



Department
for Transport

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Web site: www.gov.uk/dft

Our Ref: MC/355022

From the Permanent Secretary

Lord Berkeley

House of Lords
London
SW1A 0PW

[Sent via email]

4 August 2021

Dear Lord Berkeley,

I am writing in response to your letter to the Cabinet Secretary dated 9 July 2021. He has asked me to respond to the points in your letter.

Before addressing the concerns in your letter dated 9 July 2021, I set out in the table below cost estimates for HS2 Phase One and Phase 2a (all in 2019 prices, rounded to the nearest billion). Those estimates have been set out in reports to Parliament, including the latest report to Parliament on the progress of HS2 published in March 2021.

HS2 Phase	Cost Estimate Range (2019 prices)
Phase One	£35bn - £45bn
Phase 2a	£5bn - £7bn

The Department does not accept the cost estimates prepared by Mr Byng which are referenced in your letter dated 9 July 2021. Mr Byng previously provided cost estimates as evidence to the Oakervee Review and there is commentary on these estimates in section 7 of the Review's report.

In respect of the points set out in your letter, I would like briefly to address each of these in turn:

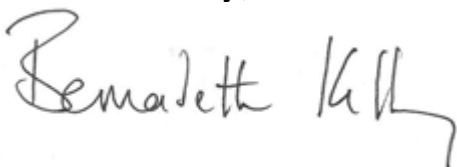
- Parliament was not misled during the passage of the Phase One Act. Genuine cost estimates were provided at the time of the Act's passage. In resetting the budget for HS2 in February 2019, the Government acknowledged that, historically, there has been over-optimism about the costs of delivering HS2. Lessons have been directly applied to the way we have now reset the project with our cost estimates expressed as a range and including an appropriate level of contingency.

- My letter of the 10 June 2020 to the Public Accounts Committee sets out my position in relation to the evidence that I provided to the Committee in March 2019 so I shall not repeat it in detail here. At the time, and indeed at the time that Nusrat Ghani MP was speaking in a debate in the House of Commons in July 2019, the budget for the project remained £55.7bn. Cost and schedule pressures were known and work was continuing to identify options to ensure the overall affordability of the HS2 project – this is detailed in the National Audit Office’s January 2020 HS2 progress report. This work culminated with further advice on strategic options later in July 2019.
- Parliament has not been misled during the passage of the Phase 2a Act. As indicated in the first bullet above, lessons have been learnt on how costs are estimated. Costs of Phase 2a are expressed as a range, and also include sensible contingency to accommodate unforeseen issues that may emerge during construction, and which are to be expected in major infrastructure projects of this scale and complexity. Updated cost estimates will be also provided for Phase 2b once the Integrated Rail Plan is concluded.

In respect of Old Oak Common Station, my letter to the Public Accounts Committee dated 22 June 2021 was in response to an article in the Financial Times on 20 June which referred to a £1.7bn cost pressure across HS2 Phase One. As stated in that letter the Department does not recognise this figure. This is entirely distinct from Baroness Vere’s written answer, HL 14250 (of 25 March) which confirmed the budget allocated by HS2 Ltd for Old Oak Common station only (£1.67bn in 2019 prices).

As you are aware, as part of the Government’s decision to proceed with the project new governance arrangements were put in place to significantly increase Ministerial oversight, transparency, and accountability of the HS2 project. The Department has committed to providing six-monthly updates on HS2 to Parliament with the next update due to be provided later this Autumn. We will continue to keep the public, and Parliament, closely informed on the progress of the project.

Yours sincerely,

A handwritten signature in black ink that reads "Bernadette Kelly". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Bernadette Kelly CB
Permanent Secretary