HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Transport infrastructure in the South West, HC 1753

Wednesday 5 June 2019

Ordered by the House of Commons to be published on 5 June 2019.

Watch the meeting

Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Caroline Flint; Nigel Mills; Anne Marie Morris; Lee Rowley.

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

Questions 1-146

Witnesses

I: Bernadette Kelly, Permanent Secretary, Department for Transport, Jim O'Sullivan, Chief Executive, Highways England, and Patricia Hayes, Director General for Roads, Places and Environment, Department for Transport.

Reports by the Comptroller and Auditor General

Improving the A303 between Amesbury and Berwick Down (HC 2104)

Completing Crossrail (HC 2106)

Progress with the Road Investment Strategy (HC 1056)

Modernising the Great Western railway (HC 781)

Maintaining strategic infrastructure: roads (HC 169)

Examination of witnesses

Witnesses: Bernadette Kelly, Jim O'Sullivan and Patricia Hayes.

Chair: Welcome to the Public Accounts Committee. We are here today to look at two issues, mainly transport infrastructure in the south-west, in particular the NAO's Report, "Improving the A303 between Amesbury and Berwick Down", which includes the knotty and long-standing problem of what to do with the road around Stonehenge. We want to ask some serious questions about that and to widen it out a bit to how road planning and funding is going more generally. We cover a lot of rail and we feel that it is time we had a bit more of a look at how road projects are planned.

To begin with, however, I want to ask the permanent secretary some questions about the ongoing saga of Seaborne Freight and the relevant court actions, of which we are now at No. 2. You look very calm, Ms Kelly, but we will just want some information about where that has gone and what is happening.

I will first introduce our witnesses before going into the Eurotunnel issues. From my left to right, first we have Patricia Hayes, director general for roads, places and environment at the Department for Transport. I think it is your first time in front of us, isn't it, Ms Hayes?

Patricia Hayes: It is, yes.

Chair: A very warm welcome to you.

Patricia Hayes: Thank you.

Chair: Then we have Bernadette Kelly, the permanent secretary at the Department for Transport and a frequent flyer at this Committee—we should give you points, and points mean prizes, or something—and Jim O'Sullivan, the chief executive of Highways England. I think, Mr O'Sullivan, it is the first time you have appeared in front of us as well.

Jim O'Sullivan: Yes, it is.

Chair: So welcome to you, and welcome to you all.

Today's sitting is also the first time that the new Comptroller and Auditor General has appeared. I formally welcome Gareth Davies who is both Comptroller and Auditor General and head of the National Audit Office. He formally took up his post with his letters patent on 1 June. A very warm welcome to you, Mr Davies. Would you like to say anything?

Gareth Davies: Thank you for the welcome. I have had an excellent induction from the NAO and I am looking forward to working with the Committee.

Chair: Okay. That is probably the friendliest comment you get from the Comptroller and Auditor General this side of your accounts.

Bernadette Kelly: It will be a very productive working relationship.

Q1 **Chair:** I should add that Mr Davies has walked into a maelstrom of accounts. He has to sign off more than 700 public sector accounts between now and recess, so I think he is hoping that the 1922 Committee will string out recess for some time, to give a few extra days. Anyway, I am sure that he will have contact with permanent secretaries in large numbers over the next few weeks and that you will get to know him, Ms Kelly.

I want to touch on where we are at with the ferry contracts. First, can you tell us how much it has cost to cancel the ferry contracts? Remind us what those costs are.

Bernadette Kelly: I can tell you those costs. It has cost us £43 million to terminate the contracts, but in addition to that there is a £6.6 million operating cost being paid to DFDS. The total cost of cancelling the two contracts is £51.4 million.

Q2 **Chair:** Is that what you expected at the beginning?

Bernadette Kelly: We had set out a sliding scale. How much we were liable to pay on termination depended on the point at which we terminated. That was definitely within the bounds of what we expected and it was a lower figure than the upper estimate that was included in the first NAO Report on this, which cited a figure of around £56 million. It was within the range that we expected.

Q3 **Chair:** We understand that the ferries were crossing with space for UK Government freight. How much did you pay them to operate?

Bernadette Kelly: We did not pay anything additional. The £51.4 million includes an element of operating costs that were payable to DFDS. I do not think there were any additional operating costs on top of that payable by Government.

Q4 **Chair:** To be clear, the £43 million and the £6.7 million cover the operating costs.

Bernadette Kelly: Yes. The termination costs were largely made up of operating costs that had been incurred by the two operators at the point at which we terminated, plus an element of compensation.

Q5 **Chair:** We are in an interesting time, because at the moment we have a Brexit date of 31 October. When you were setting up these contracts in early December last year, you had a date of 29 March and you were quite close to the wire getting them through in time. If 31 October is an option for exiting the EU, are you thinking of procuring now? We are already in June. Are there any plans?

Bernadette Kelly: Absolutely. Government are considering across the piece what sort of no-deal planning they need to engage in for 31 October. That includes revisiting the planning assumptions that formed the basis of the analysis that we did last autumn on the potential impact of disruption, including on the flow of medicines and other critical goods.

Q6 **Chair:** Do you think they have changed?

Bernadette Kelly: We have not reached a conclusion on that work. It is being done at pace right across Government at the moment.

Chair: I should hope it is at pace.

Bernadette Kelly: Yes, absolutely. That is being looked at collectively across Government at the moment. I would expect that to conclude soon but, as I say, I think there is a reasonable expectation that the level of disruption in a reasonable worst-case scenario will not be as severe as it would or could have been on 29 March, based principally on the fact that there is far more evidence now of what is happening on the French side of the border, and therefore the impact that checks there could have on disruption.

Q7 **Chair:** So the seven months have given you breathing space to plan.

Bernadette Kelly: As I say, across Government we had a chance to stand down the immediate arrangements for 29 March to the date in April; we are now reviewing exactly what is the sensible course to take to step those up again. To an extent that is a political decision—the Cabinet will need to decide what it thinks the right approach is.

Q8 **Chair:** That brings me to an interesting point. We do not yet know who the new Prime Minister will be and, according to press reports, we are not likely to know that until around the end of July. You will have had to let the contracts by then if you are planning for a no-deal scenario. What is the plan in Government, given you will not have a Prime Minister with a policy position?

Bernadette Kelly: The Government are still the Government, and they will still need to take a decision about what they think are prudent and necessary arrangements. Those decisions have not been taken yet, but I would expect the Government still to consider—

Q9 **Chair:** What is the point of no return by which the Government have to have made a decision so you can plan a no-deal exit on 31 October?

Bernadette Kelly: Are you talking about ferry capacity rather than the broader range of things?

Chair: Ferry capacity, yes.

Bernadette Kelly: That is a very fair question. You will not be surprised to know it is also something we are actively thinking about.

Chair: I am sure you are thinking about it actively, but you can just answer if you like.

Bernadette Kelly: Okay. There is not a single date, because there are a number of different ways in which this procurement could be done. We should have learned clearly from our last procurement that we cannot rely on an expedited process with high legal risk. That is a clear learning point. The question is: how can we carry out a robust procurement process? There are different ways of doing that, and the experience of doing it last autumn in the run-up to December means that in Government we have learned something about this market, and the market itself has learned how to respond to any procurement.

Q10 **Chair:** What is the window of decision making?

Bernadette Kelly: I think it is soon.

Chair: Soon, okay. We are in the beginning of June and we are talking about the end of July for the final date.

Bernadette Kelly: I think it would be prudent, if the Government decide that this is what they want to do, to be getting on with this before the summer recess.

Q11 **Chair:** I think at least before summer recess.

Bernadette Kelly: I am reluctant to be drawn on a date, but I would say certainly in a matter of weeks, not months.

Q12 **Chair:** We may want to probe you more on that. The whole issue of the settlement with Eurotunnel, which the NAO has looked into, was quite an embarrassment. Obviously we are not going to go through it all, because we have discussed it before, but it was £33 million. Do you think that that was really justified, given the size of the contracts? Although the settlement amount you had to pay out was more than that, adding it together, it is a very high percentage of what you actually had to pay to let, operate and pay compensation. Do you think it was justified?

Bernadette Kelly: The decision to settle was one that was taken, as you know, collectively by Government. That decision was taken because we were then coming up to 1 March, with 29 March still as the no-deal exit date. There was a risk that the expedited court case meant that the contracts could be quashed just a few weeks before a no-deal exit, and that would have brought very severe consequences, potentially.

Q13 **Chair:** Basically, they had you over a barrel. You had estimated that there was a risk. It is easy to say in hindsight, but you knew when you signed the contracts. Your advice to Ministers was that there was a risk of court action. Realistically, it would not normally be expedited the way it was. You had estimated that at around £20 million, and it ended up being considerably more than that. Is that because they knew there was a deadline and they had the Government and taxpayers over a barrel?

Bernadette Kelly: The two numbers are completely different, and the NAO Report explains this quite helpfully, but I think it is helpful for me to clarify it for the Committee, too. At the point at which we entered into the contract and at the point at which I did my accounting officer assessment, which included the assessment of £20 million as the potential consequence of a successful legal action, our expectation was that any legal action would be pursued in a normal timeframe and would be focused on, if successful, some award of damages to successful litigants for loss of profit.

What then happened, and I think the NAO Report explains this very clearly, is that very unexpectedly—my lawyers tell me that it was unprecedented—the case was expedited to start on 1 March. We had a different risk at that point. Eurotunnel was seeking, among other things, including damages, to have the contracts rendered ineffective. Clearly from a Government perspective, and given the risk that we were protecting through having those contracts—namely the flow of medicines and other vital goods into the country—even a small risk was one that the Government concluded it did not want to take, so they decided they would settle. We then did a calculation of what was a reasonable and justifiable settlement at that point or as part of that decision making, and the way we calculated that figure was by looking at the costs of re-procuring or finding alternative provision for 29 March, discounted by a kind of legal probability analysis.

Q14 **Chair:** That all sounds very generous. If you had offered £20 million, do you think Eurotunnel would have taken the original £20 million?

Bernadette Kelly: They were seeking £80 million, so I do not think it was generous at all. We negotiated this hard—

Q15 **Chair:** Sorry. They were seeking, so they could name a figure basically. That is a tactic, isn’t it?

Bernadette Kelly: As ever, these things are a negotiation. I think the basis for our calculation—we had a range. It was done in a very sensible and prudent way. We then negotiated hard to get the lowest figure we could in the interests of the taxpayer. That ended up being £33 million.

Q16 **Chair:** Everyone knows that there was this likelihood, but looking back do you think—you seem to have said this, but perhaps you could be clear for the record—that you were relying on everything being after 29 March?

Bernadette Kelly: I think it was reasonable for us to expect at that point that if we faced legal action, one of two things would have happened: either we would have exited with a deal and terminated the contracts, and therefore would not have been looking to settle, or we would have been well advanced in those ferry capacity contracts. So we did have a different expectation, and a reasonably based one, at the point at which we made the assessment of legal risk in December.

Q17 **Chair:** When the Government make a decision and then give you the go-ahead for the next time, will you be including Eurotunnel in the bidding?

Bernadette Kelly: It depends on what kind of capacity we want to procure. If you remember—

Q18 **Chair:** Would it not be easier and cheaper for the taxpayer?

Bernadette Kelly: That is an interesting question. We have explained to the Committee before the reason why, when we went out to market on this, we went to the bidders we did. We were looking for maritime capacity, because that is what suited the goods that we were concerned about getting into the country—the medical and other supplies—and we were also seeking to avoid the short straits, because we knew that that is where the disruption was most likely to happen. Of course, Eurotunnel operate rail capacity across the short straits, which is why they were not part of that exercise. Actually, we were discussing separately with them, at various points in this process, including when, I think—although I would need to check the dates—when they put their challenge in, the possibilities for rail freight capacity, but they none the less made their challenge.

Q19 **Chair:** But if you do include them, they can hardly say that you did not try, and then if they do not meet the requirements because they operate the short straits, that surely solves the problem and saves you the risk.

Bernadette Kelly: I have asked the question, actually, specifically. It is by no means certain that Eurotunnel would not have challenged if they had been part of this exercise, for a range of reasons. They may still have found, or thought they had, grounds to do so.

Q20 **Chair:** We move on to another legal challenge—they seem to come in threes. We are waiting for the next one—from P&O. Do you think that will be settled out of court like the Eurotunnel one?

Bernadette Kelly: We have no plans to settle. We expect to defend our case robustly.

Q21 **Chair:** What is the timetable on that?

Bernadette Kelly: I do not think the case is expected for some time—I am told possibly not until as late as early next year. There are ongoing steps in the meantime around settling the case for defence and so on, but it is some way off, as I understand it, before that case will come to court.

Q22 **Chair:** Will you keep us posted? We are keen to follow this one through to the end.

Bernadette Kelly: Very happy to do so.

Q23 **Chair:** We have raised with you before the concerns about the money that went to Eurotunnel for the projects. Would they not have done that work anyway? Was that not just a backhanded way to give them extra money disguised as extra work, which was actually all part of the settlement?

Bernadette Kelly: It was part of a settlement. We were clear—

Chair: It was window dressing for the settlement, suggesting that they were doing work that they would have done anyway.

Bernadette Kelly: I think it was more than window dressing. We were genuinely concerned to ensure that, in return for this settlement, Eurotunnel were making investments that had a public value, if I can put it that way, in terms of the resilience of our ports. That was why that was an important part of the settlement, and I think that was a very responsible and sensible thing for us to do.

Q24 **Chair:** How are you going to monitor that they are doing it, because it is quite a loose arrangement?

Bernadette Kelly: They do not have to come to us to seek approval for every piece of investment—that is correct—but we will be monitoring what the money is spent on and they do have to formally give us evidence about what the money is spent on. It is £11 million a year over about three years, so we will be expecting to see that from them.

Q25 **Chair:** Do you have any come back if they do not spend it on what they said they would spend it on?

Bernadette Kelly: Well, it is part of a legal agreement—it is part of the settlement.

Q26 **Chair:** So you are prepared to be tough with them legally if they do not do what they said they would?

Bernadette Kelly: It is a part of the settlement, so I would expect us to have legal recourse if it is evident that the money is not being used for the purposes set out in that settlement. Indeed, I would expect us to have the ability to claw back money that is not meeting the purposes of the settlement.

Q27 **Chair:** You are being very candid with us today, and you have actually indicated some of the things that, having looked back, you would do differently. What else would you do differently now you are going to be facing this again, potentially?

Bernadette Kelly: The principal point—you can imagine I have thought about this as well—is really the importance of the timeliness issue that you raised at the beginning. There were reasons why we were unable to enter into those contracts earlier than December, when we did it first time round. We were working at an enormous pace to try to establish a business case and establish options, and then to secure collective agreements and approvals. But all of that, to do something quite unusual—something quite novel and controversial, as I have talked about before—took some time, and it is what left us, in the end, with a very short window to carry out the actual procurement.

Q28 **Chair:** So your message to the new Prime Minister is, "Give us more notice".

Bernadette Kelly: My message to the Government, to the new Prime Minister and to any Minister involved in this is, "If this is something the Government wishes to do, we need to do it in a way that does not require us to rely on procurement processes that may leave us open to a higher than normal degree of legal risk."

Q29 **Chair:** If you were to be faced with this again, would you ask for a ministerial direction if you had to do it at the same pace as last time?

Bernadette Kelly: I carried out, as the NAO has again reported, quite a thorough accounting officer assessment in relation both to the original decision to contract the capacity, and to the decision to settle with Eurotunnel. I did that very carefully and I absolutely stand by the advice and the decision that I took.

Q30 **Chair:** What about next time, though, if you are run to the wire?

Bernadette Kelly: I am not going to speculate on what view I might or might not take if asked about a direction or decision that has not yet been taken.

Q31 **Chair:** I think we have you down as a reasonably robust woman. I know the officials around you think that.

Bernadette Kelly: I will always consider my accounting officer very seriously and give robust advice to Ministers accordingly.

Q32 **Chair:** So you are warning whichever Minister you will be working with that you will give them robust advice. Are you prepared to ask for a ministerial direction, if necessary?

Bernadette Kelly: Let me be clear. The Government has not yet decided it wants to do anything here, and there are various ways in which the Government could procure this that would be quite different from the way we procured it last time. It is not at all clear who would take that decision. I think you are inviting me to speculate on advice that I don't yet know I am going to be given or what form it will take.

Q33 **Chair:** We know you are a robust witness. Are you not frightened of giving a ministerial direction, if that were necessary?

Bernadette Kelly: In any instance where I thought a ministerial direction was necessary, I would absolutely seek it.

Q34 **Sir Geoffrey Clifton-Brown:** I think I heard the figure correctly—you have already spent £51.4 million. Is that correct?

Bernadette Kelly: In terms of the money that has been paid to DFDS and Brittany Ferries, that is correct.

Q35 **Sir Geoffrey Clifton-Brown:** And you've got the P&O settlement yet to come.

Bernadette Kelly: Not necessarily. We have no plans to settle that case.

Q36 **Sir Geoffrey Clifton-Brown:** Whatever, you have spent £51.4 million—it might or might not be more. In terms of your original procurement cost, you must have done some estimates of what your next round of procurement costs might be. How much lower do you expect to come in on the next round than you did on the previous round?

Bernadette Kelly: I'm not sure I can give you a precise answer. I just want to be clear about what sort of area you are looking at. Is it how much we would pay to procure capacity?

Sir Geoffrey Clifton-Brown: To procure capacity fees.

Bernadette Kelly: I simply couldn't possibly estimate that in advance of a market exercise. It would depend entirely on what we were procuring, for what length of time and what amount of capacity. It is simply impossible for me to speculate on what it might be.

Q37 **Sir Geoffrey Clifton-Brown:** You did hint in one of your answers that you might do it slightly differently.

Bernadette Kelly: There are different ways of doing this sort of procurement. Across Government, we are looking at choices about what is the right way to do the market engagement, and what is the right way to construct a procurement framework. There are always different choices in terms of public procurement routes.

Q38 **Sir Geoffrey Clifton-Brown:** Without giving any commercial knowledge away, presumably you will need to procure the same sort of capacity as you had before.

Bernadette Kelly: Again, that sort of depends on what conclusions are drawn about the level of disruption across the short straits, and therefore about what kind of intervention the Government concludes that it wishes to make.

Q39 **Sir Geoffrey Clifton-Brown:** You hinted that you have better arrangements with the French than you would have had by 31 March, so maybe you won't need to guess.

Bernadette Kelly: What I have said is that we have every reason to suppose that the planning, infrastructure and so forth that the French have now put in place on their side of the border are such that the level of disruption may not be as great as we thought it might be last autumn.

Q40 **Sir Geoffrey Clifton-Brown:** This is obviously of critical interest to this Committee: what assurance can you give us that the procurement process will not lead you into the same sort of legal action that you had before?

Bernadette Kelly: Clearly, this is entirely the point that I have been considering over the last 10 minutes or so. I absolutely agree that we have to learn from any exercise of this sort. Clearly, we have found ourselves needing to take a higher legal risk procurement route because of the pressure of time in one set of circumstances, and we should try to avoid the need to do so this time.

Q41 **Sir Geoffrey Clifton-Brown:** Finally, given all the concerns that we have expressed before about the possible delays in getting goods to and from ro-ro ferries—Operation Brock and so on—are you reasonably certain that your Department's plans will allow a good flow of goods in the event of no deal?

Bernadette Kelly: What we are doing—I have always been at pains to emphasise this, because I think it is an important point. The work that has been going on in the run-up to the last possible exit date of 29 March, and any work that is now being done in advance of 31 October, is not being done just within my Department; it is Government collectively determining what it thinks the risks to the flow of goods are, and therefore what action Government wishes to take collectively in response to that. That is important, because to some extent the Department for Transport has been acting as an agent for other Departments in relation to the sorts of goods that they regard as critical. We are extremely dependent on the cross-Government view on what the right level of action is.

Q42 **Sir Geoffrey Clifton-Brown:** So the departmental borders committee and the traffic light system and everything else still exist. Is it meeting?

Bernadette Kelly: There is still a border delivery group meeting, as part of the consideration of what are sensible steps for Government to be taking on a host of issues relating to possible exit from the EU.

Chair: Well, we would love to get into Operation Brock and everything else to do with that, but today we do want to focus on something else. We have had a lot of local evidence from colleagues across the House as well as residents in the south-west about our next topic, which is transport in the south-west, including the Stonehenge tunnel and the A303 in general. I shall ask Sir Geoffrey Clifton-Brown to lead off.

Q43 **Sir Geoffrey Clifton-Brown:** Moving to the Stonehenge tunnel project, we have quite a wide estimate in the NAO paper of £1.7 billion to £2.3 billion. It has obviously considerably increased from when it was first planned in the original RIS 1 projections in 2014, which were pretty immature. What sort of relatively good reassurance can you give the Committee that you have a handle on those costs now?

Bernadette Kelly: I will start but I may then ask Mr O'Sullivan to say a little bit more about this. First, I make the general point that having a range is sensible for a project of this scale at this point in its development. One lesson we have learned from other projects is that it is important not to fixate too early in project development on a single number, because it is impossible to have that level of certainty. That said, I think that what we have got with this scheme is a range that is quite wide, as you say. We have a mid-point and most likely delivery cost within that of £1.9 billion, or £1.7 billion if we exclude VAT. We have every reason to think that is a sensible, prudent but robust estimate at this point, in particular, because a huge amount of work has gone in over five or six years.

I am sure that Mr O'Sullivan can say a little more about that, but there has been a huge amount of work over the past years really to understand the nature of this scheme, and to establish an appropriate scope for the scheme, given the very unusual and significant heritage and environmental concerns about it.

I think we can have confidence that what we have got here is a scheme that is now well thought through, well understood and at a pretty stable point in its development, given where we are in the process. It has also, of course, been subject, as you would expect, to the normal sorts of independent assurance, both within Highways England and by the IPA. I invite Mr O'Sullivan to say a bit more about this.

Jim O'Sullivan: Certainly. Since Highways England was formed about four years ago, as a Government-owned company to deliver schemes like this, we have done a great deal of work in upskilling—

Q44 **Chair:** Could you speak up, please? It's not you; it's the room.

Jim O'Sullivan: In the four years since Highways England was formed, we have done a great deal of work in upskilling to be able to deliver complex projects like this. We have formed a complex infrastructure projects division. We have gone to the market and procured and recruited people with skills from the private sector who can do this sort of work.

We have 1,000 more people now with commercial, programme management and engineering skills than we had four years ago, and we use external advice where needed. We have come a long way in delivering projects like this.

Q45 **Sir Geoffrey Clifton-Brown:** Given that we have been through this iterative process—with talk about a long and a short tunnel, about a surface route north and a surface route south—presumably you have now settled on what you want to do. Could we be reasonably assured that, at the top end of the range that I have quoted, the road today could be built, for the £2.3 billion?

Jim O'Sullivan: We are absolutely comfortable with that. I do not intend to build it for £2.3 billion; I intend to build it for £1.7 billion. As for £2.4 billion, there was a lot of discussion about these numbers in terms of commercial sensitivity, because it encourages contractors to go towards the top end of the range. We intend to build it for £1.7 billion.

Since we worked on this Report, we are now even more confident of the costs. Some of the risks that are included in that £2.3 billion/£2.4 billion number we now know will not materialise, or they have become even more unlikely to materialise. We think that what was the 70% number is now closer to 90%. We think that £2.4 billion number is becoming less likely, as time goes by.

Q46 **Sir Geoffrey Clifton-Brown:** Built into that figure and the business case is quite a lump of money for what I loosely call heritage protection. Do you think, as a pure road scheme, taking out the number in the NAO Report of about £995 million for heritage protection, the remaining £700 million or £800 million is right and represents a good business case for this scheme on its own?

Jim O'Sullivan: I am not sure that you can separate the two numbers like that. As well as commissioning and building these projects, we are also the highway authority and the custodian of the strategic road network. So when we look at connecting the south-west to the south-east, this is the most viable route we have. We either accept that, because of the world heritage value of Stonehenge, we will never connect the two, or we build this scheme. I think the two are indivisible. One has to accept that if you are to connect the south-west to the south-east, you have to handle Stonehenge in the most sympathetic, proactive, caring manner that you can. We believe this is the best answer for both what is an internationally recognised world heritage site and a strong economic need.

Q47 **Sir Geoffrey Clifton-Brown:** I have a question for you, Ms Kelly. The business case if you do all eight schemes on the A303 is considerably stronger than for doing just one, two or three of them, or indeed just this one in particular. How committed are you to doing all the schemes on the A303?

Bernadette Kelly: At the moment we have committed to three of the eight schemes in RIS 1. Those are this one—the A303 Stonehenge project that the NAO has reported on—and two further schemes, the precise names of which I will find in my notes. The A303 Sparkford to Ilchester is a RIS 1 commitment, and the A358 Taunton to Southfields is also a RIS 1 outstanding commitment on which work on a preferred route is currently being done by Highways England.

Chair: As we are talking about a lot of roads, it may be useful to point to figure 1 on page 12. It is quite helpful to have a map in front of us.

Bernadette Kelly: As I say, work is ongoing on those three, and there is a level of RIS 1 commitment to them. As the NAO Report also makes clear in figure 8, we have not committed in RIS 1—we have no formal commitments—to the remaining five schemes. The expectation and plan is that they will be considered on a case-by-case basis during the course of RIS 2. I think the Government have set out in the past an aspiration rather than a commitment to deal with all eight by 2029, but those further five schemes will need to be considered on a case-by-case basis during RIS 2.

Q48 **Sir Geoffrey Clifton-Brown:** In thinking about those eight schemes and which you approved and which you have not, why are you starting with the most expensive?

Bernadette Kelly: Because it is actually the most important. There is clearly a set of outstanding issues around heritage that are unique to this scheme. By the way, Mr O'Sullivan was quite right that it does not make any sense to try to disaggregate the heritage benefits in the scheme, because they are such a significant part of the overall business case. In fact, they make up some 73% of the business case benefits. It is a unique scheme, but actually it is also the most important part of this corridor, in terms of traffic congestion and some of those bottleneck impacts. Again, Mr O'Sullivan is much better placed than I am to talk you through that.

Q49 **Sir Geoffrey Clifton-Brown:** If we cannot disaggregate the heritage benefits, should we really try to compare the business case on this road to other road schemes at all? Shouldn't we just say, "Well, this is a most important UNESCO site. We need to find the money and get on with it"?

Bernadette Kelly: Well, I might ask Ms Hayes to say a little more. This is a totemic scheme. It is one of these schemes that has been in various stages of development and then cancellation for decades, because of its unique characteristics and because there has for so long been a wish not only to deal with some of the economic and traffic benefits of this part of the route but to protect Stonehenge and not have a road running through the middle of an exceptionally significant world heritage site. It has long been the aspiration of successive Governments and strategic road agencies to have a solution to this. Based on the work that has been done over the last five or six years, we now have a scheme that works and that I think can be delivered. It has a good BCR and it genuinely delivers a solution in traffic, economic and heritage terms. That is why the Government are now very keen that this is a project that Highways England can get on and deliver.

Q50 **Sir Geoffrey Clifton-Brown:** Did you want to say something, Ms Hayes?

Patricia Hayes: That is absolutely right. We have learned from what we have done over the last 20 years on this scheme. The summary of that learning is that a scheme is only going to be deliverable if it meets three distinct success criteria: first, it has to be affordable; secondly, it has to have a sensible economic case; and thirdly, it has to have the support of the environmental bodies that look after the site. What is very different about this scheme, compared with the experience of the last 20 years, is that we have all those three things in place. We are in a unique position to deliver something successful.

Q51 **Sir Geoffrey Clifton-Brown:** Are you satisfied that you have dealt with the concerns of UNESCO? They wanted a different scheme, didn't they?

Patricia Hayes: We are disappointed with the perspective of UNESCO. The statutory environmental bodies—English Heritage, Historic England and the National Trust—have been with us on this journey, and they are very comfortable that the scheme we have proposed does achieve that balance between affordability, value for money and heritage benefits. UNESCO are encouraging us to do more tunnelling. The implication of accepting the UNESCO recommendation is that we would not have an affordable scheme at all, so we would not be able to solve the problem. We are disappointed by where they are.

Bernadette Kelly: We absolutely respect the important perspective that UNESCO bring to this project but, equally, they do not have to consider the affordability issues and the cost to taxpayers of this project, whereas the Government do.

Q52 **Chair:** We know about the UNESCO position. Do you have an estimate for what the extra tunnelling that UNESCO propose would cost?

Bernadette Kelly: There is a figure of £1.2 billion, as I recall, cited in the NAO Report.

Q53 **Chair:** Additional?

Bernadette Kelly: Additional—which is very significant.

Q54 **Chair:** Which would pretty much mop up some of the other road projects.

Bernadette Kelly: Yes, it would.

Q55 **Anne Marie Morris:** Ms Kelly, are the eight projects all interdependent? If you do not do all of them, will you lose the value?

Bernadette Kelly: No, they each have their own merits. That is, in a sense, why they are being considered under Highways England's RIS 1 and RIS 2 programmes as independent projects that need to stand or fall on their own merits. But it is true that there are programme-wide benefits, which are crystallised at the point at which the entire corridor is dealt with. There are project-specific cases to be made and then a level of programme benefit that sits above that.

Sitting suspended for a Division in the House.

On resuming—

Q56 **Caroline Flint:** Sir Geoffrey asked earlier about the linkage between having this massive heritage project and the routeway to the south-west. Would you agree that the business formula and the structure does not really fit a project like this, given that so many of the benefits are linked to the heritage site?

Bernadette Kelly: I absolutely agree that this is quite a unique business case for us in the Department for Transport. For the project this time round—this is really important—we have sought to have an innovative approach to constructing the business case. It is basically based on people's willingness to pay to have this heritage asset better protected. Willingness to pay is not in and of itself unusual in assessing the benefits of a project, but it is very unusual to have a heritage asset considered in this way in relation to a transport project. It is unquestionably a unique, novel and innovative way to construct a business case for a transport project. Ms Hayes is the expert on this particular methodology.

Q57 **Caroline Flint:** So what you are saying is that it is novel and innovative, but it is also unique.

Bernadette Kelly: It is the first time we have done something of this sort.

Patricia Hayes: Let me pick that up. I think I am being slightly over-sold. One of the things that the Department for Transport is most often criticised for when it is thinking about how it is going to spend its money is that it sometimes takes too narrow a view of what transport schemes do.

We are quite often criticised by external stakeholders for purely looking at journey times, safety benefits or reliability, when actually transport schemes do all sorts of different things. They can support housing, improve local environments and improve the severance of communities. At a high level, for me the important thing is not what is a transport benefit and what is not a transport benefit, but what all the impacts of the scheme are and whether it is making the world a better place overall.

Q58 **Caroline Flint:** I wouldn't disagree with that, Ms Hayes. You could say the same of any sort of planning of design and space and what it should achieve. Housing is another example of that. But given the unique status of the World Heritage site, wouldn't you say there is a case for the Department saying, "Hey, Government, we need some cash in from elsewhere for this. This is overwhelmingly a cultural asset—a World Heritage site asset. We are doing the heavy lifting here, and we don't want to jeopardise other road projects that are also having to come out of our budget and might be threatened by this"?

Chair: Ms Hayes, this is your chance to bid to the Treasury.

Patricia Hayes: More money is always welcome. In the Department for Transport, we try to operate in a joined-up way across Government. We recognise that our schemes deliver benefits that are important to all parts of Government, and I think that is absolutely fine.

Q59 **Chair:** Just before I move on to Ms Morris, we have talked about it being unique, but can you think of any other road projects where the heritage element is so dominant, or anywhere near?

Patricia Hayes: Definitely in terms of scale, as Ms Kelly said, this is unique. In terms of the approach, it is a fairly well-trodden path. The way in which we have gone about dealing with the heritage benefits is not a particularly new methodology for Government. We have used willingness to pay surveys, which are very compliant with the guidance in the Treasury Green Book. Creating a cultural heritage value is not necessarily new.

Q60 **Chair:** Where else have you done it?

Patricia Hayes: We put a non-monetised cultural heritage value in our scheme wherever cultural heritage values are achieved. We do not always monetise them because in most schemes they are not as significant as they are in this scheme. For this scheme, the extra step that we have taken is to go through the process of commissioning a methodology for putting a financial value on it.

Chair: Because you had to get the business case to stack up.

Patricia Hayes: Because it was such an important part of the reason for the scheme.

Chair: And also, the business case would not have stacked up even if you had monetised it.

Bernadette Kelly: No—we would not have achieved the objective of the scheme.

Chair: That as well.

Q61 **Anne Marie Morris:** I have one question before we move on to the funding issue. Given the links between all eight projects, why did you not create just one programme-level business case, and set a timeline to deliver the whole thing?

Bernadette Kelly: A programme-level business case was done at the earlier stage in considering these eight projects. For example, I think it would have added something like £273 million of benefits to the assessment of this scheme if we had overlaid that programme analysis. There has been such an analysis. The objective of treating these as projects in terms of sequencing and decision making is to ensure that we can take them in a sequence and time scale that is affordable and deliverable, and to ensure that the VFM and business cases stack up for these schemes. I think the NAO Report makes a sensible recommendation on programme-level evaluation and consideration, which we need to keep under close review. The process in play of looking at each project on its own merits allows us to be both responsive and flexible in how we get them delivered. I do not know whether Mr O'Sullivan would like to say any more about that.

Jim O'Sullivan: We treat the strategic road network as an entity for the whole of England. We then divide it up into about 18 or 19 routes, of which the south-west is one. We look at all the possible interventions we could make to improve journey times and capacity and encourage growth and economic activity. But we have to prioritise which of those schemes across the country we will deliver over the next five years. There are three reasons for that. First, the total envelope of money that we have available to us over that period of time will be capped; therefore, we have to work on the highest priorities first.

Secondly, because we have a long-term plan, in each region of the country we have reached a point where we are trying to create a sustainable road-building base of skills and adding to the economy by having long-term work programmes. Thirdly, and just as importantly, our road users do not like us working on five, six or seven different parts of the road at the same time. In places such as the A66, the A1, the A38, the A47 and here, we have six or seven viable schemes, but if we tried to build them all at the same time, anybody driving the length of that road would have a pretty miserable time. For those reasons, we space the projects out and we set the priorities across the country, including these seven schemes, in that long list. We set the priorities across the country for what we will build next.

Q62 **Anne Marie Morris:** The challenge for the road user is that they either want to use that long route, or they do not and they go on the M4 and M5. In a sense, by picking off little bits you will never get the full impact. I appreciate that you would not do them all at once, but it surprises me that there is no plan for all eight in terms of timeline and cost, so that you have actually got a commitment from Government—as we have for things like HS2—to this investment being made, so that you know you are not going to suddenly land up with five bits or three bits not done. On the fair share point made by Mr O'Sullivan, the south-west is the most underinvested part of the UK. So, I cannot see any reason for not spending disproportionately more on that part of the country. Ms Kelly, do you have any final comments?

Bernadette Kelly: As I say, previously the Government have set out a broad ambition around delivering all eight schemes within a reasonable timeframe, and I am sure that is exactly what our Government and Highways England will seek to do. This is just, as I say, our means of ensuring that within a much bigger portfolio. I fully accept the case that you make—understandably, as a south-west MP—for the need for funding in the south-west road network, but both we and Highways England do have to look at priorities right across the country.

Q63 **Chair:** Mr Marcus Fysh backs Somerset County Council, I believe, and—perhaps Mr O'Sullivan will comment on this—they cannot understand the methodology of breaking it up. Obviously, the NAO has commented on this as well. We take what you say, Mr O'Sullivan, about not doing them all at the same time—clearly that will not work—but you could still treat them as one project with several parts, and you have chosen not to do that. Is that because there is a risk that you may end up dropping some of these projects? You talked about priorities across the country. Is there a risk that the A303 project will actually never get delivered?

Jim O'Sullivan: I don't want to over-promise. We have a five-year settlement, and we can only be absolutely clear about the work that we are going to deliver in the next five years, but we have recognised all of these priorities across the country.

The other thing with roads that is slightly different from other forms of transport infrastructure is that—this tunnel is typical—when we do a piece of the infrastructure, it immediately brings some of the benefits of the total scheme. We see that particularly with smart motorways, which we are rolling out a section at a time. As we open each section of a road, such as this tunnel, the road user gets immediate and measureable benefit. So it is not that we don't unlock any benefit on this route until all seven schemes are done; each of the schemes has its own merits and will bring benefits to the south-west as and when it is completed.

Q64 **Chair:** When will the whole project be completed? You can talk about five years, but when in your best professional estimate do you think it will happen?

Jim O'Sullivan: I would not comment beyond the next five years. It is difficult enough to get the next five years planned and funded—

Q65 **Chair:** Practically then, rather than commenting on when it will be, if there were no barriers to delivering this, and you were just sequentially working through the infrastructure engineering work and all the rest of it, how long would it take—just the actual work—if you were to sequence it?

Jim O'Sullivan: A similar scheme might be delivered in five to 10 years.

Q66 **Chair:** And that is assuming no barriers, so it is still quite some time before—

Jim O'Sullivan: Assuming no barriers and working in a sensible sequence.

Chair: Ms Morris will no doubt come back later, so we will go on to Sir Geoffrey.

Q67 **Sir Geoffrey Clifton-Brown:** With the next few questions, Ms Kelly, I want to understand where this fits within the current funding. This scheme and the Lower Thames crossing, I believe, were originally to be funded by PF2, which the Chancellor cancelled last autumn, so do they now sit entirely in RIS 2?

Bernadette Kelly: No, that is not the case. Actually, I recall your asking some similar questions when we discussed road projects previously. In a sense, I don't think the situation has moved on materially since then. Essentially, as you rightly say, this scheme and the Lower Thames crossing were originally planned to be funded under the PF2 programme. The Treasury have now cancelled that private finance programme. However, as the Treasury have made clear, and as we have made clear, we and the Treasury—the Government—absolutely remain committed to both this scheme and the Lower Thames crossing. The funding will need to be resolved in the spending review coming up. I think it is fair to say that we will make a strong case for these schemes to be funded in addition to the RIS 2 envelope but, clearly, that will be ultimately a matter for determination in the spending review.

Q68 **Sir Geoffrey Clifton-Brown:** Is it just those two schemes that fall into the category, or does Oxford-to-Cambridge fall into that category as well?

Bernadette Kelly: No.

Q69 **Sir Geoffrey Clifton-Brown:** No, just those two schemes. So you would be looking for additional funding for Lower Thames and this. This is estimated to cost about £1.7 billion and Lower Thames about £4.2—

Bernadette Kelly: Not in the spending review period—

Jim O'Sullivan: I am speaking from memory, but for the Lower Thames crossing it was about £4 billion of public money to build the tunnel; Lower Thames crossing only required about £1.5 billion to £1.7 billion for the roads. So there was £1.5 billion-ish of PF2 to build the roads, but the tunnel was always private finance—so a total of about £3 billion to £3.5 billion needed for Lower Thames crossing and A303.

Q70 **Sir Geoffrey Clifton-Brown:** With regard to your road planning, is the DCO process and everything else still continuing as if it is going to be funded until funding decisions are made?

Jim O'Sullivan: Yes. We are funded this year for £20 million, which is all of the money we need to progress the scheme in the current financial year. We have indicated to the Treasury that we will need about £50 million next year if the programme is to continue to the required delivery date. We have made it clear to the Department that we need clarity on the funding before the end of the year. We need clarity for two reasons. First, it is an international market for tunnelling and we have to keep the market engaged and interested. We need to go to the market with an engagement notice towards the end of the year. The way that it will be procured involves significant costs on the side of the supply chain in order to engage with us and take this forward. So we need the funding clarity in order to engage with the market. Secondly, it is almost impossible to prepare a DCO without funding clarity. We need to know how that money will be available.

Q71 **Sir Geoffrey Clifton-Brown:** Ms Kelly, alarm bells are now ringing. The Chief Secretary said the other day that the public expenditure round might not be this year. How does Mr O'Sullivan's statement that he needs a decision by the end of this year fit together with and the Chief Secretary's statement?

Bernadette Kelly: That is a very fair question. That statement is not yet a formal Government position, as I understand it. We have asked Treasury officials. When I was here a couple of weeks ago, you asked me whether there was going to be a three-year spending review. My response at that point was that, to my understanding, that was the formal Treasury position, and that was what they had asked Departments to work on. Clearly, we all recognise, given the political uncertainties, that it might not ultimately be possible. It will be a decision for the Chancellor and Prime Minister to carry out a three-year spending review. A one-year settlement is not out of the question, but that is not the formal position at the moment.

Q72 **Chair:** If it were?

Bernadette Kelly: If it were, we would need to have a conversation with the Treasury about whether we ask Highways England to continue to make progress on the scheme to the same timeframe on the understanding that it would be funded.

Q73 **Chair:** So special pleading.

Bernadette Kelly: We would need to take a separate decision about it, and that is exactly the conversation we would engage the Treasury in, which is: if we want this scheme to continue, and to continue in a sensible and efficient way to the current project timeframe, we cannot wait another year, or however long it takes to carry out a spending review.

Q74 **Sir Geoffrey Clifton-Brown:** We talked about the PF2 project being cancelled in the autumn. You had already spent £2.7 million on that particular deal. Was that £2.7 million purely nugatory money that has been spent on preparing? On the PF2 scheme, I think the NAO mentioned £2.7 million. I will try quickly to find the right page.

Jim O'Sullivan: Sorry, I thought it was about £900,000.

Sir Geoffrey Clifton-Brown: Here it says: "This included costs of initial ground surveys and development of the project design. Highways England estimates that it spent £2.7 million preparing for a private finance deal." Would that money have to have been spent anyway, or was it a purely nugatory cost?

Jim O'Sullivan: Some of it will be lost. I think that the £900,000 is the number that was spent on advisers and specialists in corporate finance and in the presentations and market engagement. A lot of the information that was prepared to support the sector in bidding for this work is information that we would be able to reuse, such as many of the initial ground surveys and the specification of the tunnel. So much of the technical information that would have been prepared for that bid is of value.

Q75 **Sir Geoffrey Clifton-Brown:** How robust are the costs for this particular scheme? We discussed earlier the range. Are you relatively certain? You have told us that you can build it for around £1.7 billion now. With all your considerable experience, Mr O'Sullivan, do you think those costs are robust in the market as it is at the moment?

Jim O'Sullivan: Yes, I do, for a number of reasons. First, we are now well into this project. We have people on site. We have done a great deal of geotechnical work. We understand the water table and the geology, and we understand much of the archaeology. We are well advanced in our research for this. Secondly, the risk analysis that we have done so far is proving accurate, and that £1.7 billion budget that we have has held for quite some time. In fact, our opinion on the range is that the £2.4 billion top-end number is actually starting to come down. We are confident that we have a good programme and a good budget for this.

Q76 **Sir Geoffrey Clifton-Brown:** If I could take you to page 33, paragraph 3.11, which talks about the construction risks, with your expertise in these highway matters, are you satisfied with the final sentence—it is an agreed Report—in the final paragraph: "It has assessed these risks and its intended mitigation strategies, and concluded all groundwater effects to be non-significant for the construction and operational phases of the project"? It also talks about the difficulties of phosphatic chalk. Are you satisfied that the surveys you have now done are sufficiently complete that you are not going to find any unexpected surprises that will considerably increase the cost?

Jim O'Sullivan: Yes.

Q77 **Sir Geoffrey Clifton-Brown:** That is very helpful—thank you. Can we talk about the ongoing process, assuming that you get the money and you do not have to pause this? Mr O'Sullivan has had very successful local strategic partnerships, and the Environment Agency and Natural England are on board. Are you reasonably confident that the sort of timetable that Mr O'Sullivan has outlined—namely, a start in 2021—is now attainable?

Bernadette Kelly: From our perspective—it is definitely worth hearing from Mr O'Sullivan—the scheme is well planned and the timetable set out for it is credible and deliverable. I speak, though, with my experience of other projects, and I will always add a note of caution: with projects of this complexity, one can never be 100% certain that absolutely everything will go exactly to plan, and we will certainly be ensuring that fixation on dates does not cause any perverse outcomes in relation to the project. But there is no reason to suppose that those dates could not be met.

Jim O'Sullivan: We are content with it. The funding challenge has not come at a bad time, if we were going to face this question mark about how the project is going to be funded. In practice, as figure 9 shows, we had time in the timetable and the delivery schedule to deliver a PFI. There is no doubt that delivering a PFI would have been more complex than a straightforward contracting deal.

We would draw on our experience of the A14, which is £1.4 billion. We are spending £1.3 million a day on that scheme, which is 14 miles in Cambridgeshire. It has been held up as best practice on how to contract for a major infrastructure scheme by the contractors concerned, so we will probably use a variation of that contract. Many of the people who were involved in setting up and delivering that contract will be involved in the commercials for this. The time that we are losing around the funding uncertainty, we are gaining through the contracting mechanism being much simpler.

Q78 **Sir Geoffrey Clifton-Brown:** I assume, within that answer, that what you mean is that you are actually doing the detailed design now. Are you able to do the detailed design at the same time as you are doing the DCO process?

Jim O'Sullivan: No, they are sequential. We are doing the specification and scoping now. We would want to have a company with major tunnel experience on board with us in order to do the detailed design. The next stage is what is called—it is a relatively modern contracting technique—constructive dialogue or commercial dialogue, where we will get three or four of the major tunnel contractors to talk to us about how they would go about it. So we will hear their ideas as the next stage, in terms of the best way to deliver this, and then ultimately we will pick a preferred partner who we think is making the best proposal for how to go about this. The next period of time is this constructive dialogue.

Sir Geoffrey Clifton-Brown: If you are proposing that the start date should be in 2021—we are now in 2019, so that is two years—that seems a remarkably tight schedule to get a complex scheme like this through all the planning, the possible public hearing and the possible objections, doesn't it?

Jim O'Sullivan: The development consent order is actually in with the Planning Inspectorate, so that bit is done.

Q79 **Sir Geoffrey Clifton-Brown:** It is done?

Jim O'Sullivan: Well—sorry—it is under consideration. It has been lodged, so all our DCO work is complete and it is with the Planning Inspectorate. We are in the middle of that phase in terms of expecting the planning permission.

Q80 **Chair:** When do you expect to hear from them? Have they given you any private indication?

Bernadette Kelly: For the DCO, we expect the Planning Inspectorate to do its work by the end of October 2019.

Patricia Hayes: Yes, and then to reach a decision by April 2020.

Bernadette Kelly: So that is all scheduled into the overall programme of work. I should say that, while of course it will be a very important DCO consideration given the heritage considerations, the huge amount of work that has gone on in advance with environmental bodies should stand this process in good stead.

Chair: That is probably the case, but nevertheless, there’s many a slip ’twixt cup and lip on these planning issues.

Q81 **Sir Geoffrey Clifton-Brown:** Going back to Mr O’Sullivan’s comments about needing to have the decision this year on tunnelling, how does that dovetail with the skills you need to deliver this project? Do you have all the skills in your Department to be able to do all the remaining stages of letting the project? That is question 1.

This is question 2. Obviously, this tunnelling equipment, which is hugely expensive but something we have a worldwide reputation for, has to slot in, presumably from some other project. Are the skills and people available in the timescale you need them?

Jim O'Sullivan: In terms of the contracting, yes. Our contracting skills are very well developed. In fact, we have changed many of the contract arrangements for the next RIS investment period, so we are in a very good place in terms of having the contracting skills to do this.

Q82 **Chair:** That is your in-house contracting skills. What about the skills of the contractors? Are there enough people out there in the world to do this work?

Jim O'Sullivan: Okay, so the first question is about the contracting skills, in terms of placing a contract into the market that people want to bid for and believe that they can deliver. Yes, we—

Sir Geoffrey Clifton-Brown: That is question 1.

Jim O'Sullivan: That is question 1. That is our side of it.

Q83 **Sir Geoffrey Clifton-Brown:** On question 2, which presumably links to your comments about the timetabling and needing a tunnelling decision by the end of the year—

Jim O'Sullivan: Well, we need a funding decision by the end of the year.

Q84 **Sir Geoffrey Clifton-Brown:** I understand that, but let us assume you get the funding. Earlier in the hearing you said that you needed a decision because of tunnelling, and I was not quite clear what.

Jim O'Sullivan: Okay. We need a funding decision before the end of the year because, for people to engage with us in the first quarter of next year, they need confidence. It is going to cost them quite a bit of money to engage with us in the way that these contracts are let. The suppliers will be spending money in order to win this contract. In order to do that, they need a high degree of confidence that the project is going to go ahead, and for them to engage with us without certainty about the funding would be problematic for them.

Q85 **Sir Geoffrey Clifton-Brown:** Can I try to press this question a little more?

Jim O'Sullivan: I am sorry if I am not answering your question, but I am trying.

Q86 **Sir Geoffrey Clifton-Brown:** No, no. These tunnelling machines are hugely expensive, and they presumably have to come from some other project.

Jim O'Sullivan: No, they are usually new and bespoke. They are used for this project and then dismantled and taken out.

Chair: I think some of them were buried in Crossrail.

Jim O'Sullivan: They are one-off machines. There are two things. The bore of the tunnel is usually unique, and this will be one of the largest-bore tunnels—sorry, at least one of them; there is the lower Thames crossing. But these machines are unique to the project that you are using them on, so this will be used and scrapped.

Q87 **Sir Geoffrey Clifton-Brown:** So the contractors are out there and tunnelling capacity is available, irrespective of where else they might be?

Jim O'Sullivan: Yes, and they look at the market and they will build more or fewer machines according to how buoyant that market is. Therefore, in order to encourage them to engage with us, they need a high degree of confidence that this project will go ahead. If they do not have a high degree of confidence, they will not engage and they will not have the back-up that allows them to deliver the machine we need.

Q88 **Sir Geoffrey Clifton-Brown:** I talked a bit about the phosphatic chalk, which I understand is inherently unstable. There are two types of tunnelling, aren't there? There is the type where you tunnel a bit and then put in some form of concrete structure straightaway, and there is another type where you just go through with a tunnel machine. Will you need to keep putting in reinforcements as you go along?

Jim O'Sullivan: That is certainly the current recognised way of doing it. Part of the constructive dialogue is to go and talk to the people who do this work—the people who operate these machines—and ask them what they think the best way of doing it is. If they are bidding for a contract, they will tell you the best way of doing it, because that is what they will intend to do. We will engage with them to understand how the experts think it is best done, rather than have us do a bit of research and come back to them and say, "We think we should do it this way."

Q89 **Sir Geoffrey Clifton-Brown:** Finally, Ms Kelly, how will you support Highways England to work with other Government Departments, local authorities and heritage bodies to achieve the project's full benefit?

Bernadette Kelly: There are well established arrangements already in place. Obviously the entire process of consultation on the scheme and devising the 3.3 km project has required very, very close working among Highways England, Wiltshire Council and local stakeholders and among Highways England, the National Trust, English Heritage and Historic England. Those relationships and ways of working are already extremely well established, and I have every confidence that Mr O'Sullivan and Highways England will absolutely want to continue to keep those working throughout the development and delivery of this project.

Jim O'Sullivan: I would just add that the Major Projects Review Group highlighted that this was at best practice in terms of stakeholder engagement, and indeed we have had similar feedback on the lower Thames crossing, so I think you can be reasonably confident that we will engage in the way you say.

Q90 **Sir Geoffrey Clifton-Brown:** This is one of the world's greatest heritage sites. Have you come with any innovative schemes to encourage visitors out of the tunnels and into an imaginative car park, to make the process as easy as possible and encourage as many visitors as possible? After all, we want to get the maximum benefit from the road scheme, having spent all this money.

Chair: There are some projections from the NAO that there will be some benefits. Can you explain that to us?

Patricia Hayes: I think some of those conversations are at a relatively early stage. I am not sure we have exactly designed the car parks that we will put in place in 2026. The way in which the scheme is designed—particularly the green area over the top of the tunnels—means the site will become much more accessible and be a much more usable piece of public space. So as the scheme goes through its development there is potential for really constructive conversations with all the local partners.

Q91 **Sir Geoffrey Clifton-Brown:** I am a bit surprised by that reply, I have to say, because if I was about to spend roughly £2 billion on a road scheme, I think I would have some concept design in my mind as to how it would link into one of the world's greatest heritage sites, even if I did not know the precise design of the car parks.

Patricia Hayes: Our heritage partners have told us that the way in which the site will be designed, with its new access and the landscaping around it, will improve its attractiveness and make it accessible for both visitors and local people who live near the site who are currently severed from it by the road. We have the groundwork there; we just have a few more years to work through exactly what the plans are.

Q92 **Sir Geoffrey Clifton-Brown:** Fair enough. Ms Kelly, I am sure you are expecting this: given the pressure on funding, where does my local scheme—the A417/A419 Missing Link scheme—sit in RIS 2?

Chair: You'll have been well briefed on this.

Bernadette Kelly: I have indeed. I believe the last time you asked me some questions about this, you pressed me very hard for a preferred route announcement in March. That, in fact, did happen, and I hope you were duly pleased to see that.

Chair: You don't want to upset the deputy Chair of the Public Accounts Committee.

Bernadette Kelly: Indeed. Obviously now Highways England is working to take the scheme forward. We have an indicative timeline for the project of construction starting in 2021 and concluding for traffic in 2024. That is probably quite a challenging timeframe—Mr O'Sullivan might like to say more—but as I say this is now going through the process, as you would expect.

Q93 **Sir Geoffrey Clifton-Brown:** Anything to add, Mr O'Sullivan?

Jim O'Sullivan: No, I don't think so. We have made the preferred route announcement. The only thing I would add is that it is subject to our RIS 2 programme, which is still in negotiation.

Q94 **Sir Geoffrey Clifton-Brown:** Presumably we will not get an announcement on RIS 2 until we get the public expenditure round.

Bernadette Kelly: No. Well, our current expectation is that we would seek to conclude and confirm the funding envelope in RIS 2 and the shape of the envelope for the spending review. Clearly, if there is not a spending review, there may be a different conversation that needs to be had about exactly how that will need to be handled.

Q95 **Chair:** Have you done a back-of-the-envelope calculation about what the cost would be of a delay in the spending review 1 projects like this?

Bernadette Kelly: I don't think we have done any calculation—

Q96 **Chair:** I'm sure you must have one to persuade the Treasury that you need the money. You must have one somewhere.

Patricia Hayes: Just to give a bit of timing context, it is worth remembering that the second roads investment strategy starts next April, so we are going to have to give Jim clarity on what we are asking him to do before that. The amount of time to make decisions on the second roads investment strategy is pretty limited, irrespective of the timing of the spending review.

Jim O'Sullivan: To add to that, our expectation according to the process, notwithstanding the spending review, is November, in terms of when the original plan—

Q97 **Chair:** So that is when you need to have the information by. I think Sir Geoffrey is about to start a big campaign to make sure—

Jim O'Sullivan: The only other thing I would add is that many of these projects that were due to start either at the end of RIS 1 or at some point in early RIS 2 were funded in RIS 1 for their development, so until next April, the scheme and other schemes are funded fully, such that they can hit their dates.

Q98 **Chair:** You will need to do preparatory work and so on, won't you? That is why the November date is critical, presumably.

Jim O'Sullivan: Yes. We are funded to hit the ground running in April next year. Clearly, at the point at which we believe we are not going to be fully funded in April, to continue spending money at that rate might not be sensible.

Q99 **Sir Geoffrey Clifton-Brown:** I was going to press you on this in relation to the A417/A419. Very kindly, Ms Kelly, the preferred route announcement was as you predicted in March—thank you very much—but you are now, I gather, going to consult on that preferred route in the late summer, and you will then move into the DCO process. Can I have an assurance that all the process work on that scheme is continuing as if you would be getting funding?

Jim O'Sullivan: Yes, we have the funding to continue that work to support those delivery dates until next April.

Sir Geoffrey Clifton-Brown: Thank you.

Q100 **Anne Marie Morris:** What is the position on the A358?

Jim O'Sullivan: The situation on the A358 is that it is going to be a year late because we went back and did a second public consultation on it. We have moved its connection point from a junction further up the M5 to where it was originally intended. It is a difficult road to build. The BCR for it has been quite low, but as a result of our new contracting arrangements in RIS 2, we have just found a way to reduce the cost of that scheme significantly, so it now has a BCR somewhere above 1. I will be writing to the director general in the next few weeks to explain that and give our proposals for how it should be built.

Q101 **Anne Marie Morris:** Right. What were the objections when you did the consultation?

Jim O'Sullivan: We moved it a junction further up the M5 primarily for land development reasons. The upside was that it gave a shorter transport route and better development opportunities in the area. The reason why we didn't put it there in the first place is that it has incurred about £20 million to £30 million of safety and traffic improvements needed at that junction, because it was already full.

Q102 **Chair:** When you consulted, there was just one option.

Jim O'Sullivan: There was just one option, yes.

Q103 **Chair:** Was there any thought given that maybe that would open up concerns locally, and that people would want to have their say on different options but were given one to comment on?

Jim O'Sullivan: We are encouraged to take what we believe to be the most cost-effective route. At the time, we believed that that was the right and best option. Following the consultation, we understood that it wasn't, and we changed it. We try to be a listening organisation. When we get consultations back, we evaluate them strongly. This isn't the only route where we have changed our decision as a result of a consultation or chosen to go back for a second consultation. Sometimes, we get a different result from the consultation than we get from stakeholder engagement. We have a number of other examples where we have looked at the results of the consultation and said, "Do you know what? We should do this differently."

Q104 **Anne Marie Morris:** And the fact that this is now costing more than the first option, is that going to give you a problem with the Minister and the Treasury?

Jim O'Sullivan: No; we have found ways. We manage across a portfolio. Some of our schemes come in below budget and some come in above, and we have found a way to make this affordable within our portfolio costs.

Q105 **Anne Marie Morris:** How have you done that?

Jim O'Sullivan: We will have found other projects that had come in under budget and moved the money across.

Q106 **Anne Marie Morris:** Okay—so it's not actually cheaper. You have just found money elsewhere.

Jim O'Sullivan: We have done both. We have reduced the cost of it significantly as a result of our new contracting arrangements.

Q107 **Anne Marie Morris:** What are the new contracting arrangements that have made a difference?

Jim O'Sullivan: In RIS 1 we used a thing called collaborative delivery frameworks. We are now moving into a new system where the designer stays with the project throughout its life, which means that we don't get one design that is handed to a contractor who then finds problems and can't design it. The designer carries the liability with the build contractor through the life, which we think improves the quality of the design.

Q108 **Anne Marie Morris:** That sounds sensible. Government Departments, from what we have seen, are not expert in procurement. You say that you have all the skills and so on for what you need but, for this whole project—never mind, for a minute, the A358—how are you going to go about the procurement, and ensure that you get it right and that the appropriate disclosures of information are made both ways so that we don’t land up with some sort of catastrophe, x months or years down the line?

Bernadette Kelly: The procurement will be carried out by Highways England, which does have very significant expertise in this area.

Jim O'Sullivan: We have significant expertise, which we have developed over the past four years. We have brought people in from the private sector. We have created new departments to deal with this. We have just recruited a new commercial and procurement director from a major UK company. Our major projects director has come from one of the consultancy firms, so we have a level of expertise.

We now have a track record. I referred earlier to the A14 and £1.4 billion. It is on time, on budget and parts of it are open and in use. It is not simple; it is a complex project. We have a number of others now that we have delivered within budget and on time: the A5/M1 link at £150 million; M1 junction 19 was budgeted at £190 million and came in at £180 million.

There are swings and roundabouts. The A358 looks as if it is more expensive than we originally intended. We are bringing this portfolio of projects in on or around budget, so we have those skills.

Q109 **Anne Marie Morris:** Okay. Money is key. I have two questions. As I understand it, the comment on PF2 was that the scheme was closing but there were still options for money coming in from the private sector, but just not under that scheme. Is that your understanding? If that was a possibility, would it make a difference? My second question is also about financing. If the Government say, “I’m sorry; you are going to have to reduce the costs further,” have you looked at how you could do that?

Bernadette Kelly: Obviously it is a Treasury policy, in a sense, both to cancel PF2 and about what sort of private finance initiatives it wishes to support in future. There is work going on. I don’t think the Treasury has closed the door to private finance at all, but I don’t think we yet have clarity about what the position will be. I should say that we don’t expect this scheme now to revert to private finance—the A303, I should say. We are now working on the assumption—

Q110 **Chair:** Didn’t you get a letter of comfort that, when the PF2 was abolished, this would be funded?

Bernadette Kelly: Sorry?

Q111 **Chair:** Wasn’t there some comfort given to the Department when PF2 was abolished?

Bernadette Kelly: We certainly had exchanges with the Treasury, which confirmed that the Treasury and the Government remained committed to this scheme. That is the A303, not the A358.

Q112 **Anne Marie Morris:** How much is this scheme? Because you are still waiting for RIS 2 to give you what you need. Are you absolutely certain that RIS 2 is going to give you the extra money?

Jim O'Sullivan: This scheme is not included in RIS 2. Only the costs associated with arranging the PF deal were included in RIS 2, so the entire £1.7 billion is not contained within RIS 2.

Q113 **Anne Marie Morris:** Despite the fact that you are already spending it beyond the usual spending period, so to speak, that has been committed and confirmed.

Jim O'Sullivan: The only security we have at the moment is that we have £20 million to develop the scheme, against this 2026 delivery date for this year. We have advised Treasury that we need another £50 million next year, but we also need certainty of funding by the close of this calendar year. Highways England has no understanding as to where the funding is coming from.

Bernadette Kelly: As I said a little earlier, that is why we now expect that matter to be resolved, and we will have that discussion with the Treasury in the spending review.

Q114 **Chair:** I wanted to go back to the A358, which is a popular small road—small on our map, anyway—in Somerset. The NAO's annexe gives the figures that the estimate has gone up by 80% because of the delay. I am referring particularly to figures 13 and 14, which give the useful figures here. This was consulted on twice, because the first consultation was rejected, and the full project funding has not yet been approved. The figures are very vague. Ian Liddell-Grainger MP has written to us, quite rightly pointing out that Highways England's financial estimate of the real cost of the road is manifestly vague, and he quotes anything between £250 million and £500 million as the figure on the HE website. Why is the information on these sorts of projects not so clear on your website, Mr O'Sullivan? Is it not fair and right that the public know what the cost is likely to be? We have a fairly clear estimate here in an agreed Report from the NAO. It was £251 million; now it is £452 million. Would it not be more honest to put the higher figure in now? It is unfair to just throw you a figure off your website at random, but do you think your website is giving people the information they need to make assessments about these projects as citizens out there?

Patricia Hayes: Do you mind if I just come in while Jim is answering the question on that specific project? This takes us back to the work that the NAO did on the RIS 1 programme generally, and a key finding of that work was that, for the very first roads investment strategy, some of the projects in the programme were not as fully worked up as they might have been. The clear recommendation from that Report was that when we do RIS 2, we need to be much clearer when we set up the programme that we know what we are buying in terms of its likely cost and the engineering specifications. This is one of the projects where, when we got into it in RIS 1, we were not entirely sure what we were buying.

Q115 **Chair:** So you are saying that this is an old project and it is all going to be fine in future?

Patricia Hayes: This is a function of the very first roads investment strategy being the first time we had a go at it. With the second roads investment strategy, we have a much higher level of confidence that we know what the projects in the programme will look like and how much they will cost.

Q116 **Chair:** Thinking about the information available to the public, will you make a commitment to go back and look at that, and perhaps contact Mr Liddell-Grainger directly?

Jim O'Sullivan: Absolutely. As Tricia has said, this project will have been prepared on a standard costing basis. The topography around this area is quite difficult; it is not an easy road to develop, and as we have worked on it the costs have changed quite significantly, both upwards and downwards. If the website does not reflect our latest position, I need to correct it, and I can certainly get back to—

Q117 **Chair:** Mr Liddell-Grainger is not so in favour of the A358. He has asked us to ask why you are not considering investing your precious capital allocation in upgrading the M5. Or are you planning to do that?

Jim O'Sullivan: The M5 will have been assessed as part of the route strategy for the south-west. There is some work on some of the junctions planned for the M5, including as a result of this scheme. I am not sure about the nature of the upgrading of the M5 that he has in mind, but we have a number of schemes to improve it.

Q118 **Chair:** I am sure he will be willing to take that offline with you. Figure 13 tells us that the figures in there are based on the assumption that the preferred route analysis would be made last autumn, but by that date the preferred route had not been agreed, presumably because of this additional consultation. What date are you expecting the A358 work to be delivered by? The expected "open to traffic" date here is now summer 2024, according to this, but the note is very clear that that was on the basis of a decision being made last autumn, and it was not made last autumn, so what is the current expected date?

Jim O'Sullivan: We would certainly expect that date, or certainly before the end of RIS 2, which would be spring 2025.

Q119 **Chair:** You are confident in that? Okay.

If some of these schemes are delayed, as we have been discussing, what impact would that have on the A358? You are absolutely confident that that date is not dependent on other projects?

Jim O'Sullivan: No. Although not building these things at a programmatic level—i.e. doing them all as one programme—has certain disadvantages, the advantage is that once we are committed to a scheme and once that scheme has passed its BCR or value for money assessment and we mobilise on it, we know that we can build it and do not end up questioning value for money on the basis of the decisions of other schemes. We can take this as an independent scheme that stands on its own merits and, regardless of the fate of other schemes around it, it should still be built.

Q120 **Chair:** Will it still include the Henlade bypass?

Jim O'Sullivan: I don't know.

Q121 **Chair:** Could you write to us about that, because we have had some queries?

Jim O'Sullivan: I can write to you.

Chair: Anne Marie Morris will now pick up on Dawlish.

Q122 **Anne Marie Morris:** Before we get to Dawlish, I have a question about the bigger picture. Is there an update on the Great Western Railway modernisation programme? How is it progressing, Ms Kelly, because it has had its problems?

Bernadette Kelly: It certainly has, but perhaps we are entering a happier phase of the project, because it is reaching its final stages and I believe that travellers in the south-west are starting to see and feel the benefits.

Q123 **Chair:** I advise you that when we have done briefings on issues, the biggest attendance bar none was on this train service, from Members of Parliament in the south-west. I hope you are confident in your statements or you will have a flurry of letters from people telling you that they do not see it so positively.

Bernadette Kelly: We have been dealing with a £5 billion investment programme, of which £2.8 billion has been around the electrification of the infrastructure and another £2 billion-plus has been to bring in a whole new fleet of IP and intercity trains. It has been an enormous investment in enhancing this part of the railway over the past years. I hope that people, including local MPs, are now experiencing a lot of those benefits starting to come through. The electrification to Newbury, Bristol Parkway and Chippenham is complete. We expect the electrification from Bristol Parkway to Cardiff to be complete by the end of November.

The roll-out of the new fleet of IP and intercity trains has also been completed. That brings something like an increase of 24% in capacity. There are many improvements to local services that have been possible as a result of cascading diesel trains from elsewhere on the network. People should already be experiencing a real improvement in the quality, capacity and reliability of that service. There are many improvements: we have the earliest ever arrival time for trains coming from Plymouth to Devon to London.

From December 2019, which is the next point when the industry will make substantial timetable changes, further improvements will be introduced to journey time and services for people travelling on the Great Western Railway. In some senses, we are starting to see the benefits of this enormous and, as you say, rather challenging investment starting to come through and be experienced by passengers, with more still to come.

Q124 **Anne Marie Morris:** Will you make any further changes to signalling? You are right about trying to improve times; as I understand it, one of the issues was about changing the way the signalling worked.

Bernadette Kelly: I would want to come back to you separately on specific points about signalling. Without my Network Rail colleagues, who were responsible for the projects, I would not want to try to answer a question of that nature in too much detail, but I would be happy to say more about that.

Q125 **Anne Marie Morris:** That would be great. I guess the other bit is that you have a programme for electrification, but some bits are electrified and some bits are not. Is there any more that you are likely to electrify, or are we as electric as we are going to get?

Bernadette Kelly: I think we are completing the electrification to Cardiff by the end of November. As you say, there are bits of this line that have not been electrified, and those bits of the programme have been deferred. We would need to consider them; but where bits of the line have not been electrified, it is because it does not represent very good value to do so. Now that we have bi-mode trains, it is possible to deliver the benefits to passengers without the need to electrify every single part of the line.

Q126 **Chair:** We have had feedback from local MPs and local people that electrification at certain gradients will not work or will not be good enough. Are you confident that electric trains can cope with the geography?

Bernadette Kelly: Again, I am hesitant to get too much into the issue of traction of rolling stock. That is not really my speciality.

Chair: There is a serious—

Bernadette Kelly: No, it is a serious point. Unquestionably, one consideration that will have been thought through in detail by Network Rail, colleagues working on the rolling stock improvements and the train operators, is how to get the right balance and how to make sure that you achieve the best possible journey times given the topography, the gradient and those sort of things. These are unquestionably things that the people delivering the project will have thought about, and they will have sought to optimise the performance of the bi-mode trains on the route, given that parts are electrified and parts are not.

Q127 **Anne Marie Morris:** How is the Missing Link project progressing?

Lee-Anne Murray: That is the air balloon.

Bernadette Kelly: We have already talked about that.

Patricia Hayes: It is the A417.

Bernadette Kelly: It is the same one.

Q128 **Anne Marie Morris:** What about the second road investment strategy for this project? Will funding be available?

Bernadette Kelly: We made a preferred route announcement and the scheme is being progressed. Ultimately, we have not yet taken final decisions on the exact prioritisation of schemes within RIS 2, but that work is ongoing by Highways England.

Anne Marie Morris: Now we get to Dawlish. How are we doing?

Chair: The most important place in the world, in case you weren't aware.

Q129 **Anne Marie Morris:** Mr O'Sullivan, it has been a fraught project. I know that we now have spades in the ground, and that the sea wall is being developed. We also have this rather strange injunction proposed; the town council is trying to ask Teignbridge District Council to judicially review its own decision about the height of the sea wall. It seems to me that that will go nowhere. I presume you will carry on with the work. I do not know what planning you are putting in place to deal with these political challenges.

Bernadette Kelly: As you will certainly know—I am sure you have been taking an active role in this—we have announced the £80 million of further funding needed to provide a permanent long-term solution to the resilience of the sea wall at Dawlish. I think those contracts have been awarded. As you say, shovels are in the ground; the project is now absolutely being taken forward and the first phase of work is under way.

I am aware that there are local concerns about the height of the sea wall. I think Network Rail have been working extremely hard to ensure that those stakeholder and local concerns are being managed. Ultimately, though, there is a balance to be struck between having a sea wall that actually keeps the sea off the track and one that is no more visually intrusive than it needs to be for people who live in the area or enjoy the localities.

Q130 **Anne Marie Morris:** So the work is going on and you are not concerned by that?

Bernadette Kelly: The work is going on. I think Network Rail have announced a consultation today about the treatment of the cliffs around Teignmouth. There are some specific issues there and I know that they are consulting on options. Again, that is all part of the engagement they are doing to make sure that they are addressing local concerns. I was actually speaking to Sir Peter Hendy about this on Monday. I know he is planning to come down later in the summer to ensure that Network Rail properly understand and engage with these concerns, and also that progress is made on this extraordinarily important project for the resilience of the south-west.

Q131 **Anne Marie Morris:** This project has a number of different pieces to it, and while we have that £80 million and we are doing the sea wall, there are the two bits either side, and then we have the tunnels and the cliffs. Where are we on all those different pieces?

Bernadette Kelly: Obviously the £80 million funding will not all be spent on this. I think some of the cliffs issue is being addressed by previous funding—already agreed—of £15 million, which is separate from and additional to the £80 million. That is certainly my understanding. I probably need to write to you to give further details of any outstanding funding issues and how they will be resolved.

Q132 **Anne Marie Morris:** All right. That is really helpful. Will you cover the extra bits? You have the main bit by the station, then you have two other pieces—I think they are scoped but I am not entirely convinced that we have the planning sorted—and then you have the tunnels and then the final piece, which you say they have started consulting on today, around the Teignmouth cliffs. Any information on the funding and timing on each of those projects would be gratefully received.

Bernadette Kelly: I would be more than happy to write to you separately to give you a more detailed update. Obviously, you have local knowledge of this scheme, which I do not.

Chair: You are very welcome to visit Dawlish. It is very beautiful. I am sure Ms Morris would give you a very warm welcome.

Anne Marie Morris: Absolutely.

Chair: Especially if you came brandishing £18 million.

Q133 **Anne Marie Morris:** Ms Kelly, there was a delightfully bold promise by the Secretary of State for Transport, who said that he would have a strategy for the south-west—a proper strategy for transport—across all the different modes. But the reality is that when it actually came out it was a list of projects, most of which had already been promised or were being considered, so it was not exactly a great strategy. You are not the Minister, so you cannot tell me what is in his mind, but, from your perspective, do you see, having been asked to put together something that looks at rail, road, sea and air, whether there is anything like that that you have been asked by the Secretary of State to put together, or are you, because you are sensible people, looking at the south-west in that holistic way, anyway?

Bernadette Kelly: I might ask Ms Hayes to say a bit more, but the publication you refer to about the investment plans for the south-west was a really useful piece of work.

Q134 **Anne Marie Morris:** It was a good summary.

Bernadette Kelly: It was a good summary, and that, in and of itself, is quite an important piece of work because it properly drew together all the different sorts of investment that had been going on across the south-west. I have talked about Great Western modernisation. We have talked about Dawlish and the A303. There are other important investments, as you know, that have happened. I would highlight the air route from Newquay to Heathrow as being a particularly important intervention, and also the ending of the tolls on the Severn crossing. I think that that document sought to paint a picture about how all those investments and many others taken together were trying to create a more integrated, better connected and better joined-up south-west.

Q135 **Chair:** Maybe Ms Hayes can make Ms Morris's day.

Patricia Hayes: We were very pleased with "Investing in the South West". We are thinking about using it as a model for other regions of the country because, from our perspective, it has been quite successful. But on the question around a strategy, you are right; that is a different question. Our approach is to work with the region—not to have a central Government strategy about the region, but to support the region in delivering its own strategy. So it is helpful now that two new sub-national transport bodies have emerged, and their role is very clear. They will look at the economic vision for the area and help us understand how transport can help support that economic vision. That is a better way of answering the strategic question, rather than having that come from Whitehall, where we do not have the ability to connect the spatial economic plan with the transport planning. So I think that will be our route to strategy for the south-west: not us doing a strategy for the south-west, but us helping the south-west do its own strategy.

Q136 **Anne Marie Morris:** Who will be responsible? When you say "the south-west", are we talking about the LEP? The local government network? Who will make the strategy?

Patricia Hayes: We have two new sub-national transport bodies: Peninsula Transport and Western Gateway. The geography of sub-national transport bodies is still settling down. Some of them are quite new, but these are collections of elected members from across the region who commission spatial studies and transport strategies. For example, at the moment they are looking across the region and doing some analysis on the most strategically important local roads. These are not the roads that Mr O'Sullivan operates. These are the big local authority roads that can play an important role in resilience, or they can act as an alternative route when one of Highways England's roads is closed. They are able to get members together and offer a pan-regional perspective about connectivity across the region to help make sure that better decisions are made.

Q137 **Anne Marie Morris:** Is it just roads?

Patricia Hayes: No. Sorry, I should have been clearer. It is a cross-modal body. Sub-national transport is looking at rail projects as well.

Q138 **Anne Marie Morris:** Who are they accountable to?

Patricia Hayes: They are accountable to their political membership.

Q139 **Anne Marie Morris:** What about national Government? If you just leave it locally, it will be a talking shop. What teeth have they got?

Patricia Hayes: That is not our experience of working with them. We have got different sub-national bodies around the country that are at different stages of their development. The most mature is Transport for the North, which has got statutory status. Transport for the North is co-clienting with the Department for Transport on Northern Powerhouse Rail. It is looking to implement a smart ticketing scheme across the whole of the northern region. So as these bodies evolve, they will be able to carry out real value-added functions on behalf of the whole region where the transport planning makes sense—at a regional level.

Q140 **Anne Marie Morris:** How are they financed?

Patricia Hayes: In different ways at the moment. The two bodies in the south-west are being financed by member contributions. We like that, because we think if local authorities are putting financial resource into the work done by these bodies, they have more skin in the game. There are other models around the country.

Q141 **Anne Marie Morris:** What is their relationship with the LEPs?

Patricia Hayes: The LEPs are generally constituent members of the sub-national transport bodies.

Q142 **Anne Marie Morris:** Let's take the Peninsula one as an example. Who are the members of that?

Patricia Hayes: I am afraid I do not have a list of the names. I am happy to send you one.

Q143 **Anne Marie Morris:** That would be very good, if you could. You have answered many of the questions as we have wandered from one thing to the other. For me, there are probably two final pieces. First, I am unclear as to where the sea and ports fit into all this. That usually gets forgotten. Please can you take that up with the relevant bodies to ensure that that mode of transport is not forgotten?

Secondly, the link between the infrastructure and its funding is key to getting it right. What will happen in terms of trying to get the LEPs, which are supposedly responsible for increasing productivity, and these groups looking at infrastructure to work together? Historically they have not. I hear that they are members, but that is not the same as working together. Are there any protocols or anything we can have to explain how that will work? That would be appreciated.

Bernadette Kelly: Can I say a word about ports? I might ask Ms Hayes to take your second point. You are absolutely right that ports are incredibly important. In the Department, we take a close interest and work very closely with ports around the country, so I do not think it is true that they get ignored entirely, by any means. I guess they probably seem to get less attention, particularly in forums like this, because we do not generally fund all of the ports infrastructure; that is a privately funded part of our transport infrastructure, so sometimes it gets less attention in these sorts of Committees than other modes of transport. But I absolutely agree that our ports are a critical part of our transport infrastructure. If anything, actually, what Brexit has done is really shine a light on the criticality of those ports to our ability to be open for business, and on our resilience. If anything, I think we now have a renewed focus on working very, very closely with the ports industry—even more than we had before. I will give a little advertorial now for the London International Shipping Week, which is coming later this year. It is a great opportunity for the industry, the ports and Government to work together.

Chair: Okay.

Patricia Hayes: On LEPs, you make a very good point. LEPs have unique expertise in understanding what the economic vision is for an area and what practical steps need to be taken to realise that vision. The sub-national transport bodies are the right way to bring that unique expertise together with transport expertise and come up with a plan that delivers both at the same time. I am optimistic that that is the right model to bring together the economic expertise of the LEPs with the transport planning expertise.

Q144 **Anne Marie Morris:** What timeline are the Peninsula body and the Gateway body working to in terms of getting to a point where they have something clear agreed that they reckon they can deliver? You talked about Transport for the North, which is now a statutory body. How far away are those two from that in evolution terms? What is the journey? What is the programme for engaging with stakeholders? This is the first I have heard of it, and, as an MP, I find that rather worrying. If the two come up with a great project between them, how will they lobby for funds to get it done, whatever it is?

Patricia Hayes: I would not want to suggest that there is only one journey for a sub-national transport body. It is far from clear that they will all end up with statutory status in the way Transport for the North has. It has been very important to us not to be prescriptive about what model works for a region. Different regions will end up doing different things based on their priorities and their local needs. In terms of the immediate next steps, the bodies are, as I said, very new and still forming. We are expecting them to come to us with a proposal for a funding ask and for a strategic planning process later on this year, and we will be trying to address some of that in the spending review.

Q145 **Anne Marie Morris:** You say they are newly established. When were they established?

Patricia Hayes: They are less than a year old. The informal grouping started meeting about a year ago, and they have recently formed into the two groups: Peninsula Transport, which covers Cornwall, Devon—including Plymouth and Torbay—and Somerset; and Western Gateway, which covers the West of England Combined Authority, Bath and North East Somerset, Wiltshire, North Somerset, Gloucestershire and Dorset.

Q146 **Anne Marie Morris:** Aha. Finally—I will test the patience of the Chair otherwise—have they thought about engaging their Members of Parliament rather than just their local political members?

Patricia Hayes: I am very happy to have a conversation with them about that.

Anne Marie Morris: That would be very good. Thank you.

Chair: Thank you very much indeed for your time. We will be producing a report about south-west transport, and we will probably produce a short note or report on Eurotunnel as well. Those will be published—well, we are in June now, so perhaps in July. Who can tell? We ask you for deadlines and we cannot even give our own. The transcript will be up on the website uncorrected in the next couple of days, as ever. Thank you very much indeed for your time.