

Transport Committee

Oral evidence: HS2: next steps, HC 298

Friday 24 April 2020

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Members present: Huw Merriman (Chair); Ruth Cadbury; Lilian Greenwood; Simon Jupp; Robert Langan; Chris Loder; Karl McCartney; Grahame Morris; Gavin Newlands; Greg Smith; Sam Tarry.

Meg Hillier (Chair of the Public Accounts Committee) also attended.

Questions 1 - 92

Witnesses

[I](#): Sir John Armitt CBE, Chair, National Infrastructure Commission.

[II](#): Mark Thurston, Chief Executive Officer, HS2 Ltd.

[III](#): Andrew Stephenson MP, Minister of State, Department for Transport; Clive Maxwell, Director-General, High-Speed and Major Rail Projects, Department for Transport.



Examination of witness

Witness: Sir John Armitt CBE.

Q1 Chair: Welcome to the Transport Select Committee's evidence session on HS2: next steps. This morning we will be joined by three witnesses who will give evidence. First, we will have Sir John Armitt, chairman of the National Infrastructure Commission. Secondly, we will hear from Mark Thurston, who is the chief executive of HS2 Ltd, building HS2. Finally, we will hear from the Minister for HS2, Andrew Stephenson.

This morning we are delighted to be joined by Meg Hillier, who is the Chair of the Public Accounts Committee. Meg, welcome. Meg was kind enough to invite me to represent the Transport Select Committee when the Public Accounts Committee inquired into HS2, so we are delighted to work across Committees.

The aims and objectives of the session today are to look at the notice to proceed, which HS2 has been given, and assess what more needs to be done to ensure that it is a success, what lessons can be learned from the recent past, how things can be transformed and, finally, to see how Parliament will get the transparency and confidence to assess this project. We will kick off with Sir John Armitt. Welcome. Sir John. Would you state your name and rank for the transcript, please?

Sir John Armitt: I am John Armitt, the chairman of the National Infrastructure Commission.

Q2 Chair: Sir John, welcome. Thanks for joining us. You have been given responsibility this year for seeing how the projects with regard to rail can be connected from the Midlands and the north to HS2. How do you see this working?

Sir John Armitt: As you say, we have been asked to do an assessment of how best to sequence the various projects being proposed by Northern Powerhouse Rail, as well as by Midlands Rail Hub, into HS2 to ensure the optimum efficiency and effectiveness of these different schemes, which are being proposed by different organisations. HS2 stands as it itself, but the purpose is to look at the other schemes that have been proposed, the sequencing, the cost profiles, the plans and how we can best bring them together to ensure that we get the capacity and connectivity between the various schemes as quickly as possible, to bring the maximum benefit, which is what the Government are seeking, to the north and the Midlands.

Q3 Chair: The Prime Minister, when he gave the okay for HS2 to continue, talked in the House of Commons about it not being a question of HS2 or these other major rail infrastructure projects, but a question of both of them. This is not just a question of money, even if that is still available. It is also a question of capacity, bandwidth and the supply chain. Is it really possible to do all this at the same time?



Sir John Armitt: Clearly, you will not do them all necessarily completely at the same time. The opportunity to start the programmes will be driven in the first place by detailed plans and then seeking planning consents to take the schemes forward. HS2 itself is ahead of the game in that respect, in that it has gone further with its detailed work and preparations for taking forward a hybrid Bill on the western leg of HS2, whereas Northern Powerhouse Rail has yet to obtain the money from Government to do a detailed analysis of what its scope of work would be for its different schemes.

At the end of the day, quite how the sequencing will work out and how that relates to the capacity of the industry is uncertain. It will become more certain with time. HS2 itself has talked about a labour force required of 25,000 at peak. The Midlands Rail Hub is a £2 billion programme of upgrades to existing lines, whereas Northern Powerhouse Rail is a much bigger collection of different schemes, some of which are upgrades and some of which are new lines. It is difficult this far out—we are probably several years away from any significant start on the work in the north. Therefore, the capacity of the industry, to a certain extent, will be what it is at the time, depending on what else is going on in the wider infrastructure world.

Chair: It sounds from that that you are confident that we can do it all, but we cannot yet tell.

Sir John Armitt: At the end of the day, the industry has always had to be, by its nature, relatively short term. One of the complaints of the industry for the last 50 years is that it has never really known what its long-term plan of work is, and therefore it has lived to a certain extent from project to project. The industry is very good at mobilising resources and I expect it to be good at mobilising resources in the future.

Chair: Thank you. You will not be surprised to hear that we are going to touch on the impact of coronavirus on big infrastructure projects.

Q4 **Ruth Cadbury:** Sir John, to what extent do you think that COVID-19, which is going to have a massive hit on the economy, is going to affect the delivery of HS2 and the Government's other infrastructure priorities? How do you think the Government should prioritise in the circumstances?

Sir John Armitt: At the end of the day, the quickest work to get going will be the work that has already commenced. Therefore, those projects that were stood down a few weeks ago will be the ones where it will be easiest to start back up. The Construction Leadership Council, together with the Government and the Infrastructure and Projects Authority, has been looking at how to get projects moving.

Some projects have never stopped, in fact, during the last few weeks. To the extent that some of them have stopped, it has not been because of the problem of getting their labour to their site. It has been because the



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supply chain and some of the manufactured materials that they require have been in short supply, and that has caused them to slow down.

The rate at which the industry is able to build back up is yet to be seen. As I say, a lot will depend on the manufacturing processes, which keep materials flowing from within the UK and some materials coming from overseas.

Q5 Ruth Cadbury: You gave as your main criterion that schemes that are started should take priority, but that could mean that smaller infrastructure projects that may not have started but that are vital to many of the regions might not get off the ground, or might be postponed or cancelled. How realistic a risk is this?

Sir John Armitt: This is a political choice, quite frankly. Government and local authorities at the end of the day could say to companies, "We do not wish you to proceed at a certain pace on those projects." That will carry a cost. They may then wish to say to others, "We wish you to accelerate," or, "We wish you to try to bring your projects forward, in order to create more local activity."

I have to say that there is barely such a thing as a shovel-ready project. Projects require a lot of planning. They require concessions to be released by local authorities. It requires planning on the roads. Many people would say, "Let's rush out and fill up a lot of potholes." That sits within the last Budget, with an extra £500 million a year released by Government to local authorities for pothole filling, but even for that the district councils, the local authorities and their contractors will need a plan of work, which they are going to have to get to grips with.

Yes, there are things like that—people have talked about speeding up the delivery of fibre broadband, which was already being accelerated anyway under Government plans. It always is tempting to say, "Let's move on quickly with this in the circumstances," but these things do take quite a lot of planning to get going, which is why I say that, for getting movement into the economy, getting people paid and getting people working, the easiest thing to do is to take the projects that have already been started, whether it is by Highways England, by local authorities or by property developers, and make sure they just pick up where they left off and get going.

Ruth Cadbury: The question was specifically around the rail projects.

Sir John Armitt: Network Rail will have its programme of works, on which a very significant rail capacity resource already has been and will be working. HS2 has been told to get going on phase 1 and, therefore, those contractors will now be mobilising their resources to get on with HS2. Other rail schemes around the country have not been started. Yes, the Government at the end of the day could step in and say to Network Rail, "We would like you to take preference for this one rather than that



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one," but those, in a sense, are leadership political judgments that need to be made by Ministers.

Q6 Robert Largan: Going back to the issue of capacity, we talked about the challenges we are facing in capacity to deliver both northern powerhouse and things like investment in the Manchester-to-Sheffield line, as well as HS2. I would be interested to know your thoughts on what proactive steps the Government can be taking to help make certain there is capacity in the industry to deliver all those projects at the same time. If not, which projects in London and the south-east would you cancel to free up capacity to allow us to invest properly in the north?

Sir John Armitt: The best thing that the Government can always do to ensure future capacity is to give more certainty to their long-term plans and their long-term strategy. As I said earlier, the complaint of the industry for the last 50 years has been stop-start capital expenditure. It is easy to turn on and to turn off, but if you do that, the industry is going to be less inclined to invest in training, plant and materials. It needs to see a long-term programme of work.

The water industry has tried very hard to do this in recent years with its framework agreements, where it has said to a contractor in the most recent example, "For the next 15 years, you are going to be our contractor. This is the broad outline of works that we expect you to carry out." In that case, that contractor is clearly able to plan ahead, mobilise, recruit and do lots of things that otherwise it could not do.

If we want to talk about how we are going to make sure that resources become available for these projects, Northern Powerhouse Rail has not been approved yet. Northern Powerhouse Rail has not even been designed in any sort of detail yet. Northern Powerhouse Rail has asked the Government for £25 million to get on with working up the outline schemes that they want to do.

Those are the things that Government can do to get things moving, because in the first place it is not about digging holes; it is actually about doing lots of environment work, assessments, design, consultations and land acquisition. There are several years of work that will take place on NPR before you can start digging holes.

Robert Largan: I am very grateful for that answer and I will be following that up with Ministers later.

Q7 Simon Jupp: Good morning. John, as the Government's infrastructure adviser, can you tell us why the Government should plough ahead with a project that, by its own standards, represents low to medium value for money?

Sir John Armitt: There is a personal view, if I can express one on this. Since my time at Network Rail, for the last 10, 12 or more years, I have been a supporter of the need to, on occasion, invest in new infrastructure. My broad line has always been that there is a limit to how



long we can put Sellotape and sticky stuff on a railway that was originally laid down nearly 200 years ago, and occasionally you have to build new. At the moment, the most reliable railway we have in this country is the Channel Tunnel Rail Link or High Speed 1, as it is called these days.

We have a capacity constraint on the West Coast Main Line, which is the main driver for High Speed 2. It is called High Speed 2, but, frankly, more capacity to the north is the definition of this scheme. Rail public transport will continue to grow. The demand is there. The business case is always a tricky one. Economists will always come to different views. We are talking about a project that is going to be beneficial to the country for the next 75 years at least and, therefore, forecasting how those long-term socioeconomic benefits are going to play out is a challenge for anyone. To a certain extent, occasionally you have to say, "This looks a sensible thing to do, so let us go ahead."

Q8 **Simon Jupp:** I take your points really clearly. With that in mind, though, if the costs continue to spiral, which we have seen very clearly, would you advise a future review of the project, to ensure it does not impact on other transport infrastructure projects in other parts of the country, in regions that do not have that some level of investment, for example the south-west?

Sir John Armitt: The ability to hold a project to cost is a challenge that every project faces, no matter how big. We know from the work we do at home that we can face these problems. Every project has that need for cost control. A large part of that comes back to somebody saying at the beginning, "What is the most important thing that you value here? Is it cost, or do you actually want the most super-duper specification with the broadest range of benefits accruing to this project, in terms of extra bells and whistles that you want to add on to it? Is it that you want to have the most environmentally friendly project in the world?" We have to trade off across these.

We have always said that the more work you do before you start building, the more likely you are to be able to control the costs. It is also about the work you do to get to grips with what you value and, to a certain extent, how much you can afford. We do not always say that. We simply say, "This is what I would like," and then the cost grows from there, as opposed to saying, "This is what I can afford. Now will you tell me what I can have for that amount of money? What will I miss out on if we stick to that budget? Are there scope reductions or specification reductions?"

We are all aware of the debate that has taken place on High Speed 2 about speed. The faster you want to go, the more it will cost. It is fairly simple. Everybody knows that. The more you want to go into a city centre rather than build a parkway station on the outskirts of a city, the more it is going to cost, because the most expensive parts of these schemes are the urban elements where you start digging up cities. Controlling costs on a project involves a whole range of activities and



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decisions that have to take place. I am sure Mark, when he comes on, will speak to this and the challenge that he faces as the director for HS2.

There will always be the unknowns. We all know that, as you do more work in the ground, because you cannot survey every inch of the ground along a route, there will be unexpected things you discover. Again, the more you are in a city, the more you are going to be discovering services and things. All the utilities do not know every service they have in the ground, so you are always going to get unexpected shocks when you start digging up cities.

At the end of the day, once you have started a project and decided what you want to get out of it, it then requires very rigorous management and very strong leadership by the team with their contractors. I would argue that the way to do that is to have maximum collaboration between everybody.

There is an idea that you simply take contractors, pin them up against the wall and say, "If you do not do this, I am going to penalise you and you are going to pay these penalties, et cetera." I can tell you, as an ex-contractor, that I will then spend my time applying my intelligence to making sure I do not pay those penalties. If you say to me, "Let's work together on this and see how we can reduce the costs. I will share the savings with you," which is what we did on the Olympic Park, that contractor's motivation is to keep the costs down because he is going to get extra profit from it.

Simon Jupp: Value for money is indeed the key.

Q9 **Meg Hillier:** Sir John, I was interested in your analysis of the business case. Maybe I paraphrase unfairly, but it seems that you fall into the camp that says it is worth going ahead because there might be wider benefits, even though we have not quantified them. The benefit-cost ratio is quite low. As you and I know, there have been big cost overruns and a lot of efficiencies yet to pin down, so that risks going even lower. Have you done anything, working with the Department, to assess what those wider benefits could be and to monetise them?

Sir John Armitt: No, not yet. This is the first time as the NIC that we have been brought in to HS2. When the NIC was created we were actually specifically told, "Don't look at HS2. Don't look at Heathrow. These are things where the Government have already made their decision." I would emphasise that this is not a two-year exercise. This is a few months' exercise. As part of the work we are going to do over the next few months, we will be looking at how the economic assessments have been made and whether any other methodologies could be considered to look at the benefits and so forth, so that will form part of our work over the next few months.

Q10 **Meg Hillier:** You mention methodology and we know that the Department has not always had good methodologies. It gets stuck into a



groove on methodologies that do not always deliver on the reality. Does that mean you are doing a review of transport or infrastructure methodology across the board or is it just for HS2?

Sir John Armitt: No, just on this project. The difficulty here is that we are expected to complete our work, certainly, by November. We have made a call for evidence at the moment, which will be completed on 29 May, in which we have asked all the stakeholders out there for their views on these schemes. Part of that will be asking them what their views are on the economic benefits of the relative schemes and whether they consider those economic benefits have been properly calculated.

We will have evidence from people who are opposed, not just from people who are supportive. We will do some economic modelling ourselves to look at those and to consider whether, in fact, the forecasts that are there at the moment are reasonable. I would emphasise that we have a few months to do this and, therefore, I do not expect us to be turning the forecast upside down by any means.

Q11 **Meg Hillier:** We very often see optimism bias in these big projects, but also locally, around new stations for example, where people are investing or there is an encouragement to invest; there will be a great promise of jam tomorrow and a pot of gold at the end of the rainbow. How are you rigorously, in just a few months, which is not that long, going to assess whether those positive proposals locally have a positive gloss because of a will to have a positive gloss, or are actually embedded in economic outputs? Given that we are in the middle of COVID-19, which we know will put a very big dent in the economy, it will presumably put out of whack all those previous assumptions in any case.

Sir John Armitt: That is always the case. Nothing can ever be guaranteed when somebody says, "I am going to invest in a new factory," or, "If that goes ahead, I am going to definitely come along and build more homes," or whatever. You can only take people with the best of intentions. You can see that, by creating better infrastructure, you will give better connectivity. These are private sector investors. People often say to me, "How are we going to level up the north?" Fundamentally, we will level up the north by people believing it is a good place to invest in. The Government are an enabler in that and Government-invested infrastructure is an enabler in that.

It is not the only answer. It will also require Government to invest in education. It will also require us to look at whether our technical and vocational training in this country is delivering properly. If I am deciding whether to invest in a factory and I can see there is no skilled labour in the area, I probably will not invest in the factory. The infrastructure is just one element of it.

Q12 **Meg Hillier:** Finally from me, we have seen challenges with the management of HS2. We have seen costs increase, as I said, and efficiencies not properly identified. Where in your recommendations are



you going to be looking at the actual delivery by HS2?

Sir John Armitt: We will not. A separate piece of work is being carried out by the Infrastructure and Projects Authority and we will talk to one another, but in parallel with our work it will be looking at lessons learned from, particularly, the work that has gone ahead so far on phase 1.

Q13 **Chair:** Sir John, before I touch on the specifications for the north and the Midlands, may I ask whether, in your experience, it is usual to have a cost-benefit ratio of 1.2, which is deemed low, in Government projects, or would the Treasury be likely to say, "No chance"?

Sir John Armitt: I would not like to say. I have always held the view that the most important thing about getting a project going, particularly a very large one, is political will. If you do not have the Prime Minister and the Chancellor on board, it ain't gonna happen, regardless of the cost-benefit ratio.

The last time I was involved in a major project like this was actually High Speed 1. When that was finally given the go-ahead back in 1993 and 1994, and we had different routes we had to consider and so on, there were also debates about the cost-benefits. The interesting thing there was that it was the improvement to the domestic services in Kent and into London that primarily drove the economic benefit there, not the international side of it. The international travel was part of it, but without the domestic services there would never have been a decent business case.

The Government will make the decision based on a whole host of reasons, not only the business case. I have never been sat around a table with Government Ministers saying, "This is 1.2. That is 1.4. Shall we go ahead or not?" Those are not decisions I have ever been involved in.

Q14 **Chair:** So this would appear to you to be a political decision rather than a decision based on economic good.

Sir John Armitt: No, I am not saying that at all. If you look at the end business case for this project, at the moment it is projected at 1.5. There will be other schemes that will have benefits of over 2. On a scheme of this scale though, together with this wider purpose here, which is the levelling up agenda that Government have, Government have to say, "To what extent do we see this as something that will enable us to meet our wider objectives in a socio-political way in this country, creating more opportunity in the Midlands and the north?" The big support for HS2 largely comes from people in the Midlands and the north, who see it as something that will enable them to move their economies on more quickly and bring benefits to people in their regions.

Q15 **Lilian Greenwood:** Good morning, Sir John. It is probably nine years now since the decision was made to go ahead with the Y-shaped route rather than the S-shaped route, but in some ways, that feels like it might be up for grabs with your review of phase 2. Will you be considering the



case for changing the number of destinations on phase 2b of HS2?

Sir John Armitt: There are not that many destinations. We will be looking at the plan as it is constructed at the moment for phase 2b, west leg and east leg. We will be looking at that in parallel with and reflecting on how that works with the proposals that are on the drawing board for the Midlands Rail Hub and Northern Powerhouse Rail. Northern Powerhouse Rail is, in itself, £39 billion worth of projects—a mixture of new lines, upgrades and so on. The trans-Pennine upgrade is probably their number one priority, they would argue, at the moment.

Our task is to look at all these different schemes and, as I have described it in the past to people, to come forward with a menu of options to Ministers, which will say, “There is a whole host of schemes here. Here are different ways in which you could bring those schemes together in investment terms, in timeframe terms, and clearly in benefit terms, and try to optimise the connectivity and the capacity.” Government have made it quite clear that they want to know whether there are ways in which we can speed up those improvements in connectivity and capacity in the Midlands and the north. That is what we will try to pull out of all these different schemes.

Q16 **Lilian Greenwood:** I am not sure that I know the answer yet, particularly around the eastern leg of phase 2b. Are there towns, cities or other destinations, such as airports, that you can guarantee will remain on the route? Is the eastern leg itself a certainty? What is your feeling on that?

Sir John Armitt: My feeling on that is what I have heard from the Prime Minister and Government, which is that in principle they expect phase 2b to go ahead and that includes both west and east. Our question is more that the eastern leg or the western leg is made up of a series of connections to different cities, but fundamentally you get to Leeds by two different routes, via Manchester and via Nottingham, Sheffield and places to the east.

Northern Powerhouse Rail has its series of projects seeking to improve those connections, for example from Manchester to Leeds, both in a new railway via Bradford or by building the trans-Pennine upgrade as another way of getting there. Liverpool is seeking its improvements and connectivity with both High Speed 2 and with Manchester. There are programmes on the board at the moment with Network Rail about how it wants to improve and upgrade the Midland Main Line.

All those schemes can be put into a rather complicated model that says, “If you dissect all these, how do you get the best and quickest improvements to the Midlands and the north?” That is what we will try to do. We are not saying at all that we expect to come out of this recommending that we do not build the western leg or the eastern leg of HS2. We are taking those as given. It is more about the phasing and the sequencing.



Q17 Lilian Greenwood: The Government's intention is to bring forward legislation as soon as is practical on the western leg of phase 2b into Manchester, with an intention to legislate for the 2b in a number of hybrid Bills. I know you talked about bringing forward a number of options and then there being a political choice. It feels to me potentially that the north has a higher priority than the Midlands or perhaps a larger political voice. What reassurance can you give to those in the Midlands, particularly the east Midlands, where we do not have any metro mayors, that we are not going to end up with an east-west divide or a missing Midlands in this project?

Sir John Armitt: Our analysis will simply look at the facts. Clearly, in the Midlands under Sir John Peace, there is a published set of recommendations of rail improvements that they would like to see. It is on a smaller scale than the very scale of improvements that are being currently talked about by John Cridland and colleagues in the north.

How Ministers, at the end of the day, decide whether they want to treat both equally and try to get an equal relative proportion of investment going in the Midlands and the north at the same time is up to them. We will be looking at the economic improvements that can be driven by these different schemes for these different cities, fundamentally focusing on improving connectivity. The Midlands is looking to get another 35,000 seats a day across the region, which is capacity that increases the connectivity for people in the Midlands.

We will look at all these different schemes and see how best they can be integrated into the wider programme with HS2. At the end of the day, no matter what people say in theory about how those might best be integrated, you will only start to move them, particularly with the new railways, when you get those hybrid Bills moving and the planning consents. Where all you are doing is upgrading an existing piece of Network Rail infrastructure, it is much easier to spend money and get on with improving things, because Network Rail has designated powers that allow it to do that.

Q18 Ruth Cadbury: Sir John, as I understand it, HS2 is planned to have an operating speed a good deal higher than TGV in France, which I think is 300 kilometres per hour, and the Shinkansen in Japan, which is 320 kilometres per hour. I think HS2 is looking at 340 or 360. My understanding is that the costs of infrastructure and running costs come down a lot if HS2 could be run at those somewhat lower speeds. I just wondered what scope there is for reviewing this aspect of the specification.

Sir John Armitt: There is really no scope for doing that on phase 1 and to a large extent phase 2a, which takes you through to Crewe. Beyond that, yes, you could look at that. We are not seeing that specifically as being part of our work, because that is more of an engineering-driven technical approach. The savings simply come largely from changing the gradients. You can have a steeper gradient so you reduce the amount of



earthworks that you require or, indeed, you do not have to be quite as straight with the railway as you were going to be if you lower the speeds.

It is a question for Mark as to what impact it might have, when they are developing their plans for phase 2b, if they reduce the speed by 50 or 70 kilometres per hour back to more normal operating speeds. The economists or the theoreticians will always say, as they used to say to me on High Speed 1, "Dear me, John, if you do that, we are going to lose two minutes off the journey time from London to Ashford. That two minutes will represent this economic impact, because it is two minutes less into the economic calculator." Personally, I do not have too much sympathy with those arguments. If I was going to lose quarter of an hour, I might. There is clearly a boundary between saving the odd minute or saving 20 minutes, and a lot of this is psychology as well. People being told that Manchester to London is under two hours creates a different attitude in your mind for how willing you are to make that journey.

Q19 Ruth Cadbury: That may be true, particularly when now one can work productively on trains, if one is travelling for work. A lot of the cost-benefit specifications were set before train travel was seen as a place to work, as opposed to just merely downtime going from A to B.

Q20 Sir John Armitt: That is clearly right. As we have said as the NIC quite recently, there is still room for a lot of improvement on the rail network in terms of just how good the broadband connections and telephone connections are on the railway. We all know they can be infuriating at times, as we go in and out of our conversations, particularly on the West Coast Main Line going up to Manchester.

Yes, how you calculate those benefits will be affected, as you say, by that. People are already asking to what extent our familiarity with the very thing we are doing at the moment might affect our desire to travel for meetings in the future or to have more meetings in this way. It is too early to say, quite frankly. Hopefully people agree that we would not be surprised if there was some change. As for whether that change is going to be sufficiently large to change these much wider economic calculations, it is too soon to say.

Q21 Chair: Sir John, we have one minute left with you. Why is it that, in this country, we seem to struggle with deadlines and budgets on big infrastructure projects? Is it because we are a democracy? Is it our legal system? Is it because civil engineers do not really look at how you actually link all these things in at the end? Is it because Governments just set deadlines for the announcement of the opening before it is really ready?

Sir John Armitt: It is all of those and a few more. Brunel was often not overly popular with his shareholders due to the overrun of costs that took place on the railway projects that Brunel built in the 19th century. Major infrastructure has always faced many challenges when it comes to that initial budget. The trouble and peril for all of us is that we give a figure



too soon; that is the figure that everybody remembers and you are damned from then on.

If you asked me how I think we can move better, I would say that everything lies with the client. The starting point is the client. He is the one who decides what he is going to value out of this project. He is the one who knows what it is that he wants as an output. That has to be challenged by engineers over time, to say, "Look, if that is the output you want, this is what the cost is going to potentially be. Do you want to stick to your output or do you want to accept that cost is your big driver?" The client has to set the culture. The client has to understand what he wants. He is the driver.

The client will then also set the culture of the contractual arrangements and, as I said earlier on, I am a very firm believer in collaboration. There have been projects in the last few years where the client, the designer and the contractor have acted as a single team sitting around the same table for the whole duration of the project, totally open with one another about their challenges and addressing those challenges quickly when they arise. The worst thing that can ever happen is that things start to go wrong and people are afraid to talk about it, so all of a sudden you have a big surprise, whereas you need not have had a surprise if people were very collaborative and open with one another about the challenges they faced and the need to address them as quickly as possible.

As I say, the client is the person who has the most power. It is a simple case that he who pays controls. The person who pays has the biggest ability to influence everybody else, because everybody else is there to act and to deliver what the client needs, so an intelligent client is more likely to have a successful project. As you say, politically, we want to get a spade in the ground. We want to show that we have started work. The biggest opportunity to get your cost forecast right and to save money is before you start construction, so spending more time and money at the front end in addressing all these challenges and issues, and getting very clear among the whole team—client, designers, contractors and suppliers—what they can do to optimise the time and the budget, is time well spent. Once you have started, it is more difficult.

Chair: Sir John, thank you ever so much. We are going to move on from Brunel to HS2 Ltd now. Thank you very much indeed for the time you have given to us. We wish you the very best.

Sir John Armitt: My pleasure. Thank you.

Examination of witness

Witness: Mark Thurston.

Q22 **Chair:** We now move on to the second part of our session on HS2: next



steps. Could I ask our evidence witness to introduce himself please?

Mark Thurston: My name is Mark Thurston. I am the chief executive of HS2 Ltd.

Q23 **Chair:** Welcome, Mr Thurston. We now have the notice to proceed, but at the same time we are in uncertain times with coronavirus and restrictions on the ability to deliver. Are you going to have to push your deadline back again due to this pandemic?

Mark Thurston: We do not know yet, frankly. None of us knows quite where COVID-19 will play out over the rest of this year and, from what we are hearing in the media, into next. We have started work. We were doing work when the pandemic really kicked in and we have continued to work through the last few weeks. As you say, notice to proceed is a big decision for us. It is too early for us to understand what the full impact will be, but in the fullness of time that is surely something we will do.

Q24 **Chair:** In terms of phase 1, the Government-commissioned review suggested that the performance needed to change. Given that you and your team are largely the same people in place, how will the performance change?

Mark Thurston: There are two things I would say. I have been in this job now just over three years and my focus has been on two fronts. One is to get a grip of the costs, particularly of phase 1. The work we have done in the last two years that led up to notice to proceed has a much more confident budget now for phase 1, which I am sure we can talk about in this Committee.

The other thing is to set the organisation up for the next phase. The organisation I inherited was really a development organisation. It had just come through getting Royal Assent for the first phase, so a lot of the work around the legislation. Over the last two years, we have transitioned the organisation to one that is set for delivery and we have stood up a significant supply chain on HS2. There are some 10,000 people now working right across the organisation, both in HS2 Ltd and in all our contractors and consultants, and I have been doing a lot of work. It is a requirement of our contract with the DfT to meet the requirement of capability for HS2 and that is what we have done. That was part of the test, effectively, that Government set for us as a precursor to the NTP decision.

Q25 **Chair:** Before we move to costs, it has been talked about for some years that the Government have been wanted that the delivery date of 2026 was just not feasible. Do you believe the Government have sat on this decision for some time?

Mark Thurston: 2026 was the date that was published shortly after I arrived, and in these last three years, with the supply chain, we have been getting a much greater handle on how long it will take to build. Interestingly, Sir John mentioned a number of factors that impact on big



projects. The ground conditions for us are a case in point. We have done about 10,000 ground investigations. That is one of a number of factors that have allowed us to get a much greater handle on the target completion date, which is now 2030. We are quite confident around that date now and we really only got to that point in the last six to 12 months.

To your question, I don't think anyone sat on a date; it is just that until we had an alternative date, and the company was able to come forward and present to Government a much more robust schedule for delivering phase 1, that was the case. We have done a lot of work, not just with the IPA and Treasury, but we have had Saïd Business School help us understand the risk assessment around the schedule. That is what got us to the target date for 2030 for phase 1 completion.

Q26 Meg Hillier: Mr Thurston, we have looked a lot at this on the Public Accounts Committee and we have seen very optimistic predictions on costs and hugely optimistic predictions on efficiency savings. Where are you now on delivering those efficiency savings that you identified for phase 1 and how robust are your numbers?

Mark Thurston: We have now agreed a funding envelope for phase 1 of £45 billion. We have assumed some efficiency savings in there, but nowhere near the level of efficiency savings that were baked into the estimate of 2017 that I inherited. This came out in the Committee earlier this year and, as you say, the National Audit Office made the observation that there was probably over-optimism in some of those efficiencies in that estimate at that time. As you can imagine, we have been much more measured and conservative about what we can truly deliver.

There are efficiencies to be delivered. This is a 10-year programme now. We now have a good chunk of the supply chain established, and it is only right and proper that the Government put the company, our contractors and our consultants under some pressure to drive some efficiencies into the programme. Having found ourselves where we are, it would not be helpful to then put a whole swathe of optimistic overlays on the estimate and hope that they will somehow magic themselves out of the ether over the next 10 years. Yes, we have some efficiencies; we are confident we can deliver on them, but they are much more realistic.

Q27 Meg Hillier: Thank you, because we have been very concerned about the lack of realism on some of that. Now you have got to the next stage, you have to think about efficiencies, project planning and milestones not just for phase 1, but for phase 2. We know some of the problems in matching expectation, changing scope and so on all the way through. On phase 1, are you now confident that the scope is in place, there will not be further change, and you will be able to publish and report to us in Parliament and to the country on meeting the various milestones that you are setting?

Mark Thurston: Again, I have two points to respond to that, if I can. First, in what is called our development agreement with Government, we



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now have a series of milestones to take us right through to 2030 commissioning, and it is our intent to publish those milestones and show our performance against them year over year. The other thing we have committed with the Department, as a result of getting to notice to proceed, is that there would be a ministerial statement. I know you have the Minister following me this morning in this Committee. The suggestion is that there would be a ministerial statement to the House every six months, which would feel probably appropriate.

To your two questions, yes, we are confident we have milestones. The scope is solid. That is all baked into what Government approved in notice to proceed. Absolutely, we would expect to then come forward and give advice to Ministers, so we can put our progress against that in the public domain to Parliament twice a year.

Q28 Meg Hillier: We know that milestones can shift for all sorts of reasons. You can have ground conditions. You can have political decisions that move you to a slightly different path, literally in this case. How are you going to be open and honest with us about when there is a challenge? We have had instances, as you will know from our last session, when we have been concerned that evidence given to Select Committees of this House has not been as forthright as it could have been. When there were known problems behind the scenes we were not being told.

We do know that big infrastructure projects are challenging and that problems can arise. Will you commit to us today to be perfectly frank and honest about that and not being hampered by the political pressures of saying, gung-ho, "It is all going to be fine; we are going to deliver"? We know that there may be problems ahead. Will you commit to us today to being honest about those problems, and telling us very clearly when a milestone is under threat in advance and, indeed, if it is not met?

Mark Thurston: Yes, absolutely, we will commit. I cannot comprehend the idea of being dishonest, at a personal level. One thing we are agreeing, which we start on next week, is a new ministerial committee that the Secretary of State is going to chair. That, no doubt, will find its feet over the coming months, but our expectation is that we will take forward our management information to that committee every month and Ministers will be privy to how we are performing against those milestones.

To your previous question, I know Ministers are committed to giving an update to Parliament every six months. There has always been a reasonable amount of transparency between the company and the Department, and that will certainly continue, now we are the other side with NTP.

Meg Hillier: There is not always with Parliament, so that is the bit we really want to nail down.

Q29 Ruth Cadbury: Is one of the problems with HS2 that the cost was



underestimated right at the beginning and everybody has been on catch-up since the reality of the cost of a project like this was realised?

Mark Thurston: If you come back to the earlier question, the budget I inherited for HS2 in the spring of 2017, which was published then just after Royal Assent, was effectively set in 2013. It was revised in the spending review in 2015 and became the same budget that was committed to in 2017. There had been some pressures on that budget through 2016 into 2017. To the earlier question, there was some optimism put into that budget at that time and that is what played out in the work that the NAO did with us last year.

To your question, yes, a budget has been fixed for some time. I come back to where I have been focused since I have been this job, which is getting now a robust estimate that we can commit to. Frankly, I believe that there is no way this Government would have committed to notice to proceed without having got a robust estimate, and unless they had confidence in the numbers we have brought forward now.

Q30 **Ruth Cadbury:** You feel that for subsequent phases the same thing will not happen.

Mark Thurston: Sir John touched on this. This idea of locking a budget down for a project too early can come back and haunt us at a later point where we have a true understanding. It is his point around spending longer in the planning and development stages, and truly understanding what the budgets of these projects are, but also making that tension between how much you can afford versus what benefits you want to deliver, which is why for phase 2a and phase 2b we have kept ranges for the budget, for good reason. We will refine those ranges over time, as we get much greater clarity on exactly what we have to build and we understand how long it is going to take to build.

Q31 **Ruth Cadbury:** On that, I asked Sir John about the operating speed. Do you think for phase 2a, or certainly for phase 2b, that could be reviewed and that might bring the likely costs and the maintenance costs down? I think figures are up to 30%.

Mark Thurston: I am not sure about that percentage. There is a long way to go to develop the scheme for phase 2b and I would expect, as part of the work that the NIC does on the routes, a subsequent piece of work on what the right speed is for the second phase. Is a slightly slower railway with slightly lower capital and operating costs a better solution?

Again, I heard John myself. In the economic case, the value of speed is quite high, if you think that, when it is completed, based on the current journey time, we can get to Manchester in an hour and seven minutes. That is an hour off the journey time to Manchester when the full 2b Y network is complete, which goes to Sir John's point around the psychology of being able to get from Manchester to London in just over an hour. Again, that all has to play out in the fullness of time and they will be decisions that we need to make with the Department.



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Q32 **Chris Loder:** Mark, you are the highest paid person on the civil service payroll. You are paid in excess of £600,000. I wondered if you could tell us what your key objectives are to deliver for that, please.

Mark Thurston: My objectives are agreed with the chairman and our remuneration committee. Of the five principal objectives, one is around health and safety performance of the programme. We put thousands of people to work and their work affects many constituencies along the routes. The health and safety of both our workers and the people impacted by our work is No. 1. That has come front and centre in the last few weeks with the impact on construction of COVID-19. I am sure Greg Smith will have thoughts on this, as we go right through his constituency and we had some issues. We have exchanged correspondence on it.

Second will be managing to cost, and third managing to budget. Fourthly, I have an objective on community engagement. We have a massive community engagement programme, as you would expect. There are some half a million properties on a corridor along the route, if you take kilometres either side of the route. Many people are impacted by our work who did not choose to live on this route, so we have a big commitment there to ensure that we are respectful of those communities.

Finally, there is capability. My obligation and the challenge from the chairman and the board is making sure that HS2 as an organisation is fit for purpose, recognising we have different phases of different projects. Those are the five things that my performance gets measured against.

Q33 **Chris Loder:** Thank you. I have worked for the railway for 20 years and I have never experienced so much negative feedback, particularly from the community, as about how you as an organisation deal with them. Will you commit today to sort out these horrendous stories that we have heard from the community, particularly given that you are the highest-paid member of the civil service payroll? If you cannot sort that out within six months, do you commit to resign?

Mark Thurston: We have publicly made 10 very bold community engagement commitments, which I am absolutely committed to.

Chris Loder: I regret to say you are not meeting them.

Mark Thurston: It is a mixed picture. This is a constant challenge for us. Inevitably, big projects such as HS2 are disruptive and our job with our supply chain is to minimise that disruption as best we can. We have made some very bold and clear commitments to be respectful of those communities impacted by our work. We now have over 100 community engagement officers all along the route, working very closely with local communities and local constituency offices. We are listening to what communities need and we have changed.

Since we have had COVID-19, we have had to lock down. We have had to change the way we engage with communities in this current period. Both the residents' commissioner and the construction commissioner



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independently review our performance and talk to constituents up the route. We respond to their reports every month. We have a 24/7 helpdesk in our office in Birmingham.

We are doing a lot of work in this space. There is always going to be work to do. We are very clear in HS2 that our licence to operate is only as good as the experience of people along the route and we know on some days that it is not as good as it should be. My commitment and our commitment is to get that right.

Q34 Chris Loder: I am sorry to cut across you. I appreciate we have other questions. Can I ask you now for a commitment that you will meet, online if necessary, with me and the Members of Parliament on the route who are desperately affected by this and who have the most horrendous stories? Will you commit to fix these issues as urgently as possible?

Mark Thurston: Absolutely. We are absolutely committed to working with constituency MPs, their offices and local authorities to make sure we deal as best we can with the issues to which you refer.

Q35 Chair: You talked about the five targets that you have to meet. How much of your salary is then deducted if you do not meet those performance targets, or is it all fixed salary?

Mark Thurston: I have a base salary, and then 10% of my salary is performance-measured. Those measures I refer to affect 10% of my remuneration.

Q36 Chair: So over £500,000 is fixed, whether you perform or not.

Mark Thurston: That is my base salary—£540,000—and then there is a 10% element on top of that that is incentivised around those objectives. If I do not deliver them, I do not get it.

Q37 Chair: That is quite a small proportion of your salary, if you think about the risks involved.

Mark Thurston: That was really set by the board and Government at the time I took this role. That was the nature of the package offered to me at the time.

Q38 Meg Hillier: Mr Thurston, can you tell us what skills are lacking in the market at the moment that you are going to need, and what the timescale is for filling those?

Mark Thurston: We have been talking about skills in our sector for some time. There has been a lot of work done in not just transport but infrastructure, construction and engineering more broadly. The facts are that, as a sector, we do not attract as many young people out of college or university as we should. A lot of work has been done by the Engineering Council, the Royal Academy of Engineering and the institutions that has made real progress in attracting more young people



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from school and education into the sector. That is a much broader macro thing.

Q39 **Meg Hillier:** What are the particular gaps for HS2?

Mark Thurston: It is engineering particularly. If you look at the back of the second half of our programme, it is mostly in systems. Talk to Andrew Haines at Network Rail. It is about getting qualified signalling engineers, systems engineers, telecommunications engineers. Some areas are more niche than others, but we have a bit more time, clearly, to build up capability from the market for those.

We have the national college, which is part of the HS2 agenda to bring skills into the High Speed 2 arena. We have a whole apprenticeship programme. We have a commitment for 2,000 apprentices right across HS2; we are somewhere north of 500 now, right across HS2 and its contractors. I am confident that the resources will be there. Sir John made a point that you get feast-and-famine cycles of projects, and it has been quite difficult for the industry to adjust.

As a slight aside, as engineering and construction become much more digitally enabled and technology-driven—there is a lot of work going on in construction to move to more modular, technology-driven techniques—you will start to see a greater appeal of the sector, particularly for young people and women. We need to bring a lot more women into our sector; we are also not very well represented in the BAME area. HS2 is an opportunity for the country to really grow a pipeline of talent, not just to serve HS2 but beyond.

Q40 **Meg Hillier:** What is happening with the HS2 college in Doncaster? How many students are there at the moment?

Mark Thurston: I do not know offhand. Both the Doncaster and Birmingham campuses have been under-utilised, and they have suffered, frankly, over the last year with some uncertainty around whether HS2 was going ahead. With the notice to proceed decision that the Chair referred to at the outset, hopefully that will start to generate interest.

Interestingly, we are bringing our third cohort of apprentices into HS2 for this September. We have about 25 places and we had over 1,200 applications, so that gives you a sense. Most of those are what I call in the regions, as in the Midlands and around the West Midlands area, which is very encouraging, because London and the south-east has tended to be a bit of a magnet for resources. The value of HS2 is that we can start to build up a pipeline of capability in other parts of the country.

Q41 **Meg Hillier:** Perhaps you could write to us about the numbers at the HS2 college. With COVID-19, how are you going to ensure that the pipeline of young talent coming through, but also other development at different levels of experience, is maintained, so that we do not have a dip in skills at a point in the future when restrictions are lifted?



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Mark Thurston: That is going to be a challenge for us. As I said earlier, none of us really knows how COVID-19 is going to play out. Interestingly, and maybe quite perversely, we have all become much more digitally aware through working from home and using technology to communicate—this Committee is a case in point. Clearly, there are some good things happening.

Q42 **Meg Hillier:** That is not necessarily laying tracks, though, is it?

Mark Thurston: No, but there are things coming out of this period that we will want to hang on to, in terms of the way we work in business and the way we work in both the public and the private sectors.

Q43 **Meg Hillier:** Perhaps you can just answer my point about how you are going to make sure that you keep that pipeline going and that COVID-19 does not mean there is a dip. Do you have plans in place?

Mark Thurston: We will have to double down on our efforts. We do not fully understand what the impact will be as yet, but we have, both within HS2 and with our contractors, a whole skills and employment strategy, and it has borne significant fruit thus far. Of course, the notice to proceed decision was always seen by us as an opportunity to change the game in many respects, allowing us to attract people into the sector. As you say, it is somewhat impacted now by the headwind of COVID-19 but, as we come out the other side of that, I like to think that we will still be an attractive proposition for people wanting to join our industry.

Q44 **Meg Hillier:** We have spoken on the Public Accounts Committee about a number of issues around skills. One of them is that you moved from London to Birmingham and lost a lot of staff doing that. Have you employed any of those staff as consultants, and, if so, what typical rates are they on?

Mark Thurston: There are lots of questions in there. We lost a few staff in the transition to Birmingham back in 2016, but we now have an established workforce of over 1,000 people in Snow Hill in Birmingham.

Q45 **Meg Hillier:** I am interested to know if you have re-recruited the people you lost on a different basis, as consultants.

Mark Thurston: Not that I am aware of. Most of the people who left would have been before my time, but I am not aware that we have particularly rehired anyone who had left the company previously or, in fact, hired them as a consultant.

Q46 **Meg Hillier:** You say you are not aware, so if there is anything that you become aware of, if you could write to the Chair, that would be very helpful.

Mark Thurston: If that changes, I will do. That is no problem.

Q47 **Karl McCartney:** Thank you, Mr Thurston, for answering the questions and being with us today. You are obviously very experienced in the sector



and in infrastructure projects. As you will know, staffing is usually the biggest cost in any organisation. As a proportion of your staffing, how many are directly employed? What proportion of the staffing cost is that compared with contractors and, perhaps more important, following on from the previous question, consultants? Has that changed, or is it likely to change, to bring the overall cost of the project down?

Mark Thurston: Again, there are quite a lot of questions in there, so let me try to unpick all of those in turn. We have a 75/25 or 70/30 split—it moves around that sort of area—between permanent employees and non-employees in what we call the core HS2 team. Of course, there are 10,000 people working across HS2 as consultants and contractors. I think that your question is more about the substantive workforce that work for me and us at HS2. I always see that number being around that. The value of having consultants, or non-staff, work for the organisation is the fungibility it gives us. We need different resources at different times. As the project moves through different phases, we need to bring different skills in and let other skills go. I never see us having probably much more than an 80% permanent staff workforce. There will always be an element of that.

At the same time, we have done quite a lot of work to convert people from the non-staff element to the staff element, because of course that is better value for money. It is a judgment call in different areas. In our classic back office areas—IT, finance, HR—and our community team, those are mostly permanent staff. The engineering technical skills in the project tend to be a bit more fluid, and that will be more of a blend and a mix.

Q48 Karl McCartney: That is fine. You have talked about the number of people and the proportions, but can you also provide for us the proportion of costs? I know you probably will not be able to do it now, but if you could write to the Chair it would be very helpful. You and I both know that within the industry, and certainly within the rail industry, consultants get paid very well indeed. That would mean that the 20%, as a minimum, or 25% of people who are consultants might well be costing more than 25% of your payroll or salary costs.

Mark Thurston: They will be. That is a fact of life. When you hire people from the private sector, there is a premium to pay for that. That is traded off against the availability. Interestingly, we have just been through a major change programme at HS2 to get ourselves ready for the next phase. Some people have left or will leave the organisation as a result of that, so the organisation has got slightly smaller and leaner, which might sound slightly counterintuitive, recognising that we are moving to the next phase. I can set out for you a bit more detail about what that split is and what the cost is.

Q49 Karl McCartney: If you can provide it, that would be fine. In your experience, is the current breakdown at HS2 normal? That is quite an easy question to answer.



Mark Thurston: Yes. If anything, we now have a good mix. Our gender balance is also pretty good, as is our BME representation, for the sector. These are other factors that we consider when we look at the diversity of the workforce and the make-up of the workforce.

Chair: We are going to move to the land and property acquisition and the community aspects of this. Before I bring in Greg Smith, I should just tell him I have had a note that three of his important constituents in Buckingham, in the shape of my mum and two sisters, are watching him with great anticipation.

Q50 **Greg Smith:** Just for transparency for all members of the Committee and the witnesses, I feel I should declare that, like a huge proportion of Buckinghamshire residents, I live in a village that is not far from the route of HS2, although my own property is not affected; I do want to stress that.

Mr Thurston, you were right earlier on: I do have very strong views on this, and you and I have corresponded regularly on it. I would like to start with the immediate concerns that people have, not just in my own constituency but in Warwickshire particularly as well, surrounding the response of HS2 Ltd and your contractors to COVID-19. It is welcome that you have said that you will operate within Public Health England guidelines, but the reality on the ground is still very different. My office gets multiple reports daily of contractors of HS2 Ltd not social distancing and not following the Government's guidelines while continuing the enabling works in places such as Steeple Claydon in my constituency, as well as in Warwickshire and other sites. Why is there a difference between what is coming out of your press office and in correspondence, and what my constituents and others are seeing on the ground?

Mark Thurston: Again, there are quite a few questions there. I will make a number of points. First and foremost, our primary responsibility is for the safety and wellbeing of not just the people who work for us but the people in the communities that are impacted by our work. That is paramount.

Secondly, it is important to note that the guidance from the Government that we are following is quite different for construction. As you say, there is very specific Public Health England guidance for maintaining distancing and managing the risk of COVID-19 for construction; that is on its third iteration and we are working with colleagues in BEIS, the Construction Leadership Council and the sector more broadly to ensure that we understand as that guidance changes.

When the lockdown was triggered, we took two weeks to review, across all our sites. We have somewhere in excess of 200 sites, right along the phase 1 route; as you say, there are many through your own constituency and certainly through those rural areas where these issues are being brought to our attention. We did a review to make sure that we would work only where we could comply with the guidance. As of today,



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about 75% of our sites are open. That has increased from about 65% a couple of weeks ago; we have been opening up a few more sites where we can be confident that we can comply with the guidelines.

Frankly, if we cannot comply with the guidelines, we will shut our sites. We will take a zero-tolerance approach with our contractors. Our contractors are ultimately responsible for complying with the guidelines. I have engaged with all the CEOs of our key contractors; they take this very seriously, so they are equally prepared to go and work where only they can convince themselves that they can put their own operatives, and then there is the impact of that work to communities where it is compliant with the guidelines. You have my commitment to make sure we continue to do that.

There have been a number of instances that we have seen and your office, among others, has brought to our attention some instances, and we have some ongoing investigations. We would investigate all safety-related issues anyway in construction. We treat COVID-19 issues in exactly the same way. There are a couple of investigations going on. I would continue to encourage you and other MPs on the route to bring to our attention where you feel that we are not maintaining compliance with those guidelines.

I would remind you, as I said at the outset, that the guidelines for construction are different from what Government advice has been given to those people who are not in construction. We have a bit of work to do, probably through our engagement team, to help educate local people and make sure that, where people are working and trying to continue to do construction activity, they are doing that in a way to mitigate or minimise as best they can the risk of COVID-19.

Q51 **Greg Smith:** Thank you for that. To briefly follow that up, I will continue to send you every instance that is reported to me of those guidelines being breached. One of the most serious offences was one of the contractors was caught on video seemingly deliberately coughing at someone observing operations on that particular enabling worksite. You have corresponded with me to say you are taking that seriously. Has that contractor actually been in some way penalised and the particular individual involved removed from his job?

Mark Thurston: I cannot answer that specific question. I know we have investigated that issue and I can write back to you or the Committee to let you know. I will say that we have seen some videos of so-called breaches of guidelines. We have had quite a lot of issues, not in your constituency but in ones further north, with protestors. Those protestors have been responsible in some of those videos. We have had to involve our security. We have seen action by protestors that is anything but complying with the social distancing guidelines that the Government have advised and that has put our operatives at risk. We have had to engage security organisations to protect our sites and protect our operatives. In a



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number of instances, the police have even been called, which frankly is not a great use of the police at this time.

There is a mixed picture here of what is going on. We need to work together to be vigilant and to make sure that we are keeping local people and our operatives safe, and, frankly, we have a duty of care to these protestors, but we have seen some behaviour and conduct that has caused significant issues around making sure we can protect our sites and protect our workers.

- Q52** **Greg Smith:** Finally on this, because I am wary of time, one of the things that a lot of people have written to me about, very scared, is the way that HS2 contractors are coming from all over the country, because they are doing quite specialist jobs, to work on sites along the route, and are therefore, in people's minds, potentially spreading COVID-19. They are then going into stores and shops in the villages along the route, and that is scaring local people and stopping them going into those stores to get their groceries under lockdowns. They then have to make longer journeys into near towns to go to supermarkets. Can you make a commitment that all HS2 contractors should stay on the sites where enabling works are going on and not go into local facilities, such as village shops?

Mark Thurston: I cannot comment on the specifics. One of the challenges we have in keeping sites open where it is safe to do so is how we then support those sites. Some of those sites are in quite rural areas. I expect all our contractors to comply with the guidelines. Certainly I would expect the contractors, where they can be self-sufficient in terms of welfare and refreshments in serving their sites, to do that. If there are specific areas on the route where we are needing them to use local facilities, we will need to work with our contractors to understand how we can make sure that we do not create any undue risk or, frankly, to your point, anxiety in local areas through having people working there.

I will say that we are being very diligent around making sure we comply with the PHE guidance. This is Government guidance that we are following here, and we are doing our utmost to make sure that we follow that.

- Q53** **Greg Smith:** I just want to make the point that people are scared in these communities, and they need you to act maybe over and above the guidance to reassure them that your contractors are not putting the public at risk.

If we can move on to property acquisition, where HS2 Ltd in whatever guise has taken over land for enabling works or indeed, now notice to proceed has been given, for the main build, how many landowners are still awaiting payment, either for the land property or crop-loss compensation?

Mark Thurston: As of today, I do not have that data to hand. I know that we make 80% or more of our advance payments within the agreed



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three months. Where we have not paid any money, it will probably be because there is some point of contention or dispute over that. There is a process that we have to go through with landowners to agree the valuation of properties.

Certainly at the moment, because of COVID-19, we have suspended a lot of work in the land and property area anyway. Obviously it can be an anxious issue for people and we certainly do not want to increase that anxiety. In both our compulsory purchase programme and our discretionary schemes, we have taken a pause at this time, for reasons you will understand, and are engaging on a case-by-case basis in terms of how we can deal with those cases so that we do not unduly create more concern for people, recognising it is stressful enough dealing with COVID-19. I can write to you and the Chair of the Committee on your specific question about what is outstanding of the cases we have live today.

Q54 **Greg Smith:** I would say on that, very briefly, that this is not just about the current COVID-19 crisis. There are farmers in my constituency who have had land taken away from them for enabling works over the last six, eight or 12 months, where agricultural fields have been taken out of use and that means a hit on their business. Some of them are awaiting six-figure sums, in terms of crop-loss compensation, from last harvest. We are not that many months away from this year's harvest, which is another season of crop loss. How can it be that people's businesses, their livelihoods, which are being disrupted by this project, are not getting their money?

Mark Thurston: I would like to take that away to find out and understand the specifics, because there is a clear compensation code that we have to adopt. Often a lot of the land we take is temporary. I would need to confirm the specifics you referred to back to you. We take this responsibility seriously. These people did not choose to live on this route. Our job is to make sure that we deliver the compensation scheme that the Government set out so that we give people fair compensation for their land, whether that is to use it permanently as part of the compulsory purchase programme or, as in many cases, to use temporarily, as you say, for enabling works to facilitate construction.

It is very clear under the scheme when we should pay. There are clear routes for escalation if we cannot agree value. Let me come back to you on the specifics of where and why that would be outstanding.

Greg Smith: I welcome that. Thank you.

Q55 **Sam Tarry:** Picking up on a point you made earlier, Mr Thurston, I am already hearing reports from HS2 construction sites at the Crackley compound in Warwickshire that there are contractors who are not able to maintain social distancing rules. I am interested in not just the villagers in Buckinghamshire being safe, but also the people delivering this scheme. With that construction work now restarting, I wonder if you



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could be more specific on the measures that are in place on social distancing and ensuring that they are being implemented on site at all times.

Mark Thurston: I mentioned earlier that we took a two-week pause across all our sites to make sure that we could comply with the guidance. We have only reopened those sites where we can. I am aware of the site in question. We have had some challenges with protestors on that site recently and had to put special measures in place to remove the protestors in a safe way, because they were in danger of harming themselves as well as presenting risk to our people.

You can be assured that we did a risk assessment and impact assessment on every site to ensure we could comply with the guidelines, and only those sites where we can comply have opened. That is why, particularly in the south part of the route, we still have quite a lot of sites shut; London has been a particular problem. Further north it is less challenging, but I would not expect those sites to be open if we cannot comply with PHE guidance that the Government have issued.

Q56 **Sam Tarry:** In recent infrastructure projects such as Crossrail, there were a number of unfortunate deaths that could have been avoided. I wanted to get clarity from you that, particularly for HS2, the trade unions in the rail industry, which have been instrumental in preventing unnecessary deaths, are being consulted properly and that you are establishing proper and effective procedures to enshrine rights at work relating to health and safety. There have been a number of instances reported to me where people who have been trade union reps have been made to feel unwelcome on certain sites and shunted in to corners, so that they are not able to carry on with doing the important work of checking and double-checking HS2's health and safety procedures. With the COVID-19 crisis, could you put on record the invaluable role these trade unions have in helping you deliver HS2 in the safest possible way?

Mark Thurston: There are a couple of things there. We have a good relationship with the unions—certainly Unite and GMB. I meet Frances O'Grady and some of her team a couple of times a year at least. Our contractors have primacy on the relationship with unions, and I am aware of some issues with Unite the Union in the south, but generally speaking we have engaged actively and made the unions aware of the work we are doing around skills, health and safety, employment and welfare.

Clearly, as we move into this next phase—the volume of people working on the project is going to effectively double in the next 12 to 18 months—I would expect the unions to continue to be part of the conversation about how we make sure of workers' welfare and that the sites are safe. That will continue to be a productive conversation through the life of HS2.

Q57 **Grahame Morris:** I want to reinforce the points made by my colleague, Sam Tarry. We heard a little earlier from John Armitt that there are 10,000 construction workers involved in HS2. In your responses earlier,



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you said that 75% of the sites were reopening. It is really important that those workers are safe. You mentioned a number of contractors and good relations with the trade unions, which I welcome. Have you given any thought to any independent inspection of these various sites that are currently reopening, to ensure that the guidance issued in relation to social distancing to ensure safe working is properly implemented, by the sub-contractors in particular?

Mark Thurston: I will make two points. First, we have employed responsible contractors; they have legal obligations to comply with HSE regulations anyway, and they are all certainly committed to complying with the Government guidance and the PHE guidance on distancing. It is their primary responsibility.

We as HS2 are doing our own assessment, with a risk-based approach. We are agreeing with the contractors where we feel those risks warrant our intervention or our oversight to ensure that they are complying. Thus far, although we have only been working on this now for two or three weeks, we have seen nothing untoward.

On your point around independence, we will certainly bring a level of oversight as HS2. We are also working quite closely with the HSE, so if we thought it was appropriate to bring the HSE in to work with us and our contractors, to give it that level of independence you referred to, we would do that.

Q58 Lilian Greenwood: Thank you for those answers. The HS2 construction unions have expressed some concern that tier 1 contractors are not abiding by the spirit of the 2016 agreement with the TUC. Can you set out what contractual obligations construction firms are under to pursue good industrial relations, and will you publish details of those obligations?

Mark Thurston: We have the framework agreement that we have committed to with the TUC. We are developing guidance and working practice for engagement with the unions. As part of our main works civil contracts, we have set some requirements out in the works information for those contracts. To your question, we are doing a number of things to ensure that, first, we have good relationships with unions but also that there is transparency about what we have expected our contractors to do, whether it is around health and safety, skills, welfare or whatever. I do not know if that answers your question but there are commitments we have already made there. That will continue to develop, particularly now with the civils contractors, where we are going to see a significant volume of employment activity over the next two to three years.

Q59 Lilian Greenwood: Will you publish those obligations or set them out in writing to the Committee?

Mark Thurston: Yes. We have some guidance. We can absolutely share with the Committee the guidance that we have issued to our contractors.

Chair: Mr Thurston, thank you ever so much for giving us your time and



such full answers. On behalf of the Committee, and indeed the Chair of the Public Accounts Committee, we wish you and your team well at this challenging time. Thank you.

Mark Thurston: Thank you, Chair.

Examination of witnesses

Witnesses: Andrew Stephenson and Clive Maxwell.

Q60 **Chair:** We now move on to our final session, which is the ministerial part of the session on next steps. Could I ask the witnesses to introduce themselves for our records, please?

Andrew Stephenson: I am Andrew Stephenson. I am Minister of State at the Department for Transport, with a specific remit of looking after high-speed rail and the trans-Pennine route upgrade.

Clive Maxwell: I am Clive Maxwell.

Chair: Mr Maxwell, I will stop you there because your sound is poor. Andrew, could you introduce him?

Andrew Stephenson: I have Clive Maxwell with me. He is the director-general of high-speed and major rail projects at the DfT. He has been in post slightly longer than I, so if there are any technical questions, where you are happy for me to do so, I might call on his expertise.

Q61 **Chair:** That may be subject to technology, but we are working on Mr Maxwell's line right now. The first question, in any event, is for you, Minister. This is a session on next steps, but it is hard to look at next steps in terms of success without looking at what has gone on beforehand. This project has gone over cost and over time. What are your thoughts on what has occurred before you?

Andrew Stephenson: First, this has been a very long-running project. HS2 Ltd was founded in 2009. It is a very complex project. I never really understood the level of complexity until I was appointed as a Minister. The National Audit Office's report into phase 1 is a good record of what has gone wrong so far and why there was complete underestimation of the risks involved, while there was over-optimism on many of the costs. That is a good summary. The Oakervee review also points to some significant failings there have been in the past.

I have used those pieces of work and what the Prime Minister said when he gave the scheme the go-ahead on 11 February as the foundations for where I have started working from. The Government have given the scheme the go-ahead but have recognised that there have been significant failings in the past and have been very clear that they must not be repeated. We need to get a firm grip of the cost, the schedule, the



governance and, most important, the treatment of communities on the line of route.

Q62 Chair: When I joined the Public Accounts Committee, we heard from your Permanent Secretary with regard to the budget, why the costs had exceeded the budget and how that had not been reported through to Parliament. The answer was along the lines that the budget had not been exceeded because the budget had not been increased even though the costs exceeded the budget. While on the one hand that felt like a roleplay from *Yes Minister*, it is also fair to say that the budget has to be set by Ministers and the Ministers had not increased the budget and been transparent with Parliament. Is that all going to change?

Andrew Stephenson: One of the first things I did after being appointed was to meet Tony Meggs from Crossrail to talk about some of the lessons learned on that project, because it is not just HS2 that has gone wrong in the past; there are many other major infrastructure projects that we need to learn the lessons from. The Department has done a major piece of work with the Infrastructure and Projects Authority jointly looking at some of the lessons learned. There are 24 recommendations from that report that have now been embedded in the Department. We are ensuring they are embedded also in HS2 Ltd.

In the past in some of these big projects, there have been lots of challenges, and those will always remain, but we are learning the lessons. Oversight is getting better. Being transparent to Parliament is going to be a cornerstone of what I want to do. That has been a significant concern in the past. When the Prime Minister gave the scheme the go-ahead, he talked about a dedicated Minister being appointed, as we had for the Olympics; obviously that is me. He talked about a monthly ministerial committee meeting; that will be starting next Thursday. There will also be six-monthly reports to Parliament, because I think being open and transparent with Parliament is a fundamentally important part of getting this scheme right.

Q63 Gavin Newlands: The benefit-cost ratio for the full HS2, if indeed we ever get there, is 1.5, although many say that itself is overstated. That in itself only represents low to medium value for money. In your worst-case scenario, it could drop to between 0.7 and 0.9, which is fairly catastrophic. In the light of the coronavirus lockdown and the huge economic ramifications thereof, do you feel HS2 remains a good use of public money?

Andrew Stephenson: I do. The benefit-cost ratio for phase 1 is 1.2; for the full Y it is 1.5. The BCR does not include wider regeneration, business relocation and strategic changes in land use, all of which are fundamental to the Government's levelling-up agenda and to the strategic case for HS2, which remains fundamentally strong. On those kinds of things I have just mentioned, we do not have to make wild assumptions. If we factor those in, we are already seeing the evidence of those transformational benefits. For example, HSBC has already moved to



Birmingham, Channel 4 has moved to Leeds and BT announced in January that it would be moving its headquarters to Birmingham. Some of these transformational wider economic benefits are already being seen. The challenge is that, under the current way we do BCRs and the Green Book formatting, we cannot incorporate those in the scheme in the way that we would want. Big infrastructure projects such as HS2 and others similar to it will always struggle, on the current methodology, to stack up. I know Sir John Armitt was talking about that before; he shares my view on that.

Q64 **Gavin Newlands:** You mentioned the Government's levelling-up agenda. You wrote to the Committee mentioning that last week as well. I do not have an issue with that premise; I am just delighted that the Government have finally noticed the regional disparity in infrastructure spending. As it stands at the moment, the Manchester-Leeds line probably will not be open for business until around 2040, but Leeds still is 120 miles from Gretna. When might the HS2 network connect to Scotland? In answering that, do you think that progress might be significantly accelerated if we were to work down from the border simultaneously?

Andrew Stephenson: When the Prime Minister gave HS2 the go-ahead on 11 February, he was quite clear that doing phase 1, or even phase 1 and 2a, taking the line up to Crewe, does not make proper economic sense. You have to do the full HS2 network. We have to keep that focus on HS2 trains going all the way to Scotland. I have been working very hard to ensure that is still going to be the case.

The reason we are having the integrated rail plan, which Sir John Armitt talked about sensibly before, is to ensure that the north of England and Scotland are not having to wait excessive periods of time before they start to see real benefits in journey times, and to ensure that high-speed services get to as much of the country as fast as possible.

In the first speech I gave, on a visit to Manchester, I talked about accelerating preparations for depositing the western leg Bill of phase 2b—that is the section taking the line up to Manchester. The reason for that is that the passage of various pieces of legislation to date on this railway—the hybrid Bills—has taken years. Therefore, by breaking phase 2b into two or three smaller Bills and running them at the same time in Parliament, we should be able to get to a situation earlier where we can actually start getting on with the work. Again, when the Prime Minister gave this the go-ahead on 11 February, he was very clear that the rest of the country cannot wait for these benefits; we have to get on with delivering these benefits as soon as possible.

Q65 **Gavin Newlands:** To conclude, Minister, does it remain a possibility that the route may be constructed from the border down after this review?

Andrew Stephenson: The western leg Bill obviously does not just take the route to Manchester; it then looks at how the trains rejoin the West Coast Main Line. You may have heard various people talking about things



like the Golborne spur in the past, with trains going up through Preston, Carlisle and over the border. Therefore, discussions about what impact that will have and how we can reduce journey time to Scotland are all going to be very much part of the western leg Bill that I have asked to be prioritised.

Certainly, the shared ambition of the Scottish Government and the UK Government to improve journey times between Scotland and London is still there. I am looking forward to engaging with the Scottish Government on this, because I know they have been working very constructively at official level to support the HS2 project, but I am very keen to see what more we can do to ensure that the benefits to Scotland are delivered as soon as possible.

Gavin Newlands: That still did not quite answer the question, but thanks very much, Minister.

Q66 **Chair:** Minister, on that basis, does it remain a possibility? It sounds like it does, because you did not rule that out.

Andrew Stephenson: Sorry, Chair. I missed the question.

Chair: It was a repeat of Mr Newlands's question. It sounds from your answer that it does remain a possibility with regard to Scotland.

Andrew Stephenson: Sorry, Chair. Again, I missed the detail of Mr Newlands's question. I think it was a connection fault. I just heard about connectivity to Scotland. I am not sure what you are asking is a possibility.

Q67 **Gavin Newlands:** I was asking whether it remained a possibility, after the review, for the line to be constructed from the border down simultaneously, as the work is being done from the south to the north.

Andrew Stephenson: When we look at HS2 and the high-speed lines that are currently proposed on the full Y network, the high-speed lines would not go all the way to Scotland; the high-speed trains would. They would go off the newly built high-speed lines on to either the West Coast Main Line or the East Coast Main Line, and then continue to Scotland. It is entirely possible that we will need infrastructure to be built north of the border—for example, depots and sidings for the trains to be stationed overnight, rather than bringing them down on to the high-speed network at, say, Manchester or Crewe. It is entirely possible that some of the work that is needed as part of us building the Y in Scotland could be prioritised and could be built early.

At the moment, the proposition is that the high-speed lines on the Y do not go as far as Scotland. The high-speed trains move off high-speed lines on to, as I say, the east coast or west coast line, and then head up into Scotland. Mr Maxwell might want to correct me if I am wrong in anything I have just said.



Clive Maxwell: No, that is correct.

Q68 **Meg Hillier:** Congratulations on your appointment, Minister. It is a big challenge to keep this on track. One thing that has derailed the first programme is political decisions, effectively—you could say local community decisions—that have changed things such as locations of stations and the route. How robust are you going to be, if this continues to go ahead, in making sure that when decisions are made, they are stuck to? Not doing that is one of the big drivers of cost.

Andrew Stephenson: It is really important that we stick to decisions, apart from where we can see obvious ways that cost or complexity can be removed from the process. Tony Meggs was quite clear that one of his biggest reflections about what went wrong with Crossrail was that it was all too complex and therefore the systems integrations are taking far longer than expected. Therefore, one of his reflections to me was to always think about simplification—it does not have to be the best of this, that and the other; you have to think about systems integration and how the high-speed network will integrate with Network Rail operations. We are going to take that on board.

Of course, this project has been running for 11 years. A lot of the specifications for what we have now given notice to proceed to are set out in quite a detailed way in the phase 1 Act. That is very difficult to change and the Government have stated publicly that we do not intend to change the Act, so our hands are tied in certain regards, but certainly, on phase 2a, I am seeing what lessons can be learned and how we can do things better. Particularly on phase 2b, where the legislation has yet to be introduced in Parliament, there is a whole range of things we can look at improving, which could be incorporated into that legislation before it is introduced into the House.

Q69 **Meg Hillier:** With COVID-19, there is an unprecedented amount of taxpayers' money being spent to support the economy, individuals and businesses. There is a risk, therefore, to any budget of a major project like this that the Treasury could demand a haircut in the guise of efficiency savings. Have you had any assurance, from the Treasury or the Prime Minister, that HS2's budget is protected, or are there discussions going on about saving money on the current budget?

Andrew Stephenson: When I was appointed, the thrust I was given was very similar to the Prime Minister's statement in the Chamber. He wanted the entire network to be built.

Q70 **Meg Hillier:** With respect, you were appointed on 20 February and none of us could predict quite where we would be now. I recognise that was then, but now, a couple of months on, are you confident that you will not be asked for a haircut on the funding for this project?

Andrew Stephenson: If that had been the thinking in No. 10, I doubt that they would have signed off notice to proceed on 15 April. They have always been clear that phase 1 does not make sense as a standalone



project; this has to be part of an integrated network. Therefore, if those concerns had started to be raised in the Treasury, because the Treasury have to sign off on that as well, or in No. 10, they would have asked us to pause on notice to proceed. They did not, so that gives me a high degree of confidence that they are happy with our current cost and schedule.

- Q71 Meg Hillier:** The delivery of the project is significant in getting everything else off the ground. You have talked about the wider economic benefits, as have other witnesses. Is part of your remit to make sure that you are keeping a handle on what is sometimes over-optimism in local areas about what can be delivered? Your challenge is enhanced enormously by the impact of COVID-19 on the economy, where plans that might have been part of a very major redevelopment and a boost to local economies may now be completely turned on their head. How much of that is part of your remit: to make sure that there is the additional benefit?

As Mr Newlands said, the cost-benefit ratio analysis was thin, and, in order to justify this, as a political justification as well as a financial justification, you need to convince yourself that these other benefits will be delivered. How much are you going to be watching those and calling out local councils, local areas and local partnerships if you think there is a problem in that respect?

Andrew Stephenson: I see it as an integral part of what we are doing. When we were drawing up who should sit on the ministerial oversight committee, I was adamant that I wanted a Minister from MHCLG on there, and Simon Clarke, the Minister for Regional Growth, has agreed to get involved. Looking at the wider regeneration in places such as Birmingham, Crewe and Leeds, as well as other parts of the network, is really important to make this stack up; this has to have transformational benefits.

Even if we cannot include those benefits in the BCR, whether this project is a success or failure will ultimately be judged on the transformational benefits that are delivered. The Jubilee line had a very low BCR—I think it was less than 1—yet the Jubilee line has had transformational benefits everywhere on the route, which we can all now see today. I am quite keen to ensure that we do not miss those opportunities.

- Q72 Meg Hillier:** Minister, one of the other issues we have looked at a lot on the Public Accounts Committee is the methodology of the Department for assessing passenger numbers. Are the predictions on passenger numbers part of your remit? Again, there is a real risk of over-optimism there. We have seen passenger numbers on trains in normal times, before COVID-19, drop dramatically and cause some real problems for the sustainability of the actual services when they eventually run.

Andrew Stephenson: It is something that we are going to be looking at. I am very keen to ensure that we particularly reflect on what demand is



likely to be in the light of COVID-19. There have been some fluctuations in different parts of the country, but if you look at the West Coast Main Line, for 25 years now we have seen almost 5% growth year on year. Even though there is going to be significant short-term impact of COVID-19, the jury is still out on what the long-term impact will be on demand in the UK.

Q73 **Grahame Morris:** Good morning, Minister. Following along on costs and so on, we now know the estimated cost of HS2 is around £108 billion. It is almost double the funding allocated in 2015, and it is £20 billion more than the Department's own estimate as recently as 2019. Minister, can you explain the significant, substantial increase in costs, particularly when the most recent estimate was in December, only a few months ago?

Andrew Stephenson: The cost we have set on the project now is £72 billion to £98 billion. The £108 billion that is included in the full business case is the whole-life cost of the project; Clive may want to say more about that. We are expecting to deliver this project for between £72 billion and £98 billion. There is a range of reasons why those cost estimates have gone up. That has been looked at in detail by the National Audit Office. It is clear that the Department underestimated risk. It is clear that many of the assumptions that were initially made were wrong. With phase 1, the part we have now done notice to proceed on, we have a much more mature understanding of cost, with about 80% of the land and property required along the line of route now having been purchased and the contracts having been agreed with the main works civil contractors, so I now have a high degree of confidence on the phase 1 costings.

On the costings on phases 2a and 2b, I have a much less high degree of confidence, because the works are still in an early phase and, while some of the mistakes that we previously made are avoidable, some of them, to do with ground conditions and how much contracts will cost in the marketplace, are still risks that could affect the process.

Clive Maxwell: The cost estimates produced by the Department and by HS2 Ltd have not changed since the end of last year. There are two differences going on here. The first is whether they are quoted in 2015 prices or 2019 prices. The prices of costs quoted by the Minister there were in 2019 terms.

The other question is whether you include the operational costs of running the railway, which is undertaken in the full business case in the way that the Minister describes. There is a range of different ways of presenting the costs, with the same underlying numbers from the end of 2019 to the ones that were quoted today.

Q74 **Grahame Morris:** I appreciate the answer, but these are not small sums of money at the margin. There is a £20 billion difference. The Minister talked about bringing about transformational changes as a result of



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investing in the Jubilee line, but my concern, representing a northern constituency, particularly as we progress not just on to 2a but on to 2b, the eastern leg, is that we are very much the poor relations in rail infrastructure investment. I want to see that £39 billion Northern Powerhouse Rail, the trans-Pennine upgrade and so on, but there may be an attempt to try to save money on the subsequent phases.

I want to particularly ask what lessons we can learn from phase 1. I do not know whether you heard the contribution from Sir John Armitt earlier, when he was talking about lessons that could be learned in terms of working with contractors to share risk and identifying potential cost-benefits going forward in the second phase. I wonder if you or the Minister has a particular strategy, plan or views on that.

Andrew Stephenson: I will come in first and then let Clive say a bit more. I completely agree with Sir John Armitt. One of my previous ministerial roles was as Construction Minister. I had the opportunity to visit places such as Hinkley Point C, Battersea Power Station and Thames Tideway—some of the biggest construction projects in the UK. I was really interested by those projects and how, where people have worked together and there has been real collaboration between the sponsor and the contractors, challenges have been dealt with. Challenges will always come up on projects of this size, but we need to be able to work to address those challenges and ensure that there is transparency between everybody, so everybody knows what is going on and we can respond collectively. We need to go away from a culture of saying, “It has to be delivered on this set date”, and that is why we are now providing a range of dates for coming into service.

On the north of England, to go back to the point that you started by making, I am a northern MP. I am currently sat in my office in Nelson in Lancashire. The north cannot wait. It is exactly as the Prime Minister said on 11 February. We have to deliver benefits for the north of England. It is the whole basis of the integrated rail plan, and, in terms of phase 1 and 2a, simply doing the southern sections of high-speed rail does not stack up; we have to do the full network.

Clive Maxwell: To build on that, the first thing is to have credible and robust cost estimates done up front so that you know what you are dealing with. As has already been alluded to, those were not in place for phase 1 at an early enough phase, so they have not been reviewed and updated over time. That is the first strand that is needed.

The second strand, to which Sir John Armitt referred, is the work that the Infrastructure and Projects Authority is due to be undertaking as part of the integrated rail plan, and that is looking at different ways to do things more quickly or cheaply. Under that heading I would include things such as looking at procurement models. That would include greater collaboration and different ways of risk-sharing, as you mentioned. It is also about looking at value-engineering opportunities that could be used.



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Before we get into the formal Bill process of bringing a hybrid Bill into Parliament, it is very important to be very clear about the design and to make sure that has been optimised, as well as to look at any additional costs that might be brought in during that hybrid Bill process. Indeed, the National Audit Office report that looked into HS2 to date identified something like £1.2 billion of cost that was added during that hybrid Bill approach for phase 1.

Q75 **Grahame Morris:** I appreciate that response, but, in relation to controlling costs, could you tell the Committee why it was decided not to reduce the number of trains per hour from 18 down to 14, as Douglas Oakervee recommended? Surely there would be huge cost savings by following that recommendation.

Andrew Stephenson: The Government will respond in due course to the Oakervee review. We have not formally responded yet. However, I am happy to tell the Committee that I am sceptical of reducing the number of trains. The scale and scope of phase 1 is set out in the phase 1 Act, which has been through Parliament and has all the accompanying environmental statements. It has been built to be able to run as a very high-capacity and high-volume railway. Everything that I have seen to date convinces me that only a very small amount of cost, at this stage, could be taken out by reducing the frequency of services. If you are going to spend such a huge sum of money on building an asset like this, we should ensure we get complete value for money for the taxpayer.

The evidence that I have seen is that in other countries, such as France, where they have built high-speed networks for a certain capacity and then tried to increase the capacity, they have come out with astronomical cost figures or reasons why they cannot do it, so I am unconvinced. We will respond in due course, but at the moment I do not think that would be the best way to take costs out of this project.

Q76 **Chair:** Minister, because the sound was not that clear, just to confirm, you are a believer in the 18 services per hour.

Andrew Stephenson: Yes.

Q77 **Robert Lorgan:** Let me start by saying how pleased I am to see a northerner in such a key transport ministerial role. On the point about northern connectivity and capacity, one of the key benefits of HS2 has always been that it is going to free up that badly needed capacity on the West Coast Main Line, including on the bottleneck between Stockport and Manchester. What work is being done to make certain that this extra capacity will actually deliver improved commuter rail services on existing lines?

Andrew Stephenson: One of the real benefits, as you have just said, of this project is not about looking at who can travel on the project; it is about looking at the wider freeing up of lines across the country. It is not just for passenger services; let us not forget the freight services and the ability to lead to real modal shift and to get freights off our roads. There



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is a lot of work being done on this. The Department has done a lot of work on this. We now have in place a shadow operator who is looking in detail at the impact on the West Coast Main Line and how that released capacity can be used.

Some of the most compelling arguments I have come across are from bodies such as Midlands Connect and others that I met before COVID-19, when I was able to travel around the country and meet various stakeholders. They made the compelling case about the freed-up capacity on the conventional rail network, which would allow enhancements to be made more easily, with more services for various towns that are not directly touched by HS2. It is those wider benefits that are not fully understood. We are trying to get a firmer grip of that and, as I say, the shadow operator is leading on that work. It is very much part and parcel of why we need to construct this new railway.

Clive Maxwell: There is clearly work to be done here, looking at the service specification, in terms of how best to use released capacity in the way that Mr Langan is asking, and questions about what types of new infrastructure to build. The work being done by the NIC on the integrated rail plan has the opportunity to look into that, to see how best to optimise both the infrastructure and the service, and how to run those trains to make the best use of it.

Q78 **Robert Langan:** To follow up on that point, another way to make the most of the extra capacity is going to be to link HS2 up properly with other infrastructure projects, such as Northern Powerhouse Rail and the investment in the Manchester-to-Sheffield line. Earlier, John Armitt was talking about the challenges of industry capacity to get construction done. He said that more certainty is needed on those projects. Would you be able to give the assurance now that the Government are committed to projects such as Northern Powerhouse Rail?

Andrew Stephenson: The Government are very much committed to Northern Powerhouse Rail. We have skills shortages, challenges and capacity issues. Sir John talked eloquently about those issues. We need to invest and ensure that our higher education establishments and our FE colleges are working on this. We need to ensure that apprentices are a fundamental part of what we do.

This project, in getting underway with phase 1, will create a good pipeline of skilled people who can go to work on the conventional rail network but also then become involved in building Northern Powerhouse Rail and the other aspects of this line as they come on track. Unfortunately, the planning consent process—the hybrid Bill process—takes a number of years, but actually that allows us a process of getting a lot of the main construction work done on phase 1 before those construction workers can move on to do construction work on phase 2b.

Q79 **Gavin Newlands:** Given the non-committal response about connection to Scotland earlier, can you just confirm, given that is the case, that



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Scotland and the rest of the devolved nations will receive full Barnett consequentials from HS2 spend?

Andrew Stephenson: Clive may want to comment more on this, but I would say my answer was unequivocal. We have a shared ambition with the Scottish Government. We are keen to reduce journey times from London to both Glasgow and Edinburgh. That is something that we are very focused on. On the Y network, as it is currently proposed, high-speed lines do not go as far as Scotland, but in our discussions with the Scottish Government I am always keen to look at whether the improvements to the existing network that we are making are satisfactory, or whether we should be building more high-speed lines. That is a conversation for me to have with the Scottish Government.

Q80 **Gavin Newlands:** Was that a yes or a no to the Barnett consequentials?

Andrew Stephenson: Clive might be able to comment on the Barnett consequentials.

Clive Maxwell: Frankly, I do not know the answer to that question. Decisions about Barnett consequentials are a matter for the Treasury.

Chair: Perhaps I could ask you to write to us after you have had that chat with the Treasury.

Q81 **Lilian Greenwood:** Minister, you represent a constituency in Lancashire and you have responsibility not only for HS2 but for Northern Powerhouse Rail and the trans-Pennine upgrade. HS2 is obviously vital to the Midlands. What assurance can you give me that we are not going to be forgotten or left out because there is a focus on the north?

Andrew Stephenson: One of my first visits was to the Midlands. I have been keen to meet with Andy Street and various other leaders in the Midlands, and to talk to Midlands Connect. The next phase of the delivery of the HS2 project is very much looking at the Midlands. My constituency, frankly, is a little too far north—north of Manchester—to come close to the new lines that we are building. The Midlands, the Midlands engine and ensuring that various investments that people want to see in the Midlands are well joined up and connected to high-speed rail, are really important, because if we do not do that, we will not deliver the maximum value for money on this investment.

Lilian Greenwood: I hope you will remember the east Midlands as well; it is a vital east-west link for us.

Q82 **Sam Tarry:** We potentially have about 11 years until the opening of phase 1 and 20 years until the full opening of phase 2. I wanted to know a little bit about your strategy to ensure that procurement of rolling stock is made as late as possible in the project programme and as flexible as possible. The reason I ask that is that we need to allow the network to benefit from procuring the very best, modern, most energy-efficient and environmentally friendly trains. Are you going to be building in that



flexibility rather than going very early to decide on the procurement plans for rolling stock?

Andrew Stephenson: I will let Clive talk about the specifics as to the dates that we are currently proposing for rolling stock. When I was a BEIS Minister, I worked with the rail supply industry, so I was able to visit places such as Bombardier in Derby and Crewe and speak to a number of the manufacturers. They are currently turning out a lot of new rolling stock for a lot of the lines that we are seeing across the UK, and they are very keen for us to move forward at pace with this contract, because they are currently going through a peak, with lots of new trains going for lots of new franchises on lots of new lines. They are very keen for us to move forward. A lot of them have already done quite a lot of advanced work on this and have well-developed proposals.

As for the power that we use, which is of course being decarbonised across the UK, I do not think, in reality, the rolling stock is going to take much additional carbon out compared with the overall running of the railway, but perhaps Clive might want to say more on the specific strategy to do with letting those contracts for rolling stock.

Clive Maxwell: The first procurement of rolling stock is already underway. That process has begun and it has been going for some time now. It is really important when developing a new railway system like this to make sure that you integrate the procurement, the build and then the testing of your rolling stock into the timetable that is needed for the overall delivery into service of the railway. In a sense, you do not want to do it too early, because the trains will turn up and there will not be anywhere for them to go, but you very definitely do not want to be too late, because the risk then is that you do not have enough time to test them, to make sure that the trains work with the track, the signals, the computer systems and the power systems.

Other projects have found that getting that integration right is one of the most difficult things about putting in place a new railway like this. That is one reason why, in terms of procuring the trains, having started some time ago would appear early, but it is actually really important to be able to stand a chance of getting delivery into service within the timetable.

Environmental considerations around things like noise have been a consideration in the way that those procurements have been run and in defining the criteria for those. As the Minister says, fundamentally the key driver of environmental benefits from the rolling stock is going to come through the source of the power and the electricity they are using, and how much carbon is produced in the generation of that electricity.

Q83 **Lilian Greenwood:** Some of the measures that were introduced on the phase 1 Bill to tackle environmental impacts such as noise and visual impact actually added to the carbon emissions, because more tunnelling means more use of concrete. What lessons have you learned about how to balance those competing environmental considerations, which you can



apply to the next phases of the project?

Andrew Stephenson: There is always going to be a trade-off in this area. Tunnelling was very much wanted by communities but it takes a lot more carbon to build a tunnel. Some would say it would create less carbon to build a motorway than building HS2, which is probably correct, but certainly the lifetime carbon emissions of that motorway would be astronomically higher than building something like HS2. HS2 will lead to environmental benefits because it will lead to modal shift; it will get people out of planes—domestic air travel—and cars, and on to a very efficient mass transit system.

We always have to keep the environmental aspects under review, though. The environmental statements have to be prepared on the basis of the worst-case scenario. We have already seen since the passage of the Act that we can significantly improve in a range of areas. The environmental statements work on the basis of all-diesel trucks, for example; we are introducing hybrid and electric trucks and JCBs into the construction. The Bill has various other things that we are now able to improve on significantly. I hope, by the time we get further into the construction phase, we will be able to see that we are delivering this project with significantly less carbon emission from the construction phase than was anticipated when the legislation passed through Parliament. It is the case that we need to keep learning all the time.

Q84 **Lilian Greenwood:** Are you concerned, because of the slippage in timetable, I presume, that we are now clearing some woodland areas in spring? How are you ensuring that HS2 is mitigating the impact that that is having on wildlife?

Andrew Stephenson: There is a range of measures in place. I am more than happy to write to the Committee with more details, but it has been raised with me by line-of-route MPs, so I have sought assurances from HS2 Ltd that all the necessary approvals are in place. Of course, the Committee will know that through the Woodland Fund, CEF, BLEF and other types of funding, there is a range of mitigations in place to ensure that there is no net loss of biodiversity along the line.

Q85 **Greg Smith:** Good morning, Minister. We have corresponded on this a lot and I want to put on record my thanks for your excellent responsiveness to me since you took up the role. One thing that was made clear by the Government when the green light was given for notice to proceed last week was that we would go into the detailed design phase, and obviously that massively impacts people who are expecting to lose land or have already lost land. We have corresponded in the past about the example of Rosehill Farm in Steeple Claydon, where the landowner even offered to pay for a different route and design of that particular bridge.

As we go into this detailed design phase, will there be an ability for local communities to change elements of the design, or are we going to come



up, time and time again, as we did with the Wendover mine tunnel, against the issue that, because it is not in the Bill we cannot change it, rendering the detailed design actually just a technicality?

Andrew Stephenson: Various things are specified in the Bill. There are things that we cannot change, but there are other things that we can change. I am keen to work with communities. As the Prime Minister said clearly to Parliament, and to me when I was appointed, we need to improve how communities are treated. I will level with you: some of the cases you and some of the line-of-route constituency MPs have shown me are, frankly, not good enough; in some cases, they have been appalling. I have raised them with HS2 Ltd. I am still going back and forth on many. I share a lot of the concerns of line-of-route MPs. I share a lot of the concerns expressed by the residents' commissioner.

Sadly, because of the COVID-19 outbreak, I have not been able to visit many of the constituencies on the line of route, as was my intention. I spent February and March ticking off the east Midlands, Leeds, Manchester, Crewe and Birmingham, but then I hoped to spend March and April out on line of route, engaging with you and your local communities. Sadly, that has not come to fruition, but I am very keen to ensure that I do that going forward, because some of these issues I will not really understand until I get to see them up close on the ground.

Q86 **Greg Smith:** Thank you very much for that, and I look forward to welcoming you to Buckinghamshire as soon as this crisis is over and we can travel once more. Can I explore one question linked to the timing of the notice to proceed being given? Within the business case for HS2, it was said that the Government had concluded that there was value in all but the most extreme cases. If COVID-19 is not an extreme case, what is? What assessment has the Department made as to the likely changes in working patterns, given that we have all spent four, five or six weeks working at home, doing video conferences like this? In terms of the need to proceed, should we not just pause for a little bit, to see how Britain and the economy looks post-COVID-19, before ploughing ahead with these designs and carrying on the works that we have talked about?

Andrew Stephenson: It is a very fair point. The rapid development and uncertain outcome to this day of COVID-19 mean that it was not possible to undertake a detailed analysis and determine potential longer-term impacts on passenger demand within the phase 1 business case. What I would say is that video-conferencing has been available since the 1970s and, prior to COVID-19, we have never been more connected as a society. We all worked routinely from home of an evening from our smartphones before this crisis happened. Despite that, over the past 25 years we have consistently seen growth in demand of roughly 5%—slightly less than that—for the West Coast Main Line. We have also seen urbanisation across the world, with more people wanting to live and work in major cities. I cannot see that fundamentally changing.



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Even if you look at parts of the world that were very adversely affected by HIV/AIDS, the Zika virus or the SARS outbreak, there was a very significant short-term impact in demand for things such as rail travel, but then that desire of people still to live in the big cities returned in those countries. I think that in the UK, the move of the population to cities and the urbanisation of the country will continue, and therefore a scheme to link up the major population centres of the country will still hold good sway in the long term. Therefore, the strategic case for HS2 very much still holds sway. I am convinced by that, but I completely get that we need to keep these things under review, we need to look at the developing analysis and we need to keep Parliament informed of that.

Q87 Simon Jupp: Good morning, Minister. In what specific ways will the new delivery bodies for phase 2b and Euston's redevelopment be an improvement on HS2 Ltd?

Andrew Stephenson: HS2 Ltd has done a very detailed design for the HS2 station at Euston. It is a great design, but when you look at the Network Rail aspirations for Euston station and the Lendlease proposals for oversight of development, they do not really join up. A lot of work has been done on detailed planning but, as said in the Oakervee review, it is not stitched together properly. This is a massive project. We need to get clear oversight. We need to get someone to get a grip of it, look at it from every angle and not be biased towards the conventional rail station or the economic benefits of oversight and some of the changes Camden Council wants. We need somebody to look at all those competing interests and decide what the best solution is for Euston.

Q88 Simon Jupp: Is the decision to carve up the project management of HS2 a sign that the Government are not satisfied with HS2 Ltd's handling of the project thus far and have a lack of faith that it could be reformed accordingly?

Andrew Stephenson: It is a mixture of both. To date, the Government would say that there have been significant failings on the part of HS2 Ltd. In terms of whether it has the capacity, going into the construction phase of phases 1 and 2a, to still be looking at the development of the proposals for phase 2b and Euston, the Oakervee review recommended splitting it off to make things simpler. That is a recommendation that the Government have accepted, and work is ongoing to create those two new delivery vehicles.

It is worth saying, of course, that HS2 Ltd still has a massive job delivering phases 1 and 2a. We still need to strengthen oversight of the company itself, so I look forward to the appointment shortly of some new non-exec directors. There have already been various other steps taken to strengthen its management oversight and governance, but that is an ongoing project.

Q89 Simon Jupp: What can you do personally to ensure the new delivery bodies offer salaries to managers that represent good value for money for



the taxpayer and are not anywhere near those of HS2 Ltd?

Andrew Stephenson: It is an area of significant concern. We have seen almost an arms race between different parts of Government and arm's-length bodies on salary increases. I know the Secretary of State for Transport and No. 10 have talked to me about their concerns over salary increases and salary levels in some arm's-length bodies in Government. There is a lot of work going on to look at that, and I am very keen to ensure that, when we do create new delivery vehicles, these are delivery vehicles that are fit for purpose and are not just creating more jobs for the boys or girls.

Q90 **Meg Hillier:** Minister, you talked about talking to Parliament and being transparent with Parliament being a cornerstone. Would you commit to working with this Committee and the Public Accounts Committee to help shape that report so it is practically useful for us as parliamentary scrutineers?

Andrew Stephenson: Yes, I am very happy to do so.

Q91 **Meg Hillier:** Would you also just be clear that, when your officials appear in front of both committees, they are able to talk openly and candidly about any of the cost issues? There will be problems with this project. It is going on for a long time, and I doubt it will be plain sailing, however talented you are, Minister, and however talented the management are. Will you allow them to have that freedom to come and speak as accounting officers candidly about problems, without having to get a sign-off from a Minister to do so?

Andrew Stephenson: Yes. I know the permanent secretary, after appearing in front of your Committee, supplied a summary of the accounting officer's report that she prepared and some other information to the Committee. Officials and Ministers need to be as open and transparent as possible. There will always be cases in a project of this nature, as you will appreciate, where there are commercial sensitivities, and we have to be cautious about that, but generally the principle of openness and transparency has to be a cornerstone of getting this project right going forward.

Q92 **Meg Hillier:** If I may press you, Minister, when an official who is an accounting officer appears before my Committee particularly to talk about taxpayers' money being spent, it is important that they do not feel constrained in any way in revealing that there are problems because they are waiting for some ministerial decision. At that point they are responsible for being accountable for the spending of taxpayers' money, and it vital that they are able to do that. Would he agree?

Andrew Stephenson: We agree on that.

Chair: Minister and Mr Maxwell, thank you very much indeed for your time and your answers. We will be considering what we have heard this morning and deciding how to act as a Committee, working with the Chair



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of the Public Accounts Committee. Thank you very much.