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From the Secretary of State  
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Thank you for your letter of 28 July 2016, on behalf of your constituent, Mr Andrew Bodman of the South Northants Action Group, regarding the total costs of HS2.

The Chancellor's Spending Review announcement on 25 November 2015 set out an updated funding envelope of £55.7bn (2015 prices) for delivering the HS2 project. The envelope was previously £50.1bn in 2011 prices (set out in the 2013 Spending Round). The cost of building HS2 has not changed since the 2013 Spending Round – the long-term funding envelope has simply been updated to 2015 prices, to take account of inflation.

Mr Bodman's letter sets out a series of additional costed items which he argues are further costs of HS2, over and above the long-term funding envelope. I do not recognise this analysis. We have set a very clear budget for delivering HS2, and for delivering the benefits set out in the HS2 Business Case.

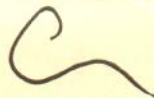
In addressing some of the specific issues which Mr Bodman raises:

- Ongoing subsidy - Our analysis suggests that after the introduction of HS2, the overall operating position to Government would be an improvement in the annual subsidy/premium balance for railways. This is a benefit for the taxpayer, as opposed to HS2 requiring any ongoing subsidy.

- Phase Two Construction cost – Phase Two has been set a long-term funding envelope for delivery, which HS2 Ltd must keep within. Further information about how this will be achieved will be set out in the forthcoming route announcement later this autumn.
- Growth Strategies – Delivery of local investment will complement HS2 and deliver additional benefits beyond those set out in the HS2 Business Case. The scale and nature of that investment is for local areas to develop as part of their Growth Strategies.
- Crossrail 2 – No final decisions have been taken on Crossrail 2. Government has provided £80m of funding to develop Crossrail 2 to the next stage and work is underway to complete a revised business case for the scheme by Spring 2017.
- Barnett Formula – Barnett is simply a mechanism to allocate funding to the Devolved Administrations. The fact the UK government uses departmental spending as the basis of funding to Devolved Administrations does not mean departmental spending - or the costs of individual projects - is higher.

In summary, I am determined to keep the cost of delivering HS2 within the long-term funding envelope we have established. The SR15 settlement provided an excellent outcome for HS2. It provides the funding for construction of HS2 Phase One to start in this Parliament, while keeping our plans for Phase Two on track. The settlement underlined the Government's strong commitment to forge ahead with HS2, which will increase capacity between London and Birmingham and boost connectivity in the North.

*well best wish*



**Rt Hon Chris Grayling MP**

**SECRETARY OF STATE FOR TRANSPORT**