

Armitt Review Consultation

Consultation response

October 2014

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The Association for Consultation and Engineering (ACE) welcomes the opportunity to comment on the proposals contained within the documents put forward by the Armitt Review at the beginning of September 2014. These recommendations aim to tackle an extremely important issue, as recognised by all the mainstream political parties. If the future economic recovery of the UK is to be long lasting, sustainable, and spread across the country, better design, acceptance, and construction of our infrastructure is crucial.

Executive Summary

The principal points made in this submission are as follows:

- ACE is in broad agreement that a new approach to assessing the infrastructure needs of the UK, one that aims to restore confidence in the data and the process in the mind of the public, would greatly help the delivery of new projects;
- To limit the possibility of delays in the delivery of infrastructure, all political parties should have confidence in the personnel selected to sit on a National Infrastructure Commission;
- The period between the election of a Labour government in 2015 and the final production of a National Infrastructure Assessment will require strong leadership around infrastructure to prevent stalling of delivery;
- A National Infrastructure Assessment might function more effectively if it was not subject to parliamentary approval, rather a robust report on scenarios and outcomes that government would then be free to adopt in full or piecemeal;
- Government departments will need to face strict sanction if Sector Infrastructure Plans are not delivered to time;
- Given the political narrative since the Scottish referendum and various pledges to increase local say around local matters including infrastructure, further clarification is required to ensure any National Infrastructure Assessment fits with this agenda.

ACE supports the broad principals that the Armitt Commission is attempting to address

In his introductory letter to the Shadow Chancellor Ed Balls, Sir John Armitt identifies the lack of an 'evidence-based assessment of the infrastructure that we will require over the next 25-30 years' as 'an Achilles heel for the country.' On this, ACE is in full agreement with Sir John, and as a result the UK has been slow to deliver to the necessary transport, energy, water, and communications networks required, ensuring we can compete in the emerging global economic environment.

One need only look at the debate and discussion around High Speed Two, the new rail link designed to increase capacity on the major north-south links, and reduce time taken to travel between the UK's major cities. Although we have seen successive governments committed to its delivery, the route has not been without its opponents, and public opinion is opposed to the

project (48% - 30%), even after the HS2 Bill passed its second reading in the House of Commons with a majority of 411.¹

This lack of support is undoubtedly the result of two things. Firstly, the mixed messages around the need for a new link, with talk alternating between the time gains through increased speeds and the extra capacity it will bring being the primary reason its construction. Secondly, the cause has not been helped by the continual reassessment of figures and data, such as the cost, which has risen from an estimated £32bn in January 2012 to £42bn (or £50bn if you include the cost of rolling stock) by late 2013. Uncertainty over passenger demand forecasts has also served to sow distrust among the public about the government's command of the information, and undermine its case.

It would seem obvious that a National Infrastructure Commission (NIC), working to produce a robust, evidence-based National Infrastructure Assessment (NIA), would be able to bring some much-needed academic rigour to any judgements about the future needs to the UK in terms of infrastructure. With this rigour would come a fresh confidence in the data, both from the public and elected representatives, who could then make the case (or not) for new infrastructure on more solid grounds.

Undoubtedly, this would also ensure greater consensus about the needs and remedies to the various challenges identified, thus reducing the time needed to debate before plans could begin to be implemented. It would also provide more certainty for the construction industry as, once identified, a project would be more likely to go ahead, and planning, and therefore delivery, could take place more efficiently. This ultimate aim is supported by ACE, and the vast majority of the construction sector.

The constitution of the National Infrastructure Commission could be a cause of delay

As currently outlined in the draft National Infrastructure Bill, the National Infrastructure Commission will consist of a chair and fourteen other members, appointed by various means. Firstly, the commission chair will be appointed by the Prime Minister with the consent of the chair of the House of Commons Treasury Select Committee, secondly, eight ordinary members will be appointed by the Chancellor, and thirdly, a further six members will be nominated by the commission and appointed by the Chancellor.

It is clear from this that there is potential for the independence of the appointees to be called into question, both by the wider public and by Her Majesty's Opposition, who could view the chair and committee members as political appointees. This would undermine the idea that the commission would be following an evidence-based approach to the UK's infrastructure requirements and open up the possibility that its decisions and recommendations can be viewed as politically motivated.

As government appointees, there is also the possibility that a change of government before the chair's term of office is expired could see a new Prime Minister and Chancellor seeking to delay the work of the commission and the delivery of its recommendations until a chair of their choosing can be appointed. This could have the effect of increasing delay and uncertainty for

¹ YouGov poll, 1 May 2014, <http://yougov.co.uk/news/2014/05/01/public-still-oppose-hs2/>

the construction sector as projects are started and then stall as governments change and personnel fall out of favour.

ACE recommends: In these circumstances provision should be included in the draft bill to include the Leader of Her Majesty's Opposition in the discussion of the appointment of chairs, and the Shadow Chancellor of the Exchequer in the appointment of the remainder of the NIC. This would provide cross-party consensus and reduce the potential that an incoming government would seek to change the NIC's membership, causing unnecessary delay.

The time to develop a National Infrastructure Assessment, though necessary, could see delivery in that period stall

The draft National Infrastructure Bill outlines the process by which the NIC compiles the NIA, and future Sector Infrastructure Plans (SIPs) are developed from this. Stages include the preparation of a draft and stakeholder engagement activity, delivery of a final NIA to the Chancellor, the laying of the NIA before the House of Commons for final approval, and individual SIP preparation by relevant government departments.

All told this process is likely to take at least two and a half years to finalise if everything runs smoothly and to deadline from start to finish. There is easily the prospect of overruns, with the bill making provision for amendments requested by the Chancellor and the House of Commons. The development of a NIA could, therefore conceivably consume the vast majority of the lifespan of a parliament.

This delay will be especially significant at the outset of a Labour government from 2015, during which time there is the possibility that development, at the very least, of infrastructure could become stalled as uncertainty grips the construction industry over what will be required under the new NIA. This delay could prove costly to the UK's economy and have serious knock-on effects on the everyday lives of the population, as the cost of the likes of rail travel and energy continue to rise, and access to better work opportunities, skills development, and markets becomes more constrained.

ACE recommends: There is a need to ensure continuity should a Labour government be elected in 2015 so that projects do not become stalled while the NIA is drafted. A comprehensive and robust process should be developed to ensure this is the case, with extra support given by government to projects such as Crossrail 2, 'HS3', the roads investment programme, and various energy schemes. This will ensure construction industry does not standstill as work is put on hold until the NIA is published.

The draft bill also makes provision for revisions to the NIA once in every ten year period, presumably to take account of changes of government or economic circumstance, for instance. Although sensible on the surface, the danger exists of a similar impact to that outlined above, with infrastructure delivery stalling as a new analysis takes place. The draft bill stipulates that in this event it is expected that the existing NIA will remain in place, however it is difficult to see a new governing party not seeking to suspend the previous government's NIA if it formed part of an election campaign.

ACE recommends: One further benefit of the recommendation above that the opposition be tied more closely into the process will be that they will have more input and say into the final

outcome of the NIA and SIPs. That way there will be less inclination to seek to amend and alter and therefore minimising delays and ensuring NIAs span multiple parliaments more frequently.

The process of approving a NIA and developing SIPs is far from certain

As already stated the draft bill outlines the process by which a NIA is approved, ultimately through its introduction into the House of Commons by the Chancellor, who is mandated to introduce a motion seeking parliament's approval. ACE feels this, however, presents an issue. Even with the opportunity to amend and ask for changes to the plan, future Chancellors might be unwilling to lay something before parliament if it is recommending approaches to infrastructure development that run contrary to the government's own thinking.

The draft bill also makes it clear what factors the NIC is to consider when putting together a NIA, one of which includes affordability and sources of new funding, which ACE welcomes. A key consideration in the process has to be around the financing and funding of vital infrastructure, with public spending likely to be constrained well into the future. Beyond this general consideration, however, the draft bill does not make it clear whether there will be any money actually earmarked to this process or not, meaning there is the distinct possibility that it could be easily ignored by the Treasury and the Chancellor by refusing to bring fiduciary solutions forward.

ACE recommends: Rather than submit any NIA to parliamentary approval, a process that Chancellors might find politically difficult, the output from the NIC should simply be accepted as a robust and independent assessment of the infrastructure needs of the UK. Future governments can then pick and choose what they feel are the best ways to deal with the identified challenges and work within the political and financial constraints, prevalent at the time.

Finally, there is an issue around ensuring government departments are aware of the necessity of producing the SIPs they are tasked with in the two year period allocated by the draft bill. Recent experience of the various departments' production of National Policy Statements leaves a lot to be desired, and without proper sanction for failure to meet the assigned deadline, there is the possibility it will just pass and be continually put off by ministers.

ACE recommends: SIPs could be a useful element within the NIC and NIA process, however the departments tasked with producing them should suffer stricter sanction if deadlines are missed. Further work should be carried out to identify what form this can take.

All of these factors threaten to introduce delay and therefore an increased amount of uncertainty in the whole process, and once again could lead to infrastructure stalling. Without remedies, the construction sector would be reluctant to come forward in such circumstances, with the possibility of returns for their investment in doubt.

The bill requires further clarification of the interplay between national, regional, and local

The documents under consultation make it clear that the NIC and the NIA it produces will need to have regard for regional and local infrastructure, and particular how the various modes will

integrate and what 'interdependencies' exist between them. While ACE welcomes this aspect of the documents, there is still more than can and should be done to ensure clarity of responsibility.

The impression that is given by the draft bill, for instance, is that the NIC can unilaterally decide what areas of infrastructure it will focus on, and it can then examine and pronounce on it in the finest detail, effectively excising local government from the process. ACE is certain that this is not the intention, however, as it would run counter to all of the recent trends towards more regional and local involvement in infrastructure provision, and the pledges being made to devolve more power in light of the Scottish Referendum result to all regions, not just Scotland.

ACE recommends: Adding further clarity to highlight the role that local government, LEPs, combined authorities, and the devolved administrations will continue to play in the development and delivery of local infrastructure. This will go a long way to avoiding the impression that the NIC is looking to consolidate power in Whitehall.

About ACE

As the leading business association in the sector, ACE represents the interests of professional consultancy and engineering companies large and small in the UK. Many of our member companies have gained international recognition and acclaim and employ over 250,000 staff worldwide.

ACE members are at the heart of delivering, maintaining and upgrading our buildings, structures and infrastructure. They provide specialist services to a diverse range of sectors including water, transportation, housing and energy.

The ACE membership acts as the bridge between consultants, engineers and the wider construction sector who make an estimated contribution of £15bn to the nation's economy with the wider construction market contributing a further £90bn.

ACE's powerful representation and lobbying to government, major clients, the media and other key stakeholders, enables it to promote the critical contribution that engineers and consultants make to the nation's developing infrastructure.

Through our publications, market intelligence, events and networking, business guidance and personal contact, we provide a cohesive approach and direction for our members and the wider industry. In recognising the dynamics of our industry, we support and encourage our members in all aspects of their business, helping them to optimise performance and embrace opportunity.

Further information

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