

The £300 billion Ponzi Scheme – How the Department for Transport and HS2 Mafia Falsified Figures and Robbed Taxpayers

Michael Gross argues that High Speed 2, Britain's continually delayed railway infrastructure project, is the worst government corruption scandal in our history



Image: 10 Downing Street

Michael Gross

Owner of Euston Regeneration Partners Limited

- Thu 16 January 2025 08:00

So far in 2025 UK politics has been dominated by reports of the institutional cover-up of grooming gangs. However, a far greater long-running scandal, itself manufactured and continually covered-up by successive governments, with disastrous economic consequences for taxpayers and the national economy, is the story of High Speed 2. A National railway that should have cost £40 billion connecting Northern cities with London will now cost up to £300 billion, once financing costs and subsidies are taken into account, connecting only the suburbs of Birmingham and London. HS2 is nothing more or less than a Ponzi Scheme, sucking money into an investment scam that only enriches the supply chain, consultancies, employees of HS2 and the politicians keeping it going. There's no prospect of a train leaving the station before the 2040s by which point the technology will be obsolete. The obscene cost increase of the project, despite the route distance now being a fraction of the original proposal, is clearly criminal. Sadly mainstream media are part of the cover-up refusing to address the largest example of corruption in UK history. The British taxpayer deserves to know why this was allowed to happen and into whose pocket the money went?

The UK Government announced its ambition to build High Speed 2 in 2009. The original route was planned to connect York, Leeds, Manchester and Birmingham with London. The project was intended to be a real world levelling up case study which increased regional connectivity and therefore reduced inequality between cities. HS2 was set up as a non-departmental public body of the Department for Transport and was tasked with delivering the megaproject. The entity was given the responsibility of managing contracts and relationships with private sector partners, namely civil engineering, construction and consultancy companies. The government and then Department for Transport Permanent Secretary Philip Rutman pointedly chose not to pursue the only obvious and honest way of proceeding and evaluating this project which would have consisted of a competitive tender amongst the eight countries that had already successfully constructed a high speed system at this time. Instead, it formed its own subsidiary corporation HS2 to do it in-house which had no experience or capability to undertake the UK's largest infrastructure project.

The inability to realise the project within the agreed budget and timescale was obvious right from the beginning of 2013. Nonetheless, HS2's Chairman David Higgins, on a pay package of nearly £600,000, published a report in 2014 to the contrary based on false figures and most outrageous

of all a claim of 95% confidence in those figures, circa £40 billion for the full scheme. This was identified at the time by whistleblowers, particularly in respect of land and property costs, but was hidden by the Department of Transport and HS2 in the period 2013 – 2016 leading up to Royal Assent which was therefore obtained by fraud. HS2 always maintained two sets of accounts, the real figures and the ones presented to Parliament. Anybody challenging this was subjected to dismissal, for example Andrew Bruce HS2's Former Head of Planning turned whistleblower, correctly assessed that the true cost of the land required on Phase One was being knowingly understated by £3 billion by the Department for Transport and the Board of HS2. Andrew Bruce's discovery was rewarded with dismissal, making him the seventh Head of Planning at HS2 to be dismissed. The cost understatement was known to the consultancy Deloitte who allowed their reports to be shredded under the orders of Oliver Bayne, a senior civil servant at HS2. In all, Deloitte has received in the region of a billion pounds from HS2 and has acted similarly to Arthur Anderson at Enron. Michael Eckett, then a Deloitte Partner on secondment who is now Head of Acquisitions at HS2, told Andrew Bruce in a threatening manner that all that mattered was obtaining Royal Assent and that presenting the real figures would prevent this.

Successive Conservative Prime Ministers and Secretaries of State for Transport and Ministers at the Department of Transport and indeed Chancellors and the Treasury have at all times known that the project had no cost benefit to the economy, but for political and or financial reasons have pressed on regardless. As an example, former Special Advisers to the Prime Minister Andrew Gilligan and Dominic Cummings have stated publicly that they pressed Boris Johnson for cancellation.

Whereas, the primary victim of this giant Ponzi Scheme was the state of the national economy which to date has suffered a blackhole of over £100 billion, five times greater than Labour's claim of the shortfall inherited by the last government. Additionally, more than 20,000 Compulsory Purchase Order claimants, a figure twenty times the number of postmasters, have been deprived of their statutory entitlement to fair and reasonable compensation for their homes and business premises that have been taken away from them. Michael Eckett repeatedly said that he had no money to pay the correct values because he only had the money in his budget, However, his budget was the fraudulent amount of money presented to Parliament so that HS2 legislation would be passed, which had the real amount been reported, would never have been given Royal Assent.

HS2 has always been a gravy chain for the supply chain including professionals and the politicians and civil servants who kept this useless and unrealisable project going for improper purposes. This is reflected in the massive cost escalations which apart from straight forward fraud,

including the creation of artificial sub-contractors to introduce extra layers of profit margin, was guaranteed when the government quietly agreed to change the contractual basis from fixed price to cost plus contracts. All the above has now been admitted. HS2's former Chair Jon Thompson summarised the weakness of the new model's marginal penalties when speaking to MPs in 2024, "If you are basically going to say, 'You'll get a fee of 10% irrespective of how much it costs,' you are almost incentivising somebody to go over the budget, because they will now get 9% of a much larger number". At the last meeting of the Public Accounts Committee (PAC) in the House of Commons, that has always been an overlook rather than an oversight committee, Department for Transport Permanent Secretary Bernadette Kelly, the incoming CEO of HS2 and its main accounting officer admitted that they could not quantify the cost of Phase One, even excluding Euston, nor the delivery date, but talked in terms of an undefined 'reset' which presumably was to give authority to the people, who should have been thrown out long ago for fraud and or incompetence, to carry on regardless. At the same time, the PAC had compelling information as to what had gone wrong and who was responsible which they refused to admit or even use to question the witnesses before them. A practice initiated by the former Chairman Meg Hillier who could and should have stopped this project at a minimal cost from when she took office in 2015. At this time costs would have been around £8 billion. Her reward has been an appointment as Chair of the Treasury Select Committee.

The whole issue of Euston Station is the most striking example of fraud and incompetence on a project that was generally riddled with corruption. The Department of Transport and HS2 are making false, unsubstantiated claims about bringing HS2 into Euston. They conveniently forget that a formal tender was held in 2017 where the three preferred bidders spent millions each demonstrating what needs to be done and how much it would cost. The contract was awarded fraudulently by HS2, and one of its Directors Tom Venner, to Lendlease who bid half the amount the other bidders did. Lendlease never had the capacity to fulfil this project and couldn't, but as recently as the December 19 Public Accounts Committee (PAC) meeting, the Department for Transport Permanent Secretary Bernadette Kelly named them as one of the partners going forward, notwithstanding they had already announced they were leaving the UK. Weeks later Lendlease sold what was an insolvent company to private equity for £35 million after writing off £110 million. The PAC did not see fit to question this. The Government is talking about bringing in private enterprise, but not admitting that this would have to be heavily subsidised because it cannot be done profitably. All the claims in respect of HS2 by the Labour government are false and based on ignorance.

To summarise, HS2 is an example of the disastrous state of the British economy. A project that should have been a symbol of national renewal

has robbed taxpayers and 20,000 Compulsory Purchase Order victims of their homes and livelihoods. HS2 fat cats along with avaricious supply chain participants including consultancies have been incentivised to keep the gravy train moving to enrich themselves. Successive governments' decisions to outsource the project to a newly created non-departmental government body with no experience in delivering megaprojects was fatal. In a game of hide and seek between officials and Ministers true project accountability remains non-existent. Without HS2 we would not have been faced with a growth killing austerity budget and farmers would not have had their inheritance stolen from them. The extraordinary confession that the final cost is unknown 15 years after HS2's inception is simply criminal. The blackhole is being perennially refilled by under pressure taxpayers who will receive no economic benefit from the railway. Like all Ponzi Schemes HS2 will collapse, and the culprits will be exposed. Yet the pattern of institutional cover-ups from Postmasters to Grooming Gangs and HS2 continues to undermine faith in government.