

Our ref: HA 1/41/396
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Direct Line:

By Email

11 April 2008

Dear [Name removed under the Data Protection Act]

A14 ELLINGTON TO FEN DITTON

Thank you for your request to the Department for Transport for information about the A14 Ellington to Fen Ditton improvement. Your request was received on 10 March 2008 and has been dealt with under the terms of the Freedom of Information Act 2000.

The Ministerial Approved Budget (MAB) for the A14 Ellington to Fen Ditton improvement announced on 1 April 2003 when it was added to the Government's targeted programme of improvements (now the Programme of Major Schemes) was £489.9m. The cost estimate for this MAB was based on a start of works in 2008/09 at Quarter 3 2001 prices, and included an allowance for inflation of 2.5% up to the completion of construction.

Following the recommendations on cost estimates in the Nichols Report published in 2007, which examined the Highways Agency's approach to cost estimating and project management, we have been undertaking an exercise to re-estimate the costs of schemes in the roads programme which are not yet in construction. This includes the cost of the A14 Ellington to Fen Ditton improvement. The results of the re-estimation process including a robust estimate for the A14 Ellington to Fen Ditton improvement are expected to be published in May 2008.

Under the new estimating process it is our intention that in future, in line with the Nichols recommendations, cost estimates for schemes in preparation, prior to starting construction, will be shown as ranges to reflect the uncertainties surrounding cost estimates prior to final agreement on scheme cost with the contractor. The figure of £944m for the A14 Ellington to Fen Ditton improvement given in the answer to Norman Baker's Parliamentary Question on 6 March represented the mid-point of the calculated range and was the figure considered by the Secretary of State when the decision on the preferred route for the Ellington to Fen Ditton section of the scheme was made. This cost estimate was not made public at that time as the scheme was subject to a commercial tendering process. It was based at Quarter 2 2006 prices with the outturn

cost calculated using a forward cost inflation assumption up to the assumed date of completion.

Two main reasons for the increase in the cost estimate from £489.9m to £944m (an increase of £454m) are significantly higher construction cost inflation than was assumed in the original estimate and slippage in the assumed scheme start date from 2008/09 to 2010/11. In order to explain the way in which these and other factors have contributed to the cost increase we have rebased the original cost estimate to the same price base (Q2 2006) as the latest estimate and removed the effect of future inflation from both estimates. This puts them on a strictly comparable basis by excluding the different assumptions about inflation and construction start dates. The original estimate rebased to Q2 2006 and excluding inflation is £556.6m and the revised estimate on the same basis is £740m. Therefore the increase in cost excluding inflation and slippage is £183.4m. The table below provides a more detailed breakdown of this increase.

	2003 Cost Estimate £m Q2 2006 (a)	2007 Cost estimate £m Q2 2006 (b)	Difference £m (b) – (a)
Works Cost (inc Statutory Undertakers')	322.1	454.2	132.1
Preparation & Supervision Cost	41.2	61.5	20.3
Land (inc Part 1 Claims where no land is taken)	2.6	16.2	13.6
Non-recoverable VAT	69.0	58.3	-10.7
Base Cost Estimate	434.9	590.2	155.3
Risk Allowances (inc Optimism Bias/ Uncertainty)	121.7	149.8	28.1
Gross Scheme Total	556.6	740.0	183.4

The 2003 Ministerially Approved Budget was prepared at a very early stage in the scheme's Options Phase and included a number of assumptions and lump sum allowances. The subsequent design work resulted in a layout somewhat different to

that assumed in the 2003 MAB, particularly in the vicinity of the A14/M11 junction at Girton.

An application for financial support for the A14 Ellington to Fen Ditton improvement from the Trans-European Network – Transport (TEN – T) programme was made by the Department for Transport in July 2007. I enclose copies of the application and supporting documents. The Department has not yet received official confirmation from the European Commission as to how the UK grant allocation will be split. However, I attach an indicative note of the grant amount that has been received from the commission.

In keeping with the spirit and effect of the Freedom of Information Act, all information is assumed to be releasable to the public unless exempt. We will, therefore, be simultaneously releasing to the public the information you requested, together with any related information that will provide a key to its wider context via our website:

<http://www.highways.gov.uk/>

If you are unhappy with the way we have handled your request, you may ask for an internal review. A leaflet detailing our internal review process is available. If you require a copy, please phone the Highways Agency Information Line on 08457 50 40 30; or e-mail ha_info@highways.gsi.gov.uk. You should contact me if you wish to complain.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

If you have any queries about this letter, please contact me. Please remember to quote the reference number above in any future communications.

Yours sincerely

[Name removed under the Data Protection Act]