

from Rail Magazine

HS2 faces £100bn cost and delay until late-2030s, government told

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The cost of finishing HS2 between Birmingham Curzon Street and Old Oak Common has soared to £81 billion (at 2019 prices). And the work will not be completed until 2036 at the earliest, with 2039 more likely.

That's the information presented to ministers in a report from [HS2 Ltd](#) Chief Executive Mark Wild, as part of his preliminary assessment of the scheme.

Given that inflation since 2019 is at least 25% (and more in the construction industry), this means the cost of this 135-mile section will be at least £100bn. It is thought not to include the cost of the trains, Euston station or signalling.

Presented with these figures, HS2 Ltd responded that preliminary reports were being undertaken, but no definite information had yet been produced.

A spokesman said Wild “has been clear that [HS2](#) faces serious cost and schedule challenges. He is now undertaking a comprehensive review which will report to government in due course and lead to a full reset of the company and project.”

However, RAIL understands that our Freedom of Information request and enquiries to the press office to confirm these figures immediately triggered a widespread leak inquiry which involved HM Treasury as well as the [Department for Transport](#).

The revelation of the project’s costs has put further pressure on the Department’s Permanent Secretary Bernadette Kelly, who has already announced she is leaving this summer after eight years in the post.

When Kelly faced questions from MPs at the Transport Select Committee in November last year, she was unable to set out the cost of the scheme, nor say when it would be finished.

At the time she said: “We are still working through... exactly what Phase 1 and completing delivery of that is going to cost. We are also working through exactly what the benefits of Phase 1 will be, based on this government’s plans for scope.”

This is thought to have infuriated ministers, who have been appalled to discover the lack of proper oversight of what is Europe’s biggest infrastructure project. The lack of clear information has meant decisions over numerous aspects of the scheme cannot be made.

In 2018, Wild took over the task of finishing Crossrail, soon after it was revealed that it would not be completed by the promised date of December that year. He carried out a similar assessment of the scheme in early 2019, and refused to be held to a finishing date until he was confident it could be achieved.

Eventually the scheme was opened (as the Elizabeth line) more than three years late in May 2022 and £3bn (around 20%) overbudget. But HS2 is in a far worse state.

At the root of the problem is an absence of clear financial oversight from the outset. Contracts have been let on a cost-plus basis, which essentially means that contractors are not restricted to a clear budget.

Wild’s report is an attempt to establish the likely ultimate cost, to allow ministers to proceed with decisions on how to complete the scheme.

Various options are being considered - including postponing key aspects of the work, such as construction of the Interchange station near Birmingham Airport, where work is not due to start until next year.

A decision over what to do about the scheme north of Birmingham also has to be made quickly, because of the need to complete land purchases before the time limit on the legislation runs out next year. There is no budget available, with the Treasury reluctant to allocate more funds to the project.

The future of the tunnel boring machines at Old Oak Common, which are due to bore the tunnels through to Euston, is also being considered.

The machines are in place ready to go, but there is currently no available funding to pay for their progress. There is enormous frustration both in the Department and in HS2 Ltd about the lack of clear direction for the future of the project.

Full cancellation of the whole project is not reckoned to be a possibility, because of the enormous amount of work that has been already undertaken and the sheer embarrassment of leaving.

HS2 Chief Executive Mark Wild with Rail Minister Lord Hendy in front of one of the tunnel boring machines due to operate from Old Oak Common to Euston. HS2 LTD.