

HS2 set for seven-year delay from original deadline

September 3, 2019



Statement from the Transport Secretary on 3rd September 2019

The Prime Minister and I have been clear about the potential for transport investment to drive growth, redistribute opportunity and support towns and cities across the UK. But we have been equally clear that the costs and benefits of those investments must stack up.

The government announced on 21 August 2019 an independent, cross-party review led by Douglas Oakervee into whether and how HS2 should proceed. The review will consider its affordability, deliverability, benefits, scope and phasing, including its relationship with Northern Powerhouse Rail. I have published the terms of reference in full on GOV.UK.

The Chair will be supported by a Deputy Chair, Lord Berkeley, and a panel of experts from business, academia and transport to ensure an independent, thorough and objective assessment of the programme. Panellists will provide input to, and be consulted on, the report's conclusions.

The review will report to me this autumn. I will discuss its findings with the Prime Minister and Chancellor of the Exchequer. Its recommendations will inform our decisions on our next steps.

HS2 is the single largest project of this government. One important aspect of the panel's work is to consider whether both the costs, and the benefits, of the scheme have been correctly identified. HS2's business case has been founded on increasing capacity on our constrained rail network, improving connectivity, and stimulating economic growth and regeneration. The current budget was established in 2013 and later adjusted to 2015 prices. Since that time, significant concerns have been raised.

I want the House to have the full picture. There is no future in obscuring the true costs of a large infrastructure project - as well as the potential benefits.

The recently appointed Chairman of HS2 Ltd, Allan Cook, provided his advice to me on the cost and deliverability of the current scheme shortly after my appointment as Transport Secretary - and I want the House to have the full details at the earliest opportunity. I am determined to set out everything that is currently known, so I have today placed a copy of the advice in the libraries of both Houses. This has only been redacted where commercially necessary, and the Oakervee Review panel will of course see the report in full.

Colleagues will see that the Chairman of HS2 does not believe that the current scheme design can be delivered within the budget of £55.7 billion, set in 2015 prices. Instead he estimates that the current scheme requires a total budget - including contingency - in the range of £72 to £78 billion, again in 2015 prices.

Regarding schedule, the Chairman does not believe the current schedule of 2026 for initial services on Phase One is realistic. In line with lessons from other major transport infrastructure projects, his advice proposes a range of dates for the start of service. He recommends 2028 to 2031 for Phase One - with a staged opening, starting with initial services between London Old Oak Common and Birmingham Curzon Street, followed by services to and from London Euston later. He expects Phase 2b, the full high-speed line to Manchester and Leeds, to open between 2035 and 2040.

He has also suggested that Phase 2a, West Midlands to Crewe, could be delivered to the same timetable as Phase 1, subject to Parliamentary approval. Finally, he is of the view that the benefits of the current scheme are substantially undervalued. HS2 Ltd continues to refine its estimates of cost, benefits and schedule. All these will be considered within the scope of the Oakervee review.

I said when I announced the independent review into HS2 that I now want Doug Oakervee and his panel to assess independently these findings from the Chairman of HS2 Ltd and other available evidence. That review will provide independent recommendations on whether and how we proceed with the project.

Furthermore, the costs and benefits of HS2 have been quoted in 2015 prices since the last Spending Review. While this allows a stable set of numbers to compare against, it also risks being misconstrued and understating the relative cost of the project, and indeed its benefits.

I therefore think it is worth also updating the House in current prices. Adjusting by construction cost inflation, the range set out in Allan Cook's report is equivalent to £81 to £88 billion in 2019 prices, against a budget equivalent to £62.4 billion.

To be clear, these additions do not represent an increase in the project's underlying costs, and are largely a point of presentation. Nonetheless, I will discuss with the Chancellor the case for updating the costs and benefits of HS2 to current prices to ensure transparency. Again, this is another reason for an independent review.

During the short period in which the independent review completes its work I have authorised HS2 Ltd to continue the current works that are taking place on the project. This will ensure we are ready to proceed without further delay for the main construction stage of Phase 1 in the event that the government chooses to continue. Similarly, I intend to continue to progress the next stages of the hybrid Bill for Phase 2a, West Midlands to Crewe, in the House of Lords while the review is ongoing.

This update is intended to provide colleagues with the information they require about the current status of the HS2 programme. An independent review is now underway to give us the facts about the costs of the HS2 project. I want to be clear with colleagues that there is no future for a project like this without being transparent and open, so we will be candid when challenges emerge.

Therefore, as soon as I have a clear sense of the costs and benefits from Doug Oakervee's review I will update the House.

In the same spirit, my Permanent Secretary has today written to the National Audit Office, offering my department's support - in their inquiry already underway - in auditing not only the project's cost and schedule pressures, but the steps taken in response to these.

We all in this House know we must invest in modern infrastructure to ensure the future prosperity of our country and its people. We look back to past achievements with a sense of pride - from the canals and railways that ensured the UK led the world into the Industrial Revolution, to the space ports and launch sites we are now considering that will make the UK a global leader in space.

These endeavours both inspire and improve the quality of our everyday lives. It is therefore right that we subject every project to the most rigorous scrutiny; and if we are to truly maximise every opportunity, this must always be done with an open mind and a clean sheet of paper.