

## Policy Update – April 2010



### Infrastructure UK

CIC recently invited Charles Lloyd, Head of Policy at Infrastructure UK, to a meeting at which he explained the function of the new body. Although much is uncertain at present due to the imminent election, it is interesting that the Conservative Party in their election manifesto have strongly endorsed a central aim of Infrastructure UK - the creation of a Green Investment Bank. There will be a series of consultations and plans issued from IU, this year and next. CIC will keep members informed of these developments.

On its establishment in December 2009, Infrastructure UK (IUK) was announced as “a focal point for the UK’s infrastructure strategy and its long-term development and delivery”. This body is currently part of the Treasury but is developing as a separate identity under the chairmanship of Paul Skinner who has come from Rio Tinto. James Stewart is the Chief Executive Officer.

The IUK document “[Strategy for National Infrastructure](#)” was published on 24 March 2010. This document is not a national plan for infrastructure. Rather it represents the first steps in a more integrated approach to infrastructure development. The intention is for IUK to work closely with government departments, devolved administrations, regulators, investors and consumers to develop a programme of action. Formulating policy in this way is a practice followed by other countries such as Australia, Canada and even in regions such as Northern Ireland.

Economic infrastructure, is defined as spending within five specific sectors (energy, transport, water, waste and communications). Spending in the last five years has been an estimated £150 billion, mostly from the private sector. Looking ahead, the demand for investment in economic infrastructure in the UK is expected to be in the range of £40-50 billion per annum until 2030 and possibly beyond. This is significantly above historic levels, driven by demands such as population growth and the need to cut greenhouse gas emissions. New energy and transport projects will form a major part of this spending.

In planning a step change in how the nation plans, prioritises, finances and delivers infrastructure, IUK has three main objectives:

- enabling long term investment;
- developing effective long term plans and priorities and;
- improving delivery.

### *Enabling long term investment*

IUK has already identified that there is a significant risk of a gap emerging in the provision of equity capital to large complex infrastructure projects within the next few years. To bridge this gap, a Green Investment Bank (GIB) is to be established which will operate on a commercial basis and will involve both public and private sector capital. The Government will start by investing up to £1 billion from the sale of mature infrastructure-related assets and would seek to match this with at least £1 billion of private sector investment – creating a fund of around £2 billion.

IUK will manage the establishment of the GIB and will publish a consultation on this body in the summer. Asked what effect a change in Government would have on the proposed GIB, it was noted that the Conservatives see the establishment of a similar body to the GIB as a policy objective.

### *Developing effective long term plans*

Because of the timing of the investment decisions, it is likely that the GIB will initially focus on offshore wind electricity generation. After the election, there will be a spending review which will set out priorities in long term spending. IUK will develop a National Infrastructure Framework (NIF), alongside the process for the next spending review, so that effective decisions on prioritising and timing can be made in the context of a long-term, cross-sectoral view of infrastructure needs.

This NIF will be published by the end of 2010 and will contain:

- a vision of the qualities and role that the UK's infrastructure should aim to develop and sustain over the next 50 years;
- the outcomes the UK will seek through both public and private sector infrastructure development and investment over the next 10 years;
- a portfolio of potential public and private infrastructure investment that will deliver those outcomes; and
- the priority policy interventions for government that will take forward the necessary development of and investment in that portfolio.

IUK will identify critical interdependencies that impact on infrastructure investment needs and publish an action plan by spring 2011. Some of these are already in place (e.g. in the form of the new National Policy Statements and the establishment of the Infrastructure Planning Committee).

### *Improving delivery*

As revealed in the initial High Speed Two report published in March 2010, the cost of major civil engineering works is expensive in the UK. In this country, unit rates for civil engineering works (e.g. tunnels and viaducts) can be up to double those in Europe. To deal with this problem, the Government will set up a steering group with the Chief Construction Advisor Paul Morrell, BIS, OGC, The Department of Transport and other stakeholders to conduct an investigation into the cost of civil engineering works for major infrastructure projects to find out the reasons for these high costs compared with the rest of Europe. These recommendations will be published by the end of 2010, with emerging findings in the autumn!

The IUK will also assist in the development of an Infrastructure Technology Strategy which co-ordinates future investment in research, development and innovation for infrastructure, to be published in 2011. One idea under consideration is the development of infrastructure excellence clusters, bringing together research and innovation with the manufacturing, engineering and service businesses that will commercialise infrastructure technologies and projects. An example of this approach would be the cluster of expertise which developed around Aberdeen in response to North Sea oil and gas development.

Alongside the National Infrastructure Framework, IUK will produce a summary of relevant departmental supply chain analyses and outline any cross-cutting actions.

### *Timeline of Deliverables*

Summer 2010	Publish consultation on Green Investment Bank (GIB)
End of 2010	Publish National Infrastructure Framework (NIF) with initial findings to inform the Spending Review
End of 2010	Publish alongside the NIF, a summary of departments' initial supply chain analysis
End of 2010	Publish findings of the investigation into cost of infrastructure delivery, with initial findings to inform the Spending Review process
2011	Publish an Infrastructure Review Strategy
2011	Publish an action plan on infrastructure dependencies

### *Conclusion*

A Green Investment Bank is not the same as an Infrastructure Investment Bank. Investments such as roads would therefore fall outside this ambit. It is however, along with the creation of the Infrastructure Planning Commission and the

establishment of the office of Chief Construction Advisor, a step forward in creating an architecture for infrastructure development.

Many of these bodies are still in evolution. The final outcome is by no means certain. CIC will closely follow these developments in the next eighteen months.

### **Launch of the low carbon construction IGT review**

The Low Carbon Innovation and Growth (IGT) team has produced its first summary findings pending a full-scale report at the end of the year.

As part of an exercise to undertake a strategic review of construction the Growth Team established a series of working groups – a steering group, a housing working group, a non-domestic buildings working group, an infrastructure working group, a major projects working group, a cross cutting group and a 2050 group.

The overall remit of the IGT group is to: assess the strengths, weaknesses, opportunities and threats to the UK construction industry; identify barriers to improved performance by the industry; consider how construction can rise to the challenge of the low carbon agenda and; produce a report which makes recommendations to Government in the context of producing an action plan for the transition to low carbon.

The main recommendation of the report is that the Government commission a program manager to prepare a detailed execution plan for the physical work assumed in the UK Low Carbon Transition Plan steered by the IGT.

Other suggestions are included in this report as propositions. These propositions are in the process of being refined. Those of particular interest to the construction professions are:

Proposition 11. That the professional bodies should propose the necessary regimes and funding that would enable a much more rapid cycle time for best practice, codes and standards.

Proposition 14. That Government should convene a seminar later this year, chaired by a Minister or by the Chairman of Infrastructure UK, and attended by the Chairs of the regulated utilities, the Permanent Secretaries of the host agencies, DECC and the engineering profession, to review how those regimes obstruct or could aid the transition to low carbon.

Proposition 15. That Infrastructure UK and the engineering institutions should collaborate with the relevant Government Departments and other professional disciplines to develop a workable system of carbon accounting, to the extent that the requirements for infrastructure differ from other sectors.

Proposition 17. That the evaluation models used to determine infrastructure solutions (such as time value models for roads etc) should be reviewed by host agencies, industry and relevant professions to reflect the inclusion of carbon as a primary design constraint.

CIC has consulted with members in relation to this document.

### **Twenty-first century transport**

The Department of Transport (DfT) has produced a report “High Speed Rail” as part of its response to the HS2 investigation on a high speed rail link between London and Scotland.

Working on the rationale that new motorways would not in any case significantly reduce time savings in city centre to city centre travel, and would be less carbon efficient in any case, the DfT supports high speed rail. This would take the form of a possible new Y-shaped line going to Glasgow via the west coast and up to Newcastle on the east coast. One of the advantages of this plan would be to triple the capacity of the London – West Midlands corridor, with a travel time to Birmingham of just 40-45 minutes. As there would be a connection to cross rail this new line would transform the connectivity north south and east west. There would also be a second interchange station close to the National Exhibition Centre.

The proposed initial core of the Y network would cost in the region of £30 billion and would not start until 2017 when the Crossrail scheme would be completed. Construction of this line over seven years would generate about 10,000 new jobs and provide significant opportunities for the UK’s skills base. In relation to funding options, the report notes that there should be contributions from those who will benefit including developer contributions linked to new stations and interchange sites. One of the new stations would be a rebuilt Euston station.

If this strategy is to go ahead the next step for this scheme would be a public consultation.

### **Health and safety committee to visit the Olympic site**

The autumn meeting of the health and safety committee on 19 October 2010 will take place at the main Olympic construction site in East London. This meeting will take place after a tour of the site.

The Olympic construction project has had an excellent safety record so far. Some of the ways in which this record has been achieved include the following.

- The Olympic Development Agency (ODA) ensures that principal contractors take full responsibility for subcontractors' work.
- Contractors must ensure that migrants are fully aware of health and safety standards on site.
- All new workers go through an induction before commencing work on site which includes a medical assessment.
- A condition of employment, supported by the trade unions is that all workers on site must undertake drug and alcohol testing.
- There are education and health promotion campaigns across the site and a telephone hotline, independent of any contractor, which workers can call if they have health and safety concerns.

On what is the highest profile building project in the country, contractors and designers have recently learnt that they can expect even more stringent health and safety requirements. The ODA is now setting key performance indicators (KPIs) which will include: evidence of process to identify and evaluate design options with regard to health and safety risks; score cards for lead designers, CDM co-ordinators and leading contractors and; a target of zero fatalities. Performance against these KPIs has to be reported on a monthly basis.

Commenting on these developments, John Malins of the law firm Davies Arnold Cooper said "It remains to be seen whether the ODA's approach and commitment to health and safety will form the template for other high-profile publicly funded projects. If so, it would highlight the important role that clients have in keeping workers and the public safe".

### **New version of manifesto**

The first draft of the CIC manifesto was launched at the party political conferences in the autumn. Following feedback from member organisations a number of changes have been made. These include the following.

- A new health and safety section which incorporates the Olympic project as an example of health and safety trends.
- Information from the UK Contractors Group in the LEK report which details the multiplier effects of construction investment on the general economy.
- General updating for all the major sections of the booklet, particularly in relation to statistics.

The new version of the document has been distributed to all member organisations electronically, with paper versions for those who request them. Members are encouraged to send the manifesto to the prospective parliamentary candidates in their areas.