

CECA Consultation Response

Civil Engineering Contractors
Association
1 Birdcage Walk
London
SW1H 9JJ

National Infrastructure Commission
1 Horse Guards Road
London
SW1A 2HQ

8 January 2016

Dear Sir/Madam

[National Infrastructure Commission call for evidence](#)

1. The Civil Engineering Contractors Association (CECA) welcomes the opportunity to respond to the above named consultation.
2. CECA provides the voice for those companies large and small who create, improve and maintain the UK's vital transport and utility networks. Our membership of more than 300 companies together delivers an estimated 70-80 per cent of all infrastructure construction work carried out nationwide. Our industry supports the employment of around 200,000 people with annual output of up to £25 billion.
3. We have long argued that the development of infrastructure in the UK has lacked long-term strategy. This has meant that large projects such as Crossrail and High Speed 1 have taken far too long to develop and build. Today, the delays we continue to see in solving the problems of airport capacity reflect this challenge.
4. Delays damage the construction industry's confidence in national infrastructure planning, resulting in lower investment in innovation and training within the industry.

The National Infrastructure Commission

5. CECA therefore welcomed the news in October 2015 that Chancellor George Osborne would establish an independent infrastructure Commission to help Government plan for the long-term. This is a policy change we discussed in our 2014 policy document, *The Infrastructure Decade*. It was also a recommendation of *Securing our Economy: the Case for Infrastructure*, CECA's joint report with the Centre for Economic and Business Research in 2013.
6. We anticipate that the new Commission will be given real authority to assess and make proposals for long-term major infrastructure projects alongside its development of innovative solutions to fund these infrastructure requirements.
7. In our view, the Commission should build on the existing National Infrastructure Plan to provide an overarching national infrastructure policy framework, linking to all Government departments and major stakeholders, helping to align strategies.
8. The new Commission must be empowered to become a truly independent expert body with a clear long-term role. This would give the construction industry, the business community and the wider public confidence in the direction of UK infrastructure for the long-term.
9. We recognise that the Commission has been established to advise on infrastructure, rather than to make decisions. It is appropriate that the final decision on matters related to strategically important infrastructure issues rests with those who have been given a democratic mandate to do so.
10. However, we also recognise that the credibility of the Commission, and its potential to build confidence in the long-term future of the UK's infrastructure planning, will be strongly linked to how the Government of the day responds to any advice that it provides.
11. As such, we would have concerns if the Commission's advice is not typically accepted and acted upon. Were this to be the case, there is a risk that the Commission would actually serve merely to perpetuate and amplify the political challenges that it has been established to help cut through.
12. **We anticipate that the Commission will prepare an annual report of its activities. We recommend that this report provides an item-by-item overview of the advice that has been provided to government, along with a RAG rating of whether that advice has been implemented in part or in full. This will allow stakeholders to have visibility of the Commission's views on whether its advice is being taken up.**

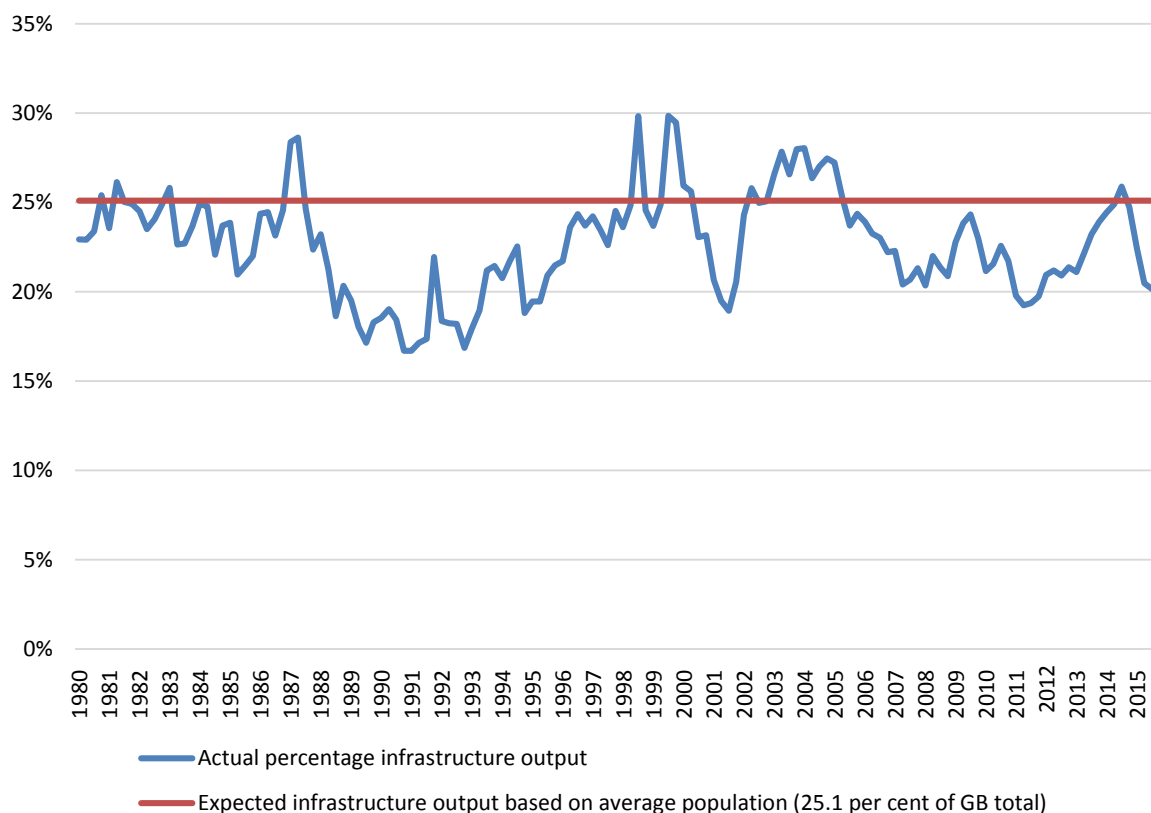
CECA response to the Call for Evidence

13. Much of the Call for Evidence focusses on issues related to strategic planning for infrastructure. While our members have an interest in these issues, we do not collect evidence that would be useful to support the Commission in these areas. As such, we have limited our initial response to those areas where we feel we can provide useful views from industry.

Improving connectivity between cities in the North of England

14. Our members have a dual interest in the issues of connectivity in the North of England. Members of our regional associations in North East, North West and Yorkshire & Humberside not only deliver an estimated 70 per cent of all transport infrastructure construction work in the North of England, but are also extensive users of the networks. As such, they have extensive experience of the challenges of connectivity between northern cities.
15. These companies recognise that the North of England has historically seen a lower level of investment in its infrastructure than elsewhere in the UK. The difference is particularly acute when comparing investment in northern England with that in the South East and London.

Northern infrastructure output as percentage of GB infrastructure output

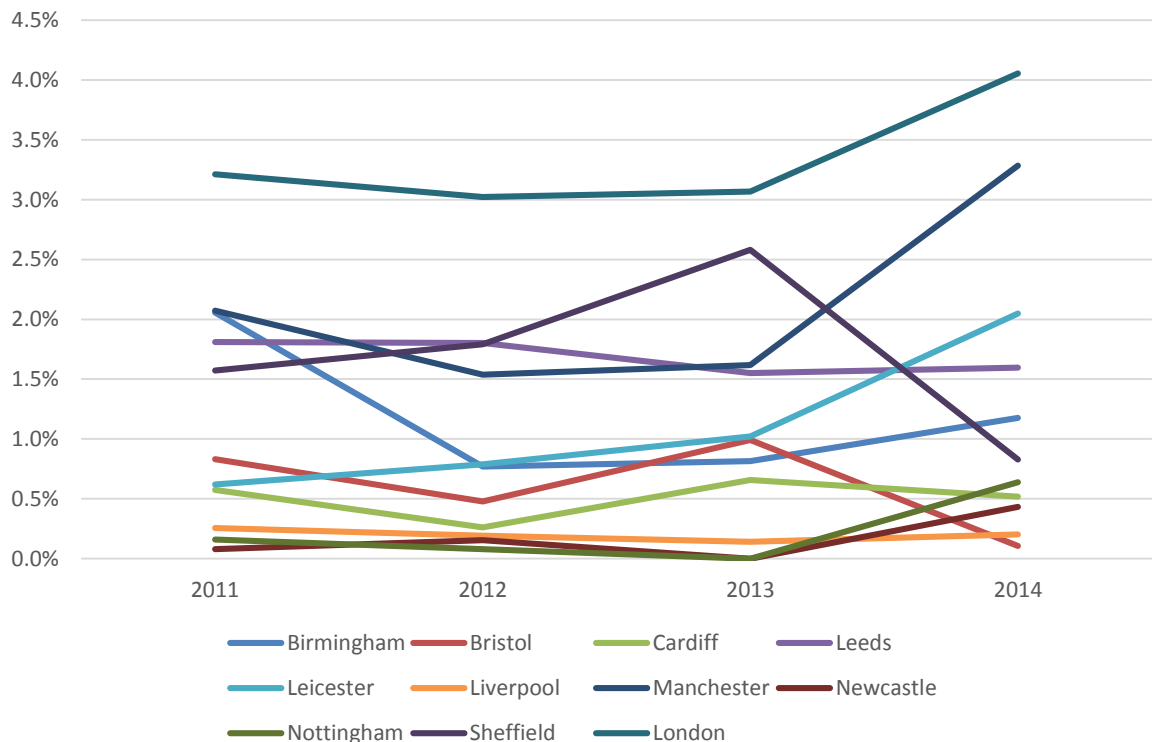


16. The graph on the previous page illustrates this issue. It shows that since the Office of National Statistics started collecting output figures for infrastructure in 1980, regional breakdown of the data shows that the North of England (North East, North West and Yorkshire & Humberside) has largely seen lower levels of output in infrastructure than would be expected based on its 25.1 per cent average share of the GB population.
17. There are many strong arguments why this may be the case. While many of the UK's largest cities are in the North, the most populous regions of the UK are the South East and London. This large and growing population creates additional pressure on infrastructure networks, necessitating investment to maintain network capacity and availability.
18. We see evidence of this in the levels of congestion on roads in London and the South East compared with the rest of the country. According to Department for Transport figures¹, 17 of the 20 local authority areas with the greatest delays due to congestion are in London and the South East.
19. Similarly, official figures² show that London experiences more overcrowding on its trains than any of the northern cities (although the most recent figures for Manchester suggest that it is starting to experience similar levels of congestion).

¹ Department for Transport - *Average journey times during the weekday morning peak on locally managed 'A' roads:*
by local authority in England, annual averages from 2006/07

² Department for Transport - *Passengers in excess of capacity (PiXC) on a typical autumn weekday by city:*
annual from 2011

Passengers in excess of capacity on a typical autumn weekday by city: annual from 2011



20. The economic geography of the UK also means that the business cases for investment in London and the South East are stronger, as assessments are built (in part) on the basis of economic impacts of investment on business users and private sector providers. The higher economic output of London and the South East therefore strengthens the economic case for investment as 'higher value' impacts will be achieved.
21. However, these factors create a self-sustaining vicious circle, with investment in housing and industry 'sticking' in London and the South East. This creates a more unstable economy in the region with rising population and increasingly costly infrastructure to mitigate the congestion this creates.
22. As we will discuss later in this paper, we do not believe that the response to this should be to transfer transport investment away from London. The factors that underpin London's rapidly rising population will take time to resolve, and it would be dangerous to remove the investment that ensures that the capital's transport networks can continue to function.
23. But we equally recognise that some of the pressure on London could be relieved if cities outside London, including those in northern England, offered the factors that currently attract people and investors to London. In doing so, they could draw people away from London, while stimulating more balanced economic growth across the country.
24. It is very clear that appropriate investment in transport is one of the most effective mechanisms to boost economic activity in a region. Our report *Securing our Economy: the Case for Infrastructure* found that for each £1 billion increase in infrastructure investment, UK-wide GDP increases by a total £1.299 billion. Furthermore, for every

£1 billion of infrastructure construction increases overall economic activity by £2.842 billion.

25. Importantly, investment in infrastructure boosts job creation. The same report found that for every 100 jobs created during the construction of infrastructure, a total of 305 jobs are created in the economy as a whole. There is also strong evidence of a link between infrastructure investment and the development of new housing.
26. **For the above reasons, we believe that the Commission may wish to consider whether future transport investment appraisal may put additional weight on the ‘rebalancing’ impacts that can be achieved through investment outside London. This should not be seen as a political fix to move investment towards the North (although it may drive a ‘fairer’ balance of investment across the country in the future). Instead, it is a way to give greater recognition to the rising costs to the wider UK of an overheating economy in London and the South East, while still expecting each project to demonstrate the value that it creates.**
27. We believe that part of the challenge for the northern cities in terms of their ability to present credible cases for transport investment arises as a result of a lack of coordination. Historically these cities have tended to compete for resources rather than collaborate effectively. As such, they have not had the ‘firepower’ to present a consistent vision for their needs, in a way that London has been able to.

28. For this reason, we have welcomed the development of Transport for the North (TfN). We believe that it has the potential to develop a credible vision for the future of transport in, and between, the major cities of northern England. If it functions effectively, it should be the best positioned body to analyse and determine what the most appropriate major transport interventions should be across the North of England, and build a credible case for how they should be delivered. But in order to do so, it is vital the TfN is provided with the appropriate level of resources to discharge this role.
29. To this end we would wish to see strong leadership and authority from the newly established TfN. Clarity must be given as soon as possible on the role of TfN and how it will interact with other regional transport bodies including Transport for Greater Manchester in this work.
30. Part of this work will necessitate TfN to consider how future investment will be funded. While we would anticipate that existing funding streams would continue or be replaced, this will not be sufficient to cover the full cost of delivering the TfN vision.
31. To ensure that resource constraints do not hold back delivery of this vision, we believe that TfN should build on the successful funding model for Crossrail. The large scale of Crossrail meant that it could dig deeper into who the beneficiaries were for the project, and therefore more closely tie the funding for the work to those who would see the greatest benefit. As a result, Crossrail's funding was drawn from a wide range of stakeholders including major companies (Heathrow, Berkeley Homes), wider industry (Business Rate Supplement), and the tax payer (DfT and GLA/TfL) with each paying a fair contribution based on the benefits they would realise from the project.
- 32. As such, we recommend that TfN be given the freedom to consider a programme-level 'northern transport deal' that would look at the full range of beneficiaries from the plans, developing a mechanism that seeks contributions based on all stakeholders making a fair contribution based on the benefits that they will see from the programme being delivered. This model will also have the additional benefit of confirming the support of the population of the North of England for TfN's plans.**
33. CECA members are increasingly concerned about the deterioration of local roads in northern England due to decreasing local maintenance spend. The majority of vehicle journeys begin on local roads, and it is vital that these too are well maintained to ensure efficient journeys across national networks. There is an ever increasing backlog of local maintenance work which we believe must trigger an urgent rethink of the way repairs are funded.
34. To ensure there is enough money for highways maintenance alongside other major infrastructure projects, we propose wider use of prudential borrowing, while consideration should also be given to private finance models and the targeted use of local authority reserves.
35. We also feel that there are lessons from the water sector's transition from CAPEX to TOTEX spend, with greater consideration of the best way to invest to achieve outcomes, rather than purely looking at capital solutions.

London's transport infrastructure

36. As noted in our response above, we see transport congestion as a fundamental and enduring challenge to the future of London. This is not only a problem of London's future but one of its present, with increasing challenges associated with the use of the capital's road and rail networks. Already some of London's stations are overcrowded to the point that they are not accessible at certain times during the day, while commuters are unable to board some trains into the city at peak times. The capital's roads congestion is not only the worst in the UK, but is also higher than any other city in Europe³.
37. For this reason, as noted above, we believe that there needs to be a twin approach to resolving these issues. The first priority must be to ensure that demand continues to be met. This will require sustained investment in all of London's transport networks. However we also see the need to develop a strategic approach to divert population growth away from the capital by presenting viable opportunities elsewhere in the UK.
38. **We recommend that the Commission seeks evidence of the factors that are underpinning London's continuing economic growth. This evidence should then be analysed to consider how these factors might be replicated elsewhere, while using appropriate demand management to ensure that London's future population growth is better matched to its ability to respond.**
39. When looking at the specific large scale transport improvements that are required in London, we believe that decisions on which options to take forward should be based on which will deliver the best outcomes for London and the UK as a whole.
40. On this basis, the case for the delivery of Crossrail 2 seems very strong. The route targets an alignment that will tackle some of the most pressing congestion hotspots on the existing rail network, while also opening up significant tracts of land in north east London for the development of the housing that will be required to meet London's growing population, even if efforts to divert some population growth away from the capital are successful.
41. While recognising that the project will require significant upfront development funding, we understand that Transport for London forecasts that delivery of the project will largely pay for itself through a similar funding model to Crossrail, with those in the capital who will benefit from the project being asked to contribute towards its cost.
42. Through the recent/current delivery of Crossrail, Thames Tideway Tunnel and Northern Line Extension, London has developed a sustained pipeline of major tunnelling projects with continuity of workload for the sector. We anticipate that this pipeline will extend into the near future with works to deliver HS2 and the Silvertown Crossing.
43. However, there is a risk that the expertise that has built up in the UK may be lost if Crossrail 2 does not proceed. This would have negative consequences for the UK's

³ Europe's most congested cities in 2014 (ranked by annual hours wasted):
<http://inrix.com/press/scorecard-report-united-kingdom/>

ability to sustain this trained workforce to efficiently deliver other future tunnelling projects.

44. We also believe that there are significant opportunities to increase the benefits and reduce the costs Crossrail 2. Experience from many previous large infrastructure projects shows that many of the opportunities for efficiency and additional benefit are constrained due to decisions made at the earliest stages of development. Choices around the route, access and broad construction methodology tend to be taken early in the project life cycle, yet these can have significant downstream impact.
45. The companies who are involved in the delivery of infrastructure will tend to have the best understanding of where these opportunities lie. However, the pressures of existing procurement regulation mean that project developers often find it difficult to engage suppliers early to seek advice, for fear of falling foul of rules intended to avoid later conflicts of interest.
46. We believe that the revised EU procurement regulations give greater clarity that such early engagement is acceptable, with appropriate safeguards.
- 47. As such, we believe that Crossrail 2 should be used as an exemplar of what can be achieved by appropriate early involvement of the supply chain in the development phase. Our engagement with members indicate that such activity could reasonably be expected to deliver at least 20 per cent savings against typical costs for a more traditional approach.**
48. We believe that this engagement could be achieved through ‘ultra-early’ appointment of suppliers to work on the scheme right through from early development through to delivery. However, recognising that this may be perceived as closing out options for competition for the delivery phase, we also see options for appointing an independent panel of advisors, drawn from industry, who would provide buildability advice to Crossrail 2 Ltd. Such advisors could be appointed from a panel of volunteers that would be seconded from industry, selected for their specific expertise around a given issue, and paid on a consultancy basis via a standalone body to remove any issues around conflict of interest. This would allow Crossrail 2 Ltd to benefit from the insight that could release the cost savings outlined above, while avoiding any concerns that advice from individual supply chain companies could see those companies barred from bidding for future work.