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Cost of HS2 rail link jumps by £8bn

By Mark Odell, Transport Correspondent



The cost of building the HS2 high-speed rail line between London and north has shot up by more than a fifth to almost £43bn, largely because of changes that aim to minimise disruption and environmental impact.

Patrick McLoughlin, the transport secretary, told MPs that after a detailed review, it could cost the taxpayer £42.6bn to build HS2, compared with the £34.5bn price tag put on the scheme in January.

Changes that have driven the costs up include extra tunnelling under west London and the M6 near Birmingham. This is the second time the cost of the project has risen in less than six months.

Mr McLoughlin said the extra costs included £14.4bn of contingency, a rise of some £2bn since the last detailed audit in January 2012. “While we expect the final cost to be lower, this is the right way to plan the project,” he said.

He also revealed that the high speed trains that would run on the network, which will link London to Birmingham, Manchester and Leeds will cost an extra £7.5bn, bringing the total cost to more than £50bn.

The government disclosed the jump in the cost as part of the second reading of a parliamentary “preparation” bill to secure greater funding powers for HS2 as it moves into the detailed planning process due to start at the end of the year.

John Cridland, director-general of the CBI, said the government would have to look again at the project. “The challenge is in return on investment, and this does raise questions. HS2 has to wash its face”

“It is good that the government is up front about extra funding, but the case for judging this absolutely has to be value for money.” The government is due to update its business case for the project in October.

Opponents also seized on the jump in costs. “This increase in cost comes as no surprise,” said Hilary Wharf director of the HS2 Action Alliance, a network of protest groups. “HS2 has failed every test of public scrutiny it’s received. With the preparation bill now giving government a blank cheque it really is time to call a halt to HS2 and think again. It’s time to recognise HS2 for what it is – not an engine for growth, but an investment in folly.”

Last month, the national audit office was highly critical of the government’s approach to HS2 and said it had provided “little evidence” to support its claims that the line would deliver regional economic growth.

One HS2 official said that detailed work in recent months had led to a 95 per cent certainty around the final cost of the project. “People should take a great deal of comfort that costs will not shoot up again,” he said.

The cost of the HS2 has escalated in recent years as more detailed work has been carried out to finalise the design but the latest disclosure is by far the largest jump. At the start of this year, the FT revealed the cost of HS2 had risen by £2bn in 12 months.

Professor Stephen Glaister, director of the pro-motoring RAC Foundation, said the cost escalation raised questions about whether £50bn might not be better spent on other projects aimed at increasing rail capacity and linking northern cities with London.

Problem points on the high-speed line

The sharp rise in the cost of the proposed HS2 high-speed rail line between London and north is just one of many issues bedevilling the biggest infrastructure project undertaken in the UK, **writes Mark Odell.**

Opponents have appealed after failing in an initial bid to block the scheme in the courts. A verdict is expected by mid-July and if the challenge is upheld it could delay the project or further inflate costs.

Last month, the government’s spending watchdog was highly critical of the lack of evidence in the case for HS2, saying there was “little evidence” to support claims that the line would deliver regional economic growth.

The next big test could come in October when the government is expected to update its business case, which critics say is based on spurious assumptions.

David Cameron, prime minister, has insisted that no amount of opposition would turn him against the project, which enjoys cross-party support. MPs on Wednesday voted by 330 to 27 in favour of a bill to allocate more funding for the planning process.

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