

Andrew Slade  
Director General – Economy, Skills and Natural  
Resources Group  
Welsh Government

25 July 2019

## **M4 Project Costs**

Dear Andrew,

Thank you for attending the meeting of the Public Accounts Committee on 15 July 2019. There were several issues arising from the meeting upon which the Committee wishes to seek further information from you and these are detailed below.

### **Use of data and presentation**

There are issues with the consistency and comparability of financial data used by the Welsh Government to date with regards to the cost of the M4 project.

We questioned during the evidence session why the then First Minister, Carwyn Jones AM, was reported in 2015 as saying that the M4 project would cost nowhere near £1 billion. This was despite the fact that the June 2013 WelTAG stage 1 report for the project estimated costs of £936m, and the fact that costs being quoted are now around £1.57 billion.

Your Officials explained that possibly the figures quoted by the then First Minister were referring to the construction costs only. Yet it would have been clear that these do not reflect the full costs of developing, delivering and commissioning the scheme and are therefore misleading.

Similarly, there appear to be inconsistencies in the application of VAT in the adjusted costs presented in the Minister for Economy and Transport's 5 June 2019



Written Statement on the next steps for the M4 following the First Minister's decision not to proceed with the scheme. The Minister stated (emphasis added):

"The £114 million spent since 2013 developing the proposals for the £1.32Bn (in 2015 prices, *which equates to* £1.57Bn in 2019 prices) M4 Project will not be wasted, and will be put to good use by the Commission, making sure it is fully informed in terms of transport modelling, environmental surveys and all the other factors in play across the region".

However, during the 15 July meeting the Deputy Director, Infrastructure Delivery, said:

"So, the £1.32billion is absolutely correct, that was Q4 2015 prices. That didn't include VAT. The £1.577 billion did include non-recoverable VAT, so that was adjusted to reflect 2019 prices".

He also made clear that the figure for non-recoverable VAT was "between 11 and 13 percent".

Therefore the estimate in 2015 prices does not 'equate to' the adjusted figure in 2019 prices as the Minister suggested. Rather this presentation of the cost estimates implies that costs have increased significantly more – 11% to 13% more – than they actually have. This error was made at the point where the Welsh Government is rejecting the scheme in part on affordability grounds.

We are concerned that the information Welsh Government issues about cost breakdowns must be clearly understood by the public, and more importantly presented in a consistent fashion, both for a specific project at different points in time and across projects.

We therefore ask that you provide confirmation of each cost estimate for the project published by the Welsh Government since 2013, including the date of the estimate, confirmation of whether it includes or excludes VAT and an explanation of the specific factors leading to any change between estimates. We ask that you provide each of these in both the price year in which the estimate was originally calculated, and adjusted to 2019 prices to allow clear comparison.



## **Net development costs**

We are also mindful that the figure of £114m spent on development of the M4 project since 2013 will not reflect the final net cost for the scheme. We recognise that there may be income from the sale of properties compulsorily purchased, and also further 'winding up' costs incurred.

As such we request details of the total net cost for the M4 development, known to date, itemising total development costs plus winding up costs and any other related costs, less any profits from the sale of properties acquired, other income or costs recovered.

## **Land acquisition and disposal**

We discussed the future use of the properties and land acquired by the Welsh Government as part of the M4 development project and note that the Welsh Government will need to firstly consider whether any of these properties or land are still required in the context of any proposals from the Commission. Therefore, we ask that a timetable on the disposal of the properties and land in the Welsh Government's ownership be shared with us following the outcome of the Commission's work.

We have also identified some apparent discrepancies in the data on M4 – land and property acquisitions and disposals provided in the Welsh Government's evidence paper for our meeting on the 15 July 2019 and the information provided to the Committee in letters from the Wales Audit Office in March 2015 and April 2015. We understand these were based on information obtained from the Welsh Government by the WAO's financial audit team. We would welcome an explanation for these discrepancies in some of the dates and the financial sums attributed to difference acquisitions/inheritances. We would also welcome clarification around the presentation of the table on acquisitions/disposals and, in particular, lines 31–35. The formatting suggests that these items are in a section about properties that have been acquired and disposed of, but there are no disposal dates/prices shown.



## Cost estimates for suggested alternative 20

With regards to potential alternatives to the M4 relief road we are interested in the costs of potential tunnelling under the Gwent levels (suggested alternative 20, estimated by the Welsh Government to cost approximately £10 billion). We request a breakdown of the proposed costs for this option, along with details of how these costs have been benchmarked and details of what proportion of the total estimated cost for this alternative relates to actual tunnelling works, as opposed to scheme development, surface works etc.

Finally, you kindly offered to circulate copies of the M4 corridor around Newport, Objectors' Suggested Alternatives Report (March 2017). The report is already in the public domain and has been circulated to Committee Members but I wish to thank you for your offer.

I look forward to hearing from you

Yours sincerely,

A handwritten signature in black ink, reading "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

**Nick Ramsay AM**  
**Chair**

