

Transport Committee

Oral evidence: [Departmental priorities and annual report and accounts, HC 745](#)

Monday 17 October 2016

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Members present: Mrs Louise Ellman (Chair); Robert Flello; Mary Glindon; Karl McCartney; Stewart Malcolm McDonald; Mark Menzies; Huw Merriman; Will Quince; Iain Stewart; Graham Stringer; Martin Vickers.

Questions 1 – 103

Witnesses

[I](#): Rt Hon Chris Grayling MP, Secretary of State for Transport, and Philip Rutnam, Permanent Secretary, Department for Transport.

Examination of witnesses

Witnesses: Chris Grayling MP and Philip Rutnam.

Q1 Chair: Good afternoon and welcome to the Transport Select Committee. Welcome, Secretary of State, in your new position and on your return to the Transport Select Committee. You were on a previous form of the Transport Committee some time ago. You are very welcome. Before we proceed I will ask if any members have interests to declare.

Robert Fleello: The Road Haulage Association provides administrative support to me and to the all-party freight transport group.

Chair: Minister, for the sake of the record could you please tell us who you and Mr Rutnam are?

Chris Grayling: I am Chris Grayling, the Secretary of State for Transport. Philip Rutnam on my right is the permanent secretary in the Department.

Q2 Chair: I do not think you will be surprised at our first question, Secretary of State: when are you going to tell us about airport capacity in the south-east?

Chris Grayling: The answer is that I will be delighted in due course to return to discuss the airports issue with you extensively, but I fear today I am going to be inscrutable, as I have been with everybody else I have talked to about this in the last few weeks. You will understand that this is a decision that is both market sensitive and of course nationally sensitive. When we reach the point of having taken a decision about our recommendation, we will of course come to Parliament. At that point, I will be very happy to come back and talk to the Committee as well. Perhaps we can do a one-off session once that decision has been taken. Forgive me, but today I am going to be fairly inscrutable about it.

Q3 Chair: Can you tell us anything about what would happen following the recommendation that you might make?

Chris Grayling: The process that would follow is that we will need to prepare a national policy statement. That will take approximately 12 months to prepare. It includes a period of extensive consultation with the public and stakeholders. This is all under the 2008 Act that the previous but one Government passed. We would expect to have that national policy statement in place in around a year's time. At that point, Parliament has to approve the national policy statement before the chosen promoter has the opportunity to go into the detailed planning process, where they actually design the nuts and bolts of the scheme.

Q4 Graham Stringer: I have a couple of questions, if I may. Will it be one or two runways that are decided upon?

Chris Grayling: There has been a lot of speculation.

Graham Stringer: That is why I asked the question.



Chris Grayling: A number of people have made representations asking for two runways. The original remit of the Airports Commission was to look at the need for runway capacity in the south-east. Their recommendation was that a new runway would be required by 2030, and that potentially there could be a need for a further new runway a decade after that.

In terms of how the Government responds to that recommendation, I would simply say that it has to remain a part of the process that lies ahead. I have indicated that there are legal complexities around moving away from the recommendation that I have just outlined about one in 2030 and then reopening the issue later. At this moment in time I am afraid the process will unfold as it unfolds and we will come back to Parliament in due course.

Q5 Graham Stringer: Have you within the Department studied in detail the business case for the second runway at Gatwick?

Chris Grayling: Yes, absolutely. We have looked at that very carefully. Indeed, it might be worth helping the Committee in terms of timing. Having become Secretary of State in July—the Prime Minister having taken over in her role in July—I spent quite a lot of time this summer looking at all three proposals and talking to the promoters of all three. I have been looking at the strengths, weaknesses and issues around all three to help to inform myself. I wanted to be absolutely clear that, by the time we came to the point when a decision needed to be reached, I understood exactly what we were dealing with. I know the Prime Minister has taken the same view. We have not only studied that business case but we have had detailed and extensive analysis of all the options on the table in front of us.

Q6 Graham Stringer: Do you believe that the proposals from Heathrow and Gatwick are commercially viable?

Chris Grayling: It was the view of the Airports Commission that all of them were deliverable and investable.

Q7 Graham Stringer: Secretary of State, that was not quite the question I asked you. I asked you first whether you had done your own work and then, secondly, whether you believe that they are commercially viable.

Chris Grayling: I believe what we have on the table are three very good proposals, any one of which could be of benefit to the nation. The challenge that we have as a committee is to decide which of those three is best in the national interest.

Q8 Graham Stringer: This is a related question but one on which I suspect you do not have to be inscrutable. Every Secretary of State and every member of this Transport Committee, as well, I suspect, as most local authorities in the country, know that there is 21 times the runway capacity in our regional airports as there is in London. Everybody would like that capacity to be used. What actions can you take as Secretary of



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State to support the use of that extra runway capacity?

Chris Grayling: I am very keen to see our regional airports grow and develop. There are three elements. The first is the overall strategy that we are pursuing as a Government to ensure that we have a balanced economy that works for everyone across the whole country. The stronger our regional economies are, the stronger our regional airports will be.

The second thing we can do is to provide targeted financial support, where it is necessary, either directly or through devolved Administrations to secure important strategic routes. Most recently, for example, the Northern Ireland Office and my Department played a very active role with the Northern Ireland Executive in ensuring that we protect the route from Belfast to the United States: the United Airlines flight. Of course, you will also be aware, Mr Stringer, that we recently saw the disappearance of the United flight from Newcastle to the United States. That is a great shame. We clearly cannot force a commercial model on airlines, but one of the things I very strongly believe is that, when we come to take the decision that lies ahead about runway capacity in the south-east, we need to ensure that it protects regional connectivity, so that an airport like Newcastle, for example, can retain strong international links. Where those cannot be achieved directly, they should at the very least be available indirectly.

Q9 **Graham Stringer:** As well as links to the south-east by direct flights, this Committee did a report on ground transport to particular regional airports. Have you read that report? I would not be surprised if you had not because it was a little while ago, but, if you have not, will you? Secondly, do you see that the Government can assist in improving ground transport to regional airports, which would make them more attractive to foreign and British airlines?

Chris Grayling: Absolutely. If you look at the obvious and most high-profile example, HS2 will provide links to Birmingham and Manchester airports in particular and will run close to East Midlands airport. At the request of the local authorities, a number of options are being explored about siting the route in a way that works well for both Derby and Nottingham. There is also connectivity to Leeds, albeit that the route does not go as far as the airport, but it provides much better access to some of our major regional airports. Of course, the faster journey times to cities further north will also help in that respect. It is not simply the links to London but the links between the different regions.

Q10 **Chair:** Will connectivity to regional airports outside the south-east be part of your thinking in coming to a decision about south-east expansion?

Chris Grayling: It is very much a part of the thinking. What I would say is that we would want to see the creation of new capacity in the south-east very clearly making better connectivity available within the United Kingdom.

Q11 **Mark Menzies:** On that point, Secretary of State, I have a small regional



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airport in my constituency—Blackpool—which is currently in a state of suspended animation. There are many regional airports around the UK that are either just managing to survive or indeed have gone out of business in recent years. More than just hoping that there is improved regional connectivity, what active steps are Government seeking to take, either through financial support in terms of the air transport connectivity fund or through an agreement with either Heathrow or Gatwick, whichever one you come out with? What fundamental steps are we taking?

Chris Grayling: We want actual practical certainty about the availability of regional capacity in whichever airport and whichever scheme it is. That is very important. This is something that should provide better connectivity across the United Kingdom. We want to make sure that whatever the final shape of the decision is, and of the scheme, there is provision within that for better connectivity within the United Kingdom.

Q12 **Mark Menzies:** Sticking with the subject of runways in the south-east, I understand that you may be constrained in what you can say, but are the Government taking steps to ensure that, as a result of any decision, we will not be bogged down, as is currently threatened, by a decade of legal challenges? This needs to be something that benefits passengers and the UK economy, not nimbys and lawyers.

Chris Grayling: My hope is that we are going to take the decision that we collectively believe is in the best interests of the United Kingdom. That decision will not be able to go ahead in future without the consent of Parliament. As I said, a national policy statement cannot be put into force under the terms of the 2008 Act without the approval of Parliament. It is very much my hope and belief that, although there will undoubtedly be opposition to whatever we do, the will of the democratically elected Parliament of our nation is what will ultimately count.

Q13 **Will Quince:** Secretary of State, I am delighted to hear that a decision is on the horizon. When I speak to businesses, they often tell me that we need Heathrow, Gatwick and Stansted expansion. What forward planning do you have in the medium to long-term for expansion for the one or the other that is not successful in the initial round?

Chris Grayling: There are two issues. The Airports Commission report says very clearly that in timing terms we should look to open new capacity before 2030. Their assessment is that, if we do not, by 2030 all the principal airports in London, with the exception of Luton, will be at capacity and that shortly beyond that Luton itself will also be at capacity. They have highlighted that they think there may then well be a case for further expansion by 2040. Of course, as they point out, that needs to be set against the restrictions that exist, for example in terms of carbon emissions, but technology is moving forward very fast.

Right now, given how long it has taken for the decision to happen in the first place, my focus would be on doing what we need to do now. Then



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either this Government or a future Government can look at what future strategy should be, but right now the most immediate priority is to get the decision taken and to move ahead with drafting a national policy statement.

- Q14 **Will Quince:** That is very much the point of my question. Once the decision has been taken, are we then going to start, the very next day, thinking about what happens next? This has taken so long, understandably so, but if it is going to take another 10 years, are we going to put in steps the very next day to think about what comes after the decision?

Chris Grayling: It may not be the very next day. In due course, the Government will clearly have to set out a future direction of travel, with methods of assessment and all the rest. Right now my view would be let us, at least for the next 12 months while we are preparing for it, focus on that national policy statement. That is the priority right now.

- Q15 **Chair:** When the announcement comes, will it be made by the Secretary of State for Transport—you?

Chris Grayling: Yes.

- Q16 **Chair:** I now want to turn to High Speed 2. There has been some speculation about whether the Government are still committed to High Speed 2. Are you committed to both phases 1 and 2 of High Speed 2?

Chris Grayling: I hope that what I have said at various forums over the past couple of weeks has made that absolutely clear. My view is that this is a project that is nationally important to us. If anything, we just need to change the paradigm in which we look at it.

People have tended to talk about spending billions of pounds and saving X minutes on the journey time to Birmingham, Manchester, Leeds or wherever. This is a very different project from that. It is an essential expansion of the capacity of our transport system. What we know from the west coast main line—indeed I remember that even 15 years ago on the Committee we discussed the congestion problems on the west coast main line—is that there are few other railway lines in Europe that have the same mix of traffic, with major intercity expresses and local and intermediate suburban services; and it is one of the country's principal freight routes, if not the principal one.

People talk about overcrowding in terms of, "Can't we just run longer trains and have longer platforms?" Yes, in some places we can do that and we are doing that, but there is also the question of capacity—the number and variety of trains on the track. It has been my view for a long time that we have to create extra capacity. We have not built a new railway north of London for 100 years. Therefore, there is a need to do something that is going to take that step change, particularly when you look at the way demand on the railways is rising and rising.



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If you are going to build a new railway line, why would you build an old-fashioned Victorian-speed one, rather than building what should be the best railway line in the world? In this country we sometimes suffer, in our infrastructure, through being the first there. London Underground is a case in point with the narrow tunnels; if you are my height, you end up leaning sideways on the trains if you are standing at the side of the carriage, whereas in a bigger tunnel that does not happen. We have smaller tunnels with smaller capacity than would have been the case if we had built them 50 years later.

We are coming later in the day than some to a domestic high-speed rail network, but that means that surely we can deliver state of the art with the best possible speeds and the most capacity. We can create a real state-of-the-art railway. My argument is that we need to expand the capacity. We need to provide an extra dimension to our rail network. Doing things in a high-tech, modern, state-of-the-art way makes perfect sense for us as a nation.

The last point on HS2 is that, in the lexicons that have existed about it up to now, it has always been talked about in terms of connection between London and north. Actually, if you look at the improved connectivity that it offers between Birmingham and Leeds and Birmingham and Manchester—three of our biggest and most important cities and economic centres outside the south-east—that is at least as much a benefit as we would ever get from connectivity from London northwards. The commitment is there. It is a necessary project. Indeed, we are expecting to start construction in the spring.

Q17 Chair: When do you expect phase 1 to finish? You expect it to begin in spring 2017?

Chris Grayling: I am expecting construction on phase 1 to begin in spring 2017, depending on where you start the spring. It might even be the end of winter 2016, with a fair wind, but in the new year. In timing terms, the hybrid Bill is now in Committee in the Lords. I hope it will be out of the Lords around the turn of the year. We will then move straight ahead with the commencement of construction, so I expect that in the spring construction work will already be under way.

Q18 Chair: To be completed when?

Chris Grayling: My expectation is that the first trains on the first phase will run in 2026.

Q19 Chair: When do you expect phase 2 to start?

Chris Grayling: At the moment the target date is 2033.

Chair: For it to be operating?

Chris Grayling: Yes.

Q20 Chair: Are the budgets as laid out now?



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Chris Grayling: Nothing has happened to amend the budgets since the spending review of 2013. The permanent secretary may want to say a bit about that.

Philip Rutnam: As you may know, the National Audit Office reviewed the project and published a report back in June. The National Audit Office confirmed then that the project was on track in relation to phase 1. From memory, the phase 1 budget is something like £27 billion in 2015 prices. The National Audit Office identified a pressure of about £200 million of costs against £27 billion, but also options for savings that we had identified to offset that cost pressure of over £500 million. We are very confident that the budget for phase 1 is on track, and that the project is proceeding on schedule and to budget.

On phase 2b, which is north of Crewe—the eastern leg—the National Audit Office identified some larger cost pressures, some billions, but also confirmed that we had identified cost savings that, without affecting the fundamental scope of the project, exceeded the cost pressures. Again, we are confident that phase 2, given in particular its much earlier stage, continues to be on track.

Q21 **Iain Stewart:** Construction of phase 1 will inevitably involve some disruption at Euston when the new station is constructed there. That has knock-on consequences for the operation of both the intercity and commuter lines into and from Euston. I have heard various iterations over the years as to how that is going to be managed. Are we any closer to an agreed position and timetable as to how that work is going to be conducted?

Chris Grayling: We are well on the way. There are some local route issues still being addressed to try to make sure we minimise the impact on the surrounding area. I hope to be able to bring forward detail on that in the not too distant future.

Q22 **Iain Stewart:** Is there any timeline for that?

Chris Grayling: This autumn. Clearly we are going to have to have finished it by the time the hybrid Bill comes out the other end and we start construction. We are trying to get it wrapped up soon.

Q23 **Martin Vickers:** Secretary of State, it is encouraging to hear the permanent secretary say that everything is fine with the budget and there are no expectations, at least in phase 1, that there will be an overrun. Those of us who represent areas not directly benefiting from HS2 have concerns that, if overruns occur, our budget for improvements on the classic network will suffer. Can you assure us that that will not be the case?

Chris Grayling: That is certainly not our intention. Indeed it would be a retrograde step for that to be the case. I would, though, just challenge your assertion that you and your constituents will not benefit. I think you will. Let me give you a very practical example of how that may happen.



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Clearly if the principal fast trains to Leeds are running up the new route, it will free capacity on the east coast main line, which will create additional freight paths and enable us to take freight off the A1. That will benefit your constituency and those seeking to access it. We need to look at this as a national project. I cannot say that every single person in every single part of the country will benefit, but if we manage to take a chunk of our long-distance fast traffic off the existing networks, both west and east, we will create space for better services to those areas and better freight service to those areas than would otherwise be the case.

Q24 Martin Vickers: That brings me very conveniently to my next question. In terms of benefiting my constituency, one of the advantages would be a direct rail service between the constituency and London, which the regulator has recently turned down. One possibility is greater use of open access operators, who are keen to provide such a service. How do you see the relationship with them developing?

Chris Grayling: Clearly I expect open access to remain a part of the rail network going forward. Indeed, if we manage to create additional capacity on the east coast main line, it will open up greater opportunity for better services to places that do not currently get direct services to London. That is another way in which in the end, when this is opened, your constituents will benefit.

Q25 Martin Vickers: It is frequently suggested that in effect the open access operators do not pay their fair share of infrastructure costs and so on. Do you see any change in the current arrangements?

Chris Grayling: I do not immediately envisage change in the current arrangements. The scale of challenge with open access in the way you have described is not such that makes it a major issue for us to address right now. Of course, clearly one would have to have that in mind in the future if it became a different situation.

Q26 Robert Ffello: Secretary of State, you can understand why people are a little bit confused about the High Speed 2 line. There is the name, for one thing; it is "High Speed" and yet the narrative has changed away from high speed to being more about capacity. On that point, if it is now purely about capacity and not really about high speed, why are we still building the tracks for a higher 400 kph speed when the trains running on them will not be operating anywhere near those capacity speeds?

Chris Grayling: They will. My point was this. The reason we need HS2 is that the capacity of our transport system requires investment in something that is significantly going to add to the scope of what we can do in this country. If you are going to build a new railway line, why would you not build a new, high-speed, modern, state-of-the-art railway line, as part of a country that I hope is moving forward and will be attractive to people in a whole variety of different ways? Why would you build a slower railway line rather than a faster one?

Q27 Robert Ffello: But then you would have to run the trains that are



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capable of 250 miles an hour or 400 kph on it.

Chris Grayling: It is 360, not 400. The trains will run at 360 kph.

Q28 **Robert Flello:** Is that for all the trains on HS2?

Chris Grayling: Yes. For example, the trains that go to Glasgow will run at high speed up the high-speed route. When they move off to go up to Glasgow, they will return to the standard speeds on the west coast main line. That will still reduce the journey time to Glasgow significantly, but it will ease pressures on the parts of the west coast main line that are most congested.

Q29 **Robert Flello:** There is no dispute that the west coast main line is congested at the moment. To ease congestion, you are going to have to take something off that line in order to free up other routes. What services are going to disappear from the west coast main line to be moved on to HS2? What services will people who live along the west coast main line lose because they will be moved on to HS2?

Chris Grayling: Let me give you a practical example. As somebody who, as the Chair knows, used to be shadow Minister for Liverpool and quite regularly got trains that left Euston, stopped at Runcorn and went to Liverpool Lime Street, I would expect those trains in future to travel on High Speed 2 and only on the conventional system for the last bit into Runcorn and Liverpool Lime Street, thus reducing the journey times. South of Crewe they will run on High Speed 2 rather than on the west coast main line, creating additional train paths.

Q30 **Robert Flello:** They will be migrated off the existing train line on to the HS2 line. Is it the same for my constituents in Stoke-on-Trent, for example? At the moment they are on the Manchester service. Will those Manchester services migrate across to HS2?

Chris Grayling: I am looking very carefully at what to do about Stoke-on-Trent. I am well aware of the issues there. I hope to be able to give you a sense shortly about how best we will look after Stoke-on-Trent, which as we know is a great city.

Q31 **Robert Flello:** Indeed. Finally, there has been growing discussion over recent weeks and months about the salaries of those associated with HS2 and the amount of money spent on administration costs. Do you think the salaries and admin costs being paid by HS2 are reasonable?

Chris Grayling: I will ask the permanent secretary to say a word about that as well. A substantial part of the costs incurred at this stage are the land acquisitions that enable the route to be built. In terms of the salaries paid to people, this is going to be one of the biggest construction projects in the world. We want the best people to do it. Quite clearly we should try to attract the best people. I would rather pay a bit more to get the best people to deliver work on our service than not use the right expertise and not get it right.



Q32 **Robert Ffello:** So you are happy with the administration costs and the salaries that are being paid.

Chris Grayling: For a project on this scale. There have been some things. You will have spotted the advert for historians. The moment we discovered that, it was killed. That was a fairly daft idea. I do not know whose idea it was. Yes, we try to keep an eye on it and make sure that if anybody does anything daft we deal with it. If you are asking if it is sensible to pay to attract the best people to lead this state-of-the-art project, I think it is.

Q33 **Chair:** You are quite right about the importance of the scheme. When will there be a new chief executive?

Chris Grayling: We are going to announce a new interim chief executive very shortly. We are just in the process of finalising that. We will hire a long-term new chief executive as quickly as possible. Clearly we want to get the right candidate.

Philip Rutnam: Perhaps I could add a word or two. As the Secretary of State says, it is extremely important that we attract and retain people of the right calibre for a project of this scale and scope, and who can lead it in the right way. It is necessary, if we are going to do that in an internationally competitive industry like construction and civil engineering, that we offer salaries that are competitive. They are not at the top of the market by any means, but none the less they are competitive and able to attract people.

We have a very active approach with the company in seeking to make sure that we are driving down the total cost of administration and keeping it under as much pressure as possible. For example, we have recently taken steps with the company to reduce the number of consultants who are employed on the project, and have sought to replace them with permanent staff. Their salaries may still be higher than typical public sector salaries but none the less the cost of employing people directly to do the work is significantly less than the cost of using consultants. We have an active approach with the company to seek to reduce administration costs and raise efficiency.

Q34 **Robert Ffello:** For how long have the consultants been in post who are now being moved to permanent staff?

Philip Rutnam: It varies. It is typical in large civil engineering programmes to make extensive use of consultants. The point I am making is that on this project we are seeking to make rather less use than is typical in the industry and to make more use of directly employed staff.

Q35 **Graham Stringer:** I have two quick questions. What is the parliamentary timetable for the next two hybrid Bills on HS2?



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Chris Grayling: We have two phases coming up. Phase 2a is quite a short stretch that runs from the south end of the Trent valley effectively to Crewe. The second one is the full Bill for the top part of the Y on both sides. We are looking to bring the first of those forward quite soon—in the coming months. The second will be before the end of this Parliament.

Q36 **Graham Stringer:** Would you expect it to complete its passage through both Houses by the end of this Parliament?

Chris Grayling: Possibly, but not necessarily. The timetable does not assume that. I would like us to crack on with phase 2b as quickly as possible, but at the same time you have to be realistic about the skills you have and the construction capability. This is something that is on a sufficient scale that it needs to be done in phases. Therefore, the parliamentary timetable will slot in with what is realistic, construction-wise.

Q37 **Graham Stringer:** The Government have publicly committed to investment in our national infrastructure, and I certainly welcome that. Can you give us a priority in completing HS2, HS3 and Crossrail 2?

Chris Grayling: The need for additional capacity in London, the links between the top end of phase 1 and phase 2a of HS2 and the need to provide better east-west links are all essential, in my view, for this country. HS3 is slightly different in nature from HS1 and HS2. Although it has been given that name, in construct terms it is unlikely to be a railway on the same speed base as HS2, given the distances it is dealing with east-west. At the moment, that is being developed by Transport for the North, and we are waiting for their proposals.

Likewise, Crossrail 2 is in development in London. We will be publishing shortly the proposals for the north end of HS2. Exactly how the timing will work out between the necessary improvements in all three areas, I do not know yet, but I regard all as strategically important for the United Kingdom.

Q38 **Chair:** I turn to river crossings and the lower Thames crossing. The Department published options seven years ago for a lower Thames crossing. When is a decision on routes going to be made?

Chris Grayling: Very soon.

Q39 **Chair:** When is very soon? Is it like the aviation decision?

Chris Grayling: You will forgive me, but I think it is quite important as an incoming Secretary of State that if we have multi-billion pound projects in the public sector, or if we have—as in the case of airports expansion—to approve multi-billion pound projects in the private sector, we must make sure we have really understood the nature of what we are doing. I have been looking carefully at the lower Thames issue. It is something we want to move ahead with as soon as possible—not long in the future.



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Q40 **Chair:** But you cannot get closer than that.

Chris Grayling: I am not going to stick a date on it today, no.

Q41 **Chair:** Is the proposed garden bridge project going ahead?

Chris Grayling: It is very much down to the team delivering it. The decision I took back in July was that we could not increase the exposure of the taxpayer any further. You will have seen the full history from the NAO report. We had offered a guarantee that ran until the end of September. At the end of September that guarantee amounted to around £9 million. I said to the garden bridge team, "Look, we wish you well. I hope you succeed, but what I'm not going to do is to let the clock carry on ticking." If I allowed them to extend the end of September deadline without any limitation, as the months go by, the public sector exposure would have continued rising to £15 million. What I said to them was, "Look, if you succeed, great, well done, pat on the back. If you don't succeed, I'm in for cancellation costs of £9 million already. I can't do anything about that; that is what I have inherited. In a sense, it does not matter to me whether that £9 million is incurred on 1 October"—it wasn't—"this autumn, next autumn or the autumn after, frankly. It is still the same amount of cost to the taxpayer. If I give you that extra time leeway, you have a better chance of getting the whole project off the ground, but I am not going to let that amount of money increase any further. That's your lot, but you can keep that guarantee for as long as it takes you to get the funding or not to get the funding for the whole project." I hoped that was a pragmatic way of supporting what they are trying to do but without putting the taxpayer at further risk.

Q42 **Chair:** Network Rail has faced a lot of criticism for failing to deliver in the last control period and underestimating in a very significant way many of the costs. Are you concerned about Network Rail's delivery now, in the current control period? Are there any particular projects you have concerns about?

Chris Grayling: I am always going to be concerned, given the recent history. There are projects that are now in much better shape. I have been to see the work on the Great Western routes. I went down the Severn Tunnel last week and saw the work they are doing there, and indeed the way electrification is coming together closer to London.

There is a greater degree of discipline within the organisation now. I am not going to stand in front of this Committee and say that all is going to be perfect going forward. I very strongly support the Nicola Shaw report and the strategy of route devolution. I also support a lot of what Sir Roy McNulty said in his previous report. There needs to be a much more joined-up approach to running the railway and much greater co-ordination in running the railway.

If you are asking me whether I am able to say to this Committee today, hand on heart, that everything will arrive on time and on budget, no I cannot. If you are asking me whether I am sitting on the back of Network



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Rail all the time and putting pressure on to make sure that they deliver things on time and on budget, and that the modus operandi within the organisation continues to improve so that that becomes the norm rather than the exception, yes, I am.

- Q43 Will Quince:** I am encouraged to hear what the Secretary of State just said. On lines such as ours, the Great Eastern main line, which is a relatively simple line with a single operator as soon as you come out of Stratford, or Shenfield potentially with Crossrail, what consideration have you given to vertical integration in the future?

Chris Grayling: It is not a secret that I think that because our railway is operating at the extremes of capacity in a whole variety of different areas, it needs to work together in a much more joined-up way. That is the approach I have taken to try to address the operational problems as well as the other problems on GTR.

I am very interested in looking for joined-up ways. The report by Sir Roy McNulty was commissioned by the now Chancellor and then Transport Secretary and offered some very good signposts for the future. We are considering the best way of ensuring greater co-ordination. We have not reached definitive conclusions, but you should expect an approach from the Department that says, "We want a more joined-up railway," because that is the best way of dealing with the capacity challenges we have.

- Q44 Chair:** Does that mean you think that the Rail Development Group has not been successful? That was an attempt to try to bring the sector together.

Chris Grayling: I do not think it is a question of its not being successful; it was part of a recommendation at the time. We want to ensure that we have good integrated teams operating the railway. A good case in point, which fed through to the McNulty report, is the way that the Wessex and South West Trains operations work between Network Rail and South West Trains. There is a good integrated team operating that railway in a way that delivers a decent level of performance. It is not without problems and challenges, because it is a railway operating at capacity.

Interestingly, I attended a public meeting on the edge of my constituency about that rail service a few weeks ago. It was very striking that the public were actually patting the company on the back for the level of service they provided. That does not mean things do not go wrong, and it does not mean we do not have some unhappy customers. I am a regular commuter on that route and I get emails from people saying, "It's not worked out badly today." In a congested railway that is always going to be a challenge, but it is an indicator that the more closely the two teams work, the more effectively the railway runs.

- Q45 Chair:** When are you going to say whether you accept the findings of the Shaw review?

Chris Grayling: Effectively, I am saying it today.



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Q46 **Chair:** That was looking at a mixture in the way things proceed. It suggested more devolution in some aspects and bringing together in others. How will that be reconciled?

Chris Grayling: Shaw's fundamental recommendation is around route devolution; you should have more autonomous local management of individual parts of the network. That makes sense because it provides the building blocks that the kind of partnership between the two sides of the railway should have, in whatever form that comes. That principle of decentralisation within Network Rail has to be the way forward. It does not mean that absolutely everything has to be devolved or decentralised, but if you have route directors with greater autonomy over their bit of the network, the ability to forge the kind of partnerships that will create a more joined-up railway is much clearer cut.

Q47 **Will Quince:** Everything you say is very encouraging, Secretary of State. From my perspective, on our line in particular you have done a great job with the new franchise. Norwich in 90 is all incredibly positive, but we have very little faith in Network Rail to deliver. Every time we speak with them, they present the same figures from the last control period as if we should be pleased that they are now, potentially, going to deliver them. I speak to local authorities that have been asking Network Rail to go to see them because they are building 15,000 homes, but Network Rail has no idea that these are coming within the next 10 years and is not going to expand stations. Just trying to get Network Rail to engage and respond is really difficult, when we have train operators desperately trying to improve services. What can you do about that?

Chris Grayling: This is something that is very much on my mind. In the way in which we, and they, approach infrastructure projects there are two key criteria that need to be used for everything we do going forward. The first is, does it ease congestion? Does it make it better for the travelling public or indeed the freight user? The second is, does it open up economic development or housing opportunities?

If a project is doing neither of those, it really should be right at the back of the list. Yes, there is some strategy that needs to be imposed on the system. Sometimes that will come through route devolution. If two teams are working more closely together that kind of understanding is much easier to attain, but your point is very well made. There are a number of places around the country where I think we could do more to unlock the potential in our economy.

It is worth saying that I also want to see costs come down. I am not going to be afraid to put some spokes in the wheel that provide some reference points for Network Rail so that we are not just taking as gospel what they say is the necessary cost of doing things.

Q48 **Chair:** Are you going to seek more private finance for rail investment?

Philip Rutnam: Could I add a word? I would encourage continued engagement with Network Rail. I hear the point, but Network Rail, both



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at national and regional level, is increasingly keen to engage effectively with, for example, local enterprise partnerships and local authorities. They also recognise the need to talk about ways in which additional finance can be brought to projects.

Q49 Chair: Are you looking for significantly more private finance to come into rail investment? And in what way—apart from the way Mr Rutnam has just described?

Chris Grayling: The people at the top of Network Rail would say that it has been over-centralised, over-slow and over-bureaucratic. They are trying to change that now. There are a lot of good people working hard for that organisation.

There is a huge amount of private finance both in this country and around the world that is keen to invest in infrastructure. I am very open to more private finance in infrastructure in all its different forms, but we have to be careful about how we do it. It cannot simply be a question of balance sheet debt. It has to be about bringing something else to the system. I am very open to more private finance in infrastructure in different ways, but it is not good enough simply to replace conventional public funding with conventional private funding that costs more and delivers nothing else to what we are trying to do.

Q50 Chair: Does that mean you will be bringing forward a new approach in a general sense, or will it be for specific investments?

Chris Grayling: I think it will be for specific investments more than anything else. I do not envisage a dramatic change to the way things are financed, but if we can bring in private finance for specific investments in infrastructure, it makes sense.

Chair: There are many successes on the railway, including its great expansion over recent years, but last week this Committee produced a report about a great failure—about GTR, focusing on Southern in particular. Mr Merriman wants to raise some issues about that.

Q51 Huw Merriman: Secretary of State, passengers across the Southern rail network, of whom I am one, have endured months of frustration from delays. Many have had to leave their jobs because they cannot get back for childcare. Businesses, particularly those supporting tourism, have lost revenue. People are fed up and exasperated. It appears, however, that the RMT may recommend the conductors' transition to the new on-board service role. It also appears that Southern will this year introduce the new rail technology that allows drivers to operate the doors. Do you see those events bringing an end to the strike, or at least allowing the driver to take over and RMT not forcing the cancellation of the train; or do you see the next stage as the train drivers refusing to operate this new technology?

Chris Grayling: There are two parts to that. Let me deal with the union questions first and then I will say something about the other aspects of



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GTR. I spent a lot of time over the summer looking at what was causing the problems. There were problems beyond the union issues, but I will come back to those in a moment.

The position in industrial relations is hugely frustrating. There has been driver-only operation on our railways since the days of British Rail. On the GTR network more than half the trains are already driver-only operated. This is about other services. My predecessors ordered £2 billion-worth of new trains for the network. That will enable almost all, if not all, of the older stock to be removed from it. The newest trains would then be cascaded down to areas that have the oldest trains, and it should have been good for all passengers. It should make perfect sense. Technology is improving all the time, not just in transport but all over the place. The state-of-the-art trains today do not need somebody to open and close the doors from further down the train. There are CCTV systems, sensors and all the rest. We have bought state-of-the-art trains.

The deal on the table to the RMT is that no one is losing their job, no one is having their pay cut and no one is losing any overtime. They are going to carry on working on the same trains and on the same basis. They were even offered a £2,000 payment to make the transition. I would have thought that was a pretty good deal. The dispute appears to hang on this right now: the union is insisting that, if one of its members does not make it on to the train, that train should be cancelled and all the passengers slung off it. If the on-board supervisor is late because the previous incoming train is late, and therefore is not able to go on the outbound train, the outbound train should be cancelled, even though the driver can operate that train and even though, if you were standing at East Croydon station and two trains went past, one of them would already only have one person on board. What they are saying is that it is okay for one train to go past with one person on board, but if the next train does not have two on board it has to be cancelled and all the passengers thrown off.

I am not in the business of cutting the number of people working on the railways. In a system that is under pressure in the way it is at the moment we need really good staffing levels to support passengers. Roles may change and the nature of the work may change, but I am not in the business of slashing the number of people working on the railways. I do not think that is deliverable.

Why are the union bringing such misery to the people in the Southern rail area? It makes no sense to me. I will say to them today that the company has re-offered that £2,000 and asked them to ballot their members. I call on them to hold that ballot. This is designed to be a sensible and pragmatic way forward. Technology is changing and the nature of the job is changing. We do not need to train a guard any more to get down on the tracks and put a detonator on the tracks if there is a problem. What happened when we had the incident at Watford Junction a couple of weeks ago and there was a landslide and a train was caught up



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in that? The warning that was sent to the next train was not by somebody getting down and putting a detonator on the track. It was done by pressing an alarm button in the cab which then rang in the next train's cab. The world is changing and we move on. Ways of working change, but fundamentally we are giving the same guys the same workplace with the same salary and a bonus. Why are they still on strike? It makes no sense to me at all and it is to be deeply regretted.

There are other issues in the running of that railway. It goes back to what I was saying earlier. It has been too dysfunctional. What we established is that the Network Rail team and the GTR team have not been working properly together. When things go wrong, as they do—this is an older network that needs quite a lot of work doing on it—I expect a joined-up response to try to solve the problems as quickly as possible. That has not been happening. That is why I recruited Chris Gibb to go in and look at the way the whole thing is working. He is now making changes involving creating a much more integrated team running the network from Three Bridges and a number of changes to the way dispatch works on the stations. There is much better planning for the peak times. All of these things are happening and could be making a difference, but they are being completely undermined not only by the unnecessary strike days but also by clearly unofficial wildcat action with staff not being at work at times they are supposed to be and high sickness levels. It is all deeply regrettable. There are some really good people working on our railway who are committed to it. The passengers who use the railway should not be treated in this way.

Q52 Huw Merriman: Touching on the exceptional circumstances issue, months ago we had before us the RMT, Southern management and indeed former Ministers from the Department. It was apparent to the Committee that everyone was stuck on the exceptional circumstances. Do you think there is a role for the Department for Transport, for Ministers, to get both sides together—to bring a pen along and to draft exceptional circumstances? The RMT does not seem to trust Southern, in the sense that the conductor or on-board supervisor has not arrived because there have not been enough recruited; whereas Southern cannot seem to get the RMT to commit at all. In that situation, doesn't it require Government to step in and bring heads together, as it were?

Chris Grayling: Instinctively, I think that is the job of ACAS. I hoped that the talks at ACAS would have delivered improvement, but there seems to be complete unwillingness on the part of the union to accept that there should be a circumstance in which the train leaves the station without one of their members. If the union said today, "We are prepared to accept that there may be circumstances, albeit exceptional, when trains do not have one of our members on them," I think there would be a basis for talks. If they said that clearly tonight, I think the talks could start tomorrow. If it would help having departmental officials involved in resolving that, then yes, but as long as their position remains absolute,



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"This train has to be cancelled unless we have one of our members on it," that opportunity is not there. It is a great shame.

Q53 **Huw Merriman:** I want to touch on the contract itself. Within the terms of the contract there is a concept that allows, effectively, a waiver for breach of performance in the event that there is force majeure. Ordinarily one would expect that to be an act of God, such as an earthquake or that kind of event. With all due reverence to the leader of the RMT, I would not have thought that his action would constitute an act of God. In that sense, the Committee asked whether the unofficial industrial action constitutes force majeure, therefore giving the rail company a holiday for performance breaches. We have not yet received a response. I would be interested as to whether the Department has assessed that as acceptable under the terms of the contract or whether there is still some work to do. If there is, how long will it take to complete?

Chris Grayling: Let me ask the permanent secretary to say a word in a moment about the process. I will deal with the principle, first and foremost. I am not, and would never be, afraid to remove a contract from someone. Indeed, when I was Secretary of State for Justice I dealt pretty summarily with G4S and Serco over the tagging issue and they were then subsequently unable to take part in the tender process for transforming rehabilitation. I am not going to take any nonsense from somebody who is culpably not delivering, and people should not think I am afraid to withdraw a contract.

In order to withdraw a contract I have to be confident that what would be happening instead would be at least as good, if not better, for the passenger. Right now I look at the situation and listen to the calls, "Take back control of this franchise. Give it to TfL" or whatever. The first question I ask is, "What would that change?" We would then have to assemble a new management team. We would have to take control of the situation. Would that actually affect the nature of the dispute on the table, unless we said to the union, "Fine, okay, we give up"?

It is not a straightforward decision. Even if you are in a position where you have the ability—I will ask the permanent secretary to say something about the actual process—you have to decide, "If I do something like this, does it actually help things for the passenger?" I have huge sympathy—total sympathy—and I am really sorry that this is happening for passengers in those areas. I would bring it to a stop tomorrow if there was a straightforward way of doing it. It is not my choice; it is the management. I am not directly involved. If we have to accept the principle that the unions should have the right to decide when a train is cancelled or when it is not, that is quite a big step for the whole rail network and not just for this company.

Q54 **Chair:** Before Mr Rutnam talks to us about process, I should focus your attention on a key problem that emerged in relation to that, while this Committee went about its work trying to find out not just what had gone wrong—we knew from passengers what had gone wrong—but whether



the train operating company had in fact breached its terms of contract.

First, a very senior official came to this Committee and could not answer a simple question about that. There was an almost casual disdain in the way the response was given. It was totally unsatisfactory. Secondly, this Committee had to persist and persist to find out whether the benchmarks had actually been breached. We had a protracted correspondence with the Department. We did not get clear answers. We pursued that correspondence because we, as a Committee, were not satisfied. That had to be followed up by a meeting between myself, the Clerks and officials in the Department. It was only by going through that process that we managed to get the information, which showed absolutely clearly that the train operating company had breached its terms of contract. The remaining issue is whether force majeure exists and whether therefore it was not the company's responsibility to have done that. Despite asking questions in this Committee of senior officials, and then a long correspondence, we had to persist in that way before we got to the truth of what was happening.

That is not a satisfactory way for the Department to behave. Mr Rutnam, I do not know if you thought you were going to give some technical statement of process. I do not think that is helpful to us. What I want to know is: why did officials act in that way in relation to this Committee? Is that ever going to happen again? I hope the answer is no. We persisted and we started to get to the truth, which in the end we identified, but there is still the outstanding question of the force majeure issue. That is still unresolved.

We have questions on that. We found that one of the reasons why a decision had not been given was that the train operating company had not given the necessary information and, as far as I know, still has not given it. There seemed to be no effort from the Department to try to get it in a timely way. We are talking about a service that has broken down. Passengers cannot get to their destinations. The big question is, has this company breached its terms of contract? Why did this Committee have to fight in such a way to get to the truth, when we should have been given straight answers to straight questions? Could you answer me that?

Philip Rutnam: I will comment on that, and I hope I will not give too technical an answer. First of all, in relation to your concern about the exchange of information between the Department and the Committee I can only apologise that the exchanges with the Department—whether with officials here or in the letters subsequently—were unsatisfactory. I have obviously looked into the matter since; I was not involved at the time. I do not believe there was any intention to mislead the Committee. I think there was a misunderstanding—perhaps a profound misunderstanding—about the information the Committee was seeking.

Q55 **Chair:** What kind of misunderstanding?

Philip Rutnam: There were concerns about the handling of commercially sensitive information. There was a misunderstanding about the context of



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the position in terms of the management of the franchise, so we were in the midst—

Q56 **Chair:** The context, Mr Rutnam, is that the service had broken down and passengers could not get to work. That was and is the context.

Philip Rutnam: I understand that. As the Secretary of State said, we are acutely aware that the position in relation to the performance of the company and the service being provided to passengers is unsatisfactory. The context I was referring to was the context within the Department of trying to understand the causation, and in particular whether what you referred to in terms of breaches of contract really were breaches of contract. In fact, if force majeure applies, they are not breaches of contract. The company may not be delivering a service that complies with the benchmark set out in the contract, but if it is a matter of force majeure, it is not a breach. I think there was a misunderstanding around that point.

Q57 **Chair:** That is your answer to this Committee today. I find it extremely difficult to accept. The benchmarks were clearly breached and when we asked the question we were not given a straight answer. We, as a Committee, had to persist through correspondence and meetings to get to the truth.

Philip Rutnam: As I said, I am sorry that the exchanges were unsatisfactory. We will clearly want to learn from that as a Department, and I will be taking that forward. I give the Committee a reassurance that that is not how the Department would expect in general to conduct its relations with the Committee, which obviously we value very highly.

If I could pick up the question of whether it is force majeure or not, which I think caused some confusion earlier, you are right, Mr Merriman, that we have not yet reached a decision on the extent of force majeure. It is important to understand that that is a complex thing because it is not binary. The operator is under obligations to meet all the terms in the contract unless there is force majeure. If there is force majeure, the operator is also obliged to mitigate the effect as far as reasonably practicable. That is an analysis that we are still going through. It is an analysis which is complex and on which rides a significant amount of public money, as well of course as our approach to seeking to get the greatest value from rail franchises in general.

I am sorry we have not reached that conclusion. I would like to reach the conclusion, but in the Department my message to the team is, "You need to do this work thoroughly and effectively, and you need to get to the right answer, not a quick answer."

Q58 **Huw Merriman:** Thank you for that. I should state from the outset that I was not calling for Southern's franchise to be stripped. I agree, for what it is worth, that it would make things much worse rather than better.

With respect to the clause in the franchise agreement itself, I have read



through it wearing my lawyer's hat and it struck me as incredibly broad. The definition is circular. The concept of unofficial industrial action is not defined at all. I am surprised it has taken the Department so long. The way I look at it, it would be a slam dunk. If a train operator could demonstrate, for example, that it had been to ACAS, it would have taken the steps reasonably required of it to solve the dispute.

My concern is that the template—I assume it is the template contract for future train franchises—needs tightening up. It looks as if there is a danger that, if you are a train operator and you are failing to perform, you could end up provoking industrial action and get yourself a holiday. I am not saying that is happening with Southern at all—I think they are doing well in difficult circumstances—but that is the danger of that contract. It would be good to have some reassurance that future agreements will be looked at as well as the present ones.

Philip Rutnam: You are right, first of all, that this is a template clause. It is fairly standard in the industry in terms of agreements.

Q59 **Huw Merriman:** It never used to exist. I looked at the previous agreement and it does not exist. I dare say somebody has done a great job for the train operators and it now exists as standard.

Philip Rutnam: I have not traced the full history of it. I think it has existed for some years, and it is a standard clause at the moment. The more important point is that you are also right that one of the issues thrown up by this quite exceptional and very challenging set of circumstances is whether that clause is right. We need to think about the drafting of it. There is also the economic construct. What is the risk that really should be taken by our supplier in this context? We will be reflecting on that. I cannot promise changes, but it is definitely something we need to reflect upon.

Chris Grayling: It is one of the things I have very much in mind. The strike action and the unofficial action is the lion's share of the challenge, but on top of that we have the issue I described of dysfunctionality. We have the issue of reliability of the infrastructure. We have a railway that is operating so close to capacity that if anything goes wrong it is a problem.

I keep a particular watch on what happens to this network. We have had trackside fires. We have had collapses of sewers. You get signal failures and people under trains. The knock-on effect on a railway that operates so close to capacity means that almost anything going wrong is very significant. We will have to find a way of addressing this for the future. There is no quick-fix solution. When we have this dispute out of the way, and I'd love to think that will happen imminently, we need some really serious, long-term—not too long—strategic thinking about what we do with the route and how we make sure that from the passengers' point of view we start to address some of the root problems.



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We have a bit of a perfect storm. We had the creation of a new franchise, the Thameslink structure and the works at London Bridge all coming together with an industrial dispute. That has made this much worse. There is no doubt that the throughput through central London with Thameslink services, once they are working, will make a big difference. There are still some long-term issues that need to be addressed, and we need to get ahead with dealing with those in the shorter longer term rather than the longer longer term.

Q60 Chair: We were told by Go-Ahead in this Committee that the train operating company was in daily contact with the Department. Does that mean that the Department were more involved than you would like us to think in dealing with the industrial dispute issues?

Chris Grayling: We are not involved in directly dealing with the industrial dispute issues; nor should we be. This is a matter between the management and its staff. What we are doing, as you would expect, is keeping a very close watch on things. We are trying to do everything we can to encourage things that will deliver a settlement. For example, as a result of discussions that took place, the company proposed that on the issue of ticket offices they would trial the approach they were planning before moving ahead with it. If there are sensible things that we can encourage them to do that will improve the situation, we will do that, but I am not planning for us to get directly involved in the industrial dispute and negotiations and all the rest. I am not convinced that that would be for the best. There is a danger that it might then turn into a battle between the unions and the Government that would make things worse rather than better.

Q61 Chair: Are you saying that the Government were not directly involved?

Chris Grayling: We are not shaping the strategy, no.

Q62 Chair: Let me turn to devolution, another area where there has been some speculation about what the Government's view might be. Are you supportive of the northern powerhouse and Midlands Connect?

Chris Grayling: We are supportive of the northern powerhouse and Midlands Connect and supportive of regional involvement. We have to find the right balance between having a strategic transport system and a strategic overview of our transport system by making sure that there is also strong local involvement where it adds value. To my mind, the test for devolution should be, "Does this actually provide a better service for passengers?"—not just a better service for passengers in the area covered by devolution but a better service for passengers on road, bus or tram users in the areas covered by the devolved package without affecting people negatively outside that area. If it improves things, fine. If it is moving deckchairs so that different people can take control of different things because they would like to, that does not work. What I will always do in looking at any proposal for devolution is say, "What difference does this make to the travelling public? Do you have the



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money to deliver it? Do you have a clear plan to deliver it? Will it happen in a way that enhances the experiences of the people you are talking about without having an adverse effect on others?" If a package does not meet those tests, we should not be doing it.

- Q63 **Graham Stringer:** But how can you tell before the power is devolved and the decisions are made by somebody else?

Chris Grayling: It depends what the plan is.

- Q64 **Graham Stringer:** If you are really devolving power, you will not know every decision that is taken.

Chris Grayling: They have to make a case for devolution and explain how it makes a difference. They cannot simply say, "I'm doing this so you can do that instead," without any sense that this is going to make things better. The public sector has a habit of moving the deckchairs around. Too often over the years we have heard, "Let's get rid of this organisation and create another organisation," and all you do is end up paying people off or moving deckchairs around. That does not add any value.

- Q65 **Chair:** What does that mean for organisations such as Transport for the North—there are not many of them—which are now being set up? Does it mean that you would not accept that they, when properly set up, can take their own decisions about transport in the north? Would you want to assess individual decisions?

Chris Grayling: Not every single individual decision, but if we are going to devolve power and responsibilities for a particular competence, we should at least do so against a plan to improve things that is obviously deliverable.

- Q66 **Graham Stringer:** I understand what you are saying, because we all want better services, whether devolved or centralised. If you are saying that you will only decentralise when you have approved the decisions that are going to be made, it is not devolution, is it? I can think of some terrible decisions that central Government have made and, having been involved in local government, some terrible decisions that local government has made. If we could predict these things and always get the best service, we would all probably be a lot more popular with the public. What I understand you to be saying is that you will only agree with devolution when they have agreed with you.

Chris Grayling: No. What I am saying is that, if we are going to hand over responsibility for something that we are doing, it will take time and effort to organise and it will involve a reshaping of organisations, but there has to be a material benefit to the end user afterwards. Surely that is common sense. If somebody is coming to me saying, "I want to take over from you something you are doing," is it unreasonable for me to say, "Well, prove to me you can do it better"?

Chair: That sounds to me a little as if we are going a bit backwards,



because those discussions took place before Transport for the North was set up.

- Q67 **Mary Glendon:** Secretary of State, if the reason for the northern powerhouse is to correct the imbalance between the north and south economies, how can that be achieved until the call for a more equitable per capita spend on transport is realised? The difference between the south-east and regions like mine is hundreds of pounds per capita. What can you do to address that? It is fundamental to how transport can support a northern powerhouse.

Chris Grayling: If there is a disparity right now, it is almost entirely due to Crossrail. That distorts the numbers. If we were doing a major east-west route in the north right now, it could equally be the other way round. The important thing is to make sure that we have resources around the country that, to coin a phrase, make sure we have an economy that works for all.

Philip Rutnam: The Secretary of State makes a good point about how the figures can be affected by particular large and rather lumpy investments. If memory serves me, in this Parliament the Government are spending some £16 billion on capital investment in the north, including a whole number of major road schemes, as well as, of course, major rail schemes. I understand the concern when one looks at the high level of figures of spend per region per head, but when you actually look at the schemes we are supporting, we support a very large number of transport schemes, not just in the north but also in the midlands, the south-west and East Anglia. Looking at it bottom up, you get a very different picture.

- Q68 **Mary Glendon:** The emphasis is on major schemes and the links between road and rail and major cities. Where does that leave local transport connections and the situation for people in more rural and semi-rural areas?

Philip Rutnam: You make a very good point about the importance of local transport. A very high proportion of journeys are either entirely or largely on local transport networks; local roads and local buses carry more people than the national rail network several times over. Local transport is extremely important. The Department's general approach to local transport is to seek to provide a sizeable amount of capital funding—in total, the Government provide about two thirds of the capital funding for local transport—and to give local authorities as much freedom as possible in how to use the funding. It is the whole philosophy of devolution, removing ring-fencing around grants and trying to provide significant continued funding for local transport.

Chris Grayling: One of the things I said in the speech I gave at the Transport awards last week was that we need to focus more on smaller projects. While I am Transport Secretary, you should expect us to do more things that you never see or hear; they will be things that never



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make it to the papers because they are smaller schemes that have a local impact. We can gain more bang for the buck by, for example, junction improvements—whether on road or rail—simple road schemes and simple rail schemes that ease congestion points. We need to spend at least as much on those as we do on major projects.

Q69 Chair: Are you planning to look again at the remit of Transport for the North?

Chris Grayling: The remit of Transport for the North is still in development at the moment. I am not planning to row back from where we are at the moment, no. I am a Transport Secretary who has lived in the north and wants to see better transport systems in the north. There are clearly places where things have to be much better. The connectivity between northern cities is not good enough, for example. I hope the suburban rail services into Manchester will be much better as a result of the Northern franchise, but from my years of living in Cheshire or having family in Cheshire I know that routes that would be really busy commuter routes into London are not in Manchester, and that is true in a number of cities.

There are clearly things that we need to do to improve the situation. The presence of a local transport authority saying, "If we did that, this and this, we could make a real difference" is absolutely valuable. I am not planning to get rid of Transport for the North or stop them doing what they are doing now. What I am saying is that before we start to make major changes to where responsibilities or management structures lie there has to be a good reason for doing it. I am not a believer in change for its own sake.

Q70 Chair: Across the northern powerhouse, £13 billion-worth of projects for improvements have been identified. Are you still going to support those?

Chris Grayling: Yes. At the moment, if you look at what is happening in and around the north, one of the things that is gratifying from when I sat on this Committee, and indeed when I was shadow Secretary of State and used to travel around the county supporting candidates and Members of Parliament, is just how many of the schemes I went to visit are now being built. The improvements to the A1 in the north-east and the link road between the M56 and the M6 are just two examples. There are rail improvements taking place around Liverpool. All of those are things that are long overdue. The one thing this Government cannot be accused of is not getting done some of the things that should have been done many years ago.

Q71 Iain Stewart: Following that discussion, I would be interested in your thoughts on what you see as the best policy process for regional transport infrastructure that crosses different local authorities in parts of the country where there are no plans to have a devolved body, such as in Greater Manchester or the west midlands. As an example, looking at the Oxford to Cambridge corridor, where there are certainly transport



projects like east-west rail and the Oxford-Cambridge expressway, those would have to sit alongside other projects on housing, 5G infrastructure, public services and the like. If there is no devolved body co-ordinating all that, who takes the lead and what would be the process for co-ordinating all those different projects?

Chris Grayling: A lot of the input on schemes like that comes from the local authorities or the LEPs. Don't forget the LEPs. They are a powerful influencing group representing the business community and talking to government, both nationally and locally, about the things that can make a difference. I do not think there is any doubt about the effectiveness of the local authorities and the LEPs in that area in making a difference. I personally regard the east-west corridor as a very big priority and plan to say more about it shortly. In many respects, east-west links—I say this about the north of England and further south—are what we should be paying particular attention to in the years ahead. We are doing some; the improvements to the A14 are a good example of where we recognise the importance of east-west links. We need to make east-west links a significant factor in our prioritisation of the future.

Q72 Iain Stewart: I absolutely agree with that. The National Infrastructure Commission is currently working on how we maximise the potential of that corridor. Once it produces its recommendations, some of them will be your Department and some will be DCMS; others will be DCLG and so on. I am interested in knowing how all those projects then get taken forward. Who co-ordinates them? Is it a Cabinet sub-committee or does the NIC get official status?

Chris Grayling: There are discussions taking place at the moment. I want to create a greater joined-up approach. In a nation that needs to build more houses, how do we use transport development to open up housing development? There is actually a discussion taking place between my Department and the DCLG about precisely that at the moment. We need to take a more joined-up strategic approach.

Sometimes it can be done with the input of Transport for the North, for example. Sometimes Transport for the North is the best body to take the lead and say, "Look, here is a strategic opportunity we need to open up." Whether that is funded regionally or nationally, ultimately the funder needs to be pretty heavily involved in what is decided. Where there is no sub-regional body, it does not stop a sensible, grown-up discussion between Government Departments, local authorities or local Members of Parliament to work out what is best. Some of those things are blindingly obvious. The opportunity to open up housing developments where simple transport links could make the difference is precisely the kind of area I was talking about, where small schemes can make a real difference. That is what Mr Quince was saying earlier about an improved station, for example.

Q73 Martin Vickers: On the same issue, Secretary of State, are we in danger of getting a bit too top heavy in the number of organisations that are



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seeking to influence policy in a region? In Lincolnshire, we are, I hope, just about to have a devolution deal where there will be a combined authority and an elected mayor. Part of Lincolnshire is in the Midlands Connect area. Part of it is in the northern powerhouse. Transport for the North is responsible for only a little bit of Lincolnshire. Obviously the individual local authorities will have their own views. If they cannot come to a fixed position on a major scheme, are you prepared to intervene and overrule the devolution deal?

Chris Grayling: I am not going to overrule a devolution deal. This goes back to my point to Mr Stringer and the tests for the decision to devolve. If there is a new body that says, "I want to take control of X," what they sensibly need to demonstrate is the value that they will add, but also the fact that they can do so without an adverse effect on their neighbours, because transport systems do not stop at a boundary.

I am very open to doing things that will improve things for the travelling public, but I do not think you can just give carte blanche and say, "Right, give that there, that there and that there." It has to be done in a careful way. You are right that there is a multiplicity of bodies out there trying to have a view on these matters. We have to approach what we do with great care.

Q74 **Chair:** What will Brexit mean for EU-US open skies policy?

Chris Grayling: This is one of the factors we will have to deal with. On the Brexit point, the aviation situation is the most important. In most areas, our transport system is pretty unaffected one way or the other. The interaction between our rail network and the European rail network has been HS1 and that is it. There will be discussion about customs rules, but I expect road transport to move normally. Cars and trucks travel around Europe whether they are inside or outside the European Union. The key issue is about aviation. My expectation and my intention would be that we retain the open skies arrangement for the United States. I cannot conceive of any US Transport Secretary who would not want that to be the case.

Q75 **Chair:** They might want it to be the case, but will it happen? Can you tell us how you are going to address that?

Chris Grayling: Obviously we have to wait for a new Administration. I have already had informal conversations with my current US counterpart, but there is a new Administration due to come into office in the first part of next year. I intend to go to Washington soon after the Administration is in place to meet my new US counterpart. That is precisely the kind of discussion we will be having. I expect to have a constructive and sensible discussion. It will clearly take place outside the Brexit negotiation process, but I am absolutely certain that both the United States, and indeed other countries where there is this issue, will want to make sure there is absolutely no hiatus in air travel between the two, and that whatever we decide happens seamlessly on the date of Brexit.



Q76 **Chair:** Will the UK still be part of the European airspace arrangements?

Chris Grayling: That is something that will need to be addressed as part of the Brexit negotiations—what our relationship is with EASA and what the aviation arrangements are. I have had informal conversations with other European Ministers, and indeed with the Commissioner, but it is something that will have to be part of the negotiating process in the next few months. I cannot give a detailed update on that or a running commentary; suffice it to say that my expectation is that it will be in the interests of everyone involved for aviation to continue to function in the way it does now.

Q77 **Chair:** How will that be handled? Will there be opportunities for this Committee to be involved in knowing what is going on? Will you be at the helm or will it be somebody in the new Department?

Chris Grayling: I am expecting the Department for Exiting the European Union to take the lead on that, obviously with the input of my Department, as it one of a broader range of issues that will need to be negotiated. As and when we are able to say more, no doubt both I and the Secretary of State for Exiting the EU will be willing to talk to this Committee. I simply say that we are already very apprised of the different issues we have to address and very focused on delivering the right outcome.

Q78 **Huw Merriman:** During the bumpy ride over the last couple of months there has been talk from the Government that in the autumn statement there may be some relaxation on spending and that infrastructure projects may be the beneficiary. Is there a likelihood that the Department looks back to projects that were cancelled in 2010 as a result of the austerity programme? I just throw in the A21 dualing down to Hastings as an example, if I may.

Chris Grayling: A random example.

Huw Merriman: Will there be a correlation, or is it something that the Government already have in mind in terms of transport projects that they are ready to announce in the autumn statement?

Chris Grayling: Clearly, I cannot anticipate the autumn statement, but I can say that as Transport Secretary I would obviously be perfectly happy to accept additional resource that we can put into the modernisation programme that we are currently undertaking. Clearly, if we were to take steps that were linked to the economy, I am sure that we would want things that were easy to deliver and that could make a difference rapidly.

Q79 **Chair:** In the departmental plans it is anticipated that there will be a 37% cut in the resource budget by 2020. Is that sustainable? What is going to lose out?

Philip Rutnam: You are obviously referring to the outcome of the spending review in 2015. The single biggest factor in the reduction in resource spending is a switch in the way we fund Transport for London.



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There is a reduction in the resource funding going to Transport for London, which has been taken into account in TfL's new plans for funding under the Mayor. There is a reduction in our resource funding for Transport for London.

There are also some significant efficiency gains. For example, the amount that we pay DVLA to administer driving licences and vehicle excise duty has gone down, in part because DVLA is managing to make a switch towards the use of more technology and IT, which reduces the cost of providing services. There is a mix of things in the reduction in resource spending, but the single biggest one is the reduction in the resource grant to TfL.

Q80 Chair: How important is funding from rail franchising to the Department? There are signs that it is now less competitive and that fewer companies are interested. Are you going to get revenue from that?

Philip Rutnam: The way that the Department's finances operate is that the net payments to and from rail franchises score in our resource budget, in our revenue budget. That is another reason why the resource budget is declining. Our projections on the basis of the awards that we have made and the continued growth in rail revenue mean that we anticipate growth in net rail revenue. That will feed through into reducing the Department's net revenue spend.

You asked about the sustainability of franchising. We continue to find a lot of interest in rail franchises. We are always aware that there is a risk that the market will be thinner than we would like. We are active in seeking to make sure that that is not a risk that materialises and that we have enough competition for rail franchises. That includes talking to potential bidders around the world to emphasise the attractiveness of the UK market and widen the circle. Recently, we have had entry from additional overseas operators to our competitive process, with some from Japan, for example. It is a risk, but it is a risk that we continually monitor and, thus far at least, have mitigated successfully.

Q81 Chair: Is it still Government policy to use profits on franchises to support less profitable services elsewhere?

Chris Grayling: In overall terms, the passenger rail sector is, effectively, a collection of different businesses. Ultimately, we have a level of public subsidy that remains in the mid-range of high by historic standards. We have passenger rail franchise money coming in and then we have Government funding going into the rail system. It is our intention to make sure that there is a sensible balance between the fare-paying public and the public purse in supporting the industry, whatever the actual vehicles for getting that money there.

Q82 Huw Merriman: Apologies, I am going back to the GTR issue again. With respect to the cost, and because the contract sees the Department ultimately taking the risk and reward, how much is the GTR situation



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likely to cost the Department for Transport in lost revenue? How much has it cost and do you have any projections?

Chris Grayling: I cannot give you an exact figure at the moment. I can tell you that GTR are not making any money on this exercise now. In terms of the actual impact on the Department, I do not yet know the total figure. I am apprised of the need to respond to this. One of the reasons I went for the Delay Repay 15 announcement is that I am acutely aware of the fact that passengers are not getting the best value for money at the moment.

Q83 Chair: There is some concern about Government policy on cycling. We had an assurance some time ago from a previous Minister that spending on cycling would increase and would be £10 per head. That does not seem to be happening. Can you tell us what the policy is?

Chris Grayling: The policy on cycling is that we have not changed our plans since I took over as Secretary of State. I am very supportive of the cycling revolution around the country. It is very noticeable and very clear that cycling is playing a more and more important part in our transport system. Of course, a lot of the responsibility for that lies at local level and with local funding sources. I believe that we need to continue to provide resource to improve cycle links, and in particular to improve interoperability; for example, much better provision of cycle facilities in and around stations eases pressure on local roads from commuters driving to the station in the morning. There is not going to be any backing away from cycling as part of our transport system while I am Secretary of State.

Q84 Chair: Is the target of £10 per head still there?

Chris Grayling: To be frank, I have neither backed away nor accepted it. Nothing has changed in terms of what our funding plans are for cycling.

Q85 Chair: What about walking strategies? Is the Department interested in supporting walking?

Chris Grayling: Yes, but once you get to walking plans, it really is a local matter. I am absolutely in favour of getting people to walk more, and to use cycling and walking as a way of doing short journeys in and around our towns and cities. A lot of the practical solutions to improve conditions for pedestrians are very much local decisions for local councils.

Q86 Mark Menzies: You cannot pick up a newspaper or switch on the TV without hearing about trade, how important it is going to be going forward and what we are going to do to increase trade and so on and so forth. I would like to understand from a Department for Transport point of view what measures the Department for Transport is putting in place to ensure that we have secure merchant shipping routes.

I say that in the light of the recent move into bankruptcy, liquidation or protected status—whatever you want to call it—of the South Korean shipping company Hanjin, which was one of the biggest in the world with



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a couple of hundred merchant vessels. I also say it in the light of the fact that the UK is No. 19 in the world, with 0.8% of tonnage for shipping registrations, and that we are a country increasingly dependent on importing raw materials such as LNG; I think about 40% of our gas is now imported.

What steps is the Department for Transport taking to ensure that we are looking at British merchant shipping? How will we handle the registration of shipping and how will we ensure that supply routes by sea are secure and not subject to international whims?

Chris Grayling: I will ask the permanent secretary to say a bit about this as well, but there are three factors. The bankruptcy was very regrettable. I feel deeply sorry for the seamen and women on those ships. They have been through an extraordinary and worrying ordeal in the last few weeks. It is the case that there is plenty of capacity in the international market at the moment, which is why that happened. That is beyond the ability of Government to impact on, and I do not yet draw the conclusion that there is a long-term problem that will materially affect our ability to get the goods we need into and out of the United Kingdom. It is something we need to watch carefully, although quite what levers you can use if the problem gets worse I do not know. This is very much an international business.

I am always happy to look at ways in which we can attract more tonnage to be flagged in the United Kingdom. Good work has been done in the past, and it is one of the areas where there is cross-party agreement. The work done by the last Labour Government to increase tonnage in the United Kingdom was positive. The increase in the number of UK-flagged vessels was very positive. We are helped by modernisation, and I am looking forward to the opening of Liverpool2. The developments on the Thames and the ability to take the larger ships of the United Kingdom still leaves the United Kingdom as a viable part of the major trade routes.

The security issue was the other point; suffice it to say that we watch that very carefully. I watch it very carefully. I have regular security briefings, not just in security of business terms but in security of shipping terms. We keep a careful watch generally on security matters around the world, too.

Philip Rutnam: I would add a couple of things to what the Secretary of State said. You are absolutely right, Mr Menzies, to highlight the importance of the sector to the country in all those respects. The two things I would highlight in addition are the maritime growth study that we published not long ago and the way in which the Government are taking forward their role in relation to the maritime growth study. The study identified the need for stronger industry leadership, as a way of bringing together a rather disparate sector with lots of different industry bodies. It talked about the need for a strong industry voice encompassing not just the shipping industry but maritime business services, in which



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the UK is clearly the world leader, as well as maritime manufacturing and exports and so on. That is one strand.

The study also talked about the need for the Government to accelerate the commercialisation of the shipping register to make it more customer friendly, and a more responsive service, without in any way diminishing or altering the standards to which it operates, which are clearly among the world's best in safety and certification. That is something we are taking forward very actively as part of a wider reform programme for the Maritime and Coastguard Agency. There is a whole strand around the maritime growth study. It is a strong agenda that we are actively taking forward.

The second thing I would highlight is the UK's role at the International Maritime Organisation, based, of course, just across the river from here, and the importance of our role at the IMO in concert with other major shipping countries in addressing issues, whether security or the need to reduce the carbon footprint—the environmental impact of shipping. We are very active players at the IMO.

Q87 Mark Menzies: To follow up on that, are there any countries around the world—for example, Singapore—that you think are doing interesting things on how they approach the issue of registration and tonnage management? Are there learnings we could take from anyone overseas?

Philip Rutnam: There is always learning to be taken from countries overseas. Shipping is very much a global business. We are watching Singapore closely and I think Singapore is watching the UK closely. There are developments such as London international shipping week, which began in 2013 and had huge success in 2015. I am sure we will have another huge success in 2017. I know that those things are being looked at with some envy and admiration around the world. Yes, we are certainly looking at Singapore closely.

There are also things to be learned from other EU countries. Clearly the UK's environment will change in the future with Brexit, but at the moment it is interesting that countries like Denmark or some of the southern European countries have managed to grow their fleet in the shipping register more markedly than the UK. There are things to be learned from a number of places around the world.

Q88 Mark Menzies: Secretary of State, on the subject of shipping, what are your views on the royal yacht Britannia?

Chris Grayling: That is a matter that does not fall within my brief, and I have no doubt—

Chair: I think we will let that rest there.

Q89 Stewart Malcolm McDonald: Apologies for my late entry. I almost feel as though I am being trolled by that last question.

Secretary of State, welcome to your new position and to the Committee.



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There are a couple of things I wanted to pick up with you that may be slightly off the agenda of things we have been talking about. The first one is in relation to the Vauxhall Zafira models that have been going on fire around the country. What kind of deal are you trying to get for those affected by this?

Chris Grayling: I will pass that one to the permanent secretary as he has been involved in it for longer than I have.

Philip Rutnam: I am afraid I do not know what kind of deal we are trying to get.

Q90 **Stewart Malcolm McDonald:** Have you spoken to anyone who has been affected by it? There are over 300 in this country whose car has gone on fire.

Philip Rutnam: No. I am well aware of the issue. The aspect I have been involved with is talking to the chief executive of the Driver and Vehicle Standards Agency, which obviously has been the entity of Government and the part of the Department most involved in trying to understand what the technical defect is, and why, when Vauxhall thought the defect had been sorted the first time, it had not been sorted, and making sure that Vauxhall GM has the right programme in place to remedy the defect and make those vehicles safe. I have talked to the chief executive of the DVSA and have had reassurances from him about that. I am afraid I just do not know what the position is in relation to consumer compensation and consumer rights.

Chris Grayling: It is being handled by one of my ministerial team. If you like, I will get him to write and give you an update.

Q91 **Stewart Malcolm McDonald:** He has already done that, but here I am still having to ask some questions. The Zafira model is very popular with families with young children.

Chris Grayling: It is.

Stewart Malcolm McDonald: People have been in touch with me who have had to cancel holidays at great expense. People have been in touch with me whose children rely on regular visits to hospital. They are fearful to use their car. People have been in touch with me who have had near-death experiences in what they call death traps, quite understandably. I am trying to get a message to those people from Government that you are trying to achieve something for them, because they are banging their heads at a wall as far as Vauxhall is concerned.

We had a short session in this Committee, which has given them some hope that it is being taken seriously. I am really looking for you to give them some confidence—not necessarily financial compensation—that you are trying to do something for them, for the terrible ordeal that many of them have gone through.



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Chris Grayling: It is clearly unacceptable that people should be scared about whether their car is safe or not. The DVSA has responsibility in this area. I am aware of the issue, but I will be absolutely frank and say that it has not been at the top of my personal agenda as there has been so much to do in the last three months. As you have brought it up now, I will make sure that I take a personal interest in it.

Q92 **Stewart Malcolm McDonald:** Excellent. The other element I wrote to you about—it was the PPS to Mr Hayes who responded—was in relation to the Volkswagen emissions scandal. The letter sent to me said, “The Department is considering all possible options to reach a resolution and is considering appropriate legal consequences as well.” Can you give any update on that?

Chris Grayling: The position is multifaceted. First of all, on an international basis, within Europe the Germans are taking the lead on it. I have met and discussed the issue with my German counterpart. We are both seized of its importance. Of course, what makes the most obvious material difference between us and the United States is that, whereas in the United States the company has accepted that it cannot deliver a fix that brings the cars back within the rules, in Europe that appears not to be the case, so the legal position is slightly different. That does not mean we are taking it any less seriously.

John Hayes has also had a series of meetings with the chief executive of VW in the UK. As regards the Germans, we are collaborating with them on this. They have promised to provide us with all the information that they secure from the company. We, in turn, are the regulatory authority for Skoda and will do the same in reverse. We are most immediately seeking compensation from the company for the expense that we have incurred in addressing the issue at all within the United Kingdom. We will collectively—this applies across Europe, not simply within this country—work together, first, on how we address what has gone wrong, which is utterly and unreservedly unacceptable and, secondly, what we do about it.

Q93 **Stewart Malcolm McDonald:** Volkswagen has undertaken what is called the Jones Day report, which we were told we would have earlier this year. Now it may be that we have only some interim findings by the end of the year, and it might be next year before we get a full report. What kind of pressure are you putting on them to get that report released?

Chris Grayling: We are putting intense pressure on them in discussions. John Hayes has been in contact again with the company this week. I simply assure you that we are working with our counterparts to make sure we put maximum pressure on the company.

Q94 **Stewart Malcolm McDonald:** Do you know when you can expect it to be released? Have you had any indication from them?

Chris Grayling: I do not know exactly. I have not spoken to John Hayes since his most recent contact, so I will drop you a note and give you an



update. I am very seized of the importance of this. An international company has knowingly taken steps that misled the public about the nature of the emissions from their vehicles. That is unreservedly unacceptable. It is right and proper, given the fact that most of the regulatory levers on the company as a whole lie within Germany—it is only within the UK that we do the testing on Skoda vehicles and take the lead for Skoda—that we work with the Germans and they take the lead. As I said, I have already had two different sets of discussions with my German counterpart about it. They are seized of the issue as well.

Q95 Stewart Malcolm McDonald: If *The Sunday Times* yesterday is anything to go by, you are going to have a lot of conversations with a lot of different manufacturers. I do not know if you saw the story in *The Sunday Times* yesterday written by Jonathan Leake about all sorts of fancy new defeat systems that are being deployed by Renault, Mercedes, Ford, Vauxhall and Volkswagen. Lots of companies are cheating the system in enormously fancy ways, even beyond anything that came out in our evidence sessions during our inquiry into that very issue.

I understand that you have enormous issues to look at in terms of Brexit and what it will mean for the sector, but one of the opportunities you have is to strengthen the regulatory regime that we have. At the minute, the industry is running rings around Government and regulators, and the public are paying the price in terms of the environmental impact. They are being conned. People are being told that cars are green and clean, but they are not, and that is happening on your watch.

Chris Grayling: If the industry does not get to grips with the problem, there will be a big price for it to pay in the years ahead. Clearly the standards around emissions, particularly NOx emissions, are already tighter and will inevitably get tighter in the future. We have to take steps to clean up our air, both in this country and elsewhere. Other countries are equally seized by the importance of this. Those vehicles will simply not be able to be used in many places in the future if they do not get to grips with the issue. Simply putting in defeat devices may get them through the tests, but when it comes to roadside measurement of emission levels, the car fleet will fail the test. The manufacturer will end up in a place where they cannot sell their vehicles any more. My view is that they need, as a matter of urgency, to address these issues and deliver cleaner vehicles.

We cannot have a situation going forward where the air quality issue is as serious as it is today. I am looking at them to sort it out, as are other countries. It is not just about defeat devices; it is about improving technology and creating greater diversity of the car fleet to make sure that we do not have these problems in the future. We are seized by this. I am very concerned about it. We have to get the regulatory structure right, so that the tests are legitimate. We are moving to a different approach in testing so that there is much more rigour. This is something we have to get right.



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Philip Rutnam: It is important to say that I do not think we can confirm the veracity or validity of those claims. Obviously, we will look at those claims alongside other claims that may be made. As the Secretary of State has just said, this is an area that we monitor very closely.

- Q96 **Stewart Malcolm McDonald:** Part of the problem is with the regime itself. With lots of the defeat systems that are being used by manufacturers, the response from them is that it is entirely legal; they are altering the temperature of the room, for example. There are all sorts of fancy methods, such as things called thermal windows, to alter the temperature. All those things are happening within the rules. Given that you are looking to change that framework to ensure that they cannot get away with that kind of thing, what are the top one or two things that you would want to see changed?

Chris Grayling: My view is that this is all about outcomes and not about the how. We cannot pick technologies. We cannot back individual bits of kit. What matters is the end point.

- Q97 **Stewart Malcolm McDonald:** Sometimes they are just sellotaping up the air-con units. It is hardly advanced technology.

Chris Grayling: But what matters is the end point, which is that when we put a sensor by the road to measure emission levels, over the next few years we see emission levels come down and down. It is not for me to say we should use that bit of technology or this bit of technology, but that is clearly where we have to go. We are going to be much more stringent. There will be low emission zones. There will be ultra-low emission zones around in this country and elsewhere. It is for the manufacturers to decide the best way of meeting the standards. It is not simply a question of meeting the standards in a laboratory. It is also a question of meeting the standards out on the roads.

Philip Rutnam: There is one important point about the way in which the testing regime is developing. The introduction of tests based on real driving emissions is now agreed policy in the UK and around Europe. That is the next step that will help us to bring the rather theoretical world of the vehicle's performance in the factory and the laboratory test much closer to what will happen in the real world. Going forward, the focus has to be on tests based on real driving emissions.

- Q98 **Robert Ffello:** Of course, heavy goods vehicles already use real-world conditions.

I have a couple of quick questions. First, the freight industry is a particular passion of mine but it is probably the biggest industry in the UK. It is an enabler of everything, from the glasses on the desk to everything we do in this country and beyond. I was slightly disappointed, Secretary of State, that you did not mention the freight industry until the last but one page of your recent speech. The focus, for understandable reasons, certainly seemed to be on passengers.



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Chris Grayling: I did mention the freight industry though.

Robert Ffello: But it was on page 7, the last but one page.

Chris Grayling: But it did get mentioned.

Q99 **Robert Ffello:** I would like to see it on page 1 in the future. That is where I am coming from. In the Department at the moment, you have a rail freight Minister. Indeed, he has just brought out the first rail freight strategy, which is very welcome. It would be good to see some real meat in that report in the future, but it is very welcome. You have road freight with another Minister. Is there any thought within the Department that we need a freight Minister who looks at air, sea, road and rail?

Chris Grayling: To be honest, we are a team and we meet and talk all the time. I do not think we need to extract freight collectively and put it in the hands of one Minister; we have a shipping Minister and almost all of that is freight. Roads are mixed between the two. I think we just need to work as a team.

Q100 **Robert Ffello:** It will be interesting to see how well that team works.

Chris Grayling: We have a freight Minister; we have the Secretary of State. I am the person who joins it all together.

Q101 **Robert Ffello:** You nodded in agreement that it is the biggest industry in the country, so we really need that focus. On a slightly related topic, I have a question on all-lane running. Given that the Government's own figures show that it is three times more dangerous than it is under the current circumstances for somebody—for example, a recovery operator—to be working on a motorway that has been converted to all-lane running, what would it take before all-lane running gets looked at again in terms of safety? We know from evidence before this Committee that red Xs are routinely ignored by thousands upon thousands of motorists. We know, again from evidence before this Committee, that highways staff themselves will not work without a fend-off vehicle in what would otherwise be a live lane. Yet we expect hundreds, if not thousands, of people across the country literally to put their lives on the line, at three times greater risk, without fend-off vehicles and without any sort of protection. What will it take before this gets looked at again?

Chris Grayling: As the new Secretary of State I am, of course, looking at the issue carefully. I am looking at what this Committee have said and what others have said. I am having discussions. I also need to see hard evidence that these are less safe.

Q102 **Robert Ffello:** It was the Government's own figures.

Chris Grayling: At the moment, the serious incident rate is not yet showing definitive data. I want to look at this very carefully. I will not be afraid to make a change if it is necessary. Equally, I will not be afraid to defend it if I believe it is right. I will be very happy to come back and talk



to the Committee about that at a later date, but at the moment this is something I am looking at.

Chair: That is very encouraging, because it is something that the whole Committee feels very strongly about. It would be very positive if you were to look again at the issue.

Q103 **Robert Flello:** I have a very quick question about drones—to run the risk of droning on. Apparently, there is going to be some testing done on the implications for a jet if a drone is crashed into one deliberately. At the moment, this is unregulated and pretty much anybody can go into a local shop and buy a drone. We heard overnight that again a helicopter was threatened with a laser pen. Given that these things are so accessible, drones in particular, what is going to be happening in the coming weeks and months in terms of possible legislation around drone use?

Chris Grayling: There is a lot of work taking place on it at the moment. There are tough penalties already. You can get five years.

Robert Flello: But it is catching them.

Chris Grayling: Yes, it is catching them. It is also not clear that all the incidents that have been reported are actually drones. The issue needs to be approached with care. Drones have a role to play, for example, in examining infrastructure, and in other environments. We have to be very careful to make sure that there is the right regulatory environment, and I have asked the CAA to do more work on this at the moment. If we need to regulate further, we will. If we need to create additional dimensions to the current framework, we will. That work is taking place at the moment.

Chair: Thank you very much, Secretary of State, and Mr Rutnam. I am sure we will see you soon. If it is to discuss the aviation decision, it might be very soon. Let us be hopeful.