

DINNER/DISCUSSION SUMMARY

The Armitt Review of the UK long-term infrastructure project pipeline

Held at The Royal Society on 16th April, 2013

The Foundation is grateful for the support for this meeting from
Aggregate Industries, Costain and the Michael John Trust.

Chair: **The Earl of Selborne GBE FRS**
Chairman, The Foundation for Science and Technology

Speakers: **Sir John Armitt CBE FREng**
Chair, Armitt Review of the UK long-term infrastructure project pipeline
Professor Brian Collins CB FREng
Head, Department of Science, Engineering, Technology and Public Policy, University
College London and a former Chief Scientific Adviser at the Departments for Transport and
Business, Innovation and Skills
Tim Yeo MP
Chair, House of Commons Select Committee on Energy and Climate Change

SIR JOHN ARMITT told the meeting about the independent review into long-term infrastructure planning, launched in October 2012, which he was undertaking at the request of the Labour Party. The review sought to discover whether a new institutional structure could be established which would better enable the long term decision-making necessary for strategic infrastructure planning. A key element would be how to forge a political consensus around these decisions.

The success of the 2012 London Olympics had shown that the UK was capable of delivering a massive construction project on budget and to time. This achievement would not have been possible without the whole-hearted commitment of the major political parties. But, the record of the UK in the past 30 or 40 years had been dreadful – for example the indecision and vacillation about the provision of airport capacity.

Faced with a highly competitive global economy the UK could not afford to continue with its present “muddle through” approach. Nor could it allow something as crucial to the nation as its infrastructure to continue to be treated as political football. Infrastructure planning needed an institutional structure which would shield it from being damaged by party politics. The inputs from its consultations indicated that some sectors already had arrangements ensuring long-term continuity of infrastructure investment (railways and telecommunications). He was also aware that other countries (Singapore, France and the Netherlands) had institutional arrangements with similar beneficial effect. He suggested that one solution for the UK

would be to establish an independent Commission with responsibility for assessing what sort of infrastructure was needed to deliver economic growth and international competitiveness over a period of some 25 or more years and for drawing up plans to meet that need.

Matters for further consideration by his review were whether infrastructure should extend beyond civil engineering and telecommunications into housing, what role non-governmental organisations should play, how to convince the public that such a Commission was not business dominated, whether it should (as in Australia) itself be a delivery agency, whether politicians should be members of it, whether it should be part of a government department or simply accountable to a government department or parliament (such as the Office for Budget Responsibility (OBR) or the Committee on Climate Change).

He thought that the Commission should undertake periodic reviews of its plans to ensure that those plans could be adjusted to take account of changing circumstances. It should also audit progress with implementation and report to Parliament. He was convinced that such an institutional structure needed to be enshrined in statute.

PROFESSOR BRIAN COLLINS reminded the meeting that no top down approach to infrastructure planning had existed in the UK since the war and pointed out that, following the major privatisation programme, no national strategy for infrastructure had been possible. The government’s National Infrastructure Plan (published in December 2012) was a bottom-up approach, containing a pipeline of disconnected

projects covering a range of sectors. Some work was being carried out to examine the interdependence of these various projects. Such work should highlight risks and opportunities but would still fall far short of a coherent and effective national strategy of the kind needed to ensure that the UK remained a major world player, capable of attracting the scale of investment finance required to sustain its economy.

He saw the siloed treatment and regulation of utilities as leading potentially to disaster. Even if Ministers sought to place their faith in market mechanisms and regulation rather than direct government action to deliver the nation's utilities, they could not ultimately avoid responsibility if things went wrong and were left with the problem of responsibility without power.

He shared the first speaker's emphasis on the desirability of achieving consensus as fundamental for ensuring that the nation's infrastructure would meet the nation's needs and aspirations. But he warned against believing that it would be easy to bring about. No governance arrangement was capable of delivering a perfect solution satisfying the interests and aspirations of all the stakeholders – public who wanted effective services, government which wanted affordability and had to operate within the constraints of the five year electoral cycle, financiers who wanted an adequate return for their risks, operators who wanted reliable, resilient and profitable businesses and regulators who wanted safety, fairness and environmental acceptability.

He feared that localism and NIMBYism would nullify any consensus. He feared that the UK's adversarial democratic political system would prove to be incompatible with consensus constrained policy-making. However if an independent Commission of the kind outlined by the previous speaker were to be created, it would need to be underpinned and informed by a good infrastructure research base. He wondered whether greater scope for City leadership of infrastructure planning might be one way forward (such as the success of London and Crossrail).

MR TIM YEO said that to prosper in a globalised and increasingly competitive world the UK needed to have a top class education system, an attractive tax and regulatory framework and a really modern transport, energy and IT infrastructure. Increasingly the centre of world economic activity was shifting away from the USA towards Asia. Europe was in danger of long-term decline. The UK's transport infrastructure was woefully inadequate. Its energy infrastructure urgently needed some £75 billion investment in electricity generation and £35 billion in electricity distribution. Investment finance would not flow to the UK if prospects looked better in other countries

and if the present uncertainty about UK energy policy persisted.

The UK's planning system constituted a further major obstacle. The national interest required a draconian intervention in the process on the lines of that made in the past in relation to mobile telephone masts – action which helped to create a good IT infrastructure in the UK. He saw the development of shale gas and onshore wind as requiring such intervention.

He urged the introduction of a strong presumption in favour of projects designed to meet national energy objectives such as security of supply, reduced carbon emissions and value for money for consumers. He urged action to enable local communities adversely affected by projects to reap a greater share of the benefits. He urged a fast track approval process for projects promoting greater energy efficiency.

Many contributions during the two discussion periods (before and after dinner) explored the rival claims of public and private sectors to be the best means for ensuring the successful delivery of vital infrastructure projects and what, if any, sort of government involvement was required (regulatory framework, development of a coherent national infrastructure plan, financial contribution).

Most contributions to the discussion started from the conviction that present arrangements were unsatisfactory and a recipe for national decline, if not disaster. Much of the nation's basic infrastructure was the product of Victorian private investment and now needed to be renewed and modernised. Privatisation (assisted by some well-directed government policies) had facilitated the creation of a modern IT infrastructure. But, privatisation (against a background of unclear, indecisive and not always coherent government energy policies) appeared to be failing to ensure that the UK would have adequate supplies of electricity to meet the demands of more and more people with ever greater demands for electricity.

Political reluctance to open the motorway network to greater private sector involvement was hampering action to bring supply of road space more into line with the demand for road space; this was damaging the economy. Political indecision about how best to reconcile the public demand for increased air travel and airports located near centres of population with public reluctance to have airports in their midst; this also was damaging the economy.

But, if the discussion, revealed a consensus about the nature and extent of current ills, there was no such consensus about the best way of overcoming them. Two fundamental factors had to be faced. First, governments were inevitably involved in decisions

about major infrastructure projects for a variety of reasons, not least the fact that costs and benefits impinged on and flowed to different sections of the national community leading to the need to strike a balance between different interests. Secondly, in an advanced democratic society with the character and history of the UK, government was in the hands of political parties whose adversarial methods and five year electoral cycles were incompatible with the compromises and 20 year timescales required for the delivery of major infrastructure projects.

Some contributions to the debate favoured more privatisation. Others favoured less. Some contributions favoured institutional arrangements, which would keep infrastructure projects away from party political battles and saw the coalition government's present keen interest in finding ways of getting the economy back on a growth path as providing a unique and valuable opportunity for radical new measures. Others rejected such ideas as wholly impracticable and unrealistic; politicians would always find themselves held responsible and they would be wrong to abdicate the powers necessary for the exercise of that responsibility. It was nevertheless noted that there had been some successful major project developments in recent times (Crossrail and the 2012 Olympics) of which the success had undoubtedly been helped by the strong and steadfast support of both major political parties.

Other themes which featured in the discussions were that action to create new infrastructure should not be at the expense of proper maintenance of the existing infrastructure, that the regulatory framework for the privatised public utilities (which had been put in place sequentially during the years of privatisation) should not be so compartmentalised as to hamper a holistic approach to infrastructure planning and development and that action to ensure that demand and supply for infrastructure were in balance should not be confined to supply side measures.

Many speakers favoured the idea of a national infrastructure plan, arguing to the sceptics who doubted the ability of a government or commission to know what the future would look like, that such a plan would have sufficient flexibility to be adjusted to changing circumstances, would be constructed with the help of a strong evidence-based research team and a thorough study of a range of options and sensitivity analyses.

When invited to suggest infrastructure areas where the UK had the opportunity to be a world leader, the panel of speakers offered carbon capture and storage, tidal power, solar energy and nuclear power.

The Chairman's final words were that the UK had to find a better way of ensuring that it had the infrastructure essential for a growing and successful modern nation but that it should take care not lose the precious prize of democracy on the way.

Sir John Caines KCB

Useful web links are:

Aggregate Industries
www.aggregate.com

Balfour Beatty
www.balfourbeatty.com

Carillion
www.carillionplc.com

Costain Ltd
www.costain.com

City of London
www.cityoflondon.gov.uk

Clarksons
www.clarksons.com

Crossrail
www.crossrail.co.uk

Department for Business, Innovation and Skills
www.gov.uk/government/organisations/department-for-business-innovation-skills

Department for Communities and Local Government
www.dclg.gov.uk

Department for Transport
www.dft.gov.uk

Engineering and Physical Sciences Research Council
www.epsrc.ac.uk

The Foundation for Science and Technology
www.foundation.org.uk

Growth Commission
www2.lse.ac.uk/researchAndExpertise/units/growthCommission/home.aspx

Heathrow Airport
www.heathrowairport.com

Highways Agency
www.highways.gov.uk

HS2
www.hs2.org.uk

Infrastructure UK
www.hm-treasury.gov.uk/infrastructure_about.htm

Laing O'Rourke
www.laingorourke.com

Lloyd's Register
www.lr.org

Network Rail
www.networkrail.co.uk

Research Councils UK
www.rcuk.ac.uk

The Royal Society
www.royalsociety.org

Select Committee on Energy and Climate Change
www.parliament.uk/ecc

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