitoring of those cliffs will continue. The future investment on dealing with the cliffs at Teignmouth and Dawlish depends on what the monitoring shows about how they are moving. There are two issues on the same stretch of line. One is the incursion of the sea, which I think has been solved. That work has been done well. The other is the stability of the cliffs. The cliffs have been unstable ever since the railway was built; it is not a new issue. In fact, Brunel had some trouble with the cliffs, in 1858 I think. They are vulnerable. Therefore, Network Rail will continue to monitor them. It is not an option. That is what we will do. As that monitoring continues, they will work out what needs to be done next. It is not a once-in-a-lifetime issue. It is a continuing issue and it will be exacerbated by climate change. It has to be watched closely.

I have to tell you that that is not the only part of the national railway network where this is going on. We have had serious trouble on the South Western line between Salisbury and Exeter, which was badly built in the first place and has been subject to serious movement ever since, and quite recently. All over the railway there are things being watched, and investment is likely to be needed in the future. People in the south-west beyond the cliffs at Dawlish and Teignmouth, and people who rely on that railway, can be absolutely assured that Network Rail are monitoring the cliffs and that proposals will come forward to do the appropriate remediation in due course.

Q298 Chair: Does that make the point that so much of the railway is not collapsing and is not at risk because of how well it was built 150 years ago?

Lord Hendy: That is a really interesting subject for debate. Historically, in the 1830s and 1840s, the railway was astonishingly well built by people who had no idea what they could do with new-found skills and technology. By the 1850s and 1860s, and in some parts of England where competition was rife, some of it had been astonishingly poorly built and still suffers from it. If you talk to Steve White, who runs Southeastern, he will tell you all about it. They had two competing railway companies from the 1860s to the 1890s and what they built was very poor.

Q299 Chair: I am sorry, I got my numbers wrong. We are talking about 180 years rather than 150 years.

Alex Hynes: It is probably worth saying that, sadly, we have had to pause the final stage of the south-west resilience programme. We have actually invested enormous amounts of money in that railway to make it more resilient. I have been lucky enough to see all the investment that



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has been delivered from the cab of a train, which is one of the best ways to see it.

Q300 Rebecca Smith: There is no doubt that that is what happened, and that is welcome. On what Lord Hendy and you are saying, Alex, it is the reassurance needed that should something happen that is unexpected, the money is there. They are monitoring the cliffs because of climate change, and something extraordinary could happen that is not expected. There will then be an existential problem for that line if the cliffs fall down. I hear what you are saying about the monitoring, but I guess it is seeking the reassurance that should the monitoring go AWOL and something happens that we are not expecting, do the Department and the Government have the money to make sure that they can step in at that point? That would ultimately be quite a significant national emergency.

Lord Hendy: There are two answers to that. First, the evidence is that the Government do step in. When the sea wall got washed away, the evidence is that an enormous amount of effort went into that in a very short space of time. Actually, the railway came back, to great acclaim, faster than anybody expected. The other is that Network Rail, in terms of its provisions in the control periods, always has some risk fund for things like that. Unless we have some cataclysm, the odd bit of cliff falling down can be remedied by the odd bit of repair to keep the railway going. The last stage of this is looking, longer-term, at how you would stabilise it. Even then, when that comes forward, it might have to be done in sections. It is quite a long stretch of cliff, both from the front of the train and from the side of the train.

Q301 Chair: Dawlish is very important, and there are many other examples as well.

Lord Hendy: It is. I completely recognise the passion. By the way, I travel on it, not irregularly.

Chair: Anyone who has been on that route knows that. Let's move to the barriers to establishing stable pipelines.

Q302 Alex Mayer: How much would you say that the issues at the core of this inquiry stem from a lack of long-term vision for the railway in this country?

Lord Hendy: Alex has already touched on this. One of the reasons for the establishment of Great British Railways as a controlling mind is that, because the investment is so long term, everything in the infrastructure—the physical bridges, tunnels and cuttings—lasts 100 years or more. The rolling stock lasts for 30 years. You need to know where you are going, and the fact that the railway has been fragmented has not allowed the railway as a whole to have a view about where it should be going for the future. The establishment of Great British Railways will allow that thinking to come together. There are some real benefits of that. The Government are very committed to the establishment of Great British



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Railways. It is not by accident that the public ownership Bill, which is the precursor of a substantive railway Bill, was the first manifesto Bill to go through Parliament, which is a step on its way.

I keep saying that connectivity drives growth, jobs and homes. We know that that is what the railway does, so committing to publish a long-term rail strategy is helpful. As we have talked about, it cannot go into absolute granular detail, but it can show the direction you are going in. I think that is helpful. Will it be something that the Government have to get behind? Well, of course, because it is no use if they don't. An arid document that is not supported by the Government that gives the railway the money is no good. I think we will be able to demonstrate very clearly that a long-term rail strategy will show where the railway is going, and it will enable a lot of work to be done underneath it about the detail of that long-term strategy.

I look to my experience of running Transport for London where, in a regional sense we had a long-term economic development and spatial development strategy. You were then able to have a transport strategy. That enabled you to work out what transport interventions were needed to grow the economy, to create jobs and to build homes. Then the business plan consisted of those elements of it which got developed and were implemented. Of course, we do not do central planning in the way that the Soviet Union used to do, and quite right too, but a long-term rail strategy that binds itself into the Government's objectives of economic growth and so on is likely to have real substance to it and will help the rail industry plan and do what it does better and cheaper. It will, hopefully, give a lot of confidence to the supply industry as well.

Q303 Alex Mayer: If, from July 2024, the railway was for growth, jobs and homes, what do you think it was for before?

Lord Hendy: It has always been for growth, jobs and homes. That is the reason why successive Governments have wanted to commit money. The previous Government, as I have already said, produced a couple of quite detailed plans but they were not supported by the necessary investment to allow them to happen.

Q304 Alex Mayer: You are saying that the vision is actually consistent over Governments; it is just the funding that is not consistent.

Lord Hendy: If you publish documents that have no visible means of support, nobody takes them seriously, do they? That is what happened. It was quite hard to take the first plan for the north of England seriously from the last Government, and nobody took Network North seriously because nobody believed there was any funding behind it. You need both elements of this equation. You need a long-term plan that sets out what the railway can deliver for Government, and the Government themselves have to be prepared to commit, over some period of time, to the investment needed to actually execute it.



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Q305 **Alex Mayer:** I am absolutely convinced that the Secretary of State for Transport would get this. Which other Cabinet Ministers do you think are vital to make sure that the growth, jobs and homes agenda is delivered with transport at its heart?

Lord Hendy: Several is the answer. The Business Secretary is clearly interested because the supply market is huge and forms quite a large part of the industrial base of the country. The Energy Secretary is interested because the railway is one of the principal consumers of energy, especially electricity. I have a lot of close dealings with MHCLG because, for example, you cannot do the plans for new towns in isolation; spatial development is no use without connectivity. We have had a lot of discussion about that.

The railway, as ever, is an integral part of the economy. It may not feature in the five growth missions, but it is absolutely central to delivering most of them. Without proper connectivity, people cannot get to health facilities. They cannot get to education. They cannot get to work.

Q306 **Alex Mayer:** Do you feel that there has been a change with this newish Government, in the sense that there is now more of a Cabinet-wide approach in terms of interest in investing in and enhancing our railway?

Lord Hendy: I have changed seats, but I did not feel when I did my old job that I was always speaking to people for whom the railway felt important. It did not feel a good moment when Andrew and I were told the night before the abandonment of HS2, phase 2a, that it was just going. It felt even worse that nobody said, "What are you going to do if we don't do it?" That call ended before we had a chance to ask that question.

Q307 **Rebecca Smith:** Both the Secretary of State in her statement last week and you, Lord Hendy, have said that Network North was not funded because there was no money. In the same answer you have just talked about HS2 2a, which was very clearly what the last Government said was going to fund Network North. Help me to understand how HS2 2a was funded but Network North was not. Again, going back to your spatial development point, rebuilding Britain's railways was going to be a key delivery mechanism for new towns and some of the additional communities that had seen growth in far-flung parts of the country. I just do not understand how we can claim that HS2 2a was going ahead and was cancelled, yet the funding for Network North did not exist.

Lord Hendy: The funding for very long-term schemes is never allocated years and years in advance, but the commitment from Government to do it ensures that you start a job and can continue it, and that the appropriate money will be made available. On the Network North thing, they were more short-term schemes, but it was not clear that there was any money for them at all. It was also not clear incidentally that some of



them had decent business cases and would ever be done. No money and no—

Q308 **Rebecca Smith:** It is a chicken and egg situation, though. Ultimately some of them could get that long-term funding.

Lord Hendy: No, I don't think there is a contradiction. You go ahead with schemes on the scale of HS2 with an understanding from the Government that it will be funded to completion. Things happen on the way. Economic circumstances change and there might be some debate about how quickly you do it. If you peremptorily decide to stop it, clearly there is no funding needed for that. My complaint—it really is a complaint—is that if you have decided to stop it, and you didn't think what you might need to do instead in respect of the aims of that part of the scheme, first you have no plan to do anything and so there is no funding, but the list of things that turned up instead were far shorter term, and there is still no evidence of funding and no evidence of business cases for most of them. That is a bad place to be.

This Government have returned to a position where what has been announced as a result of the spending review is funded over the period of the next four years, which is what both the supply industry wants from an input point of view and what we need to do in order to get the outputs that create growth, jobs and homes.

Chair: We have a couple of questions about how it is done in other countries.

Q309 **Dr Arthur:** Lord Hendy, it feels quite uncomfortable re-remembering some of what was happening in the past. Do you feel that industry has more confidence now in the approach that the Government are taking? There is an analysis which says, "What has really changed?" Do you think that the industry has more confidence in that four-year plan?

Lord Hendy: The spending review set out what this Government believe can be afforded in all sorts of directions across the whole of government. In respect of the transport element and in respect of what the Secretary of State has been able to set out, those things are funded. That is a real difference from producing speculative papers with lines on maps saying, "We would like to do all this lot." I am not going to go into telling too many stories from the past, but you could not believe much of what was in Network North because it was clearly cobbled together to give evidence that there was something that could be done if you cancelled phase 2a. That isn't the same. I don't know anybody in the railway industry who said, "Ah, here we go. This is a concrete set of proposals. They are going to be funded, and we are going to gear up to deliver them." Many of them had no business cases. Actually, this is a substantive change. This is back to serious government, where you work out how much money you have, divide it between the very many aims of Government and find a substantive, in our case, sum of money for transport. The Secretary of



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State makes an announcement saying, "These are the things we are going to do."

People are unhappy that some of the things they wanted are not in there, which is mostly a function of the state in which we found the economy. But this is a different circumstance. If when I meet the RIA, as the three of us do from time to time, they say, "Are you really serious?", I'll say yes, because it is a funded scheme and what the Secretary of State has set out is going to happen.

Q310 Dr Arthur: Good. Alex, Sir Andrew Haines said that in Scotland there has been a much more strategic approach. Is he right?

Alex Hynes: Yes. Obviously, Scotland has a national transport strategy in a way that England doesn't—yet. One of the Secretary of State's top five objectives is to produce an integrated national transport strategy for England, which is fantastic news. Actually, Alan and I, with DFT colleagues, were discussing it yesterday.

The other thing is that Transport Scotland have delivered consistency of strategy. They have been clear on having, for example, a rolling programme of electrification. That is good for the efficient and effective running of your railway. They have managed the railway system as a system. Transport Scotland are very good at making sure that ScotRail and Network Rail Scotland work together to deliver for passengers and taxpayers. In fact, until April last year that was literally my job.

When you look at what is being delivered in Scotland—of course, it is Network Rail delivering electrification in Scotland—those rates benchmark very well with international comparators. We talked earlier about capability. If you have a smooth pipeline, a consistent strategy and you do more of this stuff, you learn and then you continuously improve. Network Rail recently did a piece of work for me about, "What is this magic that Scotland has that we can bring to England?" Consistency of strategy and consistency of team were the two key things that underpin Scotland's more effective approach to rail investment, particularly electrification.

That is why we are doing a strategy that aligns rolling stock with infrastructure, and it is why we are so adamant about the reintegration of track and train. I think in one of your evidence sessions with Rail Forum you asked them about rail investment in the UK. They just said that it was very fragmented. It is that fragmentation which is at the heart of many of the issues that we see with the railway, and is why we are going to create Great British Railways. That is at the heart of our approach. It is a more integrated way of running a railway, which means that track and train are working in harmony so that we can deliver a better railway for passengers and taxpayers.

Q311 Dr Arthur: What underlies the more consistent approach to strategy in Scotland? Forgive me, but is railway infrastructure just less controversial



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and less political in Scotland, so that Transport Scotland has been left to get on with it? Obviously in England we have had the big disrupter of HS2, and we have heard how the ripple effect from the phases has been cancelled. Is that why it is more consistent in Scotland? Is it more level activity or is it political leadership?

Alex Hynes: There are a couple of things. First, having a national transport strategy really helps. That is an opportunity from which we will benefit later this year, but while I think what Scotland has done is excellent, it is not without challenges. In 2020, Transport Scotland published its rail decarbonisation action plan, which wanted the removal of diesel vehicles from the network by 2035. Recently, they announced that they have slipped that to 2045. These strategies are important, although they won't always survive contact with reality, but having a strategy is better than having no strategy.

The other thing is that it is a simpler environment in Scotland. If you take Network Rail Scotland and ScotRail, those two organisations, for which there was a single leader, were running 92% of the railway in Scotland. In England, it is more complicated. We have far more operators, more interfaces and, of course, we have a more complex funding environment with Wales, London and mayoral combined authorities. It is a wee bit simpler north of the border.

Q312 **Dr Arthur:** Lord Hendy, obviously Alex is slightly biased for reasons he explained. Do you agree with that analysis?

Lord Hendy: Yes, I do. One of the questions that I hope I answered satisfactorily was the reason why we want a long-term railway strategy. Underneath the national transport strategy to which, as Alex said, the Secretary of State is committed, you want a level of long-term outlook and certainty that enables joined-up decisions to be made. I think that is really important and we will get better decisions out of that.

It is right that Scotland, in its special way, because Scottish railways are not quite insular but are on the way to being so, has demonstrated what you can get out of having a long-term strategy, even though it has been affected by political and fiscal circumstances on the way.

Q313 **Olly Glover:** We have already talked a little bit about how Scotland takes a different approach to electrification. There are other examples of how other countries seem increasingly to do things as standard that we think are exceptional, very expensive or too difficult here. We are going to talk a bit more about rolling stock later.

An example that you mentioned, Lord Hendy, is digital signalling and ETCS, which we still consider to be some sort of weird, exceptional, difficult thing here. When thinking about things like digital signalling and electrification, why is something that has a lot of benefits for the railway in many ways—not just net zero but improving capacity—and is being done quite a lot in other countries, still subject to the same pitfalls as other schemes in terms of the stop/start that is the case here?



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Lord Hendy: I hate to disagree with you—

Q314 **Olly Glover:** Feel free.

Lord Hendy: All right, I will. I don't think it is regarded as something weird and odd. To start doing it on the south end of the east coast main line is not a tentative dip in the water. It is a good dive into some really deep water. It is really important.

During my time at Network Rail, as I said, we were looking at replacement signalling schemes for time-expired stuff, largely done with wires in the 1950s, 1960s and 1970s, which always came in more expensive than you imagined and never produced any extra capacity because all the additional functionality always had to come out because the scheme got too expensive. ETCS is the way forward. The south end of the east coast main line is significant, not just because it is a busy main line but because the consequence of it will be to fit a large quantity of varied rolling stock and locomotive, which will then enable it to be rolled out much more easily through the rest of the network. I think it is a really significant change. From my conversations with people in Europe, such as I have been able to have them, they are looking at what we are doing in a really interested way.

Of course, it is a big challenge because the railway is so fragmented. If you were to get Toufic here, who is the leader of the scheme, he would tell you that much of the issue is not technical. He has had to negotiate with virtually every operator and rolling stock owner in the country in order to fit a varied collection of locomotives and multiple units with the signalling functionality. It has been a huge effort in circumstances where, elsewhere in Europe, that particular piece of the effort did not need to be done.

It is really positive that we are going ahead with it. It has never been subject to any doubt; I don't recall any discussion, either at Network Rail or since I got to the Department, about whether it is going ahead. I think the consequence will be to change the signalling market and to change our view of what signalling can do. In due course, when a future long-term rail plan is set out, I have absolutely no doubt at all that ETCS will be central to it in signalling terms because it enables an increase in capacity, and will take away a whole load of fixed signals and massive amounts of static investment. It is the way forward.

Q315 **Olly Glover:** It is very pleasing to hear your strong enthusiasm for ETCS digital signalling here, but it has been a very long journey between the first scheme on the Cambrian 20 years ago in Wales to the next large-scale deployment—apart from a bit of Thameslink core—being the east coast main line. Since that time there has been loads of re-signalling and the default has been conventional re-signalling. East West Rail phase 1 between Bicester and Bletchley decided to do it as conventional. It is good that it is being done on the east coast main line, but perhaps the reason why it is so expensive is that there are so many opportunities to



use what is standard and the supply chain has not matured.

Alex Hynes: There are a few things that make us a bit different. First, we have a mixed traffic railway. In fact, we have some of the busiest mixed traffic railways in Europe, the west coast main line being an example. Of course, we have the oldest railway in the world. Rolling out digital signalling to a brand-new, dedicated, high-speed line is a relatively straightforward task. Rolling it out on to our railways is a bit more technically challenging.

We are doing digital signalling, and we are doing electrification. With the trains that now operate into Moorgate, we have taken the signals away. That is happening and it is no mean feat. Of course, on electrification, while there are lots of column inches about what we are not doing, we forget what we are doing. We have just recently electrified the railway between Wigan and Bolton. We have electrified the railway between Bedford and Corby and up to Wigston in Leicestershire. We are electrifying the TransPennine route upgrade. We are rolling out these new technologies.

At the heart of some of the issues that we see on our railway is fragmentation. If you think about the benefits of electrification and the benefits of digital signalling, the costs and the benefits accrue on different sides of the track/train divide. That is why we need to put track and train back together again.

Olly Glover: I accept all those points. We are not the only place that is doing ETCS on existing railways, but it is very good to hear the commitment to it. On electrification, I think we would like to ask some more questions.

Q316 **Catherine Atkinson:** Alex Hynes was talking about how consistency of strategy and doing more means that you learn, and that brings the cost down. That is what we were seeing when it came to electrification of the midland main line. The cost of electrifying that was coming down significantly per kilometre. It was something that was being delivered on time and on budget. Don't you think there is a concern, when that is then paused, about doing all the things that you said we don't want to be doing in terms of having stop/start and not seeing the consistency of strategy that we would like?

Alex Hynes: Do you want me to go first?

Lord Hendy: Let me say something briefly. Neither the Secretary of State nor I, in respect of the railway part of the investment in the spending review, would pretend that we did not have aspirations to do more. We simply did not have enough available to do everything we wanted. One of the things that we had to look at is what outcomes we want on better delivery for passengers for the railway. In truth, one of the reasons why further electrification of the midland main line went down the list was that the trains bought as bi-mode trains will produce



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better service, more capacity and will be better trains. They will be able to use the wires where they exist and to run where they do not. I know that is not the perfect answer for people on the route who would like electrification north of Wigston but there isn't the money to do everything that we wanted.

Alex Hynes: The sections further north were lower value for money, so Ministers have taken the difficult decision to pause those future phases. That is one reason why you need a strategy where you align infrastructure and rolling stock. By having bi-mode trains you inadvertently weaken the business case for further electrification because you get brand-new, comfortable trains anyway.

Q317 **Catherine Atkinson:** While I absolutely accept that further south you will have the benefits of those who live alongside the tracks having lack of the air pollution that is now going to continue to be seen for the rest of the midland main line, doesn't it also smack of short-term decision making when there is general agreement that it needs to be electrified, and by pausing it you are massively increasing the costs of carrying it out? When it comes to having integration between a rolling stock strategy and knowing what is actually happening when it comes to the track, the two go hand in hand. Having the stop/start, the inconsistency and the pause makes it just as hard for rolling stock strategy planning as anything else.

Olly Glover: To add to that, we have been talking about giving the supply chain confidence. It is hard to think of a better example for a project that has been yes/no, on/off or stop/start than midland main line electrification. We have been told so many times, "Yes, it's definitely happening." The supply chain has mobilised and then, "Oh no, it's paused." Then, "Yes, it's happening." "No, it's not." That is why I agree very much with my colleague that it is a really bad example of how things should be done.

Alex Hynes: One of the key benefits of electrification is faster journey times. No matter where you are on the route, you will benefit from that. Of course, that enables the introduction of brand-new trains. Again, no matter whether you are south of Wigston or in Nottingham, Derby or Sheffield, you will benefit from that.

We recognise your broader points on strategy, which is one reason why we need the strategy. We have not had a rolling stock strategy in this country for 30 years. We need one. It needs to be aligned with infrastructure. That will help us make more sensible decisions in the future.

Q318 **Catherine Atkinson:** But this decision is absolutely in contrast to everything that national strategy seeks to achieve. We have seen the open letter from RIA—the Rail Industry Association—and the Rail Forum on Monday. That is absolutely in line with the evidence this Committee has received from rolling stock and others, saying that electrification is



necessary, including unions. If the whole industry is speaking with one voice, saying that it is really important that we see consistency on this, the decision taken right now to pause it seems utterly at odds with that.

Lord Hendy: There isn't enough money to do everything. I am sure that if the Secretary of State were here, she would say that. Some of the decisions that we have had to make in terms of spending choices have been quite hard decisions. You have to recognise that it is the railway outcomes that will contribute to the Government's aims of economic growth, jobs and homes. The railway outcome on the midland main line will be new bi-mode trains that use the electric power where it exists in circumstances where the service will be better, and the benefits of the part that is electrified are spread over all the journeys on all the railway.

It is not the current focus of the Committee's investigation, but the railway is pretty green already, and the Government are serious about decarbonisation in a wider sense. You will have seen the announcement yesterday about encouraging people to take up electric cars and a significant amount of money to do that. It is hard not to have some sympathy, although we are all dead keen on the railway and making the railway better, that there are other activities in transport decarbonisation that need serious attention from Government and serious money put into them. The Secretary of State would say, as I would, that we would have loved to do this now. It is not off the agenda completely. Further electrification of the midland main line, like a number of other things, will feature in what we want to do in the future, but faced with a real shortage of money, it is not something that we can support as opposed to the other things in the large package that was announced last week as a result of the spending review.

Q319 **Catherine Atkinson:** I have just one final question, Chair. Would you acknowledge that it means that electrification will cost the taxpayer more by having this pause? Is there not also a risk that we will lose national capability in electrification when skills and plant go to other countries that have much more stable pipelines of work when it comes to electrification?

Chair: A far lower cost per kilometre.

Lord Hendy: Not necessarily is my answer. We are still electrifying the TransPennine upgrade. There is some electrification planned on East West Rail, although we also have to recognise the growth of technology that will enable discontinuous electrification. By the way, there is a significant job to be done on HS2, which is the total electrification of the signalling equipment of the railway that is being built. Sadly, it is not being built as quickly as we want, but it will come.

A difficult point for the supply industry, which is related to the point that I raised earlier about the change in the nature of Network Rail's spending, is that the supply industry has to look at the way that this is evolving. Discontinuous electrification is not an arid concept. It is going to be done on East West Rail because the practicability on East West Rail is that you



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need some wires but you do not need all the wires, so why would you equip the lot? Alex talked earlier about the rolling stock orders that are beginning to be set out for Northern et al. We think that one of the quite possible scenarios is that people come back with offers that include some portions of electrification in order to make battery trains feasible for quite a lot of the Northern network, which will be additional. The supply industry has to recognise that that market is evolving in a way that you could not have considered five years ago.

Chair: These questions are around the political involvement of decision making.

Q320 **Olly Glover:** I briefly note on the previous discussion that it is not as if we have a huge swathe of electrification. Russia, Hungary and Greece have a higher percentage of electrification than we do, so it is quite extraordinary that we find this so difficult. This is the mistake that has been made. We keep talking about electrification only in terms of decarbonisation. That is one of many benefits: acceleration, higher reliability, proven technology, avoiding transition. Why do we find it so difficult to do here or have this aversion to it, including on new lines where installing it on new lines like East West Rail is very trivial in costs compared to existing?

Lord Hendy: The clearest answer I can give you is that the Government are absolutely determined to see economic growth and create jobs and homes. A lot of what you see set out in the Transport Secretary's statement last week is the best programme, within the available money, that we thought could do what is necessary to create the wider economic benefit of what the railway delivers. That is the short-term answer. Nobody wanted to be in the fiscal situation in which the Government found themselves. We would much rather have had a more stable economy in which we could have committed more money.

I certainly do not think that electrification is just a decarbonisation exercise. When you are faced with the stark choices that the Transport Secretary and I and other Ministers had to contemplate, you have to make some choices about where you put the money. We obviously cannot sit here and say, "Oh, well, what would you have cut out of this list instead?" Somebody has to take those decisions. The Secretary of State has been very forthright in setting out what she wants to do as part of the Government's overall plan. The consequence is that this particular scheme won't go ahead at this point in time, but there still is electrification going on in the TRU. It will be going on for HS2 and in due course for East West Rail. It is not the smooth pipeline that we would want, but then we have not had a long-term plan.

Q321 **Olly Glover:** Moving on from electrification, because I am sure lots of people have had enough of that, to the wider point, we have heard through some of the evidence that we have received during this inquiry that there is a view that planning for enhancements typically follows what is politically expedient rather than being based on a DSIT analysis of the



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needs of the network. Would you agree with that?

Lord Hendy: That is the reason to have a long-term plan. It is the reason to have a long-term transport strategy to support the Government's overall economic aims, and it is the reason to have a long-term railway plan. I would agree, because we are all agreed, that having a long-term plan for the railway will at least lessen some of the tensions that we have been talking about since we started this morning. It is important to have a long-term plan. What I am used to in my previous career is that the railway has an idea about what it thinks it needs to do to satisfy the Government's objectives, and it puts that forward to Government, who express that they, hopefully, will support or modify those in a way that the railway, because it has been so fragmented, has not had for 30 years.

Chair: Okay, thank you. Catherine. Fragmentation.

Q322 **Catherine Atkinson:** Thank you. I want to ask questions about fragmentation and Great British Railways. It has been acknowledged in the written evidence that an unsteady pipeline, as we have been talking about, creates inefficiencies in the sector. You have talked about Great British Railways enabling that kind of long-term thinking and planning. Can you tell us more about how Great British Railways will enable a coherent approach to investment?

Chair: Before you answer—I should have said this—we are only a third of the way through our questions and we are 75 minutes in, so please give more concise answers. They have been useful, but we are going to run out of time if you don't.

Alex Hynes: Some of the people you have taken evidence from talked about fragmentation, and we agree that fragmentation in the rail industry has undermined the effectiveness of investment. Often, enhancements, renewals and rolling stock decisions are made in isolation, which undermines the impact of all three. That is why we need a long-term strategy for rail. It is why we need to create Great British Railways. We think we can do a better job of delivering for passengers and taxpayers than the current system.

Q323 **Catherine Atkinson:** The written evidence talked about encouraging Great British Railways to produce a pipeline that draws together rail investment, rolling stock and major programmes as well as the smaller-scale renewals. Is it not within your gift to require Great British Railways to do just that rather than just encouraging it?

Lord Hendy: Practically, it will do that. I cannot conceive of a circumstance where you create a controlling mind for the railway and it doesn't do long-term planning.

Q324 **Catherine Atkinson:** Will that be included explicitly in the Bill or its licence?



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Lord Hendy: I doubt it will be included in the Bill. I am learning what should be included in the Bill and what should not, but I have absolutely no doubt at all that one of the primary things that GBR will be required to do is to look at a long-term plan for the railway. It would be extraordinary if you conceived something that brought the railway together and looked at how it functioned in total and brought the management together, as Alex so eloquently said, and did not have a long-term plan. It will.

Q325 **Chair:** Look at the long-term plan or actually have—

Lord Hendy: No, have a long-term plan. I am sorry. I got up too early. It is quite clear to me that GBR will have a long-term plan for the railway. It must do.

Alex Hynes: The way it will work it is that the Government will have a long-term rail strategy. We will be saying more about that around the introduction of the railways Bill. That will focus on what the Government would like from their railway to drive jobs, growth, housing and so on. Then Great British Railways, as the directing mind for the railway, will be responsible for delivering an integrated plan that delivers those objectives. That is how it will work.

Q326 **Catherine Atkinson:** That will be a living breathing plan, not something that is set out once and then does not get updated. Do you agree that it would be important for it not just to produce one but to maintain it?

Alex Hynes: From my perspective, Network Rail and all 14 train operating companies have an annual business plan. Great British Railways will be no different. The railway is a dynamic thing. You have to update it every year.

Q327 **Chair:** Can I link that to the Government's integrated national transport strategy? Everything we have heard about that says that it will be focused on the passenger and traveller experience, therefore so should a rail plan. Do we take it from what you have said so far that the passenger experience will also guide your infrastructure decisions and your rail plan?

Lord Hendy: I am sure that is right, because at its heart the railway is no use if it does not serve its customers well. One of the criticisms that can very easily and justifiably be put to the present railway is that its fragmentation has in many cases left customers rather wondering whether they are the focus of attention or not. I am sure I have said here before that my worry about the present circumstances is what I see as a lot of good people working so hard just to make a fundamentally not very good system do the best it can. We will not make a massive change overnight. All my experience tells me that over a period of time you just have to get better. One of the things that we want GBR to do is to focus on the customer and the passenger experience and be more consistent over the whole railway.

Q328 **Rebecca Smith:** On GBR and the national plan, and having a national



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framework and strategy, I am interested in your reflections a year in on how that is going to work with local government reorganisation where, particularly in the bus sphere, we are offering local authorities more control, whereas the creation of GBR feels like it is all going to be done at a top-down level rather than at community level. How do you anticipate connecting to local communities, which by all accounts, under GBR, have less control over what is going on in their areas?

Lord Hendy: That is a fundamental misstatement of how GBR has to do its work. I am very clear that although GBR is a national body and is looking for consistency over the national railway network, it will not work unless it is managed at route level consistently. I hope you have already seen that on both Southeastern and South Western we have people in charge of both the operations and the infrastructure. I have said to them both that one of their jobs is to do that in liaison with elected representatives, and in due course with combined authority mayors especially, and in the appropriate cases with devolved government, to make sure that the railway serves local and regional communities better.

The Government have also committed significant sums of money to combined authority mayors for transport. They have some choices about how to spend it. The most difficult thing is that railway geography is not sympathetic to electoral geography, so the Bill, when you see it, will give combined authority mayors statutory powers in this respect; they need a voice in how the railway serves their region, and the railway is going to have to respond to that. In many cases, the railway is going to have to respond to it at route level bearing in mind that the boundaries are arbitrary.

Chair: Thank you. Sorry, I am going to have to ask for your answers to be more concise, although this is very useful.

Q329 **Olly Glover:** Lord Hendy, one of your predecessors, Huw Merriman, told us that control period funding cycles should be reviewed so that contracts for half-completed projects shouldn't fall off a cliff at the end of a cycle. We have already touched on this a little bit. Would you agree with his analysis?

Lord Hendy: I will be short because you told me to. I don't see it. Great respect though I have for my predecessor, I don't quite see what he is trying to get at. I recognise that when one control period ends and another starts, because of the sums of money involved, you have to go through a significant re-contracting process, and I have talked before about the changing focus from control period to control period, but I'm not easily able to recognise half-completed projects that have fallen off a cliff.

Alex Hynes: There are two things. When Sir Andrew Haines spoke, Network Rail in the first year of the control period spent 19% of the money. A straight-line trajectory would be 20%. "Cliff edge" is a bit strong, if I'm honest. The other thing, of course, is that, while the control



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period process is not perfect, the funding certainty is an important thing that we must maintain in any change, because infrastructure is a long-term business and we need that long-term certainty of funding. Is it perfect? No. Is it better than not having funding certainty for five years? Absolutely.

Q330 Alex Mayer: The Department's written evidence said that producing a pipeline that provides medium to long-term certainty is "a challenging ambition", but that the rail network enhancements pipeline approach aims to balance that with the need to retain flexibility. Given that the last Government found that very tricky, are you confident that this Government are going to fare much better?

Lord Hendy: Yes, because we will have a controlling mind for the railway that can think about what needs to be done and propose to Government what it thinks is right, bearing in mind its understanding of what the Government's objectives are. In the end, as we have already remarked, political decisions have to be made because of the choice of how you spend public money, but the railway could be a whole lot clearer about its long-term ambition and, if it is sensible about understanding what the Government want, it can come forward with things that take some of the risk and the challenge out of the process.

Q331 Alex Mayer: The process at the moment involves going through multiple stages from development and design through to delivery. Last week in evidence on HS2, you very much told us that the design phase was vital to make sure that we had everything planned correctly so that the building bit worked brilliantly. Is there a danger with that stepped, phased approach, whereby you have to go through each individual stage and they are not all funded, that you therefore never end up getting to the final stage of building it because you want to just spend lots of time designing it?

Lord Hendy: We said last week, and we believe we are right, that you need to spend the appropriate amount of time to make sure that you have put the effort into design, because we have been coping with a project where that was not the case. I would expect, as happened at TfL and still happens at TfL, that if you have a clue where you are going, you can begin to develop the business cases fairly early, and understand better the intervention that you need to fund in order to get the result that you want in terms of the delivery of better economy, jobs and homes. Therefore, when these things come forward, two things happen; they are better formulated and they are more likely to be carried out.

The other thing is that you are not wasting a lot of money on developing schemes that in the end are not funded. It is a false hope to develop hundreds of schemes that get nowhere. Indeed, we were remarking in the Department the other day how much money must have been spent to develop schemes that cannot be funded currently and probably never will. Having a controlling mind, and that controlling mind thinking about what needs to be done, and early preparation of businesses cases



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allowing for thought to be put into the design, ought to be things that make the outcomes better.

Q332 **Alex Mayer:** I completely understand that in the development phase, but is there not a case that perhaps the design and the delivery funding should be put together more, to ensure that we are not wasting money and that it gets done?

Alex Hynes: If we discriminate between the two bits, there is a screening phase, which is the development that you recognise, where you might spend a little bit of money on quite a lot to pick out the winners, and then those prospective winners, because you haven't really worked them up, need the heavy investment. Once you have decided you are going for it, you want to focus the design time and money on getting them refined. You pick the right scheme. It is then how you design it in a way that is going to be efficient to construction and deliver the benefits. Once you have decided to do that, you really want to go through with it. That is easier in a portfolio of smaller projects. It is crucial on very big projects to get that absolutely right.

Q333 **Alex Mayer:** Finally, Sir Andrew Haines told us that he thought that the RNEP is "a flawed proposition" because it is owned politically and therefore subject to shifting political priorities. Would you agree with that?

Lord Hendy: If we go in the direction that Alex and I have talked about, we will get propositions for enhancements that are related to what the railway believes would be the wider aim of Government. That is the right thing. Inevitably, politicians will get involved because it is public money. There is no doubt about that. As I have already said and I will not repeat unduly, you are not going to get away from that. If we have a controlling mind that can think forward and look at what needs to be done, the propositions that GBR makes are much more likely to be the right propositions for Government to be able to take forward.

Chair: Thank you. Steff has a series of quick questions, so I ask for quick answers, please.

Q334 **Steff Aquarone:** Thank you all for your contributions so far. I want to talk about the practicalities of what the pipeline should look like. There is clearly not a huge amount of rhetoric in the title of this inquiry. This Committee has a belief that a rail investment pipeline could help end boom and bust. I am interested in the practical components of what that pipeline should contain. Perhaps I could ask each of you to say what you think an ideal pipeline should look like.

Alex Hynes: From my perspective, the conclusion of the spending review and the announcement last week by the Secretary of State is a huge step forward for rail enhancements across the rail network in England and Wales. The bit that we need to double down on now is the rolling stock strategy. We haven't had one for 30 years. We need one. It needs to be aligned with infrastructure. We now have a team on it.



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Q335 **Steff Aquarone:** Okay. Rolling stock is in the pipeline.

Alex Hynes: Rolling stock and infrastructure together.

Q336 **Steff Aquarone:** Infrastructure as in major projects or RNEP?

Alex Hynes: Particularly enhancements in England and Wales on the existing rail network.

Q337 **Steff Aquarone:** Thank you. Lord Hendy.

Lord Hendy: I agree with Alex. What must the pipeline have? It has to have visibility; clear information on funding potential schemes; strategic alignment with national goals, which is about growth, jobs, homes and decarbonisation; deliverability so that they are capable of being delivered and governed effectively; and integration with funding settlements and with regional priorities.

Q338 **Steff Aquarone:** Thank you.

Alan Over: I agree with colleagues. The only bit I would add is how you might structure the infrastructure part of it, which is having the discipline of recognising delegated maintenance and renewals, a set of smaller-scale enhancements where they will be proposed by GBR and the railway for ministerial approval, and then more of a stable pipeline for the major projects. Having that structure within an overall portfolio where industry and the railway can see the totality would be helpful.

Q339 **Steff Aquarone:** This may be a multi-layered pipeline with different degrees of political risk, funding certainty and time horizon built into it. What is the ideal time horizon, bearing in mind that the answer may well be separate for each layer?

Lord Hendy: Across the entire portfolio of infrastructure for the Government, we are talking about 10 years because that is realistic. The railway can look further ahead, but what you risk if you do that is that the market circumstances change. The Chair asked about the focus on passengers. We have to emphasise again that the rail market changes over time, so what you want to do with the railway will change over time. I would like to see things that are not necessarily funded in a future pipeline, and the reason—we have been into this in this Committee before—is that unless you do that, the chances of getting third-party funding in are very small.

One of the great benefits, when I ran TfL, of having a longer-term business plan with unfunded schemes in it is that I could go to developers and others and say, "If you think this is good for your business, put some money in and it will move up this programme." We have been lamentable at that. It is important to recognise that there are people who will put money into these schemes—housing developers and people who develop commercial schemes. As I said to you a week ago, the real sadness about HS2 is seeing the development on the skyline of Birmingham but that not one of those schemes has put any money into the cost of that railway.



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Alan Over: One way you could try to get inside that is to have a description of the certainty of the scheme on a longer-term pipeline where you could have candidate schemes, committed schemes and potential schemes, and that would signal to the public and the market that some of them are more certain than others.

Q340 **Steff Aquarone:** On incorporating the long-term strategic ambition for rail into that pipeline, there must be some capacity to set the direction, subject to successive Governments' agendas over a period that goes beyond what you have just described, Lord Hendy, and into maybe the 20 to 30-year outlook, or is that wildly unrealistic?

Lord Hendy: There is some capacity to do it. It depends on some political consistency over a long period of time. The sadness of the previous Government's approach to the midlands and the north is that they set out quite a lot of plan but very little of it was actually funded. You have to be able to deliver the things for it to make any difference, haven't you? That, practically, is the point. The consistency of long-term Government ambition has to be matched in the case of each Government by funding those things as well.

Q341 **Steff Aquarone:** In terms of industry readiness, clearly industry is grown-up enough to price political risk into it, and when it comes to the different funding streams there are different risk profiles attached to the reliability of those funding streams and the status of the funding commitments. Is it not therefore important that the source of funding for these schemes is part of the attributes of each element of the rail pipeline?

Lord Hendy: Yes, it is. If you look at the example of HS2 that we discussed at some length last week, the speed at which that was conceived and committed to did not allow any third-party funding to be collected. Nor did it contemplate how some of it might be funded. The fact that we are now contemplating how to fund Euston station, which apart from a brief period 18 months ago has always been an integral part of the scheme, is pretty odd, isn't it?

Q342 **Steff Aquarone:** That is a good point. I meant more about trying to get away from it being a wish list. Part of getting away from it being a wish list is to understand whose wishes are represented in each element of it.

Lord Hendy: That is about early development of business cases so that you understand what you are trying to achieve and who the beneficiaries are, which then enables you to go out and be proactive about finding some third-party funding. You cannot do that if you invent the scheme and decide the following day to instigate it.

Q343 **Steff Aquarone:** Indeed. It is not just third-party funding; it is also whether it is coming from regional authorities or local government or other schemes and investments, and incorporating the ambition of smaller projects like Access for All into the pipeline.



Lord Hendy: Absolutely. The Government's policy towards having more combined authority mayors, with more funding certainty for them, will aid that process because they will be very clear about what they want to achieve in their locality, and they will be very clear about the railway elements of delivery. In fact, we are having lots of good discussions with them now because they are clear about what they want, which is helpful.

Q344 **Steff Aquarone:** On the theme of clarity—this is my last question on this area, Chair—you are comfortable with a rail investment pipeline being strategically led, multi-layered, with different time horizons, quite detailed in terms of the picture that is painted around each possible scheme, what the business case is, and then of course the front part of that being a test of whether it is funded and committed. Are you comfortable with the breadth and the depth of that description?

Lord Hendy: If you just add the necessity of including real and meaningful discussion with combined authorities, devolved Administrations and other transport authorities, I agree with you.

Q345 **Baggy Shanker:** Hopefully, you have seen the written submission by Alstom UK & Ireland, now the only company in the UK where you can design, build and test trains, situated coincidentally in the brilliant place of Derby. They made several interesting points and recommendations. You spoke about consistency earlier. Whether it is intercity, regional or commuter trains, various transport operating companies over the years have set various proportion specifications, internal specifications, carpet, seats, doors, and all that stuff. Would you support a more standardised fleet, which would probably save taxpayers a lot of money?

Alex Hynes: Yes.

Chair: Excellent, thank you.

Q346 **Baggy Shanker:** I have one other question. Office of Rail and Road data suggests that the average age of the 15,000 or so vehicles that we have is about 16 years, with a life span of 30 to 35 years. We have seen recent refurbishment projects on the west coast main line of the 390 Pendolinos, which are thought to have saved hundreds of millions of pounds instead of buying new rolling stock. Again, do you agree that we should be looking at more midlife refurbishment work to save money and to help support a consistent workload across factories?

Alex Hynes: The Pendolino trains were introduced 20 years or so ago. They work well. It would be crazy to replace them with brand-new trains. Midlife refurbishment is the right thing for that fleet. One of the many reasons we need a rolling stock strategy is that, when we created the boom in rolling stock orders through the franchise bidding process, we inadvertently put the heavy overhaul market under huge pressure, and companies like Wabtec in Doncaster are closing their operation there. This is why we need a smooth and steady pipeline. We know how many trains we have. We know how old they are. We know that in an ideal world we want to replace about 500 a year. We need a strategy that



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supports that. That won't just help manufacture; it will help maintenance and people in the heavy overhaul market as well.

Chair: Thank you. Sticking with rolling stock strategy, Olly.

Q347 **Olly Glover:** Yes, thank you, Chair. We have covered some of this already. There are a lot of challenges coming with rolling stock, as I am sure you agree. We have class 150 Sprinters that are now 40 years old. That is very old for a diesel train. There are other diesel fleets from the late '80s and early '90s that are rapidly ageing. Train operators raise concern about decreasing reliability. In the context of the likely need to do something about that challenge, what relationship should a rolling stock pipeline have to an infrastructure pipeline?

Alex Hynes: There are lots of rolling stock opportunities as well. Passengers across the country have benefited from investment in new rolling stock. There was a period when the average age of rolling stock in this country was probably a bit too low, if I am honest. We had overinvested in it for a period of time. We are currently in the market for new trains at Southeastern, Northern and TransPennine either to replace trains that require renewal because they are old or to exploit the investment in infrastructure, TransPennine Express being a great example of that.

You are quite right that the focus for the rolling stock strategy in the coming years will be the replacement of old diesel trains. There are a number of those in the west country, for example, where Great Western Railway operates a lot of trains that are old and will require replacement in the coming years. There is an example of us not waiting for Great British Railways to make the situation better. One of the things we are talking to Great Western, South Western and Chiltern about is whether we could do an order that would cover all the rolling stock requirements for those operators. Picking up Baggy's point about standardisation, there is no sense in SWR, Chiltern and Great Western having their own diesel replacement trains. That non-standardisation drives cost and complexity. Therefore, we are moving towards this. Historically, rolling stock procurement was done by owning groups. Owning groups are leaving the industry. Currently, it is done by train operating companies. This is one area where Great British Railways can deliver some huge benefit in having a standardised, simpler, smoother programme.

Olly Glover: I am pleased to hear that. I very much agree with that point. One would hope that a sensible policy towards rolling stock procurement and rolling stock strategy would be analysis of what type of train is needed for what type of route, and then it wouldn't matter what the historical franchise map was. Let's procure that in bulk and, hopefully get economies of scale. That is good to hear.

Q348 **Dr Arthur:** What you said earlier, Alex, about marrying up the demand for new trains with the capacity of the sector to deliver was interesting. In terms of the strategy, I have two quick points. Does it make sense to



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work formally with your colleagues in ScotRail around that to make sure you are working together on getting the demand right? When we heard from EUROFIMA, it saw itself very much as part of the rolling stock strategy. Do you agree?

Alex Hynes: We are going to continue to privately finance rolling stock. That is not changing in our future model. Therefore, the rolling stock leasing companies and the financiers who sit behind the rolling stock leasing companies will remain a critical part of the rail industry. We might be bringing the train operating companies back into public ownership, but there is still going to be a huge role for the private sector in the industry. You are quite right that we can work with London, Wales, Scotland and anyone else who buys rolling stock. At the moment, our focus is very much on tackling the fragmentation that we see in England across the 14 train operating companies that we manage from the Department. We are already talking to people in the industry about the strategy, and we will be doing lots of small “c” consultation on it because it is important that we get it right. We think there is enormous opportunity.

Q349 **Mrs Blundell:** During this inquiry, we have heard that devolved authorities would like more funding and, crucially, agency over projects in their local area. Would you agree that that is a desirable outcome for national Government and for city regions like mine in Greater Manchester? Lord Hendy, I believe you have touched on this slightly already. I would like to hear first of all from the officials on this question. Alan, is it okay to start with you?

Alan Over: The Government and the Department are clear that we need to be making transport work at every level. Most transport is done locally, and it should start there. There are occasions when local needs have to be balanced with regional and national needs, and it is right that the Department has a view on that, but there is no reason why those views cannot be brought together with the right solution.

Alex Hynes: As you say, the mayors will have a statutory role in terms of Great British Railways and, indeed, mayoral authorities that have enhanced status will have the ability to request, for example, devolution of rail services. Greater Manchester is not an island. The services that operate through Greater Manchester come from all over the place, and therefore we need to develop a way to get the benefits of co-ordination at national level but where we give local authorities and statutory bodies a greater voice in their running of the railway. The Minister mentioned it. We expect Great British Railways to be a highly devolved organisation because we believe that local railway leaders who run track and train together will do a better job in their area than if it is run from some big, centralised HQ somewhere.

Q350 **Mrs Blundell:** I agree. Lord Hendy, do you agree with that?

Lord Hendy: I do. All I will add is that there is some very significant and long-term experience of this. The Overground was first instituted when I



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was the commissioner of transport a long time ago and runs on the national railway network. One of the things we had to do get the Overground to fit with what goes on in the rest of the national network was to develop an intelligent and well-informed plant capacity so that we could balance the requirements of the railway inside Greater London with the longer distance. That is what is happening. It is not just an idea. We have had very close discussions with the Mayors of both Greater Manchester and the West Midlands, and they are now beginning, with other devolved authorities, to think about how that works in circumstances where, as Alex and I both said, railway geography does not match local authority boundaries.

Q351 Mrs Blundell: Based on your answers, it seems that increased devolution and greater autonomy for our city regions is a preferred outcome. You touched on how this will work in future. I wondered about major projects that require input from both national Government and sub-regional government. I am thinking a lot at the moment specifically of projects like the proposed underground at Manchester Piccadilly, which would completely transform the north's economy but obviously requires a great deal of collaboration. How do you see that working in future?

Lord Hendy: That is one of the biggest items on the Mayor of Greater Manchester's agenda, and we are having serious discussions with him and his officials about whether it is the right thing to do, how it might be funded and how it might affect the design of the railway in the north of England. That is absolutely the right thing to do, isn't it? It couldn't be any different.

Alex Hynes: There is another reason why we want to work with mayoral combined authorities. They now have £15 billion-worth of funding that they can choose to spend on the railway if they so wish. We have an opportunity to top up the rail network enhancements programme with some more funding that is being made available to the local authorities.

Q352 Mrs Blundell: If the Chair doesn't mind, I would like to quickly follow up on this question about devolution because it is important. There was a lot of disagreement when a tunnel was last touted around HS2. The disagreement holds up development around Piccadilly. It stifles economic growth for my constituency in Heywood and Middleton North in Greater Manchester, for Greater Manchester and for the north as a whole. It is not good enough. Alan, how do you think we can avoid that when it comes to the new Northern Powerhouse Rail or the Liverpool to Manchester line?

Alan Over: I am absolutely clear from my experience at Euston and Curzon Street and Old Oak Common interchange that the stations that we put as part of new national routes or regional routes have to work locally, because it is around the stations that you generate economic growth, housing and jobs first and foremost. That needs an intimate collaboration between central Government and local government, and we need to find the right landing ground. It needs compromise in both



directions sometimes because the local interests might not be affordable in the total scheme. The scheme has to work locally, and therefore we have to find a way through that. As Lord Hendy says, we are in very active discussions with Mayor Burnham and Mayor Rotherham on options around Northern Powerhouse Rail. They know that it has to work in terms of a regional and national transport scheme, and we know that it has to work locally. We will only get it away if everyone co-operates.

Chair: We are moving on to the 2025 spending review announcements on funding schemes.

Q353 **Mrs Blundell:** The Secretary of State has just announced funding for a series of rail projects. Were they all previously set out in the rail network enhancements pipeline but not funded? Are any of them new?

Lord Hendy: There has been a whole pile of schemes rolling around on the deck for years without any funding, so it can't be a surprise that much of what you see is the Government's thoughtful choice about which ones they want to take forward for the benefits of growth, jobs and homes. There is some new investment. This Government have made a positive decision to make some investment in the Welsh railway after years of historic underinvestment. You can see various elements of that in the Burns stations on the South Wales main line, on the increase in frequency on the North Wales main line, and on Wrexham to Bidston, curiously described as Padeswood sidings, which must by some measure be the most obscure definition of any scheme in recent railway history. It is actually a capacity scheme to enable doubling the frequency of Wrexham to Bidston and other things. There is some new stuff, but of course the consequence of it not having been published for a long time is that everybody knows about lots of schemes. The Government have now decided which ones they want to fund.

Q354 **Mrs Blundell:** The recent announcement constitutes an update to the enhancements pipeline.

Lord Hendy: Yes. In effect, it is the enhancement portfolio for the next four years.

Q355 **Mrs Blundell:** It is worth noting that the only published detail that we can see on the new schemes is a web page on the Department's website. Are we going to see an updated RNEP document published by DfT?

Lord Hendy: The first thing to do, those decisions having been made and announced in public, is to work through how they are done, at what speed and so on. People will not forgive us for not doing that first. It forms the basis of what you could describe as an enhancement pipeline. The Government are going to publish imminently the long-term infrastructure pipeline. Those two things together will be a much clearer description for people who want to read them about what the Government are going to fund in total infrastructure terms. You could reasonably claim that the publication of a multi-year spending review and its impact on the railway in the detail that we have it is a pretty sound



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basis for saying, "Here is a pipeline of enhancement programmes for the railway."

Q356 **Chair:** When are we going to see the RNEP?

Lord Hendy: I think I have already said that you have seen one for four years. The next thing to do is to put some flesh on the bones of what has been published. That is important. There is a whole pile of schemes that people want to see. Our next job is to flesh that out in detail. I have already given—

Q357 **Chair:** No, it is a fair point, but to have some indication of the timing would help.

Lord Hendy: Yes, quite. That is the next thing.

Chair: Okay, fine.

Q358 **Steff Aquarone:** For clarity, it is four years before we hear about Ely and Haughley.

Lord Hendy: Ely and Haughley did not get into that, actually.

Q359 **Rebecca Smith:** Further to that line of questioning, we are interested to know whether the schemes that have been halted are effectively first in line for reconsideration when funding becomes available.

Lord Hendy: They are not cancelled; they are unfunded. When the prospect comes round of future funding, they will have to be considered alongside. As we have already discussed, investing in railway infrastructure is a long-term business, so I cannot see how the vast majority would not be seriously considered in future. What I cannot say of course is what other demands come up as a consequence.

Chair: We have covered changing priorities.

Q360 **Rebecca Smith:** Pushing on this further, can you explain how the Department arrived at which schemes it would prioritise and how in future it will determine which of the paused schemes will be prioritised going forward as well?

Lord Hendy: The Secretary of State has been very clear about this. The overwhelming priority of the Government is economic growth, jobs and homes. Everything that was on the table has been looked at in that context with, of course, a regional context as well, having proper regard for the amount of money there is. My belief is that we could not have done more, although we clearly have not satisfied everybody about everything. The best thing that we could have in the future is that the economy grows and therefore next time we look at this there is more money to be allocated. That would be the best thing, and it would be an outcome of doing what we are doing with the railway.

Alex Hynes: Practically, those paused schemes will be kept under active review, and they are strong candidates for future progression.



- Q361 **Rebecca Smith:** Drilling down a little bit more if I may, and then we can move on, you have said several sometimes, Lord Hendy, that they have been looked at under the framework of “growth, jobs and homes”. Bringing it to a local perspective, Plymouth has been announced as a defence hub. It has had billions of pounds invested over the next decade for the continuous at sea nuclear deterrent, and they are looking at creating 25,000 jobs, yet we did not even get the money for the business case to look at extending the railway line from Plymouth out to Dartmoor where lots of those people would be coming into work from, and then out into my constituency through places like Plympton and Ivybridge, where we already have a new town that is being built and a car park ready to go. I am interested, given that growth, homes and jobs piece, why some schemes seem to have been missed, and what we need to do to continue the lobbying for them.

When I asked the Secretary of State the other day, she said to give her more information. Obviously, I don’t want to give false hope to the TavyRail group, for example. If there is already a decision that the scheme is not possible, we need a direct answer on that so that we can look at alternatives. If not, it is simply a business case. That is all they want the money for. I just feel that that piece around investment in growth, homes and jobs is not following the money that is going to things like defence.

- Q362 **Chair:** Were there criteria by which those schemes that were approved were on the list and which of those schemes were not, like the one Rebecca mentioned and Ely/Haughley, which there has long been a strong case for? Where are the criteria?

Lord Hendy: Because the Government came in in the way that they did and because of the relative economic circumstances, it has been a much more difficult decision than it would be in a stable economy with steady economic growth. We are trying to do schemes, balanced over a regional and national basis, that will create the economic growth to make future spending easier to decide. In respect of individual schemes, there is a real difference between what you need to do on the existing railway to improve service levels, such as Ivybridge and so forth, which is primarily based on the revenue costs of providing extra services, and that can be considered on an incremental basis. One of the problems with Tavistock—

- Q363 **Chair:** My question was not about those individual schemes. What is the process? Where are the criteria for what is and what is not on those schemes given the limited funding available?

Alex Hynes: As the Minister said, difficult choices had to be made because we do not have limitless funds. We focused on the schemes that were ready to proceed, delivered strong value for money and aligned with our strategy objectives. The No. 1 objective of the Government, of course, is economic growth, but we are also interested in regional connectivity in order to break down opportunities. It is one reason why we are investing in Mid Cornwall Metro.



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Q364 **Rebecca Smith:** Mid Cornwall Metro has nothing to do with the scheme. It is ultimately a central Government-funded defence investment. With all due respect, we have heard that the Government are apparently better than the previous one because everything is being joined up and transport is central, but ultimately they have just given billions, eye-wateringly high amounts of money, to defence, and it feels like nothing is happening around transport, which will be essential for the homes. I am not seeing evidence of this joined-up thinking at the moment. It is worth taking that away to say, "There are these schemes that make sense."

Alex Hynes: It is probably worth noting that the rail network enhancements programme is not the only funder of rail investment on the network. We have just made £15 billion available to local authorities.

Q365 **Rebecca Smith:** Yes, but the local authorities that have combined authority mayors are in the north. That is not the ones that are down in the south-west.

Alex Hynes: No, I understand that. I am not familiar with the Plymouth defence hub scheme, but I shall take a look.

Rebecca Smith: I will follow up and write.

Alex Hynes: If they have lots of money available, maybe we can commission a business case.

Q366 **Chair:** Will we have more detail about the overarching process? In the GBR era, will it work differently?

Lord Hendy: There are two things. I might get boring on this. The next and most important job is to put some of these things into the process of delivery. It will be better and easier in the GBR era because, as we have described, I expect GBR to formulate the sorts of things that Government need to think about in advance rather than having to pick up hundreds of unfunded schemes and sort them out, which has been done in short order. You would not have wanted the spending review to take any longer. It has necessarily been a quick process from a very difficult start because of what we inherited. I expect it to be better and easier in future, and in particular I expect the GBR process to enable the earlier development of outlined business cases so that it is much clearer what you are choosing from and why it should be done.

Chair: Okay. On the theme of criteria and how you choose, Baggy.

Q367 **Baggy Shanker:** How do you anticipate the Treasury's proposed changes to the Green Book impacting development of the rail investment pipelines?

Alan Over: We think the proposals that they are consulting on are helpful in four particular areas. The first is the place-based ethos of business cases, which really allows us to get at some of the points. Transport is enabling, but it needs to go alongside housing and skills, and the place-based concept of a business case that looks across Government



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Departments to bring all of that together to promote growth is a good thing.

The second area is more recognition of the transformational economic impacts of the biggest transport schemes where they are not just incremental improvements, and recognition that we have to value those benefits in a slightly different way. In our normal transport appraisal system, they are tier 3/category 3 benefits, and sometimes that is right, when it is a junction improvement or a small-scale enhancement on the railway, but if the purpose of the scheme is economic transformation those economic benefits need to be at the heart of it.

The third thing is acceptance that in some cases the benefit-cost ratio being above 1 is not a reason not to proceed if there is strategic importance for the scheme, or we have been unable to appraise the wider benefits sufficiently. If there is a strong strategic case, the Treasury proposals are clear that you can still proceed with those even if the benefit-cost ratio is below 1. You have to look at that with caution, because if there are comparable schemes you should always prefer the one with the higher BCR. The final area is technical revisions about the discount rate. At the moment, with a relatively high discount rate, you end up not preferring schemes that give longer-term benefits. A reduction in the technical discount rate would allow future benefits to be better valued and improve the overall case for the longer-term schemes.

The Treasury is consulting on those. We think those four areas are helpful in the way that we look at big schemes and small schemes in the rail portfolio. We need to make sure that they are then concluded and brought into our transport appraisal framework and that we use that guidance robustly, as we do at the moment.

Lord Hendy: Assuming those changes are made, it is incumbent on people preparing business cases that they properly consider all the additionality that the revised Green Book will give, so that the business cases they produce do in fact exploit the things that the Treasury is going to put into the Green Book.

Q368 **Baggy Shanker:** Would the same principles apply to other infrastructure, such as headquarters and buildings?

Alan Over: These will be changes across the Green Book that can be applied with sensitivity across all Departments. It is not just for transport. I gave you the transport cut—our views on them.

Chair: Thank you. Charlie, it's time to bring you in.

Q369 **Charlie Maynard:** Thank you, and thank you all for being here. The rail network enhancement plan budget is about £2 billion per year. Can you give an overview of what your Department is doing to develop private finance options for rail investments to make that go further, because £2 billion is not a whole hill of beans? Before you jump in, I want to add this.



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The Planning and Infrastructure Bill makes LVC, land value capture, contributions much easier through cheaper compulsory purchase orders, new power to development corporations, new infrastructure levies, and committing to review LVC methods. How does that fit into your thinking?

Alan Over: I will take that if that's all right. I will talk about the Government's general approach on private investment and then move on to Euston as an example of how we are trying to apply some of that thinking. Overall, the 10-year infrastructure strategy has been clear that the Government are happy to support the use of private capital and they are trying to remove the barriers to long-term investment. That is an important statement of principle.

The NISTA national infrastructure and construction pipeline will set out candidate schemes where there is potential for private capital to come in, and be sensible on rail and across the wider portfolio. Some of the work that the ORR has been doing in reviewing the rail network investment framework is important because that can be applied both to private and to public investment and it gives guidance about how local authorities or other bodies would make the case for the use of either private or public funding and finance to bring forward rail infrastructure. There is a more permissive Government framework, and that has to recognise that there are choices about where you best bring in the private capital. There still has to be a value-for-money case that underpins it. That can be in terms that it is right to use private capital because the rate of return is comparable to what you might achieve in the public sector in some circumstances. That is more likely to be the case if you can get private sector discipline in constructing some of the bigger assets on a more efficient basis, and that is one of the primary reasons why we are looking at it at Euston.

Euston and the lower Thames crossing have both been identified clearly by the Government as candidate schemes. The presumption for the HS2 station at Euston is that it will be a public-private partnership, and that is the basis on which we are proceeding. We have done early market engagement, and there is decent potential. There is a revenue source that we can see, and we can ringfence that part of the overall scheme in a way that could allow private sector discipline to be delivered. At Euston, there are other sources of private funding as well. We are contemplating the use of a tax increment finance scheme or equivalent, with the co-operation of Camden and the GLA, to look at how that might be used, not hypothecated but preferentially around the underground station and public realm. We also have the development receipts associated with land value capture where Lendlease is taking forward that investment in order to return money to the Government and to its shareholders based on the value that is uplifted through its investments.

That flexibility alongside public finance, which will remain an important part of the overall Euston funding solution, is a model that we can actively invest in, actively test and capture the lessons from, and it could



be a model for other stations or other infrastructure across the country. We should remember that private investment continues to underpin lots of the rolling stock provision, as Alex has already set out.

Q370 Charlie Maynard: Would either of you gentlemen like to add something to that?

Alex Hynes: You make a great point that the rail network enhancements programme is not the only funder available. There is a strong track record in rail of stations, depots and rolling stock being privately financed, which is fantastic, and should continue to be encouraged. It is always a bit challenging on a 200-year-old railway to invest directly on to the rail infrastructure, given all the historical risks. If you transfer too much risk to the private sector, you end up paying for it. There is a balance to be struck. Private sector finance for the rail network, particularly on stations, depots and rolling stock, is strongly to be encouraged because it means our money can go further.

Lord Hendy: If I may, I will draw your attention to the recently announced Project Reach between Network Rail and telecoms companies, which is private sector investment into fibre-optic cable and mobile connectivity on the railway, which will both produce a benefit to the operation of the railway and produce the private sector investors a marketable commodity. That is quite innovative. I think, for the avoidance of doubt, that the thing that we talked about earlier, which is the growth of different traction packages and batteries, may well give a further opportunity to the private sector, because if you are going to buy rolling stock that needs fast charging in various places they could probably supply it as a package. I can't see why they wouldn't. Indeed, that may be how discontinuous electrification works in the future.

Q371 Charlie Maynard: On the Northumberland line, where they flipped a freight line to a passenger line and they had LVC voluntary legally binding contributions up and down, there were 28 that funded about 30% of that project. Obviously, the Land Compensation Act 1961 is a pain for doing this, and I think the Government are looking at re-examining it. Do you see that sort of model, perhaps with the planning infrastructure changes, helping that being a roll-out particularly for new branch lines around the country—Witney and Carterton is obviously the one I have in my mind—where you have private developers coming in at 50%, possibly Homes England coming in for a chunk, and you coming in for the remainder, and suddenly your bill goes from 100% down to 20%?

Lord Hendy: The Northumberland line precedent is really helpful because, apart from anything else, it shows that it can be done outside London and the south-east with high land values. I look back at my time at TfL and the deals that we did to get the Elizabeth line going, and I now think they were not half as bold as they might have been. The other thing that is important is that the Government are quite keen. We are discussing a development corporation approach at Euston where the



wider boundary is much wider because of the land value increase, and we should be looking at that elsewhere, too.

Charlie Maynard: Good, thank you.

Q372 **Chair:** Do you think we will have something that we have not had, which is a clear, long-term investment prospectus showing where capital is welcome and which models would apply or could apply to different schemes? Will the Department now address how opportunities for private investment can be better advertised?

Lord Hendy: That is part of the 10-year investment strategy across Government. Yes, we will be trying as hard as we can because it is quite obvious that it is the right thing to do. Having sat here and said how lamentable it is that much of the development in Birmingham has not contributed to the railway, we are obviously going to try as hard as we can in future to get precisely that. I am looking forward in the appropriate cases to be able to make a fuss about the elements of what you want delivered. Access for All might be one such thing, where people have offered us significant contributions and we should be taking them wherever we can, shouldn't we?

Chair: To your point that perhaps we could have gone further in London, as a London MP, virtually none of our schemes got into the spending review list, so maybe there is much more potential there. Olly, you want to come back on a particular point that we passed over.

Q373 **Olly Glover:** Just a fairly specific point about the relationship with the new infrastructure strategy, which promised an infrastructure pipeline with an interactive portal. What rail schemes will be included as part of that? Perhaps the real question is what the relationship is going to be between RNEP and major schemes and the overall national infrastructure pipeline. How will that be presented to industry in a way that makes it easy for them to see what is available and what they could express interest in doing?

Alex Hynes: We now have the 10-year infrastructure strategy. In that, there is a commitment to refresh the strategy every two years. There is also a commitment to publish the interactive pipeline this month and to regularly update it at a period of every six months. That is in the document. RNEP is part of the projects that form part of the 10-year infrastructure strategy. The combination of a multi-year spending review and greater transparency is moving us towards the smoother visible pipeline that we have all agreed that we think we can do a better job on.

Chair: Excellent, thank you. Thank you very much, everybody. Thank you to our witnesses for coming to the final session of the Committee's inquiry and for your time today. Do feel free to write to us if there is anything you feel you have not been able to cover in your answers this morning. We found the session very valuable, and we look forward to considering our recommendations to you on this topic as we draw up our



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report. That concludes today's meeting.