

# Public Accounts Committee

## Oral evidence: High Speed 2, HC 329

Thursday 24 June 2021

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Members present: Meg Hillier (Chair); Gareth Bacon; Shaun Bailey; Sir Geoffrey Clifton-Brown; Peter Grant; James Wild.

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

Questions 1-116

### Witnesses

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



Report By The Comptroller And Auditor General

Progress in implementing National Audit Office  
recommendations: High Speed Two (HC 292)

Examination of witnesses

Witnesses: Bernadette Kelly, Clive Maxwell and Mark Thurston.

**Chair:** Welcome to the Public Accounts Committee on Thursday 24 June 2021 for our second session this week looking at the progress of High Speed 2, the UK's largest infrastructure project by value and a programme that this Committee has had a long-standing interest in. On Monday, we heard from some of the public bodies involved in the oversight and implementation of the programme. Today we welcome key officials from the Department for Transport and HS2 to talk about the money, the delivery and some of the problems that they have had along way and what they anticipate as they go forward.

I welcome our witnesses. We have Bernadette Kelly, the permanent secretary at the Department for Transport here with us in the room. We have Clive Maxwell, the director general for the High Speed Rail Group at the Department joining us online through Zoom; welcome to you, Mr Maxwell. We also have Mark Thurston, the chief executive officer of HS2 Ltd here with us in the room.

I would just like to put on the record our thanks to HS2 for hosting us last week, as a Committee, when we visited the site in Rickmansworth to give us an idea of the scale and the progress so far of some of those groundworks for the project, which helped to set it into context. I will hand straight over to Sir Geoffrey Clifton-Brown to kick off.

Q1 **Sir Geoffrey Clifton-Brown:** Good morning to our witnesses. Mr Thurston, thank you again for the visit. We found it most informative. Would you please thank all the people involved with its organisation? Can we start by asking what your biggest concerns currently are with all the different phases—phase 1, phase 2a and phase 2b—of HS2?

**Mark Thurston:** Certainly. There are different issues for the different phases. Perhaps I will list them in reverse order. For phase 2b, the work to be done is to complete the hybrid Bill. The organisation has already done two of these. This is our third time around. We are working hard to be in a position to deposit that Bill no later than the early part of next year. It is really now about making sure that we compile all the environmental statements and get all the traffic assessments done. Obviously, the route between Crewe and Manchester is a significant amount of infrastructure, so it is really about volume of work and completing all that work in a way so that we are fit to deposit the Bill. That stands alone.

Again, working in reverse order, with phase 2a having got Royal Assent earlier this year, the emphasis now shifts towards project development



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and promoting the scheme into project delivery. We have repurposed the organisation—the company. We recently got approval from the Government to go to the market to secure a partner to work with the organisation, as well as for the advanced civil works. For the things we will do in the short term—over the next six to 12 months—we have the benefit of our experience of phase 1. That is around land acquisition, starting the early ecology works, which is quite seasonally dependent, and looking at all the early enabling works in readiness to prepare the route. It is really about the risk and the concern, making that transition, promoting the Bill and dealing with all the pre-Royal Assent activity to very much post Royal Assent.

Phase 1, which you saw only a week ago, is a much different beast in every respect now. It is very much coming to the end of the full mobilisation for civils. To make my answer to your question time-bound over the next six to 12 months, we will complete the enabling works into next year and towards the end of next year, as well as most of the utilities and some further ecology works. We have to complete all the land acquisitions, and we are well on track to do that in the allotted time, recognising that that power is for five years. As you saw at first hand, we are now mobilising the significant workforce and bringing all the resources together to get the momentum we need for the next three to four years for the remaining civils. We still have procurement going on in the background for the systems. We have to get the rolling stock appointed, which will be a key contract for us later this year.

In real time, we are clearly still not through the impacts of covid. The supply chain has done a good job in working through distancing measures and other standard procedures that have been agreed with HSE. I think we have reasonable production on the ground, but nevertheless we need to be vigilant there. We have seen quite a lot of protestor action on phase 1 and now on phase 2a. We are very aware of the impact of some of that activity.

Really first now is getting the design finished for civils because, as you saw, we have now mobilised a huge workforce across all four civils contracts. We are getting the design finished and getting all the consents, because we have got to get schedule 17 consents agreed with some of the local authorities. We will be getting those through the system over the next 12 months, and then we are really into our full stride on project delivery and construction for the civils programme.

Q2 **Sir Geoffrey Clifton-Brown:** There are two slightly smaller issues that I would like to pick up on quickly, because I want to come on in a moment to detailed timing and costing. Are you confident that you will complete the acquisition programme within the timetable set down within the Act?

**Mark Thurston:** The land acquisition?

**Sir Geoffrey Clifton-Brown:** Yes.



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**Mark Thurston:** Yes. We have got 65-odd sq kms to acquire. We have about 10 kms to complete. To give you the detail on that, we know exactly where that land is across the three areas. We have effectively got what we call an end of powers project. In total, there are 292 defined parcels of land still to acquire. We need to serve all the notices for those by November and we are in good shape to do that. I am confident that we will acquire the land and we will obviously make sure that we have got what we need to build the railway.

There is an inevitable level of detail that is emerging from the detailed design from the contractors, which is what we expected. Nevertheless, we can see a path over the next six to nine months where we want to make sure that we acquire that land in good time for February 2022, which is when the powers expire.

**Q3 Sir Geoffrey Clifton-Brown:** One other issue: the protester activity. We have seen recent protester activity, including tunnelling into your land. Are you confident that you have the means to be able to deal with that, including liaison with the relevant local authorities and other undertakers that you may need to join with to take action against them? Are you confident that they will not delay your progress?

**Mark Thurston:** First, it is fair to say that we've had a significant amount of activity. We understand with HS2 that people on the route who did not choose to live alongside the work that we are doing have every right to peacefully protest, but the action we are seeing is anything but lawful. It is becoming increasingly violent and disruptive. We have spent somewhere in the region of £75 million of public money on dealing with the implications of this action.

We need to protect our workforce as well as the protestors and local people, in some cases. This activity has also drawn resources away from the blue light services, at a time when frankly the country has other priorities for those services, so we are very exercised about this. We recently had a productive meeting with Clive Maxwell and the team and the Secretary of State to make sure that we bring all the resources of Government together, because this needs a cross-agency response.

There is only so much HS2 Ltd and our suppliers can do here. We are not really geared up to deal with the extensiveness of this. Thus far, we have done a reasonable job of protecting the programme, in and around, but nevertheless we don't expect this issue to go away any time soon and we need to set ourselves up with other support from Government to ensure that it is addressed.

To give some detail, the forces have made somewhere in the region of 300 arrests. We have seen nine prosecutions. There is legal action here that we need to be prepared to deal with to make sure we protect the programme and the public purse.

**Q4 Sir Geoffrey Clifton-Brown:** Thank you very much. I am going to come back to you in a minute on detailed costings and timings. Ms Kelly, good



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morning. This is the biggest construction project in your Department. It is getting bigger by the day. What keeps you up at night?

**Bernadette Kelly:** As I have said before, I sleep well.

Q5 **Sir Geoffrey Clifton-Brown:** What worries you during the day?

**Bernadette Kelly:** There is an enormous number of risks associated with this project. It is inevitable, given its scale, complexity and significance. We are never relaxed or complacent. If I approach it from the perspective of, "What do I see as the key risks associated with this project?" clearly costing schedule, which I know you want to come back to, is always going to be top of that list. I think we have made great strides since the reset last year in enhancing our grip, our oversight and our governance of the project so that we can have confidence that it is being delivered. We have a dedicated Minister, a ministerial taskforce, a stronger HS2 board, a stronger client function in the Department—Mr Maxwell is now a dedicated SRO, focusing all his time and energies on ensuring that we, Mark and HS2 Ltd are delivering the project successfully—and all the greater transparency, including the six-monthly report to Parliament. We have put a whole set of steps in place to give me, and I hope you, far greater confidence around cost and schedule, but there are always headwinds like covid, so the risk is a permanent one, however much we do.

So that would always be top. Right now, Euston is a very urgent and immediate challenge for phase 1, as you know. We need an affordable design and delivery strategy; we have commissioned work urgently with HS2 to deliver that, which we expect to report on in the next parliamentary report. I know that Mr Maxwell can certainly talk in more detail about that, and I am sure you will want to come back to it.

**Sir Geoffrey Clifton-Brown:** We will be coming back to it later.

**Bernadette Kelly:** I am sure you will. We have also put in place the Euston partnership board, chaired by Sir Peter Hendy, bringing together HS2, Network Rail, the London Borough of Camden, the GLA, Lendlease and TfL to try to bring all the partners together to ensure that we have a plan to deliver what is an exceptionally complex site in the middle of London.

Mark has rightly mentioned protesters, which HS2 Ltd is dealing with. Obviously, communities along the line—I know that we will come back to this—are principally a matter for HS2 Ltd, but as you can imagine, we in the Department are also very concerned to ensure that they are being handled sensitively. Andrew Stephenson has made it very clear that it is top priority for him as HS2 Minister to ensure that we have plans to do that.

If I look ahead, there are two big things that we are now really turning our minds to. Integration, as you know, is an absolutely key challenge for a project of this complexity, and one which will become part of a complex wider rail network, so we are certainly thinking very hard now about that. HS2 Ltd are the programme integrators for the project, but there is a



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much bigger set of questions about how, as the railway comes into service, we ensure that it is working—

**Sir Geoffrey Clifton-Brown:** We will be coming back to that, particularly with phase 2b.

**Bernadette Kelly:** Indeed. There is a huge set of questions around that.

The other thing that I believe we really need to focus our efforts on now—we are doing a great deal of work, but we need to do more—is benefits realisation and ensuring that the investment and the regeneration that this project is designed to deliver and enable really does come into being. I am very happy to share examples of the work that is already going on, which is extensive, but as we now start to see the reality of it being a railway that will open towards the end of the decade, we need to start thinking about where we can do more to have a really programmatic approach to ensuring that we bring together all the wider actors—local authorities, private sector developers and interests, MHCLG and other Departments with an interest in helping to make this happen—so we have a very strong focus on ensuring that we optimise and maximise the benefits that the project is intended to deliver. Again, I am sure that you will come back to and explore that theme.

I guess that that would be my list of key risks, if you like—not quite keeping me awake, but certainly keeping me busy.

Q6 **Sir Geoffrey Clifton-Brown:** Thank you, that is very helpful. Just on a brief process point: under pressure from this Committee, we now have regular six-month reporting to Parliament. Could I ask that you or the Minister think about how the information in those reports is laid out? I found myself flicking from one report to the previous six-monthly report. It would be very helpful to have it tabulated so that we can see whether an individual metric is getting better or worse without having to flick to the previous report.

**Bernadette Kelly:** As you know, when we started doing this, we spoke to you and the Chair about what would be the most useful format for the report. We have said all along that we are very happy to take any thoughts from you on how we can continue to improve it. I can see exactly what you are talking about: it is about seeing a trend over time.

**Sir Geoffrey Clifton-Brown:** Exactly.

**Bernadette Kelly:** We also try to see that in our management information, as you can imagine, so I am sure we can do that.

**Chair:** We like data from the Department, but perhaps let's take this offline.

Q7 **Sir Geoffrey Clifton-Brown:** Mr Thurston, I want to come on to some detailed questions to try to work out exactly the progress, both physically and financially, to an endpoint when you are actually going to open on phase 1. I am going to take the metrics used in paragraph 6 on page 6 of



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the NAO Report—design, approval, construction, systems integration and readying for operations—and try to find out where we are on each of those.

Other than Euston, is the whole project now designed?

**Mark Thurston:** No. There is still a lot of work to do on design. We are well on with the civil engineering design—the detailed design. We completed the scheme design mostly last year, so we are now on the detailed design, and that, for the scale of what we are doing, will run in waves of activity. We will always prioritise the design to feed the construction, and it is a four-year construction programme, so design for civils will continue to run for some time yet. There are some where the contractors are further advanced; on the site you visited, they are well advanced, but theirs is a slightly smaller contract. Civils design will be with us for a little while yet.

On system design, we are starting the procurement. They will be design-and-build contracts, so we will set performance requirements for the railway systems, and each of the contractors in turn will need to take what we class as a reference design that HS2 does. The reason we do a reference design is that we need to make sure the system integrates. To Ms Kelly's point around making sure that we have an integrated system at the end, we need to do work up front, as the programme integrator, to make sure that what the supply chain bid against and what we employ them for is based on a reference that we know fits the overall railway. They will then know, over the life of their contracts, which will all be let over the next two years, what they need to follow through.

On stations, three of the four stations are let, and they are at varying stages of design. Then, hopefully by the autumn, we will be in a position to award the rolling stock contract, and again, that is what we call a turnkey design-and-build contract with the rolling stock market—a very conventional approach. Again, they will take a performance specification from us and they will design and build the trains. It is a mixed picture across the different asset groups.

Q8 **Sir Geoffrey Clifton-Brown:** On approvals, obviously you have had the statutory approvals. Are there any other approvals that you still need to complete phase 1 or have you got them all?

**Mark Thurston:** There are certain powers we have under the Act, but under schedule 17 of the Act we need local planning approvals from local authorities for works in their area. That is not just planning approvals for final assets. Again, coming back to the site visit, when we went south, the viaduct that will go over the Colne valley will be designed by the team and will require local planning consent from the host boroughs or local authorities. Clearly, we have certain rights under the Act, but the spirit of schedule 17 is that we get consent and we agree the detail of that design with the local authorities. You have that sort of work going on, again, as part of what I explained on design, right along the phase 1 route for all the civils assets.



The other thing we need in terms of approvals is things like lorry routes and how we are going to deliver the work. Again, we have an obligation; we have all the undertakings and assurances—some 4,000-odd—under the Act. That sets an obligation on us and our supply chain about how and when we do the work, but again, there is a requirement under the planning processes for us to make submissions to local planning authorities to consent to our approach.

**Q9 Sir Geoffrey Clifton-Brown:** But there is nothing in either the design or the approvals that you can foresee is likely to delay the railway. Obviously, these approvals affect local communities hugely, so it is very important to get that planning permission, but there is nothing that you can see that is going to cause a delay to the entire programme for phase 1.

**Mark Thurston:** Providing the approvals that I have referred to are all done in a timely manner—the interaction with local authorities, in the conventional times agreed for turning these things around—there is no reason why we would see some delays. Of course, some of these sites are very sensitive. You make the point around the impact on communities. Inevitably, in some of the more sensitive constituencies, we are having iterations of the exact solution—

**Sir Geoffrey Clifton-Brown:** I understand that.

**Mark Thurston:** Where we are seeing some delay on those approvals, we look to replan the work to make sure that does not have an overall impact.

**Q10 Sir Geoffrey Clifton-Brown:** Yes, and that is the right thing to do—to try to accommodate local communities.

The big ones are construction, systems integration and readying for operations. On construction, what I am really interested in is this. You spent £11 billion in the first wave, and you have now contracted £12.5 billion—£23 billion-odd out of a total envelope of £44 billion. I am really concerned whether you have actually achieved the work and contracted the work for half the project, and whether that £44 billion is still realistic.

**Mark Thurston:** Absolutely—the budget of £44.6 billion is realistic. If we think about how the overall budget for HS2 phase 1 is made up, what we call the point estimate—the cost of the physical work—is £35 billion and there is then £10 billion of contingency. Of that £10 billion of contingency to date—and we are about 20-odd per cent through the job overall—we have spent 5% of the contingency.

As we sit here today, notwithstanding that there is still a hell of a lot to do and that we are well aware of the scale of what is in front of us, we are still very confident that we will deliver the project for the funding that has been made available.

**Q11 Sir Geoffrey Clifton-Brown:** You have just told us that you are 20% through the project. Is that what you said?



**Mark Thurston:** Roughly, yes.

- Q12 **Sir Geoffrey Clifton-Brown:** But you have spent or contracted half your money. Does that add up? What we don't know and what would be really useful to know—you could maybe give the Committee a fairly detailed note—is what you have actually contracted for in that £12.5 billion contracted-for amount that you have not yet physically carried out on the ground.

**Mark Thurston:** Of course. We have contracted the civils, for example.

- Q13 **Sir Geoffrey Clifton-Brown:** All the civils.

**Mark Thurston:** All the civils are all contracted—£14 billion for the civils. To date, we have only spent, of course, about £2.5 billion on the civils. There is £12 billion-worth of investment through the civils contracts over the next four to five years. We have only let those contracts at a level that is affordable and that is consistent with the budget that was part of the reset that Ms Kelly referred to, so we are very confident that we will stay within the overall funding requirement.

The other important point to make is that we expect, as we go through systems and rolling stock and future contracts, still to drive up further opportunities and potential cost savings, and we are doing some work on that more broadly in the company anyway. We feel that there are still what we would call procurement opportunities to drive through the remainder of the work that is still to be contracted.

Another important point is that the work we have contracted—the £12 billion you referred to—is delivered for that money.

- Q14 **Sir Geoffrey Clifton-Brown:** As well as cost, we are interested in the time. Interestingly, you have now just told us you have contracted all civils. When do you expect all the civils to be completed by?

**Mark Thurston:** That varies by contract, but—

- Q15 **Sir Geoffrey Clifton-Brown:** The whole civil package. You can see where I am coming to next. I want to get beyond civils. We saw with Crossrail that civils are only part of the problem. When do you expect civils to be completed, completely?

**Mark Thurston:** Maybe I could help orientate the Committee on the overall programme. From 2020 to 2025 is civils; 2025 to 2028 is systems. Then there are two years for commissioning, integration, driver training and entering into service. That is the sort of broad 10-year programme, but of course we have set a range for the ultimate schedule. There are lots of variables in there. We have set a range of '29 to '33 to complete. Of course, throughout that same phase, we have the four stations to design and build as well. The station programmes are typically six to seven years.

- Q16 **Sir Geoffrey Clifton-Brown:** So roughly by 2027, will you have done the civils and built the stations ready for the systems part of the package?



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**Mark Thurston:** By 2027 we would have done exactly that, and we would have designed most of the systems. We will be very much getting into systems installation from the late 2020s.

Q17 **Chair:** Including the stations?

**Sir Geoffrey Clifton-Brown:** That is where I was coming to next, Chair. There is one big item that we haven't yet really talked about. You have contracted the civils. You have got the systems to go. You have got the stations to go.

**Mark Thurston:** We have contracted three of the four stations.

Q18 **Sir Geoffrey Clifton-Brown:** You have contracted three of the four stations. We are coming on to the detail of Euston later on. You have at this point a £4 billion envelope for Euston. Are you relatively confident that the total envelope for the cost of the entire project will include Euston? Or is that still going to have a variance on the cost of the whole programme?

**Mark Thurston:** We should probably take Euston as a separate issue, because, to Ms Kelly's point, it is a very complex site with other dependencies. As it currently stands, we as HS2 are working hard with our contractors to make sure we have an affordable design for the HS2 Euston station. We have got to let Interchange, the final station, which is the one south of Birmingham. Curzon Street, which some of the Committee will see next month, has just been contracted. On Old Oak Common, where I was yesterday with the Secretary of state, we are well on with putting all the civil engineering parts of that together.

I am very confident around the costs on the four stations and what we need to do there.

Systems is where we have still got most procurement to do.

Q19 **Sir Geoffrey Clifton-Brown:** I want to come on to systems in a minute. Let's just stick with stations. Can you just remind the Committee? You have contracted three out of the four stations. What is that cost?

**Mark Thurston:** Old Oak Common is £1.6 billion, Interchange is between £350 million and £400 million, and Curzon Street is about £450 million, from memory—in rough terms. Again, I can confirm all the detail to the Committee, if you want.

Q20 **Sir Geoffrey Clifton-Brown:** So we are looking at about £2.6 billion, roughly.

**Mark Thurston:** Excluding Euston—Euston is £2.6 billion.

**Sir Geoffrey Clifton-Brown:** Euston is £2.6 billion.

**Mark Thurston:** So the stations overall—the four stations—are just over £5 billion.

Q21 **Sir Geoffrey Clifton-Brown:** Okay. That is getting us there. So, by



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2027, we have got a railway, the civils are done, the stations are done and we are on to systems. Tell us about systems—timing and costs.

**Mark Thurston:** The cost of the systems is £3.5 billion. That excludes the rolling stock—the rolling stock is about £1.6 billion. So the systems, including rolling stock, are again just over £5 billion.

We have procured some of the smaller systems packages, like the cross-passage doors. We have made a commitment to supply for the slab track. But the main systems contracts—the track, the electrification, heavy power, light power, tunnel ventilation, telecoms, signalling, control—are all to be procured over the next 24 months.

Q22 **Sir Geoffrey Clifton-Brown:** Okay. Given the problems with Crossrail and systems, what have you done to assure yourselves not only that the system's price of £3.5 billion is reasonable, but that it is not going to kibosh the timetable entirely, like Crossrail?

**Mark Thurston:** That is a really good question. We have been giving a lot of work to, and we have done a lot of work with, the Crossrail team around how they packaged, contracted and then deliver the systems.

The integration point is crucial. Ms Kelly referred to HS2 Ltd as the programme integrator; we are also the system integrator. So, we are pursuing a contract model for the systems, where effectively we will bring the principal systems contractors into one collaborative alliance, so that they have a mutual financial incentive to work together.

Actually, the bigger incentives for the system's contractors is when the railway opens and it all works together, rather than their discrete contracts, because clearly if we move to a place where we find ourselves in discrete bilateral contracts that are not really integrated, and the incentives of those contracts are on a contract-by-contract basis, we will find ourselves at HS2 trying to unpick a really very difficult situation—

Q23 **Sir Geoffrey Clifton-Brown:** And that's what happened on Crossrail.

**Mark Thurston:** Absolutely. So we are very explicitly going to put the system's contractors into a form of alliance, where they are mutually incentivised to all work together to deliver the outcome of the railway, with very clear performance requirements for the railway. It is quite a bold move; it will be complex. But frankly, with the experience of Crossrail and when you think of the scale of what we are doing at HS2, we are confident that that is the right way forward. All our market engagement with the system suppliers, pre-contract—we did a lot of market engagement—shows that they are very receptive to a much more collaborative approach, so we will bring all the systems together to deliver an operating railway.

Q24 **Sir Geoffrey Clifton-Brown:** So what is the timing for systems? We have got civils done; we have got stations done. In 2027, you will start on systems, or maybe you will have started on systems hopefully—

**Mark Thurston:** We will have started, yes.



**Q25 Sir Geoffrey Clifton-Brown:** While you are doing the civils and stations. What is the timing of completion of systems?

**Mark Thurston:** Again, there is a phased opening. So, one of the things we are doing is working out how we will open the railway. We are planning, if you like, right to left and thinking about what are the various configuration states that we need to introduce to open the railway, initially with three trains an hour and then to six trains an hour; and of course we will open the railway from Birmingham to Old Oak Common initially. Euston won't be ready, so we are setting up Old Oak Common to be the sort of London terminus when we first open the railway.

It is a very complex programme to bring the trains, the signalling, the driver training and all the operating procedures into fruition at the back end of the programme. That is two to three years—broadly—at the back-end of the programme, once we physically start to commission the discrete systems.

The way it works is that you commission a discrete system and then incrementally you bring the systems together to start to deliver the railway system.

**Q26 Sir Geoffrey Clifton-Brown:** Right. So, all going well, your civils and stations are done by '27. Then, taking your outer range—the two to three years—by 2030 you should have a railway ready to commission. Is that correct?

**Mark Thurston:** Yes. The published target date in the range is 2030, but again we have put a range broader than that at this point in time, recognising the scale and complexity. And of course over time we will be able to reduce that range to something more definitive, because at some point we need to open the railway for passengers and there is a level of planning required in advance of that.

Again, we understand the sequence, we understand the durations, but inevitably there is some elasticity around that at this point in time, recognising that we are only just starting civils.

**Q27 Sir Geoffrey Clifton-Brown:** I was giving you time within that, because you are ready to commission. So, are you still relatively confident that you will be ready to commission by 2030?

**Mark Thurston:** Certainly by the early 2030s we are expecting to be in that position. At the top end of the range is 2033 to open the railway. We are very confident about that. Exactly where between '29 and '32 we open the railway, we will work that out in the fullness of time.

**Sir Geoffrey Clifton-Brown:** That was not the question I am asking. I am being kind. I am giving you flexibility.

**Mark Thurston:** I intend to take it, Sir Geoffrey.

**Q28 Sir Geoffrey Clifton-Brown:** The next question I am going to ask you is, once you have got to that phase, how long it will then take to commission



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everything so that you are satisfied that you can open safely to the public?

**Mark Thurston:** We have allowed, from memory, nine to 12 months for final testing and pre-opening of the railway phase. The final dynamic testing phase, completing all the driver training, from memory is about nine to 12 months at the back end of the programme.

Q29 **Sir Geoffrey Clifton-Brown:** Sitting here today, are you relatively confident that you will certainly open within the envelope of 2030 to 2033, but hopefully towards the earlier end of that envelope?

**Mark Thurston:** We are confident, yes.

Q30 **Chair:** Can I ask about the integration of systems? We have visited Crossrail, and we are going again soon. It really was a bit of a dog's breakfast. You have laid out what sounds like a great plan, but it is easy to say. Has it been done anywhere before?

**Mark Thurston:** In the railways, probably not. Look at other big complex systems, such as in big oil and gas facilities. Where they have multiple contracts that have to come together to commission something like an oil platform, they will often use multi-party collaborative contract forms to bring them all together, so the contracts only really pay out and incentivise when you are physically taking oil out of the ground. There is a model from other sectors that is totally applicable for a railway. It is quite bold on our part to take this approach, but we are confident that this, in the balance of risk, is the right way to go.

Q31 **Chair:** It seems on the face of it absolutely logical to do it, but there are a lot of pitfalls. It would be helpful if you could outline those. Obviously, the ones that spring to mind are legal challenges between companies, however you frame the contract, and the blame game—"We would have got it in the ground running, but this bit of it failed". How is HS2 going to get a real grip of that? Can you talk us through your thinking, given that it has not been done before? You can sit here and boldly tell us that it is going to be good, but we need to get a bit more grip on how.

**Mark Thurston:** It is a legitimate challenge and we are doing a lot of thinking about this at the moment. This is very live for us, because we are going to start the procurement of the first major systems package, which is the track, imminently. Of course, we have to put into those contracts for tender these arrangements where the contractors will become part of this multi-party arrangement.

Q32 **Chair:** And they do not even know who the other contractors are at this point.

**Mark Thurston:** Of course. Exactly. What I would say on the issues around legal challenge, interface risk between contracts, integration of physical systems, and capability in my organisation as well as the supply chain is that you have all those issues if you go with discrete contracts. We have a much better chance of managing the interdependency risks if we do it as a collective. That has been the balance.



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We have looked at, as you can imagine, a number of models, with a lot of learning from Crossrail. Mark and his team have been very open around their experience, and they are very supportive of where we are going because they are trying, as you say, to join the knitting together of all the discrete parts that were contracted very discretely. If you do not set that up to come together in a much more systematic way, you will find yourself where they are today.

Given all the work we have done at this stage—clearly there is still a lot to do—we are as confident as we can be that the arrangements that we are setting out will stand the test of what we intend to do.

Q33 **Chair:** When the buck stops, who bangs the heads together? Is that HS2?

**Mark Thurston:** Ultimately.

Q34 **Chair:** And what skillset do you have in HS2 that is—

**Mark Thurston:** If you think about the work that we have done on capability in the company more broadly, it has served us to get to this point. We had to meet a high test by the Department for notice to proceed, particularly for our civils teams, because that is where we have huge investment in the next few years. We will transfer all that model and all the capability into our systems. Technically, it is a very different area, but the project leadership, the commercial skills, the risk management skills, all the management of the logistics between multiple contractors, and all the organic capability of the organisation that we have today will migrate right through to the end of the programme now.

Q35 **Chair:** Do you think that you need continuity of people to do this? You will have a lot of people competing for jobs internationally because we have—

**Mark Thurston:** Yes, continuity will be crucial. The team that we have assembled at the moment for systems is mostly specifying and procuring the work. Some of those people will go right through into delivering the work, and some won't, and then we will take a lot of the delivery people who are working on the civils today. A lot of those skills are very transferrable into the systems phase. Capability will be at the heart of the success of this, not just in HS2 Ltd but with the supply chain. We would expect to go to all the big global contractors that can do this work. As I say, we have consulted with them on our approach and they are very positive about it. They, frankly, see that this is the only way you can really do this. Many of the same players have the same experience of Crossrail, which you referred to.

Q36 **Chair:** The scars of Crossrail are on their backs.

**Mark Thurston:** They all have the scars. There are only so many players in this market, so they are very supportive of this much more integrated, collaborative approach.

**Bernadette Kelly:** Can I just add this, by way of an endorsement of what Mark is saying? You are asking very thoughtful questions, and I hope you will be reassured to know that we spent about an hour in my investment



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committee this week talking about exactly the contracting approach that Mark described. We asked many of the same questions: are we confident that we have learned the lessons of Crossrail? How confident are we that the market will respond? How confident is Mark that he has the capability in his organisation to deliver this model? You can't eliminate risk from these commercial approaches. It doesn't matter what commercial approach you adopt; there are always risks around legal challenge and managing interdependencies. We were satisfied as an investment committee that the approach that the company is now adopting is the best one. I don't know whether you wish to say any more, Clive. I know that your team has also been working very closely with HS2 and Mark to assure us that this is a sensible model.

**Clive Maxwell:** There are two sorts of risks that we are worried about. The first is that when you have a lot of different systems contractors on site, they could be literally tripping over each other. You need to think very hard about how this is done on the ground and make sure they are organised well to do that. I think this aligned structure has an awful lot to say for it to help with those sorts of risks.

The second risk is that when you actually put the systems together, they don't integrate effectively and the outcome is not what you wanted. That is where you really need to make clear who the system integrator is. As Mark says, ultimately the buck stops with HS2 Ltd on this. It is then about having the right sorts of capability and clarity around what it is there to do and making sure it is up to the job. That capability has been tested externally. HS2 Ltd has also brought in an external panel of world-class experts on railway systems to help it do that. Those are the things that we have been looking at within the Department.

Q37 **Sir Geoffrey Clifton-Brown:** To follow the Chair's question, I think the most important questions that we could be answering are probably about the systems. The permanent secretary has already indicated that. How are you going to prevent what I call Ministry of Defence mission creep? They always want the latest technology, and it often ends up not working when it is delivered, and that delays the timetable of a project. We are talking about it being at least five years before these systems are put in. How are you going to avoid somebody coming up and saying, "I've got this latest super-duper electronic whizz grid that is going to integrate the train separations to the nth degree. This is what you must have, rather than what you had before," but it hasn't yet been designed or produced, and that causes a delay? How are you going to stop that scenario?

**Mark Thurston:** There are a number of measures to deal with mission creep, as you call it, on the systems. Your question is really about the systems.

**Sir Geoffrey Clifton-Brown:** Yes.

**Mark Thurston:** To go back to a point I have already made, we have taken responsibility for what I have called the reference design. At a reasonably high level, we have a design for all the railway systems that



sets the boundaries of what we do and don't want. We can already demonstrate that the performance of the railway is served by the integration of those systems at quite a high level, so they set the boundaries. Those boundaries become effectively the base of the technical specifications that we go to the supply chain with. For each of the contracts, we have what we call the last responsible moment, so we get to the point beyond which the system configuration cannot change. Our job then as the system integrator is to be responsible for configuration control.

The other thing to remember is that, apart from some of the idiosyncrasies of the British railway—things like gauge and interface with the existing network—fundamentally the technology that we are buying from the market for this high-speed railway is broadly consistent with High Speed 1 and other high-speed railways around the world. This is not an R&D project that is going into new territories of technology.

Clearly, this will be the most advanced railway that we have ever built in this country—you would want it to be—but it gets to a point where we have to land on and commit to a certain version of the technology for all the systems, to ensure that we have that integrity and that it all comes together. That is part of the process both in specifying the company, and also in the suppliers that we choose as they start to design it. That then gives us the assurance, but we are very live to this idea that we all get promised future versions of technology. At some point in this programme, we need to draw a clear line and to create a baseline.

Interestingly, Mr Maxwell talked about this systems integration panel that we have bought in—a series of global experts. They are very live to this idea about how you manage configuration control and make sure that the version of the systems that you are buying all fit together at a point in time, and you are stuck with it once you make that decision. If another version arrives three weeks before opening, we are not interested, thank you very much, because we have made that decision three or four years prior. That will be part of our job in the next three to five years.

**Q38 Sir Geoffrey Clifton-Brown:** I think that I have got more or less all the costs out of you. The only cost that I haven't got is this final commissioning cost—this nine months to a year that you talked about, which comes right at the end when, hopefully, everything is built and it is all going to work, but you have to commission it and make sure. What will that cost?

**Mark Thurston:** I don't have that as a discrete number. In reality, that, as a time-based cost, will be a combination of the costs of all the contractors who are still around to help us commission the railway—they will all have commissioning responsibilities in their contracts—and then the costs of the company as the ultimate integrator. The other costs that the industry will have will be of the west coast partners. The train operator becomes a very important player in those final 12 or 18 months, because it will run the service, so its drivers and all the issues around the



operations—the customer experience—are all part of its contribution with us to bring the railway into operation.

- Q39 **Sir Geoffrey Clifton-Brown:** I think, for the first time, we now have the breakdown of the costs for each individual section of phase 1. We also have a pretty good timeline for all of those different sections. In case I have missed something in my questioning, or I have misunderstood something, will you drop the Committee a line to break that down for us, so that we have it in writing? It would be really helpful to have what all those individual phases will cost and the timeline for it.

**Mark Thurston:** Okay, we can do that.

- Q40 **Gareth Bacon:** I am going to turn to Euston Station. Ms Kelly, I will start with you. You touched on it in your opening remarks. It is obviously fiendishly complicated to develop. It is a very busy mainline London station—hugely complicated. What progress has been made in developing the scope and design of the HS2 station at Euston?

**Bernadette Kelly:** I will ask Mr Maxwell to start with that because he has been leading a lot of detailed work on it in the Department.

**Gareth Bacon:** Sure, no problem.

**Clive Maxwell:** As you say, Euston is a particularly complex, difficult site in the city centre in a very busy existing railway. We have extensive work under way looking at the plans for Euston, partly to deal with the cost pressure, which was mentioned in the six-monthly report published by the Government, but also to look at some of the opportunities that arise at Euston and how to make the most of them in terms of the over-site development opportunities that are there and also to look at the integration with the Network Rail station.

How do you make the most out of the changes going on there? If I go back to the Oakervee review, that recommended looking at a series of aspects of the design of Euston, as a result of which the Department has commissioned work looking into the vertical alignment of the platforms and the lines at Euston—looking at the HS2 lines alongside the Network Rail lines. That confirmed that the differences in vertical alignment were justified and were the right things to do. It has also looked at the Euston approaches—the way that the tunnelling has worked there—and, again, largely confirmed the plans that were being developed.

Lastly, but most importantly, it has looked into the efficiency of the station design and whether there were different and more efficient ways of building the station as well as the sizing of the station and how best to integrate it with the Network Rail station to create a better place, but also, potentially, to make some efficiencies and to save money and reduce those cost pressures.

I think that we are seeing quite a lot of progress being made. We have been looking at more efficient options for building the station, which, if followed through, would lead to a slightly smaller station being built in a



single phase rather than a two-phase process. That would produce some savings. We have been looking at some opportunities for integrating the work with Network Rail. That brings benefits in a couple of places. It could be that certain assets, such as the entrances to the underground, can be shared, and there are some efficiencies in doing that. It also means that you can combine your construction programme, if you are making some changes on the Network Rail station at the same time. It is more efficient to do that as part of a combined plan.

Finally, we will be looking at those opportunities around place making—about making the most of the over-site development and meeting the needs and aspirations of the other local parties there. As Ms Kelly said in the introduction, alongside that detailed work on design and build process, we have also been standing up a new organisation, the Euston Partnership, chaired by Sir Peter Hendy. It brings together those players so that we can really make the right trade-offs and understand what is going on there.

We are not at the end of that process of having an absolutely agreed design, but we have been making some progress. I would certainly expect that, by the time of the next six-monthly report to Parliament, we will be able to report on that progress and where we have reached.

**Q41 Gareth Bacon:** Reporting on progress is one thing; having a final decision—a final design—is another. When do you expect to get to that point?

**Clive Maxwell:** I would expect, by the next six-monthly report, to be able to report back on a design. As with all designs, as Mark was explaining, we will need iteration on the detail, but we will know the nature of the build—whether it is a single or a two-stage build process—and the number of platforms on the HS2 side, for example, as well as something about the level of integration with the Network Rail station. Those core parameters I very much hope could be set by the next six-monthly report.

**Q42 Gareth Bacon:** That is due in September, isn't it?

**Clive Maxwell:** September or October—this autumn.

**Q43 Gareth Bacon:** So you will probably have worked up a design, but you will not have a final decision yet. Is that a fair characterisation?

**Clive Maxwell:** I will be looking to have some decisions on those big elements I have talked about. The fact is, when you get into the detailed design, whether at Euston, any of the other stations we have talked about, or even some of the civils, design becomes an iterative process—you need to go through the schedule 17 approvals with the local authority—so when I say a final design, it will not be down to that level. It is about taking some of the big decisions about how this fits together as I have described.

**Q44 Gareth Bacon:** It is being trailed that you are now looking at a single construction stage, rather than—I think you said—the two-stage construction process that was originally being looked at. What are the implications, logistically, of a single construction stage? How long is it



likely to take?

**Clive Maxwell:** Mark may want to talk through some of the construction issues for HS2 Ltd but, broadly speaking, a single-phase build ought to be completed in total faster than a two-stage build, but the initial opening date of any services would be slightly later than if you had built a smaller first phase of a two-stage programme.

Q45 **Gareth Bacon:** In terms of timescales?

**Clive Maxwell:** The range we have for opening Euston station at the moment is 2031 to '36. On the plans we are looking at, we would ideally be opening very much in the earlier part of that period, but that is the sort of thing that we need to confirm as part of our decision making.

Q46 **Gareth Bacon:** The wide range of that—'31 to '36—suggests that you do not really know. That is a very wide range for a construction project.

**Clive Maxwell:** It is deliberately kept wide to take account of the choices that have not yet been made on whether we go for a single or a two-phase build programme.

Q47 **Gareth Bacon:** So we should know more in September.

**Clive Maxwell:** In September or October, when we publish the six-monthly report. I would expect that to help us understand what that range will be, yes.

Q48 **Gareth Bacon:** What are the trade-offs likely to be? As I said in my opening remark, Euston is a station I know very well. It is a hugely busy station. Doing a massive construction project like this will be quite disruptive, won't it? What are the trade-offs between a single and a two-stage process, for the operation of the existing station?

**Clive Maxwell:** The key thing is that any works that have been planned will be done closely working with Network Rail. That is the purpose of bringing together HS2 and Network Rail at Euston station, to make sure that those impacts on existing passengers can be managed. Any plans that we come up with will be compatible with the operational needs of the current use of the station.

Q49 **Gareth Bacon:** Mr Thurston, what is the current impact of the uncertainty around Euston on phase 1?

**Mark Thurston:** We have been developing the scheme since Royal Assent. It has been through several iterations in design and development, as Clive referred to. We are getting to a point where we are doing all the work that is what we call "no regrets" work—work that is key, regardless of the final option—but Mr Maxwell's point on the time pressure is why we are working closely through the partnership and with the Department over the summer, because come the autumn those decisions are crucial.

Clearly, we get to a point where we have a momentum. We have a supply chain established, and we have designers and contractors. They are doing the work now that is important and fundamental to whatever version of



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Euston we need, but we will need to get to a point where we know what the final version is and then we can channel our efforts and the efforts of the supply chain in the preferred scheme that serves, as Mr Maxwell said, the HS2 station. An important thing for us is how in its final form we create an homogenous terminal so that the passenger experience between old and new feels reasonably integrated.

To the other point, we have yet to get planning consent for Euston station. Camden clearly have aspirations for how we regenerate the borough and Euston. They have seen, of course, what St Pancras has done to that part of the borough. They see the opportunity of what Euston could do very similarly. Again, to Mr Maxwell's point, reconciling Network Rail, us and the oversight to the optimal solution is the work of the next two to three months. That is going to be a really important decision for everybody.

- Q50 **Gareth Bacon:** How much latitude from your perspective do we have on this? The answer to the questions that I asked Mr Maxwell was that we are going to get a report back to Parliament in September or October, which is going to be a progress report—that was what I took away from that exchange—not a final decision. The next one will be due six months after that, so at some point in the next few months we will have to make a final decision. How much do you think that decision can be delayed before it starts to create major problems for you?

**Mark Thurston:** We have agreed with the Department that that decision is time-bound. We have to come to that conclusion in the next few months, as Mr Maxwell said. The intent is that the Minister's next report would set that out more widely and more publicly, but at a working level there is very much active work now between us, Lendlease, the oversight partner, and Network Rail looking at these trade-offs so that we can converge on a solution literally in the next few months.

**Gareth Bacon:** So we are going to have to make a decision on what we are going to do there, and then there needs to be a planning application to Camden Council. That is not going to be a swift process to resolve, is it?

**Mark Thurston:** Camden are part of the partnership, and I would like to think that by the time we make a schedule 17 application—in our experience of the other stations—the consultation and the interaction that we have with the local borough as the planning authority means that that should not be too drawn out a process. Clearly, there will be things to hang on the back of that decision, and we would hope that we can get that through the system with Camden in pretty good order.

- Q51 **Gareth Bacon:** When we visited Rickmansworth last week, or the week before—these things seem to be merging into one for me—one of the issues that came up was that getting planning consent all along the line has been tricky, and some authorities are moving at a greater pace than others. Would you put Camden in the more proactive—I don't know how to phrase that diplomatically—



**Mark Thurston:** Challenging.

**Gareth Bacon:** They are challenging. Are they challenging but proactive? Are they being helpful or is there an element of obstruction?

**Mark Thurston:** I would say challenging but proactive. They are part of the partnership. We work with their planning officers directly. Their head of planning sits on the partnership with the leader and the chief executive of the council. There is a lot of interaction, even now, with the work we are doing, because, of course, we are physically on site and that is inevitably disruptive to the local community, so there is a lot of interaction between us and Camden to try to make what we are doing as painless as possible for local people today.

My expectation is that Camden have a vested interest in us all coming together on this decision, because the sooner we can all get consensus on this decision and move the scheme to the next phase, I think that is in everyone's joint interests. That is where the partnership is proving so valuable because we are all in the room together working on decisions as a collective, recognising the complexities that Bernadette and Clive referred to.

Q52 **Gareth Bacon:** How long has the partnership board been in existence?

**Mark Thurston:** The first meeting, from memory, was last summer.

**Clive Maxwell:** Yes, I think it was July.

**Mark Thurston:** July sounds about right.

**Clive Maxwell:** I think it was July but I can check that. Can I just come back on the point about Camden, the local authority? We would expect local authorities to be challenging and wanting to get the most out of local development and all that sort of thing. Equally, Camden have a strong interest in having the build done as quickly as possible to minimise the impacts on residents. I would expect them to carry on working constructively with HS2 and the Department on these issues.

Q53 **Gareth Bacon:** That is one of the reasons why I asked that question. You are trying to build something of this complexity right in the middle of London, when you have a functioning station in and around you, and I do not envy you having to do that. Tell me about the impact of the partnership board. You just said it has been up and running now for almost a year. How has it been working?

**Clive Maxwell:** I think it has been successful. As I say, Sir Peter Hendy chairs it, and it brings together representatives of some of our local partners: the London Borough of Camden, Transport for London and the Greater London Authority, as well as HS2 Ltd, Network Rail, the Department and Lendlease, which is our master development partner there. I think the extra momentum and impetus that this has brought to all the parties involved at Euston has actually helped to shape the plans that have been developed and has helped us to resolve certain problems.



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In any piece of design work of this sort, different parties will have slightly different interests about what the right thing to do is, and this board has brought them together to try to find solutions between themselves. I would say that, perhaps independent of that partnership but at the same time as it, the joint working between Network Rail and HS2 Ltd has really strengthened over that period. Mark and Andrew Haynes, the chief exec of Network Rail, have, in effect, put together a joint executive team that now leads a lot of the work on Euston—certainly the integration of thinking at Euston—and that is a growing success story.

We are also seeing some of the choices that need to be made around some of the local transport interconnections—with Transport for London, for example. I think we have brought a much better focus to those and the need to resolve them and get to the conclusion, which has also been helped by the partnership board, so it is having a really positive effect.

- Q54 **Gareth Bacon:** You are expecting that the design in principle—not a final decision, but a direction of travel—will be established by the next report to Parliament in the autumn, and then a final decision will follow shortly after that. When can we expect the planning application to be lodged with Camden Council?

**Clive Maxwell:** I am not sure, I'm afraid. I would have to actually check the plan for that and get back to you.

**Gareth Bacon:** Okay. Perhaps in the wash-up after the meeting, you could write to the Committee and let us know about that. On that note, Chair, I will stop.

- Q55 **Sir Geoffrey Clifton-Brown:** I have one question for Mr Thurston and one for the permanent secretary. Mr Thurston, the questions that I was asking you earlier about time were in relation to opening from Birmingham to Old Oak Common—that is the 2030 to 2033 envelope. Can you give this Committee an absolute assurance that whatever happens at Euston, whether it is systems integration or anything else, will not affect the opening time of Old Oak Common to Birmingham?

**Mark Thurston:** That is very much our intent. We are setting up Old Oak Common as a terminus for the railway when it first opens, so that we decouple it from the risk of what we have just heard from Mr Bacon for Euston. We are doing some work with the Department to understand how we could run six trains an hour through Old Oak Common. The base case is three trains, so we are looking at what the incremental enhancements might be from train crew provision, recycling trains and so forth. With the programme for phase 2a coming on stream, we could open the railway in a series of phrases, so not only could we go south to Euston; you would then be able to go further north as well. We are absolutely looking to decouple those two things.

- Q56 **Sir Geoffrey Clifton-Brown:** Ms Kelly, I am going to ask you a question that I asked Mr Thurston on the visit, because it is strictly not an HS2 problem, although it is highly related: the link between HS1 St Pancras and HS2 at Euston. People are very international, and it depends on the



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experience they get when travelling to a country. If they don't like the experience, they will not come back. The walk from Euston to St Pancras is quite a long one if you have heavy suitcases or lots of small children. Is your Department thinking about how to make that link a little easier?

**Bernadette Kelly:** I confess that that is not a workstream that we have live at the moment, unless Mr Maxwell tells me otherwise. But you raise a very good point. Actually, your wider observation—that, in the end, these are huge projects, but they have to work at a human level when you are making those small interchanges—is really important. I am very happy to take the challenge away and to think about how we could work—it would be with the borough and others as well, obviously—to ensure that that transition is as smooth as it can be. I don't know, Clive, whether there is anything else that we can say at this point. It is a very good point.

**Clive Maxwell:** There are a couple of points, and we can certainly write back with any further information. My understanding is that alternatives for the fixed links—escalators and things such as raised walkways—were considered at any earlier stage, but the cost and the value for money of them proved not acceptable. We have no plans for anything like that within the HS2 programme at the moment. Commitments have been made about improving the walking connectivity between King's Cross St Pancras and Euston station. HS2 has some limited funding to support that. I know that the London Borough of Camden and TfL also have greener street-type initiatives to improve how it feels to walk along Euston Road at the moment, by improving signage and the overall feel of that journey. We can write back to you with more detail on those.

**Sir Geoffrey Clifton-Brown:** There are things that you could consider, such as a raised walkway, travelators and so on. Could I ask that those at the Department use their inventive brains to see what can be done? Thank you very much.

Q57 **Chair:** I am sure that Camden Council also has strong views on that. I will just go back to Mr Thurston before I turn to Shaun Bailey. At the beginning, when Sir Geoffrey was asking what worries you both, you didn't actually mention Euston as a specific issue, but clearly there are a lot more moving parts at Euston, and the fact that you are insulating it from the first stage of opening suggests that you have slightly less control over the risks there—or quite a lot less control, I would guess—than you have in other parts. Is that a fair summary? What are the biggest worries for you about Euston and keeping it on track?

**Mark Thurston:** I think it relates to the earlier exchange between Clive and Gareth Bacon. The reality is that we have to find an optimal scheme that reconciles the new and the old station, the planning authority and the over-site development. Until those things come together as part of a consensus view that that will be the scheme that we then put in for planning and that is the scheme we get into detailed design on, we will inevitably be concerned because we will get to a point where, going back to Mr Bacon's question, we literally run out of time, hence Mr Maxwell's



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saying that a lot of work is going on over the summer to get to that point, because it is time-bound.

I am not in control of a lot of those things. The Department is the sponsor for the railway, both new and old. The work of Sir Peter in marshalling the various strong voices here has been pivotal. I have every confidence that we will get there. There is a lot of work going on, and as much as, as Clive says, there are different interests at play, there is a willingness to try to find the right solution.

The prize for London, by the way, is profound. The plans we have seen from Lendlease and the opportunities to redevelop the area will be profound. In 10 years or more from now, when it is a fully fledged, we will look back and think that we were right to take the time to get to the right decision because it will have transformed—

Q58 **Chair:** But as you acknowledge, a lot of those risks are out of your hands at this point.

**Mark Thurston:** They are.

**Chair:** So there is a big looming issue for HS2. I will turn to Shaun Bailey, and I suspect we will move geography.

Q59 **Shaun Bailey:** Just a little bit, Chair. Ms Kelly, I have a few questions for you. The Secretary of State has been reported in a number of guises saying that there may need to be a rethink on the link-up to Leeds. That has been reported in a number of ways in the media. If there is a rethink of the delivery, what will that look like?

**Bernadette Kelly:** Are you talking about the vehicle for delivery, rather than the route? I just want to be clear on the intent of your question.

Q60 **Shaun Bailey:** It is both the vehicle for delivery and whether there is any impact on the route itself.

**Bernadette Kelly:** On the route, as you know, the integrated rail plan is widely anticipated, and we hope to publish it soon. I don't really want to add anything further to what has already been said about what that may or may not say about the eastern leg. I have made the broad point many times at this Committee that the Government remain committed to bringing the benefits of high-speed rail to the north and the midlands, so there is that.

In terms of the delivery vehicle, obviously that is something that we will want to think about. The Oakervee report noted that the capacity of HS2 Ltd was limited and that we needed to look at whether it was sensible to package up some of these massive projects in a way that allowed them to create different vehicles. There are challenges in doing that.

When you are talking about huge projects and many interrelated projects, there is a logic in sort of breaking them down into smaller parts, in terms of delivery, but you also create huge interdependency risk by doing that. We also know in the Department, from experience, for example with the



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East West Rail company, that it is not a simple matter to set up organisations to deliver big projects of this sort. I think we will want to think about what the right delivery model is in the light of what the overall plan for integrated rail looks like. Obviously, what we now have in HS2 Ltd is a very capable organisation, and in Network Rail we have a very well-established organisation for delivering large rail projects. We will want to work through how we build on that capability, as much as anything, but I don't think we have a detailed delivery plan or determination on that at this point.

**Q61 Shaun Bailey:** Turning to the integrated rail plan, I might as well be cheeky and ask when we can expect this to land. You said "soon", but what does "soon" look like? Weeks? Months? Days?

**Bernadette Kelly:** I would like "soon" to be at the shorter end of "soon" than the longer end—

**Chair:** You deserve to win an Oscar for that.

**Bernadette Kelly:** I do. I was lucky that when I was asked about the Williams-Shapps review the last time I was here I knew it was about to be published. I am not in a position of confidence right now to say that about the integrated rail plan. I am afraid I will have to leave you with "soon". This is obviously something that is being debated and I hope we can conclude in the near future.

**Q62 Shaun Bailey:** It sounds as though what that next connection is going to look like hinges on what we find in the integrated rail plan. Is that a fair assessment? It sounds as though everyone is going to be waiting with bated breath to see whether the further connection up towards Leeds is going to be what was promised. Is that fair?

**Bernadette Kelly:** As you know, the Prime Minister and the Secretary of State have restated on many occasions their commitment to a full Y network, so I don't think this is a completely open question. Clearly, there are different ways in which things can be delivered and the integrated rail plan will need to set out the detail on that.

**Q63 Shaun Bailey:** Turning to private sector investment, if you look at many of the stations that have been developed as a result of HS2—Curzon Street, for example—one of the big pictures around that is private sector investment in the peripheral areas, enabling regeneration in a lot of communities. On the certainty element, Birmingham is a bit different because you have other packages of private investment, as we heard on Monday, but in areas like Crewe or further up north, are you confident that the levels of private investment that you envisaged at the start of the project are going to remain? Will the regeneration angle, which was a big pitch of HS2 for these communities, be what was promised? What impact is the uncertainty, perhaps as a result of waiting for this integrated rail plan, having on any potential private investment into these communities?



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**Bernadette Kelly:** You raise a really important theme. As I said earlier, this is not just a railway. It is a catalyst for investment, jobs and growth. The strategic case for HS2 has always depended upon that. We know that there have always been great ambitions in all the areas impacted by HS2 for using this as a catalyst. In its growth strategy, Greater Manchester envisaged up to 180,000 jobs; West Midlands up to 100,000 jobs; Old Oak Common 65,000 jobs. Those ambitions and aspirations have always been there.

We now need to turn these into a reality. I thought it was interesting and encouraging to hear Craig Wakeman's testimony to the Committee earlier this week about the impact HS2 is having right now in Birmingham. He was very clear that the strong investment that they are now seeing in and around Birmingham is largely as a result of the confidence that exists around the delivery of HS2 there.

I will come back to the IRP, but for the programme as a whole we are now at the stage where we have sufficient confidence and certainty—I am talking about phase 1 principally, around the stations—to start to adopt a more granular approach to ensuring that the private sector investment is coming in off the back of this. We know that is possible.

Let me give you some examples. We are working with MHCLG and the Old Oak and Park Royal Development Corporation on their investment plans. In the Budget, we announced £50 million for the Arden Cross development around the Birmingham interchange station, to enable that to be a multistorey car park, so that there was more land for development and regeneration.

We are working with Transport for the West Midlands around the Birmingham Eastside tram extension. Again, that is an important part of the local connectivity that you need to stimulate the investment. A huge amount of work is going on with Cheshire East Council, the LEP, and the partners around the Crewe hub. I suspect Mr Thurston can say more about that. Those are the sorts of thing that are now happening.

I think that the next step, as I signalled in my opening remarks, is to turn this into a really coherent programmatic approach to working with the wide range of partners that will need to deliver that investment, be they other bits of Government, local actors or private developers, to make sure that we are really nailing that down. I know that the ministerial taskforce is taking a paper on it next week.

On your point about impact and timing, Mr Bailey, I agree—that is an important point. The sooner we can have certainty around the integrated rail plan and what is going to happen for the remainder of this network, the more helpful that will be to ensure that the investment that we expect this railway to stimulate really happens.

Q64 **Shaun Bailey:** Can we focus on the jobs piece again, in terms of raw numbers? One thing that Mr Wakeman pointed to in his testimony on Monday was the Delta junction work just outside Birmingham. They had



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been promised 1,000 jobs and 35 came online. I want to know the raw numbers from the Department's point of view. You must have done some sort of analysis on this. What is your anticipation of the jobs that would be created as a result of this in the regions—I am thinking of the midlands and the north—and are you confident, taking into account the uncertainty at the moment on phase 2B, that that projection, whatever it may be, will be hit? What are the rural numbers, and will we hit them?

**Bernadette Kelly:** I do not think we have raw numbers in quite the way that you are describing. The numbers I was using as illustration are the numbers that local places, in a sense, have come up with as what they envisage as possible and have set out in their growth strategies. They are the numbers that the Greater Manchester Combined Authority, the West Midlands Combined Authority and others, for example, have estimated. There will have been some modelling assumptions in our business case, but I do not think that is the same as an estimate of the sort that you are describing. Indeed, we know that our modelling cannot always capture all of those dynamic benefits in that way.

I was slightly surprised; I did see those comments. It may be that Mr Thurston could say more. What do we know at the moment? We know that HS2 Ltd is directly responsible for 16,000 jobs, and we expect that to increase to 30,000 at the peak. We know that the west midlands joint venture expects to create up to 7,000 skilled jobs in that construction work. The EKFB joint venture, which I will definitely leave Mr Thurston to spell out, is expecting to create around 4,000 jobs, many of them around Milton Keynes. The constructors in London are expecting to be employing around 10,000 people. I am sure Mr Thurston can say more about that. We are seeing very significant job impacts in reality on the ground. Those are mostly from construction; over time, they will increasingly be as a consequence of increased investment.

Q65 **Shaun Bailey:** On the jobs and skills piece, we are aware of some of the issues you have had with the HS2 colleges. We know about the involvement that the University of Birmingham has had with the site in Doncaster. Are you confident that you have the skills base at the moment to complete the project, given the low uptake that we have seen on some of the HS2-focused training courses, and what are you doing to plug that gap? You spoke about 16,000 jobs and up to 30,000 at the peak. Have we got the through-flow of people to fill those roles, some of which are very highly skilled and in high demand? Have we got people to fill those, and what are we doing to fill that backlog in terms of the skills piece more broadly?

**Bernadette Kelly:** I might ask Mr Thurston to speak to that because it is something that HS2 Ltd is extremely focused on with its supply chain. I am happy to say a few words about the rail college. I think that the merger with the University of Birmingham provides the opportunity to really turn the page on what has been, we know, a somewhat disappointing story to date. We think that the new leadership, the involvement of the university, and the new curriculum that is being put in place for September present the opportunity to really get the best out of



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those campuses, which we have not managed to do so far. I think Mr Thurston can speak to the wider questions.

**Chair:** Strong words. Mr Bailey, do you want come back on that or shall we go to Mr Thurston?

Q66 **Shaun Bailey:** On that final point, obviously it has been a little more than disappointing; it is concerning. From your end, what conversations has the Department had, if any, with the University of Birmingham and what targets are you setting? The skills piece is the core of this project; if we do not have the skills it does not come off. So, have you set any KPIs with the university in terms of trying to ensure the uptake of enrolment, progression through courses, retention of students and actually keeping those students within the HS2 setting for the duration of the projects?

**Bernadette Kelly:** I take the point about the understatement on the college, and I should say my Department is not directly responsible for the college and never has been, and that has been a bit of a challenge. It is a further education college and it falls within the further education programme of the Department for Education, so our detailed involvement in the college is limited. I think your point, however, is good and one which HS2 Ltd absolutely would accept: it is in our strategic interests to have a really strong relationship with the college and ensure that it is providing the throughput and the skills and the curriculum that are needed.

Q67 **Shaun Bailey:** Surely, though, as the Department stewarding the project through, you would have had some form of conversation with the institution that will be central to the skills piece of this. What conversations have you had with the University of Birmingham as part of it taking over the college, if any? You must have had some.

**Bernadette Kelly:** It is a national college now for advanced transport and infrastructure. It is not an HS2 college; there is a deliberately broader focus for the college. I have not had direct conversations with the University of Birmingham, I think it is fair to say, and I don't know whether Mr Maxwell or Mr Thurston have. We see this as a positive development that presents a good opportunity, but, as I have said, it is a further education college, so we have no formal accountability for it.

Q68 **Shaun Bailey:** I appreciate that, and obviously I am aware of the structure, but the point I am trying to get across here, which might be being lost a bit, is that as the Department stewarding the programme, and given what an integral part of the puzzle the colleges are—I am fully aware of their scope and their operational structures—surely it would be prudent for your Department to at least engage in some form of a conversation with the college to try to form at least some sort of partnership so that we can leverage and realise the skills piece that, frankly, has been put centre stage as part of the HS2 project.

**Clive Maxwell:** I can check to confirm, but my understanding is that the Department has been involved in discussions about the handover to the University of Birmingham and about how that was carried out. I will go



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away and check on that, but I understand that it was certainly working with the Department for Education.

**Shaun Bailey:** I think it would be useful, Chair, if we had some sort of correspondence to the Committee, while being conscious of not breaking confidences, covering some details of what those conversations involved.

Q69 **Chair:** Absolutely, and we also need to get in touch with the SFA and the Department for Education about their role, because this has been a bit of a sorry saga. In fact, previously, the former Member for Don Valley, Caroline Flint, raised this point many times, so we have been following it all the way through and it is a sorry story. Mr Thurston, do you have anything to add because these are people you need to deliver your big project?

**Mark Thurston:** Absolutely, and of course the genesis of the college was around ensuring that the right level 4 and level 5 technical skills are available for the sector going forward. Our own apprentices are using the Birmingham campus of the college. In the short to medium term, for us the hotspots for resources and people more generally are in the construction trade: 75% of the people we need for the next few years are in the construction phase—scaffolders, steel fixers, electricians, the people you would have seen on site last week. There are obviously very specialist people working the machines and there are lorry drivers and plant operatives.

This is an issue for the construction sector. HS2 in that regard is not special. We do a lot of work in HS2 with other parts of Government: we are working with the Construction Leadership Council to ensure that the market supply is there for the demand that we have. Clearly, as we go further down the programme we get into systems and move into a different area of capability. That is probably more rare; it tends to be more of a global workforce, and we will be very alive to the question of where the specialist skills are coming from to serve the systems phase of the programme.

Mr Bailey, the 35 jobs was a very specific advert that BBV ran for some work at the Bromford tunnel. To Ms Kelly's point, BBV, the contractor in the midlands, around the Delta junction, will need thousands of people. Our jobs brokerage scheme is really starting to bear fruit. Anyone who wants to work on HS2 can go via our jobs brokerage portal, which we have established with DWP and the jobseekers team. We are very much working with other agencies to make sure that opportunities that HS2 creates along the line of route are there for local people, which I think was behind your question.

Q70 **Shaun Bailey:** Okay. Mr Thurston, can I ask you a simple yes or no question? Are you confident that you have the skillset, over the duration of this project, to complete it to the timeframe that you would expect it to be completed? Just yes or no will do.

**Mark Thurston:** If only it was that simple, Mr Bailey. I would have to say yes, because we have done a lot of work around it, but we are vigilant in



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this area. There has been a big push on construction since the new year as the world has opened up a little under the road map on covid—we have seen a huge drive into house building—so we need to work with the wider industry to ensure that we secure the skills we need. Yes, I am confident, but we would not be complacent on this issue. It is a qualified yes.

- Q71 **Shaun Bailey:** Thank you for that. Going back to the numbers point very briefly, how are you making sure that the numbers you are projecting are accurate in terms of the needs that you have? How do you measure success in terms of jobs created? What does that look like? Is it making sure, for example, that jobs are taken by local people, that local economies benefit? How are you quantifying success?

**Mark Thurston:** Absolutely, we do quantify that. Ms Kelly mentioned in her opening remarks the work on benefits realisation that the Department wants to do. The work we are doing on benefits capture in HS2 is probably leading for Government as a project. We have already put an obligation on our supply chain to submit to us every quarter all the jobs they have created, where those jobs have come through and the demography—the diversity—of that workforce. We capture that data and we put out an annual skills report. There is a lot of work in this area, Mr Bailey, which I am happy to write to the Committee about in a bit more detail if you wish.

**Shaun Bailey:** Yes, please.

**Mark Thurston:** This is an area where we are very exercised about meeting our 2,000 target for apprenticeship new starts—we are at 600 already—and 1,000 of the 2,000-odd companies that are working on the project are along the line of route. Again, we are very much looking to drive opportunities with local organisations, whether that is in the midlands or right back to London. This is a very active area of work for the company with our contractors to make sure—again, to Ms Kelly’s earlier point—that the investment in HS2 has this economic ripple effect across the country and it is more than just building a railway.

- Q72 **Shaun Bailey:** Finally, Mr Thurston—perhaps Ms Kelly will want to jump in on this one as well—obviously, these promises of local jobs and boosting local economies were one of the things that underpinned the Olympics, and we saw in that project how people were able to dodge those local demographic criteria. What lessons have you taken from that to try to apply to this infrastructure project to be sure that, when we talk about local jobs and local economies and ensuring that we meet certain criteria, that is being done so that these communities get that benefit?

**Mark Thurston:** That is a great question. Having worked on the Olympics, I know that there was this so-called local content, but of course people were moving in and out of the site in Stratford on a weekly basis from all parts of the country, if not further afield. We have done some work around postcode tracking. Again, we expect our supply chain to evidence to us how they are assuring themselves that the local content is truly local. Again, I am more than happy to write to the Committee on some of the detail of what we do, to your point, to protect that investment



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in the local community, but rest assured that there is a lot of work going on in HS2 to ensure that this is not a project that is too far from the line of route. Nevertheless, there are companies all over the country—SMEs in particular—that are getting the benefit of this project today. It is very much a national project in that regard.

**Q73 Chair:** I think the point on jobs is that if it is promised to be local postcodes, it needs to be. If it is promised that it is elsewhere in the UK, that is fine, but it is about promising.

Who is doing the assurance? You have your supply chain doing its own assurance on who it employs, but I could list you the scams—I won't bother now, because you probably know some of the scams from the Olympics where people played the system. Who is doing the external assurance, or do you have an internal system?

**Mark Thurston:** We have a dedicated skills, education and employment team, and this is their day job. Again, I can set out for the Committee some of the measures that we are taking to ensure that we are getting the value into the communities that are affected by the railway while we are building it.

**Q74 Chair:** Would you be willing to meet MPs who have a particular local interest?

**Mark Thurston:** We do already. There is activity with MPs' offices right along the route. They are very much working with us and the local chambers. We have held some roundtables to introduce local companies to our main contractors, so we act very much as a facilitator. It is not just about construction; it is also catering, security, transport and accommodation. There is an ecosystem that needs to support this project, and local business can and must be part of that.

**Q75 Chair:** Given the amount of money that is being spent on it, as the biggest infrastructure project by value, it is essential that money not just trickles down, but—

**Mark Thurston:** Directly goes into the local economy.

**Chair:** And that it goes into companies in the short term, but hopefully also builds them in the long term. I think Mr Bailey has very ably made the point; thank you, Mr Bailey.

**Q76 Sir Geoffrey Clifton-Brown:** I know that you have not yet got the Bill through Parliament for 2b, but is there any thinking in the Department about the phasing of building 2a and 2b? Is it theoretically possible to build both at the same time?

**Bernadette Kelly:** I know that there is some thinking going on about that. Mr Maxwell is probably best placed to answer the question.

**Clive Maxwell:** It is not necessarily about building both at exactly the same time, but about thinking how you evolve bits of the supply chain so that firms and individuals who are working on phase 1 can transfer to working on phase 2a and then the western leg of phase 2b, for example. It



is that sort of thinking. I know that Mr Thurston has been doing some thinking in his own organisation about how it has that evolving, rolling capability that allows those skills to be transferred from one phase to the next and then the next.

- Q77 Sir Geoffrey Clifton-Brown:** The National Infrastructure Commission was set up to examine exactly these sorts of problems. For example, Mr Thurston, when you finish with your very expensive tunnelling machines, would there be a case for scheduling the tunnels between 2a and 2b in a logical order for moving those machines around? They are very expensive and difficult machines to move around.

**Mark Thurston:** There are a couple of machines that we will reuse because the nature of the work lends itself to it. Often those machines are working continuously for three and a half years, so invariably by the time that is completed and they are taken back out of the ground, the salvageable parts of those machines are refurbished and recycled as appropriate. The important point for us is that as we look at the timetable of phase 1 going into phase 2a and 2b, we can see a pipeline of demand for resources—tunnelling resources are quite a rare, niche global workforce—and create a pipeline of continuity so that at least the contractors we select to work with us can start to make sure that they can secure that resource in good time so we get the flow-through of capability from one phase to the other.

I picked tunnelling, but you could say the same about many other areas. We talked on the site visit about some of the resources that are finishing Crossrail; we have already talked to Mark Wild and his team about how we make a point of securing those resources at the right time, because there is clearly a lot of experience there that will be super valuable for us in HS2 at the appropriate point in time.

Equally, as we embed that capability in HS2 phase 1, we would be looking to transfer that into 2a and 2b. A lot of the people in the principal positions in my phase 2a team have been working on phase 1. This is not a new team; it is about blending new and existing so you get the corporate memory and the corporate learning inherently driving through from one phase into the next.

- Q78 Sir Geoffrey Clifton-Brown:** Can I change the subject entirely? We would be very remiss not to touch on the environment, particularly among sensitive communities in Buckinghamshire that are very concerned about the environment. We saw on our visit to Rickmansworth the quite significant disruption to people's lives and the environment.

In phase 1 you have a commitment to no net biodiversity loss, and in phase 2a you have a commitment to net biodiversity gain. Can you tell us a little about how you are going about meeting those goals, and whether even on phase 1 you might achieve net biodiversity gain?

**Mark Thurston:** Just to be clear, for phases 1 and 2a it is no net loss. With the proposal for phase 2b, from Crewe to Manchester—the Bill we are yet to lodge—there is a suggestion that it would be net gain.



**Sir Geoffrey Clifton-Brown:** Right—sorry.

**Mark Thurston:** That's fine; that's just to be clear. There's a lot of work going on. If we take what we are doing in phase 1, you may have heard me talk before about our green corridor. We are going to reinvest in the natural environment on a scale much greater than what is impacted by the route.

I can quote some statistics for you. There will be over 9 sq km of new woodland, so that will be much greater. There will be 7 million trees and shrubs. That will be the green corridor. There will be 4 sq km of wildlife, which is 30% more than what is affected by the construction of the railway. We have established funds with the Forestry Commission, so we have the woodland fund that we are using. Of course, we need to move ecology sites and species. Again, in many cases where we have to translocate species, what we leave behind is of a greater value to our net gain target than what was there to date. To achieve our net gain obligation under the Act, we need to make a multiplicity of interventions, and again, we are measuring that.

To come back to Ms Kelly's point about benefits, we are capturing today—again, this is enshrined in the contracts we are giving to our contractors; our contractors have a carbon reduction target. Clearly, major construction of this nature has a fairly big carbon content. Again, we have put pretty onerous specific requirements on all our major contractors to drive carbon out of their operation. That is another one of the interventions we have taken to make sure that when the completed railway opens, the legacy is that there is no net loss.

To your question, we are looking at where there might be marginal areas where we can move to net gain. I think that would be a good investment by the company in the supply chain now, because clearly it will be a requirement on us under the Act—we expect—for phase 2b, once we get further north.

Q79 **Sir Geoffrey Clifton-Brown:** In terms of PR, it must be a fantastic thing if you can demonstrate what you are doing for the environment. Can I just simply say that, at the moment—I know we have had the covid pandemic, which has taken everything else off the agenda—one doesn't hear much about the environmental aspects that you are really striving for in HS2 at the moment?

**Mark Thurston:** I agree; it is probably an untold story. I mean, this will be the biggest environmental project this country has ever taken on in its own right. We intend to issue—I think this was in the Minister's report—our first environment sustainability report this autumn. That is an obligation on us as a company and we have agreed that with the Department and the Minister. I think that is probably the first time for us to really set out our credentials in this space and talk about some of the great work we are doing.

On the experience of HS1, which went through a similar phase through Kent where there was concern and resistance about the impact on the



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natural environment, actually, again, several years later you can see how tree planting and other interventions have really blended the railway into the natural environment.

Of course, the learning we are taking is that we are planting trees now—700,000 trees and bushes are already planted—so there is a design and planted schemes that will be quite mature by the time the railway opens, rather than being something that you come along and do afterwards.

There is more to say and I think the first report this autumn is the start of a conversation between the project and the public and other interested stakeholders on the work we are doing in this area.

**Q80 Chair:** I am sure that our sister Committee, the Environmental Audit Committee, will be keen to follow this through. Mr Maxwell.

**Clive Maxwell:** There are three other points I wanted to add to Mr Thurston's comments, because I think there is something about, first of all, the scale of the project, which is genuinely landscape scale. I think that allows for different sorts of interventions and improvements in an ecology and in wildlife habitats and things that are not the case with some other sorts of smaller projects, so there is something here about scale.

The second thing is about the depth of the working now with other bodies across Government. There is a lot of work going on with Natural England to develop some of the thinking that we have talked about regarding biodiversity net gain, for example, to draw on some of their expertise and understanding.

The third point is about an opportunity to work even better with non-governmental organisations, local wildlife organisations and the like to deliver some of these activities on the ground in future, because that is something else that I know Ministers are very keen for the project to tap into.

**Sir Geoffrey Clifton-Brown:** Thank you, Mr Maxwell.

**Q81 Chair:** I just want to go back because there are some detailed points around numbers. First of all, we talked about maybe changing the way the data is presented to Parliament, but can I just raise something on the data and getting down to the detailed contractual costs? Who is doing the assurance on those numbers for you, Mr Thurston?

**Mark Thurston:** The contractors' costs?

**Chair:** Yes.

**Mark Thurston:** We do that as part of our job at HS2. We have a cost verification team, so the contractor has an obligation to be sure of his own costs. Of course, when they submit an invoice to us, it often includes all their supply chains, because they are big, complex organisations in themselves. We expect them to do a level of assurance and then we have a cost verification team that does what you expect it to do. Effectively, it does a sample check across all the costs submitted every month, and we



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only pay invoices when those costs are agreed and legitimate. That is part of the administration process in the contracts we use.

Q82 **Chair:** And what is the Department's role in this, Ms Kelly?

**Bernadette Kelly:** We have further lines of assurance. Typically, you have a three, four or five lines of assurance model. On lots and lots of HS2 activity, first assurance sits with the company, then the company's board, and then we as the client will also have an assurance responsibility for the work, the costs and all the key delivery factors. The ministerial taskforce also looks closely at management information from the company as well.

Q83 **Chair:** Much as I am sure that the ministerial taskforce is amazing, Ministers are not always the best people to look at numbers. Presumably you have someone a little bit better qualified—I am not being rude about Transport Ministers.

**Bernadette Kelly:** Mr Maxwell can talk about that. I should also say that we have a departmental special director on the board of HS2, Ian King, who is very experienced, to provide a line of sight back into the Department so that we can be confident that the assurance the company is carrying out is of the high standard we would expect.

**Mark Thurston:** The other point I would make is the NAO, although it has not quite signed off our accounts for this year. This year more than all the previous years I have been in this job, the big chunk of the costs that we are auditing in the accounts are with the supply chain. The team under Gareth have seen more transparency. I think it has been a learning exercise for us both.

Q84 **Chair:** When you say Gareth, you mean the Comptroller and Auditor General.

**Mark Thurston:** The CAG and his team have worked with us very closely this time around to make sure that they can get visibility of all those costs in our supply chain. To Ms Kelly's point, there are multiple eyes on what is now a big turnover enterprise.

Q85 **Chair:** Certainly, there is a difference. There have been problems in the past, which we have highlighted plenty before, but there is certainly a difference in the new physical things you are doing and therefore actual things you can count and identify. Are you sure you have all the right skills for that assurance and there isn't a shortage of people who do that kind of work for you?

**Mark Thurston:** The one area where we are building our capabilities is in commercial management, because, of course, we have many contracts in the supply chain. I have a new chief commercial officer landing with me in a few weeks' time. We have an existing team, but we are bringing someone in to lead that part of our business. I would expect when she arrives to really increase capability, because, to your point, the amount of investment that is in the supply chain is becoming the dominant part of spend on HS2. We need to set ourselves up to make sure that we have the right checks and balances on the work of the contractors.



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**Q86 Chair:** When the NAO looked at this, they identified in March that there was a £0.8 billion cost pressure risk not finalised. Since you reported in March, there has been a further £0.8 billion of cost pressures. Can you just talk us through what you are doing to manage that and what progress you would like to make to get those bottomed out, sorted and kept within the cost envelope that Sir Geoffrey pushed you on earlier

**Mark Thurston:** On some of the cost pressures around Euston, I hope you got from our earlier exchange a sense of where those pressures are emerging, and I think the Ministers' report said that there could be further to come. That plays to the work that we have to do over the summer to get to a point where we have an optimal solution for Euston that fits within what we can afford.

We have seen some pressures around our enabling works. By its nature, there is a level of uncertainty around that, with utilities in particular. We are seeing some emerging cost pressures from the civils contractors, who have had, frankly, a very challenging first year post notice to proceed. They are making good progress—you saw that yourselves on site—but, nevertheless, we are seeing some pressure coming through there.

It is pressure. That doesn't mean that we accept that pressure. We are doing work to mitigate that, so we are looking at how we can replan the work to offset some of that pressure.

We also now have running in the programme an efficiencies programme, so we are looking at ways in which we can offset, because inevitably some of those pressures will crystallise and they will materialise into actual costs, so we will have to find a way—

**Q87 Chair:** Can you give us some examples of what those pressures are and a ballpark of the costs and how you are trying to mitigate those you think you might be able to and also those that are a bit more challenging?

**Mark Thurston:** We have seen some additional costs from the diversion of water mains and electricity diversions with the utility companies. For a range of reasons, it has cost more money than we assumed it was going to cost, and we have had to absorb—

**Q88 Chair:** Are those reasons that could have been predicted? Was it at their end or your end?

**Mark Thurston:** It is a complex picture. Some of it would be about land access, timing, weather dependent. Some of our enabling works are going to take a little bit longer to do because we have had a particularly cold and wet April and May, so there is some seasonal work that is going to be pushed to the right. There will be some cost pressure about that, but this is the day job of many of the team—

**Q89 Chair:** But something moving to the right by a couple of months because of weather is at a different scale from—

**Mark Thurston:** It is certainly a different scale from, for example, the cost pressure on Euston. The thing about the scale of what we have got on



civils is that resetting the programme for our civils over the course of this summer, for the next four or five years—this goes to the earlier conversation with Sir Geoffrey—is going to be crucial. We will be working with the civils contractor, saying, “Where we are seeing these pressures, and what can we do to offset?” We have realised about £200 million-worth of savings and opportunities, mostly through the civils contractors, looking at things like the bulk purchasing of fencing and security. They are all trying to use very similar things, they all have their own discrete contracts, and we are trying to look across those contracts for where there are efficiencies and opportunities to drive value out of bulk purchasing. As I say, we have had a few. This is something that we will have to live with now, on this project, until we are finished, frankly.

**Q90 Chair:** How confident are you that you can get that additional £8.8 billion down? With the bit that the NAO identified in March, where the risk is not finalised, how far have you got? You did not raise that as something that keeps you awake at night.

**Mark Thurston:** No, because partly that is what the contingency is there for, to deal with the uncertainties of projects like this. By its nature, there are many uncertainties. As you can imagine, we are vigilant about when we release contingency: we won’t agree to those costs from the contractors until we are certain that, first, they are real and, secondly, we have done everything to mitigate them. In every six-monthly report to Ministers, which goes to Parliament, we would set out where we are on those issues, so on a rolling basis. The reality is that it will be a dynamic interaction between us and the supply chain for some years to come. We need to reflect that in the amount of information, which we do—we show all the trends, the cost pressures and the cost opportunities—and once every six months that will be reflected in the Ministers’ report.

**Q91 Chair:** Were you able to identify the money that has gone up, the cost pressure increase from March to now? Was that something you could see coming? What I am after, Mr Thurston, is whether that was a complete surprise, or were you prepared for having those pressures? When you are prepared, you can mitigate them beforehand.

**Mark Thurston:** It is very rare that these cost pressures are a surprise. The way that we run the system with our project managers is, in effect, to early-warn of any likely cost pressures. We see this several weeks or months out, we track it and we look to mitigate it.

For example, we had a real concern about a bridge at Euston and how we were going to get the railway past the bridge—a road bridge, so a public highway—and we flagged it. In a world where we had to do some significant diversions, that could have been very expensive, but once we had flagged it as a concern through the design development work, we put the team to task the final way to mitigate it. We found an engineering solution to mitigate the risk back down. There is a constant process of flagging stuff early on and working to a point where either it crystallises at the minimum cost or we can engineer the solution away.



**Chair:** That is what we need to be hearing. We will be challenging you on those numbers. Sir Geoffrey, briefly.

- Q92 **Sir Geoffrey Clifton-Brown:** During our visit, we had a conversation about inflation. Inflation is quite significant at the moment on worldwide commodities such as steel, cement and timber. First, will you tell us how you manage that with your contractors? Secondly, have you done any calculations as to whether that is likely to affect your contingency, and whether you will need to use it for inflation?

**Mark Thurston:** If I may take the second question first, we do not expect there necessarily to be a draw on contingency, which we retain as HS2. Some of those commodity pressures are probably temporary. I think we have seen the heating in the market in the last few months, but the supplier market will catch up and you will see that level out probably. It will find a level that is probably back to more what we assumed, in my sense of it, at the end of the year maybe, or spring of next year—it is months.

Most of those inflation pressures are for the supply chain, our contractors, to manage. Clearly, if there are major indexation changes at a national level, our relationship with the Government gives the company and our overall responsibility some relief more broadly. If we go above the inflation prescribed in what we have agreed, Mr Maxwell can explain how the Department would deal with that in terms of the funding that the company has to deliver the project.

- Q93 **Chair:** We have seen some erroneous figures, or some figures being quoted, about the cost of covid. That is a challenge for all bits of the sector—the Government are paying money out for covid things—but obviously you have contingency. How are you assuring yourself, and how is the Department assuring itself, that what you are going to have to ask for as a result of covid delays, which, from what you told us on our visit, have not actually been too dramatic for a project of this size, is actually down to covid and that you are drawing down that contingency validly?

**Mark Thurston:** There is a complex answer to that question, but I will try to do it justice and make it simple. To unstitch the true covid-related costs is going to be quite difficult. I think, inevitably, through our cost verification process, we are going to have to be doing some sensible judgment, with our supply chain, about what is a legitimate cost for covid and what is a related cost, so direct or indirect. We have a range on that today. We don't quite know what the full extent of covid is going to be, so our expectation is that it will probably be towards the end of this year before we can get to a point where we have got some finality on that and we know what the true cost will be.

- Q94 **Chair:** And your range is what—between £0.3 billion and £0.4 billion?

**Mark Thurston:** Yes, we said, as of the end of last year, that this year was between £300 million and £400 million. We continue to monitor that. I think we have probably seen the worst, but nevertheless we are not out of the pandemic, clearly. We have agreed that any actual cost pressure



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that realises and that we can justify to the Department would be funded out of the Government's contingency, but it would still be within the overall funding provision for phase 1. So the expectation is that there is no more money for phase 1 and we would absorb that within the overall funding, but that would come from the Government contingency pot, not HS2's.

**Chair:** Ms Kelly is nodding—just for the record.

**Bernadette Kelly:** That is exactly the process we are going through. As Mr Thurston says, there is some way to go yet to verify exactly what the covid-related cost is—£0.3 billion to £0.4 billion is the estimate in the parliamentary report. This is something that we would expect, once we have truly validated it and are absolutely crystal clear, would be a call on the Government contingency. That is the £4.3 billion above task cost.

Q95 **Chair:** Which means it is—well, it is all taxpayers' money in the end.

**Bernadette Kelly:** Indeed, but it is within the funding envelope and that is the whole point.

Q96 **Chair:** How are you making sure that fraud and error is monitored and, hopefully, eliminated?

**Bernadette Kelly:** In the first instance, obviously, we expect HS2 to provide assurance to us that that is happening. Mr Maxwell, I don't know whether you wish to say more on that particular point—on fraud and error.

**Clive Maxwell:** The primary responsibility is of HS2 Ltd to verify claims coming in, in the way that Mark has described. But in addition—if this is to be a potential draw on the Government-held contingency—my team have already started a process of starting to scrutinise in great detail those requests that have come in from HS2 Ltd. So the Department applies an additional lens on top of that, to check that these are entirely justified by covid.

Q97 **Chair:** So Mr Thurston, have you seen any evidence of fraud and error in claims for covid costs?

**Mark Thurston:** No, not yet.

Q98 **Chair:** Well, we will keep asking the same question. Let's hope that people don't try that—they are getting enough money out of the project as it is.

I want to move on. Ms Kelly, you very kindly wrote us a letter, on 16 June, about your accounting officer assessment for HS2 phase 2a. I just want to push you again on the issue around dates. You are expecting to set the target cost and target delivery into service date for phase 2a "at a later date". You have been reluctant to give us firm dates. Can you give us a timeframe?

**Bernadette Kelly:** For "a later date"? Mr Maxwell, would you mind—I'm just trying to find the letter and I know Mr Maxwell is very close to this.



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**Clive Maxwell:** In that letter, we have set out the cost range and the schedule range. The target cost and the target schedule are then the points that we would contract with HS2 Ltd to deliver that phase against. I would expect we will be wanting to set those probably at about the time of the full business case for phase 2a, which is due to be in 2023. Our lesson from other phases of this project is that it is fine to set ranges, but if you ever start narrowing down and setting targets within them, you want to make sure you have got as much information at your fingertips as possible when you do that.

**Chair:** Broadly, this Committee is quite in favour of ranges as a more realistic target, rather than just having a set date.

**Clive Maxwell:** Indeed.

Q99 **Chair:** Well, that is helpful. We will add 2023 to our forward diary, to continue to question you on it.

Earlier, Ms Kelly, you talked about the stronger client role for DFT with the additional two new executive directors. Can you just make it clear to me what role they are playing and how you have improved governance, given the sorry saga of some of the things that have gone before?

**Bernadette Kelly:** I will again ask Mr Maxwell, because he has restructured his team to ensure that we are being as effective a client as we need to be.

Q100 **Chair:** Can you explain exactly what they do and how it is better than what went before?

**Clive Maxwell:** There are a couple of things. The first thing is to note the role of the new Government non-exec directors on the board of HS2 Ltd. I certainly work—and my team works—very closely with Ian King, who is also one of the Department's non-executive directors. So it is understanding from him how the board discussions are going, feeding in to him the views of the Department, drawing on his huge expertise from British Aerospace about how to run large projects well and making sure that that is informing what HS2 Ltd is doing. Then within my own group, the sponsor team overseeing this project, I have organised that in a way to draw on some really great experience of people with long-standing experience of overseeing major projects.

Over the last few months, or the last year, I have split out work on Euston, given its significance, to make sure that I have a team formed around that, because, as Ms Kelly says, that is a particular set of issues that the Department is dealing with. I have also pulled together the work on phases 1 and 2a to make sure that, even within my own team, those sorts of lessons and experiences of phase 1 are being fed straight into the work on 2a so that we can benefit from those lessons and respond to the project more effectively.

Q101 **Chair:** We have highly skilled people coming into this, so keeping them is really important. First, Mr Maxwell, what skills does your team have? Have you recruited from outside the traditional route of the civil service,



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or have you found them within? To both of you, how are you managing what I would call the golden escalator of pay, which is when people suddenly think that they are worth a lot more, if you want to keep them from, say, phase 1 to phase 2a? How are you managing those upward pressures on salaries?

**Clive Maxwell:** I am lucky; I have a great team of people working with me on HS2 in the Department, and the project itself pulls people in. If you like working on projects, having the chance to work on High Speed 2 and deal with all its complexity is attractive for you to have done at some point in your career. If I look across my top team and my next team down, I have people who draw on skills and experience from the private sector as well as from any bits of the public sector and the civil service. There is a mix of skills there. Keeping people involved and enthused about the project is what I find makes the most difference to holding on to them. It is also right that people see working on a project for a period of years and then moving on to something else as a perfectly reasonable career progression to take. Different people will work that in different ways.

**Bernadette Kelly:** What I would add is that, obviously, the environment in the civil service is slightly different—

**Chair:** Pay is capped.

**Bernadette Kelly:** Pay is somewhat different as well. One of the things that Clive and I have been working very hard on is ensuring that we, none the less, have the longevity in roles for key people, which we know is so important. It is something that I have come to feel personally very strongly about: you can't have the level of turnover that you see in some parts of the senior civil service in areas like HS2, where we absolutely need people to have had skin in the game, experience, a real understanding of the challenges of the project, and we want them to stay in post for a significant period of time. Actually, you may have noticed, but you have been talking to me and Mr Maxwell about this project for some years now, so we are living examples of that, as indeed is Mr Thurston.

Q102 **Chair:** That is a bid for Ms Kelly to keep her job. There is an irony here: I have chaired this Committee for six years. There is only one permanent secretary in Whitehall who has been here longer than that—that is a pub quiz question for the Whitehall team to work out who that is. None the less, it is a concern. What you have said is music to our ears. We will keep an eye on it. Mr Thurston, you are in the private sector, where there is no such cap on salaries. In an international market, how are you holding on to people, but avoiding what I call the golden escalator of pay?

**Mark Thurston:** Again, there is a multi-pronged response to this problem. To Clive's point, the project is attracting talent. There is a momentum and, frankly, a kudos around the project now, which means that we are both retaining and attracting talent. We have been on a big recruitment push over the past year. We have on-boarded the best part of 500 new people into HS2 over the past year, totally remotely, and we are seeing people come from all different walks of life. Of course, pay scales need to be



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competitive, but they also need to be value for money. Both the oversight by the Department and our own remuneration committee have an important role to play there to make sure that we find that balance.

We have done a lot of work on succession and talent management. Some of my senior leaders are almost on their third role, so we are keen to move people around the organisation. If we go back to the earlier exchange with Sir Geoffrey, we have moved people out on to phase 2a now. They are people who have done different jobs on phase 1, so we have given them a chance to do new jobs in a new phase of the project. That is the advantage of HS2. People can see activity for 10-plus years, whether it is on 2a or even on another phase after that. The hybrid build team, a really expert team, understand what is involved. They are working on their third build. Some of the team have been with the organisation for seven or eight years. It is a blended picture, but it is something that exercises me, my management team and, in fact, the board a lot. It is about the capability of the organisation. The people in the company are at the heart of the success of this project. Let us make no mistake about it: the men and women who work for us are crucial to this being a success for the Government. Inevitably, it takes a lot of my time and the board's time.

Q103 **Chair:** Are pay ranges staying fairly stable?

**Mark Thurston:** Yes. We are not seeing escalation. We have done a lot of work to drive pay. I inherited a situation where pay—

**Chair:** That is partly why we ask the question.

**Mark Thurston:** Yes, and we have done a lot of work to regularise that. We have been much more competitive and, despite the challenge of the last year with covid, again come back to the security of the project and the longevity of the project. I think the broader confidence in the project by Government has meant that we are able to hold, retain and attract the right talent that we need, but this will be a constant focus for me all the time I am in this job.

**Chair:** Our views about some of the pay issues before are on the record and I will not repeat them.

**Bernadette Kelly:** We continue to work closely. Obviously, we and, of course, Ministers have strong views about senior pay in our public bodies. Absolutely we need Mark to be able to recruit the capability that he needs to deliver this enormously challenging project, but we are operating in a public sector environment and we need to respect value for money.

**Chair:** We are certainly not hair shirt about paying people the rate for the job, and where there is competition in those jobs because of the scarcity of skills we understand the pressures. It does not mean that people can set their own pay scales or pay their mates more, but I am heartened by what you have said, Mr Thurston; that you are trying to make sure that that is not happening. We will keep you to that.

Q104 **Shaun Bailey:** Mr Thurston, what does being a good neighbour mean to



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HS2?

**Mark Thurston:** Thank you. It is a great question. This is and will continue to be a challenge for the project for the next few years. The work by its nature is disruptive. The scheme that was agreed by Parliament took a number of measures to mitigate. For example, the tunnel that some of the Committee saw is about making sure that the work is below ground and does not disrupt the communities in that route to the extent that it could otherwise have done.

It will be something that we need to remain, and are remaining, vigilant on. We have a full-time help desk for local communities to talk to. We have community engagement staff on the ground—local people who have an intimate knowledge of some of the local issues. All of our contractors now we would expect to have the capability, so they serve that good neighbour principle, to your question. We now in fact, as the work has built up and there are multiple contractors in one geography, have put dedicated delivery managers in charge of co-ordinating the work in any one area to make sure that the impact on the local community is mitigated as best it can be.

This is, again, high on my and my management team's radar. The board looks at this every quarter. As you can imagine, our relationships with MPs' offices and local authorities, to the earlier point around planning and planning consent, is all about making sure that we are making ourselves available, with timely responses to complaints and timely responses to queries, giving local people good notice of the likely disruption in their areas. It is a focus for me.

It is also an important point that I make to our contractors. All our contractors are members of the code of construction practice. Many of them are members of the Considerate Constructors scheme. I have made the point to the CEOs of the supply chain that if there is any part of their business where they really need to dial up their attention to detail, over and above what they would do on other projects, it is in making sure that their interaction with local communities is at the forefront of their thinking when delivering HS2.

Q105 **Shaun Bailey:** Thank you, Mr Thurston. If we look at the PHSO report that was released in 2021, you accepted the recommendations but you were quite critical of it in parts. I think that one of the things that you said was that it did not take into account the fact that HS2 had made significant progress since the initial start of that complaint in 2017. In terms of the recommendations that the PHSO gave, and in terms of your progress to date, where are you in terms of aligning with those recommendations? Had you broadly already hit them before that report landed? Were you already there? Are you pretty much there? Do you still have some things to tick off? Where are you really in terms of what the PHSO said, and your own improvement strategy that you had obviously been putting in place?



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**Mark Thurston:** As you rightly say, we acknowledged and accepted the recommendations. I did not accept all the findings, frankly, because what the report did not do, to your question, is take cognisance of all the work that we have done over the last four years to put all the right community interventions in place to effectively make sure that we did not have a widespread repeat of the issues.

Clearly, that particular case was a difficult time for the company and a very difficult time for the individual concerned. I have written and apologised to them. That was unacceptable, but I think it is fair that we have moved on a long way since then, with the resources that we have, and the capability that we have established through our community engagement hubs. I am more confident—to answer your question—that we have dealt with many of the things that they flagged from that particular case.

Q106 **Shaun Bailey:** Obviously, you are talking more broadly about community engagement. One thing that has been made quite clear is the single points of contact. You have talked about local community connections. How are you finding the recruitment for that? I am conscious that you are making this commitment to ensure that, as part of that engagement, these are people from the communities and they understand them. Again, how are you managing to do that? What is the process for doing that, and how are you ensuring that if I contacted someone and said to them, “We need to talk about the impact on the Lost City,” they would know where that was? How are you ensuring that people truly do understand these communities?

**Mark Thurston:** It goes back to the earlier wider point about capability and skills in the company, and this is obviously a particularly narrow area of expertise. In nearly all cases, the people we have on the ground are people from the local community who live in the local community. They understand the issues, so when you talk about local roads or places, there is an intimacy between the folks who work for us and the local communities in a way that is relevant, meaningful and responsive.

The idea of recruiting a load of people from London and expecting them to really be relevant on the ground in Birmingham just does not work. All our community engagement staff literally live and work in the community, and we are hiring people from local authorities and other organisations, such as utility companies. The diverse taskforce that we are assembling in that space are people who really understand those issues. What we have done with our 24/7 help desk is create an online system, so our help desk operators based in our hub in Birmingham are able to access information in real time so they can deal with responses in a timely way.

Q107 **Shaun Bailey:** How are you defining “local community” geographically? Is it a local authority area? Is it a county? Is it a sub-region? How are you defining “community” for the purposes of this work?

**Mark Thurston:** It will be different depending on where it is. You have different challenges in rural areas and urban areas, but generally it would



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be at local authority-level area. We have subdivided the phase 1 route into 26 different geographical lines of route. If you think about dividing that up, each of those is relatively small, so the individual's knowledge of local issues needs to be very connected. It needs to be relevant, and that is what we are doing.

Q108 **Shaun Bailey:** That is great. In terms of your assessment of the cost-benefit of doing this, what is your assessment of the impact of this engagement? In other words, what costs do you feel that you are saving, in terms of mitigating complaints, any settlements that you have to give, and any potential litigation that you might be avoiding? What analysis have you done as to the potential savings and benefits for the project? Do you have a raw number that you can give us as to how much money you will have saved as a result of investing into this?

**Mark Thurston:** No, I don't. To put it into context, though, we have handled over the last three or so years 124,000 queries and interacted with, across all the route and in various forms, over 76,000 people. We are getting close to nearly £10 million-worth of funds on local community projects that we have been involved in. Some 161 local community and business projects have been invested in. We are dealing with an increasing number of complaints and responses to our help desk. Frankly, I have not done any analysis of: "If I didn't have all that capability in place, what would it cost the project?" We have obligations, and rest assured that the Secretary of State has separately appointed a residents commissioner, who I think has previously given evidence to the Committee. I think you had Sir Mark Worthington, the construction commissioner, give some evidence on Monday.

We would never be able to fully discharge our responsibilities. By their nature, all big projects like this are going to be disruptive. If we and our contractors do not have capability on the ground to deal with the impacts of our work, we would lose our licence to operate and it would just become very expensive. I have not quantified it. Intuitively, you probably get the sense that I don't think I need to do so, but if that is something the Committee wants me to do, I would question the value. The investment that we are making, with the right capability at the ground level, is paying huge dividends. The PHSO report shone a light on some failings of the company a few years ago. There are lots of things you can point to today where the company has learned from that, and the local interaction is much better for it.

**Chair:** We have heard that a few times. I am just aware of time, so can we keep questions and answers tight?

Q109 **Shaun Bailey:** Moving on, how are you assessing your performance against the commitments that you made regarding the improvements? You have given us a run-through there, but are you using any specific KPIs or targets that you can share with us?

**Mark Thurston:** Very quickly, we have 10 commitments under our community engagement strategy. There are KPIs associated with those 10



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commitments, and we measure performance against them. They are enshrined in individual targets for me and people in the organisation, so if the Committee would like, I can write to set out a bit more numeracy on what we are doing there so that we can show response times on complaints and how we are dealing with issues. This is all very much part of a management information dashboard where we treat community engagement like any other part of the project where we measure performance.

**Chair:** That would be very helpful. Thank you.

Q110 **Shaun Bailey:** That would be really helpful. Thank you.

Finally, Ms Kelly, one for you. In the light of the world we are operating in as a result of the pandemic, what assessment has the Department made of passenger numbers as a result of the new ways of working, and how is that fed into the project more broadly? Are you still confident, bearing in mind that at its inception we were operating in a totally different space, that we are still going to see the passenger numbers required to make this viable?

**Bernadette Kelly:** There are different timeframes here, in a sense, around passenger numbers. We are obviously interested in the short-term passenger recovery numbers. They are very important to us in other parts of our business—notably our rail contracting business. It is always important to say in relation to HS2 that we are talking about railway for the next 100 to 150 years, and it won't be operating for the best part of a decade, so it is some way out. What we don't know yet with certainty is how quickly the recovery will happen and how quickly passenger demand will recover, but we need to look at a much longer-term set of scenarios.

This is something that is being looked at, as you can understand, in the context of the integrated rail plan, looking at the OBR's post-covid forecast and things of that sort to ensure that we are assessing, as best we can given the enormous uncertainties, what future demand scenarios might look like. It will always be a scenarios game when we are looking in the long term like this.

Similarly, the National Infrastructure Commission is playing an important part in looking at long-term future demand for infrastructure. Those things will need to be reflected in our planning assumptions, our future business case and appraisal cases as well. So yes, we are doing work within the Department, but we are also working with the NIC and others to ensure we have the best possible understanding of what long-term passenger numbers might look like.

Of course, there are many other factors. Covid is a very significant shock, but there are many other factors that bear on long-term passenger demand for a project of this sort.

Q111 **Shaun Bailey:** So it would be fair to say that at this point we just don't know.



**Bernadette Kelly:** At this point, there is a huge amount of uncertainty. Nobody can claim to have an absolutely certain answer about what will happen in the short term and the long term to passenger demand as a consequence of covid. There is just too much uncertainty. That is one of the reasons, for example, that we have not yet formalised longer-term plans for some of our near-term funding, because we simply have to see how passenger demand recovers. Clearly, we are not passive partners in this. Indeed, much of the work we are intending to do as a consequence of the rail reform White Paper is to ensure we are taking active steps with industry partners to recover that revenue. Yes, there is a lot of uncertainty, so I am afraid I can't say that the Department has a definitive answer on that.

Q112 **Sir Geoffrey Clifton-Brown:** Two subjects to cover in two minutes, so brief answers. Mr Thurston, to go back to Mr Bailey's excellent questions about community engagement, you said during one of your answers that complaints are increasing. That's not surprising, I suppose, because civils are ramping up. It is much easier to be proactive in community engagement than to be reactive to a complaint. Can you tell us very briefly what you are doing to ramp up your community engagement with every level—parish councils, district councils, county councils, MPs—to explain what you are doing so that you hopefully reduce the number of complaints?

**Mark Thurston:** A number of things. There is much more proactive engagement from our contractors, working with local groups to make sure they are aware of what work is going on. We have agreed through the Minister that we will provide information with local MPs' offices, because that is often the port of call for local people. Our supply chain has increasingly got more boots on the ground, so people can visibly deal with those issues as they emerge. There is a more comprehensive answer, but in your two minutes, there are three or four things we have done over the last few months. We are keeping our local place websites more up to date as the work is changing so that people have different means of getting information about what we are doing.

Q113 **Sir Geoffrey Clifton-Brown:** Finally, Ms Kelly, you have recently appointed two directors to the board, and there has been a new chairman relatively recently. Can you tell us precisely what their responsibilities are?

**Bernadette Kelly:** We do not have a new chairman appointed; Allan Cook is still the serving chairman. He expects to step down at the end of July and we are in a process of recruiting his successor, just to clarify that point.

I think you are referring to the two special non-executives. Ian King is DFT's special representative on the board. He is also our lead non-executive on the DFT board. He has a responsibility, in effect, for giving insight and confidence to me and, more importantly, to Ministers that the board is providing challenge and assurance to the activities of the company. In practice, what Ian does, of course, is work closely with Mr



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Thurston and Mr Maxwell to ensure that the Department understands the position of the board and the company and that there is absolute transparency and alignment between us. Sir Jon Thompson is the Treasury's special director, and he performs that same role working with Treasury colleagues and Ministers.

That is really all part of the reset last year and intended to give a line of sight from us and the Treasury into the company, and assurance and confidence around the delivery and the performance of the company. I would say that I think both Sir Jon and Ian are providing great value to the Departments, but I hope also to Mark and the board and his executive team, because they are both extremely experienced people with a lot of knowledge and insight about how to deliver this project successfully.

Q114 **Chair:** Just to be clear, who is paying them?

**Bernadette Kelly:** All the non-executives on the board are—I am just trying to think—paid by the company. I would need to double-check, unless Clive knows the answer, whether there is some different arrangement for the special non-executives.

**Mark Thurston:** They are on our pay.

**Bernadette Kelly:** They are on the board, so I would expect them to be—

Q115 **Chair:** They are on your payroll, but they are independent of you.

**Mark Thurston:** Yes, they are appointed by the Department and Ministers.

**Bernadette Kelly:** Yes, we appoint them, and I think the company pays them.

Q116 **Chair:** That is fine; I just wanted to be clear about the lines. Thank you very much, Sir Geoffrey. May I thank our witnesses—

**Bernadette Kelly:** Sorry, there was one question earlier that I felt I did not quite address in full. May I just add a small supplementary point?

**Chair:** Please do.

**Bernadette Kelly:** It relates to the national college. I made the point that the Department is not directly responsible, as it were, for its governance, funding and so on, and of course that is true, but I would like to say that we do consider that we have a very significant part to play now, as the college is in its new form with the University of Birmingham, in making a success of it. As a Department, we have a vast portfolio of investment and infrastructure to deliver, if you look across HS2, RIS2, CP6, and the IRP when it is published. That is a massive investment programme. The college will have a really important part to play in building the skills base that we will need for that programme, and we will certainly want to work closely with HS2 and other partners to ensure that we really are making the best use of those fantastic facilities and helping to build the skills base that we will need.



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**Chair:** I think we all hope that it will be a long-term legacy as an institution for infrastructure training in this country, which we are going to badly need, especially with some of the challenges we have faced over the last few years in terms of employees from overseas and so on.

Thank you very much indeed for your time. I had hoped to get a bit more into the rolling stock issues, but that is perhaps for another time. Perhaps I can just ask you to send us a timetable of the milestones you are trying to meet on the rolling stock. Obviously, the passenger numbers issue plays into that, which is why I did not want to open it up at this late stage.

Thank you to our witnesses—Bernadette Kelly, the permanent secretary; Mark Thurston, the chief executive of HS2; and Clive Maxwell from the Department for Transport, leading on HS2 there—for your time. The transcript will be up on the website uncorrected in the next couple of days and we will be producing our report, but obviously this is ongoing work for us and our sister Committee, the Transport Committee. Members of this Committee will be joining the Transport Committee at its hearing in Curzon Street—well, I am not sure it is doing it actually in Curzon Street, but on a visit to Curzon Street and a session that it is holding live in Birmingham in a couple of weeks' time.