Department for Transport

From the Secretary of State
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Thank you for your letter of 15 March, about HS2 Phase One costs.

As you know from previous correspondence on this issue from both Lord Ahmad and Paul Maynard MP, HS2 Ltd and the Department do not agree with the cost, schedule and engineering assertions made by Michael Byng. The Phase One funding envelope (without rolling stock) is £24.3bn.

The drawings published in August 2016 reflect the updated scope positions for the Phase One railway following completion of the House of Commons Select Committee's consideration of petitions. As you would expect, the funding envelope for Phase One contains a significant contingency allowance. During progression through Parliament, this allowance included a specific fund to cater for the Select Committee's recommendations having cost implications, so the overall funding envelope therefore remained unchanged following Select Committee consideration. The updated designs were published through GOV.UK and any member of the public can sign up to receive email alerts to let them know each time new HS2 information is published.

HS2 Ltd regularly updates its cost estimate for Phase One, to reflect bottom up re-assessment and specific add and omit revision as cost understanding is matured. Going forward, they will also update their cost estimates to reflect the latest market feedback as contractors undertake detailed design work and more contracts are awarded.

HS2 Ltd do not publicly share their detailed cost estimates as they are commercially sensitive, and they are only supplied to successful bidders who become contracting partners. This is a position I fully support, as it is an important element in maintaining a healthy and competitive market and

making sure that tenders submitted prior to contract award represent value for money.

Thus far, HS2 Ltd market engagement has not indicated that their estimates are significantly at odds with contractors' views, and certainly not to the extent that Michael Byng has proposed, which at £51bn would be an increase of over 100% upon the HS2 Ltd estimate. Please therefore be assured that the combined cost estimate for Phase One remains within the funding envelope.

Although the final target price for HS2 Phase One will be agreed in 2019 when notice to proceed is intended to be authorized to the Main Works Civil contractors for Phase One (as set out in the published Development Agreement) the suggestion that HS2 Ltd are waiting for contractors to tell them how much the railway will cost as you have previously implied is wide of the mark. HS2 Ltd will continue to update its cost estimates in order to incentivize innovation, drive efficiency and maintain cost control, and I will continue to be appraised of developments as the estimate is matured and developed over the coming years.

You may be aware that I have already agreed with David Lidington MP to pass all of the correspondence relating to the Wendover mined tunnel proposal, including the mbpc report supplied by Michael Byng and the HS2 Ltd responses to it, to the Infrastructure Projects Authority (IPA) for their consideration when they next review the HS2 programme later in the year (currently scheduled for June or July, though precise dates are still to be confirmed).

Should the IPA's consideration of Michael Byng's Wendover scheme raise concerns about HS2 Ltd's assessment of their own costs in that area, then this will of course precipitate further action to look at the validity of HS2 Ltd cost estimates along the rest of the route. I will communicate the outcome of the IPA's consideration of Michael Byng's proposals and assertions in relation to Wendover with you when it becomes available later in the year.

In the meantime I remain confident that the Phase One railway will be delivered within the funding envelope.

With best wish

Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT