

Sir Geoffrey Clifton-Brown MP
Chair, Committee of Public Accounts
House of Commons
London SW1A 0AA

cc: Sarah Olney MP; Rupert Lowe MP

17th September, 2026

Delivering HS2 and Euston, HC 611 — oral evidence of 14-Sep-2026: the HS2 Phase 1 cancellation cost estimate

Dear Sir Geoffrey,

I write following the Committee's session of 14-Sep-2026, and in particular the exchange at Q17–Q22 and Q52 between Rupert Lowe MP and the witnesses on the estimate of the cost of cancelling HS2 Phase 1. I raise the points below because they go to the reliability of the Department's value-for-money case, not to any individual.

Why the estimate matters. The Department's May 2026 Accounting Officer Assessment concludes that continuing Phase 1 is likely to have a benefit-cost ratio above 1.5, with cancellation and remediation costs counted in the counterfactual and sunk costs excluded. Mr Wild's letter of 15-May-2026 says the estimate "has a big impact on the overall Benefits Cost Ratio". With cost to complete at £46.8bn–£61.7bn, benefits of about £36bn (Q12), the cancellation estimate and assumptions are a critical input. They are also highly subjective.

Who produced and assured it. The estimate was produced by HS2 Ltd, assured within HS2 Ltd, and reviewed within the Department. Mr Wild told the Committee: "I completely understand the concern that we had a vested interest" (Q17). I do not suggest impropriety. The point is structural and procedural: the organisation whose continuation depends on the number is the organisation that produced it, and no one outside HS2 Ltd and the Department has tested it. This is in contrast to the cost to go.

The optimism bias uplift. The estimate carries a 66% optimism bias uplift, the 2004 Green Book upper bound for early-stage non-standard civil engineering. The following questions arise:

1. *Reference class.* Green Book optimism bias figures derive from construction projects that were built, remediation is a deconstruction project, which is fundamentally different in nature. Mr Wild's letter states that "cancelling a programme of the scale of HS2 is unprecedented in the western world" and that

"accurate estimates are impossible to benchmark". A benchmark uplift was applied nonetheless. On what evidence is 66% the appropriate figure for a cancellation, as opposed to a construction, estimate?

2. *Sensitivity*. What is the BCR if the cancellation counterfactual is taken at its pre-uplift value, or at a lower uplift?

The Green Book basis. The Committee was told the 66% uplift comes "straight out of the Green Book" (Q18) and is "an appropriate optimism bias to apply to a programme of this scale of immaturity" (Q19). The Green Book is less definitive than that suggests. It notes that "some government departments have published supplementary guidance on optimism bias, including the Department for Transport", the Department's own guidance is the natural reference here. The 66% figure is the upper bound from the 2004 supplementary guidance. The Department commissioned and published an updated evidence base in 2021, on which its current transport appraisal guidance (TAG Unit A1.2) is built. Two further questions follow:

4. *Consistency*. Why was a 2004 figure used in preference to the Department's own 2021 evidence? I note that neither evidence base contains a reference class of cancelled projects, which returns to question 1: no published class describes what is being estimated.
5. *Benefits*. The 2021 evidence base also contains benefit shortfall reference classes, which the Department published but did not adopt into TAG, leaving benefits to sensitivity tests only. The Full Business Case set HS2's funding envelope at the 75th percentile of the cost reference class. Has any equivalent adjustment been applied to the £36bn of benefits cited at Q12? Applying the Department's own published UK rail benefit-shortfall class at the same 75th percentile (-34% at Full Business Case stage; TAG optimism bias workbook, "UK benefit" sheet, N=14) would reduce that figure to around £24bn, with a corresponding effect on the ratio.

Request. Mr Lowe asked the Permanent Secretary whether she would commit to an independent review of the cancellation costs. She replied that the Department would consider it if the Committee recommends it (Q52). I respectfully ask the Committee to make that recommendation in its report, and to ask the Department to publish (a) the pre-uplift cancellation estimate, (b) the optimism bias treatment applied to the cost-to-complete range, (c) the sensitivity of the BCR to the counterfactual, and (d) what benefit optimism bias, if any, is reflected in the £36bn, and whether the sensitivity tests TAG relies on in its place were run and published.

Yours sincerely,

Stephen Cresswell