

Transcript from The Foundation for Science and Technology Debate on the UK long-term infrastructure project pipeline

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Well my Lords, Ladies and Gentlemen, good evening. First may I thank the FST for this opportunity this evening because for I and my colleagues this is an opportunity to get feedback - feedback, as I shall explain, on feedback that we have already had, so it is feedback squared.

The reason I fell for this particular opportunity, or task, I suspect was actually in part because of the Olympics. When people stood back afterwards and said 'Well that all went rather well didn't it? Why?' one of the immediate observations, of course, was well actually for once there was a degree of political unity and there was a degree of political consensus - in fact a very strong degree of both in recognising the need for the Olympics to be successful - and I think all of those involved recognised that and certainly made our lives a lot easier. We went from one government to another, we went from one Mayor to another and basically in both cases it was seamless and it had no impact on strategy or budgets or anything else.

The basic exam question is what is the institutional infrastructure that we would benefit from in the UK that would enable us to make better long-term decisions about our infrastructure requirements and our infrastructure policies and how can we avoid flip-flopping backwards and forwards between one government and another in terms of any policies that we may have, or indeed within one government in terms of what policy are we actually following.

Of course with Sir Howard Davies's Commission which has just started recently on the airport capacity in the South East, there was obviously the recognition of that and the question 'well, is there any relevance in that and is that a way forward for us in the future?' I think that is certainly a more difficult question. I have the pleasure and the privilege of being on that Commission with Sir Howard and as somebody at the beginning who said 'why on earth do we need three years to understand what we should be doing about airport capacity?' having got involved in the Commission I can now see that we can easily spend three years debating all the options and listening to the enormous amount of evidence that people will give us.

Our structure for taking this forward was simply for me in the first place to gather some folk together. The people who have joined me are:

- Sir David Rowlands who used to be Permanent Secretary at the Department for Transport
- Rachel Lomax who also held that role but equally was Deputy Governor of the Bank of England
- Chris Elliott from Barclays, who has been financing infrastructure not only here but around the world for around the last 25 years
- Dr Paul Golby who was, until recently, Chief Executive of Eon UK and now is Chairman of EPSRC
- Andrew Adonis himself, who is part of our team
- Alan Buckle who is Senior Partner at KPMG and helping us to pull all this together
- and our Executive is Ed Thomas, who is here this evening and is pretty well full-time in supporting us in this

Our modus operandi was to start off by saying we will need to understand what other people think about these key questions. So we expanded our questions to about 15 different questions considering the way infrastructure has been taken forward in this country – what have we learnt from the past, what have been the obstacles in the past, what have been the political issues in the past – so really just asking people to come forward with their knowledge of the last 30 or 40 years of infrastructure in the UK and giving them the opportunity to give us their thoughts. We went out to about 180 different individuals and organisations and we received around 80 responses from those organisations. There have been quite a few consistent observations in the responses that we have had. I suppose the most obvious observation that everybody made was ‘Well, we just cannot afford to continue to muddle along as we have done for at least the last 50 years in this country’. If you take the airports and go all the way back to the Roskill Commission and other reviews of airport capacity – all of which have bitten the dust, basically, when faced with the need for political action – so a key theme is how do you actually take evidence and turn that evidence into policy and how, most importantly of all, do you then get political action attached to any sort of policy or agreement that people may come to. If you take the Labour Party’s approach to airport policy back in 2003, basically a succession of Ministers, and they would admit this themselves, basically sat on the recommendations of the 2003 review because it was politically too difficult. That opened the door for the Conservative Party to come along with a piece of totally different and largely unrelated infrastructure in the form of HS2 and use HS2 to bat Heathrow expansion into a corner. This was a lovely piece of political opportunism that had absolutely nothing to do with the overall long-term requirements of either the rail sector or, the airport sector.

The one group of people that came back to us and said to us, funnily enough, ‘Well, actually there isn’t too much of a problem’ and it is interesting why they think that, is Network Rail. Why? Well in fact today, if you look at the rail sector there is a reasonable degree of planned strategic approach towards it. You have the high-level output statement which together with a statement of funds available is given to Network Rail – so you have got an affordability aspect being attached to this high-level output statement – and then Network Rail work out what they need to meet that and then the regulator sort of says ‘Yes, that’s great guys. Now take 10% off and be more efficient’ and low-and-behold, you have a budget for the next five years and you know what you are doing for at least the next five years, if not, in fact, beyond that and probably for the next 10 years. So there is one sector in which, at the moment, you might say there is some reasonable degree of strategic direction, though I suspect it is the only one. The only other group who didn’t seem too bothered about the current world was the communications sector and the telecoms boys – but why might that be? Well, I suspect that because a large part of what they do, actually, is up there in the ether and therefore doesn’t affect us on the ground and does not get attacked by NIMBYism and all of the other things that get in the way of any infrastructure development. If they are on the ground then it is underground and it is put in place without too much hassle and nobody notices. So there is a sector which is able to operate without any great degree of political consensus other than a financial one.

We looked at other countries – we have looked at Singapore, which is probably, many people would say ‘well, that’s not a very good option given the nature of politics in Singapore’, but it is an interesting constitutional structure there, in terms of the way they go about thinking about their spatial policies, thinking about their infrastructure requirements over a 20 to 30 year horizon and then getting each government, agency or department to come up with its plan for the next 10 years which it has to come forward with within a fixed period of time and then that becomes the policy for that particular sector to meet that longer-term objective. It is different but you can see the same sort of structure in the Netherlands and, to a degree, you can see the same approach in France.

So what have people been telling us? Well, clearly there is a very strong view, and it has already been published by the LSE in a recent report from the LSE about growth in the UK and the Engineering Employers Federation has come out with a similar suggestion that what would be very beneficial is an independent commission. An Independent Commission whose role would be to assess need and what is necessary for the continued economic growth of the UK in any major sector of infrastructure and, obviously, to then come forward with its views of the need and how that need could be met. And that Commission, in order to be independent, would probably have to report to parliament and it would be looking at a horizon of probably 25 years. At the shorter end people tend to say 'well really looking beyond about 10 or 15 is difficult' and at the other end people say 'well, beyond about 50 is just too far out', so we sensibly compromise at 25. Others would say that you need to do it all – so you need a short-term view of what is necessary for the next 10 years and another view was to the medium term at 20 years and then maybe including doing a bit of long-term horizon-scanning as well in terms of 40 to 50 years.

The basis on which those views would be adopted, in most people's view would be fundamentally economic. What is going to achieve economic competitiveness, what is going to achieve economic growth? But of course, there is a recognition that if you said that alone then you would be shot-down on day one and so the whole issue of sustainability and the wider socio-economic factors need to be assessed in addition to one which is purely driven by economic needs.

In terms of sectors – it tends to be the civil engineering sectors in the main – so transport, waste and water, energy (most important of all), flood defences (rather topical at the moment but certainly argued for in the longer-term), telecommunications (as I mentioned earlier). Where people diverge is on housing. There are those who believe housing should be a central part of any such assessment, others who argue that that is fundamentally a local issue which should be left to local government and should not be a central government issue. Of course you could look at elements of that and say 'well if you are talking about a new town then maybe that is rather different to adding 100 houses to the outskirts of Aylesbury – but anyway, differing views on that.

Different views on the involvement of the NGOs – where do they sit? We have obviously been taking evidence from them, but where would they sit in relation to any such commission – would they be part of it or would there be expert panels around it? Would they relate to the commission to avoid it becoming too business-dominated? Some people thought the Commission should be allocated capital. In Australia, where there is a National Commission for Infrastructure, the commission is given funds and it allocates funds to projects where it is considered that those projects are actually going to meet part of a wider overall need for infrastructure in the country as a whole. So Rod Eddington who Chairs the Commission has given evidence to us and told us about how that works in Australia.

A UK Commission would probably, it is felt, be required to have a major review at least every 10 years, but in the meantime it would also give an update every five years – certainly every parliament – on any particular sector.

As you move from the commission and recommendations to delivery there are differing views. Some people say the commission should have the power to actually deliver and others, very strongly, that it should not be a delivery agency and that actually delivery should be through existing arms and they are government agencies or in many instances they would be the private sector - the private sector responding to policies set out by government agencies. So if you take the Singapore model, having got a high-level view of what is required in a particular sector then the government department, let's say for roads, has been required to look at that overall view of what is needed in the next 20 to

30 years, it is then required, within a year of that being published, to produce a policy from that department about what they are going to do for the next 10 years to meet that requirement and that then becomes enforced in statute – so that department, that government department is then required to then actually deliver to a policy which it has set out. Now, in terms of policy you might start to think about how our National Policy Statements, which are something we have in the existing structure from the last few years, whether that would in fact have a role to play and relate to this requirement of different government departments.

The overall commission would then audit that and report to parliament on a regular basis as to whether in fact these National Policy Statements in the different sectors were being delivered and would be an independent voice commenting on how it was going and what was actually helping it or what was getting in the way and what political action may be necessary to move it forward.

In terms of the Commission itself, some people think politicians should be on it, other people think politicians shouldn't be anywhere near it. Some people think it should be within a government department – and the obvious government department, for many people, is Treasury – other people say 'don't put it in Treasury'. So you get different views on that. I think probably most people would say, even if it were in a department it should not actually be accountable to that department. So it might draw funding from that department, it might gain support from that department, but if you take the Office for Budget Responsibility which sits within Treasury, the OBR clearly does not take its instructions from the Chancellor, but it sits within and has access to information from Treasury. The two organisations, again which we have talked to in terms of how they work and whether they are examples that we can use, are the Committee for Climate Change and the Office for Budget Responsibility. Those two recently created bodies have a high degree of independence and a requirement for cross-party understanding and support. I think, at the end of the day, clearly the difficult bit is not creating the institutions, it is not doing the research, it is not coming up with the ideas, the really difficult bit is how do we get political consensus. Is it possible, within the UK system, to get political consensus?

It was interesting talking to the guys from Singapore who kept on telling us how their system in Singapore was modelled on Britain and how similar they were to Britain. Then we got to discussing with them 'so how do you actually make your decisions?' They said 'Well, consensus' and we thought 'yeah, well that's not something we are too used to in the UK'. Indeed, when you go and talk, as we did, to the Chief Executive of Schiphol about how they developed Schiphol airport and the answer was fundamentally through constant discussion and debate, listening to everybody's point of view, but everybody accepting that at the end of the day they are not going to get everything they want but to get what is good for Holland. Everybody is therefore going to have to give a bit and that is how they have reached a consensus about what is necessary to develop Schiphol airport to the scale that it is now at with 6 runways, when we are arguing about a third.

So the political consensus issue is critical. When I kicked this off I said to Ed Balls 'Ed, it would be good if my commission, my review team, had people from the Conservative Party on it, wouldn't it?' to which the answer was 'Yes, absolutely. If you can get them, get them.' So I went and talked to one or two members of the Conservative Party and I deliberately chose people who weren't politically active today, but knew something about the subject. Initial reactions were 'Yes, I would love to get involved.' And then a phone call a week or so later 'oops, sorry John, I have spoken to the whips and we can't get involved'. That has gone as far as officials in the Treasury being told that they can't talk to us, either. They can talk to us about who won the football last night but they can't talk to us about this particular piece of work, which is disappointing, but goes to show the measure of the task in getting to the point where even though in their individual camps both political parties, I am sure, they can acknowledge totally the need for us to

get to grips with our infrastructure and understand the need to take a long-term approach they have found it very difficult to do anything other than use infrastructure as a political football with which to gain political advantage with the electorate and that is, I feel, the real dilemma we face. Hopefully out of this review something can come and I and my colleagues here this evening will be very interested in hearing what you have to say and, no doubt, pointing out to us the challenges that we face. I think the one thing that probably most people in this room, if not all, agree on is this is something that this country has singularly failed at for a very long time but do we continue to muddle along? As one person said to me quite openly 'John, we've muddled along for 50 years and it's not too bad, so why can't we muddle along for the next 50 years?' Well frankly, to just take one sector, if we do the lights will go out and we are not going to succeed as a nation if we do not address this challenge. So it is very important and I look forward to your contribution.

Thank you.
