



From Lord Berkeley
07710 431542, berkeleyafq@parliament.uk
www.tonyberkeley.co.uk

Major projects – Is the Government a competent clients?

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Comment by Tony Berkeley on the Infrastructure Forum's Report on Infrastructure Governance, The Gerrard Report, September 2020.

https://fea715ce-3c56-4c71-9893-f1a800dfb282.filesusr.com/ugd/d9a995_6c6476664529465fb915ede6cdba9ba6.pdf

The governance arrangements proposed in the Report are often good and many need implementing, but there are a number of omissions which also need to be plugged if the UK is going to get the kind of efficient project delivery that it deserves, and with the large amount of experience available.

The problems of delay and cost overrun are very serious – I use Crossrail, HS2 and Hinkley Point nuclear as examples, although the problem is not confined to the UK. Germany has at least two such major challenges, Berlin airport and Stuttgart rail station.

However, these three UK examples do surely indicate that, even with improved governance, the issues of cost, time, size of project and client involvement leave a lot to be desired. I believe that these must also be examined if we are to get the efficiencies and credibility that should be achieved.

I start with client involvement. Some commentator at the IF's webinar on this Report noted the difference between government and private sector clients. I would go further and suggest that each of the above UK examples are firmly in the Government box since, even at Hinkley Point, the risk will somehow be transferred to the consumer through Government intervention. I doubt very much whether the private sector would want to take the risk on such large projects without some government involvement.

So Government has failed in all three examples; it was clear at the beginning that Government did not really know what it wanted and why, and did not take enough notice of the various options, the details, the risks and the outputs before fixing on a particular project. Who was advising them? Officials and consultants, with the latter generally having a vested interest a project's success. If, as in these examples, ministers bought the ideas, as development progressed they tried to hide the resulting failures in cost and programme, by preventing any meaningful transparency until eventually disaster strikes. Was all this because of political indecision, a love of grand projects or a view that one big project was much easier to manage than several smaller ones?

Why these failures?

- Crossrail has failed largely because the IT systems, including signalling, were new and interfaces unproven; in particular, from experience with the Channel Tunnel signalling, I advised years ago that a change of system at the portals would introduce an unnecessary risk. It did and does! Secondly, the governance issue was brought home to me when at a meeting in July 2018 with the then Crossrail chairman, we were still being told that Crossrail would open that autumn....and there was no problem with Bond Street station!

- Hinkley Point: how can any government commit to such a project going ahead with the nuclear technology not approved by the regulators? That was the case then and is still the case today I believe. Would any private sector client go ahead on this basis?
- HS2 – the wrong specification for such a small country as the UK, resulting in unnecessarily high costs and environmental destruction, and planned on a speed and train frequency not so far achieved anywhere in the world. Costs have risen by over 100% even before permanent construction starts. Contractor risk for the massive size of the contracts is a major concern.

There are many possible solutions to avoiding these problems happening again. Ministers are not themselves the best clients and sometimes the advice they receive from officials leaves a lot to be desired – together they can create a client that wants the best, most advanced world beating project (with the minister thinking that perhaps his or her name will somehow be associated with the success!) but with little concern about future costs because certainly the ministers, and maybe officials, will have moved on long before the ‘chickens come home to roost’.

Secondly, the amount of money spent on consultancy is surely way over the top; HS2 did not have and still does not have a credible cost estimate and monitoring programme, in spite of spending more than £20m on cost consultancy and over £500m on ‘consultancy’ generally. The whole edifice appears to have been designed to prevent effective auditing and comparisons with other projects.

However, it is the taxpayer who in the end has to watch these disasters unfold, with those who started off the project either moving on with honour or keeping well away from any ‘blame’. Parliament has clearly failed to keep a check on what ministers are doing and the ability of the Public Accounts Committee and other departmental ones has been shown to be wanting – at least until recently. I hope that the current re-examination of DfT and HS2 by the PAC will uncover some of the responsibilities for the discrepancies and errors in the costings over the years for which I believe Parliament was misled. I noted in my Dissenting Report for the Oakervee Review of HS2 in January 2020:

‘This policy to keep information from parliamentary and public scrutiny is confirmed by the witness statement by DfT’s David Yass in connection with an appeal by Dr Paul Thornton in the first tier Tribunal EA/2018/0111. Mr Yass argues that the public interest in withholding this information significantly outweighs any public interest in disclosing it because,

“If advice was disclosable, significant harm could follow including:

“g) detractors of the HS2 programme may use such information to renew their criticism of the HS2 programme, which could result in cancellation of the HS2 programme by the Government.”

For a public body supposedly reporting to Parliament, this is indeed a brave statement.’

Later, I also quote a comment from Mark Thurston Chief Executive of HS2 when interviewed in the Panorama programme of December 2018:

*“I’m not worried about us overspending.
I’m confident that we have a budget we can stand by.
No. we’re not over budget.”*

To me, this indicates that he does not really know what HS2 costs are, what they are likely to be in the future; his job is to get HS2 built and government will find the money.

I asked the House of Lord Library what additional sanctions were available if Parliament and others are deprived of up-to-date information and ministers fail to engage truthfully and comprehensively. The answer was that:

‘The House of Commons Library briefing sets out the process for investigating breaches of the code

(House of Commons Library, [The Ministerial Code and the Independent Adviser on Ministers' Interests](#), 17 January 2018, pp 16–17). It notes that the code says that only the Prime Minister can refer cases to the independent adviser (Cabinet Office, [Ministerial Code](#), August 2019, p 2).

The Institute for Government (IfG) also wrote on this point, saying that whether, and how, an alleged breach was investigated was:

“Entirely at the prime minister’s discretion [...] Usually the prime minister chooses to involve the prime minister’s independent adviser on ministerial interests or requests that the cabinet secretary undertakes an investigation, but there is no requirement to follow any particular process”

(Institute for Government, ‘[The Ministerial Code](#)’, 4 June 2020).’

Thus, the Prime Minister is the ultimate arbiter of whether ministers have misled parliament. In the case of HS2 and the present PM, this is not really a route worth pursuing!

So, if parliament is seen to have failed, then in the end the only way for the taxpayers to defend themselves against ministerial incompetence and overspend is to elect a new Government!

I do think however that many of those involved in the governance debate, be they cost engineers, project managers, experts wanting world leading credibility, must carry some of the blame for these disasters and take some moral responsibility to advise ministers against a particular way forward, rather than encourage them to go ahead in a way that brings the industry, consultant, contractors or whoever, the maximum financial return and credibility.

Tony Berkeley
House of Lords