

Transport Committee

Oral evidence: HS2: progress update, HC 487

Wednesday 14 July 2021, Birmingham

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Members present: Huw Merriman (Chair); Mr Ben Bradshaw; Ruth Cadbury; Simon Jupp; Robert Langan; Karl McCartney.

Public Accounts Committee Members Present: Shaun Bailey and Sir Geoffrey Clifton-Brown.

Questions 1 - 73

Witnesses

I: Andy Street CBE, Mayor, West Midlands Combined Authority; and Mark Thurston, Chief Executive Officer, High Speed Two.



Examination of witnesses

Witnesses: Andy Street CBE and Mark Thurston.

Q1 **Chair:** This is the Transport Select Committee's six-month evidence session on the progress of HS2. We have two witnesses before us. Please introduce yourselves for the record. Perhaps we will start with the Mayor.

Andy Street: I am Andy Street, the West Midlands Mayor.

Mark Thurston: I am Mark Thurston, the Chief Executive of HS2 Limited.

Q2 **Chair:** Andy and Mark, thank you very much for being with us. I should state, if it is not absolutely obvious, that we are not in Parliament but are in formal proceedings. We are delighted to be in Birmingham. When the Select Committee was formed after the new Parliament in 2019, we pledged that we would go out on the road, we would look at HS2 every six months and we would look at the line of the route. We have been unable to do that thus far but we are now free to do so and it is brilliant to be here in Birmingham. We are looking forward to going to see the Curzon Street site this afternoon and we have met with some of the business leads before you in an informal session.

I extend a warm welcome to Sir Geoffrey Clifton-Brown and Shaun Bailey, members of the Public Accounts Committee. The Transport Select Committee and the Public Accounts Committee work very closely on the scrutiny of HS2.

Without further ado, I will ask the first question. First we are going to look at the construction of HS2 and the progress before we move on to the potential economic effects, which will perhaps be more for the Mayor. Mark Thurston, I will start with you as an opener. Can we get our six-month progress report on the construction of HS2 and where we are, and are we on track?

Mark Thurston: I will use for reference the Minister's report. That gives us a good grounding with the ins and outs with the Minister and his six-monthly report but I will try to give a bit more colour of where we have got to.

In summary terms, where we are on phase 1, there is about a year to go on enabling works. We have been doing enabling works pre and then since Royal Assent in 2017—demolitions, utility diversions and archaeology work, some of which you will see today. We are well advanced now with land acquisition. We are in the last year of powers so the focus for us is making sure we acquire all the outstanding land with the powers expiring in February next year.

Of course, we let the civils contracts back in 2017, and the notice to proceed just over a year ago was very much a milestone in moving to the second phase for the civils. What the civils contractors have been doing over the last 12 to 15 months is completing their mobilisations, standing



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up their resources and getting much into completing scheme design—into detailed design. If you were to do a fly through of the route you would see, as the PAC did only a few weeks ago, the benefit of the work at the South Portal where we now have tunnelling machines in the ground.

There are four stations on phase 1. We have appointed contractors for three of the four. Today you will see Curzon Street, where we have appointed Mace Dragados. Mace Dragados is doing Euston for us and BBVS is doing Old Oak Common, where we had the Secretary of State the other week. We are now out to the market with Interchange station, not far from here down towards Solihull. The next phase of procurement is all the railway systems and track electrification, telecoms, signalling. We have about 18 to 24 months of fairly intense procurement activity on the railway systems, having got very much into delivery on the civils construction.

The final piece on phase 1 is to say that some time later this year we hope to award the contract for the rolling stock, which will be the final phase. There is a five-stage process for rolling stock procurement. We are in the final stage there and hope to be in a position to award that, or certainly recommend an award, to Ministers in the autumn. That is a summary on phase 1.

On phase 2a, obviously we had Royal Assent earlier this year, later than we would have thought for a range of reasons. Nevertheless, we are now mobilising our capability and the supply chain for phase 2a between Birmingham and Crewe. You will see that is following a similar pattern to phase 1, but of course a lot of lessons are going into our thinking around contract packaging, organisation and how we deal with land acquisition and the like.

Then the final piece of the jigsaw that the company is responsible for is phase 2b—Crewe to Manchester. We have the hybrid Bill team now on their third episode of hybrid Bills, and we are targeting having the Bill deposited no later than the early part of next year. We are well on our way to get that deposited for the route into Piccadilly.

I think that is a summary of 1, 2a and 2b, and you might wish to push me on some of the specifics around that.

Q3 Chair: Thank you. What impact has the pandemic had on your progress and have you have fallen behind or are the costs looking likely to overrun?

Mark Thurston: There have been some costs associated with Covid and we have a range of those costs. The reality is until we fully understand the wash-up of Covid and the full extent of the pandemic, it is going to take us some months yet before we fully understand the costs. We did declare through the Minister's report to Parliament a range of Covid costs early this year.



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On timing, credit to the supply chain, they adapted pretty quickly to the new standard operating procedures that were agreed with the Health and Safety Executive in spring last year. Inevitably, it is quite hard to put your finger on it, and there would have been some impacts on productivity and production, but in the round we are broadly where we want to be. The impacts of Covid have manifested themselves in multiple ways around staff absences. A lot of offshore design in India was impacted, for example. In the round we have tried to absorb the schedule implications but there clearly have been some costs associated with that, as I say, we are working through. I have every expectation that we will land on some of it with the agreement of the Department some time later this year.

Q4 Chair: Have you not yet put a figure on what the costs may be?

Mark Thurston: In the financial report—bear with me I am just checking. I do not want to misquote what the Minister said last time, but we put a range of £300 million to £500 million, so we have a range on the impact of Covid. We gave an estimate of £400 million back in the spring. We continue to work with the suppliers on that to really understand the basis of it. Of course, we have had lots of impacts on the civils programme in particular, and some delays to land access. Protester action overlapped with the impacts of Covid. We will have to come up with a sensible formula for trying to unstitch the very specific Covid costs. It is an increasingly discrete costs line in all our contracts. We are working with contractors to make sure they understand what the impacts are.

Q5 Chair: TfL furloughed some of its staff. Did you end up furloughing any of your staff?

Mark Thurston: No, not at all. One area where we had a genuine problem was in London, so our enabling works contractor did stand down. It was doing a lot of work around Camden, where local residents were not very happy with having people close by. As you will recall, in the early days getting into London was quite challenging. The London end of the project probably suffered more in the first two to three months. When you look further north—and to the credit of the teams up here in Birmingham— we were able to navigate some of the constraints of Covid from the outset.

Q6 Sir Geoffrey Clifton-Brown: May I start, Chair, by thanking you for allowing me to be a guest on this Committee and Mark Thurston for organising the PAC visit? That was very helpful. Are we on time and on budget on phase 1? The £35 billion cost of phase 1 plus £10 billion contingency, is that still a viable number?

Mark Thurston: Yes, absolutely.

Q7 Sir Geoffrey Clifton-Brown: The start date, without Euston, of 2029 to 2033, is that still a realistic timetable?



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Mark Thurston: Yes, very much so. We are still within the ranges that were published back at notice to proceed last year.

Q8 **Sir Geoffrey Clifton-Brown:** You have spent £11 billion already. You have contracted £12.5 billion and you have £11.5 billion still to do; is that correct?

Mark Thurston: Yes.

Q9 **Sir Geoffrey Clifton-Brown:** You told us in the Public Accounts Committee the other day that you expect to complete the civils by 2027 and thereafter you would go into systems. Having had a visit to Crossrail last week and seen the scars of the difficulties of the integration of systems, the delays and cost overrun, I will ask you again—I know I asked you in the PAC but just for the record here—what exactly you are doing to learn lessons from Crossrail to make sure that that does not happen on HS2?

Mark Thurston: A good question and I will try to do it justice, as I did in PAC—thanks, Sir Geoffrey. There are couple of things. One is there is a lot of very formal learning coming out of Crossrail. We have had a lot of interaction with the team at Crossrail themselves—Mark Wild and his team—as well as building on the work that the Department have done, as you know in this space. Some of the practical things we are doing is looking at how we manage the interface between contracts and the handover between civils into systems—our arrangements now for systems integration eight to 10 years out before the railway is due to be complete. This is enshrined in much of the management arrangements in the company today. We have brought in a systems expert panel to hold a mirror up to our arrangements. It is an international panel chaired by a renowned expert from Arup and he has pulled together a panel.

We are doing a lot of planning right to left, so we are very much working and thinking—in the project world I come from you tend to plan left to right. We are doing a lot of work planning right to left, so what does day 1 of rail opening look like and working back, because it is quite a complex process to bring a new railway into operations. We have enshrined much of the learning and there is a track of very specific things that our board is holding us to account for through our audit committee. There is a level of visibility at the board level on the things the company needs to do to demonstrate that we are staying true to those lessons from Crossrail.

I think the reality is that these things will be with us now for some time. Another thing we have done, which is quite important, in HS2 is the ultimate programme integrator and the system integrator. We recognise that we need to set out what we call reference design. We need to own the design to a certain level of definition to make sure that the sum of the parts creates the whole railway system. That reference design will be put into all the major contracts and will create some boundaries from which the supply chain will need to respond for these system contracts that I said a moment ago we are going to start procuring now. Ultimately



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the test of all those arrangements in reality will play out in the fullness of time, but we are confident we are putting all the right arrangements in place.

We are going to need to bring some specialist skills into the organisation in the fullness of time, but we have had an open conversation with Mark and his team at Crossrail about how we might want to migrate some of that capability across. The reality in this sort of world is it is a bit of a black art. Only a handful of people around the globe get to do this stuff and it will be in our interest to make sure we see some of those folks coming to HS2 in the fullness of time—but not before they finish Crossrail, clearly.

It is a combination of management arrangements, contract arrangements, capability and people in the organisation. On the way we are going to govern the organisation, one of the key reflections from the Crossrail experience is that the organisation did not transition itself with its DNA and capability at the appropriate times. We are very clear that having gone through an organisation change two years ago and making some changes to my leadership team this summer, we have another inflection point in about three years now as we are getting to stations. Again, the organisation will need to stay agile and nimble and the demographics of the organisation need to reflect the fact that we are doing different types of work over the next eight to 10 years.

Q10 Sir Geoffrey Clifton-Brown: Thanks for that full answer. It is a really important subject. You now have Royal Assent for phase 2a, which according to the accounting officer's assessment of 16 June has an opening date of 2030 to 2034. Is that still realistic?

Mark Thurston: Yes. We reset the—

Sir Geoffrey Clifton-Brown: And a cost range of £5.2 billion to £7.2 billion. That opening range coincides, at least on the earlier dates, with the opening range for phase 1. How do you intend to integrate two phases so that they more or less open at the same time?

Mark Thurston: That is work in progress and will be such for a little while yet. The intent is to open what we call captive service, effectively proving the high-speed system works between Curzon Street here and Old Oak Common. We will open the railway and when it first opens people will terminate at Old Oak Common in London and, and as you say, not into Euston.

Of course when you open phase 2a you connect the new high-speed system on to the existing railway just near Crewe, and because it connects with the West Coast Main Line that is quite a profound change to the way the railway will work. Obviously, this will be something we need to work out with the West Coast operator—how we would then flight high-speed trains off the high-speed system on to the conventional network and bring trains into Manchester on the existing network. That is



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quite a profound change to the way the timetable works in this country. We are saying, for what will become GB Railways, that we will need to work it out with the operators in the fullness of time and work out what is the right sequence of events to make sure we future proof the high-speed system and the interface between the high-speed system and and conventional railway. But it is in our thinking, is the point.

Q11 Sir Geoffrey Clifton-Brown: With phase 1, when you do open, how are you going to open? What is the sequencing?

Mark Thurston: The expectation is that the railway will open a passenger service in that window we have committed to between Old Oak Common and Curzon Street—a sort of standalone captive high-speed service.

Q12 Sir Geoffrey Clifton-Brown: But then hopefully going the other way as well pretty quickly after you have opened phase 2a?

Mark Thurston: Yes. It would be premature but I do not envisage at this time opening those two deals at the same time. You are creating too much technical, railway complexity. We are incrementally taking the staged approach, opening the captive system between Curzon Street and Old Oak Common, and ultimately going south into Euston, as Euston becomes available, and then north, as you say, on to 2a up to Crewe.

Q13 Sir Geoffrey Clifton-Brown: Phase 2b has a cost range of £32 billion to £46 billion. Given the NAO's comments about going through two city centres, Manchester and Leeds, and the difficulties of ground in 2b, the £46 million compared to the phase 1 £45 billion still looks quite an optimistic figure, doesn't it?

Mark Thurston: At the moment we are only working on phase 2b west. We are only focused on that. The company has been asked by the Department to focus on the route into Manchester and the Euston leg will play out in the fullness of time. We expect it to be part of the Integrated Rail Plan. We are focused on producing a budget and a plan, working on the hybrid Bill to get Royal Assent somewhere around 2024 or 2025, subject to parliamentary timetables, for the section to Manchester. That is where our focus is at the moment. The company is not doing any work on anything else at the moment.

Q14 Sir Geoffrey Clifton-Brown: Those three figures, 45 for phase 1, 46 for phase 2b and 7.2 for phase 2a, come to £98.2 billion plus £5 billion for the stations. That takes us to about £103 billion. Is that where we are with the entire cost of high speed at the moment?

Mark Thurston: Off the top of my head, I can't recall. The 2b referred to is both the eastern and western legs combined. The assumption at the time when those numbers were published was that phase 2 was going to be done as one integrated project—the whole railway north of Crewe into Manchester and from here in the West Midlands all the way through the East Midlands to Leeds. That is not now playing out that way. We are



taking the western link now as a very discrete project and we wait to be guided by the Department on what we do with the eastern link.

Q15 Sir Geoffrey Clifton-Brown: Can I bring in the Mayor here? Good morning, Mr Street. As the Chair has already indicated, we had a panel of business people, representatives of local authorities, rail and so on. They said quite strongly that if we did the western section of the Y but not the eastern section of the Y, we would be in grave danger of leaving the East Midlands seriously behind. Places like Leeds, Leicester, York and so on would become second-class cities compared with the western section. Is that something you are concerned about and, if so, what representations are you making to Government?

Andy Street: There are a number of points there. First, it is essential that the railway is built north of Birmingham rather than just south. I know that is not specifically what you are asking but let us be really clear about that, for two reasons. If you look at the connectivity that we need to the northern markets, it is arguably more important than an improvement to the southern markets. Perhaps the clinching point is that if you look at the business case you only get the repayments on the southern leg if you complete all of the Y. There is a very hard point there that your numbers, that £45 billion or £46 billion for 2b, assume, as Mark said. Both are built to get the repayment, frankly, on the investment that was made on the core in the southern link. Purely from a business point of view, there is the need to build the whole lot to get the return.

On what businesses are saying here, we want all of it, of course, inevitably. The critical thing for us is connectivity within the different parts of the Midlands. The weakest elements of connectivity from Birmingham at the moment are to Manchester—that is taken care of—and across from the West Midlands to the East Midlands. The Birmingham-Nottingham link and the Birmingham-Derby link and the Birmingham-Leicester link are all essential ingredients for us. In honest truth, there are different ways that those can be achieved. You do not need to build the whole of 2b eastern leg high speed for West Midlands business to get what it needs for connectivity across the Midlands. Although I have always been a huge believer in the full network of HS2, and the business case explains why you need to do the whole lot, the pressing issue for us from an operational point of view is connectivity within the Midlands.

Q16 Sir Geoffrey Clifton-Brown: Thank you very much. My last question is to you, Mr Thurston. When do you expect to let the contract for Interchange?

Mark Thurston: The middle of next year, I think, Sir Geoffrey. Let me just check my data. We are out to market.

Sir Geoffrey Clifton-Brown: We were hearing this morning how critical it is to this.

Mark Thurston: The contract for Interchange—June 2022 is the current target date, so by this time next year we should have let that contract.



Sir Geoffrey Clifton-Brown: You have just let Curzon Street?

Mark Thurston: Curzon Street is away, you will see that later.

Q17 **Karl McCartney:** I have a quick question to Mr Street. You have just mentioned that your priority is obviously for—

Chair: Sorry, Karl, can you put your mic on? You are not very clear.

Karl McCartney: Do you think the local government players in those cities that were just mentioned by my colleague from PAC might be a little bit disgruntled about what you have just said? It might be that you are happy for that connectivity to be put in place in other ways for the eastern leg, but I am sure Sheffield, York, Leicester, Nottingham and even Lincoln maybe would like to see those proper links put in.

Andy Street: I am sure they would, but I was asked the question as to what the priority was for West Midlands business and that is why I answered in that way. Also, let's be honest, we all know that the Government have to make an incredibly difficult decision about priorities. I think I have been as vociferous as anybody in this kingdom in arguing for the full HS2. People have accused me of all sorts of things, but we have to face the reality that we now have, which is that difficult decisions have to be made. That is why I gave my honest answer.

Karl McCartney: That is fine. I realise people in those cities do not vote for you but I just wanted to make sure we had that on record. Thank you.

Chair: We always welcome straight answers to straight questions. Mr Street, I should also say congratulations on your re-election. That was a discourtesy of me. Let us move on to the potential economic effects of HS2, particularly where we are right here in Birmingham and the wider West Midlands. You have touched on it already but we have a few colleagues that want to drill in further.

Q18 **Robert Lorgan:** Good morning, Mr Street and Mr Thurston. Mr Street, on the broader point, what economic opportunities do you think HS2 is going to bring to the West Midlands and what are you doing to capitalise on it?

Andy Street: When we actively supported HS2—in full, Mr McCartney—it was based on a hardnosed economic decision that there would be a considerable uplift in economic activity here. To refer you to a piece of evidence you might want to take away rather than me just read out all the data, in 2015 we did what we called our HS2 growth strategy, which identified the uplift that there would be and that was then input into the Oakervee review that became the basis for the Government's decision. Those hard numbers were taken. We updated that again at the end of last year and this is our latest growth strategy. If you want to take it as a piece of evidence, all of the assumptions about the increase in employment and GVA are in there.

Perhaps you would like evidence that it is already happening, which is perhaps the key thing. We know that already 12,000 jobs have been



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created across the West Midlands by the promise of HS2 and they are those that are directly attributed to HS2 employment, those in subcontractors and in businesses that have chosen to invest here on the basis of the HS2 promise. This is the bit that is the most lucrative but also the most difficult to really understand, but I will point to one clear piece of evidence. We have just had the inward investment figures by region and we were once again the top region outside London, and in lots of the citations from companies as to why they choose to locate here, HS2 is one of the factors that is called out.

It is very clear that that is already happening. I think there is one other piece of evidence that says this is already making a difference rather than just being theory. If you look at the slightly longer run of West Midlands economic performance, at the beginning of 2015 there was absolute confirmation that this was going ahead, and that very much coincided with an uptick in our economic performance. There was almost an inflection point on the graph. It is also true that we have taken a disproportionate pushback through Covid because of the mix of our economy and we have emerged as the worst affected region of anywhere, so that trend has been broken. But I am very confident that we can see a correlation between the confidence given to the market before and the outcomes that we saw from inward investment.

Q19 Robert Largan: Thank you. Staying on that theme of economic benefit and picking up from what my colleague Sir Geoffrey asked about, when it comes to the northern extension of HS2—and speaking very selfishly as someone who represents a seat just on the outskirts of Greater Manchester—what would be the impact if the Government were to say tomorrow, “We are going to cancel phase 2b”? What would be the impact on the West Midlands?

Andy Street: I don’t think it is going to happen for the Manchester side of it. I think that is secure, as we heard from Mr Thurston earlier on. But very simply, we have positioned ourselves as the greatest beneficiary of HS2 on the basis that we will be at the centre—that is why you are here today—of the new transport network that will provide the spine of the network for the next 100 years. It is the foundation stone of everything that we are arguing about why to invest in this region in the future. It is difficult to put a number on it but it would be a pretty cataclysmic decision for us.

Q20 Robert Largan: Keeping that still in mind, what are you hoping to see in the forthcoming Integrated Rail Plan?

Andy Street: An absolute commitment to the western leg of phase 2b. I am realistic that there will probably be a serious delay in the eastern leg of 2b. I believe the Government will still commit to doing it but will not be specific about the timing of when. Therefore, the most important thing for us to see in it—and Mr McCartney may accuse me of wearing my West Midlands hat too proudly here but I think that is why you have asked me to come—is a commitment to a project called the Midlands Rail Hub



because that provides connectivity into the centre of Birmingham, much greater capacity and also the rapid links between Birmingham, Nottingham, Derby, Leicester and Coventry-Leicester, re-establishing that broken link. It is only £2 billion, so it is extremely good value for money, it has a very positive BCR and it was in the Conservative manifesto. Putting it extremely bluntly, that is what I want to see action on.

Robert Largan: You have just answered what was going to be my next question, so thank you very much, Mr Street.

Chair: We will carry on the same theme with Simon Jupp.

Q21 **Simon Jupp:** Good morning to the panel. Thank you very much for coming along and allowing us into your region. Mr Thurston, starting with you, it was touched on by the Chair's opening question but I wanted to drill into something a bit deeper briefly. We know that Covid-19 cases are rising across the country and this region. With staff using the test and trace app and things like that, are you experiencing a big uptake recently in the number of staff off sick or self-isolating as a result?

Mark Thurston: No, I have not picked up any intelligence to suggest it has got any worse recently. We have had a number of cases right across the supply chain. We have been pretty lucky inside the company itself, recognising that a big chunk of our staff are based in the Midlands. We have not seen a shift, to your point, in more recent times. We certainly saw some in the early days.

Coming back to the contractors and the supply chain, which is where the lion's share of the resources on HS2 are, the contractors have all got arrangements in place—sensors on arrival, distancing measures and the like—on their site compounds. Many of our consultants are still working remotely, but I guess they will start getting back to work in some form of hybrid working from next week.

As an organisation, the lion's share of HS2 staff continue to work at home, so they are looking after themselves, but we are engaging with our employees about what the future of work looks like and how we use our offices to the best effect from the second half of the year. I can go and get some data if it is important, but I am not seeing any sort of trend that would concern me.

Q22 **Simon Jupp:** It is always a concern when you see other industries being heavily affected and obviously we have seen delays with this project previously. On a more positive note, the construction of HS2 will bring new skills to this region. It will increase employment and the Mayor said, I think, 12,000 jobs. What do you think the effect will be on the region for the number of construction skills that are created as a result of the project you are leading?

Mark Thurston: I think it will be profound. It is hard to judge because we are talking about something in the future, but I have been lucky enough in my own career to work around Crossrail and the Olympics, and



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London and the south-east have been spoilt with big infrastructure projects for some years. To the Mayor's point, the Midlands and the north have not had that investment. In terms of what we will leave behind, we are seeing it already with our 650 apprentices, the thousands of people already working here in the Midlands and the suppliers now creating jobs themselves—they are bringing in people. My expectation is that we are creating a workforce for this part of the country, which inevitably will go further north from here as well, of course, with the future phases, and will create capability for the country that is not there today.

There are lots of green shoots and good examples, and many of the companies I have visited talk about expanding offices, hiring new people, and bringing extra graduates and apprentices in. They are doing that to serve this project. They want to be close to their client. We have a big office round the corner in Snowhill. We have a small office in Manchester, but I expect that once we get the other side of Royal Assent we will need to think about our footprint—probably in Manchester or maybe somewhere like Crewe. We are already thinking about how we take this caravan of capability further north and as it grows it will inevitably attract talent. I think it is a positive message.

The other thing that is becoming clearer to us as an employer, directly and through the supply chain, is that in the year or so prior to notice to proceed, of course with the Oakervee review, there was a fair degree of uncertainty around HS2. We were struggling to retain staff and to attract staff, and some contractors were even deciding whether to bid for work on HS2. In fairness to the Government, they continued to fund the essential work through the Oakervee period, recognising the overall schedule impact. As we have got to the other side of notice to proceed and notwithstanding Covid, there is a genuine kudos around the sector now on working on a project of the scale and ambition of HS2. You get a lot of new staff. I often say, "Why did you join?" They say this is a once-in-a-career opportunity to be involved in something on this scale. I think that is great for us in retaining and attracting talent. We need to be careful we do not Hoover up too much talent for the sector because there is only so much resource around, but we have put the college on to a new footing in the last few months with the University of Birmingham, which is great. I think the future looks bright in that regard.

Q23 Simon Jupp: I am pleased to hear of the progress, especially with the idea of apprenticeships and you mentioned a couple of numbers there that are really nice to hear, but we do have a potential issue in the transport sector. You mentioned earlier on about there being a shortage of architects or archaeologists, one of the two—

Mark Thurston: Archaeologists.

Simon Jupp: —available to you. Are you concerned that you might experience a skills shortage in the lifetime of this project? We have heard previously in separate sessions on different subjects about the shortage, for example, of transport planners in the country. There are only so many



of these people and these jobs take a long time to train.

Mark Thurston: Yes. I think it is an issue for the sector. We are a big hirer of people and user of capability, so of course we have our own skills and employment strategy. We have just refreshed that to understand what the demand is and what the supply is in the market. That is why we and many of the suppliers are doing so much work. We do a lot of work with the Construction Leadership Council because it is much broader—I think it was in the paper yesterday that construction is seeing its 24-year high of activity. You see shortages there with HGV drivers, for example. There are, without doubt, some impacts of Brexit with capability in the country that would otherwise have come from other parts of Europe. I think we need to continue to be vigilant on that but we should not underestimate the power of momentum.

There is a momentum around the project now, and I think people want to invest in projects and in companies where they can invest in their careers with a level of certainty. I think the organisations, ours and the ones that work for us at HS2 now, are able to give those potential employees certainty for some time and we should not underestimate that. The feast and famine of investment in infrastructure that is often talked about in the political sphere inevitably undermines the ability of a company to invest in skills, technology and capability. Hopefully HS2 will be a way of bringing much more certainty to the wider pipeline.

Q24 **Simon Jupp:** Thank you. Mr Mayor, how much of a concern is a potential or existing skills shortage to you in the delivery of this project? Obviously you want to see as many local people trained up in jobs, in work and benefiting from this, not just from the transport connectivity but also basic employment. Are you concerned about a skills shortage?

Andy Street: I am happy to answer your question and embarrassed to say the problem is the opposite. HS2 is essential to provide jobs for people in this region after the pandemic. If only we were worrying about a skills shortage. We are worrying about chronic unemployment and this is one of the single biggest ways of addressing it. We are actively working with HS2 to provide opportunities for young people here. Our target for jobs created by HS2 in the local region over the next two years alone is 5,000 jobs. It is a very fair question but we see it completely from the other end of the problem at the moment, sadly.

Q25 **Simon Jupp:** Are you confident that the mechanisms are in place to create these jobs but also the training opportunities for these specialist roles?

Andy Street: Yes. We are putting them in place. Of course, the jobs they have will change over the profile of the programme hugely. I am glad the question has come up. I am confident that the relationship is there and that we can work in a planned way towards that. The regional team—because obviously HS2 Limited is structured on a regional basis—is



working actively with us in identifying what is required, and then we work together to make sure those needs are met. It is hugely welcome.

Q26 Simon Jupp: Clearly you are attempting to plug the unemployment gap you have previously spoken about with jobs that because of the actual lifecycle of this project could be temporary.

Andy Street: But this is the whole point, isn't it? HS2 is the stimulus of other activities in the construction sector. It is the great sign of confidence, so let's just talk again about the evidence that occurs. You are going down to Curzon Street later this afternoon. Fantastic. Some of you probably came in on the existing Avanti train and would have looked out the window on the right-hand side as you approached New Street and seen a wonderful building site. But what you will not necessarily have seen yet in the area adjacent to that building site, in the quarter of the city that we call Digbeth, if you take a walk through that, is lots of the first signs of construction—the barriers, the early diggers, the enabling works. Literally in the last few months planning permission has been granted for huge schemes, one run by Oval Estates, which adjoins the existing West Coast Main Line track, another for the Upper Trinity Street development. Those are the things that we have been waiting for for probably 20 or 30 years, if I am honest. The project has given certainty for those to go ahead and they will also create a huge number of jobs in the construction sector.

It is probably worth reflecting on the fact that pre-pandemic the construction sector was the fastest growing part of our economy. That sector has seen the biggest reduction in jobs through the pandemic, so what is happening now, catalysed by this, is critical to our recovery if it brings these other investments in.

Q27 Simon Jupp: Obviously as the Mayor you have to sell that vision—that concept—to local leaders in councils, the LEP and the subnational transport body. Every single layer of local government. Is the view that you have—a very positive view and nice to hear—shared across your region?

Andy Street: I can give you a one-word answer to that—yes.

Simon Jupp: I am delighted. On that point I will hand back to the Chair.

Q28 Karl McCartney: Mr Thurston, you have a plethora of stakeholders. I hate the word but we all know what it means. I am sure if the Mayor wants to engage with you he gets the opportunity to, but we heard from some of the business representatives earlier that there have been some issues. You touched on retention of good people and so on, but do you think those issues have been resolved with engagement with your various stakeholders on the route and that may have caused some problems for you in the recent past? I am thinking about Roger Madelin, if you remember him, the CEO of Argent St George with the King's Cross development that caused all sorts of hoo-ha, but he managed to smooth a lot of that over by doing things himself. I am not saying it is you, but



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have you resolved those issues and who at the board level is responsible for that community engagement?

Mark Thurston: I want to clarify the question. Stakeholders, as you say, is a complex matter for us. This project covers a lot of geography. Is it about the business community and business getting the opportunity to work with HS2 or is it more on communities, where clearly our work is having an impact on local people and local businesses?

Karl McCartney: There are two distinct parts, but probably the second one of those is more important for this Committee.

Mark Thurston: This was the subject of the Committee we had earlier this year. Time flies. This is a big deal for the company. These people did not choose to live on this route. I was in Aylesbury with the leaders and the officials from Buckinghamshire earlier this week when we have some real challenges in reconciling disruption of the work with the impact on local people. This is going to continue to manifest itself. We had it round here in the centre of Birmingham. We have done a lot of work, for example, with some of the Mayor's team and the Commonwealth Games team to make sure that the local transport system is sufficiently resilient over the next 12 to 15 months, recognising we have the Commonwealth Games in the city. We have similar issues where we are working very closely with Camden about how we keep the area around Euston as a vibrant community while we are being hugely disruptive. Then of course if you get into some of the rural parts you have different challenges, but for those local people it still manifests itself.

This is and will continue to be a challenge for us and our supply chain. We have made it very clear to our suppliers that they are going to seriously dial up their credentials in this area of being considered contractors, and they get that. We won't get it right every day. We have a full-time 24/7 helpdesk. We have community engagement people in every constituency on the ground. All our suppliers who are now established as civils contractors, who are very much the visible presence, are standing up their own resources. As Sir Geoffrey saw at the South Portal site, we are trying in many areas to build haul roads and create site compounds that make us more self-contained so we are not putting trucks and vehicles out on to the public highway, not just because of the wear and tear and traffic but because of the disruption and the noise. This is a constant.

We have organised ourselves and split the route into 28 areas, 26 on the main route, excluding Euston. For each geographic area we have an assigned delivery manager—a senior person who works effectively for me and HS2 who is responsible for co-ordination of the works on the ground and who is the senior point of contact for that local community, whether it is the MP's office or the local authority. There are multiple touchpoints and we need to be vigilant on this issue every single day because the nature of the work is going to be disruptive for a few years yet and we need to have respect for the impact we are going to have on those folks who are adjacent to our work.



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Karl McCartney: Thank you for that. We did hear that it had got a lot better in the last three year. You will be pleased to have that feedback, I am sure.

Chair: It is Black Country day, so happy Black Country day, and the voice for the Black Country, Shaun Bailey.

Q29 **Shaun Bailey:** Thank you, Chair. If we can take a bit of a trip up the road I think it is important to remind ourselves that the West Midlands obviously is not just Birmingham.

Mr Street, can you tell my constituents in Wednesbury, Oldbury, Tipton and Tividale what benefit they are going to see from HS2? Certainly the feedback I am getting at the moment is that they see it as another example of, "Let's invest in Birmingham and the Black Country will follow suit". What do you say to that charge?

Andy Street: There are three things to say in response to that. First, lots of the SMEs that will be getting contracts through this are based outside Birmingham and some Black Country SMEs are extremely well placed to do this. Indeed, the very place we held our conference for SMEs in pitching was in Bilston and you cannot get more centre of the Black Country than that. The second thing is the jobs piece. I genuinely believe that applies across the whole of the region not just to Birmingham.

But perhaps the point your question really usefully draws out is one of the things that is committed to in our growth strategy—and this goes right back to the LEP strategy in responding to HS2 before it was even given parliamentary assent—that every area of the West Midlands will be within 45 minutes of one of the two terminal stations, via public transport I should add. The area that was the biggest challenge to us was of course the Black Country and that is what led to the proposal for the extension of the metro that, as I hope Mr Bailey knows extremely well, starts if not finishes in his constituency. That commitment to the local transport network on the back of HS2 is, doing my job, even more important than the delivery of the HS2 line itself.

Q30 **Shaun Bailey:** That is really helpful, Mr Street. Turning to your 2040 vision for transport, how contingent is that particularly on phase 2? You announced and we campaigned together on a very ambitious plan for an integrated transport network that involved metro light rail. How contingent would you say that is on completion of phase 2? You have put a lot of emphasis on not just having that the southern link.

Andy Street: Good question. It is not particularly contingent on the completion of phase 2 because now we will have the two terminal stations in the West Midlands and we will build our local network from that. I will be very straightforward about this: it is completely contingent on the funding from Midlands Rail Hub.

Q31 **Shaun Bailey:** If I could just then turn to the point you raised about the Black Country business that will benefit. Obviously notwithstanding the supply chain, which I am sure we can all agree, we have seen those



benefits. In my constituency there are businesses that have been successful within that. When we talk about the business case, we often hear about the likes of Goldman Sachs, HSBC and the new Barclays offices that opened, but what about businesses like Quantum Print & Packaging in Wednesbury and Formet Steel in Tipton? What is the benefit to these businesses that export? The Black County's exports last year were something like £3 billion. We still make things; we are still very much a manufacturing area. I am just curious to understand what the benefit to them will be, from your perspective.

Andy Street: The benefit, of course, is in the supply chain for HS2. The interesting thing here is that we think of the supply chain register as a very specific piece around steel, so of great strength for obviously the Black Country employers, but it goes much further than that. If you look at all the categories of tender that are being put out, it is everything from hotel accommodation to temporary portacabin operations—it is the whole suite of what you need for a project of this scale. I am utterly convinced the very purpose of having 800 local SMEs in a sort of pitching encouragement is so that some of those that are more obscurely linked directly to HS2 have an opportunity to pitch. For some, the local base will be important for their cost base advantage.

Q32 **Shaun Bailey:** I totally agree with you on the supply chain, 100% percent, but if we think that this is not just a transport plan but a plan about the future of our region for 20 or 30 years' time—and hopefully I might still be here dealing with those issues in 30 years' time—for those businesses in 30 years' time when the project has stopped and the supply chain is over, what are they going to see? If I go back there in 30 years' time, whoever is running that business, which knowing Black Country SMEs it is probably going to be the same family, what benefit will that business have seen, notwithstanding obviously the supply chain point?

Andy Street: If the total uplift in the economic activity is of the nature that we have said in this plan, then let's take a few examples. If they are a business in the housing sector, there will obviously be a high number of people looking to live and work here. There will be opportunities there. If they are a business in the business support area, which a lot in the Black Country are, then obviously there will be greater opportunities for them there. It is all determined by, can we use this as the kickstarter to change the trajectory of our total economic activity?

Q33 **Shaun Bailey:** That leads on to a good point, Mr Street, because clearly to do that it is going to be contingent on the Government stumping up additional levels of investment into the region, not just transport investment that we have seen, but also things that you have touched on—housing, redevelopment, and obviously your brown field strategies are very important. Is there not a risk given the price tag—and I know this from experience considering my community has been burned by missing out on a few support and investment packages—that communities perhaps could miss out because of the price tag of the project combined with the fiscal situation we now find ourselves in? If we



do not balance this correctly, where we still attract that additional investment outside of the transport structure, we perhaps will not hit those markets and opportunities that you just articulated. How do we ensure that we do not get burnt like that?

Andy Street: I think there are two answers to that. The first thing, and this was a very important point in the Oakervee review that some of you know I set up, is even though the total sum is a very large investment—no one is questioning that—the period over which it is invested is very great, so the impact on the cashability of Government in each year is more modest. The risk of the crowding out that you are talking about is perhaps less than may be implied.

The second reason is that the argument with the Government is very straightforward. I see this as a foundational investment and our argument has to be that it does not therefore lead to crowding out of other investments, but leads us to say to Government, “You should be doubling down on this opportunity. You have put this foundational investment in, you put us in a really great place. How are we now going to make the most of it?”

The third thing I would like to say in answering this is we have taken this purely from a Government investment point of view. The reality is the private sector investment will dwarf that Government investment many times over.

Again, back to the theme of what we are seeing, the private sector, or indeed Government or Government-based organisations—the BBC would be another brilliant example here—would not be making the investment here, which will improve jobs across the whole conurbation, not just in the city, if it was not for the advent of HS2. I am very clear on that.

Q34 **Chair:** Mr Street, you have never knowingly undersold, as we know, but on this one I think you are still going because you said, “At around £2 billion the Midlands rail hub is a genuine bargain” and that “The Secretary of State for Transport must persuade the Treasury to support this project to boost the region’s connectivity and with the region’s economy”. How is Grant Shapps getting on, as far as you are aware, in selling that mission on your behalf?

Andy Street: I do not know the answer to that question. He must answer that. We are very confident of the case, ultimately because the business case, the BCR—I am not being soft about this—is substantially better than the business case for the total of HS2 when you just think about the fact that it will give this city its third cross-city rail line; it will restore the connectivity between Leicester and Coventry—25 miles between and no current rail link; and if anyone tried to take the train between Birmingham and Nottingham, they will see it is pretty dreadful at the moment.



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Just on the evidence and the business case, we think it is sound. We believe that we are in a good place with DfT but like everyone else we do not know what is coming out of the IRP.

Q35 Chair: To pick up one of the points you have responded to, and I do not want to put words into your mouth, but is it more important—I think you have seven projects totalling £3.7 billion and that is one of them. Is that more important to the region, to you, than, say, phase 2b?

Andy Street: You need to be specific about 2b; there are two halves of 2b.

Chair: Yes, sorry, the eastern part of 2b. Okay, what about the western part?

Andy Street: The western part, that is very clear. The reason why I am absolutely clear on this, as Mr Thurston said, is that it connects to the existing West Coast Main Line. That is what effectively makes the whole investment in HS2 worthwhile if you get those reduced journey times and better connectivity through the West Coast Main Line. That is what the western leg does. That, to me, is an indisputable piece of the mathematics of it all.

To answer your question, it is not about what is more important, it is about what is more urgent. We can deliver very quickly the repayment on a relatively small sum from Midland Rail Hub and that is why the business case is so much stronger.

Chair: Thank you very much. I could go on but I think it would be right to hand over to Ruth Cadbury because we want to talk about the environmental aspect of HS2.

Q36 Ruth Cadbury: If I may, Chair, I just want to bring in active travel as well. Mayor Street, how, in your view, has the HS2 construction impacted on the environment in the region?

Andy Street: The thing that we were fearing is that it would mean that our existing public transport was somehow compromised and we would find, therefore, that people were turning to more polluting methods of transport. Thus far I can say there has been no compromise on any of our existing piece, and pre-pandemic we were managing to increase the usage of our public transport quite dramatically. There has been no conflict in that way.

The obvious political issues have been around—and we knew this was going to happen—the felling of trees, particularly in the Meriden Gap area around Interchange. We have been understanding of that and what, of course, has been critical is seeking the assurances about how HS2 will leave us rather than what has to be done during.

Q37 Ruth Cadbury: Mark Thurston said earlier that—and this has also been confirmed by the business stakeholders we met earlier—HS2 is improving its consultation and communications. Is it also improving, from your



perspective, on delivery of commitments around the environment and also on active travel, how people get around as well as to and from the construction sites?

Andy Street: Yes, I think is. It is probably early days, if I am very honest, and I am sure Mark Thurston would say that a lot of this is later down the delivery, but there is already evidence that the promises of legacy for new woodlands and new environmental habitats have been created. We talked about the green corridor and we have talked about new sites, predominantly in Warwickshire, and they have been created. Yes, they have been good to their word and done what they said they would.

Q38 Ruth Cadbury: On the design of the route and the two major stations, do you feel that they have done enough to encourage active travel—walking, cycling and public transport, obviously, to the stations but also along the route as well, crossing the route of the line but also running along the line?

Andy Street: To be fair to them, the link to public transport and active travel from the two terminal stations is more our responsibility than theirs. I am probably the most biased person, and citizens may have a different view, but I genuinely believe—back to what I said earlier—that we have tried to use the two stations as integrated nodes in the public transport system and the best example of that, of course, is the extension of the metro to go literally right under the station in Curzon Street. There are still plans but no funding for the metro to go out to Interchange station but, as we know, that links perfectly with our existing local rail service.

Yes, I think in all the planning—and it is what Mr Bailey asked me about the 2040 plan—we have tried to make sure our transport vision for the region is based on those two stations.

Q39 Ruth Cadbury: Thank you very much. Mark Thurston, what has HS2 done to ameliorate the effects of HS2 on the environment? We are here as the Transport Committee so I am asking you in terms of whole scheme of phase 1. How successful have you been and how are you measuring the effectiveness of your environmental mitigation schemes?

Mark Thurston: There are a few questions there. First, all the work we do that has a direct impact on the natural environment is all regulated by Natural England or the Environment Agency, so there a level of oversight and scrutiny on the work we do regardless. In all the detail design that we have done with the contractors in this area of the route, we have been able to reduce the amount of woodland and hedgerow that we would have to take. That is very much a focus of us and the contractors doing the detailed design.

That would be the first point. Second point is we have already invested, as the Mayor mentioned, in six ecology mitigation sites around the Birmingham Solihull area which already that come to nearly 10 hectares.



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You have heard us talk about 700,000 trees already planted out of the 7 million, and over 300,000 of those are in the northern section of the route. We feel we are well on the way with starting to reinvest in the national environment, recognising there is some impact in the scheme that was approved by Parliament. To the Mayor's point, I think we will see the full benefit of that.

The other point I would make in this area more broadly is that as a project we have taken a lot of learning from High Speed 1 in Kent. In travelling through Kent, you now need to look out for the high-speed rail as it travels from London to the coast. Its planting scheme and the amount of land it used was dealt with towards the end of the project. We are very much looking to make sure that by the time this railway is open, all the ecology work—trees, hedgerows and bushes, and the relocation of species—has had a more positive effect, to the point where it will not perhaps be the emotive issue that it clearly is today. That is totally justified because this is important to us. I think it is going to be an important part of the project.

The Mayor mentioned the green corridor. Again, that is a step in the right direction for big infrastructure where we actively invest in the natural environment from the outset. Of course the other thing that is emerging through the Environment Bill is this whole issue around net gain versus net zero on biodiversity, and there is every expectation we will look hard at how we can improve our biodiversity credentials in phase 1 and 2a, even though the legislation says we only need to have net zero. For 2b going to Manchester, we are looking hard at what are the implications—cost among other things—on achieving net gain in biodiversity.

Q40 Ruth Cadbury: Since HS2 last came to the Committee, and I think I have raised this before, has any more work been done around cycling and walking routes along and across the line of the route?

Mark Thurston: Yes. Unfortunately, I do not have the detail but I am more than happy to write to the Committee to set this out. Quite a lot of work has been done on this and I need to do it justice. We have done a lot of work with the Department as well as our supply chain, and our own architectural and urban development teams have looked at a combination of where we can provide new walking and cycling routes—particularly cycling routes—to create connections across the railway so that we do not allow the rail to sever communities or areas. There is a good story there and for a very modest incremental cost I think we hope to leave a walking and cycling legacy as part of this railway, which will, again, be an enhancement on what is there today.

What I ought to do is set that out in more detail for the Committee after today.

Q41 Ruth Cadbury: Okay. One final question, bringing it back to construction here in the West Midlands, certainly HS2 in London and the Crossrail schemes had very strong policies around ensuring that HGVs were not a



danger to pedestrians and cyclists, and a number of mitigations moves were put in place. Has the same happened here?

Mark Thurston: Absolutely. If anything, we have taken the standard to a new level, and Crossrail probably did set the bar. London particularly was a challenge for them, but the regulations are there for the industry more broadly and we are very much at the vanguard of that. Nevertheless, I come back to the other point I made. If you think of the South Portal site as a case in point, we are doing all we can to actively minimise the lorry movements in the first place. The noise, environmental and carbon effects are where we have become more self-contained, by taking lorries off the local road, which plays to Mr McCartney's earlier point around community disruption. It is all part of an eco-system that we are trying to manage. Where we do put trucks on the road, we keep it very safe, or where we can we avoid major haulage in the first place.

We are also, by the way, making huge—in the London section and through the centre—use of rail connections, so spoil away and materials in, where we can. We have put in a couple of new rail connections to make sure that we can maximise use of rail travel as well, again to try to get trucks off the road.

Q42 **Chair:** Mr Thurston, you mentioned Greg Smith, the MP for Buckingham. He cannot be here because he is on paternity leave but not even a newborn baby can silence Greg. He has a question for you, Mayor Street. He says, "Does the Mayor understand the impact his full-throttle support for HS2 has on people's lives along the line of route, not least when there are already two reliable rail routes to Birmingham?" He goes on, and I will not read it out fully, to ask if you have any empathy or sympathy for those further down the line that are being impacted to deliver this project here in the West Midlands.

Andy Street: The project is not being delivered in the West Midlands nor for the West Midlands, it is being delivered for the nation. That is the key point. We will be first beneficiaries and arguably the greatest. The simple answer to the question is of course I understand the concern. I have a lot of constituents in Solihull, a very similar place, who express the same concerns. I decided many years ago I was going to do the right thing, which is to get fulsomely behind this project, and that is what I have done. I still believe it is the right thing to do for the country and definitely for this region. That is my job.

Chair: That is the answer for Greg. He is not here to add a supplementary and I am not going to bother, despite the fact that my family all live in Buckingham. Thank you very much. Let us move on because we want to look at the stations and, indeed, we will be looking at one of the stations in Curzon Street and very excited to do so. As you mentioned there is the Interchange station as well, so I am going to hand back over to Shaun Bailey to take us through this.

Q43 **Shaun Bailey:** Mr Thurston, in terms of the Interchange station and the



cost, how does the cost of construction compare with the original estimate? If there has been an increase, could you tell us what the reasons for that were?

Mark Thurston: Yes, bear with me. We have a budget for Interchange. We have agreed some additional funding with the Department in what we have done with the local planning authority to enhance the site more broadly. We have done some work around how the carpark layout will work at Interchange. We have agreed to additional funding with the Government for that. We have a budget for Interchange, we have gone out to market and my expectation is that we will get competitive responses to that. I also think, as I have answered before, that the market will competitively come back to us with quotes for that station. This is the last big piece of the built environment assets that we are going to build. I think we will more than beat our budget for that.

Q44 **Shaun Bailey:** What is your process in monitoring that? Do you have a stress level where you anticipate you may go over, or what is your process for monitoring that? Is it one that you are strictly operating within or have you given yourself some room to manoeuvre?

Mark Thurston: A couple of things. One is we will not let the contract for Interchange unless it is within the budget envelope we have agreed with the Department. That is the test, the first hurdle. Once we let the contract it would be like every other contract that we let. We have let over £20 billion-worth of works to date and we have a very rigorous contract management regime. All our contractors' costs are auditable. We do cost verification on their invoices. We are able to see line of sight of their costs in their supply chain. We do not just see what the tier 1 contractors tell us. We can see beyond that in terms of their suppliers, the tier 2s and 3s. The cost management and cost control regime is as good as I have seen, and we should take confidence from that. Clearly our job is to make sure we deliver this project on budget, and that is what we have set about doing.

Q45 **Shaun Bailey:** Just to go back to the question I asked at the start, because I do not think I got a definitive answer. How does the cost compare with the original estimate? The cost of construction, what was the original estimate?

Mark Thurston: For Interchange?

Shaun Bailey: For Interchange.

Mark Thurston: The Interchange estimate—I was just trying to get the data. Interchange is at £370 million; that is the number we have in our budget for Interchange.

Q46 **Shaun Bailey:** Is that an estimate or is that the final—

Mark Thurston: That is the budget and we will not know what it will cost until we have prices from the supply chain.



Q47 **Shaun Bailey:** Okay, so we will wait and see, basically.

Mark Thurston: Exactly. To your earlier question, we will let that contract in June of next year. That is when that will become the hard money contract, and I have every confidence we will get a proposal from the supply chain. They have to bid against a series of criteria, of which cost is going to be one. Unless it is within the budget, we would not let the contract.

Q48 **Shaun Bailey:** I am not an expert in this. Is that standard for these types of projects? I am conscious of the broader publicity we have had over HS2 and the overall theme of cost increasing and going over budget. Is that a common way, procurement-wise, for how these big construction projects work—you do not necessarily know until you have gone through the supply chain—

Mark Thurston: We create a fair bit of the client's estimate. We produced an estimate for HS2. That has been thoroughly assured and benchmarked, so that is what got signed off back at the beginning of last year by the Government. That was the budget that reset the overall funding envelope for phase 1, £44.6 billion. Interchange is one line item in that estimate. That is the budget that we will now hold and we will confirm compliance to that budget once we let the contracts next year.

Q49 **Shaun Bailey:** You are confident that you will be compliant with the budget.

Mark Thurston: Definitely, we will not let the contract unless it meets the budget. There are good examples on the other stations where we have been through several iterations with the final preferred bidder to get to a point where we engineer the scheme to the point where it is affordable. We will not let contracts unless we meet our affordability test.

Q50 **Shaun Bailey:** Just out of curiosity, because obviously I am a member of the Public Account Committee and our overarching theme is value for money—and perhaps, Mr Street, you might want to come in on this as well—on this project what to you is value for money? How would you define value for money when it comes to the construction of Interchange? How do you define value for money in this project?

Mark Thurston: I would say two things. To your earlier question, we have to make absolutely sure we have a scheme for the station that will meet the budget and serve the railway needs in the first instance. The Mayor may well want to build on this. The wider value of Interchange and that whole triangle of land to the east of International is how Interchange will become a gateway, going north and south as a major transport connection for road and rail. It will generate much wider value for the area, and we have done a lot of work with Solihull Borough Council and the Mayor's team on how we maximise the land and the land capture around that site. It is an absolute fantastic site by the M42.



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The wider value to the region—the Mayor is probably best placed to comment—is the fact that we have had a working group working with us now for over a year looking, for example, at the carpark, as a very specific case in point, as a way of maximising the land footprint, because the value to the region in that part of the south-east of Birmingham is profound.

Andy Street: It is very difficult to answer the question about value for money for any individual piece of the project because ultimately it all has to be assessed as one, which takes us back to the earlier questions. I am slightly wary of picking out one component of it but it does lead to the wider point that Mr Thurston has taken us to, which is for this region one of the absolute kernels of the whole argument is that the station at Interchange enables us to develop almost like a new node of economic growth in probably the best connected place in the whole country. This is what we call UK Central. The architects of that are an organisation which is an arm's length body of Solihull Council called the Urban Growth Company. Their prospectus talks about an area that will have 5,000 new homes, critical in Solihull, and 650,000 square metres of new commercial space. It is an incredible driver of economic regeneration.

The station is the opener of it. It is not sufficient on its own. Its proximity to the existing West Coast Main Line, Birmingham airport and the huge asset that is the JLR base are all part of it, and a lot more infrastructure has to be put in by a mix of regional, local and national government to unlock all of this. That station—that £350 million—is perhaps the key to make all of this possible.

Shaun Bailey: Thank you. That is great.

Q51 **Chair:** Can I just go back to the Oakervee review because there seems to be some doubt, Mr Thurston, whether HS2 was the right entity to deliver the station? Do you believe that argument has now been settled and that you are geared to build the station as well as the line or are there any other ideas that you can see in the pipeline?

Mark Thurston: Just to understand the question, you mean us as HS2 Limited as the delivery body for Government?

Q52 **Chair:** Yes, I think the review concluded that HS2 Limited is not properly incentivised to maximise the value of the development of HS2 stations and may not have the capacity to properly focus on doing so.

Mark Thurston: Okay, I understand the question. Two things. First, we had to meet a pretty stringent test set by Government in our contract with the DfT on capability as an organisation. In fact the work we did in my experience is as good as anything I have seen around the Government, using organisation and maturity models to demonstrate how the company is fit for purpose for the next phase of the job, recognising that a notice to proceed is a majority commitment in investment by the Government. Of course, they are going to want to trust the organisation that they charge with spending all that public



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money. We have done a lot of work, and continue to do work, to make sure the organisation stays match fit and is fit for purpose for the job in front of us.

The second point I would make, and specific to the comments made in Doug's report, was specifically around Euston. Euston as a standalone project, which was talked about at some length at the Public Accounts Committee, requires a different set of arrangements because of the interface with Network Rail and the interaction with the Planning Authority in the London Borough of Camden and, of course, Lendlease, who the Government has appointed as master development partner.

The reality is we have continued to support the Government in the development of Euston. We are looking at putting a joint team together with Network Rail to deliver what is required at Euston. As you heard from Mr Maxwell, the SRO, at the PAC, there are still some decisions to be made by Government of exactly what we do at Euston.

Inevitably the Oakervee review shone a light on the capability of the company, the constitution of the board, my leadership team. I have a new chair arriving in the second half of the year. That is part of the inevitable need to make sure that we have the right arrangements in place and the right people in place to take the project forward.

Q53 Chair: Yes, you have touched on Euston before, I think, as well. In the Public Accounts Committee we focused on the sheer size of the project that involves both the Network Rail angle and the HS2 angle. Has there been any further movement in terms of HS2 doing all of that rather than Network Rail? Or maybe Lendlease doing the whole thing and making it a private enterprise?

Mark Thurston: We have looked at a number of models with the Government. For the restoration of Euston, our expectation is once the Government and Department decide what the right solution is for Euston—and they are not there yet; I think that is a decision we can expect quite soon—what will flow from that is what are the right organisational arrangements to deliver it.

My expectation is twofold. HS2 will absolutely take a primary role to lead the delivery of the HS2 station. As we have said, we have appointed Mace Dragados to build the station for us and they are on site now. Lendlease bring some very specialised skills for the Euston campus. We should leverage those because they are experienced in oversight and development. Development skills are going to be crucial.

We need to work out what is the relevant part of the Network Railway station that needs to be part of the integrated solution and also—to answer your question and we have yet to work this out—what the division of responsibility is between HS2 Limited and Network Rail.

Q54 Chair: Mayor Street, we were very impressed when we had a private



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session with Midlands Connect and the business representatives this morning. They were complimentary about the way they interact with you. As you are looking at the regeneration of the wider piece, would you be interested in taking on the role of delivering the stations as opposed to HS2?

Andy Street: There is a subtlety to this. In a sense, the conversation we just had about the Interchange reveals our answer to it. They build the station. I am content with that, but that is only the beginning of the story. It has to be the UGC that then masterminds bringing the economic activity around the station to life. We have set up a vehicle to oversee that, which works with the landowners and Solihull as a planning authority. We have taken a step that is all about maximising the benefit of them building the station. I always joke with Mark that the station is the simplest bit of it, it is everything that follows on beyond that.

Our model is different to Euston but I am confident we have made a decision about how we are going to do it. It is different again in the city centre because we do not have a growth company or a mayoral development corporation such as Old Oak Common. The model in the city centre is that, again, they build the station but then the city council here, as the planning authority, has done its master plan around it so it knows the objective and then individual developments—in what is, in a sense, a more developed property market—will come forward to fill that out.

In terms of financial assistance to that in the city centre, the Greater Birmingham and Solihull LEP negotiated with George Osborne, as Chancellor, the extension of the enterprise zone model. Again, there is a different funding support mechanism.

The answer to your question, Mr Chair, is that for different stations along the line different answers have come to how we ensure the economic benefits around each station.

Q55 **Chair:** With regard to Curzon Street and the Interchange, there is nothing going on right now that makes it harder for you to deliver the vision you have talked about for the wider piece, because you are not in control of the build. You are entirely happy with everything that is being done by HS2 in the building of those stations.

Andy Street: Let us be absolutely clear, at Interchange there was a very difficult issue that was left when the notice to proceed occurred, which was this question of the land use around the flat carpark. We are working in collaboration with HS2 to solve that. From a reasonable point of view, it does have to be solved otherwise it will be a crying shame and a waste of the most valuable land in the region.

Chair: Thank you. I was going to bring Sir Geoffrey in but, Shaun, I think yours is relevant to the point, is that right?

Q56 **Shaun Bailey:** Mayor Street, you do not have spatial planning powers, do you?



Andy Street: No.

Q57 **Shaun Bailey:** If you did have spatial planning powers as Metro Mayor, what difference would that make to the delivery of this project in terms of the authority's role? Do you think that maybe makes the case for spatial planning powers?

Andy Street: I do not think it would. Again, if we take Interchange as the best example of this, without the formal spatial planning power, I think everyone would agree we have played the lynchpin role between HS2 Limited, the council and the UGC. We have been able effectively to do that without the formal power.

However, as I hope is apparent to you from a number of things you have said, Mr Chair, a lot of this is based on good relations between the different players in the region. A lot of it is not around a formal structure. We do not, for example, have a mayoral development corporation that gives the power. We have to do it much more through influence and coalescing.

Q58 **Sir Geoffrey Clifton-Brown:** Mr Street, I can see you are a very farsighted man. Looking forward to this railway being opened, clearly it is in everybody's interests to get the maximum use, both from an economic point of view and from the environmental considerations that Ms Cadbury was asking about earlier.

Andy Street: Correct.

Sir Geoffrey Clifton-Brown: The key to that is the fare structure—the farebox. Is it premature? Have you been having any discussions with the Department on what the fare structure should be?

Andy Street: There is something else before that: the timetable.

Sir Geoffrey Clifton-Brown: I am assuming Mr Thurston is right and that it is going to be built on time.

Andy Street: No, the timetable about what services will actually be running.

Sir Geoffrey Clifton-Brown: Sorry; yes.

Andy Street: Here's where you think, "Oh god, he's put his hand over his head now", and say, "Here he goes", but there is a point I did want to log with the Committee about this.

Currently the proposal is, as Mr Thurston said, that the first stage will be contained high-speed function and coming to Birmingham. For the second stage, when Crewe opens, there is no proposal that the services will run from Birmingham North onto the West Coast Main Line.

I think, to your point, that would hold up the adoption of HS2 as the favoured route, which we want everyone to get on board with early, and be negative in terms of the payback on the project. That it is not in the



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plan is an issue where there is currently discontent in the West Midlands. I am pleased to be able to log that.

To answer your question about the issue with the pricing, we have made exactly that point to the DfT, that there has not yet been any discussion about the fare structure.

Q59 Sir Geoffrey Clifton-Brown: There is clearly tension with the Government, which want maximum fares to get the maximum return, and on the other hand you naturally will want the maximum number of people travelling, which means you may not necessarily want the maximum fares.

Andy Street: The Government want maximum revenue. They will not necessarily want maximum fares. That might sound pedantic but it is a very important difference. I think there is modelling as to how that will be achieved. Certainly, we will want the public to see this as something they want to use frequently and naturally, and obviously fares are a key part of that.

The straight answer to your question is, no, we have not been engaged in a conversation about that.

Q60 Chair: Mr Street, I want to make sure we have you correct on what you have just said because it is an important point for you. I did not completely follow it so I am going to ask you again in idiots' terms.

You said you were concerned about the trains not going further north. Are you working on the basis that if 2a is built they do not come through the existing HS2 line—

Andy Street: Let me explain myself; I have clearly not done a good job of explaining it. It might seem a subtle point but it is worth logging to the previous question about the public adopting it.

The current proposal is that once the Crewe section is open, you can run a train from Curzon Street on HS2 on to the West Coast Main Line in Crewe, providing a service from Birmingham to Manchester to Glasgow or whatever is not in the current proposed timetable.

Q61 Chair: It would stop at the Interchange but not Curzon Street.

Andy Street: Yes. You will be able to get a train from—let us hope Euston is open by then—Euston or Old Oak Common through Interchange to Manchester or Glasgow but you will not be able to do one of the things that is really important to the West Midlands, which is to provide the link from the centre of Birmingham through to Manchester. The most congested trains from Birmingham at the moment are the ones that go out through the Black Country, through Wolverhampton to Manchester North.

Q62 Chair: When I was looking at the map I could see the triangle, which I think comes out at Coleshill and then Lichfield. Ideally you would want



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the trains to run all the way up to Birmingham, Interchange and Curzon Street, then come back out and go up towards—

Andy Street: No, that is not in the plan. I am absolutely with Mr Thurston about this. The trains that will go to Manchester from Euston over time will go to Interchange and straight up to the north. Different trains will come into the centre of the city. That is absolutely sensible.

The long-term proposal is trains will start in Curzon Street to go to destinations in the north. That will be replacing the current services that do that, which are very congested, very slow and do not give us—to go back to the very first question—connectivity north of Birmingham. The current proposal is that those services do not start until the line is open all the way to Manchester. I think that is a huge missed opportunity and prevents the adoption of the service by the public.

Chair: Excellent. That is clear to me. You want to come back, Sir Geoffrey.

Q63 **Sir Geoffrey Clifton-Brown:** I slightly got the impression that Mr Thurston had a different view on this. Are you ad idem with the Mayor on this issue?

Mark Thurston: I will make two points. One is there is an agreed service pattern that sits behind the business case, which is what the Mayor is referring to. The reality is, in time, exactly what service pattern gets used when the railway and the infrastructure is available is to be determined. That is going to be a combination of a discussion between the Department, Network Rail in its new form and the train operator.

The Mayor is right: the current base case does not have, when we open phase 1, trains starting in Birmingham and going to Manchester. I think there are some stopping services, from memory; I am not an expert on the timetable.

We have to remember the reason we are working with the West Coast partner today is because it is now running the existing West Coast Main Line services. Of course, when the new railway is open it will run both. It has an important role to play in working with local stakeholders, ourselves and others around what the optimum service pattern is that serves the important cities of the Midlands and the north, combining both the existing railway and the new railway.

Andy Street: I will say one other thing about it because I think it illustrates another underlying point we have not reached yet. One of the real drivers for us in doing this is to free our existing network of the high-speed trains. Everybody knows that. It will seem rather odd to citizens that we have built this new capacity but are still running the Birmingham to Manchester trains on our existing railway and therefore are not able to invest in local connectivity as soon as we would wish.

Q64 **Ruth Cadbury:** That has mostly just answered the question I wanted to



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ask because I had not grasped that. To me, and to a lot of people, HS2 is not just about reducing journey times but about increasing capacity on our rail network. Thank you for clarifying that.

I want to go back to stations. I have one quick question to Mayor Street. The design of the Curzon Street station building has been described as something like a modern airport terminal. Do you think it could be better than that?

Andy Street: That was one view. It is by an erudite person, but is one view. It has gone through planning now. We are agreed. It has gone to tender. I am afraid we have to say that is it.

Ruth Cadbury: It sounds like you might agree it could be better, but thank you for your honest answer.

Chair: I should apologise because I was the one who mixed up the order, which is why I threw one at Shaun when he was not expecting it. I should have gone to Simon. I do not think we have covered the skills part on stations.

Q65 **Simon Jupp:** There are a couple of matters I would not mind raising based on the conversation we have just had.

First, Mr Thurston, you have one heck of a job on your hands in delivering this and also in forming relationships. On both sides and ends of this line you have devolved Mayors who have very different sets of powers—one would like more and one already has the lion's share. What has it been like working with devolved mayors on both sides and both ends of the line?

Mark Thurston: That is a fair question. I do not get to choose whether these question are fair, do I?

That is probably more a question for my chair. Allan has done some great work with politicians along the route and that very much is more the chair's role than mine.

Without being glib, we have good relationships with stakeholders all along the line. To the earlier point, of course people are concerned about the disruption in the near term. In terms of shaping the future of what this railway can do for Birmingham and for Manchester—and, in fact, the relationships we have with the leader of Camden, for example, or in Euston—there is a sense of ambition and a sense of collaboration. The Mayor made a point that a lot of the structures and arrangements we have, Interchange being a case in point, are not formal. They are informal and a lot of collaboration goes on between the company, the Department and local authorities.

Of course, you have different shades of grey on these things but generally it is very positive because there is overwhelming political support for the project that we benefit from.

Q66 **Simon Jupp:** Is there a concern that, without having a formal structure,



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informal relationships can and do break down and that could affect the delivery of the project and the overall vision, for example if funding for future parts of the HS2 line are adapted, changed or cut?

Mark Thurston: To some extent that question is probably for the politicians. I would say that one of the positive things the Government did, in my view, on the back of the notice to proceed was to appoint a dedicated Minister. Andrew Stephenson has been a force for good, being an ambassador for the project and also using his role to build relationships with regional political leaders along the route. He continues to play an active role in not just holding me to account, which is totally legitimate, but at the same time he is out promoting the projects and helping build those bridges with politicians along the route.

Clearly, if the world changes—to your point around formalising things—then we need to do that in the fullness of time but it is not for me to try to predict the future.

Having Andrew, a Minister dedicated to the project, has been a great thing and a great decision.

Q67 **Simon Jupp:** I am glad you are both still treasured colleagues sat around that table after my initial question about relationships.

I will go to the Mayor. Clearly, as I alluded to in my first question, the powers you have are distinctly different to that of the Mayor of London. You have consistently, since your election a couple of years ago, called for more powers as the Metro Mayor, sensibly so in my view. Do you feel that, as the Mayor, you could have had a stronger decision-making role in the rollout of HS2?

Andy Street: No, I do not. The areas where we are asking for further powers have not been directly relevant to this.

It is interesting—this goes beyond the powers of mayors' piece—but I will never know why the Government decided to impose a mayoral development corporation in Old Oak Common, for better or worse, and used a different model here. However, that is not really what we are arguing about in the general powers' piece. No, is probably my answer. I am comfortable I can influence it.

Doing this job you learn that everyone is obsessed with the formal powers but they are not the things that ultimately determine what you get done. Ultimately, what determines what you get done is the influence you can bring; the power to convene and the power to persuade ultimate decision makers. I think that is what we have used in this case, not the formal power piece.

Q68 **Simon Jupp:** Much appreciated. Changing tack slightly, I want to focus on a key question I think a lot of people will have about the project, in particular on one station. We have seen a lot more people work from home, if they have the broadband capacity to do so and their job can



afford that. For example, we are looking at Curzon Street. Do you think the Covid-19 pandemic—that change, that focus, including the Government changing their tactic slightly on next week's relaxation of restrictions—will affect the projected passenger numbers for a station like Curzon Street?

Andy Street: No. What is going to happen next week is irrelevant to the numbers, obviously, in the short term.

The question really is whether I think what we have all been through is fundamentally going to change working patterns in 10 years' time. I may be in the minority here, but I am in the camp that says no. I think people will return. It will take time to rebuild confidence as we know there is real fear. I think the model will be the notion of a physical place where people exchange what we come to talk about at work. There is nothing in 250 years of human history since the industrial revolution that says people will travel less and I still do not believe there will be.

Q69 **Simon Jupp:** Forgive my indulgence on this question, do you think that is the same for both ends of the line? We have a very different economic picture up here. The cost of living here in Birmingham is considerably cheaper than that of central London, for example. What we have seen is that people have decided to move even to the south-west, to my part of the country, when they used to work and live in Canary Wharf, for example. Do you think that is the same result, both ends of the line?

Andy Street: We think this whole 'northshoring', as we call it—I do not know whether the south-west goes into 'northshoring'—is one of the trends that is going to help us to make sure that the economic numbers on which the case is partly predicated will be valid.

Simon Jupp: Fascinating, thank you.

Q70 **Chair:** A quick couple of questions from me, probably to you, Mr Thurston. Are you worried about the cost of supplies and also about getting hold of the supplies, your raw materials and so on?

Mark Thurston: We certainly have work going on with the contractors with what feels like, and hopefully is, short-term pressure in the system. We are seeing some inflationary pressures on cost for materials mostly rather than labour. I think that is a symptom of a number of things from last year and some other pressures in the market. We have seen this huge almost bow wave of construction activity in the last few months and that, inevitably, has created some heating. My sense is that it will pass. There are various predictions on whether it will level out by the end of this year or through the spring of next.

Yes, we are exercised about it. We are slightly privileged in HS2, in that the quantities of what we need are so vast that we have had to self-contain our own supply. Of course, in many articles in the media we get quoted as being the reason for it but the reality is our percentage of demand to the overall supply in the market is quite low. Nevertheless, I



think the sector as a whole—construction more broadly—is seeing that short-term pressure. We have been making sure we are keeping on top of that where we need to.

Q71 Chair: I have heard that as well. I went to a garden supply place and they said, “You can’t get any timber because HS2 bought it all”. Indeed, a bag of cement was also quoted.

Mark Thurston: We do not buy cement by the bag.

Chair: I did wonder why you did. In fact the bag comes from a bigger pile. It is not the case that HS2 is having any impact on the ability of customers to get supplies or on the price of them?

Mark Thurston: It does not appear to be the case. There is a number of factors here. There is a shortage in the country of HGV drivers for deliveries, which is part of the problem. There is the legacy of a lot of stockpiling at the back end of last year when the market was deflated and a lot of staff were furloughed. We are seeing that pick up. As the economy is starting to get back on the front foot, through the first half of this year we have seen almost an explosion in growth in construction more broadly. You only have to look around major city centres to see the number of cranes. There is a big push on house building. There are multiple factors and we are in the mix of that, as a big project. We are working with other players to make sure we have what we need.

Q72 Chair: Are you both working on the academy? We have heard from previous sessions that that has had a bit of a bumpy ride.

Mark Thurston: The high speed rail college?

Chair: Yes.

Mark Thurston: There has been work by the company and the combined authority, working with Birmingham University, which has now taken on effectively ownership of what has now become the College of Advanced Transport and Infrastructure. It has a broader remit and is now back on a sounder financial footing, thanks to the intervention of the university, and the Mayor, among others, has played a part in ensuring that it continues to thrive. Clearly in the long term having a skills academy for what we do is crucial.

Q73 Chair: We will leave it there. We have gone over time. Thank you very much indeed for all your evidence. Thank you, Mayor Street, for having us up here in Birmingham. We are pleased to be out on the road again.

Mr Thurston, if we were to go somewhere else on the line route, where would you recommend we visit next?

Andy Street: Buckingham.

Chair: We have covered that aspect. We have been to Euston as well. We are looking further north, perhaps.



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Mark Thurston: Rather than do that on my feet, let me give that some thought because there are other locations that the Committee would get value from. I will come back to you with some choices there.

Chair: Excellent. Thank you very much.