

Infrastructure and central government

The case for a Department for
Infrastructure

Association for Consultancy and Engineering

2010



Infrastructure and central government

Infrastructure plays a critical role in the economic, social and environmental health of a country. Developing the right leadership structures within government is essential in order to ensure that nationally significant infrastructure is developed in a coordinated manner.

This paper explores the case for the UK creating a Department for Infrastructure to provide integrated leadership within central government on infrastructure development.

Recommendation

ACE recommends that a Department for Infrastructure is created, assuming responsibilities currently held by other central government departments.

The department would be led politically by a new Secretary of State for Infrastructure, a Cabinet level post which would likely become one of the most prestigious appointments in the UK government.

The Department for Infrastructure

ACE recommends that a single government department – the Department for Infrastructure (Dfi) - takes responsibility for leading and advising on the development of all infrastructure modes at central government level.

The Dfi would aim to deliver for infrastructure what Defra currently does for climate change adaptation – providing a single lead authority to ensure consistency of approach across central government.

The department could be created by reassigning existing responsibilities across Whitehall, and would not necessarily require significant transfer of powers between national, regional and local government.

The department would play a key role in guiding the development of key infrastructure networks. It would assume responsibilities currently held by the Department for Transport, the Department for Energy and Climate Change (DECC), Defra, HM Treasury and the Department for Communities and Local Government.

A new department would assume responsibility for policy areas that directly affect the development of infrastructure, and would work closely with all other departments and public entities whose policies may affect development of, or demand for, infrastructure capacity.

This reallocation of responsibilities would result in a rebranding of the Department for Communities and Local Government. DECC would be abolished completely, with its climate change responsibilities returning to Defra to create one single point of leadership for climate change across Whitehall.

The following table summarises the changes to the remits of central government departments that would occur as a result.



Department	Proposed changes
Department for Infrastructure (DfI)	<p>New department created by expanding the DfT's role, encompassing strategic responsibility for all transport modes, energy generation and distribution (from DECC), water and strategic waste (from Defra).</p> <p>Would absorb responsibility for Infrastructure UK from the Treasury. Would gain those responsibilities for housing currently held by the Department for Communities and Local Government.</p> <p>Responsible for the relationship with other central government departments, devolved authorities and the Mayor of London's office on infrastructure issues.</p>
Defra	Would absorb responsibility for coordinating mitigation efforts from DECC, alongside existing adaptation responsibility. Would lose leadership on water and waste (to DfI).
Treasury	Would lose responsibility for Infrastructure UK (to DfI). Would work closely with DfI on funding and prioritisation.
Department for Local Government	Formerly known as the Department for Communities and Local Government. Would retain responsibility for planning procedures as at present. Would work closely with DfI to ensure compatibility with social and community policies.
BIS	Would work closely with DfI to ensure compatibility with industrial strategy.
Devolved authorities	Would work closely with DfI to ensure compatibility of policy priorities across borders.
DECC	To be abolished completely.

Potential benefits of the new structure

- Cost savings could be achieved by eliminating duplicate roles within central government.
- Revenue could be generated by selling off buildings from the government estate deemed surplus to requirements.
- There would be a greater potential for outsourcing services due to better programme management structures.
- More effective programme management structures could be put in place to better manage multi-modal projects.
- Devolved and local government agencies would have a single point of guidance for all infrastructure-related issues.
- The creation of a Secretary of State for Infrastructure, a Cabinet level post, would send a powerful message regarding the national importance of infrastructure.



- There would be a single authority for strategic planning and delivery across all infrastructure modes.
- The new structure may result in better interface between central government, devolved and local policymakers.
- There would be a better alignment of transport, energy and other infrastructure priorities.
- Clear leadership on key policy issues will reduce scope for confusion.

Potential disadvantages

- Additional short-term costs would be incurred through rebranding, web site redesign, redeployment, redundancies etc.
- The transition period to the new departmental structures may be confusing to some.
- The business community tends to prize stability, so the changes may be unsettling in the short term.
- There is a risk that ongoing programmes may slow down during the transition.
- There would be a risk of opposition from civil service and public sector unions over any redundancies that occur as a result.

The importance of infrastructure to the UK

Infrastructure plays a crucial role in the economic prospects of the UK. The UK is ranked 34th in the world in terms of infrastructure quality, behind Saudi Arabia and Malaysia, despite having the 6th largest economy¹. It has been argued that the UK spends less on transport and development as a percentage of economic output than any other OECD country.

France has a 20 per cent higher productivity level than Britain despite having less flexible labour markets and this is predominantly due to better infrastructure provision². It is hard to quantify the economic impact of this acute infrastructure investment but without doubt it has a critical constraining impact on our future growth trajectory³. For example, the Eddington report argued that, by 2025, road congestion could inflict economic damage of £22 billion per annum along with acute impacts on quality of life.

ACE's own forecasts point to a reduction in fixed investment in the UK of 12 per cent in 2010. This will constrain future economic growth. It has also been suggested that, over the next decade, the UK will need to replace one third of its energy generation capacity because of increased demand and existing stations coming to the end of their life span.

¹ Bosanquet, N et al., Road to Recovery, 2009, Reform

² Helm, D, Wardlaw, J & Caldecott B, 2009, Delivering a 21st Century infrastructure for Britain, Policy Exchange

³ Grimes, A, 2003, Economic growth and the size and structure of government: Implications for New Zealand, Motu Economic and Public Policy Research Trust and department of Economics, University of Waikato Motu, Working Paper 03-10



One report⁴ has stated that Britain has an acute infrastructure deficit requiring at least £434 billion of new investment by 2020 (the actual figure could be nearer to £500 billion).

This aggregated amount is broken down as follows:

- Energy £264 billion
- Transport £120 billion
- Communications £5 billion
- Water £45 billion
- Total UK infrastructure deficit of £434 billion⁵

This amounts to approximately one third of annual UK GDP. The consequences of not investing will be the gradual erosion of the UK's competitive advantage and living standards – which will be especially pronounced as the economic centre of gravity shifts east and emerging nations invest trillions in new infrastructure systems.

The need for leadership

Given the size of the challenge facing the development of the UK's key infrastructure, an effective and coordinated response from government is vital. The direction of the UK's infrastructure will likely become increasingly important to the national interest in response to competitive pressures.

Furthermore, there are inherent linkages and interdependencies between modes of infrastructure. For example, in order for progress to be made on rolling out electric vehicle infrastructure as part of carbon reduction efforts, energy policy needs to be coordinated to meet the expected demand for low carbon electricity. New housing developments also require supporting transport and utilities infrastructure, which must be delivered alongside the new housing units.

These issues have been recognised by the decision to establish Infrastructure UK, a body charged with setting the strategic priorities for infrastructure development over the next five decades. There is also much discussion within the political mainstream about creating some form of infrastructure bank to drive investment, help plug the estimated £434 billion capacity gap, and to improve the UK's chances of meeting its ambitious climate change objectives.

ACE would argue that a logical next step would be the creation of a dedicated Department for Infrastructure, charged with developing a pan-government response to the infrastructure challenge. In much the same way that the Department for the Environment, Food and Rural Affairs (Defra) is the lead department for climate change adaptation across government, the proposed DfI would take the lead in ensuring that public policy is

⁴ Helm, D, Wardlaw, J & Caldecott B, 2009, Delivering a 21st Century infrastructure for Britain, Policy Exchange

⁵ According to Policy Exchange this figure is based on estimates of "simultaneously replacing aging infrastructure and investing in new infrastructure to improve our competitiveness, while meeting the challenge of decarbonisation". This is seen as a conservative financial estimate and is on top of the investment needs of public sector infrastructure in schools, hospitals and IT systems.



coordinated toward delivering high quality infrastructure in as timely and cost effective a manner as possible.

Where does responsibility for infrastructure currently sit?

As ACE understands it, responsibility for, and leadership on, infrastructure issues is distributed between a range of government agencies, as set out in the table below.

Devolved administrations and the Mayor of London have responsibility for issues within their own areas, although these can often be shared with central government departments.

Further responsibilities can also be devolved to local authorities and delivery agencies.

Department	Rail	Road	Maritime	Airports	Energy	Water	Waste	Housing	Strategy	Planning	Regional plans	Climate change	Construction	Finance
Department for Transport	Yes	Yes	Yes	Yes										
DEFRA						Yes	Yes					Yes		
DECC					Yes							Yes		
BIS													Yes	Yes
Treasury									Yes					Yes
Communities and Local Government								Yes		Yes	Yes			
Welsh Assembly Government		Yes					Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Scottish Government	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Northern Ireland Government	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mayor of London	Yes	Yes							Yes	Yes	Yes	Yes	Yes	Yes
Regional bodies							Yes	Yes		Yes	Yes			Yes
Local authorities		Yes					Yes	Yes		Yes			Yes	Yes



What are the limitations of the current arrangements?

ACE believes that the current leadership structure of infrastructure issues at central government level has a number of shortcomings:

- Distribution of responsibility for infrastructure modes. Many forms of infrastructure are interdependent, and their development is essential to support other modes. For example, transport policy has a crucial dependency upon energy policy.
- There is a potential for duplication of work across Whitehall, regional and local government and the devolved authorities, thus wasting time and money.
- There is a risk of disconnects in decision making processes through matrix management and multiple leaders. Such disconnects can result in less effective and uncoordinated delivery of key infrastructure improvements.
- There is a risk of poor coordination between UK strategic aims and local, regional and devolved infrastructure priorities. The difficulties in agreeing the housing elements of regional spatial plans are an example of this.
- A lack of sharing of best practice and failure to achieve economies of scale, particularly in procurement, can reduce value for money invested in infrastructure schemes.
- Failure to adequately coordinate infrastructure development risks failure to achieve the UK's climate change objectives.

Countries with integrated infrastructure approaches

Examples of countries with integrated approaches to infrastructure leadership include the following:

- Australia (federal government [Department for Infrastructure, Transport, Regional Development and Local Government](#)). Infrastructure departments also exist at state level.
- Canada (federal government [Transport, Infrastructure and Communities portfolio](#)). Similar structures also exist at provincial level.
- Japan ([Ministry of Land, Infrastructure, Transport and Tourism](#))

It should be noted, though, that none of the above examples integrate leadership on transport and energy. ACE's proposals would bring together leadership on all of the key nationally significant modes of infrastructure.