



HS2 – THE WAY FORWARD

Phase I and 2a - Proposals for alternative completion strategies

Abstract

Proposals to bring the delivery of Phases I and 2a under control and to avoid further unnecessary expenditure, reduce capital cost and improve cash flow with confirmed dates for completion.

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HS2 – Phases I and 2a - The way forward – a proposal

Introduction

HM Government seeks to identify alternative methods to complete Phase I of the High Speed 2 – London to West Midlands Railway which received Royal Assent in 2017 and Phase 2a, High Speed Railway West Midlands to Crewe, which received Royal Assent in February 2021.

Completing Phases I and 2a, will create a railway which duplicates two other existing railways and will not add any great value to the national network. Two existing established routes exist between London and Birmingham, the connection to Crewe will increase capacity on the national network but will not offer any additional destinations for travellers.

The completion of these Phases should proceed, with the completion of the associated completion of the sections from London Euston Station to Old Oak Common, with a mainline interchange station at Old Oak Common, and the construction of a regional hub station at Basford Hall, Crewe.

The creation of a transport hub at Crewe will provide the springboard for further high-speed rail developments to Manchester and Leeds, taking in Bradford.¹

Completion and delivery of the works underway.

HMG priority is to complete the works underway at a lower, acceptable capital cost, in the delivery programme, which provide a cashflow requirement acceptable to the Treasury.

To achieve these aims, the existing contracts with the supply chains, construction and design and project management teams must be renegotiated, by mutual consent. If consent is not forthcoming then the only option available to HMG, is to place HS2 Limited into Administration, thus allowing the Administrator to disclaim those onerous contracts, before negotiating new contracts, which meet HMG requirements.

Forms of Construction contracts

The contracts in place are variations of the NEC Form of Contract, let as “Target Cost” or “Cost Reimbursable”, neither of which transfers any risk to the contractor for cost, nor do they transfer design responsibility to the contractor, leaving HS2 Limited with a division of responsibilities between design, management and construction. These contracts do not share risk fairly, but they are also too large to manage.

The continuing use of these contracts after the Oakervee Review, goes back on an undertaking given by Michael Bradley, then Chief Financial Officer to HS2 Limited, to Sir

¹ The Manchester, Bradford and Leeds Direct Railway as proposed by Network North, Colin Eliff and Quentin MacDonald, 2022

Douglas Oakervee, at the HS2 Costs Roundtable on 2nd October 2019. Mr Bradley promised that HS2 Limited, in future, would use lump sum contracts with the risks fairly transferred to the contractors².

These contracts must be replaced by lump sum, “design and build” contracts, in smaller, more manageable tranches to allow the supply chain opportunity to control this risk, without running the risk of commercial insolvency.

Smaller contracts would also allow new entrants into the railway construction market, including regional contracting companies, thus spreading the economic benefit away from London and the Southeast.

Scope of the Works to complete Phases I and 2a

Before any additional high-speed rail projects are considered, the works started on these phases must be completed.

Phase I

Old Oak Common to Birmingham Interchange

Birmingham Interchange to Handsacre

Additional works – scope increase

Old Oak Common, interchange station with the Great Western Mainline

Phase 2a

Handsacre to Crewe

Additional works – scope increase

New station at Basford Hall, Crewe serving HS2 and classic trains services

Costs of Phases I and 2a

Costs using existing procurement strategy

The costs to complete of using the existing procurement strategy to complete is £93.92 bn (ninety-three billion, nine hundred and twenty million pounds) at 2nd Quarter 2025 prices, making the total cost of these phases using the existing procurement strategy to be £130.02 bn.

² The promise was made, on 2nd October 2019, by Mr. Bradley in the presence of Tim Smart and Rob Dorans of HS2 Limited and Alan Over, Director General for Major Rail Projects Group, Department for Transport.

Costs using an alternative procurement strategy

Using alternative procurement strategies to complete the works, whether by agreement with the current supply chain or after HS2 Limited enters administration, with a revitalised supply chain, the costs to complete are £103.23 bn, taking advantage of £26.79 bn saving in cost using the revised process and supply chain.

Details are shown overleaf in the next table.

Summary of Costs - 2Q 2025	Current Strategy			Revised Strategy			Estimated savings
HS2 Phase 1 - London to West Midlands Railway	£/bn	Total cost	Cost to complete	£/bn	Total cost	Cost complete to	£/bn
Estimated Total Cost 2Q 2025 prices; 2033 completion	110.40	110.40		89.39	89.39		
Expenditure to date 2Q2025	34.00			34.00			
Estimated Cost to Complete	76.40		76.40	55.39		55.39	21.01
HS2 Phase 2 West Midlands to Crewe Railway							
Estimated Total Cost 2Q 2025 prices; 2035 completion	19.62	19.62		13.84	13.84		
Expenditure to date 2Q2025	2.10			2.10			
Estimated Cost to Complete	17.52		17.52	11.74		11.74	5.78
Totals		130.02	93.92		103.23	67.13	26.79

Strategy to complete

HS2 Phase 1 – London to West Midlands Railway

Old Oak Common to Birmingham and Handsacre

Making the best use of the work done to date on this section, HS2 Limited should renegotiate the “Target Cost” or “Cost Reimbursable contracts with the supply chain by converting them into lump sum “design and build” contracts with the contractor taking a fairer share of risk that is currently the case.

Those Built Environment consultants, responsible for the design of the works, should be instructed to take their designs for each structure or section of the project to the “ready for construction” stage, to allow pricing documents to be completed for the contractors to price on a lump sum basis. On completion of the pricing process, the existing design appointment are novated to the selected contractors, who will retain and engage the design consultants in a “design and build” contractual relationship

Consultant project managers, quantity surveyors and cost engineers, responsible for preparing the estimates of prime cost used for the current contracts, should convert them into the pricing documents required for the replacement “lump sum “ contracts to allow the contractors to price them properly.

On completion of the contract conversion programme, the appointment of the consultant project managers, quantity surveyors and cost engineers, should be terminated, with a reduced number of them appointed to the core team of 150 staff required to take the project forward³.

Administration – HS2 Limited

If the supply chain declines to enter these revised arrangements, then DfT should place HS2 Limited into Administration, allowing the Administrator to disclaim these onerous contracts , and enter the revised arrangements.

Costs to complete

The costs to complete with the revised arrangements is shown in the earlier table of costs. The costs are at 2nd Quarter 2025, 2Q 2025, prices.

Additional Works

London Euston to Old Oak Common

This section should be let to a private sector, privately financed consortium, which is remunerated on a “design, build, finance and operate” agreement between the consortium and HM Treasury. Payments are made to the consortium based on the access charges for the new train paths (capacity) created on the new railway and from those paths made available on the existing networks for the life cycle of the project.

The scope of the project delivered by these methods is:-

1. The redevelopment of London Euston Station on a level site allowing interoperability between existing classic trains and the new high-speed railway; this includes the provision of a crash desk over the station for the future oversight development
2. Tunnelled railway between Old Oak Common and London Euston for high-speed trains making use of a revised tunnelled entrance at the southern end, at Queens Park, instated of the unbuildable proposal in the HS2 Phase I Act beneath Park Village East.

The delivery consortium would have an option, to complete the oversight development at London Euston Station in accordance with its own plans.⁴

³ Mark Wild in oral evidence to the Transport Committee of the House of Commons, 9th July 2025, *Delivering major infrastructure: learning from HS2*, HC339, in answers to Question 35 and 40.

⁴ Oversight development based on the “Euston Express” proposal, presented to the House of Lords Committee on 16th October 2016, with petition HoL 00691

HS2 Phase 2a – High Speed Rail, West Midlands to Crewe

Scope of the works

The works included in this phase are:-

1. The high-speed rail connection from Handsacre to Basford Hall, Crewe.
2. A new railway station at Basford Hall, allow connections between high-speed trains and classic trains with provision for future connections for high-speed trains to Manchester, Bradford and Leeds.

This phase of the project would be let to a private sector, privately financed consortium, which is remunerated on a “design, build, finance and operate” agreement between the consortium and HM Treasury. Payments are made to the consortium based on the access charges for the new train paths (capacity) created on the new railway and from those paths made available on the existing networks for the life cycle of the project.

The delivery consortium would have an option, to complete the development surrounding the new station at Crewe Basford Hall over all the railway owned lands in accordance with its own plans.

Summary

Cost of these proposals

The cost of these proposals 2nd Quarter 2025 prices is £103.23 bn, (one hundred and three billion, two hundred and thirty million pounds) using the revised delivery proposals.

This saves approximately £26.79 bn (twenty-six billion seven hundred and ninety million pounds) when compared with the existing processes.

Date for completion

HS2 Phases 1 and 2a, including the sections between London Euston Station and Old Oak Common and between Handsacre and Crewe and the redevelopment of London Euston Station, the new station and at Crewe Basford Hall and the interchange station of the Great Western Main Line at Old Oak Common would be 3rd Quarter 2025.

Capacity

The capacity of the completed railway between London Euston Station and Crewe will provide paths for 16 (sixteen) trains per hour in each direction.

Conclusion

Immediate action

To avoid any further unnecessary expenditure, DfT is advised to begin the process to change the procurement and delivery strategy without delay.

Many members of the HS2 supply chain are expecting these changes and are prepared to comply with them.

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