

National Infrastructure Commission

Response to HM Treasury
March 2016



The Royal Academy of Engineering is pleased to respond to the HM Treasury consultation on the National Infrastructure Commission (NIC). This response has been compiled through evidence gathered from Fellows of the Academy from academia and industry who have expertise across sectors of national infrastructure. The Academy would be pleased to provide further information if necessary.

The NIC is a vital development in the UK's efforts to secure the national infrastructure necessary to ensure continued economic prosperity and social wellbeing. Answers to the specific questions raised in the consultation are provided below. However, it is worth noting in general that national infrastructure is part of a complex, interdependent system and no single project can be viewed in isolation. Society is becoming increasingly dependent on its supporting infrastructure and, in particular, the digital and communications systems that connect them. It is important that, in its deliberations the NIC takes full account of the interconnected and interdependent nature of modern infrastructure.

Status and governance

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

Answer: Yes. The NIC will be concerned with infrastructure needs and projects that span several decades and Parliaments. This will include all new and future infrastructure needs as well as ensuring focus on any necessary upgrades of existing infrastructure. It is essential that the NIC can secure cross-party consensus for its recommendations and this will be best achieved if it is a non-departmental public body.

Outputs

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?

Answer: Yes, the National Infrastructure Assessments should be laid before Parliament because, because the decisions of the NIC relating to infrastructure will need to obtain political consent from the elected Parliament which is responsible for checking and approving Government spending. The timing should be structured around the relevant fiscal activities of Parliament such as Comprehensive Spending Reviews or Budgets.

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?

Answer: Yes, in general this is already the case with national infrastructure planning where projects have already been approved. Recommendations from specific projects will need to be put before Parliament in cases where resulting Endorsed Recommendations require democratic consent or changes to legislation.

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

Answer: Yes, where appropriate in terms of the regulators' other duties.

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

Answer: Yes, a National Infrastructure Assessment will be needed for the beginning of each Parliament as it will need democratic endorsement from the new Parliament if it is to be effective.

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?

Answer: Although the commission should have some discretion as to the timing of reports, referring back to the answer given to question 2, the timing should still be structured with regard to Parliamentary business relating to budgetary decisions that will affect the given infrastructure projects.

The commission's remit

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

Answer: Yes, the overall scope of the commission's remit will relate mainly to macroeconomic metrics and, as such, a GDP envelope will be most appropriate.

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

Answer: Yes, the work of the commission must adhere to highest principles of transparency if it is to impart trust and have the necessary impact. This should include full details of any economic models used by the commission and the assumptions underlying those models. Indeed, standardisation of accepted assumptions should be a key aim of the NIC, allowing different projects to be compared in a consistent and repeatable process in terms of cost/benefit analysis and with a focus on practical, outcome focused evidence.

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

Answer: Additional constraints should not be necessary if sufficiently complete economic models are used by the commission. It is possible that some social constraints may be outwith any economic model and this will need to be given careful consideration.

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

Answer: Yes, this seems appropriate.

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?

Answer: No. The scope of the NIC should be all infrastructure for the whole of the UK. The NIC will be concerned with establishing the need for national infrastructure assets but will not be making decisions. There are clearly some issues that are regional in nature, but in general, infrastructure is a complex, interdependent system that spans the whole of the UK. Final decisions may be made at a local or devolved level but analysis by the NIC should not be restricted in this way.

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

Answer: Yes, the decisions on NIC recommendations should be made by the responsible government.

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

Answer: Yes. This may potentially encounter issues over resources, particularly in times of austerity, but the NIC will need access to the best available evidence, sector and regulatory knowledge, and expertise. So, in principle, departments should accede to requests from the NIC for both data and analysis. However, it is also vital that any analysis carried out by agencies outside the NIC is rigorously checked. If the NIC is not capable of confirming the validity of the analysis it will be impossible for them to claim to be providing independent advice.

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?

Answer: Yes, as with the answer to question 14, the NIC will need access to the best available information in order to carry out its work effectively.

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

Answer: Yes, refer to answer to question 13.

Planning

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

Answer: Yes, it is vitally important that all decisions regarding major infrastructure projects are given a clear timetable. Uncertainty and delays in the planning process are a major cause of increased costs and lack of investment.

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?

Answer: Yes, any repetition might cause unnecessary delays.