

High Speed Two (HS2) Ltd Board Meeting

Minutes

15 February 2017

Boardroom, One Canada Square, Canary Wharf

Members	In Attendance	Apologies
Steve Allen Chief Financial Officer	[REDACTED] Commercial Strategy & Agreements Director	David Higgins Chairman
Richard Brown Non-executive Director	Andrew McNaughton Technical Director	Andrew Adonis Non-executive Director
Christine Emmett Non-executive Director	[REDACTED] Assistant Company Secretary	Nicole Geoghegan General Counsel and Company Secretary
Mel Ewell (by phone) Non-executive Director	David Prout (by phone) Department for Transport (DfT), Observer	
Roy Hill Interim Chief Executive Officer	[REDACTED] Director of Rolling Stock & Depots Programme	
Neil Masom (by phone) Non-executive Director	[REDACTED] Commercial Director	
Roger Mountford Non-executive Director		
Alison Munro Managing Director, Development		
Duncan Sutherland Non-executive Director		
Jo Valentine (by phone) Non-executive Director		

1. Welcome and Declarations of Interest

- 1.1 The Deputy Chair welcomed attendees to the extraordinary meeting to consider the principles for the procurement and contracting for the initial HS2 rolling stock requirement to be procured in Phase 1 of the HS2 project.
- 1.2 There were no changes to the previously declared interests.

2. Declaration of Interests

- 2.1 There were no changes to the previously declared interests.

3. Rolling Stock Procurement: Principles of Procurement Strategy & Plan

- 3.1 The Board noted the paper and the Chair of the Commercial and Investment Committee provided a summary of the work and progress made to the paper since the Committee were initially asked to endorse the strategy and the seven initial key principles.

- 3.2 The working and review of the paper and principles conducted on behalf of the HS2 Ltd Board have developed the principles to 11 for the process and PQQ to be based.
- 3.3 The Board noted the timeline for the issue of contract notice and pre-qualification questionnaire (PQQ).
- 3.4 The Board noted that the market feedback has been positive with manufacturers expecting the procurement as it has been set out.
- 3.5 The Board noted that there has been assurance from the Independent Assurance Panel and noted the letter included in the meeting pack.
- 3.6 **The Board were updated that a note has also been prepared by the Technical Director and will be circulated.**

Action: [REDACTED]

- 3.7 The Board discussed the approach to the procurement is to encourage innovation in asset management, reduce whole of life cost and asset liability. The approach should aim to limit initial original equipment manufacturer (OEM) price bringing adverse trade-offs and so the request for a principle has been added against this.
- 3.8 The Board discussed principle six as presented in the paper and agreed that it would be amended to purely capture achievement of best whole life value.
- 3.9 The reference to the affordability envelope to the whole HS2 Ltd programme should be added as a "chapeau" principle.
- 3.10 The Board agreed that an additional principle be added to summarise the aspiration to optimise design and asset management through innovation.
- 3.11 The Board noted the full Rolling Stock and Procurement Strategy which has been added to the Reading Room and referenced the up to date heat map and discussed the CIC suggestion that further technical and progression over tender and design be encouraged. The Board encouraged management to consider the achievement of this.
- 3.12 The Board discussed the challenges around environmental targets and management advised that the competition market have confirmed development plans.
- 3.13 The Board discussed the opportunity for the development of designs in areas such as this over the years. The ITT will be developed to make sure that the competition is wide open as possible, instead incentivising through whole of life benefits and reward for better performance.
- 3.14 It was agreed that in line with the above 3.12 and 3.13, this would be incorporated as a principle.
- 3.15 The Board noted that there is ongoing work to determine the valuation method before qualifications are opened. It was noted that the calculation of the whole of life NPV is complicated and so the team are working through modelling scenarios for this.

- 3.16 The Board commented that the experience with the independent assurance panel (IAP) has been very useful and are keen to see this planned as part of future processes where appropriate.
- 3.17 The Board requested development of the timeline for the April Board meeting.
- 3.18 The Board requested a change to the wording to one of the principles to capture “operational staff” for the avoidance of doubt.
- 3.19 The Board requested a revision to the principle regarding private financing to make clear that the working presumption will be for private financing option at some point, however there is not yet stipulation as to when or what form this would take.
- 3.20 **The Board agreed that there would be a summary provided to the DfT on the development of the principles.**

Action: Rolling Stock team/ Roy Hill

- 3.21 Subject to the above comments the Board approved the revised set of principles for the procurement and contracting for the initial HS2 rolling stock requirement to be procured in Phase 1 of the HS2 project.

4. Any other Business

- 4.1 The Commercial Director raised that a letter had been received from [REDACTED] in relation to the Phase 2b procurement.
- 4.2 The Board agreed with the recommended way forward.

Signed:

Date