

HS2 Phase 1: the cancellation figure no independent body has checked

Briefing note · Stephen Cresswell · 9-Oct-2026

The Department for Transport, not HS2 Ltd, added a 66% 'optimism bias' adjustment to the HS2 cancellation estimate. Take it out and even the highest cancellation estimate is about £12bn below the lowest cost to finish Phase 1.

The Secretary of State told Parliament on 19-May-2026 that "it could cost almost as much to cancel the line as it would to finish it". That particular claim rests on the 66%. The cancellation cost is also a key input to the Benefit to Cost Ratio (BCR).

The numbers (2025 prices, as compared in HS2 Ltd's own advice)

	Low	High
Cancellation estimate, as published (with 66% uplift)	£33bn	£58bn
Cancellation estimate without the 66% uplift ($\div 1.66$)	£19.9bn	£34.9bn
Cost to finish Phase 1 (cost to go)	£46.8bn	£61.7bn

Highest pre-uplift cancellation figure (£34.9bn) against lowest cost to go (£46.8bn). Author's calculation; this is not a benefit-cost calculation.

Why one number matters so much

- The **Benefit to Cost Ratio (BCR)** counts the cost of cancelling as a saving from carrying on. **The bigger the cancellation estimate, the better finishing looks.**
- The DfT 'Accounting Officer Assessment' (19-May-2026) says the BCR "likely" **exceeds 1.5**, the line between "Low" and "Medium" value for money categories. The actual BCR figure has not been published.
- About £47bn to £62bn of public money is still required to complete HS2 Phase 1. HS2 is spending around £7bn a year, more than National Highways spends running and improving England's entire motorway and major A-road network (£6.8bn against £6.5bn in 2025-26).
- **The cancellation cost has risen sharply.** In 2023 the DfT told the PAC it would be £11bn (2019 prices). It is now £33bn to £58bn (2025 prices).

What HS2 Ltd's answer to my information request (FOI-26-6339, 15-Sep-2026) shows

- The cancellation estimate was commissioned by the DfT on 18-Nov-2025 for its Accounting Officer Assessment.
- The optimism bias uplift was "applied by the Department for Transport" and "did not form part of the HS2 Ltd estimate". HS2 Ltd holds nothing on how that level was chosen.
- The estimate **did not go through HS2 Ltd's standard estimating assurance**, and **no other uplift was tested**.

Why the 66% looks unsound

- **Risk on risk.** The estimate already included contingency. The DfT's own 2021 evidence says optimism bias uplifts go on a 'bare' cost, not on estimates that include contingency.
- **Two options, two standards.** The cost to finish (£46.8bn to £61.7bn) was independently assured and carries no visible uplift on top. The cancellation estimate was not, and got the top of the Treasury range.
- **No reference class.** The optimism bias benchmarking methodology requires comparison with historic similar projects. HS2 Ltd's advice says cancellation is "unprecedented" and "impossible to benchmark". 66% is a benchmark uplift for construction cost overruns.
- **6% or 66%?** The Treasury guidance allows a range of 6% to 66%. No published assessment explains why the maximum was used, and HS2 Ltd holds none.
- **Updated advice exists.** In 2021 the DfT published updated optimism bias evidence. It is not known why the 2004 guidance was used instead. The 2021 evidence also includes adjustments for benefits being overestimated; it is not known whether any were applied to the benefits.

I am not suggesting anyone acted in bad faith. The issue is structural: the sum that justifies the spending decision has not been checked by anyone without a stake in the answer.

THE ASK

Before the Budget on 28-Oct-2026, have the DfT's HS2 Phase 1 Accounting Officer Assessment independently reviewed, and publish the BCR it relied on, with and without the 66% uplift.

Stephen Cresswell has over 20 years' experience in project risk and value management on major UK infrastructure, including HS2, and gave written evidence to the Public Accounts Committee in June 2026.

Full analysis, sources and correspondence: stephencresswell.co.uk/hs2-cancellation-cost-independent-review · me@stephencresswell.co.uk