The Infrastructure Forum – Written evidence (IPM0005)

Introduction

1. The Infrastructure Forum (TIF) brings together the key players in infrastructure, whether investors, operators, contractors, economic regulators or professional advisors. It has become the meeting place for constructive discussion about ways to promote the development of infrastructure networks in the UK and to broaden the range of options available to policymakers and regulators.

2. One of the most effective means by which The Infrastructure Forum develops constructive ideas for the future of the sector is through its Working Groups. These address taxation, procurement, investment, energy and planning. They bring together people with front line expertise and are chaired by authoritative figures in the sector, allowing participants in the Forum to put forward constructive ideas and proposals on issues important to the health of infrastructure in the UK.

3. TIF welcomes the opportunity to submit written evidence to the House of Lord Built Environment Committee in its valuable inquiry into Infrastructure Policy Making and Implementation in Central Government. In an evidence session to the Committee the Chair of TIF’s Advisory Council, Richard Threlfall, gave evidence. This submission builds on a number of the themes discussed in the Inquiry and sets out ideas for the improvement of UK infrastructure policy.

The UK Infrastructure Planning System

4. Government’s intention to prioritise the delivery of National Policy Statements (NPS) for transport, energy and water resources during 2023 is positive. It is clear that one of the most significant ways of speeding up and ensuring robust decision-making in relation to nationally significant infrastructure projects (NSIPs), and delivering more predictable outcomes, is setting clear, comprehensive and understandable national planning policy.

5. It is important that NPSs are reviewed on a regular and timely basis, and kept up to date, to improve confidence, reliability and predictability in the system and to ease concerns that impact investment and funding. When the Planning Act 2008 was brought into effect the clear intention was that NPSs would be put in place for all fields of infrastructure and then reviewed every 5 years. This has not happened. Regular reviews are critical to ensuring that the UK is not in the same position as it is now in the medium term, when the NPSs due to be delivered in 2023 will themselves have become outdated.

6. If the Government feels that regularly updating the existing suite of individual sector- specific NPSs is not reasonably practicable then TIF would encourage it to consider if there is a better and more sustainable way of setting out and then keeping up to date national planning policy for NSIPs. This really needs to be a priority for government review and we urge the Committee to so recommend.

7. One idea that has been advanced is to have an overarching NPS that sets out policy applying to all fields and sectors, with Appendices or Annexes addressing policy on a field/sector-specific basis. The overarching element, at least, could be included in the Government's 5 yearly National Infrastructure Strategy, which is published in response to the National Infrastructure Commission's 5 yearly National Infrastructure Assessment.

8. Difficulties with engagement in relation to consenting individual NSIPs are common due to resourcing issues, particularly in Statutory Consultees. It is therefore positive in principle that amendments have recently been made to the Levelling-up and Regeneration Bill to enable "a small number of public bodies to charge for their statutory services to help them provide a better, reliable, quality of advice to developers and support faster planning decisions". But it is key that these fees are ring-fenced, creating funding for additional resources.

9. Additionally, we believe that the idea of requiring positive "local consent" or "local support" for rolling out infrastructure projects such as onshore wind could be a dangerous one and add another hurdle and level of uncertainty to the planning system which will deter investors. Positive local consent or local support should not therefore be made a prerequisite for NSIPs to go ahead.

10. There is scope for the Government to promote best practice in the way that infrastructure projects go about delivering benefits for communities. TIF believes that the Government should publish guidance on what best practice looks like, with tangible examples included. The use of case studies to inform best practice would look similar to the guidance released on flood risk for example.

11. Skills are an issue when it comes to the infrastructure planning process for NSIPs. The Government's National Infrastructure Academy provides an opportunity to address skills in planning and consenting but at the moment the focus appears to be just on procurement and contracting of infrastructure.

Governmental Systems

12. Departments of government dealing with infrastructure often seem to be in their own silos. Joining up infrastructure policy and delivery has not yet been achieved across Whitehall. The contribution digitisation can make to improve infrastructure delivery and customer experience is one area in which joining up systems is critical. Achieving net- zero and energy security targets is another. Enhancing the role of the Cabinet Office to pull together policy across Whitehall and revisiting the idea of cross-cutting task forces could assist. A new Infrastructure Minister could Chair a Cabinet sub-committee for Infrastructure and attended by all the involved departments. Matching market rates will help Government Departments to attract the right talent.

13. Regulators would also benefit from a more joined up policy position - toward net zero in particular. Repetitive government reviews of economic regulators should be reduced; it is key that the Government maintains their independence; and recognises that its role is to produce clear strategic guidance

of government policy while regulators' accountability is to Parliament, not the Executive.

14. Each iteration of public policy faces the challenge of maintaining a flow of investment into infrastructure that supports aspirational levels of national prosperity, quality of life and inter-generational legacy. This challenge requires the combined resources of the public and private sectors to be aligned and mobilised according to their complementary strengths.

15. The UK is fortunate to have two institutions whose mission is to help deliver on this challenge: first, the National Infrastructure Commission, which analyses and publishes investment plans, most crucially by viewing the national need through a long-term lens; and second, the Infrastructure and Projects Authority, which acts as a monitor of major projects and centre of expertise for the delivery of infrastructure investment.

16. The IPA is however stretched in its ability to monitor all of the projects under its portfolio. The IPA has fewer than 200 people within its organisation and has around 260 projects on the Government Major Projects Portfolio (GMPP). Greater investment of resources in the IPA would increase the effectiveness of its project monitoring and sharing of good practice.

Investment Approaches

17. There is a strong evidence base linking the 30 years since privatisation to materially better infrastructure in the UK and customer outcomes combined, with productivity gains and reduced network bills.

18. The clear targets the UK has on sustainability, resilience, energy security, and net zero means that the whole economy needs to be decarbonised. This opens up a vast array of new opportunities, including hydrogen, transport & storage, CCUS, smart metres, battery storage and EV charging.

19. Investors seek projects not subject to sudden political or regulatory change; in a stable environment; supported by a broad political consensus; with an assurance that the value embedded within existing investments will not be unnecessarily impaired. They have opportunities around the world to find such environments and there is increasing competition around the world, including in the form of capital allowances in taxation, to attract this investment to the public benefit.

20. The UK has pioneered some of the world's most sophisticated approaches to financing infrastructure Contracts for Difference and the Regulated Asset Base model used in Thames Tideway are shining examples of UK success, as in an early generation were Public and Private Partnerships.

21. The CfD, which was not well understood or welcomed when first introduced, has been extremely positive. There is clear evidence in the success of the CfD in the UK offshore wind industry. £37 pounds per megawatt hour is an outstanding result for everyone who lives in the UK.

22. TIF has argued strongly for the RAB model to finance nuclear projects, designed to encourage a wider range of private investment into the sector, and more broadly. As the Government said, this model is "a tried and tested method that successfully financed other infrastructure projects, such as the Thames Tideway Tunnel and Heathrow Terminal 5".

23. Until recently, it had been widely assumed that a TTT style RAB model was only suitable for large and complex "one off" situations. However, TIF argues that a range of infrastructure sectors could utilise the RAB model, including energy, transport and telecoms.

24. The Forum also recently submitted its views on reforms to Solvency II to the Government's consultation. The announced changes are seen by TIF's network as positive and it is thought these will allow the UK insurance and long-term savings sector to play more of a role in supporting the transition to net zero.

Infrastructure Taxation

25. It has become increasingly apparent in the wider debate, as TIF has long argued, that investors need incentives to make long term capital commitments. This is important with the number of green energy projects that need to be pushed forward.

26. The Inflation Reduction Act in the US had promoted the idea of green energy allowances to the top of the agenda, causing Canada and France to respond with their own initiatives. The UK's electricity generation levy for renewables was not helpful in this regard If the Government wanted to keep investment flowing in the UK, there would have to be some compensatory adjustment.

27. The Forum has a number of ideas in this space that could be vital in ensuring the UK reaches its net zero targets. Some of these include:

- That a Green Super-Deduction of 130% be introduced to stimulate investment in batteries, renewable energy, clean electricity, nuclear, clean transportation, hydrogen and associated chemicals such as ammonia and clean fuels, grids and CCUS.
- A special tax regime should apply to green investment. There is an opportunity to be creative and impactful with the packages which might include incentives such as: Investment Tax Credits, increased Public Benefit Infrastructure Exemptions, Renewable Electricity Production Tax Credits, Infrastructure Development Expenditure Credits or Infrastructure Bonds.
- That the UK ensures that its package of capital allowance investment incentives is competitive with US or Canadian equivalents.

Procuring Infrastructure

28. A significant conundrum in recent times has been how to retain, and in some cases restore public confidence that infrastructure will be designed, delivered and operated well, and be fit for the future.

29. This is a crucial time for the industry, with environmental, economic, digital, political and security volatility and unpredictability. It is vital that infrastructure funding, design, delivery and operational management steps up and helps to mitigate the impacts of disruptions.

30. A key area which causes public concern is the perception that major projects almost invariably run significantly over budget and over time. Rail electrification projects failed to be delivered on time and budget, causing major changes to plans for the future rail network and its carbon emissions.

Some relevant factors are:

- Incentives to over-promise to win the project in the first place;
- A reluctance properly to cost inflation and other likely cost increases;
- Changes to the specification of the project and in some cases expectation that these changes can be accommodated within the original budget;
- Technological and other developments occurring after the planning and development phase;
- Inappropriate/inadequate apportionment or allowances for risk at all levels within the supply chain;
- Optimism bias by which favourable forecasts are preferred over the pessimistic.

31. The key is to get infrastructure programmes set up right from the outset, so the scheme can make a positive difference to users, stakeholders and markets as quickly and efficiently as possible. Forum participants emphasise the role of pre-contractual engagement. Government would benefit from bringing together a stronger procurement hub at the centre, hiring more procurement experts from the private sector, and bringing closer together the procurement role of the IPA and Cabinet Office.

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