

High Speed Rail Industry Leaders

RESPONSE TO CONSULTATION DOCUMENT ON THE NATIONAL INFRASTRUCTURE COMMITTEE PUBLISHED BY HM TREASURY ON 7th JANUARY 2016

1. Introduction

High Speed Rail Industry Leaders (HSRIL) coordinate and share the expertise and experience within the industry and aim to help ensure that Britain's national high speed rail network is delivered successfully to world class standards, leaving a lasting legacy for growth and jobs and skills.

We are delighted to have this opportunity to provide feedback to the consultation document for the National Infrastructure Committee (NIC) published in January this year and the suggestions made for the governance, structure and operation of the commission, as well as its interactions with various government and public sector stakeholders. Our response provides a collective view from members of HSRIL on some of the general principles expressed in the consultation document and more specifically from our perspective as representative for the industry on high speed rail matters and the future development of high speed rail in the UK. Further information on HSRIL and our membership is provided in Section 9 of this response.

2. Overview

We welcome the creation of the National Infrastructure Commission. Our overarching message to help establish its *modus operandi* is that there is a need to conjoin infrastructure strategy with industrial strategy. The latter should embrace, in our view, the development of skills, investment in innovation and support for the creation of a globally competitive UK-base for the wide group of manufacturing and construction sector businesses that deliver new

infrastructure. Part of the value of infrastructure investment to the nation lies in this wider development opportunity.

The consultation document refers to: "the UK's strategic infrastructure [having] suffered over recent decades from a legacy of under-investment and a poor record of long-term planning". We agree that there has been under-investment in infrastructure over many years, and clearly long term planning faces some particular challenges.

But HSRIL must fairly acknowledge that progress on planning high speed rail, by the standards of any advanced developed country, has been very good. Following completion of HS1 in November 2007, the Conservative Party when in opposition in September 2008, responded with a commitment to a £20bn investment in high speed rail; it was only four months later (January 2009) that the then Labour Government created HS2 Ltd with the aim of developing a preferred alignment between London and the West Midlands – duly delivered and published in March 2010 for all to see ahead of a general election in which the plan attracted all-round political support. Its progress since has been through a Parliamentary (hybrid) Bill process which allows objections to be heard in very great detail. Despite challenging timeframes, HS2 Ltd, supported by the industry, delivered the largest, most consulted on, hybrid Bill ever and in the shortest time. Royal Assent is expected at the end of this year and a start on construction is anticipated in early 2017.

We point this out because it shows that even with major investment schemes it is possible, with strong leadership, to make good progress, and it also serves to emphasise the importance and feasibility of major infrastructure investments being able to survive changes of Government. This observation is reflected in our responses to the questions posed in the consultation.

We also observe that, although it is not explicit, the assumption seems to be that the NIC will be concerned solely with *new* infrastructure, and assessments of need made on that basis. We would point out that concerns on the historic underspend on infrastructure apply both to *new build* and to *renewals*, and the NIC may wish to concern itself as well from time to time with the option of

modernising existing infrastructure. Indeed, the choices for high speed rail, as the NIC comes to consider the need to complete Government's stated ambition for a truly national high speed rail network, will likely involve consideration of new build vs upgrade alternatives.

3. Objectives and Scope of the National Infrastructure Commission

The consultation text is rightly concerned with the identification of need [paragraphs 2.1 – 2.6]. HSRIL note that the key drivers of the high speed rail programme, for instance, are rooted in the need for transport capacity in a growing economy and better connectivity in an economy at risk of serious under-performance in regions furthest from London.

We would suggest that the NIC also gives consideration to a wider set of need-related aims than those noted in paragraph 2.1. Often overlooked in needs assessment is the question of (operational and other) efficiency that new or improved infrastructure can bring. We would propose that the NIC explicitly recognises therefore the need to consider the *sustainability* of our national infrastructure in its widest sense which includes a financial component. This would embrace proper concerns about climate change adaptation, maintainability, and network resilience and so make these explicit aims alongside those identified in support of economic growth.

Related to this is the importance of the NIC considering in its work the question of whole life cost (and value); this has a particular bearing on considerations that come later in the consultation document on setting budgets. While we recognise the requirement that Treasury has to meet targets and manage budgets within a timescale that is often thought of in terms of five-year Parliamentary terms, planning and delivering the infrastructure the nation needs is inevitably a longer term matter (as even the rapid progress made with planning HS2 Phase1 illustrates). Moreover, if the capital outlay has a beneficial effect on the public purse in the decades ahead and over the lifetime of the investment (which is set at 60 years in project appraisals, but in practice – certainly with rail transportation – is much longer still), this too needs to be

recognised alongside the charge to the capital account when budgets are set. A more definite transition to making decisions based on whole life value would be welcomed by HSRIL. A clear move to definitively measuring *value* as opposed to the simple measure of up front capital cost, upon which current decisions rely on so heavily, would be a very positive step forward.

With respect to paragraph 2.6, bullet point 2, “assess the strategic and economic case (including value for money assessment)”, HSRIL would also encourage a review of how value for money is ascertained, and what assumptions can be included in an economic case regarding the wider benefits derived from investment in infrastructure. There is a concern that Treasury rules are too pessimistic currently, reducing the ability to separate out the good from the less good, and making it difficult to ‘sell’ investment in infrastructure to the public, local stakeholders, politicians, and decision makers.

HSRIL note and welcome the NIC’s intention to look across traditional government departmental boundaries and at infrastructure needs ‘in the round’ [2.2]. This is of relevance to high speed rail, with an obvious opportunity to consider the need for telecoms/broad-band and other utilities together alongside new rail corridors and thereby minimise land-take, disruption and adverse environmental impacts, compared with infrastructure planned separately. We suggest that within the NIC’s scope should be a pro-active forward look across the sectors/utilities to identify where these opportunities might arise and to guide promoters on the merit in joint project development wherever this looks promising.

We also note the intention [paragraph 2.10] for NIC to consider the impact of infrastructure on housing supply, but that the NIC does not consider that – impact assessment aside – the planning of large-scale housing developments or ‘new towns’ lies within its scope. HSRIL considers that much of the development of new transport infrastructure in the UK is inevitably related to areas where major developments (of various kinds) are likely to take place, and this includes high speed rail. We think that the NIC should have a role which extends into major development too. If its role can be extended in this way, it would address a major ‘gap’ in the coherence of the current planning process.

Finally, whilst acknowledging the clear position stated in paragraph 2.11 on not re-opening decision-making processes where programmes and work have been decided, HSRIL suggests that the NIC could have a voice on the final choices made in order to maximise the benefit of the infrastructure being delivered e.g. for HS2 Phase 2, we believe that NIC should be influencing particular route alignment choices so that they enable rather than frustrate the development of East-West Connections, and the objectives of Northern Powerhouse and Transport for the North.

4. Status and Governance

Q1. Do you agree that the National Infrastructure Commission should be established as a non-departmental public body via primary legislation?

Yes. We also note the accountability the NIC will have to Parliament [paragraph 3.7]. To meet the expressed aim of transparency, we propose that besides the usual reporting to sponsor department Ministers (in this case from HM Treasury), there should be established a new cross-party House of Commons Committee, 'Infrastructure and Long Term Planning', to which the NIC (and in respect of these activities, other Government Departments) can be held to visible account.

In reference to paragraph 3.10, HSRIL also suggest that the effectiveness of the NIC will in part be determined by its own funding provision. It is essential that the legislation to be passed secures a long term funding horizon for the commission. 'Several years at a time' [paragraph 3.10] should be more specific and HSRIL would recommend a 5-year funding commitment for the NIC.

5. Outputs

HSRIL believe that preparation of a National Infrastructure Assessment (NIA) is an exciting development with very great potential. It could itself have economic value by making clearer to the private sector the opportunities that lie ahead. It is, after all, the wider uplifting economic effect of investment in infrastructure

which is prompting the interest of HM Treasury in particular in supporting the long overdue commitment to infrastructure renewal and upgrade.

The NIA is described as something that would be produced once in every Parliament [paragraph 4.14]. It is right that there should be a written document, but we believe that there is a real risk that it will become out-of-date as soon as it is published and lie forgotten on a dusty shelf, failing to serve its intended purpose. We suggest that the NIC raise its ambitions and embrace the notion of a continuously updateable electronic format for the NIA.

Whilst we recognise that there may be practical challenges to administering the NIA in 'real-time', the value in this - besides avoiding premature obsolescence risk - lies in having available at all times a current, publicly accessible, statement of infrastructure plans. This helps individual project promoters plan with greater certainty - and goes some way towards addressing the critical need to manage project overlaps and interfaces. It helps the supply chain plan efficient project delivery. It also helps private sector developers advance their own plans, shortening lags in achieving the wider economic gain that infrastructure investment is so often designed to achieve. And there is no reason why major developments planned by the private sector should not be identified and registered on the live version of the NIA too. This would have to be established using technology that provides a secure data record. If practical considerations make a 'real-time' NIA undeliverable, an alternative, though less compelling, option could be to update the NIA more regularly.

As a general point, while the consultation document recognises that the NIC will not be responsible for delivery and that two thirds of infrastructure is private sector funded, it has an almost entirely public sector orientation. We think this is an oversight, and our proposal in relation to the NIA is part of what HSRIL consider to be a necessary response to it.

Q2. Do you agree that the commission's National Infrastructure Assessments should be laid before Parliament and that the government must respond within a specific timeframe? What would an appropriate timeframe be?

Yes. HSRIL believe that an appropriate timescale for the government to respond to the NIA should be 6 months allowing time to consult and take on board the outcomes of that consultation.

Q3. Do you agree that it should not be mandatory for the government to lay the recommendations from specific studies before Parliament, but that the government should have discretion to do so where necessary?

HSRIL believe that it should be mandatory that the government lays the recommendations of specific studies before Parliament, as it will be obliged to do for the NIA [paragraph 4.8]. We also consider that the specific studies should be an output of the NIA rather than separately generated by government, and that the NIC has an obligation to feed its recommendations into national policy for the land-use planning system [paragraph 4.4, bullet point 3].

As with the NIA, if the government disagrees with the NIC regarding its recommendations on specific studies, the government should detail what other measures it proposes instead or what its alternative assessment is [reference also paragraph 4.8]. The government's response should be time limited in order that pressing and significant infrastructure challenges are responded to in a timely manner to ensure effectiveness. The government should respond to the commission's recommendations on specific studies within 6 months.

Q4. Do you agree that economic regulators should 'have regard' to Endorsed Recommendations?

Yes. HSRIL agree that to make this an over-riding duty would be impracticable. However, regulators should explain situations/reasons when Endorsed Recommendations are not taken forward, on balance against the regulator's other duties and interests, and their response should be time-bound.

Q5. Do you agree that government should legislate to oblige the commission to produce National Infrastructure Assessments once in every Parliament?

HSRIL suggest that the NIA be provided as a continually updateable electronic format as set out above. In any event, the NIA should not be linked directly to political cycles and changes of administrations. The NIA should be and seen to be apolitical in its recommendations.

Q6. Do you agree that that the precise timing of reports and interim publications should be a matter for the commission in consultation with relevant departments?

Reference our response to Q5. As a principle, the commission should be highly consultative in its approach and this very much extends to relevant government departments upon whose cooperation it will most certainly rely.

6. The Commission's Remit

HSRIL is pleased to see [paragraph 5.5] that the NIC should have regard to, but not be bound solely to the HM Treasury Green Book. HSRIL reiterates its position that NIC undertakes its assessments based on developing value measures and whole life value decision-making. This will encourage innovation, investment and more long term thinking in the supply chain's development of infrastructure solutions and assets, including non-infrastructure solutions.

Referring to paragraph 5.7, HSRIL welcomes fiscal transparency but is concerned that a financial envelope that is too limiting could drive decisions that may be affordable in the short term but lead to a loss of whole life value.

The National Infrastructure Assessment is described as something that will be prepared for an incoming administration to consider, with a presumption of a 5-year Parliamentary term. While this is the current arrangement, it can of course be changed by Parliament voting to do so. What is needed is a long term plan that spans Parliamentary terms, that is capable of revision by successive Governments – and indeed, on occasion in response to short-term exigencies – but where the presumption is that commitments entered into will not be changed lightly. We do not see this in the text which talks of the Commission's

remit potentially being reset (presumably possibly in its entirety) though a formal letter from the Chancellor of the Exchequer at the beginning of every Parliament [paragraph 5.18], which could also be used to commission individual studies to be undertaken by the NIC (as explained earlier, we believe that the specific studies should be an output of the NIA, not commissioned independently of the NIA's recommendations – other than in exceptional circumstances).

Q7. Do you agree that a GDP envelope would provide the most effective fiscal remit for the commission?

This is an interesting and an important debate: if the envelope is too tight then the effectiveness of the NIC becomes constrained; too loose, and we may achieve the same outcome as recommendations may not be deliverable in the real world. Much more research would be needed in this area to confirm a view one way or another. For example, if the GDP envelope is bound by what has gone before then we would be setting a precedent for continuing under-investment in infrastructure. HSRIL believe that work needs to be done to benchmark infrastructure spend in developed economies (against GDP) and best practice in planning, delivery and outcomes.

Q8. Do you agree that a transparency requirement should be placed on the commission with regard to its economic remit?

Yes. Otherwise, the credibility of NIC's recommendations will always be challenged.

Q9. Do you think that any additional constraints are necessary to deliver the commission's anticipated benefits to consumers?

HSRIL believe it will be an uphill battle to agree a separate economic envelope and appropriate mechanisms with regulated sectors, potentially tying up the NIC in years of negotiation. We suggest that transparency and openness is the only practical course to take, focusing the commission's energy on its assessments, justifications and core functions, as set out in paragraph 2.1.

Q10. Do you agree that the remit should be set by a letter from the Chancellor, on behalf of the government?

No. HSRIL believe that the NIC's remit should be periodically reviewed by Parliament which may conclude on occasion that new guidance is required. However, this should not come via a letter from the Chancellor, on behalf of the Government, as this immediately introduces the risk of the commission's role becoming politicised.

7. How the Commission will Operate

Q11. Do you agree that the commission's working assumption should be to only review those areas of infrastructure that are the responsibility of the UK government?

No. The increasing pace of devolution - to nations and regions - means there is a likelihood that many of the key infrastructure decisions will be made by devolved authorities, even if funding remains largely from central Government tax-payer funds. The NIC should not be reduced to addressing cross-regional or cross-national boundary issues (although these might be a priority area for attention), or to being an authority for (say) just England and Wales.

Much of the infrastructure required to ensure that investment in national programmes is effective and delivers the intended outcomes, such as connectivity, capacity and economic growth in the case of high speed rail, relies on the support and the enabling infrastructure provided in our city regions and by our devolved national administrations. There cannot be a 'disconnect' between the core programme and that which enables its effective integration. There should be a duty upon the NIC to consult fully in order to gain widespread support. Programmes are only successful when this is achieved.

The NIC relationship with devolved bodies needs to recognise not only their differing powers and ability to raise funds, but also their inevitably different levels of capability at this stage in their evolution.

Q12. Do you agree that the decision of whether to accept or reject the commission's recommendations should rest with the responsible government?

With devolution, the response of the devolved regions and nations also becomes a matter of considerable importance. Clearly the prospect of two layers of acceptance/rejection might seem daunting to the NIC but it will have consulted on its emerging findings and the reality is that sometimes there are differing perspectives at regional levels. We therefore suggest that these bodies – reflecting whatever powers have been devolved – should also have rejection/acceptance rights, and that the NIC, recognising this state of affairs from the outset, will help to seek consensus around its recommendations. So the answer is yes, but with a recognition that we are moving to a multi-layered 'government' in respects that are relevant to the NIC's work. This requires that the devolved administrations are fully engaged with the NIC's remit to ensure full and effective buy-in is more likely.

Q13. Should departments be obliged to accede to the commission's requests for analysis?

Yes. The NIC will be unworkable otherwise.

Q14. Do you agree that the legislation used to create the commission should place obligations on the relevant regulators and public bodies to share information with the commission?

Yes. The NIC will be unworkable otherwise.

Q15. Should legislation also place obligations on the relevant regulators and public bodies to provide analysis for the commission?

Yes. And in saying 'yes' to this we would comment that where analysis already exists it should be readily shared and every effort made to avoid duplication and inefficiency, and the tax-payer paying twice. Where analysis does not exist it is

probably more efficient for the regulators and public bodies who know the subject matter best to provide it.

8. Planning

Q16. Do you agree that the government should specify a timetable to review or replace a National Policy Statement when endorsing recommendations?

Yes. Not only do we believe there should be an obligatory read-across to the appropriate National Policy Statement, but also to a spatial plan – or to a ‘national policy for land-use planning system’ as it is put at paragraph 4.4.

Q17. Do you agree that, while additional consultation may be necessary, consultation undertaken by the commission should not be repeated by the Secretary of State when preparing a National Policy Statement?

Yes. Government should avoid inefficient duplication of effort.

9. High Speed Rail Industry Leaders (HSRIL)

HSRIL coordinate and share the expertise and experience within the industry and aim to help ensure that Britain’s national high speed rail network is delivered successfully to world class standards, leaving a lasting legacy for growth and jobs and skills. In bringing together companies in the UK, HSRIL is creating a UK centre of excellence in high speed rail that complements the work of HS2 Ltd. HSRIL is open to all organisations with an operational base in the UK.

HSRIL members represent a wide range of UK-based companies which operate on a multinational basis. These organisations employ thousands of UK-based employees across a broad spectrum of disciplines, and have unprecedented experience in large capital projects both in the UK and overseas. These companies generate significant tax revenues for the exchequer and bring innovation, experience and technical leadership in a competitive environment to the UK rail industry.

We believe that HS2 will serve as a springboard for the creation of an export-led UK rail industry. This is strategic Government investment that brings connectivity gains, additional capacity to the national transport network and helps create a lasting legacy of a re-born industrial sector.

We want to take an active part in ensuring this vitally important project for the UK is delivered successfully to the right specification on programme and to budget with strengthened UK-based businesses, right along the supply chain.

HSRIL Membership

Full members	Expert members	Affiliate members	SME members
Atkins, Bechtel, WSP/Parsons Brinckerhoff, RIA, Siemens, Hitachi, Alstom, Bombardier, Costain, Laing O'Rourke, Kier, CH2M, Bouygues Construction, Fluor, Skanska, Balfour Beatty Vinci	National Skills Academy for Rail, Stephenson Harwood, Young Rail Professionals	Network Rail, HS2 Ltd, Transport Scotland, University of Birmingham	Mechan Ltd Idom Merebrook Ltd