



Future Infrastructure and Zero Carbon

30 April 2020

Summary remarks and Q&A with Sir John Armitt, Chair of the National Infrastructure Commission, presented during a live webinar hosted by Maitland/AMO on 30 April 2020. For more information please contact James McFarlane (jmcfarlane@maitland.co.uk).

Opening remarks

- Construction workers are able to register for coronavirus testing alongside NHS workers and staff in other critical roles – this highlights how important the sector is for the government at the moment.
- Housebuilders are starting work again, and we'll see a steady flow of additional construction activity over the next few weeks.
- Question is how long it will take to get back to the level of capacity that the industry had back in February – some believe that could take well over a year.
- We should take comfort that the Government sees the continued importance of the 'levelling up' agenda, and infrastructure spending as a vital part of getting the economy back up and running.
- What does the crisis mean for the [National Infrastructure Assessment](#) we published in 2018? It will not change just because of a few years hiatus. Zero Carbon is central to these recommendations, they were long term forecasts and they are still valid.
- The National Infrastructure Commission is about to start another long-term forecast that will be published in 2023.
- How can the construction industry get going quickly? Are there any shovel-ready opportunities? Generally speaking, there are not many projects just waiting on the shelf – it's not as simple as that.
- Managing flood risk is one area that we could accelerated. Government has allocated additional funds and it could be an opportunity to fast-track new projects.
- The acceleration of the fibre roll-out is another example, especially as the Prime Minister would like to see this by 2025 – which is ambitious, but achievable. However, by concentrating resources to advance a particular project you will deny resources to others.
- It was encouraging to see HS2 Phase 1 getting the final 'Notice to Proceed'; and the National Infrastructure Commission is now looking at various options for HS2 Phase 2B and how it connects with the Midlands Rail Hub and Northern Powerhouse Rail
- COVID-19 need not impact the UK's plan to reach net zero by 2050 – in fact, behavioural changes brought about by the crisis could lead to reduced carbon.

- Changing attitudes towards long distance travel will country to affect the aviation industry, while the country is already on a trajectory to switch to electric vehicles.
- We'll still need to generate the electricity, and we need more certainty over energy sources.
- On the subject of new nuclear power stations, Government must decide how much risk it is prepared to take for new projects to proceed.
- Big questions remain over emissions from heat – decisions needed on Carbon Capture & Storage, hydrogen, and heat pumps.
- We are still waiting for the Government's National Infrastructure Strategy – we would expect this in the Autumn now, after the Comprehensive Spending Review Process.
- In broad terms, we expect the Government to maintain its enthusiasm for infrastructure – if for no other reason than it is, and always has been, one way in which you can get some activity and movement into the economy.

Q&A

Are you concerned about the impact of social distancing on the timing of construction work?

It will be a significant ongoing challenge. Some might argue it could lead to more efficient ways of working.

What is your view on the relationship between the National Infrastructure Commission and the new rail body that is expected to be created following the Williams Review?

It is clear that owning groups are no longer interested in bidding for franchises, and there will have to be a re-arrangement of the risk profile between Government and train operators. We're heading towards a TfL approach – reduced risk for operators but reduced margins. On the new 'guiding mind' – get the impression not too much detail has been done on that so far, in the short-term we will see more government intervention and control. The National Infrastructure Commission's relationship will probably be much as it is currently with Highways England.

Are you concerned that the financial constraints the Government will soon be under will mean warm words on infrastructure but an inability to pay for it (with particular reference to HS2)?

Government could take a very long-term view of reconstruction financing following the crisis, so the money could be available. The Government will have to take a much longer-term approach to debt – if it can maintain interest payments then long-term debt is less of an issue.

What is the National Infrastructure Commission's latest thinking on hydrogen, and how do you think we should stimulate its production?

We agree with that hydrogen seems to be one of the key solutions going forward. Our assessment recommended moving to large-scale testing, primarily to ensure that the system

could be safely installed and operated. What we need from Government is a recognition that it has a role to play alongside the private sector. We will continue to press the Government to bring this forward.

Given the situation with Heathrow expansion, do you see the Airports National Policy Statements being revised to incorporate carbon reduction, and if so, how?

We envisage that in the next National Infrastructure Assessment we will particularly look at regional airports and the wider issue of air capacity in the UK. Decarbonising air travel will be reliant on the continuing reduction in weight of planes and increased use of biofuels. If we want to show the world that we are open for business post-Brexit then Heathrow remains the critical project that needs to go ahead, regardless of COVID-19.

If we're going to achieve net zero by 2050, we need clear sectoral roadmaps supported by policy frameworks. Is the Government moving quickly enough to develop these sectoral roadmaps that get us to net zero? And could UK industry do more to shape their design?

Is the Government moving quickly enough? No. Thirty years in infrastructure terms is a short period of time – if we don't start making these decisions in the next five years then the chances of actually getting to net zero are remote. We won't get there without clear strategic policy development and a strong element of input from industry. Delivery is largely in the hands of industry and the private sector. We need to get better in the UK at turning policy into delivery.

What role should the National Infrastructure Commission have in preventing 'boom and bust' by ensuring a steady flow of work across the industry?

The technical answer is – not a great deal. Most delivery is done by the private sector – but for the industry to invest, it needs to have a better understanding of a long-term forward plan and clearly one way of doing that is to set out a National Infrastructure Strategy with a plan and the money to support the plan.

Do you believe that COVID-19 and Conservative Party policy will lead to a genuine increase in affordable housing?

No, I don't see anything that is leading to a significant improvement in the delivery of social housing. This is not a National Infrastructure Commission view because housing is not in our remit (although it is connected). On affordable housing, I struggle to see how we'll ever get up to the numbers which are required without government / local authority intervention in the market.

How can the UK construction industry be kept viable while we wait for more clarity from Government on the major infrastructure project pipeline?

If anyone is going to influence the industry, it's the clients – they set the tone, they set the requirements, they set the expectations. Post-crisis, clients will need to sit down with contractors and take an honest look at the current contract and say: 'is it still appropriate, is it

going to require some adjustments?’ The success of the industry depends on collaboration between the actors – and there is no collaboration unless the client wants collaboration.

Will the National Infrastructure Commission’s ‘Rail Needs Assessment for the Midlands and the north’ study consider the needs of existing users of the network, including rail freight, to ensure they can also grow?

Yes – freight will certainly be part of the exercise.

Considering recent environmental challenges to major projects, how can we present infrastructure as more of a solution than a risk to climate change?

I was surprised when the Government said it would not appeal the Heathrow decision, because it was very clear that the ruling is going to bounce back across the whole of infrastructure – roads, rail and everything else – as a vehicle for those who are determined to oppose projects. Engagement and consultation are vital, having detailed conversations with the public, and offering choices from the outset. These issues are not going to go away, so everyone in the industry has to be more willing to spend more time at the beginning of projects debating these issues and trying to find practical solutions. Communication with the public is key.

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