

Transport Committee

Oral evidence: High Speed Two, HC 746

Monday 12 December 2016

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Members present: Mrs Louise Ellman (Chair); Clive Efford; Karl McCartney; Mark Menzies; Huw Merriman; Iain Stewart; Graham Stringer; Martin Vickers.

Questions 1 - 109

Witness

I: Sir David Higgins, Non-Executive Chair, High Speed Two Ltd.

Examination of witness

Witness: Sir David Higgins

Q1 **Chair:** Good afternoon and welcome to the Transport Select Committee. Would you give your name and position for our records?

Sir David Higgins: I am David Higgins, chairman of HS2.

Q2 **Chair:** Thank you. HS2 has been challenged as being a waste of money and for making promises that you cannot fulfil. How much support would you say you have at this point from local authorities and businesses?

Sir David Higgins: We issued a report earlier this year. It particularly picked up the support that came from not the four major cities in the country which are connected by HS2 but from all the other cities and the 7 million people in those cities who will benefit from HS2. The document included representations from all the leaders and business communities in those cities, from Preston and Darlington right through to Crewe and Stafford. We have strong support. I spend a fair bit of time travelling up and down the country to listen to those communities and businesses. Most of them say, "Just give us certainty on stage 2." They were delighted with the announcement a month back in terms of the stage 2b route. Businesses want certainty to be able to invest and create further jobs.

Q3 **Chair:** Where would you say your strongest support comes from?

Sir David Higgins: We have always had very strong support, even two years ago when I was last at this Committee, from Manchester, particularly to the west. Over the last two years we have seen Transport for the North and northern powerhouse rail. That has all been established in the two years since the last report I issued in 2014. Midlands Engine did not exist even 12 months ago, and Sir John Peace is leading that programme. We have had very strong support, and now the midlands is coming together. The eastern leg recently issued a report that went from businesses from Newcastle right down to Birmingham.

Q4 **Chair:** What about the weaknesses? Where do you think you still have to convince people?

Sir David Higgins: Naturally there is scepticism until people, particularly the public, see things start to happen. They have heard about HS2 for a long time. It seems like a lot of money, and it is a lot of money spread over the 15 years-plus of delivery. When you put it into that context it is less, but until people see things starting to happen they will be sceptical that it is going to occur.

Q5 **Iain Stewart:** There are a lot of people, myself included, who are hugely supportive of HS2 and can see the benefits that it will deliver, but we have some concerns about the impact it is going to have on existing west coast main line services and commuter services at Euston. Can you give us an update as to where you are with your planning for that, particularly to assuage concerns people have about a repeat of the London Bridge

problems where the existing services were affected very significantly?

Sir David Higgins: You are absolutely right. Euston is an incredibly complex project. In the amendments, as it has gone through Parliament and through the Lords, we have separated it out. We will now build the six new platforms and open Old Oak Common before we touch the existing station at all. That is a change that has happened in the last few years. It means a slightly longer programme for the whole development of Euston, but we are not tearing apart the existing station before we release new capacity on the line.

In addition, we are now looking at engineering solutions that hopefully will quarantine all the work in the throat of Euston and even maybe some of the bridge modifications, if we can develop an evolving design, which will allow us to move the portal closer towards Euston itself. All the time, we are working on ways of reducing the interaction between the existing line and the new line services. We spend a lot of time with the train operating companies discussing that with them.

Q6 **Iain Stewart:** Have you reached the point of finalising an agreement with Network Rail and the TOCs as to when the work will start, what impact it will have on the current timetable and what weekend closures and longer disruption periods we might see?

Sir David Higgins: Yes. Network Rail is very closely involved with all our planning. We have a monthly meeting to co-ordinate that. The train operating companies have been particularly closely involved. Of course, we are very supportive of the Department's recent announcement about combining the early years of phase 1 operation of HS2 with West Coast, which will give us a chance, when that franchise is awarded, at least to plan the early commissioning of HS2.

Q7 **Iain Stewart:** Have you reached an agreement yet or are there still ongoing discussions? I want to be able to tell my constituents and others when the potential disruption might start.

Sir David Higgins: We are hoping to be able significantly to reduce the amount of disruption. Under the existing plan, which is in Parliament, we hope to be able to continue to evolve the design over the coming year, to reduce the number of blockades that are required in the throat of Euston. If we can achieve that through engineering refinements, it will be good news for everyone travelling out of Euston. At the moment, there is a base case in the timetable of which Network Rail and the train operating companies are fully aware. It is disruptive and it will start to happen at the end of next year, but we very much hope that we can come up with an engineering solution that will mitigate a lot of that disruption.

Q8 **Iain Stewart:** I am sorry to press you, but I want to check that those discussions are still ongoing.

Sir David Higgins: Correct; that is absolutely right. In fact, I was with the engineers this afternoon. It is technically difficult because it involves a lot of tolerances. It involves how close you can go to the top of the Northern line and how much of a slope you can put on the various

crossovers on the railway line. It is complex engineering. It is very consistent with everything we have said to the two Committees, both in the Commons and the Lords. It is our obligation to continue to work to find ways of reducing inconvenience not only to the residents of Camden but to the travelling public. Our engineers are challenged to work harder and harder to find smarter solutions to deliver a very complex station.

Q9 **Clive Efford:** When will disruption begin for passengers?

Sir David Higgins: On our current plan, blockades would happen, as with the normal programme, at Christmas 2017. We hope to be able to mitigate those, as I say, as we continue to do the work.

Q10 **Clive Efford:** We are a year away. When, ahead of that, will we have some idea of the blockades that will be in place so that people can plan ahead for journeys, buy their season tickets and things like that? How far ahead will you be able to notify them?

Sir David Higgins: Certainly 12 weeks. We hope, over the next four to five months, to be able to give greater clarity. Certainly, 12 weeks prior to travel you would know about that.

Q11 **Clive Efford:** I assume the plan is similar to London Bridge, in the sense that part of the station will be closed and other parts will be kept operating during construction. Is that the plan?

Sir David Higgins: Stage 1 is that we build the first six new platforms right beside the existing station. We do not disrupt the existing station until 2026, and then we open Old Oak Common. That takes some patronage off West Coast through Crossrail. Then we will open the six new platforms. It is only after that, at the end of 2026, that we start disrupting the existing station.

Q12 **Chair:** What is the position with Stoke-on-Trent? People there are very concerned that they could end up with a worse service than the one they have now.

Sir David Higgins: You are absolutely right. There is a long debate between Crewe and Stoke-on-Trent. A lot of work happened in that area over the last year to look at the economic benefits. People have realised that it is not so much where the actual station is but how you get to the station and the services that connect to the station. The Government will come out with their decision on Crewe in 2017. The early recommendations on a Crewe hub will be coming up there. A lot of work is being done on the economic plan, in terms of both jobs and houses. The Government have committed to a service that goes through Stafford and Stoke-on-Trent, which will then connect at Handsacre to the high-speed line to provide a good high-speed service.

Q13 **Chair:** How frequent will that service be?

Sir David Higgins: It is one service an hour.

Q14 **Chair:** Is that going to be enough?

Sir David Higgins: It is in addition to the existing West Coast services.

Q15 **Chair:** You have not published general timetables for those services, have you?

Sir David Higgins: No, we have not published them yet.

Q16 **Chair:** When is that going to happen?

Sir David Higgins: That is something that the Department would publish. It is early days to be publishing that at this stage.

Q17 **Chair:** When would we expect to see them?

Sir David Higgins: I do not know exactly. I could come back to you on when the timetables will be published. It is still 10 years to opening, so it is still a fair way from the timetable being published. I am sure that they will definitely want the new franchisee to be on board because you have to plan the match between the West Coast timetable and of course the new High Speed timetable. I would have thought 2020 at the very earliest.

Q18 **Chair:** There seems to be a change of view on Sheffield. Can you tell us why you now want to route services through a spur to Sheffield Midland rather than Meadowhall?

Sir David Higgins: If you look at the whole of stage 2, we had a number of challenging areas. We had the Stoke/Crewe debate and the whole debate around Manchester airport. We had the challenges at Leeds, where the station itself was unacceptable to the local business community and local authorities. We had the whole challenge of East Midlands and Toton, and how that would work, and the various options for that.

We worked through all those schemes progressively over two years. Sheffield has been, without a doubt, the hardest of any solution. The more work we did on the proposed Meadowhall route, the more difficulties we found. It was a huge civil structure, 4 km long, 25 metres up in the air and 60 metres wide in places. A lot of people started to criticise the size of the structure and the impact it would have on the environment and the community. The more we did the traffic calculations, the more complicated the area became.

Sheffield was the single biggest market, and not only the local authority but the business community consistently said that they did not support Sheffield Meadowhall at all, because it was not Sheffield city centre. As I say, the major business market was Sheffield—actually southern Sheffield and northern Chesterfield—so that caused us to look at schemes again. It took a long time to debate with Sheffield to convince them that we could not put a high-speed line through Sheffield itself because of flooding. We could never secure the line going through Sheffield Midland or Sheffield Victoria. Sheffield Victoria just did not work without massive expenditure to make it flood-proof. Basically, you would have to build a box through the middle of the area.

It caused us to rethink again and go back to look at the original schemes. They had an all-weather line that was more direct, and certainly cheaper. It was 70 km of the stretch that went further east between Doncaster and Rotherham, and that is what we came down to; it is what we call the M18 route. It is just under £900 million cheaper. It has quicker journey times north to Leeds, but then it allows a 9 km spur line to come into Sheffield city centre, into Midland, which is where the connections come through from the other services east-west to Sheffield Midland station. Sheffield City Council and Chamber of Commerce have been very supportive of that solution in terms of its providing an 85-minute service from there through to London, and the potential for a half-hour service from there north to Leeds.

- Q19 **Karl McCartney:** You are aware of what happens elsewhere on the rail network, so I presume you are aware of what has happened at Chiltern Railways and the new station that has been built precisely because there is a shopping centre right next to that new station.

Sir David Higgins: In Chiltern, yes.

- Q20 **Karl McCartney:** That has presumably been driven because the shopping centre is a bit of a magnet for people from London to go shopping.

Sir David Higgins: Yes.

- Q21 **Karl McCartney:** Do you think Sheffield might be that if Meadowhall had the direct link?

Sir David Higgins: One of the challenges is that the line would chop the end off Meadowhall shopping centre, so that was not a negotiation we got into with British Land.

- Q22 **Karl McCartney:** You listed a whole load of people who said that they are happy with your new plan. Are the people of Meadowhall very happy with that?

Sir David Higgins: Yes. The people who are no longer affected are usually the quietest. It is out for consultation so it may vary, but there will be 66% fewer residential properties demolished and 86% fewer commercial properties demolished. You have to remember that the Meadowhall route was going through a heavy, industrialised, difficult congested valley and we were destroying a lot of employment—

- Q23 **Karl McCartney:** I heard all your environmental arguments, which are great, but those are arguments people use to say that HS2 should not be built at all. You are obviously using environmental arguments when it suits you.

Sir David Higgins: But we then found another route that—

- Q24 **Karl McCartney:** Can I move on and ask you another question? Do you think people will travel further north to then travel south? I can tell you that my constituents in Lincoln will not go to Leeds to then travel to London.

Sir David Higgins: No. We are looking at a parkway on the new line, between Wakefield, Doncaster and Rotherham, and that will open it up to a lot of people who at the moment have no services whatsoever. It is extremely close to the A1/M1, which, as time goes on, is becoming a more critical corridor for access. A parkway there that could take traffic off that motorway will in time be seen as very attractive.

Q25 **Karl McCartney:** But the point of HS2 presumably is to offer people quicker journey times.

Sir David Higgins: Correct.

Q26 **Karl McCartney:** If you have to travel north to catch a train to go south, that is not going to offer you quicker journey times, is it?

Sir David Higgins: If you are in Sheffield—

Q27 **Karl McCartney:** At the moment, people heading from Nottingham go to Newark North Gate to catch a quick train down on the east coast line.

Sir David Higgins: The biggest market in south Yorkshire itself is actually Sheffield and Chesterfield; it was not Rotherham. Of course, Doncaster has the existing east coast with the IEP so they are very well serviced anyway. When we looked at the market we were servicing, they said they did not like the idea of spending 20 minutes-plus getting to Meadowhall to an inconvenient station 25 metres up in the air. They wanted one in the city centre because that is where business is and that is where they want to go. The new spur then connects to Chesterfield, which then becomes just over an hour to London. It becomes commutable.

Q28 **Karl McCartney:** Do you see it as a better solution for you or a better solution for taxpayers? Ultimately all taxpayers in this country are paying for HS2.

Sir David Higgins: That is why this solution is some £900 million cheaper. It is certainly better for taxpayers and it is certainly what Sheffield city centre, the council and the chamber of commerce really wanted. They were very strongly opposed to Meadowhall and would not support it all, but were very strongly supportive of a station right in the city centre. We listened to Sheffield. They were the biggest market. We looked at the benefits Doncaster gets in any case with the new intercity express services on east coast. We listened to Wakefield, Barnsley and the area of Rotherham and looked at where we could put in a parkway to pick up the people who would be better served by that.

Q29 **Karl McCartney:** I have made the point before about the east coast line. If you want to run more trains, you would not run trains further north than Edinburgh, but lots of people like staying on one train from where they start to their destination.

Sir David Higgins: True, yes.

Q30 **Karl McCartney:** That is obviously going to be the same with HS2. People are not going to want to change trains.

Sir David Higgins: That is right, but people do change trains.

Q31 **Karl McCartney:** They do, but ultimately they do not want to.

Sir David Higgins: If they get a quicker and more efficient service they will, won't they?

Q32 **Karl McCartney:** We will see.

Sir David Higgins: They do in Europe every day. They change trains all the time. I think why people do not like changing trains here is that sometimes the trains are very crowded and you cannot get a seat. If you have managed to get on and you have a seat, you do not want to give it up. Secondly, when you change trains, are you absolutely certain that the next train is going to be on time and not delayed? The beauty of having a railway line that has only one set of trains on it and is only for high-speed commuting is that you know the trains are highly reliable.

Karl McCartney: That is the plan now, but we all know about open access.

Q33 **Mark Menzies:** Sir David, whenever I hear people talking about HS2 there is a groan, "We're spending all this money just to save x number of minutes." In actual fact, it is fair to say that a lot of the investment is about improving capacity. I use the west coast main line a couple of times a week, going from London to Preston. It is getting increasingly busy, especially at peak times. What effort is your organisation putting into making sure that the public and key opinion formers are aware that this is not just about speed but is arguably more about 21st century capacity?

Sir David Higgins: You are absolutely right. Perhaps when HS2 was first considered and marketed to the public it was all about speed. Connectivity is important for the north. If you are going from York to Birmingham today, it is two and a half hours. That will go down to one hour. Manchester to London will go from two hours 20, when it is on time, to just over an hour. Connectivity is important, but you are right that the overriding issue is about capacity. On the west coast, we know the limitations; £10 billion was spent on route modernisation but it just bought time. If you look at the number of train paths delivered by the two stages of HS2, they do something that modernisation of the existing track can never do.

Q34 **Mark Menzies:** If I was explaining the benefits of HS2 to one of my constituents and said to them, "If you get on the train at Preston and you are going to London," what would the rest of that conversation look like as to how they would benefit from HS2?

Sir David Higgins: Very shortly after Preston, when you hit Golborne, you will know you are on a guaranteed high-speed line without freight, without commuters and without other trains, and with just one train on that track. I travel on that line a lot too, but we often go up the night before if we have an early meeting in Manchester because you just cannot afford to take the risk of disruption on the line; nearly 20% of

trains run more than 10 minutes late. I travel a lot cross-country on the line from Leeds and York down to Reading. If you get on that line at Derby and get behind a freight train, the timetable has gone.

- Q35 **Mark Menzies:** You have dragged me on to my next point. There has rightly been a lot of focus and concern on east-west connectivity. There is talk of HS3 and various other things. While you are quite clearly focusing on HS2, what conversations have there been within Government to make sure that routes and terminuses for HS2 will ensure that any future HS3 or fast lines going east-west are interoperable, or that there is some sort of interconnectivity between terminuses and hubs?

Sir David Higgins: I have been very supportive of that for a long time. In March 2014, when my first report came out, I suggested that it was not just north-south, but that east-west was equally as important. It is not either/or. I also suggested that there should be a body, the equivalent of TfL, with political support. We now have Transport for the North. I am absolutely delighted. They are putting out their report on priorities in March, spring 2017, and at the end of 2017 they will put out their penultimate report—really the main report—that sets out all their plans and strategies. We work closely with them. Provided we understand what Transport for the North's plans are before the end of calendar 2017, we can plan all of that in the design of stage 2b when preparing the hybrid Bill.

The whole redesign of Leeds station is all about east-west. We had a station that was 500 metres away from the existing station. Everyone was upset and unhappy. We listened to everyone and moved the stations together. We looked at the capacity of the existing Leeds station for further east-west; we did not want to shut that down. We are working very closely on Manchester Piccadilly. We have put forward a series of options. We have done the design work on upgrading Liverpool to Manchester, for both passenger and freight using some of the new line. We have done all those studies. We have put that to Transport for the North, so it is really up to them to say, "These are now our priorities and where we want to commit to spend our money."

- Q36 **Chair:** In practical and operational terms, what is the connection between Transport for the North and High Speed 2—in terms of working out exactly what is going to happen?

Sir David Higgins: They are a separate body. They are resourced with a separate budget, of course, provided by the Department. They have an executive team. We are a visitor, an attendee, on their board so we know all their plans and what is going on. We have been commissioned to do work by Transport for the North and the Department on the options for more capacity and a higher speed connection between Liverpool and Manchester. We have done all that work for them.

- Q37 **Chair:** But who will take the decision?

Sir David Higgins: Transport for the North.

Q38 **Chair:** You mentioned the Manchester link. What about the Liverpool link? Some plans have gone in for Liverpool and Manchester, haven't they?

Sir David Higgins: Correct; that is the work we did on it. There are two options. There is a northern route and a southern route in addition to the existing lines that go between Manchester and Liverpool. We have done the design work on that to show how you could use the Golborne link or the southern link of the existing high-speed line into Piccadilly as part of connecting the airport through Liverpool and Manchester Piccadilly. In the end, it is up to the political body—

Q39 **Mark Menzies:** I have two very brief points. You have almost covered the second one entirely. Are you making sure when you do the planning that not just big cities but smaller regional lines have connectivity, if not into the main hub but so that people can get, for example, from Blackpool to Preston? It is much more difficult on the South Fylde line from Lytham St Annes. Are you making sure that someone is looking at all the various options—whether we need a small passing loop somewhere and so on—that in the grand scheme of things would be tiny changes compared with the overall programme cost?

The second point I want to touch on is this. You were mentioning Euston as I came in: are you making sure that you are future-proofing Euston in terms of the sheer volume of people? When Euston was done 30 or 40 years ago, I am not sure that it was designed for the numbers of people using it now. If we jump forward another 30 or 40 years, I would hate to think that someone far younger and better looking than me will be sitting here saying the same thing about an HS2 terminus at Euston. It is about catering for huge volumes of people.

Sir David Higgins: To answer your first question, you raise the really important point that we need to ensure that in future the control periods for Network Rail that coincide with our constructing HS2 are co-ordinated. It is an obvious opportunity to make sure that signalling upgrading systems and extra capacity passing lanes tie in with this huge investment on HS2 to get the maximum benefit.

In terms of Euston, I met the new Mayor soon after he came on board. I took him a couple of pictures. One was the size of Euston compared with King's Cross. The whole concourse of Euston is less than the western concourse extension at King's Cross. It is dramatically less than the new London Bridge terminal. It is just too full. We have all travelled there and we have all tried to get down into the underground, and it is scary. Our plans involve all the existing car parking and taxi area being taken out completely and turned into an all-new underground concourse area, plus connections to Crossrail 2. That work is all planned. It is complex because, like London Bridge, it is a very busy station. This is a station that will go to 50 million a year. It is a congested, old station that is past its use-by date and, no matter what, needs to be demolished and replaced.

Q40 **Graham Stringer:** I would like to ask one question before I come back

to that point, if I may. There was a report in *The Sunday Times* yesterday that European regulations mean that the platform heights on HS2 will make it difficult for disabled people. Is that story true?

Sir David Higgins: I saw the article. The answer is that we are going to build platform heights between 1.1 and 1.2 metres, which will allow full access for disabled people. We have to get regulation exemptions from the current ones, and we are having that whole discussion with the European Commission. It does not make any sense whatsoever to build platforms at a low height when we want speed of access and proper disabled access to the station. I am really clear where the Government are on this. We want to discuss it with Europe and the Commission very carefully, but we do not want to build a platform height that does not deliver proper access. We will never get the turn-round times if we do that either.

Q41 **Graham Stringer:** Getting the platforms at the right height effectively depends on getting a derogation from the regulations?

Sir David Higgins: Correct.

Q42 **Graham Stringer:** That is clear. Going back to the planning between Network Rail, HS3, Transport for the North and HS2, what is the schedule for making decisions? Decisions about what is constructed between routes from Liverpool, Leeds and around Manchester airport are absolutely critical. What is the schedule for those decisions being made?

Sir David Higgins: The old process used to be that Network Rail would publish an industry output document. It should be in 2017, if I remember the schedule, because the next control period for Network Rail starts in April 2019 and runs to 2024. The Government then issue an HLOS—high level output specification—and a statement of funds available. That is the regulatory process run by the ORR. That will happen in calendar 2017. The submission comes back from Network Rail in calendar 2018 and it is finalised then. The timetable is 2017 and 2018 to ensure that it is in the control period. My point is that it is not just the next control period—control period 6—but 6 and 7. It is the period between 2019 and 2028, essentially, that we need to co-ordinate with HS2's plans.

Q43 **Graham Stringer:** That is funding, isn't it? In terms of the fundamental layout of the High Speed station and where the routes come in from, such as Liverpool, when does that decision have to be made? That will affect the planning and the funding over the following 10 years, presumably. When is that critical decision made?

Sir David Higgins: One of the critical stations would be Piccadilly, and that planning is already under way. We are very closely working with Manchester on that to make sure it is future-proofed. The other one would be further down the track and what happens with Crewe—the Crewe hub proposals and how we co-ordinate them with Network Rail. They would be the two obvious ones. The critical decisions would be the east-west connection and which route options we want to do, particularly

between Liverpool and Manchester, and, of course, Manchester and Leeds.

- Q44 **Graham Stringer:** At the start of the HS2 project, the then Secretary of State—I cannot remember how many Secretaries of State ago—basically said that HS2 would have roughly £2 billion a year spent on it. That adds up to the final total. Presumably the spend profile will not be like that, because on major capital projects you do not have a nice even spend profile. What does the spend profile look like? In which year will there be the maximum spend? If I can ask a second question within that, if you could speed up the flow of funding, would it improve the cost-benefit ratio?

Sir David Higgins: I cannot answer the second question accurately, but you go to the heart of the matter. You can deliver stage 2b by 2030, if you do not put cash constraints on the delivery. That is the section to Leeds, York and Manchester. There is no doubt that you can build it quicker. The 2033 date is based on cash-limiting. To answer your question about the maximum spend, it is around the period 2022, 2023 and 2024 if you are doing both. If you then start ramping up stage 2, you will already have the section at Crewe under way and be well into the main construction and early commissioning of phase 1. You have a bump at that point.

The question is to decide whether that is the most efficient way from a resource point of view. There will be a big call on resources from Highways England at around the same time. There is about £14 billion of resource expenditure work going through that period. Yes, you could maximise expenditure in that period. It is a matter of sensible planning of resources and cash flow from the Government.

- Q45 **Graham Stringer:** Would that improve the cost-benefit ratio of the whole project?

Sir David Higgins: I cannot answer that accurately. I do not know what that acceleration does. It would certainly bring the benefits further forward. It makes sense that it should, because if you can deliver it quicker, you should be able to reduce the overheads cost.

- Q46 **Graham Stringer:** And you should get income earlier?

Sir David Higgins: Correct. Yes, you should.

- Q47 **Chair:** I am still not clear who actually takes the decisions on linking up northern powerhouse rail, the east-west system, and High Speed 2.

Sir David Higgins: Ultimately it is the Department for Transport. You have a body in the north called Transport for the North, but if you look at where the pots of money come from, the money ultimately all comes from the Department for Transport. High Speed 2's budget is controlled by the Department for Transport. HLOS—the process for Network Rail—is definitely a Department for Transport decision, along with the regulator of course. Any money on High Speed 3 and east-west will have to be

allocated by the Department. Ultimately, it comes back to the Department for Transport.

Q48 **Chair:** The Secretary of State recently told us that there would be a number of announcements in the future weeks and months to do with northern powerhouse rail. Have you been involved in those discussions?

Sir David Higgins: The first round of that is what I referred to earlier—the spring statement by northern powerhouse rail about their priorities. Many projects have been suggested for them to focus on, and that then ties into a report by the end of the year saying how those will be delivered.

Q49 **Chair:** When those announcements are made, will you have been involved in them?

Sir David Higgins: Of course, there will definitely be involvement.

Q50 **Chair:** They will be joint announcements?

Sir David Higgins: Not joint announcements. We will understand what they are saying.

Q51 **Chair:** Joint decisions?

Sir David Higgins: Yes, joint decisions. We will support their decisions, for sure.

Q52 **Clive Efford:** I want to ask about the disruption to the local community around Euston. What measures are you taking to minimise the impact on the local community during construction?

Sir David Higgins: The first thing is that we have an extensive team there. We have just recruited a new executive to lead the whole community engagement. We have very carefully reflected on our experiences over the last two years on community engagement and substantially increased the number of people we have involved in that area.

One of the ideas we are working on strongly is whether we can possibly avoid demolishing all the major bridges that cross the throat of Euston and raise them by some 6 or 7 metres. If we can avoid doing that, it will be a major improvement to the community of Euston in terms of disruption. It is technically difficult but we have challenged all our engineers to do it within the spirit of what we have consulted on and discussed with both Committees of the Commons and the Lords. If we can do that, it will hopefully be a windfall.

Q53 **Clive Efford:** Are you going to be taking spoil away and making deliveries via rail? Are you maximising alternatives to the road network?

Sir David Higgins: Yes. The way the improvement process happens through the hybrid Bill is that we have to get approval for the worst case. The worst case is a lot of it being by road. There is a requirement in the House of Commons and then reviewed by the House of Lords for a

transport strategy. Ideally we would all like more to go by rail. That is just a matter of detailed negotiations with Network Rail and the train operating companies about train paths. We will certainly work with them. It is fair to say that a substantial amount of all the spoil will still go by road.

Q54 Clive Efford: Are you concerned that the discussions about Euston might cause delays to construction?

Sir David Higgins: Perhaps they could. It is very complex. I think we have a good working relationship with the council. I meet regularly with Sarah Hayward and the Department to talk through the planning. What we all want is something better than we currently have at Euston. To put the community through the disruption that they are going to go through over the next 10 or 15 years only to come out with something that is not a vast improvement on the current station would be a disgrace in the public realm. Therefore we all have the desire to do something substantially better. Certainly the council have that desire and they work closely with us for the same objective, as does the Department.

Q55 Clive Efford: Are there any elements that you have learned from King's Cross, St Pancras, and possibly even London Bridge, which is still going on, that have informed your judgment about what to do and what not to do?

Sir David Higgins: King's Cross is a fantastic example. If we remember where it was, it started in 2000. Here we are 16 years later, and King's Cross still has a number of years to go, but the community has seen a great public space come out of that. It has transformed the area. It is hard to believe that commercial office space in King's Cross rents for a higher value than it does in the City of London. It is quite extraordinary how that area has transformed.

Q56 Clive Efford: Moving on, there has previously been some difficulty in the accuracy of estimating the productivity gains of HS2. What is the most recent assessment?

Sir David Higgins: We have a business case that for every £1 we spend we get £1.5 back. Like all those things, they are models. The Jubilee line business case was getting £1 back for every £1 put in. We all now know that the Jubilee line—the Victoria line is the same—has gone infinitely better than that and produces substantially higher returns than any of the models. Our business case, it is always important to remember, is frozen three years after the completion of phase 2. It assumes no growth; that is just the way the model works. It is very conservative.

Q57 Clive Efford: As somebody who was a councillor in Greenwich in the days of planning for the Jubilee line, I remember that they planned not to have a station at North Greenwich, which we would find extraordinary today. Are you confident that the calculations will have wider economic benefits?

Sir David Higgins: It is always very difficult to capture that. It is very hard to get the real benefits of cities transforming. You just need to go to

Birmingham nowadays to see that city and how much it has transformed. Everywhere you go people are talking about HS2 coming within 10 years, whether it be companies that are moving up there or the council. There is the redevelopment of the old library building and all that work there. You see the halo effect in Birmingham now, whether it be property prices or jobs, from something that is coming in 10 years' time, because they now have certainty.

Q58 **Clive Efford:** Can you tell us something about your plans to ensure that small and medium-sized businesses benefit from the project?

Sir David Higgins: From procurement? That is a really interesting area now, which we call industrialisation. We want to look at the supply chain in how we get long-term benefits. The beauty of High Speed is that it is a 15-year project. If we really get our act together, hopefully we can show how we can deliver new, high-capacity railway lines in an entirely different model. That could go on for building high-speed capacity across the nation, so the advantage of building a supply chain in businesses is there to be had. We have been tasked by the Department to come up with an industrial strategy that looks to stimulate small business in the entire supply chain—something we are very eager to do.

Q59 **Clive Efford:** Are we going to have the skills in that supply chain?

Sir David Higgins: We have two academies. They both open in September 2017. Initially, they will start piloting with about 50 each, but when they are up and fully running the capacity will be 2,000 students in total in both those academies. That is a huge growth in skills. We expect 20,000 jobs on High Speed, of which 2,000 will be apprentices.

Q60 **Clive Efford:** Those people will gain skills that they can use in other projects in the future?

Sir David Higgins: Correct.

Q61 **Clive Efford:** I have to ask you this. Is British Steel going to benefit from the project?

Sir David Higgins: It should do. The Scunthorpe plant, of course, provides all of Network Rail. There was a huge investment in that plant and there is no reason why we would not use that plant or another one. It is a very efficient plant.

Q62 **Chair:** You sound very optimistic. Are you absolutely certain that you are not going to be seeking more funding?

Sir David Higgins: Our budget is £55 billion. We have been very clear on that budget. That is a 2015 budget. There has been no increase since the 2013 budget, save for a mechanical calculation of inflation. I cannot tell you what inflation will be between now and 2033; nor should we ask for money for that. We have consistently said all along, "Adjust the budget only mechanically by an evidence base for what inflation was when you know what that figure is." We are not trying to negotiate a fixed price from the Government to build High Speed up to 2033 and get

some balloon amount of inflation. We have said all along, "Calculate the actual factual index for inflation and only adjust it by that."

I am sure you have seen the report from the Cabinet Office. Of course, we had the Public Accounts Committee with the National Audit Office value-for-money study, which said that we should be able to build the railway for this. So much depends on our engagement with the industry, which is well under way. The first tenders for the enabling works were awarded a few weeks back. The big £11 billion-worth of major civil contracts are now in the final stages of tender submission and evaluation, and they will be awarded at the end of the first quarter of next year.

Q63 **Chair:** Does all of that mean that you might come back for more money?

Sir David Higgins: No. What I am saying is that the figure will always be adjusted by a factual calculation of inflation to get a real cost by 2033. The figure in the 2015 number is £55 billion. I do not expect cost overruns. There have been no cost overruns, or an increasing budget because of cost overruns to date, and I do not expect that to happen. We have a contingency that the National Audit Office has looked at and said that we should be able to achieve if we are smart and manage the project. We have contingencies of around 35% on stage 1 and around the same on stage 2.

Q64 **Chair:** The benefit-cost ratio has improved. Why is that? Is it because material factors are different, or has a different method of calculation been used?

Sir David Higgins: I think it is just further refinement. We were challenged by the earlier PAC report in 2013 to do a lot more work on our cost-benefit ratio, which we did. We did that with the Department's support. That additional work was recognised in the NAO report, which said substantial progress had been made on the cost-benefit since the last time they reviewed it.

Q65 **Chair:** On the current assessment of the benefit-cost ratio, are wider economic impacts included?

Sir David Higgins: To an extent. As I was referring to earlier, I do not know that you can ever really capture it. Can you capture what is already happening in Birmingham, whether it be rateable value, jobs or just the optimism that the city now has that they are going to be connected to London, and that in 10 years' time a whole new service will open? How do you pick that up in terms of economic growth and the general optimism of businesses to invest? We are not behind the huge buildings that are now under way in the centre of Birmingham and the speculative office building. It is the first big regional city north of London to get new speculative office space under way.

Q66 **Chair:** What would you say to the people who continue to challenge whether the project really is value for money?

Sir David Higgins: We have to show that it is value for money. What I would say is that every single year we spend more on the existing

network than the money we are going to spend on HS2. All we are saying is that it is never a case of either/or; it is never a case of east-west versus north-south. It is both. It is never a case of new versus upgrading the existing. Of course, we have to invest to upgrade the existing. It is just that to date we have spent all our money upgrading the existing. We are not saying you should spend less; we just know there is a capacity crunch all across the country.

We are not blind to people in the south of London. I travel on those railway lines all the time. There is already on West Coast a challenge about whether people can get a seat. I have been on West Coast lines. My colleague behind me was on a train coming down from Glasgow and people were standing on that train right down to Euston. That is today, and we will not have the new high-speed line north to the Golborne link until 2033. I cannot imagine what the trains will be like by the time we hit 2033. They will be like trains in other parts of the country, with people crying out for services and additional capacity.

Q67 **Chair:** One of the arguments for High Speed 2 is that there would be space on the existing line that could be used for other services, and that freight could be moved from road to rail. What is the mechanism for achieving that?

Sir David Higgins: That is a very important point. There is a lot of extra capacity. People forget that it is not just commuter; it is high-speed commuter. You need to look at the high-speed commuter capacity that is released. If you think of a Pendolino train coming from Glasgow and going to London, it stops at a couple of stations in the lakes, then at Preston, and then it goes non-stop. The problem with a train travelling at that speed is that there has to be a lot of track in front of it, because it is going very fast, and there is a lot of track behind it. It is followed by a commuter train that is travelling at 90—

Q68 **Chair:** I am aware that is the case, but what is the mechanism for making sure that space can be used in a different way?

Sir David Higgins: Ultimately, how you release that is for the Department, overseen by the regulator. It is not something we do ourselves as HS2, but there is enormous capacity for trade-off between commuter, fast commuter and freight not only on the west coast but also on the midland main line and the east coast.

Q69 **Chair:** But you are saying it is not for you to work out?

Sir David Higgins: It is not our job to do that. The release of capacity is ultimately going to be overseen by the Department. It will now be advised by the new West Coast franchise winner because they will be able to look at the trade-offs between the existing West Coast services and the new High Speed services. When phase 2b comes out, it will also impact on freeing up capacity on the east coast and the midland main line. We have direct services through from Sheffield and Chesterfield coming up the high-speed line. That will again take through trains off that line and release more capacity.

Q70 **Chair:** But it is not in your remit to work out how that is done?

Sir David Higgins: No, it is not our job to do that.

Q71 **Huw Merriman:** I have a few questions. The first one relates to costs and how you manage them. I imagine a large chunk of the £55 billion will be on materials that will be impacted by commodity prices. Have you hedged your exposure?

Sir David Higgins: No, we have not hedged our exposure. Interestingly enough, I advise another major infrastructure company that is building a huge number of houses in London. You would expect with a devaluation of the pound, as there has been against the dollar and particularly against the euro, that material prices would increase substantially, but we are already seeing substitution occurring within the supply chain. We have aggregates here. We certainly have all the concrete supply and the steel. Our real challenge is the high-value-add services that have traditionally been important, and we need to look at that. I am not so concerned, given the timeframe. The first five years is predominantly civils; it is tunnelling and a massive roadway. No, we have not hedged, but I am increasingly confident that the industry will rise to the challenge and look at substitution by delivering locally sourced products.

Q72 **Huw Merriman:** Do you think you will hedge at any point? Obviously, the commodity prices collapsed. They are now picking up, but you know that you will need those commodities. Do you plan to hedge or lock in your prices at any point, or will you always buy at the market price?

Sir David Higgins: We will certainly consider it. Oddly enough, one of the biggest inputs in construction is energy, because it forms such a critical part of everything you do. It is a highly volatile market. I am sure there will come a time when we look at hedging and forward purchasing. Forward purchasing of things like steel will provide certainty for the industry to be able to invest. That would be a sensible thing for us to do.

Q73 **Huw Merriman:** My second point is unrelated. We have heard in this Committee about the real possibilities for digital rail technology delivering, in some instances, a third more capacity. Is the line going to be built with all of that technology in mind? Will it be flexible enough to upscale it as the technology leads to more solutions before you have even built it?

Sir David Higgins: The technology is for ETCS—European train control systems—stage 2 or 3. Stage 3 is a bit new but stage 2 is standard everywhere. The beauty we have is that we do not have bi-directional tracks. We do not have to have trains on a single track going one way for a while and then going the other way. We are not doing that. We have dual tracks. The train control systems are tried and true, obvious and easy to implement. The challenge is when you go on to the existing track. The plan of Network Rail to upgrade the control systems for the existing track needs to be co-ordinated with our tracks. We do not want to come back on the west coast line and hit a series of lever-frame control boxes or a 1960s solid state signalling system, which are still prevalent on

many of the existing rail lines. Yes, the complicated thing is tying it to the existing; it is not building the new. The new is easy to do.

Q74 **Huw Merriman:** The new will have all the latest tech?

Sir David Higgins: Absolutely right.

Q75 **Huw Merriman:** Have you already had discussions with those in Network Rail who are in charge of the UK-wide project overall?

Sir David Higgins: Absolutely, yes.

Q76 **Graham Stringer:** Previously, you mentioned the new joint franchise between the current west coast main line and HS2. Can you justify that? It seems to me to have at least a flavour of anti-competitiveness about it.

Sir David Higgins: That is a very good question. We debated it quite a bit at our board. We debated it with the Department at length, I can assure you. We came to the conclusion that what is being offered is a stub period. It is covered from 2026 to 2029. The problem with doing it differently is that it will be very difficult to work out what services you put across and how you stage that transition period. It leaves everything open in 2029 when you are getting close to the second stage. By then you will know how the second stage is going—whether it is funded and its timing and completion. You can then be a competitive franchise and people will get used to understanding the transfer of people from High Speed. At the moment, if you tendered High Speed today, it is pretty uncertain as to how you would share between High Speed and conventional.

We have people like Richard Brown on our board, very experienced people involved with the railways. We came to the conclusion that the most sensible way is to have a period when you at least have one organisation co-ordinating the trade-offs and the commissioning. You would still leave the option open for the Government to have as much competition and provide as much choice to customers soon after High Speed is open.

Q77 **Graham Stringer:** Trade-off could mean benefits for the current west coast main line and disbenefits for High Speed 2 when it is at its most vulnerable in terms of attracting new passengers?

Sir David Higgins: Yes.

Q78 **Graham Stringer:** Looked at from your perspective on HS2, I do not quite see the sense of that. I can see the sense of it for co-ordinating both of them, but it seems to me that it is most likely to detract from HS2. Is that not the case?

Sir David Higgins: I can see how you could make that argument. The most important thing will be the early commissioning. It brings to HS2 private sector expertise as to marketing and planning from 2019 onwards, well before we would be able to go out and realistically get a franchise operator.

Q79 **Graham Stringer:** Would HS2 expect, at the end of that three-year period, the franchise to be separated?

Sir David Higgins: I am sorry.

Graham Stringer: At the end of the three-year period, between 2026 and 2029, when it is retendered, would you expect HS2 to be separate at that particular stage from the west coast main line?

Sir David Higgins: That is ultimately something for the Department to consider. If you look at it from a revenue point of view alone, when HS2 is fully operational in the Y and west coast, for a single operator to have all that network in one go would be a massive revenue risk, and it would be a massive exposure for the Government for a single operator to have all of that. It is probably logical in 2030 to look at tendering those things separately, but that is something for the Government at the time.

Q80 **Graham Stringer:** In terms of risks to the project, you previously mentioned that the Government had a very high spend profile in the mid-'20s on road building. Do you see Crossrail 2 as a risk to the funding of HS2 because at some stage they will become competitive for what will always be a limited amount of cash?

Sir David Higgins: It is more the legislative timetable in the House that will be the challenge—the hybrid Bill process. You will have three or four different major projects that require a hybrid Bill. That is the challenge. At the moment, custom and practice has one hybrid Bill at one time. Even if it is in the Lords, you do not have another hybrid Bill in the Commons.

Q81 **Graham Stringer:** It is the scheduling here rather than the cash from Government?

Sir David Higgins: Yes.

Q82 **Graham Stringer:** On that point, could you tell us, if you know, why the hybrid Bill in the Lords is taking longer than expected?

Sir David Higgins: First, I want to pay tribute to both Committees in the Lords and the Commons. They have done a fantastic and very disciplined job. Just to put it into perspective, we had 2,500 petitions in the Commons, of which over 1,500 were heard by the Committee; to put that in perspective, Crossrail had 205. The Commons did it substantially quicker than Crossrail. The members of that Committee worked incredibly hard and there were a lot of technical issues. The Lords had 800 petitions. It is a huge number. It is four times Crossrail in the Commons. There was a huge number of interests. The Lords Committee has finished now. Its report will be issued on Thursday and then that Committee has finished its work. The Bill then goes for Third Reading in the Lords. If you compare it with any other project going through the Commons under this process, it has been at a rate that has been much more efficient and quicker than anything else that has gone through.

Q83 **Mark Menzies:** My question is on Mr Stringer's point about franchising.

You have touched on this, but do you envisage a situation where you can have open access operators on the HS2 lines as well? You would not just have a main franchisee operating, but somebody who could come in and offer a competing service on the line in order to give customers a choice.

Sir David Higgins: All those options are available to the Government of the day. We are building huge new capacity, and the beauty about doing the Y is that it releases capacity from east coast, from midland main line and from west coast. You have a massive capacity release that comes into the country at the time, and when it is fully operational in 2033, or earlier, you need to work out how you want to utilise that capacity and create competition in the marketplace. Yes, all those options are open.

All we are talking about are the first few years when commissioning starts. It is a very prudent decision to say that we really need one organisation to co-ordinate that rather than two bodies fighting each other and trying to fight over customers or access. Think about just getting access on the existing west coast when we first commission it. Who has the train paths? How do you do trade-offs between the through trains—the existing Pendolinos—to the high-speed line? You just want to co-ordinate. You do not want conflict at that point. Once you have commissioned it and everyone understands how it operates, and the train operators are aware of how the whole system works, you can have that flexibility. Remember that, in the middle of it, we are commissioning Crewe. We open the first stage and then a year later we have Crewe coming on board. You do not need disruption in that period.

Q84 **Martin Vickers:** As you highlighted, Sir David, the cities immediately served by HS2 will benefit enormously, as will the immediate city regions. That still leaves large areas that are highly dependent on, for example, the east coast main line.

Sir David Higgins: Yes.

Q85 **Martin Vickers:** Would you anticipate that, as customers are attracted more to HS2, the value of the franchise on, for example, the east coast declines and therefore the investment on the east coast declines to the detriment of those towns for which the east coast is essential?

Sir David Higgins: That has often been put to me in relation to the big valuable lines from Newcastle or York and High Speed. I would say that one of the big markets is Newcastle to Leeds, or Newcastle to Birmingham, which today does not really exist in any sensible way in terms of time for a business commuter. What is the market going to be like in 17 years' time? Will there be increased demand for commuter traffic, or traffic between lines, whether it be west coast or east coast? Try getting a train at Milton Keynes in peak hours. Try going from Milton Keynes to Coventry. I have absolutely no doubt that there will be a demand for commuter services between cities that cannot be serviced today because so much of the line capacity is used to take people from long distances. You are trying to run it like a motorway and trying to do trade-offs with commuters. We will be amazed at the level of commuter services that will become available on east coast.

Will the Government continue to invest in rail? There is no other solution to the huge challenges that our motorway network now has, whether it be the M1 or the M6. Try going on the M6 from Preston to Wolverhampton on a Friday afternoon. It is not nice. Try going past the M1 at Nottingham. The only capacity for moving large numbers of people is mass transit. Everywhere around the world, cities are finally realising that. The UK is ahead of many western capitals. I have just come back from a few weeks in Sydney. The city is at gridlock. They invested in motorways that are all completely choked. Belatedly, they are now starting to invest in their version of Crossrail and starting to think that cars do not solve it. That is why commuter routes—east coast, midland main line and what the Pendolino will free up on the west coast—will grab those train paths. That will sell them, because people will have to get into the centre of cities.

- Q86 **Martin Vickers:** Many of the Network Rail projects—for example, the great western electrification—have stalled for various reasons whether it be shortage of skills or material costs going through the roof. What have you learned from their mistakes, and why should we believe that that will not happen to HS2?

Sir David Higgins: I was reflecting on that. Control period 4, which finished in early 2014, delivered £7 billion of the project within budget: projects like King's Cross, which is a massive development; the whole re-signalling of Reading; Birmingham New Street, which was just finishing; and all of key output 1 for London Bridge for Thameslink, which was Blackfriars and Farringdon. The industry can deliver. They delivered it with the Olympics and the electrification programme at the same time. That is when we do something new, but the problem on western—there is a Public Accounts Committee report coming out on that—was that it was new. We had not done electrification for 20 years. We had lost the entire skills of the industry. No one had designed electrification. On western, the electrification was designed by accessing people in Austria and working with an Italian university, asking, "How do you do overhead lines?" No one had built it before. On the technical skills, no one had done anything remotely like that before.

If we look back at huge projects—for example, Stafford, which was a big interchange project and an alliance programme done in the same way as the Hitchin flyover—it was ahead of schedule and well under cost. It was a very successful project. The industry has a history and a habit of doing incredibly complex projects that it knows well on time. The message from electrification is not to stop things for a generation and then do a massive programme in one go when the industry cannot possibly cope. For the electrification, everything was planned in one go.

- Q87 **Martin Vickers:** Finally, will you deliver on time?

Sir David Higgins: As I keep saying, the big challenge for us is that it is a civils project. Building the railway will not be easy but it is not complicated. We have 70 million cubic metres of cut to fill in phase 1. That is a massive amount. We moved 4 million at the Olympics. Crossrail

is something like 7 million or 8 million cubic metres. We are building a massive highway through a green and pleasant land with a concerned community in a difficult area. That is why the next five years are absolutely crucial to get right. I am in the challenging process now of recruiting a new chief executive, because our chief exec was headhunted by Rolls-Royce. I am very pleased for Simon, although I am not pleased for our project. We need someone who has strong experience in heavy civil engineering because that is where the risk is in the next five years.

To answer your question, I have every intention that the project will be delivered on time. The thing now is to have the capability within our organisation to work with the industry. We have an enormously encouraging response from the industry. We went out and said, "Find big international partners." Look at what is happening in Scotland on the bridge; what is happening on the new bridge across the Forth is extraordinary. It is on schedule and it is coming in at hundreds of millions below the original estimates. It is going to be open this year. It is an extraordinary exercise of international companies coming together and showing what can be done. We have to do the same.

Q88 Chair: Will High Speed 2 result in a reduction of carbon in the environment?

Sir David Higgins: It should, because it is a very carbon-efficient way of moving people. The railway can move 18,000 people an hour so it is very carbon efficient in terms of delivery. I remember seeing the stats. If you compare trains with buses—obviously it depends on the occupancy of the trains themselves—they are much more efficient.

Q89 Chair: What is the latest estimate for carbon reduction?

Sir David Higgins: I do not know that. I do not want to tell you a figure off the top of my head. I will get my experts behind me to write to you about that.

Q90 Chair: We would like to have that information, please. You have also said that HS2 is changing the way in which local authorities and enterprise partnerships attract private investment. Could you tell us what you mean and give us some examples of what has been achieved?

Sir David Higgins: The chairman of Burberry was very clear. Their decision to invest in Leeds is very much based on the plans. Some £500 million has been sponsored by Leeds and the local authority there, based on the redevelopment of Leeds station on the site of the old Carlsberg brewery and areas around it. We have not pushed the Midlands Engine or the LEP that has worked so successfully in Birmingham. Local ownership of all those schemes has driven all those enterprise plans.

Q91 Chair: What are the current plans for High Speed 2 going to Scotland?

Sir David Higgins: There was a report issued in March 2016 that set out the common objectives of both Transport Scotland and the Department for Transport for a three-hour journey time to Glasgow. They are working towards that as a long-term planning goal. It is important to remember

that by the time we have finished phase 2 there will be a 40-minute journey time saving between London and Glasgow. We will also improve the services to Edinburgh.

Q92 **Chair:** What do you mean by long-term planning goal? What is going to happen, and when?

Sir David Higgins: The first stage is obviously to build stage 1 of High Speed 2 and then 2a to Crewe and 2b to Golborne. All of that improves the journey time to Glasgow by 40 minutes. That is the first stage, but at the same time the Department and Transport Scotland will look at what other improvements can happen on the western leg. Equally important is that many people have forgotten that there is an enormous amount of industrialisation and jobs on the eastern leg. Basically, north of Preston there is a lot of dark space at night. On the eastern side there is a huge amount of industrial development. We reinforce the work that Transport for the North are doing on looking at what improvements can be done on four-tracking on the eastern leg, or on some of the particularly difficult climbs on the western side. Cities like Carlisle are obvious traps in terms of progress. Work is going on looking at what can be done with those improvements, but that is for the Department and Transport Scotland.

Q93 **Chair:** HS2 Ltd has been criticised by the Residents' Commissioner and the Parliamentary and Health Service Ombudsman for the way you deal with local communities. How are you going to improve that?

Sir David Higgins: That is absolutely right. That related to one particular community in terms of our speed of response and lack of consultation. We have taken that extremely seriously. We have just appointed a new head of community engagement, after an extensive search. We have substantially increased the number of people we have in the regions, particularly on phase 1, to pick up all the lessons learned from that. We have good feedback. We have even got good feedback from Euston, from the leader of the council, as to progress—that we have picked up our act and are doing better, but we are never complacent about the level of engagement. We are putting in a much improved effort in response to that report.

Q94 **Chair:** You have also been challenged about your privacy policy, which apparently allowed you to collect a wide range of personal information on individuals connected with HS2, including complainants. Can you tell us what happened there? We are told that you have now withdrawn that. Could you explain what it was all about?

Sir David Higgins: The way it was worded was a bit of an own goal. The reality is that it was looking at employees in our organisation on a voluntary basis. We like to keep track of the diversity in our organisation. It was voluntary disclosure but, yes, it came out as Big Brother. When we looked at the actual language used it was certainly an own goal. It was certainly not the intention of those plans to go snooping on any of the residents of the communities we go through. We have amended that.

Q95 **Chair:** That has been withdrawn now?

Sir David Higgins: Correct.

Q96 **Chair:** What would you say is the biggest challenge facing HS2 Ltd?

Sir David Higgins: Overall capacity. We have 1,500 people in our organisation, but it is about capacity as we ramp up and start construction. We hope to start the early enabling works in the first quarter of next year but in a year and a half's time we will have a lot of production under way. We need to make sure our organisation has the systems and controls to be able to carry that out without creating chaos in the community.

Q97 **Iain Stewart:** Could you give us an update on the timetabling for commissioning the rolling stock, both the captive trains that will only operate in HS2 and the classic compatible ones that will also run on the existing lines? At what point will you start procuring those trains?

Sir David Higgins: The strategy for procurement of rolling stock and depots was signed off by our board last week. It goes to the Department for approval, and the procurement process starts towards the end of 2017. It gets into full swing in 2018, with awards after that. In terms of the first decisions, you have to make a decision between classic compatible and continental gauge trains. In phase 1, 70% of all journeys originate on non-dedicated high-speed lines; only the Curzon Street trains will always go on a high-speed line in stage 1. The rest of them will start in Liverpool, Preston, Glasgow or Manchester and travel down. It is inevitable that the first trains you buy will all be classic compatible. Then in the second stage, when you have Leeds, Manchester and Birmingham with three trains an hour, all those services will be on entirely high-speed lines and that is when you purchase the continental gauge trains.

Q98 **Iain Stewart:** From the inevitable discussions you will have had with the manufacturers—Siemens, Hitachi and Bombardier—do you see the rolling stock as pretty much what is available for purchase now, or are they coming to you with ideas that there will be a step change in the performance of the new rolling stock?

Sir David Higgins: You are right. You have the big French, German and, in particular, Japanese manufacturers. The bodies of the continental trains are fairly standard; it is more what is in them that will change. Everyone who travels on those trains will have high expectations about communications. There will be high expectations of what the train itself can do and how it can monitor the track and performance. There will be all sorts of on-board monitoring equipment that currently would not work on a 200 mph-plus train, but it will by the time we commission. With smart maintenance, there will be a huge capacity requirement for transmission of information. That is the area that will remain flexible and where we will get the most interesting submissions.

Q99 **Graham Stringer:** What is the funding model for the purchasing of those trains?

Sir David Higgins: It is up to the Department finally to make a decision on that. Our recommendation is that the first stage is funded on the

Government balance sheet, in the same way as Crossrail was funded. The reason is that you then have to go out and tender for the next stage. We think, if you did a deal with one party on the first stage, you would really be held over a barrel for the next stage, so we think it is prudent to purchase the first stage on the Government balance sheet but keep completely open the option to move into an external funding vehicle for the second stage. Certainly any procurement of rolling stock will involve long-term maintenance contracts in any of those arrangements, but the funding should be left open.

Q100 **Graham Stringer:** Will HS2 own the first tranche of rolling stock?

Sir David Higgins: The Government will. That is our recommendation. It is finally a decision for the Department. They have not made it yet but that will be our recommendation, purely because of the fact that there is a two-stage process of procurement and commissioning. If you have one captive who already owns the first trains and you are going to move classic compatibles into a different part and bring in more continental trains, you really have very limited negotiating ability to do that if someone controls all those trains.

Q101 **Graham Stringer:** I want to follow that up with a relatively trivial question, but it is something that will get a lot of comment at the time. Have you thought about what catering arrangements there will be on the trains?

Sir David Higgins: Indeed. We had this exact debate on Thursday with our board. The big debate is, who are our customers and what sort of services are there going to be? The Birmingham interchange to Old Oak Common will be a 25 or 30-minute commute, as opposed to someone who comes from Newcastle—a traditional long-distance service. We are looking at that now.

Ultimately we do not have to make that decision from a train point of view for a number of years, but we have to make the decision from the point of view of the stations. As we think about how we want to set up the stations and the various classes of service, within the next two years we have to force decisions through on the type of customer services. We need to consult very carefully with the train operating companies and, hopefully, the new franchisee and the Department, and force ourselves to come up with a blueprint for what that catering will be, because it will start to impact on the capacity of the stations themselves.

Q102 **Graham Stringer:** How much money have you spent so far, from day one?

Sir David Higgins: I knew you were going to ask me that question. I do not know the exact amount, but well over £1 billion. I will send you the exact amount.

Graham Stringer: Thank you.

Q103 **Chair:** When are you going to appoint a permanent chief executive?

Sir David Higgins: That is a very good question. Simon leaves on Wednesday, and I want to put on record the fantastic job that Simon Kirby has done as chief executive over the last three years. If you recognise where this project was three years ago, there was a huge amount of scepticism that it would even happen. It was well and truly under-resourced. It had a valiant group of people struggling to prepare the hybrid Bill—in fact, struggling but under the strong leadership of Roy Hill, who now returns to the fold to lead the project on an interim basis. I am absolutely delighted that Roy was made available by his parent company to come in and act as interim chief exec, because he knows the project, the people and the system.

That gives us time to choose the right person, and means that we are not rushed into making the wrong decision. The worst thing in the world we could do is to make a short-term decision. We have a good group of headhunters. I will not mention their name, because that would be advertising them to the rest of the world, but they are very competent. We have had a global search. We have already gone through all the longlisting process. I have spent many late nights phoning some unusual countries in the world to talk to people about potentials. Our brief was to look around the world to find the best people to deliver a project of this size. We are down to the shortlisting process and we will have someone in place, out of their own organisation, by mid-year. That is well within the timetable of Roy's secondment to us.

Q104 **Mark Menzies:** I want to follow up on Mr Stringer's point. When it comes to the detailed operation of the trains, are you starting to look at things like car parking facilities and so on? In an ideal world, rather than coming into London by car, people would get out of their cars and would either use regional trains to get to the station or drive to the station, park and then get on the train. Where are you with things like land acquisitions and making sure that, at the point when a multi-storey car park needs to be there, it will be up and running in advance of or alongside HS2 being available, as opposed to several years of compulsory purchase, design lag and all that sort of stuff at the other end?

Sir David Higgins: If you look at stage 1, which is obviously the first one that immediately comes to mind, the Birmingham interchange will have capacity, with all the other car parking around it—the NEC and so on—for 14,000 cars. As you remember, at Ebbsfleet on High Speed 1, a lot of car parks were built in that area and today I am sure they are used to a reasonable extent. The challenge for all of us is to fast forward five or 10 years. Apps were not developed 10 years ago. The iPhone came in about 10 years ago and apps came in about five or six years ago. Uber did not exist five years ago. In 10 years' time, are we going to need a huge number of cars parked in large car parks that are vacant and unused for 90% of the time? We are thinking about it very carefully.

One of the things we really have to think about is that we have to get people who currently drive cars and never think of going on the train on to the train. We have to make it as convenient as their car, whether it be automatic, self-guided vehicles, electric vehicles or whatever. We have to

make it so convenient and consistent for them to come out of their house and go to an interchange where there is information about when their train is and when it is going to get to the station that they think, "Why would I bother getting into a car?" We all know that works in London. Who drives in London now? Certainly I do not. Everyone travels by the tube and bus system, and there is information at the bus stations.

We have to think not only of the heavy rail interface at interchanges but how to make it incredibly convenient to arrive in some vehicle that you do not own, control or drive. You want to be able to get off very efficiently at the interchanges. These are high-capacity interchanges that move large volumes of people from their residence to their end destination.

The other point is that if you get off at a station in central London, you do not want to spend 10 or 15 minutes trying to find your way out of the underground station to get to where you want to go. That convenience is very important for customers.

Q105 **Mark Menzies:** I entirely get why the situation you have just described is applicable for London, but take my part of the world for example; you cannot get a Sunday train service, there is no bus service on a Sunday and the only means of getting to a station is by car. When I started using the multi-storey car park six years ago, most of the time it was at best half empty. Now, by about lunchtime on a Wednesday it is full. That reflects the number of people using trains for long distance, so it is a success story. For me, it is just too much of a leap of faith to think of the modern driverless situation for people who do not live in a major metropolitan city with access to other modal means of getting there. I think that in 15 or 20 years' time they will still be getting into a car to drive to an intercity station. If they cannot get parked there, that is when the system starts to break down.

Sir David Higgins: You are absolutely right. There are big opportunities for the railway, whether it be Preston or Golborne and that area. In time, we should look at how we connect to a parkway there. On the other side, if you think where the A1/M1 is on the parkway we are considering in Yorkshire, you have to get people who currently drive on the A1/M1 the whole way down to Nottingham, Birmingham or London and say, "It would be very sensible to park up here at a really efficient large parkway transit point."

My point is that there may well be electric cars owned by someone else—who cares?—but there has to be the interchange and the capacity to store cars. Even if they are electric Uber cars they will need to be stored somewhere at those major interchanges. You are absolutely right; our opportunity is to take cars off the motorway and convince people to come to these nodes, but you have to make it very convenient. Have you ever tried pulling up at Paddington station, or King's Cross for that matter, in your own private car to drop someone off?

Mark Menzies: I wouldn't dream of it.

Sir David Higgins: It is difficult; it is really hard. We have to make it incredibly easy, because in future that is what we have to plan for.

Q106 **Huw Merriman:** In terms of remuneration for the new chief executive, in order to incentivise the person to stay for the long haul, do you intend to link some elements of compensation to a year to come, so that they are less likely to—

Sir David Higgins: Be bought off by the private sector?

Q107 **Huw Merriman:** Yes, that is obviously the concern. I wondered whether you had factored in an incentive to stay for the longer term.

Sir David Higgins: It is a very interesting question. To date, we have not got really complicated about the remuneration. I have just said to the headhunters and the Department, "Let's just assume that the overall package is roughly what the current package is for Simon." With these recruitment processes, when you get to the shortlist they are all capable of doing the job. A lot of it is about motivation, why they want to do the job, chemistry and their leadership skills. There is a case to look at some blend between performance and bonus. It is very difficult to talk about bonuses in the public sector because people get very focused on it, but the idea of some sort of bonus that may come over a number of years and encourage people to stay is something that we should at least consider.

Q108 **Huw Merriman:** That is an interesting point. I completely agree with you that we should not be scared about talking about bonuses in the public sector. Do you think the rules at the moment make life difficult for you to do just that?

Sir David Higgins: We have just received approval for the next two years for our flexibility rules. They were signed off by the Chief Secretary to the Treasury. They were put in place some two years ago and facilitate us in hiring the right people. We have always had very strong support from the Department and the Treasury on that issue. I do not see it as a blockage. The most important thing is to get the right person and then, as you say, motivate them for the long term and for performance. If we can do that, I think it is a step forward.

Q109 **Huw Merriman:** It could be done by posing the question whether a candidate would be willing to accept remuneration based on what we have just discussed. If they say no, it is a pretty good indicator that they may not be committed to the long term.

Sir David Higgins: Correct. That is absolutely right.

Chair: Thank you very much, Sir David.